

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



(Stock Code: 0017)

CONTINUING CONNECTED TRANSACTIONS THE SERVICES GROUP MASTER SERVICES AGREEMENT AND THE CTFE MASTER SERVICES AGREEMENT

References are made to (i) the announcement of the Company in respect of the Former Services Group Master Services Agreement and the Former CTFE Master Services Agreement dated 10 April 2017; and (ii) the circular of the Company in respect of the Former Services Group Master Services Agreement dated 9 May 2017.

THE SERVICES GROUP MASTER SERVICES AGREEMENT

On 24 April 2020, Mr. Doo and the Company entered into the Services Group Master Services Agreement in relation to the Services Group Transactions and agreed to terminate the Former Services Group Master Services Agreement upon the Services Group Master Services Agreement becoming effective on the Services Group Effective Date.

THE CTFE MASTER SERVICES AGREEMENT

On 24 April 2020, CTFE and the Company entered into the CTFE Master Services Agreement in relation to the CTFE Transactions and agreed to terminate the Former CTFE Master Services Agreement upon the CTFE Master Services Agreement becoming effective on the CTFE Effective Date.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Doo is the non-executive vice-chairman and a non-executive Director, and a director of certain subsidiaries of the Company, 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.

As at the date of this announcement, CTFE is a substantial shareholder of the Company and therefore a connected person of the Company. The CTFE 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 into of the Services Group Master Services Agreement, the Services Group Transactions 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.

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the CTFE Annual Caps is more than 0.1% but less than 5%, the entering into of the CTFE Master Services Agreement, the CTFE Transactions and the CTFE Annual Caps are subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement 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 Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps. The Independent Board Committee has been established to consider the entering into of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps, and to advise the Independent Shareholders as to whether the entering into of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps are in the interests of the Company and the Shareholders as a whole. BCL 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 Services Group Master Services Agreement, the Services Group Transactions and the Services Group 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 1 June 2020.

INTRODUCTION

References are made to (i) the announcement of the Company in respect of the Former Services Group Master Services Agreement and the Former CTFE Master Services Agreement dated 10 April 2017; and (ii) the circular of the Company in respect of the Former Services Group Master Services Agreement dated 9 May 2017.

On 24 April 2020, Mr. Doo and the Company entered into the Services Group Master Services Agreement in relation to the Services Group Transactions and agreed to terminate the Former Services Group Master Services Agreement upon the Services Group Master Services Agreement becoming effective on the Services Group Effective Date.

On 24 April 2020, CTFE and the Company entered into the CTFE Master Services Agreement in relation to the CTFE Transactions and agreed to terminate the Former CTFE Master Services Agreement upon the CTFE Master Services Agreement becoming effective on the CTFE Effective Date.

THE SERVICES GROUP MASTER SERVICES AGREEMENT

Background

On 10 April 2017, 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 2020. On 24 April 2020, Mr. Doo and the Company entered into the Services Group Master Services Agreement in relation to the Services Group Transactions and agreed to terminate the Former Services Group Master Services Agreement upon the Services Group Master Services Agreement becoming effective on the Services Group Effective Date.

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

Date

24 April 2020

Parties

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

Conditionality

The entering into of the Services Group Master Services Agreement is conditional upon the approval by the Independent Shareholders of the entering into 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 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;
- (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 and Procurement Services:
 - for lessor, the lessor will provide the lessee a quote after it has, at its best endeavour, obtained two market comparative quotes for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or reviewed two comparable transactions with independent third parties;
 - for lessee, the lessee will, at its best endeavour, obtain two market comparative quotes for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or review two comparable transactions with independent third parties before deciding whether to accept the quote provided by the lessor and proceed further; and
 - for the provision of procurement services: the consideration will be fixed on the basis of the member(s) of the Group performing a thorough analysis on the specific project and the related construction material requirements, including the types of materials required such as ironmongery, tiles, rebar, etc., the collection of cost and other data which includes quotations from suppliers for materials and the estimated usage of different types of materials, and make references to recent job quotations and the historical purchase price. Related market information, such as material price trend will also be retrieved from public source and database for reference;
- (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, 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 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 involve 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). 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;
- (c) in respect of the Property Management Services: the consideration will be 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;
- (d) in respect of the Insurance, Medical and Health Care Services: the consideration will be fixed on the basis to meet the target and minimum profitability requirement measured on the traditional embedded value basis; and
- (e) in respect of the other Services Group Services: the consideration will be fixed at an amount with reference to the prevailing market rate compared to the relevant immediately expired Definitive Services Group Agreement. Such prevailing market rate will be determined with reference to at least one market comparable obtained at the best endeavour of the parties from time to time.

