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新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

**CONNECTED TRANSACTION —
DISPOSAL OF THE HIP SENG GROUP
AND
CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.60
OF THE LISTING RULES
AND
MASTER CONSTRUCTION SERVICES AGREEMENT**

I. CONNECTED TRANSACTION — DISPOSAL OF THE HIP SENG GROUP

On 28 April 2023 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company), the Purchaser (a direct wholly-owned company of Mr. Choy) and the Guarantor (Mr. Choy, being a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group) entered into the SP Agreement in respect of the sale of the Hip Seng Group by the Vendor to the Purchaser through the sale of the Sale Share at the Consideration on and subject to the terms and conditions contained in the SP Agreement, the major terms of which are disclosed in the sub-paragraph headed “Major terms of the SP Agreement” below.

Completion is conditional upon (i) the completion of the settlement and/or repayment of shareholder’s loan or inter-company loan between any member of the Group and the Hip Seng Group, (ii) compliance with the requirements of the Listing Rules applicable to the SP Agreement and all transactions contemplated thereunder, (iii) the approval by the independent Shareholders of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps at the EGM and (iv) there being no breach of warranties by the Vendor under the SP Agreement.

Upon Completion, the Hip Seng Group will become wholly-owned by the Purchaser and the Company will cease to have any equity interest in the Hip Seng Group.

The Guarantor is a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group. The Purchaser is a direct wholly-owned company of the Guarantor. Accordingly, the Purchaser is a connected person of the Company and the transaction contemplated under the SP Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Company has applied for and the Stock Exchange has accepted an alternative size test for the revenue ratio in respect of the Disposal. Given that the percentage ratio in respect of the Disposal under the alternative size test and other applicable percentage ratios exceed 0.1% but are below 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

II. CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.60 OF THE LISTING RULES FOLLOWING THE COMPLETION

Prior to the date of this announcement, the Group had entered into the Existing Agreements with the Hip Seng Group in relation to the provision of the Construction Services by the Hip Seng Group to the Group. The Existing Agreements have not expired as at the date of this announcement. Accordingly, the Hip Seng Group has provided and will continue to provide the Construction Services to the Group pursuant to the Existing Agreements, which will constitute Definitive Agreements under the Master Construction Services Agreement following the Completion of the Disposal.

As at the date of this announcement, Mr. Choy is a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group. Mr. Choy is therefore a connected person of the Company pursuant to the Listing Rules. Immediately following the Completion, the Hip Seng Group will become wholly-owned by the Purchaser, which is wholly-owned Mr. Choy, and hence members of the Hip Seng Group will become connected persons of the Company pursuant to the Listing Rules. Accordingly, upon Completion, the Existing Continuing Transactions will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In accordance with Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable annual review and disclosure requirements under Chapter 14A of the Listing Rules regarding such continuing connected transactions under the Existing Agreements, including issuance of announcement and annual reporting.

III. MASTER CONSTRUCTION SERVICES AGREEMENT

In light of the Disposal, the Existing Agreements and the future Transactions, on 28 April 2023, the Company entered into the Master Construction Services Agreement with Mr. Choy in relation to the Transactions. The Master Construction Services Agreement is conditional upon, among others, the Completion having taken place.

As at the date of this announcement, Mr. Choy and his associates are connected persons of the Company pursuant to the Listing Rules. Immediately following the Completion, members of the Hip Seng Group will also become connected persons of the Company pursuant to the Listing Rules. Accordingly, the Transactions, upon Completion, will constitute continuing connected transactions (within the meaning of the Listing Rules) for the Company under Chapter 14A of the Listing Rules.

Since the highest of all the applicable percentage ratios and all the amounts of the Annual Caps is more than 5% and exceed HK\$10,000,000, the entering into of the Master Construction Services Agreement, the Transactions and the Annual Caps are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

The Company will convene the EGM for the purpose of seeking approval from the independent Shareholders on the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps. The Independent Board Committee has been established to consider the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps, and to advise the independent Shareholders as to whether the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps are in the interests of the Company and the Shareholders as a whole. Ballas Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this regard.

As additional time is required to prepare the circular containing, among other things, further details relating to (i) the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders; and (iv) the notice of the EGM, the circular is expected to be dispatched to the Shareholders on or before 7 June 2023.

