
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New World Development Company Limited (新世界發展有限公司), you should at once hand this circular and the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

**CONTINUING CONNECTED TRANSACTIONS
THE SERVICES GROUP MASTER SERVICES AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



PLATINUM
Securities

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 6 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 and 16 of this circular. A letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 47 of this circular.

A notice convening the EGM to be held at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 26 May 2017 at 12:00 noon is set out on pages 62 and 63 of this circular. A proxy form is also enclosed. Whether or not you are able to attend the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit it with the Company’s share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

9 May 2017

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	15
Letter from the IFA	17
Appendix — General information	48
Notice of EGM	62

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 10 April 2017 in respect of, amongst others, the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Cleaning and Landscaping Services”	general cleaning, vessel and vehicle cleaning, office and facility cleaning, recycling and environmental services, landscaping and plant maintenance, the supply of plants, laundry services and related services
“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(s)”	has the meaning ascribed to it under the Listing Rules
“Definitive Services Group Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Services Group and any member(s) of the Group from time to time in relation to any of the Services Group Transactions at any time during the term of the Services Group Master Services Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 26 May 2017 at 12:00 noon to consider and, if thought fit, approve the EGM Matters, or, where the context so admits, any adjournment of such extraordinary general meeting
“EGM Matters”	the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“Facility Management Services”	provision of information technology services, provision of convention and exhibition facilities, related functions and services, food and beverage catering services, food processing, trading and supply, merchandise sourcing, procurement and supply and related services

DEFINITIONS

“Former Services Group Addendum”	an addendum to the Former Services Group Master Services Agreement entered into between Mr. Doo, the Company, FSE Engineering and FSE Management on 20 November 2015
“Former Services Group Master Services Agreement”	the master services agreement dated 11 April 2014 entered into between Mr. Doo and the Company (and, where the context requires, includes the Former Services Group Addendum) as disclosed in the announcement of the Company dated 11 April 2014 and the circular of the Company dated 2 May 2014
“FSE Engineering”	FSE Engineering Holdings Limited, a company incorporated in the Cayman Islands with limited liability and is a member of the Services Group, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0331)
“FSE Management”	FSE Management Company Limited, a company incorporated in Hong Kong with limited liability and is a member of the Services Group
“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 PRC
“IFA”	Platinum Securities Company Limited, a corporation licensed to carry on type 1 and type 6 regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the EGM Matters
“Independent Board Committee”	the independent Board committee comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the EGM Matters
“Independent Shareholders”	the Shareholders, other than Mr. Doo and his associates, who do not have any material interest in the Services Group Master Services Agreement and are not required to abstain from voting at the EGM to consider and approve the EGM Matters
“Latest Practicable Date”	27 April 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“Mr. Doo”	Mr. Doo Wai-Hoi, William, the non-executive vice-chairman and a non-executive Director of the Company and a director of certain subsidiaries of the Company and the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company, and a controlling shareholder of the Services Group
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property Management Services”	property management and related accounting services, property sales, vessel and vehicle sales and letting agency services, pre-marketing consultancy services, technical services, provision of car parking management and related services
“Rental Services”	rental of properties, including without limitation spare spaces, office spaces and car parking spaces, vehicles and vessels and related services
“RMB”	Renminbi, the lawful currency of the PRC
“Security and Guarding Services”	provision of security guards, security systems installation and maintenance services, armoured transport services, supply of security products and related services
“Services Group”	Mr. Doo and any company in the equity capital of which Mr. Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary
“Services Group Annual Caps”	the annual cap amounts payable by the Group to the Services Group, and vice versa, in respect of the Services Group Transactions for each of the three years ending 30 June 2020

DEFINITIONS

“Services Group Contracting Services”	provision of services as main contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services, electrical systems and system design and consultancy, computer aided drafting services and related services
“Services Group Effective Date”	1 July 2017, which is conditional upon the Services Group Master Services Agreement becoming unconditional as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “The Services Group Master Services Agreement” in this circular
“Services Group Master Services Agreement”	the master services agreement in relation to the Services Group Transactions entered into between Mr. Doo and the Company on 10 April 2017
“Services Group Services”	the Services Group Contracting Services, Cleaning and Landscaping Services, Facility Management Services, Property Management Services, Security and Guarding Services, Rental Services, and such other types of services as members of the Services Group and members of the Group may agree upon from time to time in writing
“Services Group Termination Agreement”	the termination agreement dated 10 April 2017 entered into between Mr. Doo, the Company, FSE Engineering and FSE Management in relation to the termination of Former Services Group Master Service Agreement
“Services Group Transactions”	all existing and future transactions between members of the Services Group and members of the Group in respect of provision of Services Group Services
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary”	has the meaning ascribed to it under the Listing Rules or the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

Executive Directors:

Dr. Cheng Kar-Shun, Henry, *GBS (Chairman)*
Dr. Cheng Chi-Kong, Adrian, *JP*
(*Executive Vice-chairman and General Manager*)
Ms. Ki Man-Fung, Leonie, *GBS JP*
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Au Tak-Cheong

Registered office:

30th Floor
New World Tower
18 Queen's Road Central
Hong Kong

Non-executive Directors:

Mr. Doo Wai-Hoi, William, *JP*
(*Non-executive Vice-chairman*)
Mr. Cheng Kar-Shing, Peter
Mr. Chen Guanzhan

Independent Non-executive Directors:

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, *BBS JP*
Mr. Liang Cheung-Biu, Thomas

9 May 2017

*To the Shareholders and, for information purpose only,
the holders of the outstanding share options of the Company*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
THE SERVICES GROUP MASTER SERVICES AGREEMENT**

INTRODUCTION

References are made to the Announcement in relation to, amongst others, the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps.

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among other things, (i) information on the Services Group Master Services Agreement; (ii) the recommendations from the Independent Board Committee and the IFA; and (iii) a notice of EGM at which resolution will be proposed to consider, and, if thought fit, approve the EGM Matters.

THE SERVICES GROUP MASTER SERVICES AGREEMENT

Background

On 11 April 2014, Mr. Doo and the Company entered into the Former Services Group Master Services Agreement, pursuant to which the relevant members of the Services Group may from time to time enter into definitive agreement(s) with the relevant members of the Group in respect of any transaction as contemplated under the Former Services Group Master Services Agreement.

The initial term of the Former Services Group Master Services Agreement will expire on 30 June 2017. On 10 April 2017, Mr. Doo, the Company, FSE Engineering and FSE Management entered into the Services Group Termination Agreement, pursuant to which the parties agree to terminate the Former Services Group Master Services Agreement upon the Services Group Master Services Agreement becoming effective on the Services Group Effective Date. Accordingly, Mr. Doo and the Company agree to enter into the Services Group Master Services Agreement.

Date

10 April 2017

Parties

- (1) Mr. Doo; and
- (2) the Company

Conditionality

The Services Group Master Services Agreement is conditional upon the approval by the Independent Shareholders of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps at the EGM.

General terms for the Services Group Transactions

The relevant members of the Services Group may from time to time enter into Definitive Services Group Agreement(s) with the relevant members of the Group in relation to any Services Group Transaction upon, and subject to, the terms and conditions in compliance with the Services Group Master Services Agreement as may be agreed between the relevant members of the Services Group and the relevant members of the Group. All existing agreements between relevant members of the Services Group and relevant members of the Group in respect of the Services Group Transactions (to the extent which covers the

LETTER FROM THE BOARD

Services Group Transactions after the Services Group Effective Date) will be treated as Definitive Services Group Agreements made pursuant to the Services Group Master Services Agreement as from the Services Group Effective Date.

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

- (a) in the usual and ordinary course of business of the Services Group and the Group, as the case may be;
- (b) on normal commercial terms and based on the then prevailing market rates; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Services Group Annual Caps), the applicable laws, the Services Group Master Services Agreement and the relevant Definitive Services Group Agreement.

The consideration for each Definitive Services Group Agreement will be determined in the following manners:

- (a) in respect of the Rental Services: a quote which is based on at least three other market comparative quote(s) or from independent third parties in the market for similar property(ies) (if possible) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) will be provided by the lessor at the request of the lessee; the lessee may either accept the quote and proceed with the lease or reject the quote and decline to proceed further;
- (b) in respect of the Services Group Contracting Services:
 - where a member of the Services Group is nominated as contractor designated by ultimate employer (which may or may not be a member of the Group), consideration to such member of the Services Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer;
 - where the Group has the right to select contractor(s), consideration to such contractor(s) will be ascertained under the supervision of an in-house qualified professional quantity surveyor. The Group will obtain quotations from its list of pre-approved contractors (which is subject to periodic review and update by its management to ensure the contractors' quality standards). If the price and terms offered by the Services Group are equal to or better than those offered by the independent service providers, the Group may probably award the contract to the Services Group; and
 - for projects which involves consideration of a substantial amount, the member(s) of the Services Group will participate in a tender from all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount in accordance with the Group's

LETTER FROM THE BOARD

internal tender procedure(s) on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) set out in the bid invitation;

- (c) in respect of the Property Management Services: the consideration will be fixed at cost plus a prevailing market rate which will be determined by conducting research on the market comparables by the parties from time to time. The cost element will include all direct costs incurred such as equipment costs, staff costs, public liability insurance and other indirect or common costs allocated on revenue or other equitable basis; and
- (d) in respect of the other Services Group Services: the consideration will be fixed at an amount representing an increment of a prevailing market rate compared to the relevant immediately expired Definitive Services Group Agreement. Such prevailing market rate will be determined by conducting research on the market comparables by the parties from time to time.

Duration

The Services Group Master Services Agreement shall commence on the Services Group Effective Date, and shall continue up to and including 30 June 2020, unless terminated earlier in accordance with the Services Group Master 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 Services Group Master 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 or subsequent renewal term, the Services Group Master Services 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 Services Group Master Services Agreement.

Termination of the Former Services Group Master Services Agreement

On 10 April 2017, Mr. Doo, the Company, FSE Engineering and FSE Management entered into the Services Group Termination Agreement pursuant to which the parties agree to terminate the Former Services Group Master Services Agreement upon the Services Group Master Services Agreement becoming effective on the Services Group Effective Date. None of the parties has to pay to the other party any penalty and/or compensation under the Services Group Termination Agreement.

Historical figures and the Services Group Annual Caps

The aggregate transaction amounts payable by the Services Group to the Group, and vice versa, under the Former Services Group Master Services Agreement for the two years ended 30 June 2015 and 2016 and the six months ended 31 December 2016 were approximately HK\$1,209.3 million, HK\$1,725.1 million and HK\$662.6 million, respectively.

LETTER FROM THE BOARD

The Services Group Annual Caps for each of the three years ending 30 June 2018, 2019 and 2020 are HK\$3,699.6 million, HK\$5,405.3 million and HK\$5,837.1 million, respectively.

