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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**

CROSBY

Crosby Securities Limited

A letter from the Board is set out on pages 6 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 40 of this circular.

A notice convening the EGM to be held at Meeting Room N101 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 22 May 2014, at 11:15 a.m. is set out on pages 55 and 56 of this circular.

If you are unable 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, at Level 22, Hopewell Centre, 183 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:

“Announcement”	the announcement of the Company dated 11 April 2014 in respect of, among others, the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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
“Company” or “NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 17)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Definitive Services Group Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Services Group and any member(s) of the Group from time to time in relation to any of the Services Group Transactions at any time during the term of the Services Group Master Services Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 22 May 2014 for the purposes of, among others, considering and, if thought fit, to approve the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps

DEFINITIONS

“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
“Former Services Group Master Services Agreement”	the master services agreement dated 19 May 2011 entered into between Mr. Doo and the Company, details of which were disclosed in the announcements of the Company dated 19 May 2011 and 5 December 2012, respectively
“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 PRC
“IFA”	Crosby Securities 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 Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors
“Independent Shareholders”	the Shareholders, other than Mr. Doo and his associates, who do not have any material interest in the Services Group Master Services Agreement and are not required to abstain from voting at the EGM to consider and approve the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps

DEFINITIONS

“Latest Practicable Date”	24 April 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Doo”	Mr. Doo Wai-Hoi, William, the Vice-chairman and a non-executive director of the Company and a director of certain subsidiaries of the Company and the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company, and a controlling shareholder of the Services Group
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability and a subsidiary of the Company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 917)
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“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
“Rental Services”	rental of properties, spare spaces, office spaces and car parking spaces, vehicles and vessels and related 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

DEFINITIONS

“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
“Services Group Annual Caps”	the annual cap amounts payable by the Services Group to the Group, and vice versa, in respect of the Services Group Transactions for each of the three years ending 30 June 2017
“Services Group 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
“Services Group Effective Date”	1 July 2014, which is conditional upon the Services Group Master Services Agreement becoming unconditional as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “The Services Group Master Services Agreement” in this circular
“Services Group Master Services Agreement”	the master services agreement in relation to the Services Group Transactions entered into between Mr. Doo and the Company on 11 April 2014

DEFINITIONS

“Services Group Services”	the Services Group 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 members of the Services Group and members of the Group may agree upon from time to time in writing
“Services Group Transactions”	all existing and future transactions between members of the Services Group and members of the Group in respect of provision of Services Group Services
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules or the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	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:

Dr. Cheng Kar-Shun, Henry
Mr. Cheng Chi-Kong, Adrian
Mr. Chen Guanzhan
Ms. Ki Man-Fung, Leonie
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Au Tak-Cheong

Registered office:

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

Non-executive Directors:

Mr. Doo Wai-Hoi, William
Mr. Cheng Kar-Shing, Peter

Independent non-executive Directors:

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

5 May 2014

*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 the Announcement in relation to, among others, the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps.

The purpose of this circular is to give you further details regarding, among others, further information on the Services Group Master Services Agreement, the Services Group Transactions, the Services Group Annual Caps, the advice of the Independent Board Committee to the Independent Shareholders and the advice from the IFA to the Independent Board Committee and the Independent Shareholders and to give you notice of the EGM.

LETTER FROM THE BOARD

THE SERVICES GROUP MASTER SERVICES AGREEMENT

Background

Members of the Services Group had in the past entered into, and is expected from time to time to enter into, certain services agreements with members of the Group in respect of the provision of the Services Group Services in accordance with the Former Services Group Master Services Agreement and certain of the services agreements have not expired as at the date of the Services Group Master Services Agreement. The Services Group and the Group wish to continue the services agreements and may from time to time enter into new services agreements in respect of the Services Group Transactions. The Former Services Group Master Services Agreement will expire on 30 June 2014. Accordingly, Mr. Doo and the Company agree to enter into the Services Group Master Services Agreement.

Date

11 April 2014

Parties

- (1) Mr. Doo; and
- (2) the Company

Conditionality

The Services Group Master Services Agreement is conditional upon the approval by the Independent Shareholders of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps at the EGM.

General terms for the Services Group Transactions

The relevant members of the Services Group may from time to time enter into Definitive Services Group Agreement(s) with the relevant members of the Group in relation to any Services Group Transaction upon, and subject to, the terms and conditions in compliance with the Services Group Master Services Agreement as may be agreed between the relevant members of the Services Group and the relevant members of the Group. All existing agreements between relevant members of the Services Group and relevant members of the Group in respect of the Services Group Transactions (to the extent which covers the Services Group Transactions after the Services Group Effective Date) will be treated as Definitive Services Group Agreements made pursuant to the Services Group Master Services Agreement as from the Services Group Effective Date.

LETTER FROM THE BOARD

With effect from the Services Group Effective Date, the Services Group Transactions shall be conducted:

- (a) in the usual and ordinary course of business of the Services Group and the Company, as the case may be;
- (b) on normal commercial terms and based on the then prevailing market rates; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Services Group Annual Caps), the applicable laws, the Services Group Master Services Agreement and the relevant Definitive Services Group Agreement.

The consideration for each Definitive Services Group Agreement will be determined in the following manners:

- (a) in respect of the Rental Services: for new rental services, the lessee will approach a Group member for on-site visit for the available property, and the lessee will verbally request for a quote if it wishes to proceed with the lease. A quote, for both new and renewed rental services, which is either equal to or better than the currently available market comparative quotes from the Group member(s) as lessor to the independent third parties as lessee for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least three quotes from public quotation of the real estate agencies, will be provided by the Group member to the lessee in form of standard lease agreement. The lessee may either accept the quote and proceed with the lease or reject the quote and decline to proceed further;
- (b) in respect of the Services Group Contracting Services:
 - where a member of the Services Group is nominated as contractor designated by ultimate employer (which may or may not be a member of the Group), consideration to such member of the Services Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer;
 - where the Group has the right to select contractor(s), consideration to such contractor(s) will be ascertained under the supervision of an in-house qualified professional quantity surveyor. The Group will obtain quotations from its list of pre-approved contractors (which is subject to periodic review and update by its management to ensure the contractors' quality standards). If the price and terms offered by the Services Group are equal to or better than those offered by the independent service providers, the Group may probably award the contract to the Services Group; and

LETTER FROM THE BOARD

- transaction under each Definitive Services Group Agreement which involves consideration of an amount over HK\$500,000 for those financed by the Company (the “**Company Tender**”), or over HK\$200,000 for those financed by other members of the Group (the “**Subsidiary Tender**”), will be subject to tender, the member(s) of the Services Group will also participate in the tender from all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount in accordance with the Group’s internal tender procedure(s) on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) set out in the bid invitation. The Company Tender will be approved by a tender board of the Company and the Subsidiary Tender will be approved by management of the subsidiaries of the Company;
- (c) in respect of the Property Management Services: the consideration will be fixed at cost plus a prevailing market rate which is currently expected to be less than or equal to 10% and will be determined by conducting research on the market comparables by the parties from time to time. The cost element will include all direct costs incurred such as equipment costs, staff costs, public liability insurance and other indirect or common costs, for example, utility charges for the shared areas like lobby, lift or exit areas, allocated on revenue or other equitable basis. Member of the Group, as service recipient, will request the member of the Services Group, as service provider, to provide at least three market comparable quotations for similar properties it offered to independent third parties, and will ensure that the quotations for the Group from the Services Group are either equal to or better than those market comparable quotations. The management will then determine the consideration and terms of the transactions under each Definitive Services Group Agreement, and will generally review such terms annually to determine whether adjustments shall be made; and
- (d) in respect of the other Services Group Services: the consideration will be fixed at an amount representing an increment of a prevailing market rate compared to the relevant immediately expired Definitive Services Group Agreement. Such prevailing market rate is currently expected to be in the range of approximately 1.8% to 10% and will be determined by conducting research in the market comparables by the parties from time to time, except for the Facility Management Services provided by the Group to the Services Group, the prevailing market rate for which will be determined by conducting research in the market comparables by the parties from time to time only. The management will then determine the consideration and terms of the transactions under each Definitive Services Group Agreement, and will generally review such terms annually to determine whether adjustments shall be made.

Duration

The Services Group Master Services Agreement shall commence on the Services Group Effective Date, and shall continue up to and including 30 June 2017, unless terminated earlier in accordance with the Services Group Master Services Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the Services Group Master Services Agreement is

LETTER FROM THE BOARD

subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Services Group Master Services Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Services Group Master Services Agreement.