I. CONNECTED TRANSACTION — DISPOSAL OF THE HIP SENG GROUP

On 28 April 2023 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company), the Purchaser (a direct wholly-owned company of Mr. Choy) and the Guarantor (Mr. Choy, being a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group) entered into the SP Agreement in respect of the sale of the Hip Seng Group by the Vendor to the Purchaser through the sale of the Sale Share at the Consideration on and subject to the terms and conditions contained in the SP Agreement, the major terms of which are disclosed below.

Major terms of the SP Agreement

Date

28 April 2023

Parties

- (a) Vendor: New World Engineering Group Limited
- (b) Purchaser: Hip Seng Holdings Company Limited
- (c) Guarantor: Mr. Choy

Assets to be disposed of

Pursuant to the SP Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company on and subject to the terms and conditions contained in the SP Agreement. By disposing of the Sale Share, the Vendor is disposing of the Hip Seng Group of which the Target Company is the holding company.

Consideration

The Consideration for the Disposal is approximately HK\$29.9 million.

The Consideration shall be paid by the Purchaser, which shall be funded by the Purchaser's own financial resources and financing, in three installments as follows:

- (a) approximately HK\$8.9 million as the first installment on the Completion Date;

- (b) approximately HK\$10.5 million on the date of the first anniversary of the Completion Date, together with the simple interest accrued on the outstanding amount of the Consideration from the Completion Date until the date of payment of this second installment (including the relevant interest) at the Prime Rate as at the date of this payment (both days excluded); and
- (c) the remaining approximately HK\$10.5 million on the date of the second anniversary of the Completion Date, together with the simple interest accrued on the outstanding amount of the Consideration from the date of payment of the second installment (including the relevant interest) as set out in (b) above until the date of payment of this third and last installment (including the relevant interest) at the Prime Rate as at the date of this payment (both days excluded).

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to, amongst others, (a) the appraised value of the Hip Seng Group determined by an independent valuer based on the asset/cost approach, being approximately HK\$29.9 million and (b) the unaudited consolidated net asset value of the Hip Seng Group as at 28 February 2023, being approximately HK\$29.9 million.

Conditions Precedent to Completion

Completion is conditional upon the following Conditions Precedent:

- (a) the completion of the settlement and/or repayment of shareholder's loan or inter-company loan between any member of the Group and the Hip Seng Group;
- (b) compliance with the requirements of the Listing Rules applicable to the SP Agreement and all transactions contemplated thereunder;
- (c) the approval by the independent Shareholders of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps at the EGM; and
- (d) there being no breach of warranties under the SP Agreement by the Vendor.

The Vendor shall procure the fulfilment of the Conditions Precedent. The Condition Precedent (a) may be waived under the mutual agreement among the Vendor, the Purchaser and the Guarantor. The Conditions Precedent (b) and (c) may not be waived by the Vendor or the Purchaser. The Condition Precedent (d) may be waived by the Purchaser in its sole discretion.

If the Conditions Precedent have not been fulfilled or waived on or before the Long Stop Date, all rights and obligations of the Vendor and the Purchaser under the SP Agreement shall cease and terminate, save and except for certain continuing provisions relating to confidentiality, notice, stamp duty, costs and expenses and certain miscellaneous matters which shall remain in full force and effect and no party shall have any claim against the other save for claim (if any) in respect of such continuing provisions or any antecedent breach thereof.

Completion of the SP Agreement

Completion shall take place at or before 5:00 p.m. on the Completion Date, i.e. the 3rd Business Day following fulfilment of the Conditions Precedent, provided that such Completion Date shall be on or before the Long Stop Date unless the Vendor and the Purchaser otherwise agree in writing.

