
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New World Development Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares in New World Development Company Limited.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

PROPOSED RIGHTS ISSUE IN THE PROPORTION OF TWO RIGHTS SHARES FOR EVERY FIVE SHARES HELD AT HK\$5.40 PER RIGHTS SHARE AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Underwriters


CHOW TAI FOOK

HSBC 

 UBS Investment Bank

A notice convening an extraordinary general meeting of New World Development Company Limited to be held at Meeting Room 406, Level 4, Hong Kong Convention & Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 22nd March, 2004 is set out on pages 18 and 19 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy to the registered office of the Company at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting HSBC (as defined herein) and UBS Investment Bank (as defined herein) the right to terminate the Underwriting Agreement if certain events (including force majeure) happen at any time prior to 5:00 p.m. on the second Business Day after the latest date for acceptance of entitlements to subscribe for the Rights Shares. For this purpose, force majeure events include the occurrence, coming into effect or becoming public knowledge any events or circumstances concerning or relating to (whether or not foreseeable) (1) any significant change in the local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market conditions or currency exchange rates or exchange controls the effect of which in the opinion of HSBC and UBS Investment Bank (i) is or may be materially adverse to, or prejudicially affect, the Group or its prospects; (ii) is or may be material in the context of the Rights Issue; or (iii) is or may prejudicially affect the success of the Rights Issue, or may make it inadvisable to proceed with the Rights Issue; (2) the declaration of a banking moratorium by Hong Kong authorities; (3) any moratorium, suspension or material restriction on trading in securities generally on The Stock Exchange of Hong Kong Limited and/or the New York Stock Exchange; (4) any new law or regulation or any change in existing laws or regulations which in the opinion of HSBC and UBS Investment Bank has or is likely to have a material adverse effect on the financial position of the Group as a whole. In the event that HSBC and UBS Investment Bank exercise such right to terminate the Underwriting Agreement, the proposed Rights Issue will not proceed. For further details, please refer to the section headed "Termination of the Underwriting Agreement under Force Majeure" as set out on page 5 of this circular. Existing Shares are expected to be dealt in on an ex-rights basis from Thursday, 11th March, 2004. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 24th March, 2004 to 31st March, 2004 (both days inclusive). Any person dealing in the Shares and/or nil-paid Rights Shares during such periods will bear the risk that the proposed Rights Issue may not become unconditional and may not proceed. Any person who is in any doubt about his position is recommended to consult his professional adviser.

5th March, 2004

CONTENTS

	<i>Page</i>
Responsibility Statement	1
Definitions	2
Termination of the Underwriting Agreement under Force Majeure	5
Expected timetable	6
Summary of the Proposed Rights Issue	7
Letter from the Board	
1. Introduction	8
2. Rights Issue	9
3. Underwriting Arrangements	12
4. Conditions of the Rights Issue	14
5. Warning of the risks of dealing in shares and Rights Shares	15
6. Reasons for the Rights Issue and Use of Proceeds	15
7. Adjustment to the Conversion Price of the Convertible Bonds	16
8. Increase in Authorised Share Capital	16
9. Extraordinary General Meeting	16
10. Recommendation	17
11. Additional Information	17
Notice of Extraordinary General Meeting	18