Historical figures and the Services Group Annual Caps

The aggregate transaction amounts payable by the Services Group to the Group under the Former Services Group Master Services Agreement for the two years ended 30 June 2013 and the six months ended 31 December 2013 were approximately HK\$9.3 million, HK\$26.6 million and HK\$223.8 million, respectively. The aggregate transaction amounts payable by the Group to the Services Group under the Former Services Group Master Services Agreement for the two years ended 30 June 2013 and the six months ended 31 December 2013 were approximately HK\$444.9 million, HK\$647.5 million and HK\$469.9 million, respectively.

The Services Group Annual Caps for each of the three years ending 30 June 2017 are as follows:

	For the year ending 30 June		
	2015	2016	2017
	HK\$	HK\$	HK\$
	(million)	(million)	(million)
Provision of the Services Group Services by members of the Services Group to members of the Group	2,796.1	4,275.4	3,567.6
Provision of the Services Group Services by members of the Group to members of the Services Group	9.0	9.0	9.0
Total	<u>2,805.1</u>	<u>4,284.4</u>	<u>3,576.6</u>

Each of the Services Group Annual Caps have been determined by reference to:

- (a) the historical annual or annualised amounts in respect of the Services Group Services provided by the Group to the Services Group, and vice versa, during the past financial years; and
- (b) the projected annual amounts in respect of the Services Group Services to be provided by the Group to the Services Group, and vice versa, in the three years ending 30 June 2017.

LETTER FROM THE BOARD

The above-mentioned projected figures are determined based on the relevant historical figures, taking into account the business growth of the Services Group and the Group, the estimated future demand of the Service Group Services, in particular, the Services Group Contracting Services demanded by the Group, with a buffer of 15% which include (i) the expected inflation rate for the projected period which are based on forecasts for the relevant costs in the business sector which the respective service provider engaged in; (ii) adjustments for non-recurring or extraordinary items; and (iii) exchange rate fluctuation and on the principal assumptions that, for the duration of the projected period, (i) member(s) of the Services Group will win all tenders in relation to the Services Group Contracting Services; and (ii) 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.

Reasons for and benefits of entering into the Services Group Master Services Agreement

The transactions contemplated under the Services Group 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 Services Group and the Group. The Services Group Master Services Agreement is intended to streamline the continuing connected transactions between members of the Services Group and members of the 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 agreements in respect of the provision of the Services Group Services.

The Directors (including the independent non-executive directors of the Company) consider that the terms of the Services Group Master Services Agreement have been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and that the Services Group Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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

Mr. Doo is the Vice-chairman and a non-executive director of the Company, and a 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 brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, the uncle of Mr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia and a controlling shareholder of the Services Group.

To the best knowledge of the Directors, the Services Group is principally engaged in the provision of services including laundry and landscaping, security and guarding, trading of building materials, insurance brokerage, property investment and management, cleaning, and electrical and mechanical engineering.

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The principal businesses of the Group include property development and investments in the area of property, infrastructure, hotel operations, department store operations, services, as well as telecommunications and technology.

LISTING RULES IMPLICATIONS

As at the date of this circular, Mr. Doo is the Vice-chairman and a non-executive director of the Company, and a director of certain subsidiaries of the Company, and hence Mr. Doo and the Services Group (being his associates) are connected persons of the Company. The Services Group Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Services Group Transactions is or are more than 5% and each of the Services Group Annual Caps exceeds HK\$10,000,000, the Services Group Master Services Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

EGM

The Company will convene the EGM at 11:15 a.m. on Thursday, 22 May 2014 at Meeting Room N101 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong to consider the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps. A notice of the EGM is set out on pages 55 and 56 of this circular.

Any Shareholder with a material interest in the Services Group Master Services Agreement and its/his associates will abstain from voting at approving the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps at the EGM. Mr. Doo and his associates shall abstain from voting on the relevant ordinary resolution to approve the Services Group Master Services Agreement, the Services Group Transactions and the Services Group 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, except where the chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands.

After the conclusion of the EGM, the results of the poll will be released on the Stock Exchange's 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. If you are unable 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 Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48

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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.

APPROVAL BY THE BOARD OF DIRECTORS

Other than Mr. Doo, none of the Directors has a material interest in the Services Group Master Services Agreement. Mr. Doo, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Kar-Shing, Peter who were present at the meeting of board of Directors voluntarily abstained from voting on the relevant board resolutions.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yeung Ping-Leung, Howard, Mr. Cha Mou-Sing, Payson, Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John, and Mr. Liang Cheung-Biu, Thomas has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps. Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on page 14 of this circular. Your attention is also drawn to the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps set out on pages 15 to 40 in this circular.

The Independent Board Committee, having taken into account the advice of the IFA, considers that the terms of the Services Group Master Services Agreement are on normal commercial terms and that such agreement, the Services Group Transactions and the Services Group Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution approving the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Wong Man-Hoi
Company Secretary



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

5 May 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company (the “**Circular**”) which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

Since the Services Group Transactions constitute 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 Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Crosby Securities Limited has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps.

We wish to draw your attention to (i) the Letter from the Board as set out on pages 6 to 13 of the Circular; (ii) the Letter from the IFA as set out on pages 15 to 40 of the Circular; and (iii) the additional information as set out in the appendix to the Circular.

Having taken into account the terms of the Services Group Master Services Agreement and the advice from the IFA, we consider that the terms of the Services Group Master Services Agreement are on normal commercial terms, and such agreement, the Services Group Transactions and the Services Group Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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

Yours faithfully,
The Independent Board Committee
Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John
Mr. Liang Cheung-Biu, Thomas

LETTER FROM THE IFA

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

CROSBY

5 May 2014

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

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS THE SERVICES GROUP MASTER SERVICES AGREEMENT

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps, details of which are set out in the “Letter from the Board” contained in the circular dated 5 May 2014 (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 11 April 2014 that members of the Services Group had in the past entered into, and are expected from time to time to enter into, certain services agreements with members of the Group in respect of the provision of the Services Group Services in accordance with the Former Services Group Master Services Agreement (which will expire on 30 June 2014) and certain of the services agreements have not expired as at the date of the Services Group Master Services Agreement and the Services Group and the Group wish to continue the services agreements and may from time to time enter into new services agreements in respect of the Services Group Transactions. Accordingly, Mr. Doo and the Company agree to enter into the Services Group Master Services Agreement on 11 April 2014.

As set out in the “Letter from the Board”, as at the Latest Practicable Date, Mr. Doo is the Vice-chairman and a non-executive director of the Company, and a director of certain subsidiaries of the Company, and hence Mr. Doo and the Services Group (being his associates) are connected persons of the Company. The Services Group Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE IFA

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Services Group Transactions is or are more than 5% and each of the Services Group Annual Caps exceeds HK\$10,000,000, the Services Group Master Services Agreement and the Services Group Annual Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Yeung Ping-Leung, Howard, Mr. Cha Mou-Sing, Payson (alternate director to Mr. Cha Mou-Sing, Payson: Mr. Cha Mou-Zing, Victor), Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John and Mr. Liang Cheung-Biu, Thomas has been established to advise the Independent Shareholders on the fairness and reasonableness of the Services Group Master Services Agreement and the Services Group Annual Caps and whether the Services Group Master Services Agreement and the Services Group Annual Caps are in the interests of the Company and the Shareholders as a whole.

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 Services Group Master Services Agreement and the Services Group Annual Caps for the Independent Board Committee's consideration when making its recommendation to the Independent Shareholders.

II. BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations provided to us by the Company and/or its senior management staff (the "**Management**") and/or the executive Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise 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 in all material respects at the time they were made and given and continue to be true and valid in all material respects as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Company made or provided by the Management and/or the executive Directors contained in the Circular 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 and referred to in the Circular.

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 and their respective advisers 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 or the prospects of the markets in which they respectively operate.

III. PRINCIPAL FACTORS CONSIDERED

In formulating our opinion and recommendation with regard to the Services Group Master Services Agreement and the Services Group Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Principal activities and background of the Group

1.1 Background information of the Group

The principal activities of the Group include property development and investment in Hong Kong and the PRC, contracting, provision of services (including property and facility management, transport and other services), infrastructure operations (including operation of roads, power plants, water treatment, waste management plants, ports and logistics facilities), hotel operations, department store operations, telecommunication services, and telecommunications, media and technology businesses.