Non-competition undertakings

Pursuant to the SP Agreement, for so long as the Shares remain listed on the Stock Exchange or any other stock exchange, each of the Purchaser (as to both (a) and (b) in this paragraph) and the Guarantor (as to only (a) in this paragraph) irrevocably covenants with the Vendor (for itself/himself and as trustee for other members of the Group) that during a period of nine (9) months from the Completion Date, (a) each of the Purchaser and the Guarantor shall, and shall procure the Hip Seng Group and the family members (as defined under the Listing Rules) of the Guarantor to, and (b) the Purchaser shall, and shall procure the Hip Seng Group to, use its best endeavours to procure members of the management team of the Hip Seng Group (including members of the management team of the Hip Seng Group as at the Completion Date) to, subject to the exceptions set out below:

- (1) not directly or indirectly, invest or participate in, hold any right or interest in or be involved in (in each case, whether as shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) the Non-competition Construction Business in Hong Kong and the PRC; and
- (2) not solicit or entice away or endeavour to solicit or entice away any employee of the Group (except those of the Hip Seng Group) in an executive, supervisory, or technical capacity for employment for or in connection with the Non-competition Construction Business.

The above non-competition undertakings do not apply to the following exceptions:

- (1) Hip Seng Group's existing contracts: anything carried out or contracts or agreements entered into or orders accepted or undertaken at or prior to Completion by the Hip Seng Group (including any continued performance thereof or any renewal or extension of such contracts or agreements), as the case may be, in respect of the Non-competition Construction Business;

- (2) Investment in certain listed companies: the direct or indirect holding by the Purchaser, the Guarantor, the family members (as defined under the Listing Rules) of the Guarantor, any member of the Hip Seng Group and/or any member of the management team of the Hip Seng Group (including members of the management team of the Hip Seng Group as at the Completion Date) of any class of securities of any company whose shares are listed on the Stock Exchange or any other stock exchange (and whose business or that of the members of its group is the carrying on of the Non-competition Construction Business) where the total voting rights exercisable at general meetings of that company as represented by such holding do not exceed 5% of the total voting rights attaching to the securities of the same class as that held by the Purchaser, the Guarantor, the family members (as defined under the Listing Rules) of the Guarantor, any member of the Hip Seng Group and/or any member of the management team of the Hip Seng Group (including members of the management team of the Hip Seng Group as at the Completion Date);
- (3) Services to the Group: the provision by the Purchaser, the Guarantor, the family members (as defined under the Listing Rules) of the Guarantor, any one or more members of the Hip Seng Group and/or any member of the management team of the Hip Seng Group (including members of the management team of the Hip Seng Group as at the Completion Date), of any of the services comprised in the Non-competition Construction Business to the Group, provided that all relevant parties agree that such provision of services shall be on normal commercial terms and at arm's length basis and if required, in compliance with the applicable requirements of the Listing Rules;
- (4) Services within the Hip Seng Group: the provision by the Purchaser, the Guarantor, the family members (as defined under the Listing Rules) of the Guarantor or any member of the management team of the Hip Seng Group (including members of the management team of the Hip Seng Group as at the Completion Date), of any of the services comprised in the Non-competition Construction Business to the Group; or
- (5) Scheduled exceptions: the provision of services in the Construction Business to certain proposed property development projects set out in the SP Agreement.

Information on the Hip Seng Group

Principal business activities of the Hip Seng Group

The Target Company is an investment holding vehicle holding, directly or indirectly, the other members of the Hip Seng Group.

The Hip Seng Group is principally engaged in the provision of building construction services, specializing in providing general contracting and construction management services in Hong Kong.

Financial information of the Hip Seng Group

The unaudited consolidated net asset value of the Hip Seng Group as at 28 February 2023 was approximately HK\$29.9 million.

Set out below is the financial information of the Hip Seng Group for the two financial years ended 30 June 2021 and 2022 and for the six months ended 31 December 2022 prepared in accordance with HKFRS:

| | For the six months ended 31 December 2022 | For the financial year ended 30 June | |
|-------------------------------|--|---|------------------------------------|
| | <i>HK\$'million</i> (unaudited) | 2022 | 2021 |
| | | <i>HK\$'million</i> (unaudited) | <i>HK\$'million</i> (unaudited) |
| (Loss)/Profit before taxation | (2.2) | 36.3 | 54.5 |
| (Loss)/Profit after taxation | (2.6) | 28.4 | 48.0 |

Reasons for and benefits of the Disposal and use of proceeds

The Hip Seng Group mainly acts as the main contractor or project manager for services required for business and projects which are wholly-owned by the Group, and business and projects for which the Company has the right to select providers of the services (collectively, the “**Projects**”). For the financial year ended 30 June 2022, the Hip Seng Group generated substantially all of its revenue internally from the Group.

