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(Stock Code: 0017)

CONTINUING CONNECTED TRANSACTIONS

SETTING OF NEW ANNUAL CAPS OF THE MASTER HOTEL LEASING AGREEMENT AND THE MASTER HOTEL MANAGEMENT SERVICES AGREEMENT

References are made to (i) the 2017 Announcement in respect of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement and (ii) the 2020 Announcement in respect of setting of new annual caps of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement for the three years ending 30 June 2023.

THE MASTER HOTEL LEASING AGREEMENT

On 10 April 2017, the Company and CTFE entered into the Master Hotel Leasing Agreement, pursuant to which the members of the Group will enter into the HL Transactions with the members of the CTFE Group.

The Master Hotel Leasing Agreement is for a term of ten years commencing from 1 July 2017 and expiring on 30 June 2027, unless terminated earlier in accordance with the Master Hotel Leasing Agreement. The existing annual caps for the HL Transactions will expire on 30 June 2023. As the Group intends to continue to carry out the HL Transactions and the Master Hotel Leasing Agreement will not expire until 30 June 2027, the board of Directors proposes to set the New HL Annual Caps for the three financial years ending 30 June 2024, 2025 and 2026.

THE MASTER HOTEL MANAGEMENT SERVICES AGREEMENT

On 10 April 2017, the Company and CTFE entered into the Master Hotel Management Services Agreement, pursuant to which the members of the Group will enter into the MS Transactions with the members of the CTFE Group.

The Master Hotel Management Services Agreement is for a term of ten years commencing from 1 July 2017 and expiring on 30 June 2027, unless terminated earlier in accordance with the Master Hotel Management Services Agreement. The existing annual caps for the MS Transactions will expire on 30 June 2023. As the Group intends to continue to carry out the MS Transactions and the Master Hotel Management Services Agreement will not expire until 30 June 2027, the board of Directors proposes to set the New MS Annual Caps for the three financial years ending 30 June 2024, 2025 and 2026.

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. 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) in respect of the New HL Annual Caps is more than 0.1% but less than 5%, the New HL Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules for the Company.

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the New MS Annual Caps is more than 0.1% but less than 5%, the New MS Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules for the Company.

INTRODUCTION

References are made to (i) the 2017 Announcement in respect of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement and (ii) the 2020 Announcement in respect of setting of new annual caps of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement for the three years ending 30 June 2023.

The background and general terms of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement are set out below:

THE MASTER HOTEL LEASING AGREEMENT

Background

On 10 April 2017, the Company and CTFE entered into the Master Hotel Leasing Agreement, pursuant to which the members of the Group will enter into the HL Transactions with the members of the CTFE Group.

Date

10 April 2017

Parties

- (i) the Company; and
- (ii) CTFE.

General terms of the HL Transactions

Relevant members of the Group may from time to time enter into HL Definitive Agreement(s) with relevant members of the CTFE Group in relation to any HL Transactions upon, and subject to, the terms and conditions in compliance with those of the Master Hotel Leasing Agreement as may be agreed between relevant members of the Group and relevant members of the CTFE Group.

The HL Transactions have been and shall be conducted:

- (i) in the ordinary and usual course of business of the Group and the CTFE Group;
- (ii) on normal commercial terms; and
- (iii) in compliance with all applicable provisions of the Listing Rules (including the New HL Annual Caps), the applicable laws, the Master Hotel Leasing Agreement and the relevant HL Definitive Agreement.

Duration

The Master Hotel Leasing Agreement is for a term of ten years commencing from 1 July 2017 and expiring on 30 June 2027, unless terminated earlier in accordance with the Master Hotel Leasing Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the Master Hotel Leasing Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waiver obtained from strict compliance with such requirements, upon expiration of the Initial Term, the Master Hotel Leasing Agreement will be automatically renewed for a further term of ten years, unless terminated earlier in accordance with the Master Hotel Leasing Agreement.

Payment terms

The terms in relation to the time and method of payment will be stated in the relevant HL 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 New HL Annual Caps

The aggregate transaction amounts paid by the CTFE Group to the Group under the Master Hotel Leasing Agreement for each of the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022 were approximately HK\$8.2 million, HK\$108.0 million and HK\$85.7 million, respectively.

The New HL Annual Caps for each of the three financial years ending 30 June 2024, 2025 and 2026 will be HK\$297.1 million, HK\$341.7 million and HK\$377.8 million, respectively. The Company will re-comply with the Listing Rules in relation to the determination of the annual caps for the HL Transactions for the remaining term of the Master Hotel Leasing Agreement.

