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New World China Land Limited

新世界中國地產有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0917)

CONTINUING CONNECTED TRANSACTIONS

The board of directors of New World China Land Limited (“**the Company**”) announced that a tenancy agreement was entered into between Shenyang Trendy Property Company Limited, an indirect wholly-owned subsidiary of the Company, as landlord, and Shenyang New World Department Store Ltd., an indirect wholly-owned subsidiary of New World Development Company Limited (“**NWD**”), as tenant, for lease of certain floors of New World Hotel, Shenyang.

By virtue of the fact that NWD is the controlling shareholder of the Company, the transactions contemplated under the tenancy agreement constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

As the estimated amount receivable under the tenancy agreement will exceed 0.1% but will be less than 2.5% of each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules, the entering into of the tenancy agreement will be exempt from the independent shareholders’ approval requirements under Rule 14A.34 of the Listing Rules but will be subject to the annual review and reporting requirement under Chapter 14A of the Listing Rules.

TENANCY AGREEMENT DATED 17TH MAY 2006 (THE “TENANCY AGREEMENT”)

- Landlord:** Shenyang Trendy Property Company Limited 瀋陽時尚物業有限公司 (the “**Landlord**”), an indirect wholly-owned subsidiary of New World China Land Limited (the “**Company**”)
- Tenant:** Shenyang New World Department Store Ltd. 沈陽新世界百貨有限公司 (the “**Tenant**”), principally engaged in the operation of department store in Shenyang, being an indirect wholly-owned subsidiary of New World Development Company Limited (“**NWD**”)
- Premises:** portion of the first to fourth floors of New World Hotel, Shenyang, located in 2 Nanjingnan Street, Heping District, Shenyang, Liaoning Province, the People’s Republic of China (the “**PRC**”), including the external wall and the surrounding outdoor plaza (the “**Premises**”)
- Lettable area:** 13,976 square metres
- Term:** an initial term of three years commencing from 1st May 2006 and is renewable for successive terms of three years upon its expiry
- Yearly rental:** the higher of
- (i) fixed yearly rental (“**Fixed Rental**”) of RMB18,000,000 (equivalent to approximately HK\$17,308,000) for the year ending 30th April 2007 which will be increasing at a rate of 3% per annum in the following years; and
 - (ii) floating yearly rental (“**Sales Rental**”) which is 5% of the gross sales revenue (“**GSR**”) of the Tenant
- The yearly rental is exclusive of any rate, management fee and maintenance charges.
- Scope of GSR:** GSR will be the sales revenue earned by the Tenant in course of business which is carried on in the Premises as reported to the tax authority in the PRC after value-added tax, including the rental received from sub-lease of any part of the Premises, sales of consigned goods or associated merchandises
- Payment term:** the Fixed Rental is payable monthly in 12 equal instalments and each monthly instalment is payable by the end of the preceding month
- The Tenant should provide the figures of GSR to the Landlord on annual basis within 90 days after the year end. In the event that the Sales Rental is higher than the Fixed Rental, the difference will be payable by the Tenant within 15 working days thereafter.

THE CAP AMOUNT

The directors of the Company (the “**Directors**”) expect that the annual rental receivable under the Tenancy Agreement will not exceed RMB30,000,000 (equivalent to approximately HK\$28,846,000) (the “**Cap Amount**”). The Cap Amount is determined with reference to the projected Sales Rental expected to be received by the Landlord under the Tenancy Agreement as the Directors anticipate that the Sales Rental will be higher than the Fixed Rental based on the Tenant’s best estimate of the GSR of RMB486,000,000 for the 12 months ending 30th April 2007 and the annual increase in the GSR by 10%. The historical GSR of the Tenant is RMB383,302,000 for the year ended 30th June 2005.

REASONS FOR ENTERING INTO THE TENANCY AGREEMENT

The Company is principally engaged in property development and property related investment in the PRC. The Directors, including the independent non-executive Directors, consider that the Tenancy Agreement, being arrived at after arm’s length negotiation, are on normal commercial terms and are in line with the ordinary and usual course of business of the Company. The rentals set out in the Tenancy Agreement are consistent with the prevailing market rentals of similar properties in the vicinity of the Premises and are comparable with the rates adopted by the Company for lease of other properties in the PRC in its ordinary course of business. The Directors (including the independent non-executive Directors) also consider that the terms of the Tenancy Agreement are fair and reasonable and it is in the interest of the Company to execute the Tenancy Agreement so far as its shareholders are concerned.

GENERAL

As at the date hereof, NWD is the controlling shareholder of the Company by virtue of its holding of approximately 70% attributable interests in the Company’s issued share capital. The transaction amount under the Tenancy Agreement will exceed 0.1% but will be less than 2.5% of each of the applicable percentage ratios as defined in Rule 14A.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). As such, the transactions are classified as continuing connected transactions exempt from the independent shareholders’ approval requirements under Rule 14A.34 of the Listing Rules but will be subject to the annual review and reporting requirement under Chapter 14A of the Listing Rules. Details of the Tenancy Agreement will be included in the Company’s next published annual report and accounts.

By order of the board
New World China Land Limited
Ngan Man Ying, Lynda
Company Secretary

Hong Kong, 17th May 2006

At the date of this announcement, (a) the executive Directors are Dr. Cheng Kar-shun, Henry, Messrs. Doo Wai-hoi, William, Cheng Kar-shing, Peter, Leung Chi-kin, Stewart, Chow Kwai-cheung, Chow Yu-chun, Alexander, Fong Shing-kwong, Michael and Ms. Ngan Man-ying, Lynda; (b) the non-executive Director is Mr. Fu Sze-shing; and (c) the independent non-executive Directors are Messrs. Cheng Wai-chee, Christopher, Tien Pei-chun, James and Lee Luen-wai, John.

For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.04 = HK\$1.00.

“Please also refer to the published version of this announcement in The Standard.”