The Company considers that the Disposal provides the Group with an opportunity to explore a wider range of external service providers, other than the Hip Seng Group, in acting as the main contractor or project manager for the Projects. With a wider selection of service providers, the Company can select external service providers through tendering which will attract more competitive quotations for the Projects and hence achieve cost saving purpose. Moreover, the Directors, after considering the medium to long-term strategic development plan of the Group, estimate that the Group will develop most of its future property development projects jointly with other developers. The main contractor for such projects will be selected through tendering rather than selected by the Company. Therefore, the Directors are of the view that the role of the Hip Seng Group as an in-house construction services provider for the Group will diminish gradually. The provision of the non-competition undertakings by the Purchaser under the SP Agreement also provides protection to the Group against the possible competition from the Purchaser, the Guarantor, the Hip Seng Group, the family members (as defined

under the Listing Rules) of the Guarantor, or member of the management team of the Hip Seng Group in the Non-competition Construction Business for third party property development projects on and subject to the terms therein.

The Group intends to apply the net sale proceeds of the Disposal, which is estimated to be approximately HK\$29.9 million, to fund its general working capital with a view to enhancing the shareholder value of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the SP Agreement are normal commercial terms, fair and reasonable and within the ordinary and usual course of business of the Group, and the entering into of the SP Agreement is in the interests of the Company and the Shareholders as a whole.

Following Completion, the Group will continue to carry on its Construction Business mainly through the Hip Hing Group, which contributes a substantial portion of the profit of the Construction Business of the Group.

Financial effects of the Disposal

Upon Completion, the Company will cease to have any equity interest in the Hip Seng Group and the financial results and assets and liabilities of the Hip Seng Group will cease to be consolidated into the accounts of the Group.

For illustration purpose only, before deducting the estimated transaction costs directly attributable to the Disposal (including but not limited to professional and other related expenses and relevant taxes), there is no expected gain or loss to be derived from the Disposal since there is no difference between the amount of the Consideration and the unaudited consolidated net asset value of the Hip Seng Group of approximately HK\$29.9 million as at 28 February 2023. The actual amount of the gain or loss to be recognized by the Group can only be determined when the consolidated net asset value of the Hip Seng Group as at the Completion Date and the transaction costs attributable to the Disposal are ascertained, and therefore may be different from the aforesaid amount.

Information on the Purchaser

The Purchaser is directly wholly-owned by the Guarantor. It is a special purpose vehicle established by the Guarantor for the purpose of acquiring the Sale Share.

Information on the Guarantor

The Guarantor is a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group.

Information on the Group

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

Listing Rules implications

The Guarantor is a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group. The Purchaser is a direct wholly-owned company of the Guarantor. Accordingly, the Purchaser is a connected person of the Company and the transaction contemplated under the SP Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Company has applied for and the Stock Exchange has accepted an alternative size test for the revenue ratio in respect of the Disposal. Given that the percentage ratio in respect of the Disposal under the alternative size test and other applicable percentage ratios exceed 0.1% but are below 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Approval by the Board

None of the Directors has a material interest in the Disposal and therefore no Directors are required to abstain from voting on the relevant Board resolutions.

II. CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.60 OF THE LISTING RULES FOLLOWING THE COMPLETION

Prior to the date of this announcement, the Group had entered into the Existing Agreements with the Hip Seng Group in relation to the provision of the Construction Services by the Hip Seng Group to the Group. The Existing Agreements have not expired as at the date of this announcement. Accordingly, the Hip Seng Group has provided and will continue to provide the Construction Services to the Group pursuant to the Existing Agreements, which will constitute Definitive Agreements under the Master Construction Services Agreement following the Completion of the Disposal.

As at the date of this announcement, Mr. Choy is a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group. Mr. Choy is therefore a connected person of the Company pursuant to the Listing Rules. Immediately following the Completion, the Hip Seng Group will become wholly-owned by Mr. Choy and hence members of the Hip Seng Group will become connected persons of the Company pursuant to the Listing

Rules. Accordingly, upon Completion, the Existing Continuing Transactions will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In accordance with Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable annual review and disclosure requirements under Chapter 14A of the Listing Rules regarding such continuing connected transactions, including issuance of announcement and annual reporting.