RESPONSIBILITY STATEMENT

The issue of this circular has been approved by the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The English text of this circular and form of proxy shall prevail over the Chinese text.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the press announcement dated 13th February, 2004 released by the Company in connection with, inter alia, the proposed Rights Issue;
“Board”	board of Directors;
“Business Day”	a day (excluding Saturday) on which commercial banks in Hong Kong are generally open for and carrying on banking business in Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Company”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange;
“Company Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Completion”	completion of the proposed Rights Issue;
“Convertible Bonds”	the US\$350,000,000 3 per cent. convertible guaranteed bonds due 2004 issued by New World Capital Finance Limited (a wholly-owned subsidiary of the Company) in 1999 and convertible into Shares at the initial conversion price of HK\$24.60 per share at any time after 9th August, 1999 up to the close of business on 9th May, 2004 and such outstanding convertible bonds, which will be redeemed at 123.104% of their principal amount together with accrued interest on 9th June, 2004, are listed on the Luxembourg Stock Exchange;
“Directors”	the directors of the Company;
“Excess Application Form(s)”	application form(s) for excess Rights Shares;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to approve the Rights Issue and the increase in the authorised share capital of the Company to be held on Monday, 22nd March, 2004 at 10:00 a.m. at Meeting Room 406, Level 4, Hong Kong Convention & Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong, notice of which is set out on pages 18 and 19 of this circular;
“Final Acceptance Date”	6th April, 2004, being the last date for acceptance and payment in respect of provisional allotments under the Rights Issue, provided that if on such date a Storm Warning is issued in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. then references to the “Final Acceptance Date” shall mean the first Business Day thereafter on which no Storm Warning remains issued at any time between 9:00 a.m. and 4:00 p.m.;
“Government”	the Government of Hong Kong;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited;
“Latest Practicable Date”	1st March, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“Latest Termination Time”	5:00 p.m. on the second Business Day immediately following the Final Acceptance Date;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Major Shareholder”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability which, as at the Latest Practicable Date, beneficially owned approximately 35.26% of the total issued share capital of the Company;
“Major Shareholder’s Subsidiaries”	subsidiaries of the Major Shareholder which are beneficially interested in the Shares, namely, Anderson & Kirkwood Limited, Wing Fung Development Limited, Yu Yek Enterprises Company Limited and Fook Hop Securities Company Limited;
“Non-Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company on the Record Date but whose addresses as shown on the register of members of the Company are outside Hong Kong;
“Notice”	the notice of the Extraordinary General Meeting which is set out on pages 18 and 19 of this circular;
“PRC”	the People’s Republic of China;
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue;
“Prospectus Documents”	the Prospectus, the Provisional Allotment Letter and the Excess Application Form;
“Provisional Allotment Letter(s)”	provisional allotment letter(s) for the Rights Shares;
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company on the Record Date are in Hong Kong;
“Record Date”	22nd March, 2004, being the date by reference to which entitlements to the Rights Issue will be determined;

DEFINITIONS

“Rights Issue”	the proposed issue by the Company of the Rights Shares at HK\$5.40 per Rights Share by way of rights on the basis of two Rights Shares for every five Shares held on the Record Date and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement;
“Rights Shares”	not less than 987,817,877 new Shares and no more than 1,031,232,719 new Shares to be issued under the Rights Issue;
“Share(s)”	share(s) of HK\$1.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Storm Warning”	either a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal;
“Subscription Price”	HK\$5.40 per Rights Share payable upon acceptance;
“UBS Investment Bank”	UBS AG, Hong Kong Branch;
“Underwriters”	HSBC, UBS Investment Bank and the Major Shareholder;
“Underwriting Agreement”	the underwriting agreement dated 13th February, 2004 and entered into between the Company and the Underwriters in relation to the Rights Issue; and
“\$”, “HK\$” and “cents”	Hong Kong dollars and cents.

TERMINATION OF THE UNDERWRITING AGREEMENT UNDER FORCE MAJEURE

It should be noted that the Underwriting Agreement contains provisions granting HSBC and UBS Investment Bank the right to terminate the Underwriting Agreement if certain events (including force majeure) happen at any time prior to 5:00 p.m. on the second Business Day after the latest date for acceptance of entitlements to subscribe for the Rights Shares.

For this purpose, force majeure events include the occurrence, coming into effect or becoming public knowledge any events or circumstances relating to or concerning (whether or not foreseeable):

- (1) any significant change, or otherwise having a material adverse effect on (whether or not permanent) in the local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any declaration by the People's Republic of China, Hong Kong, the United Kingdom of Great Britain and Northern Ireland or the United States of America of a national emergency, any outbreak or escalation of hostilities, any risks of terrorism, or any other epidemics, calamity or crisis, in any of those places), the effect of which in the opinion of HSBC and UBS Investment Bank (i) is or may be materially adverse to, or prejudicially affect, the Group or its prospects; (ii) is or may be material in the context of the Rights Issue; or (iii) is or may prejudicially affect the success of the Rights Issue, or may make it inadvisable or inexpedient to proceed with the Rights Issue;
- (2) the declaration of a banking moratorium by Hong Kong authorities;
- (3) any moratorium, suspension or material restriction on trading in shares or securities generally on The Stock Exchange of Hong Kong Limited and/or the New York Stock Exchange;
- (4) any suspension of dealings in the shares of the Company for a period of over 3 consecutive Business Days (other than as a result of announcing the Rights Issue); or
- (5) any new law or regulation or any change in existing laws or regulations which in the opinion of HSBC and UBS Investment Bank has or is likely to have a material adverse effect on the financial position of the Group as a whole.

Please also refer to the paragraph headed "Termination of the Underwriting Agreement" in the Letter from the Board in this circular for details of other events or matters which will entitle HSBC and UBS Investment Bank to terminate the Underwriting Agreement.

In the event that HSBC and UBS Investment Bank exercise such right to terminate the Underwriting Agreement, the proposed Rights Issue will not proceed.

