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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 the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 14 of this Circular. A letter from the Independent Board Committee is set out on page 15 of this Circular. A letter from ICAL containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 41 of this Circular.

A notice convening the EGM to be held at Meeting Room S221 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 29 June 2011, at 11:30 a.m. is set out on pages 53 and 54 of this Circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with the Company's share registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CCT Announcement”	the announcement of the Company dated 27 July 2010 in respect of, among others, the completion of the Group A Disposal contemplated under the Group A SP Agreement and the entering into of the Existing Master Services Agreement
“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Existing Master Services Agreement or the Master Services Agreement (as the case may be)
“Director(s)”	the director(s) of the Company
“Disposal”	collectively, the Group A Disposal and the Group B Disposal
“EGM”	the extraordinary general meeting of the Company to be held on 29 June 2011 for the purposes of, among others, considering and, if thought fit, approving the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Existing Master Services Agreement”	the existing master services agreement in relation to the Operational and Rental Services entered into between the Company and Mr. Doo on 27 July 2010 to streamline and regulate the Continuing Connected Transactions between members of the Group and members of the Services Group arising after completion of the Group A Disposal
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“Group A Disposal”	has the meaning ascribed to it under the 2010 Circular, which was completed on 27 July 2010 as disclosed in the CCT Announcement
“Group A SP Agreement”	has the meaning ascribed to it under the 2010 Circular
“Group B Disposal”	has the meaning ascribed to it under the 2010 Circular, which is expected to be completed by the end of June 2011
“Group B Members”	has the meaning ascribed to it under the 2010 Circular
“Group B SP Agreement”	has the meaning ascribed to it under the 2010 Circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ICAL” or “Independent Financial Adviser”	Investec Capital Asia Limited (formerly known as Access Capital Limited), a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the Continuing Connected Transactions (including the Annual Caps)
“Independent Board Committee”	an independent committee of the Board, which comprises 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, established to advise the Independent Shareholders with regard to the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)

DEFINITIONS

“Independent Shareholders”	the Shareholders, other than Mr. Doo and his associates, who do not have any material interest in the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder and are not required to abstain from voting at the EGM to consider and approve the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Joint Announcement”	the announcement dated 11 June 2010 jointly issued by the Company and NWS in relation to the Disposal
“Latest Practicable Date”	1 June 2011, being the latest practicable date prior to the printing of the Circular for ascertaining certain information contained in the Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Services Agreement”	the master services agreement dated 19 May 2011 in relation to the Operational and Rental Services entered into between the Company and Mr. Doo to streamline and regulate the Continuing Connected Transactions between members of the Group and members of the enlarged Services Group arising after completion of the Disposal
“Mr. Doo”	Mr. Doo Wai-Hoi, William, the director of certain subsidiaries of the Company and the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company. Mr. Doo is the son-in-law of Dato’ Dr. Cheng Yu-Tung, the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, the uncle of Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng, and a controlling shareholder of the Services Group
“NWS”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659) and beneficially owned as to approximately 59.79% by the Company as at the Latest Practicable Date

DEFINITIONS

“Operational Agreements”	the individual agreements in respect of the provision of any of the Operational and Rental Services which may from time to time be entered into between a member of the Services Group and a member of the Group pursuant to the Master Services Agreement, and “Operational Agreement” means any of them
“Operational and Rental Services”	contracting services, cleaning and landscaping services, facility management services, property management services, security and guarding services, rental services and such other types of services as the parties may agree upon from time to time in writing to be provided by members of the Group or the Services Group to members of the Services Group or the Group, the initial scope of the Operational and Rental Services is as described in the paragraph headed “Provision of the Operational and Rental Services” in this Circular
“Services Group”	Mr. Doo and any company in the equity capital of which Mr. Doo is directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	any entity which falls within the definition of “subsidiary” under the Listing Rules or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“2010 Circular”	the circular of the Company dated 2 July 2010 in respect of the discloseable and connected transactions concerning the Disposal
“%”	per cent.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

Executive Directors:

Dato' Dr. Cheng Yu-Tung (*Chairman*)
Dr. Cheng Kar-Shun, Henry (*Managing Director*)
Dr. Sin Wai-Kin, David
Mr. Liang Chong-Hou, David
Mr. Cheng Chi-Kong, Adrian
Mr. Cheng Chi-Heng

Registered office:

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

Non-executive Directors:

Mr. Cheng Kar-Shing, Peter
Mr. Leung Chi-Kin, Stewart
Mr. Chow Kwai-Cheung
Mr. Liang Cheung-Biu, Thomas
Ms. Ki Man-Fung, Leonie, JP

Independent non-executive Directors:

Mr. Yeung Ping-Leung, Howard
Dr. Cha Mou-Sing, Payson, JP
(alternate director to Dr. Cha Mou-Sing, Payson:
Mr. Cha Mou-Zing, Victor)
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John, JP

10 June 2011

*To the Shareholders and, for information purpose only,
the holders of the outstanding share options of the Company*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

References are made to (i) the Joint Announcement and the 2010 Circular in relation to, among others, the Disposal; and (ii) the CCT Announcement in relation to, among others, the Existing Master Services Agreement.

Under the Existing Master Services Agreement, each of the Company and Mr. Doo agrees to, and agrees to procure members of the Group or the Services Group (to the extent practicable) to engage relevant members of the Services Group or the Group (as the case may be) to provide the Operational and Rental Services to members of the Group or the

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Services Group (as the case may be) during the term of the Existing Master Services Agreement. In anticipation of the completion of the Group B Disposal, which is expected to take place by the end of June 2011, the Directors envisage that there would be a surge in the volume of continuing connected transactions between members of the Group and members of the Services Group as the Services Group will be enlarged to include the Group B Members (which will also become associates of Mr. Doo) and the scope of services that could be provided by the Services Group will be widened.

In light of the above, the Company entered into the Master Services Agreement with Mr. Doo on 19 May 2011 in relation to the provision of Operational and Rental Services between members of the Group and members of the Services Group upon completion of the Group B Disposal.

The purpose of this Circular is to give you further details regarding, among others, further information on the Master Services Agreement, the advice of the Independent Board Committee to the Independent Shareholders and the advice from ICAL to the Independent Board Committee and the Independent Shareholders and to give you notice of the EGM.

CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER SERVICES AGREEMENT

Parties: (1) the Company
(2) Mr. Doo

Duration: Subject to the approval of the Master Services Agreement and the Continuing Connected Transactions by the Independent Shareholders at the EGM, the Master Services Agreement shall be for an initial term of three years commencing from 1 July 2011.

Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements (to the extent applicable) under Chapter 14A of the Listing Rules and/or any other applicable requirements under the Listing Rules and/or any other relevant laws and regulations at the relevant time, the Master Services Agreement may be renewed for a further term of three years.

Nature of transactions: Provision of the Operational and Rental Services by members of the Group to members of the Services Group and vice versa.

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Pricing basis: As a general principle, the prices and terms with respect to Operational and Rental Services to be provided by member(s) of the Services Group to member(s) of the Group (or vice versa) shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and terms no less favourable to the Group than prices and terms available to or from independent third parties to the Group.

Provision of the Operational and Rental Services

Under the Master Services Agreement, it was agreed between the Company and Mr. Doo that members of the Group or the Services Group may, and to the extent practicable in each case engage relevant members of the Services Group or the Group (as the case may be) to provide the Operational and Rental Services to relevant members of the Group or the Services Group (as the case may be) during the term of the Master Services Agreement.

The Operational and Rental Services to be provided under the Master Services Agreement shall include the following services, and such other types of services as the Company and Mr. Doo may agree upon from time to time in writing:

- (a) Contracting Services – provision of services as main contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services, electrical systems and system design and consultancy, computer aided drafting services and related services.
- (b) Cleaning and Landscaping Services – general cleaning, vessel and vehicle cleaning, office and facility cleaning, recycling and environmental services, landscaping and plant maintenance, the supply of plants, laundry services and related services.
- (c) Facility Management Services – provision of information technology services and telecommunication services, provision of convention and exhibition facilities, related functions and services, food and beverage catering services, food processing, trading and supply, merchandise sourcing, procurement and supply and related services.
- (d) Property Management Services – property management, property sales, vessel and vehicle sales and letting agency services, pre-marketing consultancy services, technical services, provision of car parking management and related services.

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- (e) Security and Guarding Services – provision of security guards, security systems installation and maintenance services, armoured transport services, supply of security products and related services.
- (f) Rental Services – rental of properties, spare spaces, office spaces and car parking spaces and related services.

The above-mentioned engagement is subject to the following qualifications:

- (a) the engagement only applies to services required for businesses, projects and premises for which the relevant members of the Group or the Services Group (as the case may be) have the right to select providers of the relevant Operational and Rental Services;
- (b) the engagement is not contrary to the terms of contracts governing the relevant businesses, projects or premises or any applicable laws, regulations or administrative directives promulgated by competent authorities to which the businesses, projects and/or premises of the relevant members of the Group or the Services Group (as the case may be) may relate; and
- (c) in the event that the provider(s) of particular services is/are to be selected through auction or tender, the engagement shall only become effective as and when the relevant member(s) of the Services Group or the Group (as the case may be) has/have been successfully bid for such auction or tender.

