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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)

**COMPLETION OF GROUP B DISPOSAL
AND
CONTINUING CONNECTED TRANSACTIONS**

COMPLETION OF GROUP B DISPOSAL

The Board hereby announces that the Group B Disposal as contemplated under the Group B SP Agreement was completed on 30 June 2011.

MASTER SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 23 November 2010 in relation to the Existing Master Services Agreement.

As a result of the completion of the Disposal, the scope of services to be provided under the Existing Master Services Agreement has to be revised. The Company and CTF therefore entered into the Master Services Agreement on 30 June 2011 to engage relevant members of the CTF Group or the Group (as the case may be) to provide the Operational Services to members of the Group or the CTF Group (as the case may be) during the relevant term.

As at the date of this announcement, CTF held an approximately 40.51% of the total issued share capital of the Company. CTF is therefore considered to be a controlling shareholder and a connected person of the Company. The transactions contemplated under the Master Services Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A the Listing Rules.

Given that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum aggregate transaction value in respect of the provision of the Operational Services contemplated under the Master Services Agreement is more than 0.1% but less than 5%, the Master Services Agreement and the continuing connected transactions contemplated thereunder will be subject to the reporting, annual review and announcements requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EXISTING CONTINUING TRANSACTIONS

In the ordinary course of their businesses, members of the Group have regularly entered into Existing Continuing Transactions with members of Group B. As a result of completion of the Group B Disposal, members of Group B have become associates of Mr. Doo.

Mr. Doo is a director of certain subsidiaries of the Company and hence a connected person of the Company under the Listing Rules. Since members of Group B have become associates of Mr. Doo upon completion of the Group B Disposal, members of Group B have become connected persons of the Company and the Existing Continuing Transactions become continuing connected transactions of the Company. Pursuant to Rule 14A.41 of the Listing Rules, the Company has to comply in full with all applicable reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules in respect of the Existing Continuing Transactions.

I) COMPLETION OF THE GROUP B DISPOSAL

Reference is made to the Joint Announcement in relation to, among others, the Group B Disposal. Unless otherwise defined in this announcement, all capitalised terms as defined in the Joint Announcement have the same meanings when used in this announcement.

The Board announces that the Group B Disposal as contemplated under the Group B SP Agreement was completed on 30 June 2011. As disclosed in the Joint Announcement, pursuant to and as part of the transactions contemplated under the Group B SP Agreement and for the purposes of facilitating a smooth handover and transition of businesses of the Disposal Group following completion of the Group B SP Agreement, the Bank Guarantee provided by a member of the NWS Group to a Group B Member that was subsisting on completion of the Group B SP Agreement would remain in place for a period of six months from the date of completion of the Group B SP Agreement. As at the date of this announcement, the Bank Guarantee provided by the member of the NWS Group to the Group B Member amounted to approximately MOP38.0 million (equivalent to approximately HK\$37.0 million).

II) MASTER SERVICES AGREEMENT

Background

Reference is made to the announcement of the Company dated 23 November 2010 in relation to the Existing Master Services Agreement.

As a result of the completion of the Disposal, the scope of services to be provided under the Existing Master Services Agreement has to be revised. The Company and CTF therefore entered into the Master Services Agreement on 30 June 2011 to engage relevant members of the CTF Group or the Group (as the case may be) to provide the Operational Services to members of the Group or the CTF Group (as the case may be) during the relevant term.

The material terms of the Master Services Agreement are set out as follows:-

Date: 30 June 2011
Parties: the Company and CTF
Term: the Master Services Agreement shall be for an initial term of three years commencing from 1 July 2011 to 30 June 2014 (both days inclusive). Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements (to the extent applicable) under Rule 14A.45 to 14A.48 of the Listing Rules and/or any other applicable requirements under the Listing Rules at the relevant time, the Master Services Agreement may be renewed for a further term of three years.

Provision of Operational Services

Under the Master Services Agreement, each of the Company and CTF agrees to, and agrees to procure members of the Group or the CTF Group (to the extent practicable), to engage relevant members of the CTF Group or the Group (as the case maybe) to provide the relevant Operational Services to members of the Group or the CTF Group (as the case maybe) during the term of the Master Services Agreement, details of which are as follows:

Categories of Operational Services	Description of services
Contracting Services	the 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, computer aided drafting services and related services
General and Rental Services	the provision of information technology and telecommunications 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, property management, property sales and letting agency services, provision of car parking management and related services and rental of properties, spare spaces, car parking spaces, vehicles and vessels