The Existing Agreements were entered into between the Company and the Hip Seng Group in relation to the provision of the Construction Services by the Hip Seng Group to the Company in relation to approximately 14 property development projects. The term of the Existing Agreements were determined based on the development progress of the relevant property development projects. The service fee rates for each Existing Agreement in respect of the Construction Services was fixed at cost plus a prevailing market rate which will be determined with reference to two market comparables obtained at the best endeavour of the parties from time to time. The cost element included 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. As at the date of this announcement, the remaining transaction amounts under the Existing Agreements are estimated to be approximately HK\$10.7 billion in aggregate.

Reasons for and Benefits of the Existing Continuing Transactions

Hip Seng Group is principally engaged in the provision of building construction services, specializing in providing general contracting and construction management services in Hong Kong. Hip Seng Group has been providing and will continue to provide the Construction Services to the Group pursuant to the Existing Agreements. In continuing with the Existing Continuing Transactions, the Group will continue to enjoy such services at a reasonable fee without causing any disruption to our operations immediately following the Disposal.

The Directors (including the independent non-executive Directors) consider that the terms of the Existing Agreements and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Others

For completeness, it is noted that in addition to the Existing Agreements in respect of the Existing Continuing Transactions, prior to the date of this announcement the Group and the Hip Seng Group had also entered into other agreements in respect to certain specific or one-off matters, which are immaterial in nature. Given that these agreements refer to specific or one-off matters and, unlike the Existing Agreements,

are not in respect of the provision of services on a recurring and continuing basis, the Company does not consider that the transactions contemplated under such agreements would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

III. THE MASTER CONSTRUCTION SERVICES AGREEMENT

Background

In light of the Disposal, the Existing Agreements and the future Transactions, on 28 April 2023, the Company entered into the Master Construction Services Agreement with Mr. Choy in relation to the Transactions. The Master Construction Services Agreement is conditional, among others, upon the Completion having taken place.

The principal terms of the Master Construction Services Agreement are summarised below:

Major terms of the Master Construction Services Agreement

Date

28 April 2023

Parties

- (a) Mr. Choy; and
- (b) the Company

Conditionality

The Master Construction Services Agreement is conditional on:

- (i) the Completion; and
- (ii) the approval by the independent Shareholders of the Master Construction Services Agreement, the Transactions and the Annual Caps at the EGM.

General terms for the Transactions

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

Group in respect of the Transactions (to the extent which covers the Transactions on or after the Effective Date) will be treated as Definitive Agreements made pursuant to the Master Construction Services Agreement as from the Effective Date.

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

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

The consideration for each Definitive Agreement in respect of the Construction Services will be determined in the following manners:

- (a) in respect of the Existing Agreements: fixed at cost plus a prevailing market rate which will be determined with reference to two market comparables obtained at the best endeavour of 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;
- (b) in respect of the Definitive Agreements to be entered into under the Master Construction Services Agreement upon and after the Effective Date:
 - where a member of the Construction 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 Construction 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, at its best endeavour, obtain two 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 Construction Services Group are equal to or better than those offered by the independent service providers, the Group may probably award the contract to the Construction Services Group; and

- for projects which involve consideration of a substantial amount, the member(s) of the Construction Services Group will participate in a tender from all bidders (including independent third parties in the market). In determining the winning bid, the Group will generally take into account several factors, such as (i) the tender amount offered by the bidders; (ii) market reputation, past performance, relevant experiences and technical competencies of the bidders; (iii) quality of service terms offered by the bidders; and (iv) previous business relationship with the bidders etc. The procedures for tender and bidding will be conducted 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.

Duration

The Master Construction Services Agreement shall be effective up to and including 30 June 2026, unless terminated earlier in accordance with Master Construction Services Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the Master Construction 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 any subsequent renewal term, the Master Construction 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 Master Construction Services Agreement.

Payment terms

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

Historical figures and the Annual Caps

Prior to the Completion of the Disposal, the Hip Seng Group has been providing the Construction Services to the Group from time to time under, among others, the Existing Agreements. As it is foreseeable that the Construction Services Group may from time to time enter into Definitive Agreement with the relevant members of the Group pursuant to the Master Construction Services Agreement to provide services of similar nature, references are made to the aggregate transaction amounts paid by the Group to the Construction Services Group under the separate agreements entered into between Hip Seng Group and the Group (including but not limited to the Existing Agreements) prior to the Completion of the Disposal, where the amount

for the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022 were approximately HK\$7,391.2 million, HK\$7,909.5 million and HK\$4,060.4 million, respectively.