Operational Agreements

- (1) Pursuant to the Master Services Agreement, member(s) of the Services Group and member(s) of the Group shall, from time to time during the term of the Master Services Agreement, enter into separate Operational Agreement(s) in respect of the provision of the Operational and Rental Services provided that such separate agreement(s) shall always be subject to terms of the Master Services Agreement. In this connection, the Company and Mr. Doo have agreed that:
 - (a) as a general principle, the prices and terms of the Operational Agreements with respect to the Operational and Rental Services to be provided by member(s) of the Services Group to member(s) of the Group (or vice versa) shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and terms no less favourable to the Group than prices and terms available to or from independent third parties to the Group.
 - (b) subject to the general principle in (a) above, the prices and terms at which the security and guarding services to be provided shall be determined in the ordinary course of business on a cost-plus basis on terms (including prices) no less favourable than those charged to and contracted with other independent third party customers of the Services Group. The cost element includes all

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direct costs incurred, such as equipment costs, staff costs, public liability insurance and other indirect or common costs allocated on revenue or other equitable basis; and

- (c) the duration of each Operational Agreement shall be in compliance with the applicable laws and regulations in force from time to time and shall be negotiated on arm's length basis.
- (2) Notwithstanding the terms of the Master Services Agreement, any existing operational agreement(s) (the "**Subsisting Operational Agreement(s)**") entered into between member(s) of the Services Group and member(s) of the Group before the completion of the Disposal and which is/are still subsisting on, but not yet completed as at the commencement date of the Master Services Agreement, shall for the purpose of maintaining operational continuity to assure the fulfillment of any existing contractual obligations or any contracted commitments under such Subsisting Operational Agreement(s), continue in full force and effect until its termination in accordance with the terms of the relevant Subsisting Operational Agreement(s).

Termination of the Existing Master Services Agreement

The Company and Mr. Doo agree to terminate the Existing Master Services Agreement upon the Master Services Agreement becoming effective.

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HISTORICAL AGGREGATE TRANSACTION VALUES

Assuming completion of the Group B Disposal, the aggregate transaction values in respect of the transactions between members of the Group and members of the Services Group for the financial years ended 30 June 2009 and 2010 and the six months ended 31 December 2010 were as follows:

Categories	Aggregate transaction values		
	Financial year ended 30/06/2009 (HK\$ million)	Financial year ended 30/06/2010 (HK\$ million)	Six months ended 31/12/2010 (HK\$ million)
Provision of Operational and Rental Services by members of the Group to members of the Services Group	35.6	24.9	9.6
Provision of Operational and Rental Services by members of the Services Group to members of the Group	1,034.0	844.2	377.6
Total	<u>1,069.6</u>	<u>869.1</u>	<u>387.2</u>

MAXIMUM AGGREGATE ANNUAL VALUES

The Company expects that the maximum aggregate annual value (the “**Annual Cap(s)**”) in respect of the transactions between members of the Group and members of the Services Group will be as follows:

Categories	Annual Cap for each of the financial years ending 30 June (Note)		
	2012 (HK\$ million)	2013 (HK\$ million)	2014 (HK\$ million)
Provision of Operational and Rental Services by members of the Group to members of the Services Group	19.0	20.5	22.1
Provision of Operational and Rental Services by members of the Services Group to members of the Group	2,624.9	2,849.7	3,069.9
Total	<u>2,643.9</u>	<u>2,870.2</u>	<u>3,092.0</u>

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Note: The above Annual Caps do not cover the anticipated transaction values under the Subsisting Operational Agreements entered into by members of the Group and the Group B Members for each of the three financial years ending 30 June 2014. Such Subsisting Operational Agreements will be disclosed by way of an announcement upon completion of the Group B Disposal pursuant to Rule 14A.41 of the Listing Rules.

Each of the Annual Caps has been determined by reference to:

- (a) the historical annual or annualised amounts in respect of that category of the Operational and Rental Services provided by the relevant members of the Group to the relevant members of the Services Group or vice versa during the past financial years; and
- (b) the projected annual or annualised amounts in respect of that category of Operational and Rental Services to be provided by the relevant members of the Group to the relevant members of the Services Group or vice versa in the next three financial years.

The above-mentioned projected figures are determined basing on the relevant historical figures, taking into account the business growth of the Services Group and the Group, the estimated future demand, the inflation factor and adjustments for non-recurring or extraordinary items, and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Services Group and/or the Group.

The management of the Group considers that the Services Group has the capability to undertake the provision of the Operational and Rental Services contemplated under the Master Services Agreement for each of the three financial years ending 30 June 2014. In addition to the normal procedures in selecting providers of Operational and Rental Services by tenders, (i) the Company will seek approval from its independent non-executive Directors before awarding any contract by the Company and/or its unlisted subsidiaries to member(s) of the Services Group with contract sum exceeding HK\$100,000,000; (ii) tender documents and/or relevant reports of any new contracts awarded to member(s) of the Services Group will be reviewed by members of the internal audit of the Group for compliance of the procedures and guidelines as set out by the relevant procedure manual of the Group; and (iii) the continuing connected transactions contemplated under the aforesaid contracts will be subject to the annual review by the external auditors of the Group in accordance with the requirements of the Listing Rules (the “**Additional Procedures**”). The Additional Procedures will apply to new contracts to be awarded to member(s) of the Services Group by member(s) of the listed subsidiaries of the Company. The Directors are therefore of the views that the Annual Caps as stated above are fair and reasonable and the provision of the Operational and Rental Services contemplated under the Master Services Agreement is in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE MASTER SERVICES AGREEMENT

The transactions contemplated under the Master Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the Services Group. The above-mentioned Operational Agreements will be agreed on arm's length basis, on normal commercial terms and comparable with terms available to or from independent third parties (as the case may be).

The Master Services Agreement is intended to streamline the continuing connected transactions between members of the Group and members of the Services Group. It provides a single basis on which the Company will comply with the reporting, announcement and Independent Shareholders' approval requirements in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the Operational Agreements in respect of the provision of the Operational and Rental Services.

The Directors are of the views that the terms of the Master Services Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole, and that it is beneficial to the Company to enter into the Master Services Agreement.

INFORMATION REGARDING MR. DOO, THE SERVICES GROUP AND THE GROUP

Mr. Doo

Mr. Doo is the director of certain subsidiaries of the Company and the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company. Mr. Doo is the son-in-law of Dato' Dr. Cheng Yu-Tung, the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, the uncle of Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng and a controlling shareholder of the Services Group.

The Services Group

The Services Group is principally engaged in the provision of services including (a) laundry and landscaping; (b) security and guarding; (c) trading of building materials; (d) insurance brokerage; and (e) property management as at the Latest Practicable Date. Following completion of the Group B SP Agreement, the businesses of the enlarged Services Group will be further expanded to the provision of such services including cleaning and electrical and mechanical engineering.

The Group

The Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Mr. Doo is the director of certain subsidiaries of the Company and hence a connected person of the Company under the Listing Rules. Each of the members of the Services Group (including the Group B Members following completion of the Group B Disposal) is an associate of Mr. Doo and hence a connected person of the Company. The entering into of the Master Services Agreement and the provision of the Operational and Rental Services contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated maximum aggregate annual values of the Continuing Connected Transactions under the Master Services Agreement will be more than 5%, the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder will be subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

EGM

The Company will convene the EGM at 11:30 a.m. on Wednesday, 29 June 2011 at Meeting Room S221 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong to consider the Master Services Agreement. A notice of the EGM is set out on pages 53 and 54 of this Circular.

Any Shareholder with a material interest in the Master Services Agreement and its/his associates will abstain from voting at approving the Master Services Agreement at the EGM. Mr. Doo and his associates shall abstain from voting on the relevant ordinary resolution to approve the Master Services Agreement (including the Annual Caps) at the EGM.

In accordance with Rule 13.39(4) of the Listing Rules, the chairman of the EGM will direct that the proposed resolution set out in the notice convening the EGM be voted by poll.

After the conclusion of the EGM, the results of the poll will be released on the HKExnews website at www.hkexnews.hk and the Company's website at www.nwd.com.hk.

A form of proxy for use in connection with the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

BOARD'S APPROVAL

None of the Directors have a material interest in the Master Services Agreement, but Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kar-Shing, Peter and Mr. Cheng Chi-Heng, who present at the board meeting of the Company approving the Master Services Agreement, had voluntarily abstained from voting on the relevant board resolution.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yeung Ping-Leung, Howard, Dr. Cha Mou-Sing, Payson, Mr. Ho Hau-Hay, Hamilton and Mr. Lee Luen-Wai, John, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Master Services Agreement. Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on page 15 of this Circular. Your attention is also drawn to the letter of advice from ICAL to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Services Agreement set out on pages 16 to 41 in this Circular.

The Independent Board Committee, having taken into account the advice of ICAL, considers that the terms of the Master Services Agreement (including the Annual Caps) are on normal commercial terms and in the best interest of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Master Services Agreement and the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution approving the Master Services Agreement (including the Annual Caps) at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this Circular.

Yours faithfully
For and on behalf of
New World Development Company Limited
Dr. Cheng Kar-Shun, Henry
Managing Director



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

10 June 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the Circular of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

Since the Master Services Agreement constitutes continuing connected transactions for the Company under the Listing Rules, the Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the terms of the Master Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned. ICAL has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Master Services Agreement.

We wish to draw your attention to (i) the Letter from the Board as set out on pages 5 to 14 of the Circular; (ii) the Letter from ICAL as set out on pages 16 to 41 of the Circular and (iii) the additional information as set out in the appendix to the Circular.