Each of the Services Group Annual Caps have been determined by reference to:

- (a) the historical annual or annualised amounts in respect of the Services Group Services provided by the Group to the Services Group, and vice versa, during the past financial years; and
- (b) the projected annual or annualised amounts in respect of the Services Group Services to be provided by the Group to the Services Group, and vice versa, in the three years ending 30 June 2020.

A significant portion of the Services Group Annual Caps for the services provided under the Services Group Master Services Agreement by members of the Services Group to members of the Group mainly relates to the provision of contracting services. The surge in the Services Group Annual Caps as compared with their relevant historical transaction values is mainly due to the increase in the transaction values of contracting services related to the Group, together with certain potential sizeable upcoming and/or ongoing projects which include, but not limited to, certain public or private sector development projects as well as various residential and commercial development projects, given that the Group may need to engage sub-contractors/package contractors for its construction business and the Services Group is one of the Group's key sub-contractors/package contractors. To support the surge in the Services Group Annual Caps, the Group has sizeable development projects located at Tsuen Wan West Rail Station with attributable gross floor area of approximately 540,017 square feet, Tai Wai MTR Station with attributable gross floor area of approximately 2,050,300 square feet, property investment projects including New World Centre project with attributable gross floor area of approximately 2,951,444 square feet and Ningbo New World Plaza project with attributable gross floor area of approximately 3,170,515 square feet; and newly acquired projects in Kowloon West King Lam Street project with attributable gross floor area of approximately 998,000 square feet, Shenzhen Qianhai project with attributable gross floor area of approximately 548,959 square feet and Shenzhen Prince Bay project with attributable gross floor area of approximately 2,055,905 square feet.

It is expected that the demand for contracting services by the Group, which is one of the major property developers in Hong Kong and the PRC, will remain strong in coming years due to their ongoing property development projects as well as the new property development projects during the term of the Services Group Master Services Agreement. Therefore, there is an increasing trend in the Services Group Annual Caps from financial year 2018 to financial year 2020.

Since Property Management Services may be required after completion of property development projects, another significant portion of the Services Group Annual Caps for the services provided under the Services Group Master Services Agreement mainly relates to the provision of Property Management Services. In considering the cap size for Property

LETTER FROM THE BOARD

Management Services, the Company has taken into account factors including inflation and business growth of the Company and its subsidiaries from financial year 2018 to financial year 2020.

The above-mentioned projected figures are determined based on the relevant historical figures, taking into account the business growth of the Services Group and the Group, the estimated future demand, the inflation factor and adjustments for non-recurring or extraordinary items, and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Services Group and/or the Group.

Reasons for and benefits of entering into the Services Group Master Services Agreement

The transactions contemplated under the Services Group Master Services Agreement 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 Services Group and the Group. The Services Group Master Services Agreement is intended to streamline the continuing connected transactions between members of the Services Group and members of the Group. It provides a single basis on which the Company will comply with the reporting, announcement and independent shareholders' approval requirements in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the agreements in respect of the provision of the Services Group Services.

The Services Group members have provided services to the Group for over decades. During this period, the Services Group members have established a reputation in their respective industries and accumulated valuable industrial expertise. Their clientele include listed companies and multinationals across various industries. Given the credentials and track record of the Services Group, in particular its over 40 years of experience in electrical and mechanical engineering services, possess of licenses required for performing the Services Group Services and over such long cooperation with the Group, the Group considered the Services Group as a suitable and capable candidate to be considered for the continuation of provision of the related services for the Group. The long-term relation between members of the Group and members of the Services Group also create synergies such as more effective communication and higher work efficiency.

On the other hand, the Group members have been and will continue to provide services to the Services Group members. The Company is of the view that the provision of the related services is a furtherance of the Group's business, and continuance of normal businesses relationship with members of the Services Group, whilst the Services Group Master Services Agreement allows members of the Group the flexibility but not the obligation to provide such services.

Given that the co-operation between members of the Group and members of the Services Group has been over decades, the entering into the Services Group Master Services Agreement can create synergies because (i) both parties are satisfied with the quality of the

LETTER FROM THE BOARD

services being provided; (ii) both parties are familiar with each other hence providing a more effective communication and higher work efficiency; and (iii) allows both parties to provide with each other flexibility in relation to the services to be provided.

The Directors (including the independent non-executive Directors of the Company) consider that the terms of the Services Group Master 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 Services Group Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

APPROVAL OF THE BOARD

Mr. Doo has a material interest in the Services Group Master Services Agreement. Dr. Cheng Kar-Shun, Henry beneficially owns 18% interest in FSE Holdings Limited, which holds 75% of FSE Engineering, a member of the Services Group. Mr. Doo, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Ms. Cheng Chi-Man, Sonia and Mr. Cheng Kar-Shing, Peter, who were present at the meeting of the board of Directors abstained from voting on the relevant board resolutions. Dr. Cheng Kar-Shun, Henry was not present at the aforesaid meeting of the board of Directors and accordingly did not vote on the relevant board resolutions.

INFORMATION ON THE GROUP, MR. DOO AND THE SERVICES GROUP

The 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.

Mr. Doo and the Services Group

Mr. Doo is the non-executive vice-chairman and a non-executive Director of the Company, and a director of certain subsidiaries of the Company and the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company. Mr. Doo is the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, the uncle of Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia and a controlling shareholder of the Services Group.

To the best knowledge of the Directors, the Services Group is principally engaged in the provision of services including: (i) property investment, property and facility management; (ii) security and guarding services; (iii) cleaning and laundry; (iv) landscaping; (v) provision of environmental engineering services, mechanical and electrical engineering services; (vi) trading of building materials; and (vii) insurance consultancy and brokerage.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Doo is the non-executive vice-chairman and a non-executive Director of the Company, and a director of certain subsidiaries of the Company, and hence Mr. Doo and the Services Group (being his associates) are connected persons of the Company. The Services Group 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 Services Group Annual Caps is more than 5%, the entering of the Services Group Master Services Agreement and the Services Group Annual Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

EGM

The Company will convene and hold the EGM at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 26 May 2017 at 12:00 noon to consider and, if thought fit, approve the EGM Matters. A notice of EGM is set out on pages 62 and 63 of this circular.

Any Shareholder with a material interest in the EGM Matters and its/his associates will abstain from voting at approving the EGM Matters at the EGM. Mr. Doo and his associates shall abstain from voting on the relevant ordinary resolution to approve the EGM Matters at the EGM.

In accordance with Rule 13.39(4) of the Listing Rules, the chairman of the EGM will direct that the proposed resolution set out in the notice convening the EGM be voted by poll, except where the chairman of the EGM, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands.

After the conclusion of the EGM, the results of the poll will be released on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.nwd.com.hk.

A proxy form for use in connection with the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.

The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates, must be lodged with the

LETTER FROM THE BOARD

Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 22 May 2017.

Completion and return of the proxy form shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yeung Ping-Leung, Howard, Mr. Cha Mou-Sing, Payson, Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John and Mr. Liang Cheung-Biu, Thomas has been established to advise the Independent Shareholders as to the fairness and reasonableness of the EGM Matters.

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 15 and 16 of this circular. Your attention is also drawn to the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the EGM Matters set out on pages 17 to 47 in this circular.

The Independent Board Committee, having taken into account the advice of the IFA, considers that the EGM Matters (namely, the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps) are in the ordinary and usual course of business of the Group, on normal commercial terms and that such agreement is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution approving the EGM Matters.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By order of the Board
Wong Man-Hoi
Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

9 May 2017

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS THE SERVICES GROUP MASTER SERVICES AGREEMENT

We refer to the circular dated 9 May 2017 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the EGM Matters, namely, the Services Group Master Service Agreement, the Services Group Transactions and the Services Group Annual Caps and to advise the Independent Shareholders as to whether, in our opinion, the EGM Matters are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Platinum Securities Company Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the EGM Matters and whether the EGM Matters are in ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 14 of the Circular which contains, among others, information on the EGM Matters as well as the letter from IFA as set out on pages 17 to 47 of the Circular which contains its advice in respect of the EGM Matters.

Having taken into account the advice of IFA, we consider that the EGM Matters are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the EGM Matters.

Yours faithfully,
Independent Board Committee
Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John
Mr. Liang Cheung-Biu, Thomas

LETTER FROM THE IFA

The following is the text of the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.

9 May 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS THE SERVICES GROUP MASTER SERVICES AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps. Details of the terms of the Services Group Master Services Agreement are contained in the circular of the Company dated 9 May 2017 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee.

In formulating our opinion, we have relied on the information and facts supplied to us by the Executive Directors and/or management of the Company. We have reviewed, among other things: (i) the Services Group Master Services Agreement; (ii) the announcement of the Company dated 10 April 2017 in relation to the Services Group Transactions (the “**Announcement**”); (iii) the annual report of the Company for the financial year ended 30 June 2016 (the “**2016 Annual Report**”); (iv) the interim report of the Company for the six months ended 31 December 2016 (the “**2017 Interim Report**”); and (v) the internal documents of the Company in connection with the determination of the Services Group Annual Caps, internal control procedures and pricing policies in relation to the Services Group Transactions.

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Executive Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

LETTER FROM THE IFA

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Executive Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Executive Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Services Group Transactions.

During the past two years, Platinum Securities Company Limited had only acted as independent financial adviser to NWS Holdings Limited (“NWS”, together with its subsidiaries referred as to “NWS Group”), a subsidiary of the Company, regarding certain proposed continuing connected transactions as mentioned in the announcement of NWS dated 10 April 2017 and the circular of NWS dated 9 May 2017 and had no past engagement with the Company. As at the Latest Practicable Date, we are independent from, and are not associated with the Company or any other party to the Services Group Transactions, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Services Group Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Services Group Transactions and from NWS for our role as the independent financial adviser in relation to the aforementioned engagement. Apart from the normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or NWS or any other party to the Services Group Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising 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, has been established to advise the Independent Shareholders as to whether the terms of each of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps are entered into on normal commercial terms, in the ordinary course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE IFA

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Information on the Group and Services Group

1.1 Information on the Group

The Company is a company incorporated in Hong Kong limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0017).

The Group is principally engaged in property development and investment, construction, provision of services (including property and facility management, transport and other services), infrastructure operations (including the operation of roads, environment projects, commercial aircraft leasing, container handling, logistics and warehousing services), hotel operations, department store operations, telecommunications, media, technology and other strategic businesses.

1.1.1 Historical financial performance of the Group

Set out below is a summary of the unaudited consolidated financial results of the Group for the financial years ended 30 June 2015 (“FY2015”) and 2016 (“FY2016”) and six months ended 31 December 2016 (“HY2017”) as extracted from the 2016 Annual Report and 2017 Interim Report.

	FY2015 <i>(Audited)</i> <i>HK\$ million</i>	FY2016 <i>(Audited)</i> <i>HK\$ million</i>	HY2017 <i>(Unaudited)</i> <i>HK\$ million</i>
Revenue	55,245.0	59,570.0	26,639.4
Gross profit	19,306.0	18,522.4	9,483.1
Operating profit	27,970.9	16,583.3	6,594.1
Profit attributable to Shareholders	19,112.0	8,666.3	4,335.7

The Group recorded revenue of HK\$59,570.0 million for FY2016, representing an increase of approximately 7.8% as compared to FY2015 and it is mainly due to the increase in revenue contribution from the property development segment and the service segment of the Group.

