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新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

CONNECTED TRANSACTIONS

- 1. ACQUISITION OF 40% INTEREST IN PEARLS LIMITED**
- 2. ACQUISITION OF 40% INTEREST IN POLYWORTH LIMITED**
- 3. ACQUISITION OF LUCKY WORLD PROPERTIES**

On 10 March 2009, Prosperity Developments, a wholly-owned subsidiary of the Company, entered into (a) the Pearls Acquisition Agreement with Kawick Enterprises to acquire the Pearls Sale Shares, representing 40% of the issued share capital of Pearls Limited, and to take an assignment of the Pearls Sale Loan from Kawick Enterprises at a total consideration of HK\$10,605,000 and (b) the Polyworth Acquisition Agreement with Kawick Enterprises to acquire the Polyworth Sale Shares, representing 40% of the issued share capital of Polyworth Limited, and to take an assignment of the Polyworth Sale Loan from Kawick Enterprises at a total consideration of HK\$19,395,000.

On 10 March 2009, Ease Kind, a non wholly-owned subsidiary of the Company, entered into the Property Acquisition Agreements with Lucky World to acquire the Lucky World Properties at an aggregate consideration of HK\$15,000,000.

Kawick Enterprises and Lucky World are owned not less than 30% by Dr. Chong, a substantial shareholder of certain subsidiaries of the Group and also a cousin of a director of NWS Holdings Limited which is a non-wholly-owned subsidiary of the Company. As such, Kawick Enterprises and Lucky World are connected persons of the Company under the Listing Rules and the acquisitions contemplated under the Acquisition Agreements constitute connected transactions of the Company under the Listing Rules. As the applicable percentage ratios in respect of the transactions contemplated under the Acquisition Agreements in aggregate exceed 0.1% but are less than 2.5%, such transactions are only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE PEARLS ACQUISITION AGREEMENT

Date

10 March 2009

Parties

Vendor: Kawick Enterprises, a company in which Dr. Chong owns not less than 30% interest

Purchaser: Prosperity Developments, a wholly-owned subsidiary of the Company

Assets to be acquired

Subject to the terms and conditions of the Pearls Acquisition Agreement, Prosperity Developments agreed to:

- (a) acquire the Pearls Sale Shares, representing 40% of the issued share capital of Pearls Limited; and
- (b) take an assignment of all the benefits and interest of and in the Pearls Sale Loan.

Consideration

The total consideration for the acquisition of the Pearls Sale Shares and the Pearls Sale Loan amounts to HK\$10,605,000 (subject to adjustments mentioned below) and shall be payable by Prosperity Developments to Kawick Enterprises in cash in the following manner:

- (a) a deposit in the sum of HK\$2,121,000, being 20% of the Pearls Consideration, was paid upon the signing of the Pearls Acquisition Agreement; and
- (b) the balance of the Pearls Consideration (subject to adjustments) shall be payable on the completion date of the Pearls Acquisition Agreement.

When determining the Pearls Consideration, the parties had taken into consideration the amount of the Pearls Sale Loan as at 28 October 2008. In the event that Kawick Enterprises advances further shareholder's loans to Pearls Limited during the period from 29 October 2008 to the date of completion of the Pearls Acquisition Agreement, the Pearls Consideration shall be adjusted by adding thereto an amount equivalent to the amount of additional advances made by Kawick Enterprises as aforesaid. According to the Pearls Acquisition Agreement, the amount of additional advances should in any event not exceed the sum of HK\$1,000,000.

The Pearls Consideration was determined following arm's length negotiations between the parties to the Pearls Acquisition Agreement after taking into account of a valuation as at 31 January 2009 prepared by an independent professional valuer in respect of the KF Property, the proportionate interests of Pearls Limited and Polyworth Limited in the KF Property as set out in the Joint Development Agreement and the ratio of the gross floor area between the Pearls Property and the Polyworth Property prior to demolition of the buildings where such properties were situated. The Pearls Consideration will be satisfied by internal resources of the Company.

Completion

Completion of the Pearls Acquisition Agreement shall take place on 10 July 2009 or such other date as shall be agreed in writing between the parties to the Pearls Acquisition Agreement. The completion date of the Pearls Acquisition Agreement may be put forward by Kawick Enterprises by giving at least 14 days prior notice to Prosperity Developments.

In the event that the date of completion of the Pearls Acquisition Agreement is brought forward by Kawick Enterprises, the Pearls Consideration shall be reduced by a sum calculated by the following formula:

$$\text{Balance of the Pearls Consideration} \times \frac{\text{no. of days between the forwarded completion date and the Pearls Completion Date (both days inclusive)}}{365} \times 4\%$$

THE POLYWORTH ACQUISITION AGREEMENT

Date

10 March 2009

Parties

Vendor: Kawick Enterprises

Purchaser: Prosperity Developments

Asset to be acquired

Subject to the terms and conditions of the Polyworth Acquisition Agreement, Prosperity Developments agreed to:

- (a) acquire the Polyworth Sale Shares, representing 40% of the issued share capital of Polyworth Limited; and
- (b) take an assignment of all the benefits and interest of and in the Polyworth Sale Loan.