Having taken into account the terms and conditions of the Master Services Agreement and the advice from ICAL, we consider that the terms and conditions of the Master Services Agreement are on normal commercial terms, and together with the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Master Services Agreement to be proposed at the EGM.

Yours faithfully

The Independent Board Committee

Mr. Yeung Ping-Leung, Howard

Dr. Cha Mou-Sing, Payson

Mr. Ho Hau-Hay, Hamilton

Mr. Lee Luen-Wai, John

LETTER FROM ICAL

The following is the text of the letter of advice from ICAL to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular.



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10 June 2011

*To the Independent Board Committee and
the Independent Shareholders of New World Development Company Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the continuing connected transactions pursuant to the Master Services Agreement and the respective estimated maximum aggregate annual values (i.e. the Annual Caps) in respect of the Operational and Rental Services contemplated thereunder for each of the three financial years ending 30 June 2014, details of which are set out in the "Letter from the Board" contained in the circular dated 10 June 2011 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise specifies.

The Company announced on 19 May 2011 that in anticipation of the completion of the Group B Disposal, which is expected to take place by the end of June 2011, the Directors envisage that there would be a surge in the volume of the continuing connected transactions between members of the Group and members of the Services Group as the Services Group will be enlarged to include the Group B members (which will also become associates of Mr. Doo, being a connected person of the Company under the Listing Rules).

In light of the above, the Company entered into the Master Services Agreement with Mr. Doo on 19 May 2011 in relation to the provision of Operational and Rental Services between members of the Group and members of the Services Group upon completion of the Group B Disposal.

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Notwithstanding the terms of the Master Services Agreement, any existing operational agreement(s) (the “**Subsisting Operational Agreement(s)**”) entered into between member(s) of the Services Group and member(s) of the Group before the completion of the Disposal and which is/are still subsisting on, but not yet completed as at the commencement date of the Master Services Agreement, shall continue in full force and effect until its termination in accordance with the terms of the relevant Subsisting Operational Agreement(s).

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated maximum aggregate annual values of the Continuing Connected Transactions under the Master Services Agreement will be more than 5%, the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder will be subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of (i) six executive Directors, namely Dato’ Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Dr. Sin Wai Kin, David, Mr. Liang Chong Hou, David, Mr. Cheng Chi Kong, Adrian and Mr. Cheng Chi Heng; (ii) five non-executive directors, namely Mr. Cheng Kar Shing, Peter, Mr. Leung Chi Kin, Stewart, Mr. Chow Kwai Cheung, Mr. Liang Cheung Bui, Thomas and Ms. Ki Man Fung, Leonie; and (iii) four independent non-executive directors, namely 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.

The Independent Board Committee comprising all the independent non-executive Directors, namely 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, has been established to advise the Independent Shareholders as to whether the terms of the Master Services Agreement and the transactions contemplated thereunder were entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole and whether the terms of the Master Services Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Master Services Agreement and the transactions contemplated thereunder for the Independent Board Committee’s consideration when making its recommendation to the Independent Shareholders.

III. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations provided to us by the Company and/or its management staff (the “**Management**”) and/or the executive Directors. We have assumed that all such statements, information, opinions and representations provided or made or given by the Company and/or the Management and/or the executive Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and accurate and valid as at the date of this letter. We have assumed that all the opinions and representations made or provided by the executive Directors and/or the Management to us have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the executive Directors that no material facts have been omitted from the information provided.

We consider that we have reviewed sufficient currently available information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or the Management and/or the executive Directors or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, the Services Group or any of their respective subsidiaries.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

1. Principal activities and background of the Group

The Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology. As set out in the interim report of the Company for the six months period ended 31 December 2010 (the “**Interim Report**”), the financial results of the Group for the six months ended 31 December 2010 (the “**Interim Period**”), and each of the two years ended 30 June

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2010, as extracted from the annual report of the Company for the financial year ended 30 June 2010 (“**2010 Annual Report**”) are summarised in Table A below:

Table A: Summary financial information of the Group

	For the six months ended 31 December 2010	For the year ended 30 June 2010	2009
	<i>HK\$ million</i> (Unaudited)	<i>HK\$ million</i> (Audited)	<i>HK\$ million</i> (Audited)
Revenues	15,076.1	30,218.6	24,415.0
Cost of sales	(9,131.7)	(18,775.0)	(17,421.8)
Gross profit	5,944.4	11,443.6	6,993.2
Share of results of			
Associated companies	448.8	932.8	67.9
Jointly controlled entities	1,331.1	3,233.7	2,055.6
Profit for the period/year	6,051.7	14,860.0	3,751.9
Attributable to			
Shareholders of the			
Company	4,353.3	11,612.6	2,083.5
Non-controlling interests	1,698.4	3,247.4	1,668.4
	As at 31 December 2010	As at 30 June 2010	2009
	<i>HK\$ million</i> (Unaudited)	<i>HK\$ million</i> (Audited)	<i>HK\$ million</i> (Audited)
Non-current assets	127,609.7	119,886.2	104,912.8
Current assets	78,633.3	79,723.7	71,606.5
Net current assets	36,323.6	44,547.7	31,805.5
Net assets (<i>excluding non-controlling interests</i>)	94,063.3	86,351.0	74,412.3

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Six months ended 31 December 2010

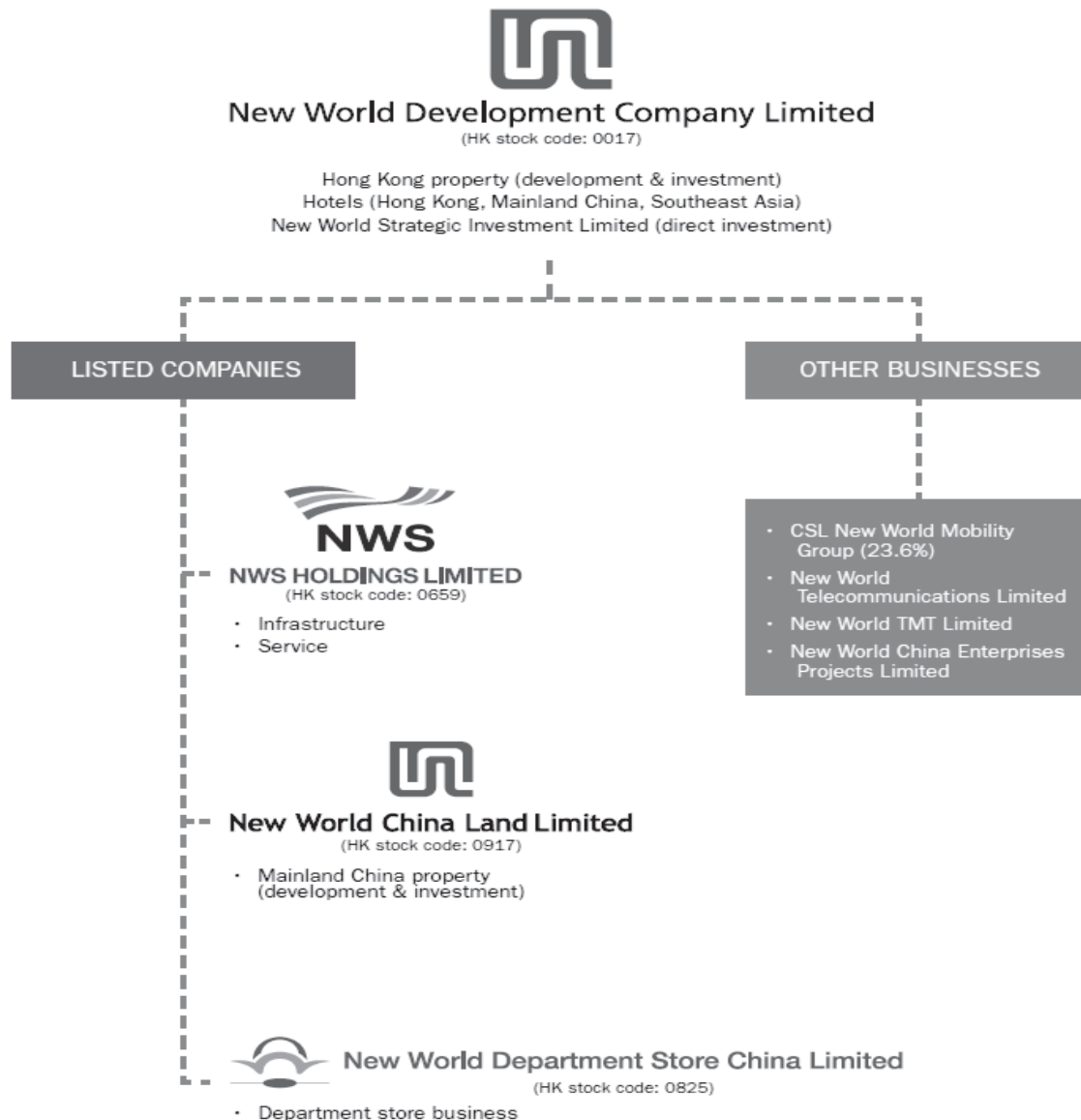
As set out in the Interim Report, gross profit increased from approximately HK\$4,129.9 million to HK\$5,944.4 million, however profit attributable to the Shareholders decreased from approximately HK\$5,735.0 million for the six months period ended 31 December 2009 to approximately HK\$4,353.3 million for the Interim Period, representing a decrease of approximately 24.1% over that of the corresponding period in the prior year. The aforesaid reduction is largely attributable to a reduction in other gains (net) which reduced from approximately HK\$2,446.9 million for the six months period ended 31 December 2009 to approximately HK\$610.7 million for the Interim Period.

