



新世界發展有限公司
New World Development Company Limited

(incorporated in Hong Kong with limited liability)
(Stock Code: 0017)



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)

CONNECTED TRANSACTION INVOLVING ACQUISITION OF 50% EQUITY INTEREST IN GUANGZHOU RONGHE REAL ESTATE CO., LTD.

The respective board of directors of NWD and NWC announced that Fu Hong, an indirect wholly-owned subsidiary of NWC, which in turn is a subsidiary of NWD, had entered into an agreement with Stand Way and Guangzhou Sheng-xian relating to the acquisition of 50% equity interest in Guangzhou Ronghe for a consideration of RMB100,000,000 (equivalent to approximately HK\$96,153,846).

Stand Way is beneficially owned by Mr. Fu Sze-yin, a brother of Mr. Fu Sze-shing who is a non-executive director of NWC. As such, Stand Way is regarded as an associate of a connected person of NWC within the meaning of the Listing Rules. The Agreement therefore constitutes a connected transaction for NWC. As at the date of this announcement, NWD held approximately 71% attributable interests in the issued share capital of NWC, the Agreement also constitutes a connected transaction for NWD.

As each of the relevant percentage ratio as defined in Rule 14A.10 of the Listing Rule is less than 2.5%, the transaction is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirement under the Listing Rules.

THE AGREEMENT DATED 23RD DECEMBER 2005

Parties:

Purchaser : Fu Hong, a company incorporated in the British Virgin Islands, an indirect wholly-owned subsidiary of NWC

Vendor : Stand Way, an investment holding company incorporated in Hong Kong. Stand Way is the beneficial and registered owner of the Sale Interest

Other party : Guangzhou Sheng-xian

The acquisition

Pursuant to the Agreement, Fu Hong has agreed to acquire and Stand Way has agreed to dispose the Sale Interest, representing 50% equity interest in Guangzhou Ronghe.

Guangzhou Ronghe

Guangzhou Ronghe is a sino-foreign co-operative joint venture company established under the laws of the PRC with registered capital of RMB93,330,000 (equivalent to approximately HK\$89,740,385). The registered capital has been fully paid up. At the date of the Agreement, Guangzhou Ronghe was beneficially owned as to 95% by Stand Way and 5% by Guangzhou Sheng-xian. Stand Way is beneficially owned by Mr. Fu Sze-yin whilst Guangzhou Sheng-xian is beneficially owned as to 50% by Mr. Fu Sze-yin and 50% by Mr. Fu Sze-shing. Upon completion of the Agreement, Guangzhou Ronghe will be owned by Fu Hong, Stand Way and Guangzhou Sheng-xian as to 50%, 45% and 5% respectively.

The principal asset of Guangzhou Ronghe is the holding of development rights in respect of a piece of Land with a site area of 268,474.83 square metres. Pursuant to a land grant contract dated 17th January 1993 entered into between the Land Bureau in Zengcheng, Guangzhou City and Guangzhou Ronghe, the land use rights in respect of the Land was agreed to be granted to Guangzhou Ronghe for 70 years commencing from 10th February 1993 to 9th February 2062 (both days inclusive). At present, the Land has not yet been developed.

The audited net asset value of Guangzhou Ronghe as at 31st December, 2004 was RMB93,330,000 (equivalent to approximately HK\$89,740,385). Guangzhou Ronghe did not make any profit or incur any loss for the two financial years ended 31st December 2004.

Consideration and payment

The consideration payable by Fu Hong to Stand Way for acquisition of the Sale Interest under the Agreement was RMB100,000,000 (equivalent to approximately HK\$96,153,846) and will be payable by Fu Hong in the following manner:

- payment of RMB60,000,000 within 3 working days from the day on which the Agreement was signed;
- payment of RMB10,000,000 within 3 working days from the day on which Guangzhou Ronghe has obtained the necessary government approval in respect of the transfer of the Sale Interest to Fu Hong as well as new approval certificate and business licence reflecting the change in its shareholding;
- payment of RMB10,000,000 within 3 working days from the day on which Guangzhou Ronghe has obtained the certificate for the state-owned land use rights in respect of the Land;
- payment of RMB20,000,000 within 3 working days from the day on which Guangzhou Ronghe has obtained the planning permit of construction land and the government approval of the master development plan.

The consideration is determined by reference to the valuation of the Land as at 16th December 2005 at a value of RMB205,300,000 as carried out by Chesterton Petty Ltd., an independent valuer. The consideration payable by Fu Hong under this Agreement will be financed by the internal resources of NWC.

The original acquisition cost of the Land, including land premium (RMB40,271,200) to Guangzhou Ronghe was approximately RMB109,823,669, of which RMB25,295,669 will be payable before the end of June 2006.

Completion of the Agreement

The Agreement will be completed upon completion of the registration procedures to effect the transfer of the Sale Interest. Guangzhou Ronghe will be accounted for as a jointly controlled entity of NWC upon completion of the Agreement.

Covenant

It was provided in the Agreement that if Guangzhou Ronghe fails to obtain the government approval in respect of the development of the Land within six months and the planning permits of construction within one year after signing of the Agreement, the Agreement will be terminated and Stand Way will as soon as possible thereafter, buy back from Fu Hong the Sale Interest and return the instalments paid by Fu Hong under the Agreement with interest being calculated at the lending rate promulgated by The People's Bank of China prevailing at that time. NWD and NWC will comply with all relevant requirements under the Listing Rules in the event of such buy back and will make further announcement in this regard at that time.

Other principal terms of the Agreement

Board representation

The board of directors of Guangzhou Ronghe will comprise 9 directors, of which 5 directors will be nominated by Fu Hong and 4 directors will be nominated by Stand Way. The Chairman and Vice-Chairman of the board of directors of Guangzhou Ronghe will be nominated by Fu Hong and Stand Way respectively.