1.2 Background information of NWD Listed Subsidiaries (as defined below)

As at the Latest Practicable Date, the listed subsidiaries of the Company included New World China Land Limited (“**NWCL**”), New World Department Store China Limited (“**NWDS China**”) and NWS Holdings Limited (“**NWS**”, together with NWCL and NWDS China, the “**NWD Listed Subsidiaries**”).

NWCL together with its subsidiaries (the “**NWCL Group**”) are principally engaged in investment and development of property projects in the PRC.

NWDS China together with its subsidiaries (the “**NWDS China Group**”) are principally engaged in the operation of department stores in the PRC.

NWS together with its subsidiaries (the “**NWS Group**”) are principally engaged in (i) the investment in and operation of facilities, constructing, transport and financial services; and (ii) the development, investment, operation and management of power plants, water treatment and waste management plants, roads, ports and logistics facilities.

2. Information regarding Mr. Doo and the Services Group

As set out in the “Letter from the Board”, Mr. Doo is the Vice-chairman and a non-executive Director of the Company and a 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 brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, the uncle of Mr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia and a controlling shareholder of the Services Group.

As stated in the “Letter from the Board”, to the best knowledge of the Directors, the Services Group is principally engaged in the provision of services including laundry and landscaping, security and guarding, trading of building materials, insurance brokerage, property investment and management, cleaning and electrical and mechanical engineering.

3. Services Group Master Services Agreement

3.1 Reasons for and benefits of entering into the Services Group Master Services Agreement

As set out in the “Letter from the Board”, the Services Group Services, which consist of Services Group 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 members of the Services Group and members of the Group may agree upon from time to time in writing with details set out in the paragraph “3.2 The nature and scope of the Services Group Transactions” below, 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 Services Group and the Group. And thus, the entering into the Services Group Master Services Agreement is intended to streamline the continuing connected transactions between members of the Services Group and members of the Group and will provide a single basis on which the Company will seek prior Independent Shareholders’ approval of all the existing and foreseeable continuing connected transactions with the Services Group and thereby reduce the administrative burden and costs on the Group to comply with the reporting, announcement and the Independent Shareholders’ approval requirements under the Listing Rules in relation to the execution or renewal of relevant agreements in respect of the provision of the Services Group Services.

We understand from the Management that the Services Group has been providing a range of services to members of the Group over a decade, in particular, Services Group Contracting Services, Cleaning and Landscaping Services, Property Management Services and Security and Guarding Services (collectively, the “**Incoming Services**”).

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Given the credentials and track record of the Services Group, in particular its over 40 years of experience in electrical and mechanical engineering services, possess of licenses required for performing the Services Group Services and over ten-year cooperation with the Group, the Group considered the Services Group as a suitable and capable candidate to be considered for the continuation of provision of the Incoming Services for the Group.

As advised by the Management, members of the Group have also provided various services to the Services Group, such as Facility Management Services, Property Management Services and Rental Services, all of which are considered by the Group to be a furtherance of its business (collectively, the “**Outgoing Services**”).

In addition, as advised by the Management, the Services Group Master Services Agreement would provide the Group with the flexibility, but not the obligation, to engage members of the Services Group for the provision of these services, and vice versa.

3.2 The nature and scope of the Services Group Transactions

As set out in the Circular, the Services Group Transactions shall include the following services:

(i) Services Group Contracting Services

Services Group Contracting Services consist of 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 other construction related ancillary services, further details of which are set out in the Circular.

(ii) Cleaning and Landscaping Services

Cleaning and Landscaping Services consist of 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.

(iii) Rental Services

Rental Services consist of rental of properties, spare spaces, office spaces and car parking spaces, vehicles and vessels and related services.

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(iv) Facility Management Services

Facility Management Services consist of 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.

(v) Property Management Services

Property Management Services consist of 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.

(vi) Security and Guarding Services

Security and Guarding Services consist of provision of security guards, security systems installation and maintenance services, armoured transport services, supply of security products and related services.

3.3 General terms of the Services Group Master Services Agreement

Pursuant to the Services Group Master Services Agreement, the Services Group Transactions shall be conducted:

- (i) in the usual and ordinary course of business of the Services Group and the Company (as the case may be);
- (ii) on normal commercial terms and based on the then prevailing market rates; and
- (iii) in compliance with all applicable provisions of the Listing Rules (including the Services Group Annual Caps), the applicable laws, the Services Group Master Services Agreement and the relevant Definitive Services Group Agreement.

The consideration for each Definitive Services Group Agreement in respect of each of the Services Group Services is set out in the paragraph headed "General terms for the Services Group Transactions" in the "Letter from the Board".

The Services Group Master Services Agreement shall commence on the Services Group Effective Date, and shall continue up to and including 30 June 2017, unless terminated earlier in accordance with the Services Group Master Services Agreement.

3.4 *Analysis on principal terms of the Incoming Services and the Outgoing Services under the Services Group Transactions for each of the Group (excluding the NWD Listed Subsidiaries) and the NWD Listed Subsidiaries*

Based on our discussion with the Management, we understand that each of the NWD Listed Subsidiaries and the Group (excluding the NWD Listed Subsidiaries) has its own set of controls on the Services Group Transactions. To assess the fairness and reasonableness of the terms of the Services Group Transactions, we have separated the Services Group Transactions into two categories, namely (i) the Incoming Services; and (ii) the Outgoing Services (as defined above).

3.4.1 *Incoming Services*

The Group (excluding the NWD Listed Subsidiaries)

Members of the Services Group have historically acted as, and will continue to act as, the electrical and mechanical engineering contractors and/or consultants to the property development projects of the Group (excluding the NWD Listed Subsidiaries) via tender for projects which involve consideration of an amount over HK\$500,000 (the “**NWD Threshold**”). The Management further advised that members of the Group (other than NWD) may set up their own threshold lower than the NWD Threshold for tenders based on their respective internal control policies.

The Management advised that the Group (excluding the NWD Listed Subsidiaries) has a tender procedure manual to govern tenders of its property development projects which sets out guidelines for tender procedures, including selection criteria for and number of tenderers to invite for tender and tender assessment and evaluation. The Group (excluding the NWD Listed Subsidiaries), where appropriate, intends to continue inviting the relevant members of the Services Group to participate in future tenders for contracting services.

As part of the tender evaluation, members of the Group (excluding the NWD Listed Subsidiaries) would evaluate, among other criteria, tender offers, background, qualification, historical performance, track record, reputation, financial standing and operational capabilities of the respective tenderers in accordance with the said tender procedure manual.

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We also understand from the Management that once a contractor and/or consultant has been appointed by the Group with regard to the Group's property development project, a designated project team will continue to monitor the ongoing costs incurred by the selected contractor and/or consultant on the relevant project and project related costs will either be ascertained by independent professional quantity surveyor to be appointed by the Group (excluding the NWD Listed Subsidiaries) or an in-house qualified professional quantity surveyor before relevant payment(s) is(are) made to the contractor and/or consultant for their work. In this connection, we have reviewed sample documents provided by the Management relating to one project of the Group (excluding the NWD Listed Subsidiaries) which involved a contract sum over HK\$500,000 on a random basis (including the list of pre-qualified tenderers which contained more than eight service providers and was approved by the tender committee of the Company and the tender assessment report issued by a professional quantity surveyor), and note that the Company complied with its tender procedures.

With respect to the Property Management Services provided by the Services Group to the Group (excluding the NWD Listed Subsidiaries), as stated in the "Letter from the Board", the consideration shall be fixed at cost plus a prevailing market rate which is currently expected to be less than or equal to 10% and will be determined by conducting research on the market comparables by the parties from time to time. Member of the Group (as service recipient) will request the member of the Services Group (as service provider) to provide at least three market comparable quotations for similar properties the Services Group offered to its independent third parties, and will ensure that the quotations from the Services Group are either equal to or better than those market comparable quotations. We have discussed with the Company and reviewed the information provided by the Company relating to the rates charged by the Services Group to its customers (including the Group) and note that the Group (excluding the NWD Listed Subsidiaries) complied with its internal procedures as stated above and the rate offered to the Group by the Services Group was generally in line with that offered by the Services Group to its other customers for similar property.

NWS Group

We understand from the management of NWS that the transactions between the NWS Group and the Services Group are substantially related to the contracting services provided by the Services Group. From time to time, members of the NWS Group

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may be engaged as a main contractor, management contractor or project manager for construction projects and members of the Services Group may be engaged to provide Services Group Contracting Services to members of the NWS Group accordingly. There are two types of arrangements in relation to provision of the Services Group Contracting Services with details set out below.