Duration

The Services Group Master Services Agreement shall be effective up to and including 30 June 2023, 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 24 April 2020, Mr. Doo and the Company agreed 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 in relation to the termination of the Former Services Group Master Services Agreement.

Historical figures and the Services Group Annual Caps

The aggregate transaction amounts paid by the Services Group to the Group, and vice versa, under the Former Services Group Master Services Agreement for the two financial years ended 30 June 2018 and 2019 and the six months ended 31 December 2019 were approximately HK\$1,728.3 million, HK\$1,711.8 million and HK\$637.8 million, respectively.

The Services Group Annual Caps for each of the three financial years ending 30 June 2021, 2022 and 2023 are HK\$5,014.0 million, HK\$5,844.8 million and HK\$7,210.5 million, respectively.

Each of the Services Group Annual Caps has 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 financial years ending 30 June 2021, 2022 and 2023.

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.

The above-mentioned projected figures are determined based on the relevant historical figures, taking into account the anticipated business growth of the Services Group and the Group, new property projects held or will be held by 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. The Services Group Master 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 renewal of the agreements in respect of the provision of the Services Group 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 entering into of the Services Group Master 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 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.

THE CTFE MASTER SERVICES AGREEMENT

Background

On 10 April 2017, CTFE and the Company entered into the Former CTFE Master Services Agreement, pursuant to which the relevant members of the CTFE 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 CTFE Master Services Agreement.

The initial term of the Former CTFE Master Services Agreement will expire on 30 June 2020. On 24 April 2020, CTFE and the Company entered into the CTFE Master Services Agreement in relation to the CTFE Transactions and agreed to terminate the Former CTFE Master Services Agreement upon the CTFE Master Services Agreement becoming effective on the CTFE Effective Date.

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

Date

24 April 2020

Parties

- (1) CTFE; and
- (2) the Company

General terms for the CTFE Transactions

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

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

- (a) in the usual and ordinary course of business of CTFE Group and the Group;
- (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 CTFE Annual Caps), the applicable laws, the CTFE Master Services Agreement and the relevant Definitive CTFE Agreement.

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

- (a) in respect of the General and Rental Services:
 - for lessor, the lessor will provide the lessee a quote after it has, at its best endeavour, obtained two market comparative quotes for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or reviewed two comparable transactions with independent third parties;
 - for lessee, the lessee will, at its best endeavour, obtain two market comparative quotes for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or review two comparable transactions with independent third parties before deciding whether to accept the quote provided by the lessor and proceed further; and
 - for the provision of procurement services: the consideration will be fixed on the basis of the member(s) of the Group performing a thorough analysis on the specific project and the related construction material requirements, including the types of materials required such as ironmongery, tiles, rebar, etc., the collection of cost and other data which includes quotations from suppliers for materials and the estimated usage of different types of materials, and make references to recent job quotations and the historical purchase price. Related market information, such as material price trend will also be retrieved from public source and database for reference;

- (b) in respect of the CTFE Contracting Services:
- where the member(s) of the Group participates in a tender or quotation with all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount or the recommended one with better technical knowhow and capability to complete the project in time and with quality, in accordance with the employer's 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; and
 - where the engagement is through direct appointment by member(s) of the CTFE Group, the consideration will be on a cost-plus basis (which could be varied according to the scale or, if applicable, the unique nature of the project agreed to be undertaken by the Group) agreed with member(s) of the Group, which is in line with the basis for engagements by independent third parties for projects of similar nature and size;
- (c) in respect of the CTFE Administrative Services: the consideration will be fixed at a monthly fee based on the estimated amount of work to be done. The fee will be determined with reference to at least one market comparable obtained at the best endeavour of the parties from time to time;
- (d) in respect of the Project Management and Consultancy Services: the consideration will be fixed on the basis of cost plus a prevailing market rate which could be varied according to the size or, if applicable, the unique nature of the project management project and/or the extent of services required and 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;
- (e) in respect of the Insurance, Medical and Health Care Services: the consideration will be fixed on the basis to meet the target and minimum profitability requirement measured on the traditional embedded value basis; and
- (f) in respect of the other CTFE Services: the consideration will be fixed at an amount with reference to the prevailing market rate compared to the relevant immediately expired Definitive CTFE Agreement(s). Such prevailing market rate will be determined with reference to at least one market comparable obtained at the best endeavour of the parties from time to time.

