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## CONNECTED TRANSACTION

The NWD Board and the NWSH Board jointly announce that on 27 June 2006, NWSS and NWST entered into the Shareholder's Loan Agreement whereby NWSS agreed to lend to NWST the Shareholder's Loan for the sum of HK\$100 million.

Given that NWST is a connected person of each of NWD and NWSH, the Shareholder's Loan Agreement and the transaction as contemplated thereunder constitutes a connected transaction for each of NWD and NWSH under the Listing Rules. Since the percentage ratios involved are more than 0.1% but less than 2.5% for both NWD and NWSH, the connected transaction as contemplated under the Shareholder's Loan Agreement is subject to disclosure by way of a press announcement and is exempt from the approval by the independent shareholders of both NWD and NWSH under the Listing Rules.

### BACKGROUND

NWSH, through NWSS, currently holds 50% equity interests in NWST while the remaining 50% equity interests are held by the CTF Group. NWST operates transport and related businesses in Hong Kong, Macau and the PRC. Its major subsidiaries include New World First Bus Services Limited, Citybus Limited, New World First Ferry Services Limited and New World First Ferry Services (Macau) Limited.

### SHAREHOLDER'S LOAN AGREEMENT DATED 27 JUNE 2006

#### Parties

Lender: NWSS  
Borrower: NWST

#### The Shareholder's Loan

Pursuant to the Shareholder's Loan Agreement, NWSS agreed to lend to NWST the Shareholder's Loan for the sum of HK\$100 million. The CTF Group has also offered the same amount of shareholder's loan to NWST on 27 June 2006. The shareholders' loans offered by the CTF Group and the NWSH Group are in proportion to their respective shareholdings in NWST.

#### Term

The period from the date of granting of the Shareholder's Loan by NWSS to NWST to the date of 8 March 2009 or for such other period as the parties may agree on from time to time.

#### Interest

Subject to the terms of the Shareholder's Loan Agreement, interest shall accrue on any outstanding amount of the Shareholder's Loan at a rate of HIBOR plus 0.6% per annum.

#### Repayment of the Shareholder's Loan

The Shareholder's Loan together with all interest accrued thereon shall be repaid by NWST to NWSS on the occurrence of any of the following events, whichever occurs earlier:

- NWST's full discharge and repayment of the Bank Facilities; or
- the expiry of the term as mentioned above; or
- NWST goes into liquidation or any petition for its winding up is presented.

#### SUBORDINATION DEED

Pursuant to the terms of the Facilities Agreement, subordination of the Shareholder's Loan to the lenders to Facilities Agreement is required. As such, a subordination deed has been entered into between NWSS as subordinated lender, NWST as debtor and the security agent under the Facilities Agreement and pursuant to which the rights of NWSS for repayment of the Shareholder's Loan (including the interest to be accrued) will be governed by the terms of this deed.

#### REASONS FOR AND BENEFITS OF THE ENTERING INTO THE SHAREHOLDER'S LOAN AGREEMENT

The purpose of entering into the Shareholder's Loan Agreement is to offer to NWST the Shareholder's Loan for restructuring of its existing debts and financing of its working capital. By offering the Shareholder's Loan, an estimated annual interest income of approximately HK\$5.2 million will be received by NWSS.

#### RELATIONSHIPS BETWEEN THE PARTIES AND CONNECTED TRANSACTION

Each of CTF and NWSH indirectly owns 50% of the total issued share capital of NWST. Given that, as at the date of this announcement, CTF holds approximately 35% of the total issued share capital of NWD which, in turn, holds approximately 54% of the total issued share capital of NWSH; (a) CTF is a substantial shareholder of each of NWD and NWSH; and (b) NWST, being an associate of CTF, is a connected person of each of NWD and NWSH.

The transaction as contemplated under the Shareholder's Loan Agreement constitutes a connected transaction for NWSH. Since the percentage ratios involved are more than 0.1% but less than 2.5% for NWSH, the connected transaction as contemplated under the Shareholder's Loan Agreement is subject to disclosure by way of a press announcement and is exempt from the approval by the independent shareholders of NWSH under the Listing Rules.

Moreover, by virtue of the fact that NWSH is a subsidiary of NWD, the transaction as contemplated under the Shareholder's Loan Agreement also constitutes a connected transaction for NWD. Since the percentage ratios involved are more than 0.1% but less than 2.5% for NWD, the connected transaction as contemplated under the Shareholder's Loan Agreement is subject to disclosure by way of a press announcement and is exempt from the approval by the independent shareholders of NWD under the Listing Rules.

