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(Stock Code: 0017)

CONNECTED TRANSACTION

DISPOSAL OF ENTIRE INTEREST IN OPTIMUM RESULT HOLDINGS LIMITED

On 5 October 2016, the Vendor, a wholly owned subsidiary of the Company, and the Purchaser entered into a conditional Agreement pursuant to which the Vendor agreed to sell and assign, and the Purchaser agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan at the Transaction Consideration of HK\$285 million. The main asset of the Target Group is the Property.

Upon Completion, Optimum Result and the Subsidiary will cease to be subsidiaries of the Company.

As the Purchaser is a wholly owned subsidiary of FSE Engineering which is in turn 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 highest of all applicable percentage ratios in respect of the Disposal is 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: 5 October 2016

Parties:

- (1) The Vendor: Catchy Investments Limited, a wholly owned subsidiary of the Company.
- (2) The Purchaser: Fortunate House Limited, a wholly owned subsidiary of FSE Engineering which is in turn 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 FSE Holdings which in turn is holding 75% interest in FSE Engineering.

Assets to be disposed of

Pursuant to the terms and conditions of the Agreement, the Vendor agreed to sell and assign, and the Purchaser 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 Optimum Result. The Sale Loan represents the entire unsecured non-interest bearing shareholder's loan owing from Optimum Result to the Vendor as at the date of Completion.

Consideration

The Transaction Consideration for the Disposal is HK\$285 million of which HK\$28.5 million, being 10% of the Transaction Consideration, was paid by the Purchaser to the Vendor as deposit upon signing of the Agreement and the balance of HK\$256.5 million (subject to adjustment as described below) shall be paid by the Purchaser to the Vendor at Completion.

Of the Transaction Consideration, the consideration for the Sale Loan shall be the amount of the Sale Loan that is outstanding as at the date of Completion and the consideration for the Sale Share shall be the Transaction Consideration less the consideration for the Sale Loan. As at 31 August 2016, the Sale Loan was in the amount of approximately HK\$153 million.

The Purchaser shall, within 60 days after the date of Completion and at its own costs and expenses deliver to the Vendor the unaudited or audited consolidated financial statements of Optimum Result 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, among others, the appraised value of the Property based on the valuation report prepared by an independent professionally qualified valuer.

Conditions

Completion shall be conditional upon:

- (1) the approval of the Agreement and all transactions contemplated thereunder by the independent shareholders of FSE Engineering having been obtained in compliance with the Listing Rules;
- (2) as at the date of fulfilment (or, as the case may be, waiver) of the last in time to be fulfilled of the conditions, satisfaction by the Purchaser of all the Vendor's warranties being true and correct in all material respects up to and as at the date of Completion by reference to the facts and circumstances subsisting as at that date;
- (3) (if necessary) FSE Engineering having obtained all necessary approvals, consents or waivers (as appropriate) as are required under the Listing Rules or other applicable regulations from the Stock Exchange or any other regulators in respect of the entering into and performance of the Agreement; and

- (4) (if necessary) the Company having obtained all necessary approvals, consents or waivers (as appropriate) as are required under the Listing Rules or other applicable regulations from the Stock Exchange or any other regulators in respect of the entering into and performance of the Agreement.

The Purchaser shall procure the fulfilment of the conditions set out in condition (1) and where necessary, condition (3). The Vendor shall procure the fulfilment of the conditions set out in condition (2) and where necessary, condition (4). The Purchaser may at any time on or before 31 January 2017 (5:00 p.m.) by notice in writing to the Vendor waive condition (2) in whole or in part.

If the above conditions shall not be fulfilled (or, as the case may be, waived) by 5:00 p.m. on 31 January 2017, all rights and obligations of the Vendor and the Purchaser under the Agreement shall cease and terminate and the Vendor shall forthwith refund to the Purchaser the deposit paid by the Purchaser under the Agreement without interest.

Completion

Completion shall take place on the 7th business day following fulfilment (or as the case may be, waiver) of the last in time to be fulfilled of the above conditions, or such other date as the Vendor and the Purchaser may agree in writing. Upon Completion, Optimum Result and the Subsidiary will cease to be subsidiaries of the Company.

INFORMATION ON THE TARGET GROUP

Optimum Result, 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 audited consolidated net profit of Optimum Result for each of the two years ended 30 June 2015 and 30 June 2016:

| | For the year ended 30 June | |
|--|----------------------------|--------------|
| | 2016 | 2015 |
| | HK\$ million | HK\$ million |
| Net profit before taxation and extraordinary items | 11.7 | 25.3 |
| Net profit after taxation and extraordinary items | 10.6 | 24.2 |

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 a tenancy agreement with a lease term of three years up to 31 July 2018 and a monthly rent of HK\$628,000 exclusive of air-conditioning charge, management fee, Government rates and all other utilities charges and outgoings. The Subsidiary and the tenant had entered into a surrender agreement on 28 September 2016 regarding the surrender of the Property to the Subsidiary on 31 October 2016.

INFORMATION REGARDING THE PURCHASER AND THE GROUP

The principal business activity of the Purchaser is investment holding. It is a wholly owned subsidiary of FSE Engineering which is in turn a majority-controlled company of Mr. Doo. Dr. Cheng Kar Shun, Henry has 18% beneficial interest in FSE Holdings which in turn is holding 75% interest in FSE Engineering.

The Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services 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 wholly owned subsidiary of FSE Engineering which is in turn 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 highest of all applicable percentage ratios in respect of the Disposal is 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 FSE Holdings which in turn is holding 75% interest in FSE Engineering. At the Board meeting approving the Disposal, Mr. Doo and Dr. Cheng Kar Shun, Henry, and their associates, being 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. Save as disclosed, no other Director is regarded as having a material interest in the Disposal.

DEFINITIONS

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

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| “Agreement” | an conditional agreement dated 5 October 2016 entered into between the Vendor and the Purchaser in relation to the Disposal |
| “associate” | has the meaning ascribed to it in the Listing Rules |

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|-------------------------------|--|
| “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 |
| “FSE Engineering” | FSE Engineering Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 0331) |
| “FSE Holdings” | FSE Holdings Limited, a company incorporated in the Cayman Islands and a controlling shareholder of FSE Engineering holding 75% interest in FSE Engineering |
| “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 or as the case may be, audited consolidated net tangible assets value, excluding the value of the Property and the amount of the Sale Loan, of the Target Group as at the date of Completion |

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| “Optimum Result” | Optimum Result Holdings Limited, a company incorporated in the British Virgin Island with limited liability and a wholly owned subsidiary of the Vendor |
| “Property” | 17 th Floor, Chevalier Commercial Centre (其士商業中心), 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong |
| “Purchaser” | Fortunate House Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of FSE Engineering |
| “Sale Loan” | the entire amount of the unsecured and non-interest bearing shareholder’s loan owing from Optimum Result to the Vendor as at the date of Completion, the amount of which as at 31 August 2016 is approximately HK\$153 million |
| “Sale Share” | one share of Optimum Result, representing its entire issued share capital |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiary” | Ocean Front Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of Optimum Result and the owner of the Property |
| “Target Group” | Optimum Result and the Subsidiary |
| “Transaction Consideration” | HK\$285 million, being the aggregate cash 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, 5 October 2016

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 Bui, Thomas.