The property development segment reported a revenue growth of 11.1% in FY2016. Major contributors included “THE PAVILIA HILL”, North Point and “Double Cove Starview Prime” and “Double Cove Grandview”, Ma On Shan in Hong Kong, as well as “Shenzhen New World Yi Shan

LETTER FROM THE IFA

Garden”, “Shenzhen New World Signature Hill”, “Guangzhou Covent Garden”, “Guangzhou Park Paradise” and “Shenyang New World Garden” in Mainland China. Revenue from the service segment also increased substantially by 25.6%, mainly driven by surging business volume for the construction operations.

The operating profit of the Group and profit attributable to Shareholders for FY2016 decreased by 40.7% and 54.7% respectively to HK\$16,583.3 million and HK\$8,666.3 million respectively, and it was mainly affected by the Group’s one-off gain during FY2015 arisen from the disposal of 50% interest in three hotels, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel, Hong Kong and Hyatt Regency, Tsim Sha Tsui. Excluding the one-off gain arising from the disposal of hotel assets in FY2015, the operating profit of the Group for FY2015 was HK\$14,261.7 million and the operating profit of Group in FY2016 represented an increase of approximately 16.3% and it was mainly due to the increase in profits from the property development segment.

1.1.2 Financial position of the Group

Set out below is the summary of the financial position of the Group as extracted from the consolidated financial statements stated in the 2017 Interim Report.

	As at 31 December 2016 (Unaudited) HK\$ million
Non-current assets	249,490.4
Cash and bank balances	68,023.3
Other current assets	<u>102,875.2</u>
Total assets	420,388.9
Borrowings (non-current portion)	125,195.2
Other non-current liabilities	10,020.8
Borrowings (current portion)	18,746.5
Other current liabilities	<u>53,952.1</u>
Total liabilities	<u>207,914.6</u>
Equity attributable to Shareholders	<u><u>178,822.3</u></u>

LETTER FROM THE IFA

As at 31 December 2016, the total assets of the Group amounted to HK\$420,388.9 million, mainly comprising (i) investment properties of HK\$89,469.3 million; (ii) interests in joint ventures and associated companies mainly represents the Group's investments in various projects, with an aggregate amount of HK\$71,211.8 million; (iii) cash and bank balances of HK\$68,023.3 million; (iv) properties for development, properties under development and properties held for sale, with an aggregate amount of HK\$88,749.8 million; and (v) debtors and prepayments of HK\$31,348.1 million.

As at 31 December 2016, the total liabilities of the Group amounted to HK\$207,914.6 million, mainly comprising (i) borrowings of HK\$143,941.7 million (including current and non-current portions); and (ii) creditors and accrued charges of HK\$46,432.4 million.

The Group recorded equity attributable to Shareholders of HK\$178,822.3 million as at 31 December 2016.

1.2 Information on the listed subsidiaries of the Company

The Company has certain listed subsidiaries as at the Latest Practicable Date, namely NWS and New World Department Store China Limited (“**NWDS China**”), together with its subsidiaries referred as to “**NWDS China Group**”).

NWS is a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0659).

The NWS Group is principally engaged in (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, construction, transport and strategic investments.

NWDS China is a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0825).

NWDS China Group is principally engaged in the business of operating department store and other related business and property investment operations in the PRC.

LETTER FROM THE IFA

1.3 Information on Mr. Doo and the Services Group

Mr. Doo is the non-executive vice-chairman and a non-executive Director of the Company, and a director of certain subsidiaries of the Company and the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company. Mr. Doo is the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, the uncle of Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia and a controlling shareholder of the Services Group.

The Services Group is principally engaged in the provision of services including: (i) property investment, property and facility management; (ii) security and guarding services; (iii) cleaning and laundry; (iv) landscaping; (v) provision of environmental engineering services, mechanical and electrical engineering services; (vi) trading of building materials; and (vii) insurance consultancy and brokerage.

2. Background of the Services Group Transactions

On 11 April 2014, Mr. Doo and the Company entered into the Former Services Group Master Services Agreement, pursuant to which the relevant members of the Services Group may from time to time enter into Definitive Services Group Agreement(s) with the relevant members of the Group in respect of any transaction as contemplated under the Former Services Group Master Services Agreement.

The initial term of the Former Services Group Master Services Agreement will expire on 30 June 2017. On 10 April 2017, Mr. Doo, the Company, FSE Engineering and FSE Management entered into the Services Group Termination Agreement, pursuant to which the parties agree to terminate the Former Services Group Master Services Agreement upon the Services Group Master Services Agreement becoming effective on the Services Group Effective Date. Accordingly, Mr. Doo and the Company agree to enter into the Services Group Master Services Agreement.

3. Principal terms of the Services Group Master Services Agreement

Set out below is the principal terms of the Service Group Master Services Agreement.

Date:	10 April 2017
Parties:	(1) Mr. Doo; and (2) the Company

LETTER FROM THE IFA

**General terms for the
Services Group
Transactions:**

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

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

- a) in the usual and ordinary course of business of the Services Group and the Group, as the case may be;
- b) on normal commercial terms and based on the then prevailing market rates; and
- c) in compliance with all applicable provisions of the Listing Rules (including the Services Group Annual Caps), the applicable laws, the Services Group Master Services Agreement and the relevant Definitive Services Group Agreement.

LETTER FROM THE IFA

- Duration:** The Services Group Master Services Agreement shall commence on the Services Group Effective Date, and shall continue up to and including 30 June 2020, unless terminated earlier in accordance with the Services Group Master 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 Services Group Master 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 or subsequent renewal term, the Services Group Master Services 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 Services Group Master Services Agreement.
- Conditionality:** The Services Group Master Services Agreement is conditional upon the approval by the Independent Shareholders of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps at the EGM.
- Services Group Services covered:**
1. Services Group Contracting Services — provision of services as main contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services, electrical systems and system design and consultancy, computer aided drafting services and related services;

LETTER FROM THE IFA

2. Cleaning and Landscaping Services — general cleaning, vessel and vehicle cleaning, office and facility cleaning, recycling and environmental services, landscaping and plant maintenance, the supply of plants, laundry services and related services;
3. Facility Management Services — provision of information technology services, provision of convention and exhibition facilities, related functions and services, food and beverage catering services, food processing, trading and supply, merchandise sourcing, procurement and supply and related services;
4. Property Management Services — property management and related accounting services, property sales, vessel and vehicle sales and letting agency services, pre-marketing consultancy services, technical services, provision of car parking management and related services;
5. Security and Guarding Services — provision of security guards, security systems installation and maintenance services, armoured transport services, supply of security products and related services;
6. Rental Services — rental of properties, including without limitation spare spaces, office spaces and car parking spaces, vehicles and vessels and related services; and

such other types of services as members of the Services Group and members of the Group may agree upon from time to time in writing.

LETTER FROM THE IFA

Pricing:

The consideration for each Definitive Services Group Agreement will be determined in the following manners:

- a) in respect of the Rental Services: a quote which is based on at least three other market comparative quote(s) or from independent third parties in the market for similar property(ies) (if possible) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) will be provided by the lessor at the request of the lessee; the lessee may either accept the quote and proceed with the lease or reject the quote and decline to proceed further;
- b) in respect of the Services Group Contracting Services:
 - where a member of the Services Group is nominated as contractor designated by ultimate employer (which may or may not be a member of the Group), consideration to such member of the Services Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer;
 - where the Group has the right to select contractor(s), consideration to such contractor(s) will be ascertained under the supervision of an in-house qualified professional quantity surveyor. The Group will obtain quotations from its list of pre-approved contractors (which is subject to periodic review and update by its management to ensure the contractors' quality standards). If the price and terms offered by the Services Group are equal to or better than those offered by the independent service providers, the Group may probably award the contract to the Services Group; and

- for projects which involves consideration of a substantial amount, the member(s) of the Services Group will participate in a tender from all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount in accordance with the Group's internal tender procedure(s) on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) set out in the bid invitation;
- c) in respect of the Property Management Services: the consideration will be fixed at cost plus a prevailing market rate which will be determined by conducting research on the market comparables by the parties from time to time. The cost element will include all direct costs incurred such as equipment costs, staff costs, public liability insurance and other indirect or common costs allocated on revenue or other equitable basis; and
- d) in respect of the other Services Group Services: the consideration will be fixed at an amount representing an increment of a prevailing market rate compared to the relevant immediately expired Definitive Services Group Agreement. Such prevailing market rate will be determined by conducting research on the market comparables by the parties from time to time.

4. Reasons for and benefits of entering into the Services Group Master Services Agreement

Pursuant to the Services Group Master Services Agreement, the relevant members of the Group will conduct Services Group Transactions with the relevant members of the Services Group from the Services Group Effective Date until 30 June 2020.

We have discussed with the management of the Company and understand that the transactions contemplated under the Services Group Master Services Agreement 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 Services Group and the Group. The Services Group Master Services Agreement is intended to streamline the continuing connected transactions between members of the Services Group and members of the Group. It provides a single basis on which the Company will comply with the

LETTER FROM THE IFA

reporting, announcement and independent shareholders' approval requirements in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the agreements in respect of the provision of the Services Group Services.

Pursuant to the Services Group Master Services Agreement, the Services Group Services cover a wide range of services including Services Group Contracting Services, Cleaning and Landscaping Services, Facility Management Services, Property Management Services, Security and Guarding Services, Rental Services and such other types of services as members of the Service Group and the members of the Group may agree upon from time to time in writing.

We have discussed with the management of the Company and noted that the Services Group members have provided services to the Group for over decades. During this period, the Services Group members have established a reputation in their respective industries and accumulated valuable industrial expertise. Their clientele include listed companies and multinationals across various industries. Given the credentials and track record of the Services Group, in particular its over 40 years of experience in electrical and mechanical engineering services, possess of licenses required for performing the Services Group Services and over such long cooperation with the Group, the Group considered the Services Group as a suitable and capable candidate to be considered for the continuation of provision of the related services for the Group. The long-term relation between members of the Group and members of the Services Group also create synergies such as more effective communication and higher work efficiency.

On the other hand, we understand from the management that Group members have been and will continue to provide services to the Services Group members. The Company is of the view that the provision of the related services is a furtherance of the Group's business, and continuance of normal businesses relationship with members of the Services Group, whilst the Services Group Master Services Agreement allows members of the Group the flexibility but not the obligation to provide such services.

Given that the co-operation between members of the Group and members of the Services Group has been over decades, the entering into the Services Group Master Services Agreement can create synergies because (i) both parties are satisfied with the quality of the services being provided; (ii) both parties are familiar with each other hence providing a more effective communication and higher work efficiency; and (iii) allows both parties to provide with each other flexibility in relation to the services to be provided. In addition, we have looked at other listed companies that are engaged in the similar business as the Company and noted that arrangements similar to the Services Group Master Services Agreement also exist.

