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(Stock Code: 0017)

CONNECTED TRANSACTION

DISPOSAL OF ENTIRE INTEREST IN DRAGON MERCHANT LIMITED

On 24 August 2015, the Vendor, a wholly owned subsidiary of the Company, and the Purchaser entered into the Agreement pursuant to which the Vendor has agreed to sell and assign, and the Purchaser has agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan at the Transaction Consideration of HK\$258 million, which will be satisfied by way of cash upon Completion. The main asset of the Target Group is the Property.

Completion took place upon signing of the Agreement and thereafter, Dragon Merchant and the Subsidiary ceased to be subsidiaries of the Company.

As the Purchaser is a majority-controlled company of Mr. Doo, the Purchaser is an associate of Mr. Doo and hence a connected person of the Company under the Listing Rules. The Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

THE AGREEMENT

Date: 24 August 2015

Parties:

- (1) The Vendor: Catchy Investments Limited, a wholly-owned subsidiary of the Company.
- (2) The Purchaser: FSE Management Company Limited, a majority-controlled company of Mr. Doo and hence a connected person of the Company under the Listing Rules. Also, Dr. Cheng Kar Shun, Henry beneficially owns 18% interest in the Purchaser.

Assets to be disposed of

Pursuant to the terms and conditions of the Agreement, the Vendor has agreed to sell and assign, and the Purchaser has agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan. The Sale Share represents the entire issued share capital of Dragon Merchant. The Sale Loan represents the entire unsecured non-interest bearing shareholder's loan owing from Dragon Merchant to the Vendor as at the date of Completion.

Consideration

The Transaction Consideration for the Disposal is HK\$258 million (subject to adjustment, details of which are set out below) and shall be paid cash by the Purchaser to the Vendor upon Completion.

The Purchaser shall, within 45 days after the date of Completion and at the costs and expenses of Dragon Merchant, deliver to the Vendor the unaudited consolidated financial statements of Dragon Merchant showing the actual NTAV. The Transaction Consideration shall be increased by the amount of difference between the actual NTAV and the pro forma NTAV if actual NTAV is greater than the pro forma NTAV, and shall be decreased by the amount of difference between the actual NTAV and the pro forma NTAV if actual NTAV is less than the pro forma NTAV.

The Transaction Consideration was determined between the Purchaser and the Vendor after arm's length negotiations with reference to the appraised value of the Property based on the valuation report prepared by an independent professionally qualified valuer.

Completion

Completion took place upon signing of the Agreement and thereafter, Dragon Merchant and the Subsidiary ceased to be subsidiaries of the Company.

INFORMATION ON THE TARGET GROUP

Dragon Merchant, a company incorporated in the British Virgin Islands with limited liability, is an investment holding company. The main asset of the Target Group is the Property.

Set out below is a summary of the unaudited consolidated net profit of Dragon Merchant for each of the two years ended 30 June 2014 and 30 June 2015:

	For the year ended 30 June	
	2015	2014
	HK\$ million	HK\$ million
Net profit before taxation and extraordinary items	23.6	23.5
Net profit after taxation and extraordinary items	22.5	22.4

The Property was carried at fair value, as valued by independent professionally qualified valuer at the end of each reporting period, in the consolidated statement of financial position of the Group and therefore there is no gain or loss to the Group.

The Property is subject to two tenancy agreements, each of which was entered into between the Subsidiary as the landlord and an independent third party as the tenant as follows:

- (a) Premises A - lease term of two years up to 15 November 2015 with monthly rent of HK\$313,000 exclusive of air-conditioning charge, management fee, Government rates and all other utilities charges and outgoings; and
- (b) Premises B – lease term of three years up to 31 October 2015 with an option on the part of the tenant to renew the tenancy for a further term of three years up to 31 October 2018 at the then prevailing open market rent per month. The current rent is HK\$294,372 per month exclusive of air-conditioning charge, management fee, Government rates and all other utilities charges and outgoings. The tenant has exercised the renew option on 1 April 2015 and the rent for the renewal term is still under negotiation.

INFORMATION REGARDING THE PURCHASER AND THE GROUP

The principal business activity of the Purchaser is investment holding. It is a majority-controlled company of Mr. Doo and Dr. Cheng Kar Shun, Henry has 18% beneficial interest in it.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

In light of the fact that the Property is not a core investment property of the Group, the Directors believe that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole as it provides an opportunity to the Company in realising its non-core investment property. The proceeds arising from the Disposal will be used as general working capital of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the 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 Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser is a majority-controlled company of Mr. Doo, the Purchaser is an associate of Mr. Doo and hence a connected person of the Company under the Listing Rules. The Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

Also, Dr. Cheng Kar Shun, Henry beneficially owns 18% interest in the Purchaser. At the Board meeting approving the Disposal, Mr. Doo, Dr. Cheng Kar Shun, Henry, Mr. Cheng Kar Shing, Peter, Dr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Heng and Ms. Cheng Chi Man, Sonia have abstained from voting on the relevant Board resolution for considering and approving the Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Agreement”	an agreement dated 24 August 2015 entered into between the Vendor and the Purchaser in relation to the Disposal
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 0017)
“Completion”	completion of the Disposal
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser pursuant to the Agreement
“Dragon Merchant”	Dragon Merchant Limited, a company incorporated in the British Virgin Island with limited liability and a wholly owned subsidiary of the Vendor
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“majority-controlled company”	has the meaning ascribed to it in the Listing Rules

“Mr. Doo”	Mr. Doo Wai Hoi, William, the Non-executive Vice-chairman of the Company, a director of certain subsidiaries of the Company, the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company, the brother-in law of Dr. Cheng Kar Shun, Henry and Mr. Cheng Kar Shing, Peter, and the uncle of Dr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Heng and Ms. Cheng Chi Man, Sonia
“NTAV”	The unaudited consolidated net tangible assets value of Dragon Merchant as at the date of Completion
“Premises A”	office units Nos. 1 to 10 and 20 on the Property
“Premises B”	office units Nos. 11 to 19 on the Property
“Property”	8 th Floor, Chevalier Commercial Centre (其士商業中心), 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong
“Purchaser”	FSE Management Company Limited, a company incorporated in Hong Kong with limited liability
“Sale Loan”	the entire amount of the unsecured and non-interest bearing shareholder’s loan owing from Dragon Merchant to the Vendor as at the date of Completion, the amount of which as at the date of the Agreement is approximately HK\$147.6 million
“Sale Share”	one share of Dragon Merchant, representing its entire issued share capital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Power Estate Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of Dragon Merchant
“Target Group”	Dragon Merchant and the Subsidiary
“Transaction Consideration”	HK\$258 million, being the aggregate consideration for the Sale Share and the Sale Loan, subject to NTAV adjustment, if any
“Vendor”	Catchy Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company

“%”

per cent.

By order of the Board
Wong Man Hoi
Company Secretary

Hong Kong, 24 August 2015

As at the date of this announcement; (a) the executive Directors are Dr. Cheng Kar Shun, Henry, Dr. 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) the non-executive Directors are Mr. Doo Wai Hoi, William and Mr. Cheng Kar Shing, Peter; and (c) the independent non-executive Directors are 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.