Existing Shares are expected to be dealt in on an ex-rights basis from Thursday, 11th March, 2004. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 24th March, 2004 to Wednesday, 31st March, 2004 (both days inclusive).

Any person dealing in the Shares and/or nil-paid Rights Shares during such period will bear the risk that the proposed Rights Issue may not become unconditional and may not proceed.

EXPECTED TIMETABLE

2004

Last day of dealings in Shares on a cum-rights basis	Wednesday, 10th March
First day of dealings in Shares on an ex-rights basis	Thursday, 11th March
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:00 p.m. on Friday, 12th March
Closure of register of members of the Company (both days inclusive)	Monday, 15th March to Monday, 22nd March
Latest time for lodging the forms of proxy for the Extraordinary General Meeting	10:00 a.m. on Saturday, 20th March
Record Date	Monday, 22nd March
Extraordinary General Meeting	10:00 a.m. on Monday, 22nd March
Prospectus Documents to be despatched on	Monday, 22nd March
First day of dealings in nil-paid Rights Shares	Wednesday, 24th March
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Friday, 26th March
Last day of dealings in nil-paid Rights Shares	Wednesday, 31st March
Latest time for acceptance of, and payment for, Rights Shares and application for excess Rights Shares	4:00 p.m. on Tuesday, 6th April
Latest time for the Rights Issue to become unconditional	5:00 p.m. on Thursday, 8th April
Announcement of results of acceptance of and excess applications for Rights Shares	Wednesday, 14th April
Despatch of refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares	Thursday, 15th April
Despatch of certificates for fully-paid Rights Shares	Thursday, 15th April
Dealings in fully-paid Rights Shares to commence on	9:30 a.m. on Monday, 19th April

SUMMARY OF THE PROPOSED RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this circular.

Amount to be raised by the Rights Issue	Approximately HK\$5,334 million before expenses (assuming no conversion of the outstanding Convertible Bonds before the Record Date)
Basis of the Rights Issue	Two Rights Shares for every five existing Shares held by the Qualifying Shareholders on the Record Date
Subscription price for the Rights Share	HK\$5.40 per Rights Share, payable in full on acceptance by 4:00 p.m. on Tuesday, 6th April, 2004
Rights of excess application	Qualifying Shareholders will have the right to apply for Rights Share in excess of their provisional allotments

LETTER FROM THE BOARD



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

Directors:

Executive Directors:

Dato' Dr. CHENG Yu-Tung (*Chairman*)
Dr. CHENG Kar-Shun, Henry (*Managing Director*)
Dr. SIN Wai-Kin, David
LIANG Chong-Hou, David

Non-executive Directors:

The Honourable LEE Quo-Wei*
Lord SANDBERG, Michael*
Dr. HO Tim*
CHENG Yue-Pui
YEUNG Ping-Leung, Howard*
Dr. CHA Mou-Sing, Payson*
CHENG Kar-Shing, Peter
LEUNG Chi-Kin, Stewart
CHAN Kam-Ling
CHOW Kwai-Cheung
CHA Mou-Zing, Victor
(*Alternate Director to Dr. CHA Mou-Sing, Payson*)
HO Hau-Hay, Hamilton
(*Alternate Director to Dr. HO Tim*)

* *Independent Non-Executive Directors*

Registered Office:

30th Floor, New World Tower
18 Queen's Road Central
Hong Kong

5th March, 2004

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE
IN THE PROPORTION OF
TWO RIGHTS SHARES FOR EVERY FIVE SHARES HELD
AT HK\$5.40 PER RIGHTS SHARE
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

1. INTRODUCTION

On 13th February, 2004, the Board announced that the Company proposes to raise approximately HK\$5,334 million, before expenses, by issuing not less than 987,817,877 new Shares and no more than 1,031,232,719 new Shares by way of rights issue at a price of HK\$5.40 per Rights Share on the basis of two

LETTER FROM THE BOARD

Rights Shares for every five Shares held on the Record Date. In order to facilitate the Rights Issue and to assist the further expansion of the Company, the Directors also propose an increase in the authorised share capital of the Company from HK\$3,300,000,000 to HK\$10,000,000,000 by creating an additional 6,700,000,000 new Shares.

The purpose of this circular is to provide you with further information relating to, among other things, the proposed Rights Issue and to give you notice of the Extraordinary General Meeting at which ordinary resolutions will be proposed to approve the increase in the authorised share capital of the Company and the Rights Issue.

2. RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue	:	Two Rights Shares for every existing five Shares held on the Record Date
Number of existing Shares in issue	:	2,469,544,694 Shares (<i>Note</i>)
Number of Rights Shares to be issued under the Rights Issue	:	(assuming that no outstanding Convertible Bonds are converted into Shares before the Record Date) not less than 987,817,877 Rights Shares, representing 40.00% of the existing issued share capital of the Company and approximately 28.57% of the issued share capital of the Company as enlarged by the Rights Issue (assuming full conversion of all outstanding Convertible Bonds before the Record Date) no more than 1,031,232,719 Rights Shares, representing 40.00% of the issued share capital of the Company on the Record Date and approximately 28.57% of the issued share capital of the Company as enlarged by the Rights Issue
Underwriters	:	the Major Shareholder, HSBC and UBS Investment Bank

Note: As at the Latest Practicable Date, Convertible Bonds in the aggregate principal amount of US\$344.50 million are outstanding which, assuming all such Convertible Bonds being converted into Shares, would increase the number of Rights Shares to be issued by around 43,414,842 Rights Shares. Other than the Convertible Bonds, the Company had no outstanding option, convertibles or warrant which confers the right to subscribe for Shares as at the Latest Practicable Date.

Qualifying Shareholders

The Company will send the Prospectus, Provisional Allotment Letters and Excess Application Forms to the Qualifying Shareholders only. The Prospectus will be sent to the Non-Qualifying Shareholders for information purpose only.

To qualify for the Rights Issue, Shareholders must:

- be registered as a member of the Company on the Record Date; and

LETTER FROM THE BOARD

- have an address on the register of members of the Company on the Record Date in Hong Kong.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Company's share registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by 4:00 p.m. (Hong Kong time) on Friday, 12th March, 2004.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 15th March, 2004 to Monday, 22nd March, 2004 (both days inclusive). No transfer of Shares will be registered during this period.

Subscription price

The subscription price of HK\$5.40 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotments of Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for Rights Shares.

The subscription price of HK\$5.40 per Rights Share was determined with reference to recent closing prices of the Shares on the Stock Exchange and represents:

- (i) a discount of approximately 37.93% to the closing price of HK\$8.70 per Share quoted on the Stock Exchange on 12th February, 2004 (the last half-trading day prior to the suspension of trading pending the release of the Announcement);
- (ii) a discount of approximately 30.41% to the theoretical ex-rights price of HK\$7.76 per Share based on the closing price per Share on 12th February, 2004 (the last half-trading day prior to the suspension of trading pending the release of the Announcement);
- (iii) a discount of approximately 38.07% to the average closing price of HK\$8.72 per Share for the last ten full trading days prior to the date of the Announcement; and
- (iv) a discount of approximately 34.94% to the closing price of HK\$8.30 per Share quoted on the Stock Exchange on the Latest Practicable Date.

Since the Subscription Price was agreed after arm's length negotiation between the Company and the Underwriters and each Shareholder is entitled to subscribe for the Rights Shares at such same price in proportion to his or her existing shareholding, the Directors are of the view that the Subscription Price and the Rights Issue are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Status of the Rights Shares

When fully paid, issued and allotted, the fully-paid Rights Shares will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares. If any interim dividend is recommended by the Directors for the six-month period ended 31st December, 2003, the Rights Shares will rank for such interim dividend.

LETTER FROM THE BOARD

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Rights of Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. The Company will not offer the Rights Shares to the Non-Qualifying Shareholders with registered addresses in territories outside Hong Kong. Accordingly, no provisional allotment of Rights Shares will be made to Non-Qualifying Shareholders. The Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only. The Company will not send Provisional Allotment Letters or Excess Application Forms to Non-Qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK\$100. Any such unsold Rights Shares will be available for excess application.

Fractional Entitlement to the Rights Shares

Fractional entitlements to Rights Shares will not be provisionally allotted and will be rounded down to the nearest whole number. Rights Shares representing the aggregate of fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee appointed by the Company and, if a premium of HK\$100 or more (net of expenses) can be obtained, will be sold by the Company or its appointed nominee and the net proceeds of sale will be retained by the Company for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements, and any Rights Shares provisionally allotted but not accepted.

Application is made by completing the form of application for excess Rights Shares. The Directors will allocate the excess Rights Shares on a fair and equitable basis, but will give preference to topping-up odd lots to whole board lots.

Share Certificates

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto at their own risk on or before Thursday, 15th April, 2004.