The Annual Caps for each of the three financial years ending 30 June 2024, 2025 and 2026 are HK\$6,112.5 million, HK\$5,953.6 million and HK\$7,039.7 million, respectively.

Each of the Annual Caps has been determined with reference to:

- (a) the historical annual or annualised amounts in respect of the Construction Services provided by the Construction Services Group to the Group during the past financial years; and
- (b) the projected annual or annualised amounts in respect of the Construction Services to be provided by the Construction Services Group to the Group in the three financial years ending 30 June 2024, 2025 and 2026.

The above-mentioned projected figures are determined based on the relevant historical figures, taking into account the anticipated business growth of the Construction Services Group and the Group, new property projects held or will be held by the Group, the estimated future demand for Construction Services of the Group, 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 Construction Services Group and/or the Group.

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

The transactions contemplated under the Master Construction 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 Construction Services Group and the Group. The Master Construction Services Agreement is intended to streamline the continuing connected transactions between members of the Construction Services Group and members of the Group. The Master Construction Services Agreement 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 entering into of the agreements in respect of the provision of the Construction Services.

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser) consider that the Master Construction Services Agreement has been negotiated on an arm's length basis and within the ordinary and usual course of business of the Group, on normal commercial terms or better (as defined in the Listing Rules) and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and that the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES

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

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

Information on Mr. Choy, the Construction Services Group and the Group

Mr. Choy is a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group.

To the best knowledge of the Directors, the Construction Services Group is principally engaged in the provision of building construction services, specializing in providing general contracting and construction management services in Hong Kong.

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

Listing Rules implications

As at the date of this announcement, Mr. Choy and his associates are connected persons of the Company pursuant to the Listing Rules. Immediately following the Completion, members of the Hip Seng Group will also become connected persons of the Company pursuant to the Listing Rules. Accordingly, the Transactions, upon Completion, will constitute continuing connected transactions (within the meaning of the Listing Rules) for the Company.

Since the highest of all the applicable percentage ratios and all the amounts of the Annual Caps is more than 5% and exceeds HK\$10,000,000, the entering into of the Master Construction Services Agreement, the Transactions and the Annual Caps are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

Approval by the Board

None of the Directors has a material interest in the entering into of the Master Construction Services Agreement and therefore no Directors are required to abstain from voting on the relevant Board resolutions.

General

The Company will convene the EGM for the purpose of seeking approval from the independent Shareholders on the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps. The Independent Board Committee has been established to consider the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps, and to advise the independent Shareholders as to whether the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps are in the interests of the Company and the Shareholders as a whole. Ballas Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this regard.

As additional time is required to prepare the circular containing, among other things, further details relating to (i) the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps; (ii) a letter

of recommendation from the Independent Board Committee to the independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders; and (iv) the notice of the EGM, the circular is expected to be dispatched to the Shareholders on or before 7 June 2023.

DEFINITIONS

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

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| “Annual Cap(s)” | the annual cap amounts payable by the Group to the Construction Services Group in respect of the Transactions for each of the three financial years ending 30 June 2024, 2025 and 2026 |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Ballas Capital” or “Independent Financial Adviser” | Ballas Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the independent Shareholders in respect of the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps |
| “Board” | the board of Directors |
| “Business Day” | a day (other than Saturday and other general public holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted or in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business |
| “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) |
| “Completion” | completion of the Disposal in accordance with the SP Agreement |
| “Completion Date” | the 3rd Business Day following fulfilment of the Conditions Precedent, provided that such Completion Date shall be on or before the Long Stop Date unless the Vendor and the Purchaser otherwise agree in writing |

