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(Stock Code: 0017)

**CONTINUING CONNECTED TRANSACTIONS
MASTER HOTEL LEASING AGREEMENT
AND
MASTER HOTEL MANAGEMENT SERVICES AGREEMENT**

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 shall commence on the Effective Date, and shall continue up to and including 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 waivers 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.

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 shall commence on the Effective Date, and shall continue up to and including 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 waivers 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.

LISTING RULES IMPLICATIONS

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.

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the HL Annual Caps are less than 0.1%, the entering into of the Master Hotel Leasing Agreement is fully exempt from the reporting, announcement and independent shareholders' approval requirements 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 MS Annual Caps is more than 0.1% but less than 5%, the entering into of the Master Hotel Management Services Agreement and the 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.

As the term of each of the Master Hotel Leasing Agreement and Master Hotel Management Services Agreement exceeds three years, the Company has engaged Platinum Securities as the independent financial adviser to advise the reasons for the Master Hotel Leasing Agreement and Master Hotel Management Services Agreement having a term that exceeds three years and to confirm whether this is normal business practice for the Master Hotel Leasing Agreement and Master Hotel Management Services Agreement to have such duration.

INTRODUCTION

On 10 April 2017, the Company and CTFE entered into the Master Hotel Leasing Agreement in relation to the HL Transactions.

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

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

THE MASTER HOTEL LEASING AGREEMENT

Background and General terms for the HL Transactions

On 3 July 2015, NWCL and CTFE entered into the Former Master Hotel Leasing Agreement, pursuant to which the relevant members of the NWCL Group may from time to time enter into definitive agreement(s) with the relevant members of the CTFE Group in relation to any transaction as contemplated under the Former Master Hotel Leasing Agreement.

On 10 April 2017, NWCL (as a wholly-owned subsidiary of the Group) and CTFE entered into the HL Termination Agreement pursuant to which, both parties agree to terminate the Former Master Hotel Leasing Agreement upon the Master Hotel Leasing Agreement becoming effective on the Effective Date. None of the parties has to pay to the other party any penalty and/or compensation under the HL Termination Agreement.

The Company and CTFE entered into the Master Hotel Leasing Agreement in relation to HL Transactions on the same date. The Master Hotel Leasing Agreement shall commence on the Effective Date, and shall continue up to and including 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 waivers 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.

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the HL Annual Caps are less than 0.1%, the entering into of the Master Hotel Leasing Agreement is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the Listing Rules in relation to the determination of the annual caps of the HL Transactions for the remaining term of the Master Hotel Leasing Agreement.

THE MASTER HOTEL MANAGEMENT SERVICES AGREEMENT

Background

On 29 December 2015, NWCL and CTFE entered into the Former Master Hotel Management Services Agreement, pursuant to which the relevant members of the NWCL Group may from time to time enter into definitive agreement(s) with the relevant members of the CTFE Group in relation to any transaction as contemplated under the Former Master Hotel Management Services Agreement.

On 10 April 2017, NWCL (as a wholly-owned subsidiary of the Group) and CTFE entered into the MS Termination Agreement pursuant to which both parties agree to terminate the Former Master Hotel Management Services Agreement upon the Master Hotel Management Services Agreement becoming effective on the Effective Date. None of the parties has to pay to the other party and/or compensation under the MS Termination Agreement. The Company and CTFE entered into the Master Hotel Management Services Agreement in relation to MS Transactions on the same date.

Date

10 April 2017

Parties

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

General terms for 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 the relevant members of the CTFE Group. All existing agreements between the relevant members of the Group and the relevant members of the CTFE Group in respect of the MS Transactions (to the extent which covers the MS Transactions after the Effective Date) will be treated as MS Definitive Agreements made pursuant to the Master Hotel Management Services Agreement as from the Effective Date.

With effect from the Effective Date, the MS Transactions shall be conducted:

- (i) in the usual and ordinary 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 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 shall commence on the Effective Date, and shall continue up to and including 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 waivers 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.

Historical figures and the MS Annual Caps

The aggregate transaction amounts payable by the Group to the CTFE Group under the Former Master Hotel Management Services Agreement for the six months ended 30 June 2016 and the six months ended 31 December 2016 were approximately HK\$49.6 million and HK\$47.7 million, respectively.