Each of the NWD Board and the NWSH Board (including their respective independent non-executive directors) considers that the terms and conditions of the Shareholder's Loan Agreement are on normal commercial terms and are fair and reasonable and in the interests of both the NWD Group and the NWSH Group and their respective shareholders as a whole.

#### INFORMATION REGARDING THE NWD GROUP, THE NWSH GROUP AND THE NWST GROUP

##### The NWD Group

The NWD Group's principal business includes investments in the area of property, infrastructure, services and telecommunications and technology.

As at the date of this announcement, the NWD Board comprises Dato' Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Dr. Sin Wai Kin, David, Mr. Liang Chong Hou, David and Mr. Leung Chi Kin, Stewart; Mr. Cheng Yue Pui\*, Mr. Cheng Kar Shing, Peter\*, Mr. Chow Kwai Cheung\*, Mr. Ho Hau Hay, Hamilton\* and Mr. Liang Cheung Biu, Thomas\*; Lord Sandberg, Michael\*\*, Mr. Yeung Ping Leung, Howard\*\*, Dr. Cha Mou Sing, Payson\*\* (alternate director to Dr. Cha Mou Sing, Payson: Mr. Cha Mou Zing, Victor) and Mr. Lee Luen Wai, John\*\*.

\* Non-executive director  
\*\* Independent non-executive director

##### The NWSH Group

The NWSH Group's principal businesses include: (i) the investment in and/or operation of facilities, contracting and transport; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals.

As at the date of this announcement, the NWSH Board comprises Dr. Cheng Kar Shun, Henry (Chairman), Mr. Doo Wai Hoi, William (Deputy Chairman), Mr. Chan Kam Ling (Chief Executive Officer), Mr. Tsang Yam Pui, Mr. Wong Kwok Kin, Andrew, Mr. Lam Wai Hon, Patrick, Mr. Cheung Chin Cheung, Mr. William Junior Guilherme Doo, Mr. Wilfried Ernst Kaffenberger\* (alternate director to Mr. Wilfried Ernst Kaffenberger: Mr. Yeung Kun Wah, David), Mr. To Hin Tsun, Gerald\*, Mr. Dominic Lai\*, Mr. Kwong Che Keung, Gordon\*\*, Mr. Cheng Wai Chee, Christopher\*\* and The Honourable Shek Lai Him, Abraham\*\*.

\* Non-executive director  
\*\* Independent non-executive director

##### The NWST Group

The NWST Group operates transport and related businesses in Hong Kong, Macau and the PRC.

#### TERMS USED IN THE ANNOUNCEMENT

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

"Bank Facilities"	all the term loans and revolving credit facilities granted to NWST and certain of its wholly-owned subsidiaries by a syndicate of bankers under the Facilities Agreement
"CTF"	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability which holds approximately 35% of the total issued share capital of NWD and approximately 3% of the total issued share capital of NWSH
"CTF Group"	collectively, CTF and its associates
"Facilities Agreement"	a facilities agreement entered into between NWST together with certain of its wholly-owned subsidiaries and a syndicate of bankers in relation to the term loan and revolving credit facilities up to HK\$3.3 billion
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"HIBOR"	Hong Kong Interbank Offered Rate
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macau"	the Macau Special Administrative Region of the PRC
"NWD"	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
"NWD Board"	the board of directors of NWD
"NWD Group"	collectively, NWD and its subsidiaries
"NWSH"	NWS Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
"NWSH Board"	the board of directors of NWSH
"NWSH Group"	collectively, NWSH and its subsidiaries
"NWSS"	NWS Service Management Limited, a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of NWSH
"NWST"	NWS Transport Services Limited, a company incorporated in the British Virgin Islands in which NWSS holds 50% equity interests
"NWST Group"	collectively, NWST and its subsidiaries
"PRC"	The People's Republic of China
"Shareholder's Loan"	a loan for the sum of HK\$100 million lent by NWSS to NWST by way of shareholder's loan
"Shareholder's Loan Agreement"	the shareholder's loan agreement entered into between NWSS and NWST on 27 June 2006 in respect of the Shareholder's Loan
"%"	per cent.

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

By Order of the Board of  
NWS Holdings Limited  
Dr. Cheng Kar Shun, Henry  
Chairman

Hong Kong, 27 June 2006

\* For identification purposes only