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Shanghai Land Holdings Limited

上海地產控股有限公司

(Incorporated in Hong Kong with limited liability)



Shanghai Merchants Holdings Limited

上海商貿控股有限公司*

(Incorporated in Bermuda with limited liability)

**JOINT ANNOUNCEMENT
ONGOING CONNECTED TRANSACTIONS**

Shanghai Land and Shanghai Merchants are making disclosures on the Ongoing Connected Transactions entered into by their respective subsidiaries on 21st November, 2002:

Sub-leasing of the Office Premises:

Worldmark (Far East) had entered into the Sub-tenancy Agreement with Profitex Investments on 21st November, 2002 for the sub-leasing of 2,487 square feet of the Office Premises by Profitex Investments to Worldmark (Far East) for a term commencing on 4th August, 2002 and expiring on 19th June, 2005 inclusive.

Provision of management services:

Worldmark (Far East) had entered into the Management Agreement with Profitex Investments on 21st November, 2002 for the provision of management services, including but not limited to human resources, administrative and company secretarial services, by Profitex Investments to Shanghai Merchants Group for a term commencing on 1st August, 2002 and expiring on 31st July, 2005 or at an earlier time by either party giving one month's written notice to the other party for the termination of the Management Agreement. Such management services are provided to the Shanghai Merchants Group in its ordinary and usual course of business.

The respective substantial shareholders (as defined in the Listing Rules) of Shanghai Land and Shanghai Merchants are New Nongkai Global Investments Limited (formerly known as Global Town Limited) and Angel Field Limited, which are both 100% beneficially owned by Mr. Chau Ching Ngai, the chairman of Shanghai Land. Accordingly, the Sub-tenancy Agreement and the Management Agreement constitute connected transactions under the Listing Rules and the Sub-tenancy Connected Transaction is subject to the disclosure requirements.

Each of Shanghai Land and Shanghai Merchants has applied for a waiver from the press announcement disclosure requirement in respect of the Sub-tenancy Connected Transaction under the Listing Rules.

1. ONGOING CONNECTED TRANSACTIONS

Sub-tenancy Agreement dated 21st November, 2002

Parties:

Service provider:

Profitex Investments, an indirect wholly owned subsidiary of Shanghai Land

Service acquirer:

Worldmark (Far East), an indirect wholly owned subsidiary of Shanghai Merchants

Transaction nature:

Under the Sub-tenancy Agreement, Worldmark (Far East) rents 2,487 square feet of the Office Premises from Profitex Investments. The lease is for a term commencing on 4th August, 2002 and expiring on 19th June, 2005 inclusive. Monthly rent payable by Worldmark (Far East) during the period is as follows:

Period	Monthly rent <i>(approximate HK\$)</i>
4th August, 2002 – 31st May, 2004	74,610
1st June, 2004 – 30th June, 2004	63,667
1st July, 2004 – 31st May, 2005	44,766
1st June, 2005 – 19th June, 2005	28,352

Worldmark (Far East) is responsible for air conditioning and management charges of approximately HK\$14,000 per month (subject to revision) during the term of the Sub-tenancy Agreement. In addition, Worldmark (Far East) will also be responsible for payment of rates and government rent of approximately HK\$10,000 and HK\$6,000 per quarter respectively (subject to revision) which are calculated in proportion to its occupied area of the Office Premises.

Furthermore, Worldmark (Far East) will be responsible for other miscellaneous charges, including but not limited to electricity and cleaning services, which are calculated in proportion to its occupied area of the Office Premises.

The respective directors of Shanghai Land and Shanghai Merchants have confirmed that upon expiry of the Sub-tenancy Agreement and if Shanghai Land and Shanghai Merchants renew such agreement, such agreement will be subject to disclosure as required under the Listing Rules.

Connected person:

The respective substantial shareholders (as defined in the Listing Rules) of Shanghai Land and Shanghai Merchants are New Nongkai Global Investments Limited (formerly known as Global Town Limited) and Angel Field Limited, which are both 100% beneficially owned by Mr. Chau Ching Ngai, the chairman of Shanghai Land.