Year ended 30 June 2010

As set out in the 2010 Annual Report, profit attributable to Shareholders was approximately HK\$11,612.6 million for the year ended 30 June 2010, representing an increase of approximately HK\$9,529.1 million or approximately 457.4% increase over that of the corresponding period in the prior year. The aforesaid increase was largely attributable to, (i) a fair value gain from investment properties of approximately HK\$4,765.8 million for the year ended 30 June 2010, compared to a deficit of approximately HK\$1,841.2 million for the year ended 30 June 2009; and (ii) the increase in contribution from its associated companies and jointly controlled entities for the year ended 30 June 2010 compared to the corresponding prior year.

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As set out in the 2010 Annual Report, the corporate structure of the Group is as follows:



Set out below is information on the listed subsidiaries of the Company which has been extracted from their respective annual reports and/or interim reports.

Background to NWS and its subsidiaries (together the “NWS group”)

The NWS group is principally engaged in (i) the investment in and/or operation of facilities, construction, transport and strategic investments; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as ports and logistics facilities.

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For the financial year ended 30 June 2010

Revenues:	HK\$12,089.0 million (2009: HK\$17,250.9 million)
Profit attributable to shareholders for the year:	HK\$4,011.7 million (2009: HK\$2,528.8 million)
Net assets (excluding non-controlling interests):	HK\$26,187.0 million (2009: HK\$23,175.2 million)

Background to the New World China Land Limited (“NWCL”) and its subsidiaries (together the “NWCL group”)

The NWCL group is principally engaged in property development, property related investment as well as rental and hotel operation in the PRC. Revenues increased substantially for the financial year ended 30 June 2010, such was largely attributable to an increase in the sale of properties of approximately HK\$4,081.8 million.

For the financial year ended 30 June 2010

Revenues:	HK\$6,340.8 million (2009: HK\$2,038.6 million)
Profit attributable to shareholders for the year:	HK\$2,636.4 million (2009: HK\$1,359.4 million)
Net assets (excluding non-controlling interests):	HK\$37,690.1 million (2009: HK\$30,523.1 million)

Background to New World Department Store China Limited (“NWDS China”) and its subsidiaries (together the “NWDS China group”)

The NWDS China group is principally engaged in the operation of department stores in the PRC. As of 31 December 2010, the NWDS China group have strategic footholds in 17 major cities in the PRC, including Beijing and Shanghai, its retail chain comprised 28 self-owned stores and 8 managed stores in the PRC.

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For the financial year ended 30 June 2010

Revenues:	HK\$1,872.9 million (2009: HK\$1,721.2 million)
Profit attributable to shareholders for the year:	HK\$577.6 million (2009: HK\$547.3 million)
Net assets:	HK\$4,769.2 million (2009: HK\$4,429.4 million)

As set out above, all three listed subsidiaries of the Company recorded a profit for each of the financial years ended 30 June 2010 and 2009, respectively, with the NWS group recorded the highest profit out of the three listed subsidiaries at approximately HK\$4,011.7 million and HK\$2,528.8 million for the year ended 30 June 2010 and 2009, respectively.

2. Information regarding Mr. Doo and the Services Group

As stated in the “Letter from the Board”, Mr. Doo is the director of certain subsidiaries of the Company and the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company. Mr. Doo is the son-in-law of Dato’ Dr. Cheng Yu Tung, the brother-in-law of Dr. Cheng Kar Shun, Henry and Mr. Cheng Kar Shing, Peter, the uncle of Mr. Cheng Chi Kong, Adrian and Mr. Cheng Chi Heng and a controlling shareholder of the Services Group.

Since Mr. Doo is the director of certain subsidiaries of the Company and hence a connected person of the Company under the Listing Rules. Each of the members of the Services Group (including the Group B Members following completion of the Group B Disposal) is an associate of Mr. Doo and hence a connected person of the Company.

The Services Group is principally engaged in the provision of services including (i) laundry and landscaping; (ii) security and guarding; (iii) trading of building materials; (iv) insurance brokerage; and (v) property management as at the Latest Practicable Date.

The enlarged Services Group following completion of the Group B SP Agreement will additionally engage in the provision of services including (i) cleaning and (ii) electrical and mechanical engineering.

We understand from the Management that members of the Services Group have specialised in the provision of their respective services over a decade.

3. Master Services Agreement

3.1 *Basis and reasons for the Master Services Agreement*

As set out in the “Letter from the Board”, the transactions contemplated under the Master Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the Services Group. The Operational Agreements will be agreed on arm’s length basis, on normal commercial terms and comparable with terms available to or from independent third parties (as the case may be).

The Master Services Agreement is intended to streamline the continuing connected transactions between members of the Group and members of the Services Group. It provides a single basis on which the Company will comply with the reporting, announcement and Independent Shareholders’ approval requirements in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the Operational Agreements in respect of the provision of the Operational and Rental Services.

The Annual Caps mainly relates to the following operational services to be provided by members of the Services Group to members of the Group, which will comprise primarily of (i) contracting services; (ii) cleaning and landscaping services; (iii) property management services; and (iv) security and guarding services (the “**Incoming Services**”), such being labour intensive businesses which requires the upkeep of a large highly trained and qualified workforce under a stringent regulatory environment.

We understand from the Management that the entering into the Master Services Agreement allows the Group to have the flexibility, but not the obligation, to appoint the Services Group members to provide Incoming Services to members of the Group which will enable the Group to allocate its resources and focus on other key business of the Group.

Qualifications and experience in the provision of the Incoming Services

We understand from the Management that the Services Group members have provided Incoming Services for over a decade. During this period, the Services Group members have established a reputation in their respective industries and accumulated valuable industrial expertise. Their clientele include listed companies and multinationals across various industries.

Given the qualifications and experience, the Management is of the view that the Services Group members are capable and suitable to be considered for the continuation of provision of Incoming Services to members of the Group.

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Given the track record of the Services Group members on the provision of the Incoming Services for over a decade, we concur with the Management's view that they retain the existing employees who possess the requisite skill and experience to continue its provision of Incoming Services to members of the Group under the Master Services Agreement.

Provision of the Operational and Rental Services by members of the Group to members of the Services Group (the "Outgoing Services")

On the other hand, we understand from the Management that Group members have been and will continue to provide Outgoing Services, such as contracting services, facility management services, property management services and rental services to the Services Group members. The Management is of the view that the provision of the Outgoing Services is a furtherance of the Group's business, and continuance of normal businesses relationship with members of the Services Group, whilst the Master Services Agreement allows members of the Group the flexibility but not the obligation to provide such services.

3.2 *Principal terms of the Master Services Agreement*

Pursuant to the Master Services Agreement, member(s) of the Services Group and member(s) of the Group shall, from time to time during the term of the Master Services Agreement, enter into separate Operational Agreement(s) in respect of the provision of the Operational and Rental Services provided that such separate agreement(s) shall always be subject to terms of the Master Services Agreement.

As set out in the "Letter from the Board", the Company and Mr. Doo have agreed that, as a general principle, the prices and terms with respect to the Operational and Rental Services to be provided by member(s) of the Group to member(s) of the Services Group (or vice versa) shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and terms no less favourable to the Group than prices and terms available to or from independent third parties to the Group.

Engagement in relation to the Operational and Rental Services under the Master Services Agreement is also subject to the following qualifications:

- (a) the engagement only applies to services required for businesses, projects and premises for which the relevant members of the Group or the Services Group (as the case may be) have the right to select providers of the relevant Operational and Rental Services;
- (b) the engagement is not contrary to the terms of contracts governing the relevant businesses, projects or premises or any

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applicable laws, regulations or administrative directives promulgated by competent authorities to which the businesses, projects and/or premises of the relevant members of the Group or the Services Group (as the case may be) may relate; and

- (c) in the event that the provider(s) of particular services is/are to be selected through auction or tender, the engagement shall only become effective as and when the relevant member(s) of the Services Group or the Group (as the case may be) has/have been successfully bid for such auction or tender.

3.3 *Provision of the Incoming Services by members of the Services Group to members of the Group*

We understand from the Management that, the Incoming Services to be provided under the Master Services Agreement shall include the following services:

Incoming Services sub-categories	Description of services
Contracting Services	the supply of construction and building equipments and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services, electrical systems and system design and consultancy, computer aided drafting services and related services
Cleaning and Landscaping Services	general cleaning, vessel and vehicle cleaning, office and facility cleaning, recycling and environmental services, landscaping and plant maintenance, the supply of plants, laundry services and related services
Property Management Services	property management, letting agency services, pre-marketing consultancy services, technical services and related services

LETTER FROM ICAL

Incoming Services sub-categories

Description of services

Security and Guarding
Services

provision of security guards, security systems installation and maintenance services, armoured transport services, supply of security products and related services

In connection with the Incoming Services, we have discussed with the management of the Company, its respective listed and unlisted subsidiaries and noted the following:

The Company and its unlisted subsidiaries

In connection with the contracting services, we understand from the Management that the relevant members of the Services Group have historically acted as the electrical and mechanical engineering contractors and/or consultants to the Group's property development projects.

With a view to govern tenders of its property development projects going forward, the Management advised that the Company and its unlisted subsidiaries has a tender procedure manual which sets out guidelines for its tender procedures, including selection criteria for and number of tenderers to invite for tender and tender assessment and evaluation. It is the intention of the Group to invite the relevant members of the Services Group to participate in future tenders for contracting services where considered appropriate.