Duration

The CTFE Master Services Agreement shall be effective up to and including 30 June 2023, unless terminated earlier in accordance with the CTFE 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 CTFE Master Services Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waiver obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the CTFE 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 CTFE Master Services Agreement.

Termination of the Former CTFE Master Services Agreement

On 24 April 2020, the Company and CTFE agreed to terminate the Former CTFE Master Services Agreement upon the CTFE Master Services Agreement becoming effective on the CTFE Effective Date. None of the parties has to pay to the other party any penalty and/or compensation in relation to the termination of the Former CTFE Master Services Agreement.

Historical figures and the CTFE Annual Caps

The aggregate transaction amounts paid by the CTFE Group to the Group, and vice versa, under the Former CTFE Master Services Agreement for the two financial years ended 30 June 2018 and 2019 and the six months ended 31 December 2019 were approximately HK\$557.9 million, HK\$645.3 million and HK\$247.3 million, respectively.

The CTFE Annual Caps for each of the three financial years ending 30 June 2021, 2022 and 2023 are HK\$1,583.4 million, HK\$1,294.5 million and HK\$951.6 million, respectively.

Each of the CTFE Annual Caps has been determined by reference to:

- (a) the historical annual or annualised amounts in respect of the CTFE Services provided by the Group to the CTFE Group, and vice versa, during the past financial years; and
- (b) the projected annual or annualised amounts in respect of the CTFE Services to be provided by the Group to the CTFE Group, and vice versa, in the three financial years ending 30 June 2021, 2022 and 2023.

The above-mentioned projected figures are determined based on the relevant historical figures. The increase in CTFE Annual Caps as compared with the historical transaction amounts for the past financial years is mainly due to the anticipated business growth and new property projects held or will be held by the CTFE Group and the Group, and have also taken into account the development cycle and completion status of the relevant property projects, 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 CTFE Group and/or the Group; and the service industries in which the Group operates will have steady growth.

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

The transactions contemplated under the CTFE 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 CTFE Group and the Group. The CTFE Master Services Agreement is intended to streamline the continuing connected transactions between members of the CTFE Group and members of the Group. The CTFE Master Services Agreement provides a single basis on which the Company will comply with the requirements under 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 CTFE Services.

The Directors consider that the entering into of the CTFE Master Services Agreement have been negotiated on an arm's length basis and within the ordinary and usual course of business of the Group, 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 CTFE Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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

Mr. Doo is the non-executive vice-chairman and a non-executive Director, 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 and development, property leasing, property and facility management; (ii) security and guarding services; (iii) cleaning and laundry; (iv) landscaping, (v) provision of environmental management services, mechanical and electrical engineering services; (vi) trading of building materials; and (vii) insurance consultancy and brokerage.

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

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Doo is the non-executive vice-chairman and a non-executive Director, 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.

As at the date of this announcement, CTFE is a substantial shareholder of the Company and therefore a connected person of the Company. The CTFE 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 into of the Services Group Master Services Agreement, the Services Group Transactions 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.

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

APPROVAL BY THE BOARD OF DIRECTORS

The Services Group Master Services Agreement

Mr. Doo has a material interest in the entering into of the Services Group Master Services Agreement. Dr. Cheng Kar Shun, Henry beneficially owns 18% interest in FSE Holdings Limited, which holds 75% of FSE Services, 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.

The CTFE Master Services Agreement

None of the Directors has a material interest in the entering into of the CTFE Master Services Agreement. Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian, Mr. Cheng Kar Shing, Peter and Mr. Cheng Chi Heng all being Directors, are also directors of CTFE. Dr. Cheng Chi Kong, Adrian, Mr. Cheng Kar Shing, Peter and Mr. Cheng Chi Heng and their associates, being Mr. Doo and Ms. Cheng Chi Man, Sonia, 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.