In conclusion, we are of the view that the entering into the Services Group Master Services Agreement is in the interests of the Group and the Shareholders as a whole.

4.1 Services Group Services provided by the Services Group to the Group

Based on the information provided by the management of the Company, we note that the Services Group Annual Caps related to services provided by the Services Group are mainly consisted of (i) Services Group Contracting Services; (ii) Cleaning and Landscaping Services; (iii) Property Management Services; and (iv) Security and Guarding Services (the “**Incoming Services**”).

We have discussed with the management of the Company and understand that the entering into the Services Group Master Services Agreement provides flexibility for the Group, but not the obligation, to appoint the members of the Services Group to support the business operation of the Group. Members of the Services Group have acted as service providers to the Group for over decades and during the period, the members of the Services Group have established a reputation in their respective industries and accumulated valuable industrial expertise. Given the qualification and experience of the members of the Services Group as well as the long-term cooperation with the Group, the management of the Company consider the Services Group is capable and suitable to be considered for the continuation of provision of the Incoming Services to the members of the Group.

In connection with the Incoming Services, we have discussed with the management of the Company, its respective listed and unlisted subsidiaries, and understand that the following:

The Company and its unlisted subsidiaries

We understand from the management of the Company that the Services Group Services provided by the members of Services Group to the Group (excluding NWS Group and NWDS China Group) were mainly related to the provision of electrical and mechanical engineering services and the members of the Services Group have historically acted as the electrical and mechanical engineering contractors and/or consultants to the property development and investment projects of the Group (excluding NWS Group and NWDS China Group). For projects with contract sum exceeding HK\$500,000, the selection of the contractors and/or consultants is determined by way of tender invited by the relevant employing members of the Group (excluding NWS Group and NWDS China Group).

We understand from the management of the Company that, for the purpose of governing the tender process, the Company and its unlisted subsidiaries have a tender procedure manual which sets out guidelines for the tender procedure, including selection criteria for and number of tenderers to invite for tender and tender assessment and evaluation. It is the intention of the Group (excluding the NWS Group and NWDS China Group) to continue inviting the relevant members of the Services Group to participate in future tenders for contracting services where considered appropriate.

LETTER FROM THE IFA

Further, as part of the tender evaluation, the relevant member of the Group (excluding the NWS Group and NWDS China Group) would evaluate, among other criteria, tender offers, background, qualification, historical performance, track record, reputation, financial standing and operational capabilities of the respective tenderers and the winning bid will be the one with the lowest tender amount in accordance with the internal tender procedure(s) on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) set out in the bid invitation.

Having considered the contribution of each category of the Services Group Services under the Services Group Master Services Agreement as well as their respective number of transactions (i.e. sample size) made during the term of the Former Services Group Master Services Agreement, we have selected three sample transactions on a random basis in relation to tender invited by the Group (excluding NWS Group and NWDS China Group) with contract sum exceeding HK\$500,000 and reviewed the relevant internal documents. We noted from the internal documents that the management of the Group (excluding NWS Group and NWDS China Group) would prepare a Tenderer List based on the scheduled project with information of the potential tenderers such as background, qualification, historical performance, track record, reputation, financial standing and operational capabilities for the Tender Committee to consider. After the approval of the Tenderer List, the Group would invite the shortlisted potential tenderers to submit their tender based on their requirements and the Group would either invite a third party or internal department to carry out detailed assessments and provide with a Tender Report for the management of the Group. After the approval by the management and Tender Committee, normally the tenderer which conformed to all essential requirements set out in the bid invitation with the lowest bid would be awarded the contract. However, if not the tenderer with the lowest bid who won the tender, a further justification would be provided to explain additional reasons that the Group has taken into consideration such as its experience, qualification or track record in comparison to the lowest bidder.

In addition, we noted from the management of the Company that once a contractor was appointed as the contractor and/or consultant to a property development and investment project of the Group (excluding the NWS Group and NWDS China Group), a designated project team from the Group (excluding the NWS Group and NWDS China Group) will continue to monitor the ongoing costs incurred by the selected contractor/consultant on the relevant project and project related costs will either be ascertained by an independent professional quantity surveyor to be appointed by the Group (excluding the NWS Group and NWDS China Group) or an in-house qualified professional quantity surveyor before relevant payments are made to the contractor and/or consultant for their work. Having considered the contribution of each category of the Services Group Services under the

LETTER FROM THE IFA

Services Group Master Services Agreement as well as their respective number of transactions (i.e. sample size) made during the term of the Former Services Group Master Services Agreement, we have selected three sample transactions on a random basis in relation to a project of the Group (excluding the NWS Group and NWDS China Group) and reviewed the relevant documents, and note that the Company has complied with the aforesaid cost monitoring process and the project related costs were ascertained by a qualified professional quantity surveyor.

We also noted from the management of the Company that apart from the normal procedures in selecting service provider for Incoming Services by tenders, the Company will also seek approval from the independent non-executive Directors before awarding any contract by the Company and/or its unlisted subsidiaries to member(s) of the Services Group with contract sum exceeding HK\$100,000,000.

NWS Group

We have discussed with the management of NWS and understand that the Services Group Services provided by member(s) of the Services Group to member(s) of the NWS Group were mainly related to the provision of contracting services for the NWS Group's construction business operations. There are two types of business arrangements for contracting services provided by members of the Services Group.

For the first type of arrangement, member(s) of the NWS Group is/are appointed as management contractor(s) or main contractor(s) or project manager(s) and a member of the Services Group is designated as a nominated sub-contractor by the ultimate employer (which may or may not be a member of the NWD Group). Services provided and/or work performed by the member of the Services Group will be monitored by the relevant members of the NWS Group. In addition, consideration to such member of the Services Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer. Having considered the contribution of each category of the Services Group Services under the Services Group Master Services Agreement as well as their respective number of transactions (i.e. sample size) made during the term of the Former Services Group Master Services Agreement, we have selected three sample transactions on a random basis and reviewed the relevant documents, and note that the independent professional quantity surveyor would recommend the service fee for the relevant sub-contracting works.

For the second type of arrangement, member(s) of the NWS Group has the right to select sub-contractor(s) and consideration to such sub-contractor(s) will be ascertained under the supervision of an in-house professional quantity surveyor. Such member of the NWS Group will invite quotations or tenders from at least two independent third parties (subject to

availability and some of which may have engaged in contemporaneous transactions with the NWS Group) from a list of pre-approved sub-contractors (which is subject to periodic review and update by its management to ensure the sub-contractors' quality standards) for services or products in similar quantities to determine if the price and terms offered by member(s) of the Services Group are fair and reasonable as compared to those offered by independent third parties. If the price and terms offered by a member of the Services Group are equal to or better than those offered by the independent service providers, such member of the NWS Group may probably award the contract to such member of the Services Group. We have reviewed the aforesaid list of pre-approved sub-contractors who could provide the relevant contracting services as at the Latest Practicable Date, and note that only approximately 13% of which were members of the Services Group, and thus we consider the NWS Group has a well-diversified contractor base and the selections of sub-contractors are not merely to rely on member(s) of the Services Group. As advised by the management of the Company, for projects which involve consideration of a substantial amount, the member(s) of the Services Group will participate in a tender with all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount in accordance with the NWS Group's internal tender procedure(s) on the condition that the bidder conformed to all the essential requirements (including, but not limited to, relevant experience, capability and historical relationship) as set out in the bid invitation.

Having considered the contribution of each category of the Services Group Services under the Services Group Master Services Agreement as well as their respective number of transactions (i.e. sample size) made during the term of the Former Services Group Master Services Agreement, we have three selected sample transactions on a random basis in relation to the sub-contracting engagements made by the NWS Group and reviewed the relevant documents, we note that the NWS Group has complied with the aforementioned guidelines and procedures, and the price and terms of the sample transactions are no less favourable to the NWS Group than those charged by independent sub-contractors of the NWS Group. We have also discussed with the management of the NWS and note that no material non-compliance in connection with such guideline and procedures during the term of Former Services Group Master Services Agreement up to the Latest Practicable Date was noted by the Group Audit & Risk Assurance Department (the "GARA") of NWS.

NWDS China Group

We have discussed with the management of NWDS China and understand that the Services Group Services provided by members of the Services Group to the NWDS China Group were mainly related to the

provision of electrical and mechanical engineering services, and members of the Services Group will be engaged as service provider subject to successful tender.

As advised by the management of NWDS China, for the purpose of cost control of its projects, NWDS China has a project management policy (工程项目管理政策) which sets out its tender procedures, including guidelines for, among other things, selection and number of tenderers to invite for tender being no less than three qualified tenderers, qualification evaluation, factors to consider in determining the winning tender and the formation of the tender evaluation team.

As part of the tender procedures, NWDS China would evaluate the qualification of the tenders including, among other criteria, background, track record and quality of work, qualification, resources and costs control management and operational capabilities of the tenderers.

In order to assess the implementation of the internal control procedures, we have selected three sample transactions on a random basis after considering the contribution of each category of the Services Group Services under the Services Group Master Services Agreement as well as their respective number of transactions (i.e. sample size) made during the term of the Former Services Group Master Services Agreement, and reviewed the relevant internal documents in relation to tender held by the NWDS China Group. We noted from the internal documents that for each Definitive Services Group Agreement of the NWDS China Group: (i) in respect of the Services Group Contracting Services: through tender from all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount and is equal to or better than those offers of independent third parties and recommended by the operational and technical departments in accordance with the relevant policies taking into account of the independent professional advice; or (ii) in respect of the other Services Group Services: a quote will be provided by the selling party; the purchasing party may, through its operational and technical departments, consider either to accept the quote and proceed with the purchase or reject the quote and decline to proceed further, based on other quote(s) for similar service(s) obtained from the market to ensure the quote from the Services Group is no less favourable to the NWDS China Group than those offered by independent third parties. Based on our review of the internal documents of the selected samples, we noted that the NWDS China Group complied with the aforesaid guidelines of the tender.

Overall

In conclusion, based on our work done, we are of the view that the Services Group Transactions in relation to the Incoming Services contemplated under the Services Group Master Services Agreement are in

the ordinary and usual course of business of the Group and the Group has implemented appropriate internal control procedures to ensure the Services Group Transactions contemplated under the Services Group Master Services Agreement will be conducted on normal commercial terms that are no less favourable to the Group than those available from independent third parties.

4.2 Services Group Services provided by the Group to the Services Group

We have discussed with the management of the Company and understand that the members of the Group have been and will continue to provide certain services to the members of the Services Group including (i) Services Group Contracting Services; (ii) Facility Management Services; (iii) Property Management Services; and (iv) Rental Services (the “**Outgoing Services**”). We have discussed with the management of the Company and understand that the provision of the Outgoing Services by the members of the Group is a furtherance of the business relationship with the members of the Services Group, and provide flexibility for the members of the Group, but not obligation to continue the provision of the Outgoing Services.