Under the first type of arrangement, a member of the NWS Group is appointed as management contractor (the “**Management Contractor**”)/main contractor (the “**Main Contractor**”) and a member of the Services Group is designated by the ultimate employer as a nominated sub-contractor. Services provided and/or work performed by the member of the Services Group will be monitored by the Management Contractor/Main Contractor. In addition, payment(s) to such member of the Services Group will be ascertained by an independent professional quantity surveyor (the “**Independent Surveyor**”) appointed by the ultimate employer. In this connection, we have reviewed sample documents provided by NWS relating to one project under such arrangement on a random basis and note such Independent Surveyor would recommend payment for the relevant sub-contract works.

Under the second type of arrangement, for projects which involve consideration of an amount below HK\$200,000, a member of the NWS Group will invite quotations from at least two independent third parties (subject to availability and some of which may have engaged in contemporaneous transactions with the NWS Group) from a list of pre-approved contractors (which is subject to periodic review and update by its management to ensure the contractors’ quality standards) for services or products in similar quantities to determine if the price and terms offered by the Services Group are fair and reasonable as compared to those offered by independent third parties. If the price and terms offered by a member of the Services Group are equal to or better than those offered by independent service providers, such member of the NWS Group may probably award the contract to such member of the Services Group.

For projects which involve consideration of an amount over HK\$200,000, a member of the Services Group is appointed as a domestic sub-contractor/package contractor by a member of the NWS Group via tender. Such sub-contracting/subletting arrangement is governed by a set of internal work procedures of the relevant member of the NWS Group (the “**Sub-contracting/Subletting Procedures**”). The Sub-contracting/Subletting Procedures set out guidelines for the overall flow of the sub-contracting/subletting process, recruitment and assessment of sub-contractors/package contractors, appointment

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of major sub-contractors/package contractors (including electrical and mechanical related works), measurement works, payments, final accounts, termination and performance assessment of sub-contractors/package contractors. We also understand from the management of NWS that the NWS Group maintains a list of pre-approved sub-contractors/package contractors, which is subject to periodic review and update by its management to ensure the quality standards of the sub-contractors/package contractors in the aforesaid list. As advised by the management of NWS, they have not noted any material non-compliance in connection with the Sub-contracting/Subletting Procedures for each of the two years ended 30 June 2013 and the period from 1 July 2013 up to the Latest Practicable Date. In this connection, we have reviewed sample tender documents relating to one project where the tender was awarded to the Services Group provided by NWS on a random basis and note that the tender amount offered by the Services Group was the lowest as compared to other bidders under the sampled tender on the condition that the bidder conformed to all the essential requirements set out in the relevant bid invitation.

NWCL Group

The management of NWCL advised that typically, the relevant members of the Services Group would act as the sub-contractors to the property development projects of the NWCL Group, subject to successful tender.

In respect 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 the relevant 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 assessment details would be set out in a tender evaluation report.

In connection with the qualification evaluation under 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 sample project tender documents relating to one project where the tender was awarded to the Services Group provided by the Company on a random basis and note that the terms offered by the relevant member of the Services Group were no less favourable than those available from independent third parties of the NWCL Group under the sampled tender.

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NWDS China Group

The management of NWDS China advised that typically, the relevant members of the Services Group would provide Services Group Contracting Services, in particular, electrical and mechanical engineering services to member(s) of the NWDS China Group, subject to successful tender.

NWDS China adopted a project management policy (工程項目管理政策) governing different aspects of cost controls of its projects, including those related to contracting services. Such policy 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.

In connection with the qualification evaluation under the aforesaid project management policy, NWDS China would evaluate, among other criteria, background, track record, quality of work, qualification, resources, costs control management and operational capabilities of the tenderers.

We have been advised by the management of NWDS China that during the two years ended 30 June 2013 and the period from 1 July 2013 to the Latest Practicable Date, despite of members of the Services Group having participated in tenders for certain contracting services, after assessing the relevant tenders submitted, NWDS China awarded the aforesaid contracting services to other tenderer as more favourable terms were offered by such other tenderer.

3.4.2 Outgoing Services

The Group (excluding the NWD Listed Subsidiaries)

As advised by the Management, the Outgoing Services to be provided to the Services Group are predominantly related to the Rental Services. As stated in the “Letter from the Board”, for new rental services, the lessee will approach a Group member for on-site visit for the available property and will verbally request for a quote if it wishes to proceed with the lease. A quote, for both new and renewed rental services, which is either equal to or better than the currently available market comparative quotes from the Group member(s) as lessor to the independent third parties as lessee for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared

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against at least three quotes from public quotation of the real estate agencies, will be provided by the Group member to the lessee in form of standard lease agreement. The lessee may either accept the quote and proceed with the lease or reject the quote and decline to proceed further. The Management expects such Outgoing Services to be immaterial to the Group in terms of the size of transactions.

We have reviewed documents relating to property lease by the Group to the Services Group provided by the Company and note that the prices and terms of the reviewed transactions between the Group (excluding the NWD Listed Subsidiaries) and the Services Group were on normal commercial terms and fair and reasonable. We have also noted that the Group complied with the aforesaid internal procedures based on our review of sample documents provided by the Company on a random basis.

NWS Group

As advised by the management of NWS, the Outgoing Services to be provided to the Services Group are predominantly related to the Facility Management Services, the consideration of which shall be determined by conducting research on the market comparables by the parties from time to time. The management of NWS also expects such Outgoing Services to be immaterial to the NWS Group in terms of the size of transactions.

We have reviewed documents provided by NWS in relation thereto on a random basis and note that the prices and terms of the reviewed transactions between the NWS Group and the Services Group were no less favourable than those charged to independent third parties of the NWS Group.

Our view

Based on our work done, we are of the view that the transactions contemplated under the Services Group Master Services Agreement are in the ordinary and usual course of business of the Group and there are procedures in place to ensure that the terms of the transactions contemplated under the Services Group Master Services Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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3.5 *Basis for determining the Services Group Annual Caps*

A. *Historical transaction values*

As set out in the “Letter from the Board”, the aggregate transaction amounts payable by the Group to the Services Group, and vice versa, under the Former Services Group Master Services Agreement for each of the two financial years ended 30 June 2012 and 2013 and the six months ended 31 December 2013 were as follows:

Table A: Historical transaction values

Categories	Aggregate transaction values		
	Financial year ended		Six months ended
	30 June		31 December
	2012	2013	2013
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Provision of the Services			
Group Services by members of the Services Group to members of the Group (i.e. the Incoming Services)	444.9	647.5	469.9
Provision of the Services			
Group Services by members of the Group to members of the Services Group (i.e. the Outgoing Services)	9.3	26.6	223.8
Total	454.2	674.1	693.7

Historical transaction values for the Incoming Services

As set out in Table A above, the aggregate transaction value for the Incoming Services increased by approximately HK\$202.6 million, from approximately HK\$444.9 million for the year ended 30 June 2012 to approximately HK\$647.5 million for the year ended 30 June 2013, representing an increase of approximately 45.5%.

We understand from the Management that the aforesaid increase was largely due to the increase in transaction values for the Incoming Services for each of the NWS Group, the NWCL Group and the Group (excluding the NWD Listed Subsidiaries).

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The aforesaid increase related to the NWS Group and the Group (excluding the NWD Listed Subsidiaries) was mainly attributable to the increase in the value of contracting services from projects located in Hong Kong and the increase related to the NWCL Group was mainly attributable to the increase in the value of contracting services from projects located in the PRC including Guangdong and Hunan Provinces.

Historical transaction values for the Outgoing Services

As set out in Table A above, the aggregate transaction value for the Outgoing Services increased by approximately HK\$17.3 million, from approximately HK\$9.3 million for the year ended 30 June 2012 to approximately HK\$26.6 million for the year ended 30 June 2013, representing an increase of approximately 186.0%. We understand from the Management that the aforesaid increase was largely due to the contracting services provided by the NWCL Group to the Services Group during the year ended 30 June 2013.

Similarly, we understand from the Management that the historical transaction values for the Outgoing Services, in particular, contracting services, due to its market driven nature, may be distorted by a fluctuation in the number and size of projects undertaken in any given period/year. This is further evidenced by the revision of the annual cap amounts payable by the Services Group to the Group, and vice versa, for the continuing connected transactions contemplated under the master services agreement entered into between the Company and Mr. Doo on 19 May 2011 with details set out in the announcement of the Company dated 5 December 2012 where the relevant annual caps for the year ended 30 June 2013 and the year ending 30 June 2014 were revised upwards due to unforeseen increase in value of the Services Group Transactions.

