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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)

ANNOUNCEMENT ONGOING CONNECTED TRANSACTION

The Company is making disclosures on the Ongoing Connected Transaction entered into on 23rd May, 2003:

Profitex Investments, an indirect wholly owned subsidiary of the Company, had entered into the Sub-tenancy Agreement with Shun Loong on 23rd May, 2003 for the sub-leasing of 13,038 sq.ft. of the Office Premises by Profitex Investments to Shun Loong for a term commencing on 1st May, 2003 and expiring on 19th June, 2005, both days inclusive.

The respective substantial shareholders (as defined in the Listing Rules) of the Company and Shun Loong are New Nongkai Global Investments and Hong Kong New Nongkai, which are both 100% beneficially owned by Mr. Chau, the chairman and the controlling shareholder of the Company. Accordingly, the Sub-tenancy Agreement constitutes an ongoing connected transaction for the Company under Rule 14.25(1) of the Listing Rules and is subject to certain disclosure requirements.

The Company will apply to the Stock Exchange for a waiver from strict compliance with the requirements under the Listing Rules in respect of the Ongoing Connected Transaction.

1. ONGOING CONNECTED TRANSACTION

Sub-tenancy Agreement dated 23rd May, 2003

Parties:

Service provider:

Profitex Investments, an indirect wholly owned subsidiary of the Company

Service acquirer:

Shun Loong, a wholly owned subsidiary of Shanghai Finance, which is wholly owned by Mr. Chau through Hong Kong New Nongkai

Transaction nature:

At present, the Group has utilised 10,957 sq.ft. of the Office Premises, 2,487 sq.ft. has been leased to Worldmark (Far East) Limited, a wholly owned subsidiary of Shanghai Merchants Holdings Limited which is owned as to approximately 74.33% equity interest by Mr. Chau, and the remaining portion of 13,038 sq.ft. of the Office Premises has been left vacant. Under the Sub-tenancy Agreement, Shun Loong rents 13,038 sq.ft. of the Office Premises from Profitex Investments. The lease is for a term commencing on 1st May, 2003 and expiring on 19th June, 2005, both days inclusive. The schedule of monthly rental payable by Shun Loong to Profitex Investments below is wholly reflecting the arrangement under the original tenancy agreement signed between Profitex Investments and the independent landlord.

Period	Monthly rent <i>(approximate HK\$)</i>
1st May, 2003 – 31st May, 2004	391,140
1st June, 2004 – 30th June, 2004	333,773
1st July, 2004 – 31st May, 2005	234,684
1st June, 2005 – 19th June, 2005	148,633
Total rental fees paid by Shun Loong during the lease term	HK\$6,975,330
Average rental per sq.ft.	HK\$20.9

Shun Loong is responsible for air conditioning and management charges of approximately HK\$71,709 per month (subject to revision) during the term of the Sub-tenancy Agreement. In addition, Shun Loong will also be responsible for payment of rates and government rent of approximately HK\$52,434 and HK\$31,460 per quarter respectively (subject to revision) which are calculated in proportion to its occupied area of the Office Premises. Furthermore, Shun Loong 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.

In addition, as Profitex Investments has been granted a rent free period of three months by the independent landlord, Profitex Investments has granted a similar rent free period in total of 3 months in an aggregate amount of HK\$1,173,420 to Shun Loong for the period from 1st June, 2003 to 31st August, 2003, both days inclusive.

Connected person:

The respective substantial shareholders (as defined in the Listing Rules) of the Company and Shun Loong are New Nongkai Global Investments and Hong Kong New Nongkai, which are both 100% beneficially owned by Mr. Chau.

Pricing basis:

The rental paid by Shun Loong to Profitex Investments was on arm's length terms and was based on the actual rental per sq.ft. paid by Profitex Investments to the independent landlord multiplied by the actual area utilised by the Shun Loong Group.

The Directors have confirmed that the fees involved 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 the Group as disclosed in the latest published accounts and adjusted to account for subsequent transactions in the manner described under Rule 14.04(6) of the Listing Rules in the relevant financial year.

2. REASONS FOR AND BENEFITS OF THE ONGOING CONNECTED TRANSACTION

The Ongoing Connected Transaction is/will be conducted in the ordinary and usual course of business of both the Group and the Shun Loong Group and in accordance with the terms of the Sub-tenancy Agreement which was negotiated on an arm's length basis. The Directors including the independent non-executive Directors consider it to be in the interests of the Group to engage in the Ongoing Connected Transaction as the transaction will minimise rental fees incurred by the Group as the Office Premises to be rented by the Shun Loong Group is currently left vacant. The Directors, including the independent non-executive Directors, also consider that the Ongoing Connected Transaction, including the rental fees, is fair and reasonable as far as the Shareholders are concerned and on terms no less favourable than those offered to independent third parties.