Listing and Dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

LETTER FROM THE BOARD

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

3. UNDERWRITING ARRANGEMENTS

Underwriting Agreement:

Date	:	13th February, 2004
Underwriters	:	the Major Shareholder, HSBC and UBS Investment Bank
Number of Rights Shares underwritten	:	All Rights Shares other than those undertaken by the Major Shareholder to be taken up by the Major Shareholder and the Major Shareholder's Subsidiaries (the Major Shareholder has undertaken to underwrite the first 69,000,000 such Rights Shares not taken up by the Shareholders by way of their rights entitlements, with the balance to be underwritten by HSBC and UBS Investment Bank in equal share)
Commission	:	2% of the aggregate price payable on the Rights Shares underwritten by the Underwriters

The Major Shareholder, being also the controlling Shareholder of the Company, together with the Major Shareholder's Subsidiaries were interested in aggregate in 870,785,889 Shares as at the Latest Practicable Date, representing approximately 35.26% of the issued share capital of the Company. The Major Shareholder has irrevocably undertaken to, and to procure the Major Shareholder's Subsidiaries to, take up their respective entitlements under the Rights Issue in full. Other than the 69,000,000 Rights Shares which the Major Shareholder has undertaken to underwrite, the Major Shareholder and the Major Shareholder's Subsidiaries will not apply for any excess Rights Shares.

Assuming that (a) the Rights Issue proceeds and is completed; (b) the Major Shareholder and the Major Shareholder's Subsidiaries have taken up their respective entitlements under the Rights Issue in full (i.e. 348,314,354 Rights Shares in aggregate); (c) the Major Shareholder is required to take up the 69,000,000 Rights Shares under its underwriting obligation pursuant to the Underwriting Agreement; and (d) no outstanding Convertible Bonds are converted into Shares before the Record Date, the Major Shareholder and the Major Shareholder's Subsidiaries will be interested in approximately 37.26% of the issued Share Capital of the Company immediately after completion of the Rights Issue.

LETTER FROM THE BOARD

Save for the transactions contemplated by the Underwriting Agreement, HSBC and UBS Investment Bank are respectively independent from and not connected with the Company or its subsidiaries or any directors, chief executive or substantial shareholders of the Company or its subsidiaries or an associate of any of them. The commission rate payable to the Underwriters under the Underwriting Agreement is in line with the current market practice.

Termination of the Underwriting Agreement

If, at any time prior to the Latest Termination Time, one or more of the following events or matters shall develop occur, arise or exist or come into effect:

- (1) any material breach by the Company or the Major Shareholder of any of its representations, warranties or undertakings in the Underwriting Agreement comes to the knowledge of either of HSBC and UBS Investment Bank, or there has been a material breach on the part of the Company of any other provision of the Underwriting Agreement, or either of HSBC and UBS Investment Bank has reasonable cause to believe that any such material breach has occurred; or**
- (2) any event occurs or matters arises, which, if it had occurred before the date of the Underwriting Agreement or before any of the dates or before any time on which the representations, warranties and undertakings are deemed to be given by the Company or the Major Shareholder pursuant to the Underwriting Agreement would have rendered any of those representations, warranties or undertakings untrue, incorrect, incomplete or misleading in any material respect, comes to the knowledge of either of HSBC and UBS Investment Bank; or**
- (3) any statement contained in the Prospectus has become or has been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or**
- (4) matters have arisen or have been discovered which would, if the Prospectus was to be issued at the time, constitute a material omission therefrom; or**
- (5) there is any adverse change in the business or in the financial or trading position or prospects of any member of the Group which, in the opinion of HSBC and UBS Investment Bank, is material in the context of the issue of the Rights Shares; or**
- (6) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):**
 - (i) any significant change in, or otherwise having a material adverse effect on (whether or not permanent), local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any declaration by the PRC, Hong Kong, the United Kingdom of Great Britain and Northern Ireland or the United States of America of a national emergency, any outbreak or escalation of hostilities, any acts of terrorism, or any other epidemics, calamity or crisis, in any of those places), the effect of which (in the opinion of HSBC and UBS Investment Bank):**
 - (1) is or may be materially adverse to, or prejudicially affect, the Group or its**

LETTER FROM THE BOARD

prospects; (2) is or may be material in the context of the Rights Issue; or (3) is or may prejudicially affect the success of the Rights Issue, or may make it inadvisable or inexpedient to proceed with the Rights Issue;

- (ii) the declaration of a banking moratorium by Hong Kong authorities;
- (iii) any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange and/or the New York Stock Exchange;
- (iv) any suspension of dealings in the Shares for a period of over three consecutive Business Days (other than as a result of announcing the Rights Issue);
- (v) any new law or regulation or any change in existing laws or regulations which in the opinion of HSBC and UBS Investment Bank has or is likely to have a material adverse effect on the financial position of the Group as a whole,

then HSBC and UBS Investment Bank may jointly, in addition to and without prejudice to any other remedies to which HSBC and UBS Investment Bank may be entitled, by notice in writing to the Company, terminate the Underwriting Agreement.

