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(Stock Code: 0017)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE MASTER LEASING AND LICENSING AGREEMENT

References are made to the 2020 Announcement in respect of the Master Leasing and Licensing Agreement.

On 28 April 2020, the Company and CTFJ entered into the Master Leasing and Licensing Agreement in relation to the Transactions, pursuant to which, upon the expiry of its initial term on 30 June 2023, the Master Leasing and Licensing Agreement will be automatically renewed for a successive period of three years, subject to compliance with the Listing Rules.

The Company and CTFJ agreed to renew the Master Leasing and Licensing Agreement upon the expiry of its initial term on 30 June 2023 for a further term of three years, i.e. up to and including 30 June 2026. There has been no change in the terms of the Master Leasing and Licensing Agreement since it was entered into on 28 April 2020.

As at the date of this announcement, CTFE is a substantial shareholder of the Company, and therefore a connected person of the Company. CTFJ is a fellow subsidiary of CTFE and is therefore an associate of a connected person (being CTFE) of the Company. In view of such relationships, CTFJ is a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Annual Caps is more than 0.1% but less than 5%, the renewal of the Master Leasing and Licensing Agreement and the Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules for the Company.

RENEWAL OF THE MASTER LEASING AND LICENSING AGREEMENT

Background

References are made to the 2020 Announcement in respect of the Master Leasing and Licensing Agreement.

On 28 April 2020, the Company and CTFJ entered into the Master Leasing and Licensing Agreement in relation to the Transactions. The initial term of the Master Leasing and Licensing Agreement will expire on 30 June 2023, unless terminated earlier in accordance with the Master Leasing and Licensing Agreement. Subject to the compliance with the Listing Rules by the Company and CTFJ, the Master Leasing and Licensing Agreement will be automatically renewed for a successive period of three years from the Renewal Date.

The Company and CTFJ agreed to renew the Master Leasing and Licensing Agreement upon the expiry of its initial term on 30 June 2023 for a further term of three years, i.e. up to and including 30 June 2026. There has been no change in the terms of the Master Leasing and Licensing Agreement since it was entered into on 28 April 2020.

The principal terms of the Master Leasing and Licensing Agreement are set out below:

Date

28 April 2020

Parties

- (a) the Company; and
- (b) CTFJ

General terms for the Transactions

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

With effect from the Renewal Date, the Transactions shall be conducted:

- (a) in the ordinary and usual course of business of the Group and the CTFJ Group;
- (b) on normal commercial terms or better (as defined in the Listing Rules) for each of the Group and the CTFJ Group and based on the then prevailing market rates; and
- (c) in compliance with all applicable provisions of the Listing Rules (including but not limited to the Annual Caps), the applicable laws, the Master Leasing and Licensing Agreement and the relevant Definitive Agreement(s).

The consideration for each Definitive Agreement will be determined in the following manner:

- (a) for lessor, the lessor will provide the lessee with a quote after it has, using its best endeavours, obtained at least one market comparable for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period)

and/or reviewed at least one comparable transaction with independent third parties; and

- (b) for lessee, the lessee will, using its best endeavours, obtain at least one market comparable for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or review at least one comparable transaction with independent third parties before deciding whether to accept the quote provided by the lessor and proceed further.

Duration

The Master Leasing and Licensing Agreement shall continue to be effective up to and including 30 June 2026, unless terminated earlier in accordance with the Master Leasing and Licensing Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Leasing and Licensing Agreement is 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 renewal term, the Master Leasing and Licensing 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 Master Leasing and Licensing Agreement.

Payment terms

The terms in relation to the time and method of payment will be stated in the relevant Definitive Agreements and will be no less favourable to the Group than terms available to and/or from independent third parties.

Historical figures and the Annual Caps

During the initial term of the Master Leasing and Licensing Agreement, all leasing or tenancy services under the Master Leasing and Licensing Agreement were provided by the Group to the CTFJ Group. The aggregate transaction amounts in relation to the Transactions under the Master Leasing and Licensing Agreement for the Group for each of the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022 were approximately HK\$101.0 million, HK\$81.5 million and HK\$39.1 million, respectively.