Pricing basis:

The rental paid by Worldmark (Far East) to Profitex Investments was on arm's length terms and was based on the actual rental per square feet paid by Profitex Investments to the independent landlord multiplied by the actual area utilised by the Shanghai Merchants.

The respective directors of Shanghai Land and Shanghai Merchants have confirmed that the fee paid under the Sub-tenancy Agreement for each financial year will not be higher than HK\$10,000,000 or 3% of the book value of the net tangible assets of either Shanghai Land or Shanghai Merchants.

Pursuant to paragraph 14.25(1)(A) to (D) of the Listing Rules, particulars of the Sub-tenancy Connected Transactions will be disclosed in the next and each successive annual report and accounts for each financial year of Shanghai Land and Shanghai Merchants during the subsistence of the Sub-tenancy Agreement.

An application has been made to the Stock Exchange for a waiver from strict compliance with the press announcement disclosure requirement under Rule 14.25(1) of the Listing Rules in relation to the Sub-tenancy Connected Transaction by each of Shanghai Land and Shanghai Merchants.

Management Agreement dated 21st November, 2002

Parties:

Service provider:

Profitex Investments, an indirect wholly owned subsidiary of Shanghai Land

Service acquirer:

Worldmark (Far East), an indirect wholly owned subsidiary of Shanghai Merchants

Transaction nature:

Under the Management Agreement, Profitex Investments provides management services, including but not limited to human resources, administrative and company secretarial services, to the Shanghai Merchants Group at a fee which is determined on an actual reimbursements basis based on the number of headcount attributable to the services provided to the Shanghai Merchants Group. The Management Agreement is entered into for a term commencing on 1st August, 2002 and expiring on 31st July, 2005 inclusive or at an earlier time at which by either party giving one month's written notice to the other party for the termination of the Management Agreement.

Connected person:

The respective substantial shareholders (as defined in the Listing Rules) of Shanghai Land and Shanghai Merchants are New Nongkai Global Investments Limited and Angel Field Limited, which are both 100% beneficially owned by Mr. Chau Ching Ngai, the chairman of Shanghai Land.

Pricing basis:

The fee paid by Worldmark (Far East) to Profitex Investments was determined on an actual reimbursements basis based on the number of headcount (subject to revision) attributable to the services provided to the Shanghai Merchants Group. At present, the fee paid by Worldmark (Far East) to Profitex Investments is approximately HK\$27,200 per month.

The respective directors of Shanghai Land and Shanghai Merchants have confirmed that the fee paid under the Management Agreement for each financial year will not be higher than HK\$1,000,000 or 0.03% of the book value of the net tangible assets of either Shanghai Land or Shanghai Merchants.

As the annual fees incurred under the Management Agreement is below the higher of HK\$1,000,000 or 0.03 per cent of the book value of the net tangible assets of either Shanghai Land and Shanghai Merchants, therefore, the Management Services Connected Transaction is not subject to any disclosure or shareholders' approval requirements pursuant to the Listing Rules.

2. REASONS FOR THE SUB-TENANCY AGREEMENT AND THE MANAGEMENT AGREEMENT

The Ongoing Connected Transactions are/will be conducted in the ordinary and usual course of business of both the Shanghai Land Group and the Shanghai Merchants Group and in accordance with the terms of the relevant agreements which were negotiated on an arm's length basis. The respective directors including independent non-executive Directors of the Shanghai Land Group and the Shanghai Merchants Group consider it to be in the interests of the Shanghai Land Group and the Shanghai Merchants Group to engage in the Ongoing Connected Transactions as these transactions will minimise the rental and administrative costs incurred and also considered the Ongoing Connected Transactions are fair and reasonable as far as the respective independent shareholders of Shanghai Land and Shanghai Merchants are concerned.