Consideration

The total consideration for the acquisition of the Polyworth Sale Shares and the Polyworth Sale Loan amounts to HK\$19,395,000 (subject to adjustments mentioned below) and shall be payable by Prosperity Developments to Kawick Enterprises in cash in the following manner:

- (a) a deposit in the sum of HK\$3,879,000, being 20% of the Polyworth Consideration, was paid upon the signing of the Polyworth Acquisition Agreement; and
- (b) the balance of the Polyworth Consideration (subject to adjustments) shall be payable on the completion date of the Polyworth Acquisition Agreement.

When determining the Polyworth Consideration, the parties had taken into consideration the amount of the Polyworth Sale Loan as at 28 October 2008. In the event that Kawick Enterprises advances further shareholder's loans to Polyworth Limited during the period from 29 October 2008 to the date of completion of the Polyworth Acquisition Agreement, the Polyworth Consideration shall be adjusted by adding thereto an amount equivalent to the amount of additional advances made by Kawick Enterprises as aforesaid. According to the Polyworth Acquisition Agreement, the amount of additional advances should in any event not exceed the sum of HK\$1,000,000.

The Polyworth Consideration was determined following arm's length negotiations between the parties to the Polyworth Acquisition Agreement after taking into account of a valuation as at 31 January 2009 prepared by an independent valuer in respect of the KF Property, the proportionate interests of Pearls Limited and Polyworth Limited in the KF Property as set out in the Joint Development Agreement and the ratio of the gross floor area of the Pearls Property and the Polyworth Property prior to demolition of the buildings where such properties were situated. The Polyworth Consideration will be satisfied by internal resources of the Company.

Completion

Completion of the Polyworth Acquisition Agreement shall take place on 10 July 2009 or such other date as shall be agreed in writing between the parties to the Polyworth Acquisition Agreement. The completion date of the Polyworth Acquisition Agreement may be put forward by Kawick Enterprises by giving at least 14 days prior notice to Prosperity Developments.

In the event that the date of completion of the Polyworth Acquisition Agreement is brought forward by Kawick Enterprises, the Polyworth Consideration shall be reduced by a sum calculated by the following formula:

$$\text{Balance of the Polyworth Consideration} \times \frac{\text{no. of days between the forwarded completion date and the Polyworth Completion Date (both days inclusive)}}{365} \times 4\%$$

THE PROPERTY ACQUISITION AGREEMENTS

Date

10 March 2009

Parties

Vendor: Lucky World, a company in which Dr. Chong owns not less than 30% interest

Purchaser: Ease Kind, an indirect wholly-owned subsidiary of NWS Holdings Limited, which in turn is a non wholly-owned subsidiary of the Company

Assets to be acquired

Ease Kind agreed to acquire from Lucky World (i) the First Lucky World Property subject to the terms and conditions of the First Property Acquisition Agreement and (ii) the Second Lucky World Property subject to the terms and conditions of the Second Property Acquisition Agreement.

The Lucky World Properties are located at No. 4 Kwai Fong Street, Happy Valley, Hong Kong and comprise the Ground Floor, 5th Floor and the roof of a 6-storey residential building completed in the nineteen fifties. The Lucky World Properties are currently vacant.

According to the valuation report dated 31 January 2009 prepared by an independent valuer in Hong Kong, the market value of the First Lucky World Property and the Second Lucky World Property as at

the date of the report were HK\$9.5 million and HK\$5.5 million respectively. The Lucky World Properties were acquired by Lucky World at an aggregate consideration of approximately HK\$2.1 million in 1993.

Consideration

The consideration for the First Lucky World Property is HK\$9.5 million (subject to adjustments mentioned below) and shall be payable by Ease Kind to Lucky World in cash in the following manner:

- (a) a deposit in the sum of HK\$1,900,000, being 20% of the consideration, was paid upon the signing of the First Property Acquisition Agreement; and
- (b) the balance of the consideration shall be payable on the completion date of the First Property Acquisition Agreement.

The consideration for the Second Lucky World Property is HK\$5.5 million (subject to adjustments mentioned below) and shall be payable by Ease Kind to Lucky World in cash in the following manner:

- (a) a deposit in the sum of HK\$1,100,000, being 20% of the consideration, was paid upon the signing of the Second Property Acquisition Agreement; and
- (b) the balance of the consideration shall be payable on the completion date of the Second Property Acquisition Agreement.