The Annual Caps for each of the three financial years ending 30 June 2024, 2025 and 2026 are set out below:

	For the year ending 30 June		
	2024	2025	2026
	HK\$ million	HK\$ million	HK\$ million
Provision of leasing, tenancy, licensing, concession or other similar services under the Master Leasing and Licensing Agreement to the CTFJ Group by the Group	102.7	133.2	142.8

The Annual Caps have been determined based on (i) the historical transaction amounts under the Master Leasing and Licensing Agreement; (ii) the terms of the underlying leases; (iii) the expected market rentals at the time of renewing existing leases; (iv) the estimated rentals of new leases in the future; (v) prevailing market rates; and (vi) the expected growth in the amount of transactions under the Master Leasing and Licensing Agreement.

Reasons for and benefits of renewing the Master Leasing and Licensing Agreement

Members of the Group and members of the CTFJ Group may maintain the current leasing or tenancy arrangement and may from time to time consider entering into new licensing, concession or other similar collaboration arrangements in respect of real property (including without limitation retail shops, shops-in-shops and counters) in addition to new leasing or tenancy arrangements. In order to systematically organise all the said arrangements between the Group and the CTFJ Group for the purposes of Chapter 14A of the Listing Rules, the Company and CTFJ decided to renew the Master Leasing and Licensing Agreement.

The Directors believe that it is in the interests of the Company to renew the Master Leasing and Licensing Agreement for a further term of three years so that the Group may regulate the existing and future leasing, tenancy, licensing, concession and other similar collaboration agreements with the CTFJ Group under a common framework agreement.

DIRECTOR'S CONFIRMATION

The Directors (including the independent non-executive Directors) consider that the renewal of the Master Leasing and Licensing Agreement, the terms of which had been negotiated on an arm's length basis, are fair and reasonable, on normal commercial terms or better (as defined in the Listing Rules) and in the ordinary and usual course of business of the Group and are in the interests of the Group and the shareholders of the Company as a whole, and that the Annual Caps are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

INTERNAL CONTROL PROCEDURES

To ensure that the Master Leasing and Licensing Agreement and the Transactions adhere to normal commercial terms or better (as defined in the Listing Rules) and the amounts of the Transactions do not exceed the related Annual Caps, the Company has implemented the following internal control procedures:

- (1) **Definitive Agreement review and assessment:** Prior to entering into any Definitive Agreement under the scope of the Master Leasing and Licensing Agreement, the relevant personnel of the Group will review and assess the terms of the relevant Definitive Agreements to ensure that they are consistent with the principles and provisions set out in the Master Leasing and Licensing Agreement. The pricing policies and other terms of the Definitive Agreements will be determined by the relevant personnel of the Group on normal commercial terms or better (as defined in the Listing Rules), negotiated on an arm's length basis and on basis similar to that with independent third parties.
- (2) **Transactions monitoring and reporting:** The finance department of the Group will consistently record and monitor the amounts of Transactions to ensure that the applicable Annual Caps are not exceeded. Periodic reports, including lists of continuing connected transactions conducted during the reporting period and utilisation of the relevant Annual Caps will be submitted to the Audit Committee for review.
- (3) **Biannual review by internal audit function:** The group audit and management services department of the Group will perform a biannual review of the internal controls for the continuing connected transactions for the preceding financial year.
- (4) **Annual review by external auditors and independent non-executive Directors:** The Company's external auditor along with the independent non-executive Directors will perform annual review of the continuing connected transactions for the preceding financial year in accordance with the Listing Rules.

INFORMATION ON THE GROUP AND THE CTFJ GROUP

The Group is principally engaged in property development, property investment and investment in and/or operation of roads, construction, insurance, hotels and other strategic businesses.