In connection with the Outgoing Services, we have discussed with the management of the Company and understand that the following:

The Company and its unlisted subsidiaries

Based on the information provided by the management of the Company, the services provided to the Services Group are predominately related to the Rental Services.

The basis of terms and rental rate will be determined with reference to the prevailing market rate and will be consistent with those available to other independent third parties. For new rental services, the lessee will approach a Group member for on-site visit for the available property, and the lessee will verbally request for a quote if it wishes to proceed with the lease. A quote, for both new and renewed rental services, which is either equal to or better than the currently available market comparative quotes from the Group member(s) as lessor to the independent third parties as lessee for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least three quotes from public quotation of the real estate agencies, will be provided by the Group member to the lessee in form of standard lease agreement. The lessee may either accept the quote and proceed with the lease or reject the quote and decline to proceed further. Based on the information provided by the management of the Group (excluding the NWS Group and the NWDS China Group), we note that Services Group Services provided by the Group (excluding the NWS Group and the NWDS China Group) to the Services Group during the term of the Former Services Group Master Services Agreement mainly related to rental of a commercial property owned by the member of the Group (excluding the

NWS Group and the NWDS China Group) and we have reviewed the related lease agreement, and noted that the Group (excluding the NWS Group and the NWDS China Group) has complied with the aforementioned internal control policy and procedures. Besides, we have also conducted our own research on the rental property market by comparing the prevailing market rental rate of properties with similar location, usable space, available facilities and quality to the rental rate and terms offered by the Group (excluding the NWS Group and the NWDS China Group) and note that the rental rate and terms offered by the Group (excluding the NWS Group and the NWDS China Group) are no less favourable than the prevailing market rate. As such, we consider the terms offered by the Group (excluding the NWS Group and the NWDS China Group) to the Services Group are no less favourable to the Group (excluding the NWS Group and the NWDS China Group) than those offered to independent third parties.

NWS Group

Based on the information provided by the management of NWS, we note that Services Group Services provided by the NWS Group to the Services Group during the term of the Former Services Group Master Services Agreement were mainly related to the provision of facilities management services by members of the NWS Group. However, the relevant Services Group Annual Caps for the term of the Services Group Master Services Agreement are expected to be mainly attributable to the provision of project management services by members of the NWS Group.

As discussed with the management of NWS, member(s) of the NWS Group may be engaged for providing project management services to member(s) of the Services Group. In providing such project management services, the member(s) of the NWS Group will charge the member(s) of the Services Group on a cost-plus basis (which is expected to be not exceeding 6%, but may vary depending on the scale or, if applicable, the unique nature of the project agreed to be undertaken by the NWS Group) agreed with the member(s) of the Services Group, which is in line with the basis of engagements to independent third parties for projects with similar nature and size. Member(s) of the NWS Group is required to follow its internal control guideline and procedures to ensure the price and terms offered to member(s) of the Services Group are no less favourable to the NWS Group than those offered by the NWS Group to independent third parties. We have reviewed the NWS Group's internal control policy regarding engagement through direct appointment and understand that the relevant member of the NWS Group will perform a thorough analysis of the project specifications, the collection of cost and other data and the retrieval of other useful data on the NWS Group's database for reference and assessment purpose. Having considered the contribution of each category of the Services Group Services under the Services Group Master Services Agreement as well as their respective number of transactions (i.e. sample size) made during the term of

LETTER FROM THE IFA

the Former Services Group Master Services Agreement, we have selected two sample transactions on a random basis determined by cost-plus basis between the NWS Group and the Services Group and reviewed the relevant documents, we note that the NWS Group has complied with the aforementioned internal control policy and procedures, and its price and terms are no less favourable to the NWS Group than those offered by the NWS Group to independent third parties. The GARA of NWS would conduct review regularly on the cost-plus percentages used during the year and compare them to independent third party projects with similar nature and size. As advised by the management of NWS, no material non-compliance in connection with such procedures from the term of the Former Services Group Master Services Agreement up to the Latest Practicable Date was noted by the GARA of NWS.

We have discussed with the management of NWS Group and understand that the provision of project management services is related to potential projects that are currently projected in the project schedule (the “**Project Schedule**”), which was prepared by the management of the Group (including NWS Group and NWDS China Group) and sets out, among others, the historical transacted amounts and the estimated contract values on a project-by-project basis by categories of services between members of the Group (including NWS Group and NWDS China Group) and members of the Services Group during the period from 1 July 2014 to 30 June 2020. We have reviewed the Project Schedule and note that no member of the NWS Group has provided the project management services to the member(s) of the Services Group during the term of Former Services Group Master Services Agreement up to the Latest Practicable Date. The GARA of NWS will conduct review regularly on the engagements between the member(s) of the NWS Group and the member(s) of the Services Group to ensure the implementation of the NWS Group’s internal control policy and procedures.

Overall

In conclusion, based on our work done, we are of the view that the Services Group Transactions in relation to the Outgoing Services contemplated under the Services Group Master Services Agreement are in the ordinary and usual course of business of the Group and the Group has implemented appropriate internal control procedures to ensure the transactions contemplated under the Services Group Master Services Agreement will be conducted on normal commercial terms that are no less favourable to the Group than those available to independent third parties.

LETTER FROM THE IFA

5. Proposed Annual Caps for the Continuing Connected Transactions

5.1 Historical transaction amounts

The tables below set out the historical transaction amounts of the Services Group Transactions under the Former Services Group Master Services Agreements for FY2015, FY2016 and HY2017:

Services Group Transactions between the Group and the Services Group

	FY2015 <i>HK\$ in million</i>	FY2016 <i>HK\$ in million</i>	HY2017 <i>HK\$ in million</i>
<i>Type of transactions</i>			
Services Group Services provided by members of the Services Group to members of the Group (i.e. Incoming Services)	1,205.4	1,719.2	660.2
Services Group Services provided by members of the Group to members of the Services Group (i.e. Outgoing Services)	<u>3.9</u>	<u>5.9</u>	<u>2.4</u>
Total	<u><u>1,209.3</u></u>	<u><u>1,725.1</u></u>	<u><u>662.6</u></u>

LETTER FROM THE IFA

5.2 Proposed Annual Caps and basis of determination for Annual Caps:

The proposed Services Group Annual Caps for the transactions contemplated under the Services Group Master Services Agreement during its term (i.e. three years ending 30 June 2020, namely “FY2018”, “FY2019” and “FY2020” respectively) and the basis of determination for such Services Group Annual Caps are set out as follows:

	FY2018	FY2019	FY2020
	<i>HK\$ in</i>	<i>HK\$ in</i>	<i>HK\$ in</i>
	<i>million</i>	<i>million</i>	<i>million</i>
<i>Type of transactions</i>			
Services Group Services by members of the Services Group to members of the Group (i.e. Incoming Services)	3,655.6	5,360.1	5,786.9
Services Group Services by members of the Group to members of the Services Group (i.e. Outgoing Services)	<u>44.0</u>	<u>45.2</u>	<u>50.2</u>
Total	<u>3,699.6</u>	<u>5,405.3</u>	<u>5,837.1</u>

As set out in the “Letter from the Board”, each of the Services Group Annual Caps have been determined by reference to:

- (i) The historical annual or annualised amounts in respect of the Services Group Services provided by the Group to the Services Group, and vice versa, during the past financial years; and
- (ii) The projected annual or annualised amounts in respect of the Services Group Services to be provided by the Group to the Services Group, and vice versa, in the three years ending 30 June 2020.

A significant portion of the Services Group Annual Caps for the services provided under the Services Group Master Services Agreement by members of the Services Group to members of the Group mainly relates to the provision of contracting services. The surge in the Services Group Annual Caps as compared with their relevant historical transaction values is mainly due to the increase in the transaction values of contracting services related to the Group, together with certain potential sizeable upcoming and/or ongoing projects which include, but not limited to, certain public or private sector development projects as well as

LETTER FROM THE IFA

various residential and commercial development projects, given that the Group may need to engage sub-contractors/package contractors for its construction business and the Services Group is one of the Group's key subcontractors/package contractors. To support the surge in the Services Group Annual Caps, the Group has sizeable development projects located at Tsuen Wan West Rail Station with attributable gross floor area of approximately 540,017 square feet, Tai Wai MTR Station with attributable gross floor area of approximately 2,050,300 square feet, property investment projects including New World Centre project with attributable gross floor area of approximately 2,951,444 square feet and Ningbo New World Plaza project with attributable gross floor area of approximately 3,170,515 square feet; and newly acquired projects in Kowloon West King Lam Street project with attributable gross floor area of approximately 998,000 square feet, Shenzhen Qianhai project with attributable gross floor area of approximately 548,959 square feet and Shenzhen Prince Bay project with attributable gross floor area of approximately 2,055,905 square feet.

It is expected that the demand for contracting services by the Group, which is one of the major property developers in Hong Kong and the PRC, will remain strong in coming years due to their ongoing property development projects as well as the new property development projects during the term of the Services Group Master Services Agreement. Therefore, there is an increasing trend in the Services Group Annual Caps from FY2018 to FY2020.

Since Property Management Services may be required after completion of property development projects, another significant portion of the Services Group Annual Caps for the services provided under the Services Group Master Services Agreement mainly relates to the provision of Property Management Services. In considering the cap size for Property Management Services, the Company has taken into account factors including inflation and business growth of the Company and its subsidiaries from FY2018 to FY2020.

The above-mentioned projected figures are determined based on the relevant historical figures, taking into account the business growth of the Services Group and the Group, the estimated future demand, the inflation factor and adjustments for non-recurring or extraordinary items, and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Services Group and/or the Group.

LETTER FROM THE IFA

5.2.1 Services Group Annual Caps for Incoming Services

We have discussed with the management of the Company and understand that they have prepared a projection which sets out the estimated contract value for each project by categories of Services Group Services to be entered with the Services Group during the term of the Services Group Master Services Agreements, and we have reviewed the Project Schedule and note that the Group has engaged member of the Services Group as a sub-contractor for the Group's property development projects and the ongoing development will fall into the term of the Services Group Master Services Agreement. Furthermore, the Group may potentially engage members of the Service Group for contracting services for certain number of its new property development projects.

In order to assess the fairness and reasonableness of the proposed Services Group Annual Caps for the Incoming Services, we have reviewed the relevant calculations and discussed with the management of the Company and understand from them that the proposed Services Group Annual Caps are derived from the combined annual caps of (i) the Company and its unlisted subsidiaries; (ii) the NWS Group; and (iii) the NWDS China Group.