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B. Services Group Annual Caps

Set out below are the proposed Services Group Annual Caps for the Services Group Transactions for each of the three financial years ending 30 June 2017.

Table B: Services Group Annual Caps

	Financial year ending 30 June		
	2015 (HK\$ million)	2016 (HK\$ million)	2017 (HK\$ million)
Categories			
Provision of the Services			
Group Services by members of the Services Group to members of the Group (i.e. the Incoming Services)	2,796.1	4,275.4	3,567.6
Provision of the Services			
Group Services by members of the Group to members of the Services Group (i.e. the Outgoing Services)	9.0	9.0	9.0
Total	2,805.1	4,284.4	3,576.6

As set out in the “Letter from the Board”, each of the Services Group Annual Caps have been determined by reference to:

- (i) the historical annual or annualised amounts in respect of the Services Group Services provided by the Group to the Services Group, and vice versa, during the past financial years; and
- (ii) the projected annual amounts in respect of the Services Group Services to be provided by the Group to the Services Group, and vice versa, in the three years ending 30 June 2017.

The above-mentioned projected figures are determined based on the relevant historical figures, taking into account the business growth of the Services Group and the Group, the estimated future demand of the Services Group Services, in particular, the Services Group Contracting Services demanded by the Group, with a buffer of 15%

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which includes (i) the expected inflation rate for the projected period which is based on forecasts for the relevant costs in the business sector which the respective service provider engaged in; (ii) adjustments for non-recurring or extraordinary items; and (iii) exchange rate fluctuation and on the principal assumptions that, for the duration of the projected period, (i) member(s) of the Services Group will win all tenders in relation to the Services Group Contracting Services; and (ii) there will not be any adverse change or disruption in market conditions, operations and business environment or government policies which may materially affect the businesses of the Services Group and/or the Group.

(i) Services Group Annual Caps for the Incoming Services

We note that the Services Group Annual Caps for the Incoming Services represent a substantial increase from the historical transaction values of such services. Based on our review of the schedule (the “**Schedule**”) provided by the Management setting out the historical transacted amounts by entities/groups for each of the two years ended 30 June 2012 and 2013 and the six months ended 31 December 2013 and the estimated transaction values by entities/groups for each of the three years ending 30 June 2017, we note that the Services Group Annual Caps for the Incoming Services are arrived at based on the respective annual caps proposed by each such entity/group.

Based on our discussion with the Management, we understand that such relatively low historical transaction values was mainly due to the factor that certain previously potential contracting and construction projects were not awarded by the Group to the Services Group finally and/or the change in the construction plan for certain projects of the Group. As advised by the Company, during the two years ended 30 June 2012 and 2013 and the six months ended 31 December 2013, members of the Services Group had participated in tenders for certain contracting services required by the Group. However after assessing relevant tenders submitted, the Group finally awarded the relevant contracting works to other tenderers as more favourable terms were offered by such other tenderers as compared to the Services Group or the Services Group did not meet the essential requirements set out in the relevant bid invitations. The Management further advised that the historical transaction values for the 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 and thus the historical transaction values should not be considered in isolation when determining the Services Group Annual Caps for the three years ending 30 June 2017.

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In assessing the fairness and reasonableness of the Services Group Annual Caps for the Incoming Services, we have discussed with the Management about the basis of the Services Group Annual Caps and understand that the Services Group Annual Caps for the Incoming Services are determined by entities/groups comprising (i) the Company and its unlisted subsidiaries; (ii) the NWS Group; (iii) the NWCL Group; and (iv) the NWDS China Group with details set out below.

Table C: Services Group Annual Caps in relation to the Incoming Services

	Financial year ending 30 June		
	2015 (HK\$ million)	2016 (HK\$ million)	2017 (HK\$ million)
Entities / groups			
The Company and its unlisted subsidiaries	389.7	383.9	382.2
NWS Group	1,799.7	2,970.7	2,569.3
NWCL Group	412.0	751.0	563.0
NWDS China Group	194.7	169.8	53.1
Proposed annual caps	2,796.1	4,275.4	3,567.6

Set out below is our analysis on the Services Group Annual Caps for the Incoming Services by entities/groups.

- (a) Services Group Annual Caps for the Incoming Services attributable to the Company and its unlisted subsidiaries

When assessing the fairness and reasonableness of the Services Group Annual Caps for the Incoming Services attributable to the Company and its unlisted subsidiaries, we have discussed with the Management and are advised that such annual caps are primarily related to the Services Group Contracting Services and the Property Management Services that may be awarded by the Company and its unlisted subsidiaries.

We have obtained and reviewed the schedule provided by the Management which sets out (i) the historical contract values on a project-by-project basis by categories of services for each of the two years ended 30 June 2013 and the six months ended 31 December 2013; and (ii) the estimated contract values on a project-by-project basis by categories of services for each of the three years ending 30 June 2017, and note that numerous sizeable maintenance, renovation and fitting out projects, involving substantial contracting services, are currently scheduled to be

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undertaken in the three financial years ending 30 June 2017 in Hong Kong and the PRC, which include but not limited to the redevelopment project of New World Centre in Tsim Sha Tsui (collectively, the “NWD Projects”).

As advised by the Management, the proposed annual caps of the Services Group Contracting Services are estimated based on (i) the development plan which sets out the scope of works including those related to contracting services and a proposed timetable for each of the NWD Projects; and (ii) the estimated quantity of contracting services required and the price of such services, the latter of which is made reference to the prevailing market prices after factoring into the expected increase in labour and material costs as well as inflation.

As advised by the Management, the proposed annual caps of the Property Management Services are estimated generally based on the actual transaction amount for the financial year ended 30 June 2013 (“FY2013”) after taking into account factors including inflation and business growth of the Company and its unlisted subsidiaries during the projected period. We have obtained and reviewed the historical transaction amounts of the Property Management Services for FY2013 and also discussed with the Management and understand that the gross floor area of subject property and the unit cost per square feet are the two key factors affecting the values of the Property Management Services. Given the above, we consider that it is reasonable to determine the caps relating to the Property Management Services based on the historical transaction amounts.

(b) Services Group Annual Caps for the Incoming Services attributable to the NWS Group

When assessing the fairness and reasonableness of the Services Group Annual Caps attributable to the NWS Group, we have discussed with the management of NWS and are advised that such annual caps are mainly related to contracting services and the transaction value of contracting services may fluctuate from year to year and depends on a number of factors including, among others, the economic conditions, progress of projects, number and size of projects undertaken in a given financial year which was evidenced by the revision by the NWS Group of the annual caps for, among others, the transaction value for the Incoming Services to be provided by the Services Group for each of the two years ending 30 June 2014 due to the NWS Group’s anticipation that the previously approved annual caps for the two financial years ending 30 June 2014 will not be sufficient and the

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expansion of the service scope to cover provision of rental services by the Services Group as announced by NWS on 4 January 2013.

We have obtained and reviewed a schedule provided by the management of NWS which sets out (i) the historical contract values for each of the two years ended 30 June 2012 and 2013 and the six months ended 31 December 2013; and (ii) the estimated contract values on a project-by-project basis by categories of services for each of the three years ending 30 June 2017 (the “**NWS Annual Caps Schedule**”), and note potential sizeable upcoming projects in connection with contracting services including but not limited to, certain private and public sector development projects and various residential development projects. As advised by the management of NWS, the Services Group Annual Caps attributable to the NWS Group for the contracting services are determined based on, among others, (i) estimated scope of works in respect of the projects set out in the NWS Annual Caps Schedule; (ii) the estimated relevant construction price; and (iii) the expected progress of the relevant works for the three years ending 30 June 2017.

(c) Services Group Annual Caps for the Incoming Services attributable to the NWCL Group

When assessing the fairness and reasonableness of the Services Group Annual Caps attributable to the NWCL Group, we have discussed with the management of NWCL and are advised that such annual caps are mainly related to contracting services, including among others construction, engineering and related services, for its property development projects.

