



New World China Land Limited

新世界中國地產有限公司

(Incorporated in the Cayman Islands with limited liability)

ONGOING CONNECTED TRANSACTIONS

The board of directors of the Company announced that the existing conditional waiver granted by the Stock Exchange to the Company from strict compliance with the relevant requirements under Chapter 14 of the Listing Rules in respect of the construction services being provided by the subsidiaries of New World Development Company Limited ("NWD", and together with its subsidiaries, the "NWD Group") to the subsidiaries of the Company (the "Group") will expire on 30th June, 2002. It was envisaged that the Group will continue to engage the NWD Group to provide the construction services after expiry of the existing waiver. Accordingly, the Company has applied to the Stock Exchange for renewal of the waiver for three financial years ending 30th June, 2005.

BACKGROUND

Prior to the listing of the shares of New World China Land Limited (the "Company") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the subsidiaries of the Company (the "Group") had engaged the subsidiaries of New World Development Company Limited ("NWD", and together with its subsidiaries, the "NWD Group") to provide construction services for various construction projects being undertaken by the Group in the People's Republic of China ("PRC"). After completion of the listing of the Company's shares in July 1999, the provision of the construction services by the NWD Group to the Group constituted ongoing connected transactions of the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company has applied for, and the Stock Exchange had granted, conditional waiver ("Existing Waiver") from strict compliance with the relevant requirements under Chapter 14 of the Listing Rules. The Existing Waiver will expire on 30th June, 2002.

THE CONNECTED TRANSACTIONS

The directors of the Company ("Directors") envisage that after expiry of the Existing Waiver, the Group will continue to engage the NWD Group to provide construction services which include construction, piling and foundation, building and property fitting out work and the supply of construction and building materials ("Construction Services") for the Group's construction projects in the PRC. Currently, the Group has engaged the NWD Group to perform the Construction Services for four of its projects in the PRC.

The aggregate amount paid and payable by the Group in respect of the Construction Services for the financial year ended 30th June, 2001 was HK\$116 million, representing approximately 0.66% of the audited net tangible asset value of the Group as at 30th June, 2001. The aggregate amount of the Construction Services paid and payable for the six months ended 31st December, 2001 was HK\$182 million. In view of the commencement of construction works in respect of a large scale property project and development of new phases of certain property projects in the PRC, the aggregate amount paid and payable in respect of the Construction Services for the financial year ending 30th June, 2002 is expected to be increased to approximately HK\$275 million.

CONSIDERATION

Consideration for the Construction Services will be negotiated on an arm's length basis and will be determined with reference to the market price and on normal commercial terms which are comparable to those contracted with independent third party.

CONNECTION BETWEEN THE PARTIES

NWD is a substantial shareholder of the Company and holds approximately 69.74% attributable interests in the issued share capital of the Company as at the date hereof. Accordingly, the engagement of the NWD Group to provide the Construction Services to the Group will constitute connected transactions of the Company.

REASONS FOR THE TRANSACTIONS

The Company is principally engaged in property development and property related investment in the PRC. Currently, the Group has 41 major property development projects and has a persistent demand for high quality Construction Services. The properties of which the NWD Group has provided the Construction Services are being developed in phases and are not yet completed. To maintain the quality and ensure smooth operation of the construction works for the remaining phases of the properties, the Directors consider that it will be of interest of the Group to continue to engage the NWD Group to provide the Construction Services. The Directors consider that the Group will continue to benefit from the expertise, experience and efficiency of the NWD Group and may engage the NWD Group to provide the Construction Services for other projects of the Group in future. The Directors (including the independent non-executive Directors) consider that the engagement of NWD Group as

provider of the Construction Services is in the interests of the Group and the shareholders of the Company as a whole.

THE WAIVER APPLICATION

Since the Construction Services will be provided on an on-going basis, it would be impractical to make ongoing disclosure regarding the same. Therefore, the Company has submitted an application to the Stock Exchange for a conditional waiver from disclosure requirement under Chapter 14 of the Listing Rules in respect of the Construction Services for three financial years ending 30th June, 2005. The conditions of such waiver are:

- the details of the transactions in each year will be disclosed in the Company's annual report in that year as required by rules 14.25(1)(A) to (D) of the Listing Rules;
- the independent non-executive Directors shall review the transactions annually and confirm in the Company's next following annual report that:
 - the transactions have been entered into by the Group in the ordinary course of its business;
 - the transactions have been entered into on normal commercial terms and on an arm's length basis;
 - the transactions have been entered into: where there are agreements governing such transactions, such transactions have been carried out in accordance with the terms of the agreements governing such transactions, or where there are no such agreements, on terms no more favourable than terms available to independent third parties;
 - the transactions have been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - the value of the transactions for each of the three financial years will not exceed HK\$450 million (the "Cap") which is the same amount as previously applied for at the time of listing and which does not exceed 3% of the net tangible asset value of the Group;
- the auditors of the Company shall review the transactions annually, and confirm to the Directors in writing, which will be provided to the Stock Exchange, that:
 - the transactions have received the approval of the Directors (including the independent non-executive Directors); and
 - the transactions have been entered into: where there are agreements governing such transactions, such transactions have been carried out in accordance with the terms of the agreements governing such transactions, or where there are no such agreements, on terms no more favourable than terms available to independent third parties;
- in the event that value of the transaction exceeds the Cap, the Company will have to comply with the relevant provisions of the Listing Rules;
- the Company's annual report and accounts for the year in question shall contain a statement that, in the opinion of the Directors, the arrangements have been entered into in the manner as stated in paragraph 3 above; and
- the Group and NWD will also undertake to provide the auditors of the Company with full access to their relevant records to carry out the review of the above connected transactions.

By order of the board
New World China Land Limited
Chow Yu-chun, Alexander
Company Secretary

Hong Kong, 28th June, 2002