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新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

CONNECTED TRANSACTION

On 7 October 2010, the Company as the Purchaser's guarantor entered into the Agreement with the Vendor and the Purchaser, pursuant to which (i) the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and accept the assignment of, the Sale Shares and the Sale Loan at the Transaction Consideration of HK\$1,865 million, which will be satisfied by way of cash upon Completion; and (ii) the Company unconditionally and irrevocably guaranteed to the Vendor the due and punctual performance and observance by the Purchaser of all its obligations under the Agreement.

The business of the Hing Ying Group is the investment and holding of the Properties. Upon Completion, Hing Ying will be owned as to 40% indirectly by the Company.

The Vendor is jointly-owned by Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Chi Him. The relationship between the Vendor and the Purchaser is more particularly set out in the section headed "Relationship between the parties" below. The Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Rule 14A.32(1) of the Listing Rules. As all the percentage ratios (as defined in the Listing Rules) are less than 5%, the Acquisition is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirement.

THE AGREEMENT

Date

7 October 2010

Parties

- (i) The Vendor as vendor;
- (ii) The Purchaser as purchaser; and
- (iii) The Company as the Purchaser's guarantor.

Assets to be acquired of

Pursuant to the terms and conditions of the Agreement, the Vendor has agreed to sell and assign, and the Purchaser has agreed to purchase and accept the assignment of, the Sale Shares and the Sale Loan. The Sale Shares represents 40% of the entire issued share capital of Hing Ying.

The Sale Loan represents the entire unsecured and non-interest bearing shareholder's loan owing from Hing Ying to the Vendor as at the date of the Agreement. As at the date of the Agreement, the unaudited shareholder's loan owing from Hing Ying to the Vendor was HK\$728,241,284.31.

Pursuant to the Agreement, the Company has unconditionally and irrevocably guaranteed to the Vendor the due and punctual performance and observance by the Purchaser of all its obligations under the Agreement and agreed to indemnify the Vendor against all losses, damages, costs and expenses which the Vendor may suffer arising from or in connection with any breach by the Purchaser of such obligations.

The business of the Hing Ying Group is its investment and holding of the Properties with a site area of approximately 72,000 square feet. The gross floor area of residential units to be erected on the Properties shall be approximately 576,000 square feet. As at the date of this announcement, the Properties are under demolition.

Consideration

The Transaction Consideration shall be paid in cash by the Purchaser upon Completion.

The Transaction Consideration was determined between the Purchaser and the Vendor after arm's length negotiations on the basis that the Hing Ying Group is the owner of the Properties free from all encumbrances on the date of Completion and with reference to the appraised value of the Properties based on the valuation report prepared by an independent professionally qualified valuer. The Transaction Consideration will be funded by the Group's internal resources.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement including the Transaction Consideration, which have been arrived at after arm's length negotiations, are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

Completion

Completion shall take place on the third Business Day after the date of the Agreement or such other date as the Vendor and the Purchaser may agree in writing. Upon Completion, Hing Ying will be owned as to 40% indirectly by the Company.

INFORMATION ON THE VENDOR AND THE HING YING

The Vendor is an investment holding company incorporated in the British Virgin Islands and is jointly-owned by Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Chi Him. The sole business of the Vendor is the holding of its 40% interest in Hing Ying.

Hing Ying was incorporated in the British Virgin Islands and is held as to 40% by the Vendor, 40% by Ford Cheer Enterprise Ltd and 20% by Cheertop Investments Limited. Hing Ying is an investment holding company and the business of the Hing Ying Group is its investment and holding of the Properties.

Based on the unaudited management accounts of Hing Ying, the total net asset value (excluding shareholders' loan) of Hing Ying as at 31 July 2010 was approximately HK\$1,756.8 million. Set out below is a summary of the unaudited financial information of Hing Ying for each of the two years ended 31 March 2009 and 31 March 2010 prepared in accordance with HKFRS:

	For the year ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
Net (loss) before taxation and extraordinary items	(7,801.8)	(30,828.9)
Net (loss) after taxation and extraordinary items	(7,839.6)	(30,828.9)

As the Vendor had been a shareholder of Hing Ying since the date of incorporation of Hing Ying, there is no original purchase cost of the Sale Shares.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the main business areas of the Group is investment in and development of properties in Hong Kong. The acquisition of the interests in Hing Ying, whose subsidiaries are owners of the Properties, is consistent with the core business strategies of the Group.

