

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



CONTINUING CONNECTED TRANSACTIONS

Background

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

Continuing Connected Transactions

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.

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.

General

An EGM will be convened and held by the Company to consider and, if thought fit, approve the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps). Mr. Doo and its associates will abstain from voting at the EGM to approve the relevant resolutions in respect of the Master Services Agreement.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders in respect of the Continuing Connected Transactions (including the Annual Caps).

ICAL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps).

A circular containing the particulars of the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the EGM is expected to be despatched to the Shareholders on or about 10 June 2011.

BACKGROUND

References are made to (i) the Joint Announcement and the 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 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.

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.
- 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.
- (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 the 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 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 fulfilment 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.

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	Financial year ended 30/06/2010	Six months ended 31/12/2010
	(HK\$ million)	(HK\$ million)	(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	1,069.6	869.1	387.2

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	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.

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. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the views that the Annual Caps as stated above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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 (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) 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 date of this announcement. 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.

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.

GENERAL

An EGM will be convened and held by the Company to consider and, if thought fit, approve the Master Services Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps). Mr. Doo and his associates will abstain from voting at the EGM to approve the relevant resolutions in respect of the Master Services Agreement.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders in respect of the Continuing Connected Transactions (including the Annual Caps).

ICAL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps).

A circular containing the particulars of the Master Services Agreement and the continuing connected transactions contemplated thereunder together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the EGM is expected to be despatched to the Shareholders on or about 10 June 2011.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the meanings set out in this announcement:

“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
“Circular”	the circular of the Company dated 2 July 2010 in respect of the discloseable and connected transactions concerning the Disposal
“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
“Group A Disposal”	has the meaning ascribed to it under the Circular, which was completed on 27 July 2010 as disclosed in the CCT Announcement
“Group B Disposal”	has the meaning ascribed to it under the Circular, which is expected to be completed by the end of June 2011
“Group B Members”	has the meaning ascribed to it under the Circular
“Group A SP Agreement”	has the meaning ascribed to it under the Circular
“Group B SP Agreement”	has the meaning ascribed to it under the 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 of the Company with regard to the Master Services Agreement and the

	Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“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
“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 59.14% by the Company as at the date of this announcement
“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 announcement
“Services Group”	Mr. Doo and any company in the equity capital of which Mr. Doo is or will be 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)
“%”	per cent.

By Order of the Board
Wong Man Hoi
Company Secretary

Hong Kong, 19 May 2011

As at the date of this announcement, the Board of the Company comprises (a) 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; (b) five non-executive directors, namely 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) 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.