3. THE WAIVER APPLICATION

As the Sub-tenancy Connected Transaction will take place from time to time on a regular basis, the respective directors of Shanghai Land and Shanghai Merchants consider that full compliance with the press announcement disclosure requirement under the Listing Rules would be impracticable, unduly burdensome and costly. Accordingly, an application has been made to the Stock Exchange for a waiver from strict compliance with the press announcement disclosure requirement under Rule 14.25(1) of the Listing Rules in relation to the Sub-tenancy Connected Transaction by each of Shanghai Land and Shanghai Merchants on the basis that:

1. the Sub-tenancy Connected Transaction is:
 - (a) in the ordinary and usual course of business of each of Shanghai Land Group and Shanghai Merchants Group;
 - (b) on normal commercial terms;
 - (c) entered into in accordance with the terms of the Sub-tenancy Agreement; and
 - (d) fair and reasonable so far as the shareholders of each of Shanghai Land and Shanghai Merchants are concerned.
2. the aggregate amount of rental involved for each respective financial year of Shanghai Land and Shanghai Merchants will not exceed the higher of:
 - (a) HK\$10,000,000; or
 - (b) 3 per cent of the book value of the net tangible assets of the Shanghai Land Group and Shanghai Merchants Group for the relevant financial year;

3. brief details of the Sub-tenancy Connected Transaction shall be disclosed as required by Rule 14.25(1) (A) to (D) of the Listing Rules in the next and each successive annual report and accounts of each of Shanghai Land and Shanghai Merchants for each respective financial year of Shanghai Land and Shanghai Merchants during the subsistence of the Sub-tenancy Agreement, together with statements of opinion from the independent non-executive Directors and auditors of each of Shanghai Land and Shanghai Merchants as referred to in conditions 4 and 5 below;
4. the independent non-executive Directors shall review annually the Sub-tenancy Connected Transaction and confirm in the each of the annual report of Shanghai Land and Shanghai Merchants that the Sub-tenancy Connected Transaction is conducted in the manner as stated in conditions 1 and 2 above; and
5. the respective auditors of each of Shanghai Land and Shanghai Merchants shall review annually the Sub-tenancy Connected Transaction and provide to the board of directors of each of Shanghai Land and Shanghai Merchants with a letter (the “Auditors’ Letter”) that the Sub-tenancy Connected Transaction has received the approval of the Board; has been carried out in accordance with the terms of the Sub-tenancy Agreement and the expected cap amount/percentage as stated in condition 2 above has not been exceeded for the relevant financial year. The Auditors’ Letter is to be addressed to the directors of Shanghai Land and Shanghai Merchants respectively and a copy of the Auditors’ Letter is to be provided by Shanghai Land and Shanghai Merchants to the Stock Exchange. Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Auditors’ Letter, the directors shall contact the Stock Exchange immediately.

4. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Hong Kong”	Hone Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	The agreement entered into between Profitex Investments and Worldmark (Far East) dated 21st November, 2002 for the provision of management services, including but not limited to human resources, administrative and company secretarial services by Profitex Investments to the Shanghai Merchants Group
“Management Services Connected Transaction”	the transaction contemplated under the Management Agreement
“Office Premises”	the office premises located at 67th Floor, The Center, 99 Queen’s Road Central, Hong Kong
“Ongoing Connected Transactions”	the Sub-tenancy Connected Transaction and the Management Services Connected Transaction

“Profitex Investments”	Profitex Investments Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly owned subsidiary of Shanghai Land
“Shanghai Land”	Shanghai Land Holdings Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Stock Exchange
“Shanghai Land Group”	Shanghai Land together with its subsidiaries and associated companies
“Shanghai Merchants”	Shanghai Merchants Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Shanghai Merchants Group”	Shanghai Merchants together with its subsidiaries and associated companies
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-tenancy Agreement”	the agreement entered into between Profitex Investments and Worldmark (Far East) dated 21st November, 2002 for the sub-leasing of the Office Premises by Profitex Investments to Worldmark (Far East)
“Sub-tenancy Connected Transaction”	the transaction contemplated under the Sub-tenancy Agreement
“Worldmark (Far East)”	Worldmark (Far East) Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly owned subsidiary of Shanghai Merchants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board of
Shanghai Land Holdings Limited
Chau Ching Ngai
Chairman

By Order of the Board of
Shanghai Merchants Holdings Limited
Mo Yuk Ping
Chairman

Hong Kong, 22nd November, 2002

* *For identification purpose only*

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