The Company expects that the MS Annual Caps in respect of the MS Transactions to be entered into between members of the Group and members of the CTFE Group for each of the three financial years ending 30 June 2018, 2019 and 2020 will be HK\$136.4 million, HK\$224.7 million and HK\$249.3 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 above MS Annual Caps have been determined based on the following:

1. 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;
2. 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
3. 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 central 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 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

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 relevant members of the CTFE Group.

The Directors believe that it is in the interests of the Group to enter into the Master Hotel Management Services Agreement which shall provide a single basis on which the Company will comply with the relevant requirements under the Listing Rules and may 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 and on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and that the MS Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION ON THE GROUP AND CTFE GROUP

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.

To the best knowledge of the Directors, CTFE is principally engaged in investment holding.

LISTING RULES IMPLICATIONS

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.

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the HL Annual Caps are less than 0.1%, the entering into of the Master Hotel Leasing Agreement is fully exempt from the reporting, announcement and independent shareholders' approval requirements 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 MS Annual Caps is more than 0.1% but less than 5%, the entering into of the Master Hotel Management Services Agreement and the 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.

APPROVAL BY THE BOARD OF DIRECTORS

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

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Rule 14A.52 of the Listing Rules requires that the term of an agreement governing continuing connected transactions of an issuer must not exceed three years except in special circumstances. As the term of each of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement exceeds three years, the Company has engaged Platinum Securities as the independent financial adviser to advise the reasons for each of the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement having a term that exceeds three years and to confirm whether this is normal business practice for the Master Hotel Leasing Agreement and the Master Hotel Management Services Agreement to have such duration.

Master Hotel Leasing Agreement

Platinum Securities noted that owing to the unique nature of the hotel industry, hotel leasing contracts are commonly long term transactions and a contract of three-year duration is not practical and commercially sensible because from the perspective of the hotel tenants, they usually incur substantial initial outlay for the marketing and branding of new hotels and it may take several years to establish systems which fit in particular requirements of the hotels to achieve the desired results. In addition, having a longer duration of more than three years for the Master Hotel Leasing

Agreement will allow CTFE Group, as a leasee, to formulate the long term strategic plan for the development of the hotel, which aims to realise the synergy effect among the hotel business in Hong Kong and the PRC. Tenancies of a short duration might give rise to business uncertainties and may be commercially disadvantageous to the hotels. Platinum Securities also noted certain comparable transactions involving the entering into of hotel lease agreements with long term tenure of the companies listed on the Stock Exchange as set out below:

Company	Tenure	Date of Announcement	Hotel	Location
Miramar Hotel and Investment Company, Limited <i>(stock code: 0071)</i>	10 years and 6 months	5 December 2013	Mira Moon	Hong Kong
Rosedale Hotel Holdings Limited <i>(stock code: 1189)</i>	6 years, renewable for a term of 6 years	10 November 2013	Rosedale Hotel Kowloon	Hong Kong
Langham Hospitality Investments Limited <i>(stock code: 1270)</i>	14 years	16 May 2013	The Langham Hong Kong, Langham Place Hong Kong and Eaton Hong Kong	Hong Kong
Regal Real Estate Investment Trust <i>(stock code: 1881)</i>	5 years, renewable for a term of 5 years	11 January 2013	iclub Sheung Wan Hotel and iclub Fortress Hill Hotel	Hong Kong
Regal Real Estate Investment Trust <i>(stock code: 1881)</i>	Approximately 9 years	19 March 2007	5 hotels under the Regal brand name	Hong Kong
New Century Real Estate Investment Trust <i>(stock code: 1275)</i>	10 years and renewable for a term of 10 years	25 June 2014	Songjiang New Century Hotel Shanghai	Shanghai, PRC

Platinum Securities noted that the duration of the above lease agreements ranged from five to fourteen years. Therefore, Platinum Securities is of the view that the duration of the Master Hotel Leasing Agreement is within the range of durations of the lease agreements of the above market comparables, justifiable and it is the normal business practice for agreements of this type to be of such duration.