Project Management
and Consultancy
Services

the provision of project management and consultancy services by the relevant members of the Group to members of the CTF Group in relation to the planning, design and construction of property projects developed or owned by members of the CTF Group from time to time, including but not limited to (a) the provision of advices on design plans and development schedules; co-ordination with architects and consultants on the preparation of tender documents and drawings; monitoring the approval of necessary construction permits; (b) overseeing the overall construction including the construction progress and managing the daily operation of construction sites; certifying periodic payments to suppliers and contractors; preparation of cash flow projection; and (c) arranging for hand-over of the completed works complete with full technical documentation for future maintenance and operation; approving final payments to consultants; and co-ordination with consultants on the compilation of final accounts

Hotel Management and
Consultancy Services

the provision of management and consultancy services by the relevant members of the Group to members of the CTF Group in respect of hotels owned by members of the CTF Group from time to time including but not limited to hotel pre-opening consultancy services, and ongoing management, sales and marketing services such as (a) formulation of business strategy, operational plans, pricing policy and setting guidelines on the operating standard of the relevant hotel; (b) assistance in the preparation of budgets and overseeing the financial accounting and treasury management function; (c) overseeing the decoration, maintenance of facilities and assistance in the procurement of furniture, equipments, groceries and other supplies; (d) supervision of hotel personnel, advising on recruitment and remuneration policies and provision of staff training; and (e) monitoring the advertising, marketing and promotional activities of the relevant hotel and attending to the leasing matters

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 CTF Group (as the case may be) have the right to select providers of the relevant 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 CTF Group (as the case may be) relate; and
- (c) in the event that the relevant members of the Group or the CTF Group (as the case may be) are required to select the providers of particular services through auction or tenders, the engagement shall only become effective as and when the relevant members of the CTF Group or the Group (as the case may be) have been selected by the relevant members of the Group or the CTF Group (as the case may be) to provide the relevant services as a result of the relevant auction or tenders.

Operational Agreements

Pursuant to the Master Services Agreement, members of the CTF Group and members of the Group shall, from time to time during the term of the Master Services Agreement, enter into separate Operational Agreements in respect of the provision of the Operational Services provided that such separate agreements shall always be subject to the terms of the Master Services Agreement. In this connection, the Company and CTF have agreed that:

- (a) the prices and terms of the Operational Agreements with respect to the Operational Services 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 than those charged and provided to independent third party customers of the Group or the CTF Group (as the case may be); and
- (b) the term of each Operational Agreement shall be fixed and in any event shall not exceed three years. If the term of a Operational Agreement extends beyond 30 June 2014 (that is, the date on which the initial term of the Master Services Agreement expires), the Company will re-comply with the applicable requirements under the Listing Rules at the relevant time.

Termination of the Existing Master Services Agreement

The Company and CTF agreed to terminate the Existing Master Services Agreement upon the Master Services Agreement becoming effective. As regards any operational agreement(s) entered into between member(s) of the CTF Group and member(s) of the Group which is/are subsisting as at the commencement date of the Master Services Agreement (the “**Subsisting Operational Agreement(s)**”), the Operational Services to be rendered by member(s) of the Group to member(s) of the CTF Group (or vice versa) under each of such Subsisting Operational Agreements 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 Agreements, continue in full force and effect until their termination in accordance with the respective terms of the Subsisting Operational Agreement(s).

Historical aggregate transaction values

For the purposes of providing comparable historical aggregate transaction values and the maximum aggregate annual value (the “**Annual Cap**”) in respect of the Operational Services provided by members of the Group (excluding members of the Disposal Group) to members of the CTF Group and vice versa for the financial years ended 30 June 2009 and 2010 and the six months ended 31 December 2010, the aggregate transaction values set out below were computed without taking into account the services provided by the Disposal Group to the CTF Group and vice versa during the relevant period.

Categories	Aggregate transaction values		
	Financial year ended 30 June 2009 (HK\$ million)	Financial year ended 30 June 2010 (HK\$ million)	Six months ended 31 December 2010 (HK\$ million)
Provision of Operational Services by members of the Group (excluding members of the Disposal Group) to members of the CTF Group	151.1	191.8	79.0
Provision of Operational Services by members of the CTF Group to members of the Group (excluding members of the Disposal Group)	3.6	3.9	1.9
Total	<u>154.7</u>	<u>195.7</u>	<u>80.9</u>

Maximum aggregate annual values

The Company expects that the Annual Caps in respect of each category of the Operational Services will be as follows:

Categories	Annual Cap for each of the financial years ending 30 June		
	2012 (HK\$ million)	2013 (HK\$ million)	2014 (HK\$ million)
Provision of Operational Services by members of the Group to members of the CTF Group	398.4	473.8	525.0
Provision of Operational Services by members of the CTF Group to members of the Group	<u>4.9</u>	<u>5.7</u>	<u>6.5</u>
Total	<u>403.3</u>	<u>479.5</u>	<u>531.5</u>

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

- the historical annual or annualized amounts in respect of that category of Operational Service provided by the relevant members of the Group (excluding members of the Disposal Group) to the relevant members of the CTF Group and vice versa during the past financial years; and
- the projected annual or annualized amounts in respect of that category of Operational Service to be provided by the relevant members of the Group to the relevant members of the CTF Group and 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 Group and CTF 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: (i) 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 Group and/or the CTF Group; and (ii) the service industries in which the Group operates will have steady growth.

The above-mentioned Annual Caps for the provision of Operational Services by/to members of the Group to/by members of the CTF Group is set due to the revision of scope of the Operational Services resulting from the restructuring of the NWS Group upon completion of the Disposal. Since certain companies, which used to provide services including property management, laundry, landscaping and cleaning, security and guarding, trading of building materials and electrical and mechanical engineering, ceased to be members of the Group upon completion of the Disposal, the scope of the Operational Services to be provided pursuant to the Master Services Agreement and the corresponding Annual Caps, would be considerably reduced.

Reasons for and benefits of entering into the Master Services Agreement

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

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 CTF Group. The Master Services Agreement will provide a single basis on which the Company will comply with the reporting, announcement and independent shareholders' approval requirements (to the extent applicable) under the Listing Rules and thereby aims to reduce the administrative burden on the Company to comply with such requirements in relation to the execution or renewal of operational agreements in respect of the Operational Services. The relevant Operational Services contemplated under the Master Services Agreement will be negotiated on arm's length basis and comparable with terms available to independent third parties.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Master Services Agreement are fair, 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.

Listing Rules implications

As at the date of this announcement, CTF held an approximately 40.51% of the total issued share capital of the Company. CTF is therefore considered to be a controlling shareholder and a connected person of the Company. The transactions contemplated under the Master Services Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A the Listing Rules.

Given that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum aggregate transaction value in respect of the provision of the Operational Services contemplated under the Master Services Agreement is more than 0.1% but less than 5%, the Master Services Agreement and the continuing connected transactions contemplated thereunder will be subject to the reporting, annual review and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the transactions contemplated under 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 approving the Master Services Agreement, have voluntarily abstained from voting on the relevant Board resolution.

III) EXISTING CONTINUING TRANSACTIONS

In the ordinary course of their businesses, members of the Group have regularly entered into Existing Continuing Transactions with members of Group B. As a result of completion of the Group B Disposal, members of Group B have become associates of Mr. Doo.

Mr. Doo is a director of certain subsidiaries of the Company and hence a connected person of the Company under the Listing Rules. Since members of Group B have become associates of Mr. Doo upon completion of the Group B Disposal, members of Group B have become connected persons of the Company and the Existing Continuing Transactions become continuing connected transactions of the Company. Pursuant to Rule 14A.41 of the Listing Rules, the Company has to comply in full with all applicable reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules in respect of the Existing Continuing Transactions.

The principal terms of the Existing Continuing Transactions are set out as follows:-

Parties:

- (i) relevant members of the Group
- (ii) relevant members of Group B

Nature of transactions:

The Existing Continuing Transactions involved the provision of the following categories of services from members of the Group to members of Group B or vice versa:

- (a) Mechanical and electrical engineering services – provision of mechanical and electrical 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 and related services;
- (b) Property management services – provision of property management, letting agency services, pre-marketing consultancy services, technical services, and the provision of car parking management and related services;
- (c) Cleaning services – provision of general cleaning, vessel and vehicle cleaning, office and facility cleaning and related services; and
- (d) Rental services – rental of properties and spare spaces.

Number of agreements involved:

Over 100 agreements

Remaining term of the agreements:

Not exceeding 3 years (except a tenancy agreement in respect of office lease with whole floor lettable area and fixed rental payment, which is having a remaining term of approximately of 5 years. The management of the Company considers that it is normal business practice for this type of contract to be of such long-term duration.)

Pricing basis:

As a general principle, the prices and terms with respect to the Existing Continuing Transactions were 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.

Aggregate transaction values:

The aggregate transaction values in respect of the Existing Continuing Transactions for the remaining term of the relevant agreements are as follows:

	<i>HK\$ million</i>
Provision of services by members of the Group to members of Group B	18.5
Provision of services by members of Group B to members of the Group	896.9

Reasons for and benefits of entering into the Existing Continuing Transactions

Members of Group B are principally engaged in the provision of services including property management in Hong Kong, cleaning, and electrical and mechanical engineering.