Profit sharing

Fu Hong will be entitled to the first RMB100,000,000 profits available for distribution by Guangzhou Ronghe. Stand Way and Guangzhou Sheng-xian together will then be entitled to the distributable profits in excess of RMB100,000,000 up to the limit of RMB100,000,000. Any distributable profits in excess of RMB200,000,000, or any loss incurred by Guangzhou Ronghe, will be shared by Fu Hong, Stand Way and Guangzhou Sheng-xian in proportion to their shareholding in Guangzhou Ronghe.

Funding of the project

Stand Way and Fu Hong undertook to provide a shareholder's loan of RMB20,000,000 each to Guangzhou Ronghe after receipt of the planning permit of construction land. The shareholders' loan will have an initial term of three years, renewable upon its expiry and will carry interest at a rate promulgated by The

People's Bank of China in respect of 3-year term loans. Any shareholders' loan being renewed will carry interest at a rate determined by the board of Guangzhou Ronghe with reference to capital market conditions.

REASONS FOR THE TRANSACTION

The core businesses of NWD include property, infrastructure, services as well as telecommunications and technology. NWC is principally engaged in property development and property related investment in the PRC.

The directors (including the independent non-executive directors) of NWD and NWC considers that acquisition of the Sale Interest represents a good investment opportunity to acquire an interest in the Land taking into account of its convenient location in the eastern part of Guangzhou and its desirable environmental surroundings. It is the present intention of the boards to develop the site into high class residential area comprising luxurious villas for sale and investment purpose. The directors of NWD and NWC consider that the acquisition will enable NWC to capture the growing market demand for high class residential premises in South China.

The terms of the Agreement are arrived at after arm's length negotiation between Fu Hong and Stand Way with reference to the independent professional valuation of the Land. The directors (including the independent non-executive directors) of NWD and NWC considers that the Agreement is on normal commercial terms and is fair and reasonable so far as their respective company and shareholders are concerned and the Agreement is in the interest of NWD and NWC.

GENERAL

Stand Way is beneficially owned by Mr. Fu Sze-yin, a brother of Mr. Fu Sze-shing who is a non-executive director of NWC. As such, Stand Way is regarded as an associate of a connected person of NWC within the meaning of the Listing Rules. The Agreement therefore constitutes a connected transaction for NWC under the Listing Rules. As at the date of this announcement, NWD held approximately 71% attributable interests in the issued share capital of NWC, the Agreement also constitutes a connected transaction for NWD under the Listing Rules. Since each of the relevant percentage ratio as defined in Rule 14A.10 of the Listing Rule is less than 2.5%, the transaction is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirement under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

"Agreement"	an agreement dated 23rd December 2005 made between Stand Way, Fu Hong and Guangzhou Sheng-xian relating to the transfer of the Sale Interest from Stand Way to Fu Hong
"Fu Hong"	Fu Hong Investments Limited, a company incorporated in British Virgin Islands and an indirect wholly-owned subsidiary of NWC
"Guangzhou Sheng-xian"	廣州勝賢投資有限公司 (Guangzhou Sheng-xian Investments Co., Ltd.*), a company incorporated in the PRC, being the beneficial owner of 5% interest in Guangzhou Ronghe. Guangzhou Sheng-xian is beneficially owned as to 50% by Mr. Fu Sze-yin and 50% by Mr. Fu Sze-shing
"Guangzhou Ronghe"	廣州榮和房地產有限公司 (Guangzhou Ronghe Real Estate Co., Ltd.*), a company incorporated in the PRC
"Land"	The piece of land located at Lot Chen Jia Lin, Xindun and Nanan Cun, Xintang Town, Zengcheng, Guangdong Province, the PRC (中國廣東省增城市新塘鎮新墩村及南安村陳家林地段)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NWC"	New World China Land Limited, a company incorporated in the Cayman Islands, the shares of which are listed on The Stock Exchange of Hong Kong Limited
"NWD"	New World Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"Sale Interest"	50% of the equity interest in Guangzhou Ronghe
"Stand Way"	Stand Way Estate Limited, a company incorporated in Hong Kong, being the beneficial and registered owner of 95% interest in Guangzhou Ronghe as at the date of the Agreement. Stand Way is beneficially owned by Mr. Fu Sze-yin, a brother of Mr. Fu Sze-shing who is a non-executive director of NWC
"%"	per cent.

By order of the board of
New World Development Company Limited
Leung Chi-kin, Stewart
Company Secretary

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

Hong Kong, 23rd December 2005

At the date of this announcement, (a) the executive directors of NWD are Dato' Dr. Cheng Yu-tung, Dr. Cheng Kar-shun, Henry, Dr. Sin Wai-kin, David, Messrs. Liang Chong-hou, David and Leung Chi-kin, Stewart; (b) the non-executive directors of NWD are Messrs. Cheng Yue-pui, Cheng Kar-shing, Peter, Chow Kwai-cheung, Ho Hau-hay, Hamilton and Liang Cheung-biu, Thomas, and (c) the independent non-executive directors of NWD are Lord Sandberg, Michael, Mr. Yeung Ping-leung, Howard, Dr. Cha Mou-sing, Payson (alternate director to Dr. Cha Mou-sing, Payson: Mr. Cha Mou-zing, Victor) and Mr. Lee Luen-wai, John.

At the date of this announcement, (a) the executive directors of NWC 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 and Fong Shing-kyong, Michael; (b) the non-executive director of NWC is Mr. Fu Sze-shing; and (c) the independent non-executive directors of NWC 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.

* The unofficial English transliterations or translations are for identification purposes only.