3. DISCLOSURE REQUIREMENT AND WAIVER SOUGHT

The Directors expect that the Ongoing Connected Transaction may exceed the higher of HK\$1,000,000 or 0.03% of the book value of the net tangible assets of the Group but below the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Group. As the Ongoing Connected Transaction will take place from time to time on a regular basis, the Directors consider that full compliance with the press announcement disclosure requirement under the Listing Rules would be impracticable, unduly burdensome and costly. As such, an application will be 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 Ongoing Connected Transaction by the Company on the basis that:

1. the Ongoing Connected Transaction will be entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) in accordance with the Sub-tenancy Agreement governing it;

- (c) on normal commercial terms or on terms no less favourable than those offered to independent third parties; and
 - (d) in the manner as stated in 2 below.
2. the aggregate amount of the Ongoing Connected Transaction for each respective financial year up to 30th June, 2005 of the Company will not exceed the higher of:
 - (a) HK\$10,000,000; or
 - (b) 3% of the book value of the net tangible assets of the Group as disclosed in the latest published accounts and adjusted to account for subsequent transactions in the manner described under Rule 14.04(6) of the Listing Rules in the relevant financial year;
 3. details of the Ongoing 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 for each financial year of the Company during the subsistence of the Sub-tenancy Agreement, together with statement of opinion from the independent non-executive Directors as referred to in 4 below;
 4. the independent non-executive Directors shall review annually the Ongoing Connected Transaction and confirm in each of the annual report of the Company that the Ongoing Connected Transaction is conducted in the manner as stated in 1 above; and
 5. each year the auditors of the Company shall provide a letter (the “Letter”) to the Board confirming that the Ongoing Connected Transaction:
 - (a) has received the approval of the Board;
 - (b) has been entered into in accordance with the terms of the Sub-tenancy Agreement; and
 - (c) has not exceeded the cap amounts set out in 2 above.

The Letter is to be addressed to the Board and a copy of the Letter is to be provided by the Company to the Stock Exchange. Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange as soon as practicable.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of the proposed waiver application on transaction of the kind to which the Ongoing Connected Transaction belong, including, but not limited to, a requirement that such transaction be made conditional on approval by the independent shareholders, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

The Company will fully comply with the disclosure and independent shareholders’ approval requirements provided in Chapter 14 of the Listing Rules in respect of connected transaction if the Ongoing Connected Transaction exceeds the amount as stated in 2 above.

4. DEFINITIONS

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

“Board”	board of Directors
“BVI”	British Virgin Islands
“Company”	Shanghai Land Holdings Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company together with its subsidiaries and associated companies
“Hong Kong”	Hone Kong Special Administrative Region of the People’s Republic of China
“Hong Kong New Nongkai”	Hong Kong New Nongkai Group Limited, a company incorporated in BVI with limited liability which is wholly owned by Mr. Chau
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Chau”	Mr. Chau Ching Ngai, the chairman and the controlling shareholder of the Company holding approximately 75% of the entire issued share capital of the Company
“New Nongkai Global Investments”	New Nongkai Global Investments Limited, a company incorporated in BVI with limited liability which is wholly owned by Mr. Chau
“Office Premises”	the office premises with a total floor area of 26,482 sq.ft. located at 67th Floor, The Center, 99 Queen’s Road Central, Hong Kong
“Ongoing Connected Transaction”	the transaction contemplated under the Sub-tenancy Agreement
“Profitex Investments”	Profitex Investments Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly owned subsidiary of the Company
“Shanghai Finance”	Shanghai Finance Holdings Limited, a company incorporated in BVI with limited liability which is owned as to 100% by Mr. Chau through Hong Kong New Nongkai
“Shareholder(s)”	shareholder(s) of the Company
“Shun Loong”	Shun Loong Holdings Limited, a company incorporated in Hong Kong with limited liability which is indirectly owned as to 100% by Mr. Chau
“Shun Loong Group”	Shun Loong 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 Shun Loong dated 23rd May, 2003 for the sub-leasing of the Office Premises by Profitex Investments to Shun Loong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq.ft.”	square feet

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

Hong Kong, 23rd May, 2003

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