The Existing Continuing Transactions are of recurrent nature and occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The agreements governing the Existing Continuing Transactions were agreed on arm's length basis, on normal commercial terms and comparable with terms available to or from independent third parties to the Group (as the case may be). For the purpose of maintaining operational continuity to assure the fulfilment of any existing contractual obligations or any contractual commitments, such agreements shall continue in full force and effect until their termination in accordance with the terms of the relevant agreements.

As far as the Directors are aware, the Directors are of the view that the terms of the Existing Continuing Transactions are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

Listing Rules implications

Mr. Doo is a director of certain subsidiaries of the Company and hence a connected person of the Company under the Listing Rules. Since members of Group B have become associates of Mr. Doo upon completion of the Group B Disposal, members of Group B have become connected persons of the Company and the Existing Continuing Transactions become continuing connected transactions of the Company upon completion of the Group B Disposal. Pursuant to Rule 14A.41 of the Listing Rules, the Company has to comply in full with all applicable reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules in respect of the Existing Continuing Transactions.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Contracting Services”	the 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, computer aided drafting services and related services
“CTF”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability
“CTF Group”	CTF, its subsidiaries and any other company in the equity capital of which CTF and/or any of its subsidiaries taken together are 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 the subsidiaries of such other companies, and for the purpose of the Master Services Agreement, excludes members of the Group

“Director(s)”	director(s) of the Company
“Existing Continuing Transactions”	the continuing transactions entered into between members of the Group and members of Group B prior to the completion of the Group B Disposal and which are subsisting as at the date of completion of the Group B Disposal
“Existing Master Services Agreement”	the master services agreement entered into between the Company and CTF on 23 November 2010, particulars of which please refer to the announcement of the Company dated 23 November 2010
“General and Rental Services”	the provision of information technology and telecommunications 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, property management, property sales and letting agency services, provision of car parking management and related services and rental of properties, spare spaces, car parking spaces, vehicles and vessels
“Group”	the Company and its subsidiaries from time to time
“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
“Hotel Management and Consultancy Services”	the provision of management and consultancy services by the relevant members of the Group to members of the CTF Group in respect of hotels owned by members of the CTF Group from time to time including but not limited to hotel pre-opening consultancy services, and ongoing management, sales and marketing services such as (a) formulation of business strategy, operational plans, pricing policy and setting guidelines on the operating standard of the relevant hotel; (b) assistance in the preparation of budgets and overseeing the financial accounting and treasury management function; (c) overseeing the decoration, maintenance of facilities and assistance in the procurement of furniture, equipments, groceries and other supplies; (d) supervision of hotel personnel, advising on recruitment and remuneration policies and provision of staff training; and (e) monitoring the advertising, marketing and promotional activities of the relevant hotel and attending to the leasing matters

“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 entered into between the Company and CTF on 30 June 2011 in relation to the provision of the Operational Services
“MOP”	Macau Pataca, the lawful currency of Macau
“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. Mr. Doo is a connected person of the Company
“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 date of this announcement
“Operational Agreements”	the individual agreements in respect of the provision of any of the Operational Services which may from time to time be entered into between a member of the CTF Group and a member of the Group pursuant to the Master Services Agreement, and “Operational Agreement” means any of them
“Operational Services”	the Contracting Services, the General and Rental Services, the Project Management and Consultancy Services, the Hotel Management and Consultancy Services and such other types of services as CTF and the Company may agree upon from time to time in writing

“Project Management and
Consultancy Services”

the provision of project management and consultancy services by the relevant members of the Group to members of the CTF Group in relation to the planning, design and construction of property projects developed or owned by members of the CTF Group from time to time, including but not limited to (a) the provision of advices on design plans and development schedules; co-ordination with architects and consultants on the preparation of tender documents and drawings; monitoring the approval of necessary construction permits; (b) overseeing the overall construction including the construction progress and managing the daily operation of construction sites; certifying periodic payments to suppliers and contractors; preparation of cash flow projection; and (c) arranging for hand-over of the completed works complete with full technical documentation for future maintenance and operation; approving final payments to consultants; and co-ordination with consultants on the compilation of final accounts

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

For the purpose of this announcement and for illustration purposes only, amounts denominated in MOP have been translated into HK\$ using the following rate:

MOP1 = HK\$0.97591

By order of the board
New World Development Company Limited
Dr. Cheng Kar Shun, Henry
Managing Director

Hong Kong, 30 June 2011

As at the date of this announcement, the Board 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