Set out below the details of the Services Group Annual Caps in relation to the Incoming Services:

	FY2018	FY2019	FY2020
	<i>HK\$ in</i>	<i>HK\$ in</i>	<i>HK\$ in</i>
	<i>million</i>	<i>million</i>	<i>million</i>
<i>Entities/groups</i>			
The Company and its unlisted subsidiaries	1,351.6	1,726.1	2,246.9
NWS Group	2,235.0	3,542.0	3,448.0
NWDS China Group	<u>69.0</u>	<u>92.0</u>	<u>92.0</u>
Total	<u><u>3,655.6</u></u>	<u><u>5,360.1</u></u>	<u><u>5,786.9</u></u>

The Company and its unlisted subsidiaries

Based on the information provided by and the discussion with the management of the Company, we note that the Services Group Services provided by members of the Services Group were substantially attributable to the Services Group Contracting Services and the Property Management Services. It is expected that demand of such contracting services by the Company and its unlisted subsidiaries, which is one of the major property developers in Hong Kong and the PRC, will remain strong in coming years due to its ongoing property development

LETTER FROM THE IFA

projects as well as the new property development projects during the term of the Services Group Master Services Agreement. Therefore, there is an increasing trend in the Services Group Annual Caps from FY2018 to FY2020.

In order to assess the fairness and reasonableness of the proposed annual caps, we have reviewed the relevant calculations set out in the Project Schedule and discussed with the management of the Company and understand from them that the proposed annual caps are arrived at mainly based on, among others, (i) the estimated scope of works and size in respect of the property development projects set out in the Project Schedule; (ii) the estimated relevant contracting costs for the projects set out in the Project Schedule during the term of the Services Group Master Services Agreement; and (iii) the expected development progress of the projects. We note from the Project Schedule that the contracting services in relation to new property development and investment projects in Hong Kong and the PRC contributed substantial portion to the aggregate transaction amount between the Group and the Services Group which is in line with the anticipated business growth for the Group. We have obtained and reviewed the historical costs of the Group's previous projects with similar nature and size and note that the scope of work and development progress are comparable to that of estimated by the management of the Company in the Project Schedule. Moreover, we have conducted our independent analysis by calculating the unit cost per square feet adopted in the calculation of annual caps and noted that it is in line with the actual historical unit cost per square feet of the Group's previous projects.

Besides, we also note from the Project Schedule that potential sizable upcoming residential property projects of NWD Group, including but not limited to residential projects located at Tsuen Wan West Rail Station, the New World Centre project, the Ningbo New World Plaza project, the Kowloon West King Lam Street project, the Shenzhen Qianhai project and the Shenzhen Prince Bay project are also projected in the Project Schedule.

For the Property Management Services, the relevant annual caps are estimated based on the actual historical transaction amount after taking into account factors including inflation and business growth of the Company and its unlisted subsidiaries from FY2018 to FY2020. We have discussed with the management of the Company and note that the transaction value of the Property Management Services are mainly based on (i) management share in the deed of mutual consent, the number of blocks and the number of units of the subject property to be managed; (ii) the management cost per unit area; and (iii) the scope of the management services required. We have reviewed the Project Schedule and noted that the total area covered by the Property

LETTER FROM THE IFA

Management Services are stated (for completed projects) or estimated (for under development projects) in the Project Schedule and the scope of work are determined based on the Group's previous projects with similar nature and size. Having considered the contribution of the Property Management Services under the Services Group Master Services Agreement as well as their respective number of transactions (i.e. sample size) made during the term of the Former Services Group Master Services Agreement, we have selected two sample transactions on a random basis. We have selected two sample transactions on a random basis with similar size and nature of management services as projects set out in the Project Schedule and reviewed the relevant documents and note that the unit cost adopted in the calculation of the annual caps are comparable to the historical unit costs incurred by the Company and its unlisted subsidiaries.

Given the above basis of determination of the annual caps, we consider the estimation of annual caps for Incoming Services attributable to the Company and its unlisted subsidiaries is fair and reasonable.

The NWS Group

Based on the information provided by and the discussion with the management of NWS, we note that the Services Group Services provided by member of the Services Group were mainly attributable to the contracting services. The surge in the proposed annual caps as compared with their historical transaction values is due to the increase in the transaction values of contracting services related to the Company and its unlisted subsidiaries, together with certain sizeable upcoming and/or ongoing projects which include, but not limited to, certain public or private sector development projects as well as various residential and commercial development projects, given that the NWS Group may need to engage sub-contractors/package contractors for its construction business and the Services Group is one of the NWS Group's key sub-contractors/package contractors.

In order to assess the fairness and reasonableness of the proposed annual caps, we have reviewed the relevant calculations and discussed with the management of NWS and understand from them that the proposed annual caps are arrived at mainly based on, among others, (i) the estimated scope of works in respect of the property development projects set out in the Project Schedule; (ii) the estimated relevant contract value; and (iii) the expected progress of the construction works of the projects set out in the Project Schedule during the term of the Services Group Master Services Agreement. We have reviewed the Project Schedule which set out the estimated contract values for each project during the term of the Services Group Master Services

LETTER FROM THE IFA

Agreement and note that the contracting services to be provided by the Services Group are related to the Group's property development projects, together with certain sizeable upcoming and/or ongoing projects which include, but not limited to, certain public or private sector development projects such as the West Kowloon Government Offices in Yau Ma Tei, the potential residential project located at Tai Wai MTR Station as well as other various residential and commercial development projects given the fact that the NWS Group needs to engage sub-contractors/package contractors for its construction business and the Services Group is one of the NWS Group's pre-approved sub-contractors/package contractors. We have also compared the historical contract value in relation to engagement of independent sub-contractors/package contractors by the NWS Group for projects with similar nature and size and note that it is comparable with the estimated figures adopted in the calculation of Services Group Annual Caps.

Given the above basis of determination of the annual caps, we consider the estimation of annual caps for Incoming Services attributable to the NWS Group is fair and reasonable.

The NWDS China Group

Based on the information provided by and the discussion with the management of NWDS China, we note that the Services Group Services provided by member of the Services Group were mainly related to the Services Group Contracting Services, in particular the renovation work, for the NWDS China Group's stores.

In order to assess the fairness and reasonableness of the proposed annual caps, we have discussed with the management of NWDS China about the Project Schedule which sets out the estimated value of Services Group Contracting Services and other relevant services by entities and projects that may be awarded by the NWDS China Group to the Services Group during the term of the Services Group Master Services Agreement, and noted that the values of the Services Group Contracting Services are estimated primarily based on (i) the possible contracting services that may be awarded by the NWDS China Group to the Services Group with respect to each project of the NWDS China Group; (ii) the development plans of such projects including those related to contracting services and proposed timetable in relation thereto; and (iii) the estimated quantity of contracting services required and the prices of such services, the latter of which are made reference to the prevailing market prices after factoring into the expected increase in labour costs, material costs as well as inflation, the basis of which is considered to be reasonable.

LETTER FROM THE IFA

We have discussed with the management of NWDS China and understand that due to the ad hoc nature of the Services Group Contracting Services, it is difficult to predict with certainty as and when contracts will be awarded to members of the Services Group, and therefore the proposed annual caps are determined based on their best estimation. Given that the contracting services are generally market driven and the demand of which would be affected by factors such as the complexity of the design of each project and the number and size of projects, we concur with the management of NWDS China that it is difficult to predict the same with certainty. In order to justify the aforesaid basis adopted by NWDS China, we have discussed with the management of NWDS China and understand that the estimated annual caps are derived based on the business development plan of NWDS China Group which sets out the planned renovation schedule for the NWDS China Group's existing stores and the schedule of opening new stores during the term of Services Group Master Services Agreement. As stated in the interim report of NWDS China for the six months ended 31 December 2016, the NWDS China Group has four pipeline projects located at Wuhan, Chongqing and Shenyang and we consider the schedule of opening new stores estimated in the Project Schedule is justifiable. In estimation of the relevant annual caps, the management of NWDS China assumed that the Services Group would participate and win all tenders for contracting services invited by the NWDS China Group and we have discussed with the management of NWDS China regarding such assumption and understand that it was made for prudent basis only and the winning bids shall be the one with the lowest tender amount in accordance with the Group's internal tender procedures as mentioned above in this letter.

We concur with the management of NWDS China that it is prudent and justifiable to adopt such assumption for annual caps estimation. As such, we consider the estimation of annual caps for Incoming Services attributable to the NWDS China Group is fair and reasonable.

LETTER FROM THE IFA

5.2.2 Services Group Annual Caps for Outgoing Services

Set out below the details of the Services Group Annual Caps in relation to the Outgoing Services

	FY2018	FY2019	FY2020
	<i>HK\$ in</i>	<i>HK\$ in</i>	<i>HK\$ in</i>
	<i>million</i>	<i>million</i>	<i>million</i>
<i>Entities/groups</i>			
The Company and its unlisted subsidiaries	6.0	4.2	5.2
NWS Group	<u>38.0</u>	<u>41.0</u>	<u>45.0</u>
Total	<u><u>44.0</u></u>	<u><u>45.2</u></u>	<u><u>50.2</u></u>

The Company and its unlisted subsidiaries

Based on the information provided by the management of the Company, we note that the Outgoing Services provided by the Company and its unlisted subsidiaries are mainly related to Rental Services and the size of the Services Group Annual Caps for the Outgoing Services attributable to the Company and its unlisted subsidiaries is immaterial to the Group's overall operation as a whole. The relevant annual caps are derived by making reference to the historical transaction values with members of the Services Group together with the expected demand for services by the Services Group and the inflation during the term of the Services Group Master Services Agreement and we consider such basis is fair and reasonable.

NWS Group

Based on the information provided by the management of NWS, we note that Services Group Services provided by the NWS Group to the Services Group during the term of the Former Services Group Master Services Agreement were mainly related to the provision of facilities management services by members of the of the NWS Group. However, the relevant annual caps for the term of the Services Group Master Services Agreement are expected to be mainly attributable to the provision of project management services by members of the NWS Group.

LETTER FROM THE IFA

In order to assess the fairness and reasonableness of the proposed annual caps, we have reviewed the relevant calculations and discussed with the management of the NWS and understand from them that the proposed annual caps are arrived at based on (i) the estimated scope of work of the contracting services to be provided; (ii) the size of projects to be managed; and (iii) the estimated operating costs in relation to the provision of the contracting services. We have compared the historical contract value in relation to provision of project management services by the NWS Group for projects owned by independent third parties with similar nature and size and note that it is comparable with the estimated figures adopted in the calculation of Services Group Annual Caps.

5.2.3 Our view on the proposed Annual Caps of the New Master Services Agreements

Given (i) the relevant proposed Annual Caps are derived by the Project Schedule which has taken into consideration of, among others, the estimated scope of works to be provided to/from the member(s) of the Group, the estimated costs of works/services for each project in the Project Schedule, the expected development progress for each project in the Project Schedule; (ii) the service fee or price adopted in the calculation of proposed Annual Caps are based on the Group's historical actual figures and, based on our work done, are comparable to those adopted in the calculation of Services Group Annual Caps, we are of the view that the proposed Services Group Annual Caps of the New Master Services Agreements are fair and reasonable.