The consideration for the Lucky World Properties was determined following arm's length negotiations between Ease Kind and Lucky World based on the aforesaid valuation of the Lucky World Properties and will be satisfied by internal resources of the Company.

Completion

Completion of the Property Acquisition Agreements shall take place on or before 10 July 2009. The completion date of the Property Acquisition Agreements may be put forward by Lucky World by giving at least 14 days prior notice to Ease Kind.

In the event that the date of completion of the First Property Acquisition Agreement and/or the Second Property Acquisition Agreement is brought forward by Lucky World, the consideration under the relevant agreement shall be reduced by a sum calculated by the following formula:

$$\text{Balance of the consideration} \times \frac{\text{no. of days between the forwarded completion date and the Property Completion Date (both days inclusive)}}{365} \times 4\%$$

After completion of the Property Acquisition Agreements, Ease Kind will own Nos. 3, 4 (except 2/F), 5 (except 2/F) and 6 Kwai Fong Street, Happy Valley, Hong Kong.

INFORMATION ON PEARLS LIMITED AND POLYWORTH LIMITED

Pearls Limited

Pearls Limited was incorporated in Hong Kong and is owned as to 40% by Prosperity Developments, 20% by Glory Good Investment Limited, a company owned as to 59% by the Company, and 40% by Kawick Enterprises. The principal activity of Pearls Limited is the holding of the Pearls Property for redevelopment purposes. The buildings where the Pearls Property was situated have been demolished and the site where the Pearls Property was situated is a vacant site.

The (loss)/profit before and after taxation of Pearls Limited for the two years ended 30 June 2007 and 2008 were as follows:-

	Audited Year ended 30 June 2007 HK\$'000	Audited Year ended 30 June 2008 HK\$'000
(Loss) / profit before and after taxation	(17.5)	68.1

The audited net liabilities and the audited total asset value of Pearls Limited as at 30 June 2008 amounted to HK\$1,397,632 and HK\$12,332,136 respectively. The Pearls Sale Shares were acquired by Kawick Enterprises at par at a consideration of HK\$40 in 1993.

Pearls Limited is currently a 51.8% owned subsidiary of the Company and will become a 91.8% owned subsidiary of the Company after completion of the Pearls Acquisition Agreement.

Polyworth Limited

Polyworth Limited was incorporated in Hong Kong and is owned as to 40% by Prosperity Developments, 20% by Hip Hing Project Investment Limited, a company owned as to 59% by the Company, and 40% by Kawick Enterprises. The principal activity of Polyworth Limited is the holding of the Polyworth Property for redevelopment purposes. The buildings where the Polyworth Property was situated have been demolished and the site where the Polyworth Property was situated is a vacant site.

The loss before and after taxation of Polyworth Limited for the two years ended 30 June 2007 and 2008 were as follows:-

	Audited Year ended 30 June 2007 HK\$'000	Audited Year ended 30 June 2008 HK\$'000
Loss before and after taxation	378.1	33.5

The audited net liabilities and the audited total asset value of Polyworth Limited as at 30 June 2008 amounted to HK\$2,086,721 and HK\$23,924,077 respectively. The Polyworth Sale Shares were acquired by Kawick Enterprises at par at a consideration of HK\$4 in 1995.

Polyworth Limited is currently a 51.8% owned subsidiary of the Company and will become a 91.8% owned subsidiary after completion of the Polyworth Acquisition Agreement.

Pearls Limited and Polyworth Limited together own the entire Nos. 7 – 9 of Kwai Fong Street. No. 10 of Kwai Fong Street is owned by TWGH. Pursuant to the Joint Development Agreement entered into between Pearls Limited, Polyworth Limited and TWGH, the parties thereto agreed to jointly develop the KF Property into a residential development with ancillary accommodation and upon satisfaction of certain conditions provided therein, the parties will enter into a deed of exchange to unify the title of the KF Property and an agreement in relation to the division of units among Pearls Limited, Polyworth Limited and TWGH such that the KF Property will be held by Pearls Limited and Polyworth Limited as to 72.54% and TWGH as to 27.46%. As at the date hereof, the KF Property is currently a vacant site.

According to the valuation report dated 31 January 2009 prepared by an independent valuer in Hong Kong, the market value of the KF Property as at the date of the report was HK\$103.5 million. The KF Property as at the date of the valuation report was a vacant site.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors (including the independent non-executive Directors) consider that it is an opportunity to acquire the entire control in the Kwai Fong Street project and will broaden the asset and earnings base of, and will be beneficial to the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreements are fair and reasonable and are on normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS

Kawick Enterprises and Lucky World are owned not less than 30% by Dr. Chong, a substantial shareholder of certain subsidiaries of the Group and also a cousin of a director of NWS Holdings Limited which is a non-wholly-owned subsidiary of the Company. As such, Kawick Enterprises and Lucky World are connected persons of the Company under the Listing Rules and the acquisitions contemplated under the Acquisition Agreements constitute connected transactions of the Company under the Listing Rules. As the applicable percentage ratios in respect of the transactions contemplated under the Acquisition Agreements in aggregate exceed 0.1% but are less than 2.5%, such transactions are only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The core businesses of the Group include property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology.