We noted from the aforesaid tender procedure manual that as part of the tender evaluation, the relevant member of the Group would evaluate, among other criteria, tender offers, background, qualification, historical performance, track record, reputation, financial standing and operational capabilities of the respective tenderers.

Furthermore, we also noted that once appointed as the contractor and/or consultant to a property development project of the Group, a designated project team will continue to monitor the ongoing costs incurred by the selected contractor/consultant on the relevant project and project related costs will either be ascertained by independent professional quantity surveyor to be appointed by the Group or an in-house qualified professional quantity surveyor before relevant payment(s) are made to the contractor and/or consultant for their work.

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We also noted from the Management that in addition to the normal procedures in selecting providers of Incoming Services by tenders, (i) the Company will seek approval from the independent non-executive Directors before awarding any contract by the Company and/or its unlisted subsidiaries to member(s) of the Services Group with contract sum exceeding HK\$100,000,000; (ii) tender documents and/or relevant reports of any new contracts awarded to member(s) of the Services Group will be reviewed by members of the internal audit of the Group for compliance of the procedures and guidelines as set out by the relevant procedure manual of the Group; and (iii) the continuing connected transactions contemplated under the aforesaid contracts will be subject to the annual review by the external auditors of the Group in accordance with the requirements of the Listing Rules (the “**Additional Procedures**”).

The Additional Procedures will also apply to new contracts to be awarded to member(s) of the Services Group by member(s) of the Company’s listed subsidiaries, i.e. member(s) of the NWS group, NWCL group and NWDS China group.

NWS group

The NWS management advised that in connection with the contracting services related to NWS, relevant member of the NWS group may be engaged as the main contractor, management contractors or project managers and that there are typically two types of business arrangements for contracting services provided by member(s) of the Services Group.

The first of the two business arrangements is where a member of the Services Group has been designated by the ultimate employer as a nominated sub-contractor, payment(s) to such member of the Services Group will be ascertained by independent professional quantity surveyor (the “**Independent Surveyor**”) appointed by the ultimate employer.

The second of the two business arrangements is where member of the Services Group is appointed as a domestic sub-contractor by a member of the NWS group, payment(s) to such member of the Services Group will be ascertained by an in-house qualified professional quantity surveyor (the “**Qualified Surveyor**”).

In connection with the above, we have reviewed a sample of reports issued by the Independent Surveyor and the Qualified Surveyor. We also reviewed a set of internal work procedures of the relevant member of the NWS group governing their sub-contracting procedures (the “**Sub-contracting Procedures**”), setting out guidelines for the overall flow of the sub-contracting process, recruitment and assessment

LETTER FROM ICAL

of sub-contractors, appointment of major sub-contractors, sub-contracting electrical and mechanical related works and nominated sub-contractors, measurement works, payments, contra charges, final accounts, termination and performance assessment of sub-contractors.

In addition to the above, the NWS management advised that the relevant member of the NWS group has a list of pre-authorized sub-contractors which is subject to periodic review and update by its management to ensure quality standards.

The Additional Procedures will apply to new contracts to be awarded to member(s) of the Services Group by member(s) of the NWS group. The NWS management advised that the approval from the NWS independent non-executive directors will be sought for contract(s) to be awarded to member(s) of the Services Group with contract sum exceeding HK\$100,000,000.

In connection with cleaning and landscaping services, property management services and security and guarding services, we reviewed a sample of contracts which the NWS group had entered into with the Services Group and reviewed terms available from independent third parties for services of similar types and nature in each of the above sub-categories of Incoming Services.

Based on our review of the aforesaid documents, we consider that the samples reviewed were at prices and terms in line with those available from independent third parties.

NWCL group

We understand from the NWCL management that in connection with contracting services relating to the supply of construction and building equipments and materials, electrical and mechanical engineering and related services, the relevant members of the Services Group normally act as the sub contractors to the NWCL group's property development projects.

With a view to govern different aspects of cost controls of its projects, including those related to contracting services, NWCL has a project cost control manual (項目成本控制指引) which sets out its tender procedures, including guidelines for, among other things, format of a tender, selection and number of tenderers to invite for tender being no less than three qualified tenderers, qualification evaluation, factors to consider in determining the winning tender and contents to be included in a tender evaluation report.

LETTER FROM ICAL

As part of the qualification evaluation of the tender procedures, NWCL would evaluate, among other criteria, background, qualification, historical performance, track record, reputation, financial standing and operational capabilities of the tenderers.

We have reviewed, on a sample basis, project tender documents and noted that where the tender was awarded to member of the Services Group, the terms offered by the relevant member of the Services Group to NWCL are no less favourable than terms available from independent third parties of the NWCL group under the sampled tender.

In addition, we also noted from information provided by the NWCL management that on a number of occasions where members of the Services Group participated in tenders for the provision of certain contracting services in 2010 and 2011, they were not awarded with the relevant contract as another tenderer offered more favourable terms to NWCL.

The Additional Procedures will apply to new contracts to be awarded to member(s) of the Services Group by member(s) of the NWCL group. The NWCL management advised that the approval from the NWCL independent non-executive directors will be sought for contract(s) to be awarded to member(s) of the Services Group with contract sum exceeding HK\$100,000,000.

In connection with the landscaping and cleaning services and security and guarding services, we reviewed a sample of contracts entered into between certain members of the NWCL group and the Services Group and reviewed terms available from independent third parties for services of similar types and nature in each of the abovementioned services. Based on our review of the aforesaid documents, we consider that the samples reviewed were at prices and terms in line with those available from independent third parties.

NWDS China group

We understand from the NWDS China management that in connection with contracting services, majority of such services provided by the relevant members of the Services Group are related to electrical and mechanical engineering services.

With a view to govern different aspects of cost controls of its projects, including those related to contracting services, NWDS China has a project management policy (工程項目管理政策) which sets out its tender procedures, including guidelines for, among other things, selection and number of tenderers to invite for tender being no less than three qualified tenderers, qualification evaluation, factors to consider in determining the winning tender and the formation of the tender evaluation team.

LETTER FROM ICAL

As part of the qualification evaluation of the tender procedures, NWDS China would evaluate, among other criteria, background, track record and quality of work, qualification, resources and costs control management and operational capabilities of the tenderers.

Based on information provided by the NWDS China management, members of the Services Group were awarded with certain contracting services during the two financial years ended 30 June 2010 and the financial year ending 30 June 2011. No material complaint on the work performed by these members of the Services Group under these contracting services was noted by NWDS China.

Furthermore, we have been advised by the NWDS China management that a member of the Services Group has participated in a tender for certain contracting services in the first quarter of financial year ending 30 June 2011. However, after assessing the relevant tenders submitted, NWDS China awarded the aforesaid contracting services to another tenderer as more favourable terms were offered.

The Additional Procedures will apply to new contracts to be awarded to member(s) of the Services Group by member(s) of the NWDS China group.

Overall

The Management advised that Incoming Services had been conducted in the ordinary and usual course of business of the relevant members of the Group which received such services.

3.4 Provision of the Outgoing Services by members of the Group to member of the Services Group

We understand from the Management that, the Outgoing Services under the Master Services Agreement mainly involves the following services:

Outgoing Services sub-categories

Description of services

Contracting Services

provision of services as main contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management and related services

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Outgoing Services sub-categories	Description of services
Facility Management Services	provision of information technology services and telecommunication services, provision of convention and exhibition facilities, related functions and services, food and beverage catering services, food processing, trading and supply, merchandise sourcing, procurement and supply and related services
Property Management	provision of car parking management and related services
Rental Services	rental of properties, spare spaces, office spaces and car parking spaces and related services

In connection with the Outgoing Services, we have discussed with the management of the Company, its respective listed and unlisted subsidiaries and noted the following:

The Company and its unlisted subsidiaries

As advised by the Management, (i) the Outgoing Services to be provided to members of the Services Group will predominantly be related to rental services, such are expected to be immaterial to the Group in terms of size of transactions; and (ii) the basis of terms and pricing will be determined with reference to the prevailing market rate and will be consistent with those available to independent third parties.

Having considered the abovementioned factors, the Management is of the view that the aforesaid Outgoing Services will be conducted on normal commercial terms and we concur with this view.

NWS group

In connection with contracting services, we noted from the NWS management that the relevant member of the NWS Group providing such Outgoing Services has internal work procedures for tendering in place governing the tender procedures involved by the relevant member of the NWS group (the “**Tender Procedures**”), setting out guidelines for the overall flow of the tendering process, pre-tendering stage, tendering stage and post-tendering stage.

LETTER FROM ICAL

We understand from the NWS management that an assessment on cost estimation of each of the tendered project, with the Services Group members and independent third parties, is carried out by the tender/business development department of the relevant member of the NWS group and the tender price is based on the aforesaid cost estimation.

We reviewed a sample of assessments on cost estimation for tenders with the Services Group members and independent third parties and noted that prevailing market rates of the tendered project is assessed in each case. Based on the samples we have reviewed, we consider that the outgoing contracting services reviewed by us had been conducted at prices and terms in line with those available from independent third parties.