We have obtained, and discussed with the management of NWCL about, a schedule provided by the management of NWCL which sets out (i) the historical contract values for each of the two years ended 30 June 2013 and the six months ended 31 December 2013; and (ii) the estimated contract values on a project-by-project basis by categories of services for each of the three years ending 30 June 2017. Based on our review and discussion, we note that numerous sizeable scale but not-yet-contracted commercial and residential development projects, including among others the Haikou Meilisha Project (海口美麗沙項目) and the Wuhan Guanggu New World Project (武漢光穀新世界項目), are currently expected to be undertaken by the NWCL Group in the coming three financial years ending 30 June 2017 in various PRC cities (collectively, the “**NWCL Projects**”), the values of which comprise of a majority of the relevant caps. In particular, we note from the schedule that for the Haikou Meilisha Project with an aggregate

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contract value of RMB880 million, an aggregate contract value of around RMB520 million is currently estimated to incur during the projected period and for the Wuhan Guanggu New World Project with an aggregate contract value of RMB480 million, an aggregate contract value of around RMB380 million is currently estimated to incur during the projected period. These two projects, among others, are believed to lead to substantial demand for contracting services during the projected period.

The management of NWCL further advised that the Services Group Annual Caps for the Incoming Services attributable to the NWCL Group in the coming three financial years, which are primarily related to contracting services as mentioned above, are estimated primarily based on (i) the possible contracting services that may be awarded by the NWCL Group to the Services Group; (ii) the development plan which sets out the scope of works in respect of each of the NWCL Projects including those related to contracting services and a proposed timetable in relation thereto; and (iii) the estimated quantity of contracting services required and the price of such services, the latter of which are made reference to the prevailing market prices after factoring into the expected increase in labour costs, material costs as well as inflation, the basis of which is considered to be reasonable.

(d) Services Group Annual Caps for the Incoming Services attributable to the NWDS China Group

When assessing the fairness and reasonableness of the Services Group Annual Caps attributable to the NWDS China Group, we have obtained and discussed with the management of NWDS China about a schedule setting out the estimated value of Services Group Contracting Services and other relevant services by entities and projects that may be awarded by the NWDS China Group to the Services Group for each of the three financial years ending 30 June 2017, and note that such proposed annual caps are primarily related to the Services Group Contracting Services. Based on our discussion with the management of NWDS China, we understand that the values of the Services Group Contracting Services are estimated primarily based on (i) the possible contracting services that may be awarded by the NWDS China Group to the Services Group with respect to each project of the NWDS China Group; (ii) the development plans of such projects including those related to contracting services and proposed timetable in relation thereto; and (iii) the estimated quantity of contracting services required and the prices of such services, the latter of which are made reference to the prevailing market prices after factoring into the expected increase in labour costs, material costs as well as inflation, the basis of which is considered to be reasonable.

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The management of NWDS China further advised that due to the ad hoc nature of the Services Group Contracting Services, it is difficult to predict with certainty as and when contracts will be awarded to members of the Services Group, if at all and thus the proposed annual caps in relation thereto are made based on their best estimation. Given that the contracting services are generally market driven and the demand of which would be affected by factors such as the number and size of projects, we concur that it is difficult to predict the same with certainty. Nonetheless, to justify the aforesaid basis adopted by NWDS China, in particular their current expectation on possible contracting services to be awarded to the Services Group with respect to projects of the NWDS China Group, the development plans of such projects, the estimated demand for contracting services and relevant service prices, we have discussed with the management of NWDS China and understand that the proposed annual caps in relation thereto are mainly due to the planned renovation projects for existing stores and new projects for opening of new stores over the projected period, which is in line with the expansion strategies of “radiation city” and “multiple presences within a single city” adopted by NWDS China as stated in its interim report for the six months ended 31 December 2013 through, among others, continuing to increase the number of self-owned stores and expanding operating area to present a more comfortable shopping environment to customers. With respect to the assumption adopted that the Services Group would participate and win all tenders for contracting services required by the NWDS China Group over the projected period, we concur with the view of the management that it is prudent and justifiable to adopt such assumption for cap purpose. Given the above, we consider the basis adopted by NWDS China is reasonable for purpose of cap determination.

(ii) *Services Group Annual Caps for the Outgoing Services*

We note that the Services Group Annual Caps for the Outgoing Services are comparable to the historical transaction value for the financial year ended 30 June 2012 and materially lower than that for each of FY2013 and the six months ended 31 December 2013 (“1HFY2014”). As advised by the Management, the relatively high transaction value for FY2013 and 1HFY2014 was mainly due to the contracting services provided by the NWCL Group to a then member of the Services Group during the period which was disposed of in the second half of the financial year of 2014 and thus ceased to be a connected person of NWCL afterwards.

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Set out below are the Services Group Annual Caps for the Outgoing Services by entities/groups comprising of (i) the Company and its unlisted subsidiaries; and (ii) the NWS Group, which are relatively insignificant to the Group's overall operations.

Table D: Services Group Annual Caps in relation to the Outgoing Services

	Financial year ending 30 June		
	2015 (HK\$ million)	2016 (HK\$ million)	2017 (HK\$ million)
Entities / groups			
The Company and its unlisted subsidiaries	4.0	4.0	4.0
NWS Group	5.0	5.0	5.0
Total	9.0	9.0	9.0

- (a) Services Group Annual Caps for the Outgoing Services attributable to the Company and its unlisted subsidiaries

We note that the size of the Services Group Annual Caps for the Outgoing Services attributable to the Company and its unlisted subsidiaries is immaterial to the Group's overall operation as a whole. The Management advised that such caps are largely related to provision of the Rental Services and the Facility Management Services by the Company and its unlisted subsidiaries to the Services Group and are determined with reference to the historical transaction values with members of the Services Group together with factors such as the expected increase in demand for services by the Services Group relating to, among others, upgrade of telecommunication system as well as inflation, the basis of which we consider is reasonable.

- (b) Services Group Annual Caps for the Outgoing Services attributable to the NWS Group

Similarly, the size of the Services Group Annual Caps for the Outgoing Services attributable to the NWS Group is immaterial to the Group's overall operation as a whole. The management of NWS advised that the Services Group Annual Caps for the Outgoing Services attributable to the NWS Group are largely related to the Facility Management Services and are determined with reference to the historical transaction values with members of the Services Group. We have reviewed, and discussed with the management of NWS about, a schedule provided by NWS which

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sets out the historical values by service category for each of the two years ended 30 June 2013 and the estimated values by service category for each of the three years ending 30 June 2017, and note that such caps are determined mainly based on the historical values with a buffer to cater for factors such as inflation and/or the possible increase in demand for Outgoing Services by the Services Group during the projected period, the basis of which we consider is reasonable.

Our view on the Services Group Annual Caps

Based on our work done set out above, we consider that the Services Group Annual Caps are reasonable given the following:

- (i) the Services Group Services under the Services Group Master Services Agreement are carried out in the ordinary and usual course of business of the Group;
- (ii) the Services Group Annual Caps would provide the Group with the flexibility, but not the obligation, to carry out the Services Group Transactions with the Services Group, which flexibility is crucial to the ordinary and usual course of business of the Group;
- (iii) the increment in the Services Group Annual Caps as compared to the historical transaction values are mostly related to the Services Group Contracting Services and are determined after taking into (a) the contracting and construction projects being undertaken or expected to be undertaken by the Group and the Services Group; and (b) progress and the scope of work of such projects; and
- (iv) the provision of the Outgoing Services (namely Rental Services and Facility Management Services) is a furtherance of the business of the Group and the size of proposed annual caps in relation thereto are immaterial to the Group's overall operation as a whole.

However, Shareholders should note that the Services Group Annual Caps relate to future events and do not represent a forecast of the transaction values as a result of the Services Group Transactions. Consequently, we express no opinion as to how closely the actual transaction values of the transactions contemplated under the Services Group Master Services Agreement correspond with the Services Group Annual Caps.

IV. REQUIREMENT BY THE LISTING RULES REGARDING THE SERVICES GROUP TRANSACTIONS

We understand from the Management that the Company will actively monitor the progress and utilisation of the Services Group Annual Caps to ensure compliance with the Listing Rules from time to time.

In addition, pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Services Group Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Services Group Transactions and confirm in the annual report and accounts that the Services Group Transactions have been entered into:
 - in the ordinary and usual course of business of the Company;
 - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than the terms available to or from (as appropriate) independent third parties; and
 - in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Services Group Transactions:
 - have received the approval of the Board;
 - are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
 - have been entered into in accordance with the relevant agreement governing the Services Group Transactions; and
 - have not exceeded the proposed caps.
- (c) the Company shall allow, and shall procure the relevant counterparty to the Services Group Transactions to allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Services Group Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and

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- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) above respectively.