If HSBC and UBS Investment Bank terminate the Underwriting Agreement, the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by HSBC and UBS Investment Bank.

Restriction on dealings

The Major Shareholder has undertaken to HSBC and UBS Investment Bank that, for a period of three months from the date of the completion of the Rights Issue, it will not and will procure that none of its nominees and companies controlled by it and trust associate with it (whether individually or together and whether directly or indirectly) will lend, pledge, sell, transfer or otherwise dispose of any Shares or any interest therein beneficially owned or held by the Major Shareholder or any securities convertible into or exercisable or exchangeable for any such Shares or interests.

The Company has also undertaken, and the Major shareholder has also undertaken, to HSBC and UBS Investment Bank, that, for a period of three months from the date of the completion of the Rights Issue, the Company will not (except for the Rights Shares and save pursuant to: (a) the terms of any employee share option scheme of the Company; or (b) conversion of the outstanding Convertible Bonds) allot or issue or offer or grant any option or warrant to subscribe any Shares or any securities convertible into or exercisable or exchangeable for any such Shares or interests.

4. CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon each of the following events happening:

- (i) the passing of resolutions by the Shareholders at the Extraordinary General Meeting to approve the Rights Issue and the increase in the authorised share capital of the Company by no later than the Record Date;

LETTER FROM THE BOARD

- (ii) the delivery by or on behalf of the Company of one copy of each of the Prospectus Documents, duly signed by or on behalf of all Directors together with any requisite accompanying documents to the Stock Exchange and the Registrar of Companies of Hong Kong for filing and registration in accordance with the provisions of the Companies Ordinance by no later than the Record Date;
- (iii) the posting of the Prospectus to the Shareholders and the posting of the Provisional Allotment Letters and Excess Application Forms to the Qualifying Shareholders by no later than the Record Date;
- (iv) the Listing Committee of the Stock Exchange granting (subject to allotment and despatch of the appropriate documents of title) listing of and permission to deal in, the Rights Shares, in their nil-paid and fully-paid forms, by no later than the Record Date (and such permission not being withdrawn prior to the Latest Termination Time); and
- (v) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof by no later than the Latest Termination Time.

If any of the above condition (which have not previously been waived jointly by HSBC and UBS Investment Bank if capable of being waived under the Underwriting Agreement) are not fulfilled by the respective dates and time specified above, the Rights Issue will not proceed. It is confirmed by HSBC and UBS Investment Bank that, other than the timing of performance of conditions (i) to (iii) and (v) above that are capable of being waived by them pursuant to the Underwriting Agreement, no conditions above are capable of being waived by them under the Underwriting Agreement.

5. WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares are expected to be dealt in on an ex-rights basis from Thursday, 11th March, 2004. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 24th March, 2004 to Wednesday, 31st March, 2004 (both days inclusive). If the Underwriters terminate the Underwriting Agreement (see the paragraph headed "Termination of the Underwriting Agreement" above), or if the conditions of the Rights Issue (see the section headed "Conditions of the Rights Issue" above) are not fulfilled, the Rights Issue will not proceed.

Any buying or selling of the Shares from now up to the date on which all such conditions are fulfilled, and any buying or selling of nil-paid Rights Shares, is at investors' own risk.

If in any doubt, investors should consider obtaining professional advice.

6. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in property development, provision of various services including transport and facilities, infrastructure and telecommunications.

Subsequent to the placing of Shares of the Company as disclosed in its announcement dated 29th October, 2003 (from which the entire net proceeds of approximately HK\$1,225 million had been used to repay bank borrowings), the Directors continue to adopt a financing strategy on debt reduction and liquidity generation. In this regard, the Directors consider that the Rights Issue will strengthen the capital base and the financial position of the Company so as to facilitate the Company's plans to further develop its existing urban and agricultural land bank and pay for land conversion premium to the Government. The Directors also consider that the most appropriate means of raising the required capital is by way of rights issue, which

LETTER FROM THE BOARD

enables all Shareholders to participate in the future development of the Company on equal terms. The net proceeds of the Rights Issue are estimated to be approximately HK\$5,259 million (on the basis that there will be no conversion of the outstanding Convertible Bonds before the Record Date and 987,817,877 Rights Shares will be issued under the Rights Issue). The Directors intend to use approximately HK\$3,308 million of the net proceeds of the Rights Issue to repay the outstanding Convertible Bonds which will be due on 9th June, 2004 and the balance will be partly used to pay land conversion premium to the Government for existing agricultural land bank and partly used for general working capital purposes. The Directors are of the opinion that full conversion of the outstanding Convertible Bonds before the Record Date is highly unlikely because the conversion price of the outstanding Convertible Bonds is initially set at HK\$24.60 per Share. Other than the placing of Shares of the Company as mentioned above (which was completed on 11th November, 2003), the Company had not implemented any fund raising exercise within the 12-month period prior to the Latest Practicable Date.