The New HL Annual Caps have been determined based on (i) the historical transaction amounts under the Master Hotel Leasing Agreement; (ii) the possibility of entering into new HL Transactions with CTFE Group taking into account the expected growth and business development of the Group and the CTFE Group; (iii) the prevailing and projected market rates for similar hotel in the nearby area; (iv) the forecast of the revenue of the relevant hotels; (v) the valuation by the independent professional property valuer; and (vi) the inflation factor.

Pricing policy

In determining the hotel leasing/ licensing fees, the Company will provide a quote to the CTFE Group after conducting research for similar market comparables (with comparable conditions including but not limited to location, hotel ranking, number of rooms, available facilities and rental period) and/or review comparable transactions with independent third parties, if available and considering factors such as the forecast of the revenue of the relevant hotels.

Reasons for and benefits of entering into the Master Hotel Leasing Agreement

As stated in the 2020 Announcement, the HL Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the CTFE Group.

The Directors consider that the Master Hotel Leasing Agreement provides a single basis for the Group to regulate the existing or future hotel leasing and/or licensing of related licenses with the relevant members of the CTFE Group under a common framework agreement.

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

THE MASTER HOTEL MANAGEMENT SERVICES AGREEMENT

Background

On 10 April 2017, the Company and CTFE entered into the Master Hotel Management Services Agreement in relation to the MS Transactions.

Date

10 April 2017

Parties

- (i) the Company; and
- (ii) CTFE.

General terms of the MS Transactions

Relevant members of the Group may from time to time enter into MS Definitive Agreement(s) with relevant members of the CTFE Group in relation to any MS Transactions upon, and subject to, the terms and conditions in compliance with those of the Master Hotel Management Services Agreement as may be agreed between relevant members of the Group and relevant members of the CTFE Group.

The MS Transactions have been and shall be conducted:

- (i) in the ordinary and usual course of business of the Group and the CTFE Group;
- (ii) on normal commercial terms; and
- (iii) in compliance with all applicable provisions of the Listing Rules (including the New MS Annual Caps), the applicable laws, the Master Hotel Management Services Agreement and the relevant MS Definitive Agreement.

Duration

The Master Hotel Management Services Agreement is for a term of ten years commencing from 1 July 2017 and expiring on 30 June 2027, unless terminated earlier in accordance with the Master Hotel Management Services Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the Master Hotel Management Services Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waiver obtained from strict compliance with such requirements, upon expiration of the Initial Term, the Master Hotel Management Services Agreement will be automatically renewed for a further term of ten years, unless terminated earlier in accordance with the Master Hotel Management Services Agreement.

Payment terms

The terms in relation to the time and method of payment will be stated in the relevant MS 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 New MS Annual Caps

The aggregate transaction amounts paid by the Group to the CTFE Group under the Master Hotel Management Services Agreement for each of the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022 were approximately HK\$73.6 million, HK\$114.1 million and HK\$72.5 million, respectively.

The New MS Annual Caps for each of the three financial years ending 30 June 2024, 2025 and 2026 will be HK\$236.7 million, HK\$265.2 million and HK\$279.1 million, respectively. The Company will re-comply with the Listing Rules in relation to the determination of the annual caps for the MS Transactions for the remaining term of the Master Hotel Management Services Agreement.

The New MS Annual Caps have been determined based on the following:

- (i) For existing hotel management services contracts: the fee structure as stipulated under the existing hotel management services contracts, the forecast of the revenue and gross profit of the hotels with reference to their operational budgets in the next three years;
- (ii) For prospective hotel management services contracts: the estimated fee structures and the forecast of the revenue and gross profit of the relevant hotels in the next three years; and
- (iii) For pre-opening technical consultancy services contracts: the fee structures as stipulated under the respective services contracts.

Pricing policy

The hotel management fees generally comprise basic management fees, marketing fees, and/or incentive management fees which are linked with the total revenue and gross operating profit of the relevant hotels owned by the Group, as well as centralised marketing fees and technical services fees. The Directors noted the CTFE Group generally charges a standard rate of service fee to all hotels under the same brand, which will be subject to adjustments based on different locations of the hotels. The Group will monitor industry practices on a regular basis to ensure that the terms offered to the Group are either equivalent to or better than the prevailing market prices.

Reasons for and benefits of entering into the Master Hotel Management Services Agreement

As stated in the 2020 Announcement, the MS Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the CTFE Group.

The Directors consider that the Master Hotel Management Services Agreement provides a single basis for the Group to regulate the existing or future hotel management services contracts with the relevant members of the CTFE Group under a common framework agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Hotel Management Services Agreement have been negotiated on an arm's length basis, on normal commercial terms or better (as defined in the Listing Rules) and within the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and that the New MS Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES

To ensure that the Master Agreements 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 New 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 Agreements, 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 relevant Master Agreements. 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 the Transactions to ensure that the applicable New Annual Caps are not exceeded. Periodic reports, including lists of continuing connected transactions conducted during the reporting period and utilisation of the relevant New 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 CTFE 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.