To the best knowledge of the Directors, the CTFJ Group is one of the largest jewellers in the world with an extensive retail network in China, Japan, Korea, Southeast Asia and the United States, in addition to its e-commerce business. The CTFJ Group is principally engaged in the business of manufacturing and selling of jewellery products, including gem-set, platinum and k-gold jewellery and gold jewellery and products, as well as distribution of various watch brands.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CTFE is a substantial shareholder of the Company, and therefore a connected person of the Company. CTFJ is a fellow subsidiary of CTFE and is therefore an associate of a connected person (being CTFE) of the Company. In view of such relationships, CTFJ is a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Annual Caps is more than 0.1% but less than 5%, the renewal of the Master Leasing and Licensing Agreement and the Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules for the Company.

APPROVAL BY THE BOARD OF DIRECTORS

Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia are common directors of CTFJ and the Company. Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia and their associates, being Mr. Cheng Kar-Shing, Peter and Mr. Cheng Chi-Ming, Brian, had abstained from voting on the resolutions approving the automatic renewal of the Master Leasing and Licensing Agreement and the Annual Caps at the board meeting of the Company. Mr. Doo Wai-Hoi, William, being an associate of Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia, was not present at the aforesaid board meeting of the Company and accordingly did not vote on the relevant board resolutions. Save as mentioned above, none of the Directors has a material interest in the automatic renewal of the Master Leasing and Licensing Agreement and the Transactions contemplated thereunder.

DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“2020 Announcement”	the announcement of the Company dated 28 April 2020 in respect of the Master Leasing and Licensing Agreement
“Annual Caps”	the annual cap amounts payable by the CTFJ Group to the Group in respect of the Transactions for each of the three financial years ending 30 June 2024, 2025 and 2026
“associate”	has the meaning ascribed to it under the Listing Rules

“Audit Committee”	the audit committee of the Company
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability, being a substantial shareholder of the Company and a fellow subsidiary of CTFJ
“CTFJ”	Chow Tai Fook Jewellery Group 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: 1929)
“CTFJ Group”	CTFJ and its subsidiaries from time to time
“Definitive Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the CTFJ Group from time to time in relation to any of the Transactions at any time during the term of the Master Leasing and Licensing Agreement
“Directors”	the directors of the Company
“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 People's Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Leasing and Licensing Agreement”	the master leasing and licensing agreement in relation to the Transactions entered into between the Company and CTFJ on 28 April 2020
“Renewal Date”	1 July 2023
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	all existing and future transactions between members of the Group and members of the CTFJ Group arising from the leases or tenancy agreements, licensing agreements, concession agreements, other similar collaboration agreements or any other agreements in relation to any real properties (including without limitation retail shops, shops-in-shops and counters) between members of the Group and members of the CTFJ Group, as contemplated under the Master Leasing and Licensing Agreement
“%”	per cent.

By order of the board of
New World Development Company Limited
(新世界發展有限公司)
Wong Man-Hoi
Company Secretary

Hong Kong, 28 April 2023

As the date of this announcement, (a) the executive directors of the Company are Dr. Cheng Kar-Shun, Henry; Dr. Cheng Chi-Kong, Adrian; Ms. Cheng Chi-Man, Sonia; Mr. Sitt Nam-Hoi; Ms. Huang Shaomei, Echo; Ms. Chiu Wai-Han, Jenny; and Mr. Ma Siu-Cheung; (b) the non-executive directors of the Company are Mr. Doo Wai-Hoi, William; Mr. Cheng Kar-Shing, Peter; Mr. Cheng Chi-Heng; and Mr. Cheng Chi-Ming, Brian; and (c) the independent non-executive directors of the Company are Mr. Lee Luen-Wai, John; Mr. Ip Yuk-Keung, Albert; Mr. Chan Johnson Ow; Mrs. Law Fan Chiu-Fun, Fanny; Ms. Lo Wing-Sze, Anthea; and Ms. Wong Yeung-Fong, Fonia.