RECOMMENDATION

In relation to the Services Group Transactions, we have considered the above principal factors and reasons and, in particular, having taken into account the followings in arriving at our opinion:

- (a) the entering into the Services Group Master Services Agreements is in the ordinary and usual course of business of the Company;
- (b) the entering into the Services Group Master Services Agreements is in the interest of the Company and the Shareholders as a whole; and
- (c) the Services Group Annual Caps under the Services Group Master Services Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the principal factors and reasons above, we are of the view that the Services Group Master Services Agreements was entered into in the ordinary and usual course of business of the Company on normal commercial terms, and the terms of the Services Group Master Services Agreements and the proposed Services Group Annual Caps under the Services Group Master Services Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE IFA

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolution in relation to the Services Group Transactions to be proposed at the EGM.

Yours faithfully,
For and on behalf of

Platinum Securities Company Limited

Li Lan

Director and Co-head of Corporate Finance

Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Li Lan has over ten years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(I) Long positions in shares

	Number of Shares				Total	Approximate
	Personal interests	Family interests	Corporate interests	Other interests		% of shareholding
The Company (ordinary Shares)						
Mr. Doo	—	12,787,224	33,896,403 ⁽¹⁾	—	46,683,627	0.48
Mr. Cheng Kar-Shing, Peter	—	534,911	—	—	534,911	0.01
Mr. Ho Hau-Hay, Hamilton	—	—	878,353 ⁽²⁾	—	878,353	0.01
Mr. Liang Cheung-Biu, Thomas	10,429	—	—	—	10,429	0.00
Ms. Ki Man-Fung, Leonie	90,000	—	—	—	90,000	0.00
Mr. Yeung Ping-Leung, Howard	—	—	—	244,822 ⁽³⁾	244,822	0.00
New World Department Store China Limited (ordinary shares of HK\$0.10 each)						
Ms. Ki Man-Fung, Leonie	20,000	—	—	—	20,000	0.00
Ms. Cheng Chi-Man, Sonia	92,000	—	—	—	92,000	0.01
NWS Holdings Limited (“NWS”) (ordinary shares of HK\$1.00 each)						
Dr. Cheng Kar-Shun, Henry	18,349,571	—	12,000,000 ⁽⁴⁾	—	30,349,571	0.79
Mr. Doo	—	—	8,272,903 ⁽⁵⁾	—	8,272,903	0.21
Mr. Cheng Kar-Shing, Peter	320,097 ⁽⁶⁾	—	6,463,226 ⁽⁷⁾	—	6,783,323	0.18
Ms. Ki Man-Fung, Leonie	15,000	—	—	—	15,000	0.00
Sun Legend Investments Limited (ordinary shares)						
Mr. Cheng Kar-Shing, Peter	—	—	500 ⁽⁸⁾	—	500	50.00

Notes:

- (1) These Shares are beneficially owned by companies which are wholly-owned by Mr. Doo.
- (2) These Shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (3) These Shares are held by Mr. Yeung Ping-Leung, Howard as trustee of a trust, of which he is also a beneficiary.
- (4) These shares are beneficially owned by a company which is wholly-owned by Dr. Cheng Kar-Shun, Henry.
- (5) These shares are beneficially owned by a company which is wholly-owned by Mr. Doo and include the corporate interest in 218,618 scrip shares of NWS to be issued on or about 15 May 2017 under the interim dividend of NWS for the year ending 30 June 2017 (the “NWS Interim Dividend”).
- (6) These shares include the interest in 7,976 scrip shares of NWS to be issued on or about 15 May 2017 under the NWS Interim Dividend.
- (7) These shares are beneficially owned by a company which is wholly-owned by Mr. Cheng Kar-Shing, Peter and include the corporate interest in 161,061 scrip shares of NWS to be issued on or about 15 May 2017 under the NWS Interim Dividend.
- (8) These shares are beneficially owned by a controlled corporation of Mr. Cheng Kar-Shing, Peter.

(II) Long positions in share options*(i) The Company*

Name of Director	Date of grant	Exercisable period (Note)	Number of share options	Exercise price per Share (HK\$)
Dr. Cheng Kar-Shun, Henry	10 June 2016	(1)	10,675,637	7.540
Mr. Doo	22 January 2014	(2)	532,982	9.756
Dr. Cheng Chi-Kong, Adrian	9 March 2016	(3)	4,500,000	7.200
	10 June 2016	(1)	3,736,471	7.540
Mr. Chen Guanzhan	10 June 2016	(1)	2,802,471	7.540
Mr. Yeung Ping-Leung, Howard	10 June 2016	(1)	533,779	7.540
Mr. Cha Mou-Sing, Payson	10 June 2016	(1)	533,779	7.540
Mr. Cheng Kar-Shing, Peter	10 June 2016	(1)	533,779	7.540
Mr. Ho Hau-Hay, Hamilton	10 June 2016	(1)	533,779	7.540
Mr. Lee Luen-Wai, John	10 June 2016	(1)	533,779	7.540
Mr. Liang Cheung-Biu, Thomas	10 June 2016	(1)	533,779	7.540
Ms. Ki Man-Fung, Leonie	10 June 2016	(4)	2,402,016	7.540
Mr. Cheng Chi-Heng	10 June 2016	(1)	533,779	7.540
Ms. Cheng Chi-Man, Sonia	10 June 2016	(1)	3,202,688	7.540
Mr. Au Tak-Cheong	22 January 2014	(2)	532,982	9.756
	10 June 2016	(1)	1,016,693	7.540
			<u>33,138,393</u>	

Notes:

- (1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (2) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (3) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.
- (4) Divided into 3 tranches exercisable from 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (5) The cash consideration paid by each Director for each grant of share options is HK\$10.0.

(ii) *NWS*

Name of Director	Date of grant	Exercisable period (Note)	Number of share options	Exercise price per share (HK\$)
Dr. Cheng Kar-Shun, Henry	9 March 2015	(1)	<u>7,417,691</u>	14.126

Notes:

- (1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) The cash consideration paid by the above Director for the grant of share options is HK\$10.0.

(III) Long positions in debentures

(i) *Fita International Limited ("Fita")*

Name of Director	Amount of debentures issued by Fita				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest US\$	Family interests US\$	Corporate interests US\$	Total US\$	
Mr. Doo	—	2,900,000	12,890,000 ⁽¹⁾	15,790,000	2.11
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	—	2,000,000	0.27
	<u>1,000,000</u>	<u>3,900,000</u>	<u>12,890,000</u>	<u>17,790,000</u>	

Note:

- (1) These debentures are beneficially owned by companies which are wholly-owned by Mr. Doo.

(ii) *New World China Land Limited (“NWCL”)*

Name of Director	Amount of debentures issued by NWCL				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest <i>RMB</i>	Family interests <i>RMB</i>	Corporate interests <i>RMB</i>	Total <i>RMB</i>	
Mr. Doo	—	65,896,000 ⁽¹⁾	1,142,041,200 ⁽²⁾	1,207,937,200	10.92
Mr. Cheng Kar-Shing, Peter	—	12,256,000 ⁽³⁾	16,000,000 ⁽⁴⁾	28,256,000	0.26
	—	78,152,000	1,158,041,200	1,236,193,200	

Notes:

- (1) These debentures are held by the spouse of Mr. Doo, of which RMB42,896,000 debentures were issued in US\$ and had been translated into RMB using the rate of US\$1.0 = RMB6.128.
- (2) These debentures are held by companies which are wholly-owned by Mr. Doo, of which RMB584,611,200 debentures were issued in US\$ and had been translated into RMB using the rate of US\$1.0 = RMB6.128 and RMB118,800,000 debentures were issued in HK\$ and had been translated into RMB using the rate of HK\$1.0 = RMB0.8.
- (3) These debentures are jointly-held by Mr. Cheng Kar-Shing, Peter and his spouse, all of which were issued in US\$ and had been translated into RMB using the rate of US\$1.0 = RMB6.128.
- (4) These debentures are beneficially owned by a company which is wholly-owned by Mr. Cheng Kar-Shing, Peter.

(iii) NWD (MTN) Limited (“NWD (MTN)”)

Name of Director	Amount of debentures issued by NWD (MTN)				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest	Family interests	Corporate interests	Total	
	HK\$	HK\$	HK\$	HK\$	
Mr. Doo	—	23,400,000 ⁽¹⁾	156,000,000 ⁽²⁾	179,400,000	0.82
Ms. Ki Man-Fung, Leonie	11,800,000 ⁽³⁾	—	—	11,800,000	0.05
	<u>11,800,000</u>	<u>23,400,000</u>	<u>156,000,000</u>	<u>191,200,000</u>	

Notes:

- (1) These debentures were issued in US\$ and had been translated into HK\$ using the rate of US\$1.0 = HK\$7.8.
- (2) These debentures are beneficially owned by a company which is wholly-owned by Mr. Doo and were issued in US\$ and had been translated into HK\$ using the rate of US\$1.0 = HK\$7.8.
- (3) This amount includes HK\$7,800,000 debentures which were issued in US\$ and had been translated into HK\$ using the rate of US\$1.0 = HK\$7.8.

(iv) NWD Finance (BVI) Limited (“NWD Finance”)

Name of Director	Amount of debentures issued by NWD Finance				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest	Family interests	Corporate interests	Total	
	US\$	US\$	US\$	US\$	
Mr. Doo	—	—	21,550,000 ⁽¹⁾	21,550,000	1.80
Ms. Ki Man-Fung, Leonie	1,000,000	—	—	1,000,000	0.08
	<u>1,000,000</u>	<u>—</u>	<u>21,550,000</u>	<u>22,550,000</u>	

Note:

- (1) These debentures are beneficially owned by companies which are wholly-owned by Mr. Doo.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. COMMON DIRECTORS

The following is a list of Directors who, as at the Latest Practicable Date, were also directors of the companies which had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Common Director	Name of Company
Dr. Cheng Kar-Shun, Henry Mr. Cheng Kar-Shing, Peter	Cheng Yu Tung Family (Holdings) Limited ("CYTFH")
Dr. Cheng Kar-Shun, Henry Mr. Cheng Kar-Shing, Peter	Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")
Dr. Cheng Kar-Shun, Henry Mr. Cheng Kar-Shing, Peter	Chow Tai Fook Capital Limited ("CTFC")
Dr. Cheng Kar-Shun, Henry Dr. Cheng Chi-Kong, Adrian Mr. Cheng Kar-Shing, Peter Mr. Cheng Chi-Heng	Chow Tai Fook (Holding) Limited ("CTFHL")
Dr. Cheng Kar-Shun, Henry Dr. Cheng Chi-Kong, Adrian Mr. Cheng Kar-Shing, Peter Mr. Cheng Chi-Heng	Chow Tai Fook Enterprises Limited ("CTFE")

4. INTERESTS IN ASSETS OF THE GROUP

(a) Dr. Cheng Kar-Shun, Henry, Mr. Doo, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Kar-Shing, Peter, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia are members of the Cheng's family which holds interest in CYTFH and CYTFH-II which in turn indirectly control CTFE, the controlling shareholder of the Company within the meaning of the Listing Rules. The Group had entered into the following transactions with CTFE and/or its subsidiaries or associate since 30 June 2016:

(i) On 15 July 2016, Sun Matrix Holdings Limited (a wholly-owned subsidiary of the Company) as purchaser entered into the following three inter-conditional sale and purchase agreements regarding the acquisition of the entire interest in Onwise Holdings Limited ("**OH**"), Glory Success Inc. ("**GS**"), Trafalgar Trading International Limited ("**TT**") and related shareholders' loans at a total cash consideration of HK\$326 million (the "**Acquisitions**");

- (1) an agreement with King Choi Company Limited ("**King Choi**") as vendor and Cheung Hung Development (Holdings) Limited (an associate of CTFE) as King Choi's guarantor regarding the acquisition of the entire issued share capital of OH and related shareholder's loans at an aggregate cash consideration of HK\$163 million;
- (2) an agreement with Eagle Step Investment Limited ("**Eagle Step**") as vendor and Mr. Ho Chi-Kin, Simon as Eagle Step's guarantor regarding the acquisition of the entire issued share capital of GS and related shareholder's loans at an aggregate cash consideration of HK\$81.5 million; and
- (3) an agreement with King Host Development Limited ("**King Host**") as vendor and Mr. Ho David as King Host's guarantor regarding the acquisition of the entire issued share capital of TT and related shareholder's loans at an aggregate cash consideration of HK\$81.5 million.