As advised by the NWS management, (i) historical sales derived from the outgoing facility management services and property management services are predominantly charged on a cost plus basis and had been conducted on normal commercial terms; (ii) such Outgoing Services are expected to be immaterial to the Group in terms of size of transactions; (iii) the basis of terms and pricing are and will be consistent with those available to independent third parties; and (iv) some of the aforesaid Outgoing Services is considered by the NWS management as part of the after-sales services for a transitional period to the Disposal group members.

Having considered the abovementioned factors, the NWS management is of the view that the aforesaid Outgoing Services are conducted on normal commercial terms and we concur with this view.

Overall

The Management advised that the Outgoing Services had been conducted in the ordinary and usual course of business of the relevant members of the Group which provided such services.

3.5 Rationale for determining the Annual Caps

Historical transaction values

As set out in the “Letter from the Board”, the aggregate transaction values in respect of the transactions between members of the Group and members of the Services Group for the financial years

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ended 30 June 2009 and 2010 and the six months ended 31 December 2010 were as follows:

Table B: Historical transaction values

Categories	Aggregate transaction values		
	Financial year ended		6 months
	30 June		ended
	2009	2010	2010
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Provision of Operational and Rental Services by members of the Services Group to members of the Group (i.e. the Incoming Services)	1,034.0	844.2	377.6
Provision of Operational and Rental Services by members of the Group to members of the Services Group (i.e. the Outgoing Services)	35.6	24.9	9.6
Total	<u>1,069.6</u>	<u>869.1</u>	<u>387.2</u>

Historical transaction values for Incoming Services

As set out in Table B above, the aggregate transaction value for the Incoming Services decreased by HK\$189.8 million, from HK\$1,034.0 million for the year ended 30 June 2009 to HK\$844.2 million for the year ended 30 June 2010, representing a decrease of approximately 18.4%.

We understand from the Management that the aforesaid decrease is largely due to the net effect of (i) a decrease of approximately HK\$345.8 million in transaction values for Incoming Services for the NWS group; and (ii) an increase of approximately HK\$88.8 million in transaction values for Incoming Services for the NWCL group.

The aforesaid decrease related to the NWS group was mainly attributable to the completion of several sizeable projects in Hong Kong, Macau and the PRC with respect to the contracting services provided to members of the NWS group. As for the reasons for the abovementioned increase related to NWCL group, it is attributable to certain sizeable

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projects being undertaken in numerous PRC cities, including but not limited to, Shanghai, Chengdu and Wuhan.

We understand from the Management that the historical transaction values for Incoming Services, in particular contracting services, may be distorted by a fluctuation in the number and size of projects undertaken in a given financial year.

Historical transaction values for Outgoing Services

As set out in Table B above, the aggregate transaction value for the Outgoing Services reduced by approximately HK\$10.7 million, from approximately HK\$35.6 million for the year ended 30 June 2009 to approximately HK\$24.9 million for the year ended 30 June 2010. The aforesaid movement is largely attributable to the reduction in transaction value in contracting services related to the NWS group.

We understand from the Management that the historical transaction values for Outgoing Services, in particular contracting services, due to its ad hoc nature may be distorted by a fluctuation in the number and size of projects undertaken in a given financial year.

Annual Caps

The following sets out the proposed Annual Caps for the transactions between members of the Group and members of the Services Group for each of the three financial years ending 30 June 2014:

Table C: Annual Caps for each of the three financial years ending 30 June 2014

Categories	Financial year ending 30 June		
	2012 (HK\$ million)	2013 (HK\$ million)	2014 (HK\$ million)
Provision of Operational and Rental Services by members of the Services Group to members of the Group (i.e. the Incoming Services)	2,624.9	2,849.7	3,069.9
Provision of Operational and Rental Services by members of the Group to members of the Services Group (i.e. the Outgoing Services)	19.0	20.5	22.1
Total	2,643.9	2,870.2	3,092.0

Note: The above Annual Caps do not cover the anticipated transaction values under the Subsisting Operational Agreements entered into by members of the Group and the Group B Members for each of the three financial years ending 30 June 2014. Such Subsisting Operational Agreements will be disclosed by way of an announcement upon completion of the Group B Disposal pursuant to Rule 14A.41 of the Listing Rules.

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As stated in the “Letter from the Board”, each of the Annual Caps has been determined by reference to, (i) the historical annual or annualised amounts in respect of that category of the Operational and Rental Services provided by the relevant members of the Group to the relevant members of the Services Group or vice versa during the past financial years; and (ii) the projected annual or annualised amounts in respect of that category of Operational and Rental Services to be provided by the relevant members of the Group to the relevant members of the Services Group or vice versa in the next three financial years.

In assessing the fairness and reasonableness of the Annual Caps, we have reviewed and discussed the information provided by the Management, including a schedule which sets out the historical contract values on a project-by-project basis by categories of services and by entities for the three years ending 30 June 2011 and the breakdown of the Annual Caps by categories of services and by entities/group for the three years ending 30 June 2014.

Annual Caps for the Incoming Services

Furthermore, in connection with the Annual Caps, we have discussed with the management of the Company, its respective listed and unlisted subsidiaries and noted that the Annual Caps are derived from the combined annual caps of (i) the Company and its unlisted subsidiaries; (ii) the NWS group; (iii) the NWCL group; and (iv) the NWDS China group.

Table D: Annual Caps in relation to Incoming Services for each of the three financial years ending 30 June 2014 by entities/groups

Entities / groups	Financial year ending 30 June		
	2012 (HK\$ million)	2013 (HK\$ million)	2014 (HK\$ million)
The Company & its unlisted subsidiaries	468.8	509.7	605.3
NWS group	282.4	737.1	876.3
NWCL group	1,761.0	1,490.1	1,475.5
NWDS China group	112.7	112.8	112.8
Total	<u>2,624.9</u>	<u>2,849.7</u>	<u>3,069.9</u>

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The Company and its unlisted subsidiaries

Based on the aforesaid schedule, we noted that numerous sizeable maintenance and renovation projects, involving substantial contracting services, are scheduled to be undertaken in the three financial years ending 30 June 2014 in Hong Kong and the PRC.

The aforesaid projects include residential properties in various locations in Hong Kong, commercial complex in Hong Kong and in Beijing, and hotels, such as the Grand Hyatt and Renaissance hotels (together the “**NWD Projects**”).

We have discussed the basis and assumptions made in relation to the relevant annual caps for the three years ending 30 June 2014 with the Management and noted that the estimated value of contracting services that may be awarded by the Group, being approximately the relevant annual caps, was based on (i) a development plan which sets out the scope of work including those related to contracting services and a scheduled timetable for each of the NWD Projects; and (ii) the estimated quantity of contracting services required and the price of such services, with reference to the prevailing market prices after factoring into expected increase in labour and material costs as well as inflation.

NWS group

We have discussed the basis and assumptions made in respect of the NWS related annual caps for the three years ending 30 June 2014 with the NWS management and noted that given the ad hoc nature of the contracting services, it is difficult to predict with certainty as and when contracts will be awarded to members of the Services Group. Hence, the NWS management is of the view that it is appropriate to determine the NWS related annual caps with reference to the highest annualised/historical transaction value for the current financial year and preceding two financial years, being approximately HK\$660.0 million (the “**Base Historical Transaction Value**”).

Furthermore, we noted that the NWS management has also taken into consideration the following when determining the NWS related annual caps, such include (i) NWS expects a higher volume and value of Incoming Services required due to economic and business growth; and (ii) the expected increase in the cost of providing Incoming Services due to escalating labour and material costs.

On this basis, we consider that it is reasonable for the Directors to make reference to the aforesaid factors as the basis to determine the proposed NWS related annual caps of HK\$282.4 million, HK\$737.1 million and HK\$876.3 million for Incoming Services for each of the financial years ending 30 June 2012, 2103 and 2014, respectively. We

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noted from the NWS management that the remaining transaction values with respect to the subsisting operational agreements have not been included in the above annual caps.

For illustration purposes only, based on information provided by the NWS management, if the remaining transaction values with respect to subsisting operational agreements were included in the above NWS related annual caps prior to the confirmation from the Stock Exchange on the applicability of Rule 14A.41 of the Listing Rules (the “**SEHK confirmation**”), the relevant amount for the year ending 30 June 2012, 2013 and 2014 would be approximately HK\$677.7 million, HK\$769.9 million and HK\$876.3 million, respectively.

The annual cap of HK\$677.7 million (prior to the SEHK confirmation) for the year ending 30 June 2012 would represent an insignificant increase of approximately 2.7% to the Base Historical Transaction Value and the annual caps (prior to SEHK confirmation) of approximately HK\$769.9 million and HK\$876.3 million for the two years ending 30 June 2014 would represent a moderate year-on-year growth of approximately 13.6% and 13.8%, respectively.

NWCL group

Based on the schedule provided by the NWCL management, we noted that numerous large-scale complex projects, involving substantial contracting services, are scheduled to be undertaken in the three financial years ending 30 June 2014 in various PRC cities (the “**NWCL Projects**”), including Chengdu New World Riverside* (成都河畔新世界), Shenyang New World Centre* (瀋陽新世界中心), Langfang New World* (廊坊新世界), Wuhan Guanggu New World Centre* (武漢光谷新世界中心) and Tianjin Xin Hui Hua Ting* (天津新匯華庭). The NWCL Projects include properties/developments ranged from residential, commercial complex, offices to exhibition centre and hotel developments.