Based on the Company's audited consolidated balance sheet as at 30th June, 2003, the Group's total borrowings were HK\$37,056 million, of which HK\$32,904 million was long term borrowings and of which HK\$4,152 million was short term borrowings.

7. ADJUSTMENT TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS

As at the Latest Practicable Date, Convertible Bonds in the aggregate principal amount of US\$344.50 million are outstanding which, assuming all outstanding Convertible Bonds being converted into Shares before the Record Date, would increase the number of Rights Shares to be issued by around 43,414,842 Rights Shares. Under the deed governing the Convertible Bonds, the issue of the Rights Shares constitutes an event giving rise to adjustment to the conversion price of the Convertible Bonds. It will not be possible to calculate the adjustment definitively until the Record Date as the appropriate adjustment will depend in part on the number of Shares then in issue and the number of Rights Shares to be issued, which will, in turn, depend on whether any of the outstanding Convertible Bonds are converted into Shares before the Record Date. Further announcement of the appropriate adjustment and the date it is to take effect will be made in due course. Other than the outstanding Convertible Bonds, the Company has no outstanding option, convertibles or warrant which confers the right to subscribe for Shares.

8. INCREASE IN AUTHORISED SHARE CAPITAL

If the Rights Issue takes effect, the issued share capital of the Company will be increased from HK\$2,469,544,694 to HK\$3,457,362,571 (assuming that no outstanding Convertible Bonds are converted into Shares before the Record Date) or HK\$3,609,314,518 (assuming full conversion of all outstanding Convertible Bonds before the Record Date). In order to facilitate the Rights Issue and fulfilment of the Company's obligations under the outstanding Convertible Bonds and to assist in the future expansion of the Company, the Company proposes to increase its authorised share capital from HK\$3,300,000,000 to HK\$10,000,000,000 by the creation of an additional 6,700,000,000 new Shares. The Directors have no present intention to issue any part of that capital except for the issue of new Shares pursuant to the Rights Issue and upon conversion of the outstanding Convertible Bonds. The proposed increase in the authorised share capital of the Company will take effect upon the relevant resolution approving the same is passed by the Shareholders at the Extraordinary General Meeting. It is not conditional on completion of the Rights Issue.

9. EXTRAORDINARY GENERAL MEETING

Set out on pages 18 and 19 of this circular is the notice convening the Extraordinary General Meeting to be held at Meeting Room 406, Level 4, Hong Kong Convention & Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 22nd March, 2004.

LETTER FROM THE BOARD

Resolutions will be proposed at the Extraordinary General Meeting to approve:

- (i) the increase in authorised capital of the Company; and
- (ii) conditional upon the passing of the resolution approving (i) above, the Rights Issue.

All Shareholders will be entitled to vote on the resolutions approving the above matters at the Extraordinary General Meeting.

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. Shareholders who wish to appoint a proxy are requested to complete that form of proxy and return it to the registered office of the Company at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong in accordance with the instructions printed thereon as soon as possible and, in any event, not later than 10:00 a.m. on Saturday, 20th March, 2004 whether or not they intend to be present at the meeting. The completion and return of the form of proxy will not preclude Shareholders from attending and voting in person should they so wish.

The Major Shareholder has undertaken to vote, and to procure that the Major Shareholder's Subsidiaries to vote, in favour of all resolutions to be proposed at the Extraordinary General Meeting.

10. RECOMMENDATION

The Directors consider that the increase in the authorised share capital of the Company and the terms of the Rights Issue are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution approving the increase in the authorised share capital of the Company and the resolution approving the Rights Issue to be proposed at the Extraordinary General Meeting.

11. ADDITIONAL INFORMATION

Subject to the passing of the resolutions approving the increase in the authorised share capital of the Company and the Rights Issue to be proposed at the Extraordinary General Meeting, it is expected that the Prospectuses together with Provisional Allotment Letters and the Excess Application Forms will be despatched to the Qualifying Shareholders on Monday, 22nd March, 2004.