In light of the reporting requirements relating to the Services Group Transactions, in particular, (i) the restriction of the value of the Services Group Transactions by way of the proposed caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Services Group Transactions and the proposed caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Services Group Transactions and safeguard the interests of the Independent Shareholders.

V. RECOMMENDATION

Having considered the factors and analysis set out in this letter, in particular,

- (i) the reasons for and benefits of entering into the Services Group Master Services Agreement;
- (ii) the Services Group 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 available to or from independent third parties to the Group;
- (iii) the Services Group Master Services Agreement would provide the Group with the flexibility, but not the obligation, to engage members of the Services Group for the provision of these services, and vice versa; and
- (iv) the value of, and the basis for determining, the Services Group Annual Caps are reasonable, details of which are set out in the section headed “3.5 Basis for determining the Services Group Annual Caps”,

we are of the opinion that the transactions contemplated under the Services Group Master Services Agreement are 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 Services Group Annual Caps of the contemplated transactions are fair and reasonable so far as the Independent Shareholders are concerned.

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Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Services Group Master Services Agreement and the Services Group Annual Caps at the EGM.

Yours faithfully,

For and on behalf of

Crosby Securities Limited

Alex Lau

Managing Director

Corporate Finance

Heidi Cheng

Managing Director

Corporate Finance

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				
	Personal interests	Family interests	Interests of controlled corporation	Total	Approximate % of shareholding
The Company (Ordinary shares)					
Dr. Cheng Kar-Shun, Henry	–	600,000	–	600,000	0.01
Mr. Doo Wai-Hoi, William	–	–	7,000,000 ⁽¹⁾	7,000,000	0.08
Mr. Ho Hau-Hay, Hamilton	–	–	878,353 ⁽²⁾	878,353	0.01
Mr. Liang Cheung-Biu, Thomas	10,429	–	–	10,429	0.00
Ms. Ki Man-Fung, Leonie	90,000	–	–	90,000	0.00
Dragon Fortune Limited (Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	15,869 ⁽³⁾	15,869	27.41

	Number of shares				
	Personal interests	Family interests	Interests of controlled corporation	Total	Approximate % of shareholding
NWCL					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	29,985,826	4,387,500	117,610,200 ⁽⁴⁾	151,983,526	1.75
Mr. Doo Wai-Hoi, William	1,254,663	–	1,317,000 ⁽¹⁾	2,571,663	0.03
Mr. Cheng Kar-Shing, Peter	755,961	–	–	755,961	0.01
Mr. Lee Luen-Wai, John	387,448	–	–	387,448	0.00
Ms. Ki Man-Fung, Leonie	45,000	–	–	45,000	0.00
Ms. Cheng Chi-Man, Sonia	953,669	–	–	953,669	0.01
New World Department Store China Limited					
(Ordinary shares of HK\$0.10 each)					
Ms. Ki Man-Fung, Leonie	20,000	–	–	20,000	0.00
Ms. Cheng Chi-Man, Sonia	92,000	–	–	92,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	18,349,571	–	12,000,000 ⁽⁴⁾	30,349,571	0.82
Mr. Doo Wai-Hoi, William	3,477,834	–	8,330,782 ⁽¹⁾	11,808,616	0.32
Mr. Cheng Kar-Shing, Peter	276,292	–	5,578,697 ⁽⁵⁾	5,854,989	0.16
Ms. Ki Man-Fung, Leonie	15,000	–	–	15,000	0.00
Sun Legend Investments Limited					
(Ordinary shares)					
Mr. Cheng Kar-Shing, Peter	–	–	500 ⁽⁶⁾	500	50.00

Notes:

- (1) These shares are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William.
- (2) These shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (3) 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 92.08% of its issued share capital. There is a contract to sell these interests, subject to completion of all conditions contained therein.
- (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 Kar-Shing, Peter.

- (6) 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 share options

(i) The Company

Name of Director	Date of grant	Exercisable period (Note)	Number of share options (HK\$)	Exercise price per Share
Dr. Cheng Kar-Shun, Henry	19 March 2012	(1)	10,014,956	9.756
Mr. Doo Wai-Hoi, William	22 January 2014	(2)	500,000	10.400
Mr. Cheng Chi-Kong, Adrian	19 March 2012	(1)	3,505,234	9.756
Mr. Chen Guanzhan	19 March 2012	(1)	3,505,234	9.756
Mr. Yeung Ping-Leung, Howard	19 March 2012	(1)	500,747	9.756
Mr. Cha Mou-Sing, Payson	19 March 2012	(1)	500,747	9.756
Mr. Cheng Kar-Shing, Peter	19 March 2012	(1)	500,747	9.756
Mr. Ho Hau-Hay, Hamilton	19 March 2012	(1)	500,747	9.756
Mr. Lee Luen-Wai, John	19 March 2012	(1)	500,747	9.756
Mr. Liang Cheung-Biu, Thomas	19 March 2012	(1)	500,747	9.756
Ms. Ki Man-Fung, Leonie	19 March 2012	(1)	3,004,486	9.756
Mr. Cheng Chi-Heng	19 March 2012	(1)	500,747	9.756
Ms. Cheng Chi-Man, Sonia	19 March 2012	(1)	3,004,486	9.756
Mr. Au Tak-Cheong	19 March 2012	(1)	2,203,496	9.756
	22 January 2014	(2)	500,000	10.400
			<u>29,743,121</u>	

Notes:

- (1) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.
- (2) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (3) The cash consideration paid by each of the above Directors for each grant of share options is HK\$10.0.

(ii) NWCL

Name of Director	Date of grant	Exercisable period (Note)	Number of share options	Exercise price per share (HK\$)
Dr. Cheng Kar-Shun, Henry	18 January 2011	(1)	2,077,922	3.036
Mr. Cheng Chi-Kong, Adrian	18 January 2011	(2)	935,066	3.036
Mr. Cheng Kar-Shing, Peter	18 January 2011	(1)	831,169	3.036
Mr. Lee Luen-Wai, John	18 January 2011	(1)	311,688	3.036
			<u>4,155,845</u>	

Notes:

- (1) 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.
- (2) Divided into 3 tranches exercisable from 19 February 2013, 19 February 2014 and 19 February 2015, respectively to 18 February 2016.
- (3) The cash consideration paid by each of the above Directors for each grant of share options is HK\$10.0.

(III) Long positions in debentures

(i) 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	Interests of controlled corporation	Total	
Mr. Doo Wai-Hoi, William	–	2,900,000	1,240,000 ⁽¹⁾	4,140,000	0.55
Mr. Lee Luen-Wai, John	<u>1,000,000</u>	<u>1,000,000</u>	<u>–</u>	<u>2,000,000</u>	0.27
	<u>1,000,000</u>	<u>3,900,000</u>	<u>1,240,000</u>	<u>6,140,000</u>	

Note:

- (1) These debentures are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William.

(ii) NWCL

Name of Director	Amount of debentures in RMB issued by NWCL				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interests	Family interests	Interests of controlled corporation	Total	
Mr. Doo Wai-Hoi, William	-	129,000,000	516,830,000 ⁽¹⁾	645,830,000	8.85
Mr. Cheng Kar-Shing, Peter	-	-	16,000,000 ⁽²⁾	16,000,000	0.22
	<u>-</u>	<u>129,000,000</u>	<u>532,830,000</u>	<u>661,830,000</u>	

Notes:

- (1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.
- (2) These debentures are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.

(iii) NWD (MTN) Limited

Name of Director	Amount of debentures issued by NWD (MTN) Limited				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interests HK\$	Family interests HK\$	Interests of controlled corporation HK\$	Total HK\$	
Mr. Doo Wai-Hoi, William	156,000,000 ⁽¹⁾	23,400,000 ⁽¹⁾	-	179,400,000	1.60
Ms. Ki Man-Fung, Leonie	4,000,000	-	-	4,000,000	0.04
	<u>160,000,000</u>	<u>23,400,000</u>	<u>-</u>	<u>183,400,000</u>	

Note:

- (1) These debentures were issued in USD and had been translated into HK\$ using the rate of USD1=HK\$7.8.

(iv) Rosy Unicorn Limited

Name of Director	Amount of debentures in USD issued by Rosy Unicorn Limited			Total	Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interests	Family interests	Interests of controlled corporation		
Mr. Doo Wai-Hoi, William	-	51,500,000	22,840,000 ⁽¹⁾	74,340,000	14.87

Note:

- (1) These debentures are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William.

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.