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| “Conditions Precedent” | the conditions for Completion as disclosed in the sub-paragraph headed “Major terms of the SP Agreement — Conditions Precedent to Completion” in this announcement |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Consideration” | the consideration of the Disposal, being the amount payable by the Purchaser to the Vendor for the Sale Share as disclosed in the sub-paragraph headed “Major terms of the SP Agreement — Consideration” in this announcement |
| “Construction Business” | the provision of construction services, including without limitation, general contracting, construction management, civil engineering works, foundation works, facade engineering construction services, building information management construction business and services and related services, carried on by the Group at Completion and from time to time |
| “Construction Services” | the provision of construction services, including without limitation, general contracting, construction management, civil engineering works and foundation works, and such other types of services as members of the Construction Services Group and members of the Group may agree upon from time to time in writing |
| “Construction Services Group” | means (1) the Hip Seng Group; (2) Mr. Choy; (3) the immediate family members (as defined under the Listing Rules) of Mr. Choy; and (4) any company in the equity capital of which Mr. Choy and/or his immediate family member(s) (individually or together) is/are 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 Takeovers Code 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 |
| “Definitive Agreement(s)” | definitive agreement(s) which may be entered into between any member(s) of the Construction Services Group and any member(s) of the Group from time to time in relation to any of the Transactions at any time during the term of the Master Construction Services Agreement |
| “Director(s)” | director(s) of the Company |

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| “Disposal” | the proposed sale of the Hip Seng Group by the Vendor to the Purchaser through the sale of the Sale Share on terms of the SP Agreement |
| “Effective Date” | 1 July 2023, which is conditional upon the Master Construction Services Agreement becoming unconditional as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “The Master Construction Services Agreement” in this announcement |
| “EGM” | an extraordinary general meeting of the Company to be held to, among other things, consider and, if thought fit, approve the entering into of the Master Construction Services Agreement, the Transactions contemplated thereunder and the Annual Caps |
| “Existing Agreements” | the agreements entered into between the Group and Hip Seng Group in relation to the provision of Construction Services before the Completion of the Disposal |
| “Existing Continuing Transactions” | the transactions under the Existing Agreements |
| “Group” | the Company and its subsidiaries from time to time |
| “Guarantor” or “Mr. Choy” | Mr. Choy Hon-ping, a director of the Target Company and certain members of the Hip Seng Group, as well as a director of certain other subsidiaries of the Group |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKFRS” | Hong Kong Financial Reporting Standards |
| “Hip Hing Group” | NWS Construction Limited (being an indirect non-wholly owned subsidiary of the Company) and its subsidiaries, joint ventures and associated companies from time to time |
| “Hip Seng Group” | the Target Company, its subsidiaries and its joint venture |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board, comprising all of the independent non-executive Directors |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Long Stop Date” | the last time for fulfilment of the Conditions Precedent, being 5:00 p.m. on 30 June 2023 (or such later time and date as the Vendor and the Purchaser may agree in writing) |
| “Master Construction Services Agreement” | the Master Construction Services Agreement in relation to the Transactions entered into between Mr. Choy and the Company on 28 April 2023 |
| “Non-competition Construction Business” | the provision of construction services, including without limitation, general contracting, construction management, civil engineering works and foundation works, but excluding facade engineering construction services and building information management construction business and services |
| “percentage ratios” | the percentage ratios set out in Rule 14.07 of the Listing Rules |
| “PRC” | the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Prime Rate” | the HK\$ prime lending rate per annum quoted by the Hongkong Shanghai Banking Corporation Limited from time to time |
| “Purchaser” | Hip Seng Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned company of Mr. Choy |
| “Sale Share” | the one (1) share of par value of US\$1.00 in the share capital of the Target Company, representing its entire issued share capital |
| “Share(s)” | ordinary share(s) in the share capital of the Company |
| “Shareholders” | shareholders of the Company |
| “SP Agreement” | the conditional sale and purchase agreement dated 28 April 2023 entered into between the Vendor and the Purchaser in respect of, among others, the Disposal |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary” | has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| “Target Company” | Hip Seng Construction Group Limited (協盛建築集團有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor |

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| “Takeovers Code” | The Code on Takeovers and Mergers of Hong Kong issued by the Securities and Futures Commission of Hong Kong as amended, supplemented or otherwise modified from time to time |
| “Transactions” | all existing and/or future transactions between members of the Construction Services Group and members of the Group in respect of the provision of the Construction Services (as the case may be) |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “Vendor” | New World Engineering Group Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company |
| “%” | per cent. |

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

Hong Kong, 28 April 2023

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