Yours faithfully,
For and on behalf of
the Board of Directors of
New World Development Company Limited
Dato' Dr. Cheng Yu-Tung
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of New World Development Company Limited (the “Company”) will be held at Meeting Room 406, Level 4, Hong Kong Convention & Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Monday, 22nd March, 2004 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without modification, as Ordinary Resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the authorised share capital of the Company be and is hereby increased from HK\$3,300,000,000 to HK\$10,000,000,000 by the creation of 6,700,000,000 additional shares of HK\$1.00 each in the capital of the Company.”
2. “**THAT** subject to the passing of Ordinary Resolution No. 1 set out in the notice convening the Extraordinary General Meeting at which this Resolution is proposed:
 - (A) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting a listing of and permission to deal in the shares of HK\$1.00 each of the Company in their nil-paid and fully-paid forms to be allotted to the shareholders of the Company by way of rights as announced on 13th February, 2004 and as more particularly described in a circular dated 5th March, 2004 (the “Circular”) to the shareholders of the Company of which the notice convening the Extraordinary General Meeting at which this Resolution is proposed forms part, the issue by way of rights (the “Rights Issue”) of not less than 987,817,877 and not more than 1,031,232,719 new shares of HK\$1.00 each (the “Rights Shares”) on and subject to the terms and conditions set out in the prospectus to be issued by the Company in connection with the Rights Shares and the terms of the underwriting agreement entered into by the Company in relation to the Rights Issue dated 13th February, 2004 (the “Underwriting Agreement”), a copy of the Circular marked “A” and a copy of the Underwriting Agreement marked “B” have been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved; and
 - (B) the Directors of the Company be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholders of the Company and, in particular, the Directors of the Company may make such exclusions or other arrangements in relation to fractional entitlements or overseas shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all acts and things which in their opinion are necessary in connection with the allotment and issue of the Rights Shares”.

By Order of the Board
Leung Chi-Kin, Stewart
Company Secretary

Hong Kong, 5th March, 2004

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

30th Floor, New World Tower
18 Queen's Road Central
Hong Kong.

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and on a poll to vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the registered office of the Company at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude shareholders from attending the meeting and voting in person.
4. The register of members of the Company will be closed from Monday, 15th March, 2004 to Monday, 22nd March, 2004 (both days inclusive) to determine entitlements under the proposed Rights Issue.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

**FORM OF PROXY FOR THE EXTRAORDINARY GENERAL MEETING
TO BE HELD ON MONDAY, 22nd MARCH, 2004**

I/We ^(Note 1) _____
of _____
being the registered holder(s) of ^(Note 2) _____
shares of HK\$1.00 each in the capital of New World Development Company Limited (the "Company"), hereby appoint
the Chairman of the Meeting or ^(Note 3) _____
_____ of _____ as
my/our proxy to attend and act for me/us at the Extraordinary General Meeting of the Company (the "Meeting") to be
held at Meeting Room 406, Level 4, Hong Kong Convention & Exhibition Centre, 1 Harbour Road, Wanchai, Hong
Kong on Monday, 22nd March, 2004 at 10:00 a.m. (or at any adjournment thereof) for the purpose of considering and, if
thought fit, passing the ordinary resolution as set out in the notice convening the Meeting and at the Meeting (or at any
adjournment thereof) to vote for me/us and in my/our name(s) in respect of the said resolution as hereunder indicated or,
if no such indication is given, as my/our proxy thinks fit.

	FOR ^(Note 4)	AGAINST ^(Note 4)
Ordinary Resolution 1		
Ordinary Resolution 2		

Dated _____ Signature(s)^(Note 5): _____

Notes:

- Please insert your full name(s) and address(es) in **BLOCK CAPITALS**. In case of joint registered holders, the names of all joint registered holders should be stated.
- Please insert the number of shares of HK\$1.00 each registered in your name(s) and to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s).
- If any proxy other than the Chairman of the Meeting is preferred, delete the words "the Chairman of the Meeting or" and insert the name and address of the proxy desired in the space provided. The proxy need not be a member of the Company but must attend the Meeting in person to represent you. **ANY ALTERATION MADE TO THIS PROXY FORM MUST BE DULY INITIALED BY THE PERSON WHO SIGNS IT.**
- IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, PLEASE TICK "√" IN THE BOX BELOW THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, PLEASE TICK "√" IN THE BOX BELOW THE BOX MARKED "AGAINST".** If you do not indicate how you wish your proxy to vote, your proxy will be entitled to cast your vote at his discretion or abstain. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than that referred to in the notice convening the Meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be executed either under its common seal or under the hand of an officer or attorney duly authorised to sign the same.
- Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint registered holders is present at the Meeting personally or by proxy, that one of the registered holders so present whose name stands first on the Company's register of members in respect of such share will alone be entitled to vote in respect thereof.
- To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the registered office of the Company, 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.
- Completion and return of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish. In the event that you attend the Meeting after having lodged this form of proxy as indicated above, this form of proxy will be deemed to have been revoked.