We have discussed the basis and assumptions made in relation to the NWCL related annual caps for the three financial years ending 30 June 2014 with the NWCL management and noted that the estimated value of contracting services that may be awarded by the NWCL group, being approximately the relevant annual cap, was based on (i) a development plan which sets out the scope of work including those related to contracting services and a scheduled timetable for each of the NWCL Projects; and (ii) the estimated quantity of contracting services required and the price of such services, with reference to the prevailing market prices after factoring into expected rise in labour costs and material costs.

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NWDS China group

The NWDS China related annual caps for the three financial years ending 30 June 2014 are related to contracting services, cleaning and landscaping services, property management services and such other types of services as the parties may agree upon from time to time in writing. We have discussed the basis and assumptions made in respect of the NWDS China related annual caps for the three years ending 30 June 2014 with the NWDS China management and noted that given the ad hoc nature of the contracting services, it is difficult to predict with certainty as and when contracts will be awarded to members of the Services Group. Hence, the NWDS China management is of the view that it is appropriate to determine the NWDS China related annual caps with reference to the highest annualised/historical transaction value for the current financial year and preceding two financial years, being approximately HK\$90.8 million.

As such, the NWDS China related annual cap for the financial year ending 30 June 2012 represents an increase of approximately HK\$21.9 million from the aforesaid HK\$90.8 million and for the two financial years ending 30 June 2014, the respective annual caps represent only a marginal year-on-year increase of less than HK\$1.0 million.

Annual Caps for the Outgoing Services

Table E: Annual Caps in relation to Outgoing Services for each of the three financial years ending 30 June 2014 by entities/groups

Entities / groups	Financial year ending 30 June		
	2012	2013	2014
	(HK\$ million)	(HK\$ million)	(HK\$ million)
The Company & its unlisted subsidiaries	3.3	3.3	3.5
NWS group	15.7	17.2	18.6
Total	19.0	20.5	22.1

The Company and its unlisted subsidiaries

The annual caps largely relate to the provision of rental services by the Company and its unlisted subsidiaries. Given the size of the annual caps, it is considered to be immaterial to the Group as a whole. The Management advised that the aforesaid annual caps for the three years ending 30 June 2014 is made with reference to the historical transaction values with members of the Services Group.

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NWS group

We have discussed the basis and assumptions made in respect of the NWS related annual caps for the three years ending 30 June 2014 with the NWS management and noted that given the ad hoc nature of the contracting services, it is difficult to predict with certainty as and when contracts will be awarded to members of the Group.

As such, the NWS management is of the view that it is appropriate to determine the annual caps for the outgoing contracting services with reference to the highest annualised/historical transaction value for the current financial year and preceding two financial years. Based on information provided by the NWS management, the highest annualised/historical transaction value for the contracting services for the current financial year and preceding two financial years was approximately HK\$11.3 million.

Furthermore, we noted that the NWS management has also taken into consideration the following factors when determining the annual caps in relation to Outgoing Services, save for the outgoing contracting services set out above, such include (i) the outlook of the Services Group; and (ii) cost increments.

On this basis, we consider that it is reasonable for the Management to make reference to the aforesaid factors as the basis to determine the relevant annual caps of approximately HK\$19.0 million, HK\$20.5 million and HK\$22.1 million for Outgoing Services for each of the financial years ending 30 June 2012, 2103 and 2014, respectively.

Shareholders should be aware that the actual utilisation and sufficiency of the Annual Caps would depend on a host of factors, including but not limited to, the relevant contracts to be awarded to and by the Services Group may or may not be granted to the Services Group or the Group, the progress and schedule of various projects and the scope of work. In this regard, we understand from the Management that the Company together with its relevant listed and unlisted subsidiaries will actively monitor the progress and utilisation of the Annual Caps to ensure compliance with the Listing Rules from time to time.

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V. RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the background of and the reasons for the Master Services Agreement;
- (ii) the engagement of Services Group members for the provision of Operational and Rental Services enables the Group to carry out its core business and operations smoothly;
- (iii) the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms that are no less favourable than those prices and terms available to or from independent third parties to the Group; and
- (iv) the value of, and the basis for determining, the Annual Caps are reasonable, details of which are set out in the section headed “3.5 Rationale for determining the Annual Caps”.

Based on the above consideration, we are of the opinion that the Master Services Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which including the Annual Caps of the underlying transactions are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders to vote in favour of the ordinary resolution to approve the Master Services Agreement and the Annual Caps of the underlying transactions contemplated under the Master Services Agreement at the EGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Executive Director

* For identification purposes only

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(I) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Family interests	Interests of controlled corporation		
The Company					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	–	300,000	–	300,000	0.01
Dr. Sin Wai-Kin, David	4,727,287	47,098	–	4,774,385	0.12
Mr. Leung Chi-Kin, Stewart	134,538	–	–	134,538	0.00
Mr. Chow Kwai-Cheung	57,561	–	–	57,561	0.00
Mr. Ho Hau-Hay, Hamilton	–	–	439,177 ⁽¹⁾	439,177	0.01
Mr. Liang Cheung-Biu, Thomas	5,215	–	–	5,215	0.00
Ms. Ki Man-Fung, Leonie	60,000	–	–	60,000	0.00
Dragon Fortune Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	15,869 ⁽²⁾	15,869	27.41
HH Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Dr. Sin Wai-Kin, David	42,000	–	–	42,000	7.00

	Number of shares				
	Personal interests	Family interests	Interests of controlled corporation	Total	Approximate % of shareholding
Mega Choice Holdings Limited					
(in liquidation)					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	–	–	420,585,070 ⁽³⁾	420,585,070	34.61
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	18,750,000	2,925,000	78,406,800 ⁽⁴⁾	100,081,800	1.74
Mr. Leung Chi-Kin, Stewart	790,000	–	–	790,000	0.01
Mr. Chow Kwai-Cheung	126	–	–	126	0.00
Mr. Lee Luen-Wai, John	83,600	–	–	83,600	0.00
Ms. Ki Man-Fung, Leonie	30,000	–	–	30,000	0.00
New World Department Store					
China Limited					
(Ordinary shares of HK\$0.10 each)					
Mr. Cheng Chi-Kong, Adrian	–	–	1,107,000 ⁽⁵⁾	1,107,000	0.07
Ms. Ki Man-Fung, Leonie	20,000	–	–	20,000	0.00
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	13,768,798	–	12,000,000 ⁽⁴⁾	25,768,798	0.76
Dr. Sin Wai-Kin, David	4,921	46	25,493,617 ⁽⁶⁾	25,498,584	0.75
Mr. Liang Chong-Hou, David	246	–	–	246	0.00
Mr. Cheng Kar-Shing, Peter	343,750	–	5,074,520 ⁽⁷⁾	5,418,270	0.16
Mr. Leung Chi-Kin, Stewart	3,000,000	–	–	3,000,000	0.09
Mr. Chow Kwai-Cheung	14,033	–	–	14,033	0.00
Ms. Ki Man-Fung, Leonie	15,000	–	–	15,000	0.00
Sun City Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	80,000	3,570,000 ⁽⁸⁾	3,650,000	45.63
Sun Legend Investments Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	500 ⁽⁹⁾	500	50.00
YE Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-Kin, Stewart	37,500	–	–	37,500	1.50

Notes:

- (1) These shares are beneficially-owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (2) 4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-Shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng Kar-Shing, Peter is deemed to be interested in 45.63% of its issued share capital.
- (3) These shares are beneficially-owned by companies which are wholly-owned by Dr. Cheng Kar-Shun, Henry.
- (4) These shares are beneficially-owned by a company which is wholly-owned by Dr. Cheng Kar-Shun, Henry.
- (5) These shares are beneficially-owned by a company which is wholly-owned by Mr. Cheng Chi-Kong, Adrian.
- (6) These shares are beneficially-owned by a company which is jointly-owned by Dr. Sin Wai-Kin, David and his spouse.
- (7) These shares are beneficially-owned by a company which is wholly-owned by Mr. Cheng Kar-Shing, Peter.
- (8) These shares are held by a company of which Mr. Cheng Kar-Shing, Peter has an indirect interest of 49.58%.
- (9) Mr. Cheng Kar-Shing, Peter is deemed to be interested in these shares by virtue of his interests in Sun City.

(II) Long positions in underlying shares – share options*(i) the Company*

Name of Director	Grant date	Number of share options outstanding as at the Latest Practicable Date with exercise price per share of HK\$17.652		
		Exercisable period (Note 1)	Exercisable period (Note 2)	Total
Dato Dr. Cheng Yu-Tung	19 March 2007	36,714,392	–	36,714,392
Dr. Cheng Kar-Shun, Henry	19 March 2007	36,714,392	–	36,714,392
Dr. Sin Wai-Kin, David	19 March 2007	301,760	–	301,760
Mr. Liang Chong-Hou, David	19 March 2007	301,760	–	301,760
Mr. Yeung Ping-Leung, Howard	19 March 2007	301,760	–	301,760
Dr. Cha Mou-Sing, Payson	19 March 2007	301,760	–	301,760
Mr. Cheng Kar-Shing, Peter	19 March 2007	201,172	1,207,047	1,408,219
Mr. Leung Chi-Kin, Stewart	19 March 2007	35,708,517	–	35,708,517
Mr. Chow Kwai-Cheung	19 March 2007	–	1,207,047	1,207,047
Mr. Ho Hau-Hay, Hamilton	19 March 2007	201,172	–	201,172
Mr. Lee Luen-Wai, John	19 March 2007	301,760	–	301,760
Mr. Liang Cheung-Biu, Thomas	19 March 2007	201,172	–	201,172
Mr. Cheng Chi-Kong, Adrian	19 March 2007	–	502,935	502,935
Ms. Ki Man-Fung, Leonie	19 March 2007	–	1,005,871	1,005,871

Notes:

- (1) From 19 March 2007 to 18 March 2012.
- (2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (3) The cash consideration paid by each of the Directors for the grant of the share options is HK\$10.