The principal activity of Kawick Enterprises is investment business.

The principal activity of Lucky World is investment business.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition Agreements”	the Pearls Acquisition Agreement, the Polyworth Acquisition Agreement and the Property Acquisition Agreements
“Board”	the board of Directors
“Company”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 17)
“Directors”	the directors of the Company
“Dr. Chong”	Dr. Larry Chong
“Ease Kind”	Ease Kind Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of NWS Holdings Limited
“First Lucky World Property”	G/F of No. 4 Kwai Fong Street, Happy Valley, Hong Kong
“First Property Acquisition Agreement”	the sale and purchase agreement dated 10 March 2009 entered into between Lucky World and Ease Kind in relation to the sale and purchase of the First Lucky World Property
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Development Agreement”	the joint development agreement dated 21 August 2008 entered into between Polyworth Limited, Pearls Limited and TWGH in relation to the joint development of the KF Property
“Kawick Enterprises”	Kawick Enterprises Limited, a company incorporated in Hong Kong in which Dr. Chong owns not less than 30% interest

“KF Property”	Nos. 7 – 10 Kwai Fong Street, Happy Valley, Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lucky World”	Lucky World Investment Limited, a company incorporated in Hong Kong in which Dr. Chong owns not less than 30% interest
“Lucky World Properties”	the First Lucky World Property and the Second Lucky World Property
“Pearls Acquisition Agreement”	the sale and purchase agreement dated 10 March 2009 entered into between Kawick Enterprises and Prosperity Developments in relation to the sale and purchase of the Pearls Sale Shares and the Pearls Sale Loan
“Pearls Completion Date”	10 July 2009
“Pearls Consideration”	HK\$10,605,000 (subject to adjustments), being the consideration for the acquisition of the Pearls Sale Shares and the Pearls Sale Loan
“Pearls Property”	5 th Floor of the building previously erected on No.7 Kwai Fong Street, Happy Valley, Hong Kong and the whole building previously erected on No. 8 Kwai Fong Street, Happy Valley, Hong Kong
“Pearls Sale Loan”	the interest free, repayable on demand loan due from Pearls Limited to Kawick Enterprises as at the date of completion of the Pearls Acquisition Agreement, which amounted to HK\$5,502,675 as at 30 June 2008, HK\$5,555,775 as at 28 October 2008 and HK\$5,581,349 as at the date of the Pearls Acquisition Agreement
“Pearls Sale Shares”	40 shares of HK\$1.00 each in Pearls Limited, representing 40% of the issued share capital of Pearls Limited
“Polyworth Acquisition Agreement”	the sale and purchase agreement dated 10 March 2009 entered into between Kawick Enterprises and Prosperity Developments in relation to the sale and purchase of the Polyworth Sale Shares and the Polyworth Sale Loan
“Polyworth Completion Date”	10 July 2009
“Polyworth Consideration”	HK\$19,395,000 (subject to adjustments), being the consideration for the acquisition of the Polyworth Sale Shares and the Polyworth Sale Loan
“Polyworth Property”	Ground Floor to 4 th Floor of the building previously erected on No.7 Kwai Fong Street, Happy Valley, Hong Kong and the whole building previously erected on No. 9 Kwai Fong Street, Happy Valley, Hong Kong

“Polyworth Sale Loan”	the interest free, repayable on demand loan due and owing from Polyworth Limited to Kawick Enterprises as at the date of completion of the Polyworth Acquisition Agreement, which amounted to HK\$9,996,234 as at 30 June 2008 and HK\$10,140,122 as at 28 October 2008 and as at the date of the Polyworth Acquisition Agreement
“Polyworth Sale Shares”	4 shares of HK\$1.00 each in Polyworth Limited, representing 40% of the issued share capital of Polyworth Limited
“Property Acquisition Agreements”	the First Property Acquisition Agreement and the Second Property Acquisition Agreement
“Property Completion Date”	on or before 10 July 2009
“Prosperity Developments”	Prosperity Developments Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Company
“Second Lucky World Property”	5/F and the Roof of No. 4 Kwai Fong Street, Happy Valley, Hong Kong
“Second Property Acquisition Agreement”	the sale and purchase agreement dated 10 March 2009 entered into between Lucky World and Ease Kind in relation to the sale and purchase of the Second Lucky World Property
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TWGH”	Tung Wah Group of Hospitals
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
New World Development Company Limited
Leung Chi Kin, Stewart
Company Secretary

Hong Kong, 11 March 2009

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