The Directors believe that it is a viable investment and will broaden the asset and earnings base of the Group which will be beneficial to the Group and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the Agreement is entered into after an arm's length negotiation between the parties thereto and the terms therein are on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

RELATIONSHIP BETWEEN THE PARTIES

The Vendor is jointly-owned by Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Chi Him.

Mr. Cheng Kam Chiu, Stewart is the nephew of Dato' Dr. Cheng Yu Tung, cousin of Dr. Cheng Kar Shun, Henry and Mr. Cheng Kar Shing, uncle of Mr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Him and Mr. Cheng Chi Heng.

Mr. Cheng Chi Him is the grandson of Dato' Dr. Cheng Yu Tung, the son of Mr. Cheng Kar Shing, Peter, the nephew of Dr. Cheng Kar Shun, Henry and Mr. Cheng Kam Chiu, Stewart, cousin of Mr. Cheng Chi Kong, Adrian and brother of Mr. Cheng Chi Heng.

Ford Cheer Enterprise Ltd is an associate of CTF, the substantial Shareholder holding approximately 40.03% of the issued share capital of the Company as at the date of the Agreement.

Cheertop Investments Limited is an associate of certain substantial shareholders of the subsidiaries of the Company.

GENERAL

As the Vendor is jointly-owned by Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Chi Him, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Rule 14A.32(1) of the Listing Rules. As all the percentage ratios (as defined in the Listing Rules) are less than 5%, the Acquisition is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirement.

None of the Directors have a material interest in the Acquisition, but Dato' Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, and Mr. Cheng Chi Kong, Adrian, who are associates of Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Chi Him and present at the Board meeting approving the Acquisition, have voluntarily abstained from voting on the relevant Board resolution.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
“Agreement”	the sale and purchase agreement dated 7 October 2010 entered into between the Vendor, the Purchaser and the Company in relation to the Acquisition
“associate”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 0017)
“Completion”	completion of the Acquisition
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“CTF”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability and a substantial Shareholder holding approximately 40.03% of the issued share capital of the Company as at the date of the Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hing Ying”	Hing Ying Services Limited, a company incorporated in the British Virgin Islands with limited liability and held as to 40% by the Vendor, 40% by Ford Cheer Enterprise Ltd and 20% by Cheertop Investments Limited

“Hing Ying Group”	Hing Ying and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	the face value of the Sale Loan, being the consideration payable by the Purchaser to the Vendor for the assignment of the Sale Loan
“Properties”	all those pieces or parcels of ground registered in the Land Registry as sub-section 1 of section H of Inland Lot No.5044, the remaining portion of Section H of Inland Lot No.5044, section I of Inland Lot No.5044, section P of Inland Lot No.5044, sub-sections 1, 2 and 3 of section Q of Inland Lot No.5044, the remaining portion of section Q of Inland Lot No.5044, sub-section 1 of section R of Inland Lot No.5044, the remaining portion of section R of Inland Lot No.5044 and section G of Inland Lot No.5044 held under the Lease dated 29 March 1949
“Purchaser”	Chi Lam Investment Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale Loan”	HK\$728,241,284.31, being the entire amount of the unsecured and non-interest bearing shareholder's loan owing from Hing Ying to the Vendor as at the date of the Agreement
“Sale Shares”	40 shares of Hing Ying, representing 40% of its entire issued share capital
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Share Consideration”	being the Transaction Consideration less the Loan Consideration
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Consideration”	HK\$1,865 million, being the aggregate purchase price for the Sale Shares and the Sale Loan
“Vendor”	Meritown Properties Limited, a company incorporated in the British Virgin Islands with limited liability and jointly-owned by Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Chi Him
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Leung Chi Kin, Stewart
Company Secretary

Hong Kong, 7 October 2010

As at the date of this announcement: (a) the executive Directors are Dato' Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Dr. Sin Wai Kin, David, Mr. Liang Chong Hou, David, Mr. Leung Chi Kin, Stewart, Mr. Cheng Chi Kong, Adrian and Mr. Cheng Chi Heng; (b) the non-executive Directors are Mr. Cheng Kar Shing, Peter, Mr. Chow Kwai Cheung, Mr. Liang Cheung Biu, Thomas and Ms. Ki Man Fung, Leonie; and (c) the independent non-executive Directors are Mr. Yeung Ping Leung, Howard, Dr. Cha Mou Sing, Payson (alternate Director to Dr. Cha Mou Sing, Payson: Mr. Cha Mou Zing, Victor), Mr. Ho Hau Hay, Hamilton and Mr. Lee Luen Wai, John.