(ii) *New World China Land Limited*

Name of Director	Date of grant	Exercisable period (Note)	Number of share options	Exercise price per share (HK\$)
Dr. Cheng Kar-Shun, Henry	29 December 2008	(2)	1,791,045	1.340
	18 January 2011	(3)	2,000,000	3.154
Mr. Cheng Kar-Shing, Peter	29 December 2008	(2)	727,612	1.340
	18 January 2011	(3)	800,000	3.154
Mr. Leung Chi-Kin, Stewart	29 December 2008	(2)	127,910	1.340
	18 January 2011	(3)	200,000	3.154
Mr. Chow Kwai-Cheung	29 December 2008	(2)	167,910	1.340
	18 January 2011	(3)	200,000	3.154
Mr. Lee Luen-Wai, John	29 December 2008	(2)	252,221	1.340
	18 January 2011	(3)	300,000	3.154
Mr. Cheng Chi-Kong, Adrian	25 July 2006	(1)	371,194	2.559
	29 December 2008	(2)	337,284	1.340
	18 January 2011	(3)	1,500,000	3.154

Notes:

- (1) Divided into 5 tranches exercisable from 26 August 2006, 26 August 2007, 26 August 2008, 26 August 2009 and 26 August 2010 respectively to 25 August 2011.
- (2) Divided into 4 tranches exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.
- (3) Divided into 5 tranches exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.
- (4) The cash consideration paid by each of the above Directors for each grant of share options is HK\$10.

(iii) *New World Department Store China Limited*

Name of Director	Date of grant	Exercisable period (Note)	Number of share options	Exercise price per share (HK\$)
Dr. Cheng Kar-Shun, Henry	27 November 2007	(1)	1,000,000	8.66
Mr. Cheng Chi-Kong, Adrian	27 November 2007	(1)	500,000	8.66

Notes:

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) The cash consideration paid by each of the above Directors for the grant of share options is HK\$1.

(iv) NWS

Name of Director	Date of grant	Exercisable period (Note)	Number of share options	Exercise price per share (HK\$)
Dr. Cheng Kar-Shun, Henry	21 August 2007	(1)	4,553,871	10.672

Notes:

- (1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) The cash consideration paid by the above Director for the grant of share options is HK\$10.

(III) Long positions in underlying shares – debentures

Fita International Limited ("Fita")

Name of Director	Amount of debentures in USD issued by Fita				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	–	2,000,000	0.27

- (b) Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the

SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (c) Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 30 June 2010, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) Pursuant to an agreement dated 5 August 1993 (the “Agreement”) made between Hotel Property Investments (B.V.I.) Limited (“HPI”) and Renaissance Hotel Holdings (B.V.I.) Limited, both being former subsidiaries of the Group, and CTF Holdings Limited (“CTFHL”), HPI agreed to pay CTFHL an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to New World Hotels (Holdings) Limited, a subsidiary of the Group, on 25 July 1997. Dr. Cheng Kar-Shun, Henry, Director, is interested in this transaction to the extent that he has beneficial interests in CTFHL.

Save for the Agreement, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the interests of substantial shareholders (as defined in the Listing Rules) in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in Shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Interests of controlled corporation	Total	
Cheng Yu Tung Family (Holdings) Limited (“CYTFH”) ⁽¹⁾	–	1,597,397,025	1,597,397,025	40.25
Centennial Success Limited (“Centennial”) ⁽²⁾	–	1,597,397,025	1,597,397,025	40.25
Chow Tai Fook Enterprises Limited (“CTF”) ⁽³⁾	1,447,594,743	149,802,282	1,597,397,025	40.25

Notes:

- (1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial. Each of Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter is also a director of CYTFH.
- (2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF. Each of Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kar-Shing, Peter, Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng is also a director of Centennial.
- (3) CTF together with its subsidiaries. Each of Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kar-Shing, Peter, Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng is also a director of CTF.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, other than contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 30 June 2010 (being the date to which the latest published audited financial statements of the Group were made up).

6. COMPETING INTEREST

As at the Latest Practicable Date, according to the Listing Rules, the following Directors had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group:

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Dato' Dr. Cheng Yu-Tung	Shun Tak Holdings Limited ("Shun Tak") group of companies	Property investment and development, ferry services and hotel related services	Director
	CTF group of companies	Property investment and development, hotel operations and transport	Director
	Melbourne Enterprises Limited ("Melbourne") group of companies	Property investment	Director
	Lifestyle International Holdings Limited ("Lifestyle") group of companies	Department stores operations and property investment	Director
Dr. Cheng Kar-Shun, Henry	International Entertainment Corporation group of companies	Hotel operations	Director
	CTF group of companies	Property investment and development, hotel operations and transport	Director
	HKR International Limited ("HKR") group of companies	Property investment and development and property management	Director
	Lifestyle group of companies	Department stores operations and property investment	Director
Dr. Sin Wai-Kin, David	Miramar Hotel and Investment Company, Limited ("Miramar") group of companies	Property investment and development and hotel operations	Director

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Mr. Yeung Ping-Leung, Howard	Miramar group of companies	Property investment and development and hotel operations	Director
Dr. Cha Mou-Sing, Payson	HKR group of companies	Property investment and development and property management	Director and shareholder
	Hanison Construction Holdings Limited group of companies	Construction, property investment and development	Director and shareholder
Mr. Cheng Kar-Shing, Peter	CTF group of companies	Property investment and development, hotel operations and transport	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and shareholder
Mr. Chow Kwai-Cheung	Flying Dragon Properties Limited	Property investment	Director and shareholder
	Asia Leisure Development Co. Ltd.	Property development	Director
Mr. Cha Mou-Zing, Victor	HKR group of companies	Property investment and development and property management	Director and shareholder
	Hanison Construction Holdings Limited group of companies	Construction, property investment and development	Shareholder
Mr. Ho Hau-Hay, Hamilton	Honorway Investments Limited	Property development and investment	Director and shareholder
	Tak Hung (Holding) Company Limited	Property development and investment	Director and shareholder
Mr. Lee Luen-Wai, John	Lippo Limited	Property investment, development and management	Director
	Lippo China Resources Limited	Property investment, development and management	Director
	Hongkong Chinese Limited	Property investment, development and management	Director

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Mr. Liang Cheung-Biu, Thomas	Bermuda Investments Limited	Property investment	Director
	Greenwich Investors Limited	Property investment	Director
	Lambda Enterprises Limited	Property management	Director
	Miramar group of companies	Property investment and development and hotel operations	Director
Mr. Cheng Chi-Kong, Adrian	CTF group of companies	Property investment and development, hotel operations and transport	Director
	Grandhope Properties Limited	Property investment	Director and shareholder
	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
	International Entertainment Corporation group of companies	Hotel operations	Director
Mr. Cheng Chi-Heng	CTF group of companies	Property investment and development, hotel operations and transport	Director

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interest in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

As the Board is independent of the boards of the above-mentioned entities and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

7. EXPERT AND CONSENT

The following sets out the qualifications of the expert who has been named in this Circular:

Name	Qualifications
ICAL	a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

ICAL has given and have not withdrawn its written consents to the issue of this Circular with the inclusion herein of its letter and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, ICAL did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, ICAL did not have any interest, direct or indirect, in any assets which since 30 June 2010, the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

- (a) The English text of this Circular and the enclosed proxy form shall prevail over the Chinese text.
- (b) The registered office of the Company is situated at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong from the date of this Circular up to and including the date of the EGM and at the EGM:

- (a) the "Letter from the Independent Board Committee" as set out in this Circular;
- (b) the "Letter from ICAL" as set out in this Circular;
- (c) the Master Services Agreement; and
- (d) this Circular.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of New World Development Company Limited (the “**Company**”) will be held at Meeting Room S221 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 29 June 2011 at 11:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) subject to completion of the Group B Disposal, the entering into of the Master Services Agreement (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the Continuing Connected Transactions contemplated thereunder are hereby approved, ratified and/or confirmed and the Annual Caps set out in the circular to shareholders of the Company dated 10 June 2011 be and are hereby approved; and
- (b) the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary, desirable or expedient in their opinion to implement and/or give effect to the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder; and
- (c) the Directors be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Master Services Agreement and to make such variation, amendment and waiver of any matters relating thereto or in connection therewith which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

By Order of the Board
Wong Man-Hoi
Company Secretary

Hong Kong, 10 June 2011

NOTICE OF EGM

Notes:

1. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as defined in the circular of the Company dated 10 June 2011.
2. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
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 thereof, must be deposited at the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for the meeting or any adjournment thereof (as the case may be).
4. Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Voting on the above resolution will be taken by poll.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
8. As at the date of this notice, (a) the executive Directors of the Company are Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Dr. Sin Wai-Kin, David, Mr. Liang Chong-Hou, David, Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng; (b) the non-executive Directors of the Company are Mr. Cheng Kar-Shing, Peter, Mr. Leung Chi-Kin, Stewart, Mr. Chow Kwai-Cheung, Mr. Liang Cheung-Biu, Thomas and Ms. Ki Man-Fung, Leonie; and (c) the independent non-executive Directors of the Company 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.