As of the date of this announcement and based on publicly available information, CTFE is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited; Chow Tai Fook (Holding) Limited is an approximately 81.03%-owned subsidiary of Chow Tai Fook Capital Limited; and Chow Tai Fook Capital Limited is owned as to approximately 48.98% and approximately 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. To the best knowledge of the Directors, CTFE is principally engaged in investment holding.

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. 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) in respect of the New HL Annual Caps is more than 0.1% but less than 5%, the New HL Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules for the Company.

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the New MS Annual Caps is more than 0.1% but less than 5%, the New MS Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules for the Company.

At the end of the financial year ending 30 June 2026, the Company will re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where and if applicable, including the requirements for the setting of new annual caps for the maximum aggregate fees payable under the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement for an additional three-year period, subject to the automatic renewal of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement.

APPROVAL BY THE BOARD

None of the Directors has a material interest in the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement. Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Kar-Shing, Peter and Mr. Cheng Chi-Heng all being Directors, are also directors of CTFE.

Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Kar-Shing, Peter and Mr. Cheng Chi-Heng and their associates, being Ms. Cheng Chi-Man, Sonia and Mr. Cheng Chi-Ming, Brian, voluntarily abstained from voting on the relevant board resolutions 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 Kar-Shing, Peter and Mr. Cheng Chi-Heng, was not present at the aforesaid board meeting of the Company and accordingly did not vote on the relevant board resolutions.

DEFINITIONS

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

“2017 Announcement”	the announcement of the Company dated 10 April 2017 in respect of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement
“2020 Announcement”	the announcement of the Company dated 8 May 2020 in respect of setting of new annual caps of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement for the three years ending 30 June 2023
“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
“CTFE Group”	CTFE and its subsidiaries from time to time
“Definitive Agreement(s)”	the HL Definitive Agreement(s) and/ or the MS Definitive Agreement(s) (as the case may be)
“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
“HL Definitive Agreement(s)”	hotel leasing agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the CTFE Group from time to time in relation to any of the HL Transactions at any time during the term of the Master Hotel Leasing Agreement
“HL Transactions”	all transactions between members of the Group and members of the CTFE Group regarding the leasing of hotels and licensing of related licences to members of the CTFE Group from members of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Hotel Management and Consultancy Services”	the provision of management and consultancy services including but not limited to hotel pre-opening consultancy services, and ongoing management, sales and marketing services such as (a) formulation of business strategy, operational plans, pricing policy and setting guidelines on the operating standard of the relevant hotel; (b) assistance in the preparation of budgets and overseeing the financial accounting and treasury management function; (c) overseeing the decoration, maintenance of facilities and assistance in the procurement of furniture, equipment, groceries and other supplies; (d) supervision of hotel personnel, advising on recruitment and remuneration policies and provision of staff training; and (e) monitoring the advertising, marketing and promotional activities of the relevant hotel and attending to the leasing matters
“Initial Term”	the period commencing from 1 July 2017 up to and including 30 June 2027
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreements”	the Master Hotel Leasing Agreement and/ or Master Hotel Management Services Agreement (as the case may be)
“Master Hotel Leasing Agreement”	the master hotel leasing agreement in relation to the HL Transactions entered into between the Company and CTFE on 10 April 2017
“Master Hotel Management Services Agreement”	the master hotel management services agreement in relation to the MS Transactions entered into between the Company and CTFE on 10 April 2017
“MS Definitive Agreement(s)”	hotel management services agreement(s) and pre-opening technical consultancy services agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the CTFE Group from time to time in relation to any of the MS Transactions at any time during the term of the Master Hotel Management Services Agreement
“MS Transactions”	all transactions between members of the Group and members of the CTFE Group regarding the provision of the Hotel Management and Consultancy Services by members of the CTFE Group to members of the Group
“New Annual Caps”	the New HL Annual Caps and/ or New MS Annual Caps (as the case may be)
“New HL Annual Caps”	the annual caps amounts payable by the CTFE Group to the Group in respect of the HL Transactions for each of the three financial years ending 30 June 2024, 2025 and 2026
“New MS Annual Caps”	the annual caps amounts payable by the Group to the CTFE Group in respect of the MS Transactions for each of the three financial years ending 30 June 2024, 2025 and 2026
“Shareholders”	shareholders of the Company

“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”	the HL Transactions and/ or the MS Transactions (as the case may be)
“%”	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.