Each of OH, GS and TT owns 50%, 25% and 25% interest respectively in Broad Reach Company Limited ("**Broad Reach**") which is the registered owner of a vacant land situated at No. 21 Luk Hop Street, Kowloon. Details of the Acquisitions were set out in the announcement of the Company dated 15 July 2016. The completion of the Acquisitions took place on 28 July 2016 and thereafter, OH, GS, TT and Broad Reach became indirect wholly-owned subsidiaries of the Company.

- (ii) there are lease agreements regarding rental of properties between members of CTFE group and members of the Group. The aggregate amount of such transactions are covered under the master services agreement dated 11 April 2014 made between the Company and CTFE as disclosed in the Company's 2016 annual report.
- (iii) On 15 November 2016, NWS Service Management Limited ("**NWS Service**", a subsidiary each of the Company and NWS) as purchaser and Enrich Group Limited ("**Enrich**", a wholly-owned subsidiary of CTFE) as vendor entered into a sale and purchase agreement pursuant to which Enrich conditionally agreed to dispose of and NWS Service agreed to purchase 50% of the entire issued share capital of NWS Transport Services Limited ("**NWS Transport**"), at a total consideration of HK\$1.38 billion (subject to adjustment) (the "**Acquisition**").

Details of the Acquisition was set out in the joint announcement of the Company and NWS dated 15 November 2016 and the circular of the Company on 7 December 2016. The completion of the Acquisition took place on 30 December 2016 and thereafter, NWS Transport became a wholly-owned subsidiary of NWS.

- (b) On 5 October 2016, an agreement (the "**Optimum Result Agreement**") was entered into between Catchy Investments Limited ("**Catchy**", a wholly-owned subsidiary of the Company) and Fortunate House Limited ("**FHL**", a wholly-owned subsidiary of FSE Engineering which in turn is a majority-controlled company (as defined in the Listing Rules) of Mr. Doo) pursuant to which Catchy agreed to sell and assign and FHL agreed to purchase and accept the assignment of, the entire issued share capital of Optimum Result Holdings Limited ("**Optimum Result**") and the entire amount of the unsecured and non-interest bearing shareholder's loan owing from Optimum Result to Catchy as at the date of completion of the Optimum Result Agreement (the "**Optimum Result Completion**") at an aggregate consideration of HK\$285 million (subject to adjustment). The main asset of Optimum Result and its subsidiary is the property situate at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. Details of the Optimum Result Agreement were set out in the announcement of the Company dated 5 October 2016. The Optimum Result Completion took place on 9 January 2017 and thereafter, Optimum Result and its subsidiary ceased to be subsidiaries of the Company.

As at the Latest Practicable Date, save as set out above, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 30 June 2016, being the date to which the latest published audited accounts of the Group were made up.

5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the interests of substantial shareholders in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in Shares

	Number of Shares			Approximate % of shareholding as at the Latest Practicable Date
	Beneficial interests	Interests of controlled corporation	Total	
CYTFH ⁽¹⁾	—	4,282,209,354	4,282,209,354	44.20
CYTFH-II ⁽²⁾	—	4,282,209,354	4,282,209,354	44.20
CTFC ⁽³⁾	—	4,282,209,354	4,282,209,354	44.20
CTFHL ⁽⁴⁾	—	4,282,209,354	4,282,209,354	44.20
CTFE ⁽⁵⁾	3,893,094,377	389,114,977	4,282,209,354	44.20

Notes:

- (1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the Shares deemed to be interested by CTFC.
- (2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the Shares deemed to be interested by CTFC.
- (3) CTFC holds 81.03% direct interest in CTFHL and is accordingly deemed to have an interest in the Shares deemed to be interested by CTFHL.
- (4) CTFHL holds 100% direct interest in CTFE and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTFE.
- (5) CTFE together with its subsidiaries.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, other than contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 30 June 2016 (being the date to which the latest published audited financial statements of the Group were made up).

8. COMPETING INTEREST

As at the Latest Practicable Date, according to the Listing Rules, the following Directors had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors were appointed as directors to represent the interests of the Group:

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Dr. Cheng Kar-Shun, Henry	CTFE group of companies	Property investment and development, hotel operations, healthcare and commercial aircraft leasing	Director
	FSE Holdings Limited group of Companies	Property and carpark management and landscaping	Director and shareholder
	International Entertainment Corporation group of companies	Hotel operations	Director
	Supreme Harvest Development Limited group of companies	Property investment and development	Director
	Silver City International Limited group of companies	Property investment and food and beverage operations	Director
	Sunshine Dragon Group Limited group of companies	Property investment	Director
Mr. Doo	Amelia Gold Limited group of Companies	Property investment	Director and shareholder
	Fortune Success Limited group of Companies	Property investment	Director and shareholder
	FSE Holdings Limited group of Companies	Property and carpark management and landscaping	Shareholder
	Fung Seng Enterprises Investment Company Limited group of companies	Property investment	Director and shareholder
	Fung Seng Enterprises Limited group of companies	Property investment and management	Director and shareholder
	Golden Wealth Investment Limited group of companies	Property investment and development	Director and shareholder
	Lifestyle International Holdings Limited group of companies	Department stores operations and property investment	Director

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Dr. Cheng Chi-Kong, Adrian	Silver City International Limited group of companies	Property investment and food and beverage operations	Director and shareholder
	Silver Success Company Limited group of companies	Hotel operations	Director and shareholder
	Sunshine Dragon Group Limited group of companies	Property investment	Director and shareholder
	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
	CTFE group of companies	Property investment and development, hotel operations, healthcare and commercial aircraft leasing	Director
	Grandhope Properties Limited	Property investment	Director and shareholder
Mr. Cheng Kar-Shing, Peter	International Entertainment Corporation group of companies	Hotel operations	Director
	CTFE group of companies	Property investment and development, hotel operations, healthcare and commercial aircraft leasing	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and shareholder
Mr. Cha Mou-Sing, Payson	HKR International Limited group of companies	Property investment and development and property management	Director and shareholder
	Hanison Construction Holdings Limited group of companies	Construction, property investment and development	Director and shareholder
Mr. Cha Mou-Zing, Victor	HKR International Limited group of companies	Property investment and development and property management	Director and shareholder
	Hanison Construction Holdings Limited group of companies	Construction, property investment and development	Shareholder

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Mr. Ho Hau-Hay, Hamilton	Honorway Investments Limited	Property investment and development	Director and shareholder
	Tak Hung (Holding) Company Limited	Property investment and development	Director and shareholder
Mr. Lee Luen-Wai, John	Lippo Limited	Property investment, development and management	Director
	Lippo China Resources Limited	Property investment, development and management	Director
	Hongkong Chinese Limited	Property investment, development and management	Director
Mr. Liang Cheung-Biu, Thomas	Bermuda Investments Limited	Property investment	Director
	Greenwich Investors Limited	Property investment	Director
	Lambda Enterprises Limited	Property management	Director
	Wideland Investors Limited group of companies	Property investment	Spouse interest (director and shareholder)
Mr. Cheng Chi-Heng	CTFE group of companies	Property investment and development, hotel operations, healthcare and commercial aircraft leasing	Director

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates have interest in any business apart from the business of the Group, which was considered to compete or is likely to compete, either directly or indirectly, with that of the Group.

As the Board is independent of the boards of the above-mentioned entities and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

9. INTERESTS IN CONTRACTS OR ARRANGEMENTS

Save for contracts amongst group companies and save for Mr. Doo who is a party to the Services Group Master Services Agreement dated 10 April, 2017 with the Company, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

10. EXPERT AND CONSENT

The following sets out the qualifications of the expert who has been named in this circular:

Name	Qualifications
Platinum Securities Company Limited	A corporation licensed to carry on type 1 and type 6 regulated activities under the SFO

The IFA has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reports and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, the IFA did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the IFA did not have any interest, directly or indirectly, in any assets which since 30 June 2016, the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

- (a) The English text of this circular and the enclosed proxy form shall prevail over the Chinese text.
- (b) The registered office of the Company is situated at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company in Hong Kong at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong during normal business hours on any business day (Saturdays excluded) from the date of this circular up to and including 26 May 2017 and at the EGM:

- (a) the Former Services Group Master Services Agreement;
- (b) the Former Services Group Addendum;
- (c) the Services Group Termination Agreement;
- (d) the Services Group Master Services Agreement;

- (e) the written consent as referred to under the paragraph headed “Expert and consent” in this appendix;
- (f) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (g) the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the IFA” of this circular; and
- (h) this circular.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of New World Development Company Limited (新世界發展有限公司) (the “**Company**”) will be held at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 26 May 2017 at 12:00 noon for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the Services Group Master Services Agreement (as defined and described in the circular of the Company dated 9 May 2017 (the “**Circular**”), a copy of the Circular marked “A” is tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the Services Group Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Services Group Annual Caps as defined and described in the Circular in respect of the consideration payable under the Services Group Master Services Agreement for each of the three years ending 30 June 2018, 30 June 2019 and 30 June 2020 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Services Group Master Services Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

By order of the Board
Wong Man-Hoi
Company Secretary

Hong Kong, 9 May 2017

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or (if he is a holder of two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for the meeting or any adjournment thereof (as the case may be).
3. Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the above meeting, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 22 May 2017.
6. Voting on the above resolution will be taken by poll.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
8. As at the date of this notice, the board of the Company comprises (a) six executive directors, namely 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) three non-executive directors, namely Mr. Doo Wai-Hoi, William, Mr. Cheng Kar-Shing, Peter and Mr. Chen Guanzhan; and (c) five independent non-executive directors, namely 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.