Master Hotel Management Services Agreement

Platinum Securities noted that owing to the unique nature of the hotel industry, hotel management contracts are commonly long term transactions. A contract of three-year duration is not practical and commercially sensible because from the perspective of the hotel managers, they usually incur substantial initial outlay for the marketing and branding of new hotels and it may take several years to establish systems which fit in particular requirements of the hotels to achieve the desired results. On the other hand, from the perspective of the hotel owners, different hotel managers may have different requirements, branding and marketing strategies, and standards for the hotels under management. Replacing the hotel managers will require the hotel owners to re-decorate the establishment to the standards and specifications of the new hotel managers. This is an expensive and time consuming exercise and may require a particular establishment to be closed for an extensive period of time for refitting. It is therefore not in the commercial interest of the hotel owners either to change their hotel managers in a frequent manner or to have the hotel managers enter into short term hotel management contracts with the hotel owners. Platinum Securities also noted certain comparable transactions involving the entering into of hotel management contracts with long term tenure of the companies listed on the Stock Exchange as set out below:

Company	Tenure	Date of Announcement	Hotel	Location
Jinmao (China) Hotel Investments and Management Limited (formerly known as Jinmao (China) Investments Holdings Limited) <i>(stock code: 6139)</i>	Range from 10 years to 30 years from formal opening or from the date of the relevant hotel management agreements	19 June 2014	8 hotels under the brand names of Grand Hyatt, Westin, JW Marriott, Ritz-Carlton, Hilton, Renaissance and Hyatt Regency	Shanghai, PRC Beijing, PRC Shenzhen, PRC Sanya, PRC Lijiang, PRC
Langham Hospitality Investments Limited <i>(stock code: 1270)</i>	30 years, renewable for two successive periods of ten years each	16 May 2013	The Langham, Langham Place Hotel, Eaton	Hong Kong
Shangri-La Asia Limited <i>(stock code: 0069)</i>	20 years	17 October 2012	Jing An Shangri-La Hotel	Shanghai, PRC
The Hong Kong and Shanghai Hotels, Limited <i>(stock code: 0045)</i>	30 years, automatic renewal for another 20 years	20 January 2009	Peninsula Paris	Paris, France
Regal Hotels International Holdings Limited <i>(stock code: 0078)</i>	20 years	16 March 2007	5 hotels under the Regal brand name	Hong Kong
Kerry Properties Limited <i>(stock code: 0683)</i>	20 years, renewable for a term of 10 years	30 May 2006	The Kerry Centre Hotel, Beijing	Beijing, PRC

Platinum Securities noted that the duration of the above management contracts exceed ten years. Therefore, Platinum Securities is of the view that the duration of the Master Hotel Management Services Agreement is justifiable and it is normal business practice for agreements of this type to be of such duration.

DEFINITIONS

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

“associate”	has the meaning ascribed to it in the Listing Rules
“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 in the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability and is a substantial shareholder of the Company
“CTFE Group”	CTFE and its subsidiaries from time to time

"Directors"	the directors of the Company
"Effective Date"	1 July 2017
"Former Master Hotel Leasing Agreement"	the master hotel leasing agreement dated 3 July 2015 entered into between NWCL and CTFE, details of which were set out in the joint announcement of the Company and NWCL dated 3 July 2015
"Former Master Hotel Management Services Agreement"	the master hotel management services agreement dated 29 December 2015 entered into between NWCL and CTFE, details of which were set out in the announcement of NWCL dated 29 December 2015
"Group"	the Company and its subsidiaries from time to time
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"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 2020
"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 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 Termination Agreement"	termination agreement dated 10 April 2017 entered into between NWCL and CTFE in relation to the termination of the Former 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 PRC
"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 the Effective Date up to and including 30 June 2027
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 MS Transactions entered into between the Company and CTFE on 10 April 2017
“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 2020
“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 Termination Agreement”	termination agreement dated 10 April 2017 entered into between NWCL and CTFE in relation to the termination of the Former 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
“NWCL”	New World China Land Limited, a company incorporated in Cayman Islands with limited liability and is a wholly-owned subsidiary of the Company
“NWCL Group”	NWCL and its subsidiaries from time to time
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Platinum Securities”	Platinum Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 in the Listing Rules
“Transaction(s)”	the HL Transactions and the MS Transactions
“%”	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, 10 April 2017

As at the date of this announcement, (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian, Ms. Ki Man Fung, Leonie, Mr. Cheng Chi Heng, Ms. Cheng Chi Man, Sonia and Mr. Au Tak Cheong; (b) the non-executive directors of the Company are Mr. Doo Wai Hoi, William, Mr. Cheng Kar Shing, Peter and Mr. Chen Guanzhan; and (c) the independent non-executive directors of the Company 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.