- (b) Reference is made to the joint announcement of Easywin Enterprises Corporation Limited, NWCL and the Company dated 13 March 2014. Please refer to:
- (i) the disclosures in the section headed “2. Directors’ Interests” set out in this Appendix for the interests of some of the Directors, namely, Dr. Cheng Kar-Shun, Henry, Mr. Doo Wai-Hoi, William, Mr. Cheng Chi-Kong, Adrian, Mr. Cheng Kar-Shing, Peter, Mr. Lee Luen-Wai, John, Ms. Ki Man-Fung, Leonie and Ms. Cheng Chi-Man, Sonia, in shares and the outstanding options in NWCL as at the Latest Practicable Date; and
 - (ii) the joint announcement mentioned above for the cash payable in consideration for cancellation of each share of NWCL other than that held by Easywin Enterprises Corporation Limited and the Company (the “**Scheme Share**”) and the outstanding option under the proposal for privatisation of NWCL by Easywin Enterprises Corporation Limited as disclosed in the prospectus of the Company dated 3 April 2014 (the “**Prospectus**”) to the relevant holders of Scheme Shares and the outstanding options in NWCL, respectively, as at the Latest Practicable Date.

On 19 March 2014, a wholly owned subsidiary of NWCL disposed of 7,350,000 shares of , representing 30.625% interest in , Sun City Holdings Limited (“**Sun City**”) to Potassium Corp. (“**Potassium**”), which is wholly owned by Mr. Cheng Kar-Shing, Peter (“**Mr. Peter Cheng**”) for a consideration of HK\$16,000,000. After the acquisition, Mr. Peter Cheng is deemed to have an effective interest of 69.583% in Sun City.

On 7 April 2014, a wholly owned subsidiary of NWCL as the purchaser entered into a sale and purchase agreement with certain vendors (“**Vendors**”) regarding the acquisition of 57.46% interest in Dragon Fortune Limited. Among the Vendors, Sun City and Potassium are directly or indirectly controlled by Mr. Peter Cheng. The aggregate consideration to be paid by NWCL to Sun City and Potassium will be HK\$136,040,811.59 (subject to adjustment). NWCL and its subsidiaries will obtain full control of the Palm Island Resort operation upon completion of the said acquisition of interests in Dragon Fortune Limited. Further details of the transaction was disclosed in the joint announcement of the Company and NWCL dated 7 April 2014.

On 8 April 2014, NWS Holdings (China) Limited, being a wholly owned subsidiary of NWS Holdings Limited, Young’s Engineering Company Limited (“**Young’s**”) and Tridant Engineering Company Limited (“**Tridant**”) entered into a conditional sale and purchase agreement regarding the disposal of the entire registered and paid up capital of 新創機電工程有限公司 (NWS Engineering Ltd) at a consideration of approximately RMB177.1 million (subject to adjustment) (the “**NWS Disposal Agreement**”). The NWS Disposal Agreement is still subject to completion upon fulfilment of all the conditions set out therein. Mr. Doo Wai-Hoi, William, a Director, beneficially owns 90% interest in both Young’s and Tridant. Further details of the NWS Disposal Agreement was disclosed in the joint announcement of the Company and NWS Holdings Limited dated 8 April 2014.

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 2013, 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.

- (c) Pursuant to an agreement dated 5 August 1993 (the “**Agreement**”) made between Hotel Property Investments (B.V.I.) Ltd. (“**HPI**”) and Renaissance Hotel Holdings (B.V.I.) Ltd., both being former subsidiaries of the Group, and CTF Holdings Ltd. (“**CTF Holdings**”), HPI agreed to pay CTF Holdings 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 Company, on 25 July 1997. Dr. Cheng Kar-Shun, Henry, being a Director, is interested in this transaction to the extent that he has beneficial interests in CTF Holdings.

Save as disclosed above, 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 in the Shares 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⁾	–	3,684,423,603	3,684,423,603	42.89
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	–	3,684,423,603	3,684,423,603	42.89
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	–	3,684,423,603	3,684,423,603	42.89
Chow Tai Fook (Holding) Limited ("CTFHL") ⁽⁴⁾	–	3,684,423,603	3,684,423,603	42.89
Chow Tai Fook Enterprises Limited ("CTFE") ⁽⁵⁾	3,350,447,682	333,975,921	3,684,423,603	42.89

Notes:

- (1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the Shares deemed to be interested by CTFC. Dr. Cheng Kar-Shun, Henry and Mr. Peter Cheng are also directors of CYTFH.
- (2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the Shares deemed to be interested by CTFC. Dr. Cheng Kar-Shun, Henry and Mr. Peter Cheng are also directors of CYTFH-II.
- (3) CTFC holds 78.58% direct interest in CTFHL and is accordingly deemed to have an interest in the Shares deemed to be interested by CTFHL. Dr. Cheng Kar-Shun, Henry and Mr. Peter Cheng are also directors of CTFC.
- (4) CTFHL holds 100% direct interest in CTFE and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTFE. Dr. Cheng Kar-Shun, Henry, Mr. Peter Cheng, Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng are also directors of CTFHL.
- (5) CTFE together with its subsidiaries. Dr. Cheng Kar-Shun, Henry, Mr. Peter Cheng, Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng are also directors of CTFE.

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 2013 (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 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	
Dr. Cheng Kar-Shun, Henry	International Entertainment Corporation group of companies	Hotel operations	Director
	CTFE 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 International Holdings Limited group of companies	Department stores operations and property investment	Director

Name of Director	<u>Businesses which were considered to compete or likely to compete with the businesses of the Group</u>		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Mr. Doo Wai-Hoi, William	Supreme Harvest Development Limited group of companies	Property investment and development	Director
	Amelia Gold Limited group of companies	Property investment in Hong Kong	Director and shareholder
	Fung Seng Enterprises (Holdings) Limited group of companies	Property investment in Shanghai	Director and shareholder
	Fung Seng Enterprises Investment Company Limited group of companies	Property investment in Hong Kong	Director and shareholder
	Fung Seng Enterprises Limited group of companies	Property investment and management	Director and shareholder
	Golden Wealth Investment Limited group of companies	Property investment and development in Shanghai	Director and shareholder
	Silver City International Limited group of companies	Property investment in Hong Kong and food and beverage operations	Director and shareholder
	Silver Success Company Limited group of companies	Hotel operation in Shanghai	Director and shareholder
	Sunshine Dragon Group Limited group of companies	Property investment in Hong Kong	Director and shareholder

Name of Director	<u>Businesses which were considered to compete or likely to compete with the businesses of the Group</u>		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Mr. Cheng Chi-Kong, Adrian	CTFE 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. 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. Peter Cheng	CTFE group of companies	Property investment and development, hotel operations and transport	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and shareholder

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. 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
Mr. Liang Cheung-Biu, Thomas	Bermuda Investments Limited	Property investment	Director
	Greenwich Investors Limited	Property investment	Director
	Lambda Enterprises Limited	Property management	Director
Mr. Cheng Chi-Heng	CTFE 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
Crosby Securities 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

The IFA 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, the IFA 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, the IFA did not have any interest, direct or indirect, in any assets which since 30 June 2013, 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 registered office 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:

- (a) the Former Services Group Master Services Agreement; and
- (b) the Services Group Master Services Agreement.



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 N101 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 22 May 2014 at 11:15 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) the Services Group Master Services Agreement (as defined and described in the circular of the Company dated 5 May 2014 (the “**Circular**”), a copy of the Circular marked “**A**” is tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the Services Group Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Services Group Annual Caps as defined and described in the Circular in respect of the consideration payable under the Services Group Master Services Agreement for each of the three years ending 30 June 2017 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Services Group Master Services Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

By Order of the Board
Wong Man-Hoi
Company Secretary

Hong Kong, 5 May 2014

NOTICE OF EGM

Notes:

1. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 5 May 2014.
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 Level 22, Hopewell Centre, 183 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, the Board of the Company comprises (a) seven executive directors, namely Dr. Cheng Kar-Shun, Henry, Mr. Cheng Chi-Kong, Adrian, Mr. Chen Guanzhan, Ms. Ki Man-Fung, Leonie, Mr. Cheng Chi-Heng, Ms. Cheng Chi-Man, Sonia and Mr. Au Tak-Cheong; (b) two non-executive directors, namely Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter; and (c) five independent non-executive directors, namely Mr. Yeung Ping-Leung, Howard, Mr. Cha Mou-Sing, Payson (alternate director to Mr. Cha Mou-Sing, Payson: Mr. Cha Mou-Zing, Victor), Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John and Mr. Liang Cheung-Biu, Thomas.