GENERAL

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on the entering into of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps. The Independent Board Committee has been established to consider the entering into of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps, and to advise the Independent Shareholders as to whether the entering into of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps are in the interests of the Group and the Shareholders as a whole. BCL 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 Services Group Master Services Agreement, the Services Group Transactions and the Services Group 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 despatched to the Shareholders on or before 1 June 2020.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“BCL” 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 Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“Cleaning and Landscaping Services”	general cleaning and housekeeping, waste management and disposal, external wall and window cleaning, clinical waste management, vessel and vehicle cleaning, depot, terminus, office and facility cleaning, pest control, recycling and environmental services, landscaping and plant maintenance, 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”	has the meaning ascribed to it under the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company as at the date of this announcement
“CTFE Administrative Services”	the provision of office facilities, staff secondment, utilities and equipment support, administrative support and information technology system and other ancillary administrative services
“CTFE Annual Caps”	the annual cap amounts payable by the CTFE Group to the Group, and vice versa, in respect of the CTFE Transactions for each of the three financial years ending 30 June 2021, 2022 and 2023
“CTFE Contracting Services”	the provision of services as main contractors, management contractors, project managers, subcontractors or agents, building and general construction, civil engineering, building exterior and interior design, building maintenance and repair, renovation, refurbishment, cleaning of properties, development and redevelopment of buildings, properties and real estate, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management, computer aided drafting services and related services
“CTFE Effective Date”	1 July 2020

“CTFE Group”	CTFE, (a) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company, and/or (b) any other company in the equity capital of which CTFE and such other companies referred to in (a) above taken together are 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 and Share Buy-backs 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, and for the purpose of the CTFE Master Services Agreement and this announcement, such term shall exclude members of the Group
“CTFE Master Services Agreement”	the master services agreement in relation to the CTFE Transactions entered into between CTFE and the Company on 24 April 2020
“CTFE Services”	the CTFE Administrative Services, CTFE Contracting Services, General and Rental Services, Insurance, Medical and Health Care Services, Project Management and Consultancy Services, and such other types of services as CTFE and the Company may agree upon from time to time in writing
“CTFE Transactions”	all existing and future transactions between members of the CTFE Group and members of the Group in respect of provision of CTFE Services
“Definitive CTFE Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the CTFE Group and any member(s) of the Group from time to time in relation to any of the CTFE Transactions at any time during the term of the CTFE Master Services Agreement
“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”	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 Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“Facility Management Services”	provision of information technology services and telecommunication services, provision of convention and exhibition facilities and related functions and services, food and beverage catering services, food processing, trading and supply, merchandise sourcing and related services
“Former CTFE Master Services Agreement”	the master services agreement dated 10 April 2017 entered into between CTFE and the Company, as disclosed in the announcement of the Company dated 10 April 2017
“Former Services Group Master Services Agreement”	the master services agreement dated 10 April 2017 entered into between Mr. Doo and the Company as disclosed in the announcement of the Company dated 10 April 2017 and the circular of the Company dated 9 May 2017

“FSE Services”	FSE Services Group 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)
“General and Rental Services”	the provision of information technology, provision of convention and exhibition facilities, related functions and services, food and beverage catering services, food processing, hiring, procurement and supply of construction and building machinery, equipment and materials, property management and related accounting services, property sales and letting agency services, provision of carparking management and related services and rental of properties, spare spaces, other spaces and car-parking spaces, vehicles and vessels, buying and procurement services for sourcing goods, provision of supply chain management and consultancy services, sample production and import and export trading services, wholesaling, provision of freight forwarding and packaging and other logistics services, storage and warehousing services, design, marketing and sourcing services, merchandising agent services, general trading of merchandise, advertising and promotion-related services and related services
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the board of Directors, comprising all of the independent non-executive Directors
“Independent Shareholders”	the Shareholders, other than Mr. Doo, Dr. Cheng Kar Shun, Henry and their respective 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 Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“Insurance, Medical and Health Care Services”	the provision of insurance and related services, insurance underwriting services, insurance consultancy and advisory services, policy underwriting services, medical and health care services, rehabilitation and wellness enhancement and related services
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Doo”	Mr. Doo Wai Hoi, William, the non-executive vice-chairman and a non-executive Director 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 People’s Republic of China and Taiwan

“Project Management and Consultancy Services”	the provision of project management and consultancy services by the relevant members of the Group to members of the CTFE Group in relation to the planning, design and construction of property projects developed or owned by members of the CTFE Group from time to time, including but not limited to (a) the provision of advices on design plans and development schedules; co-ordination with architects and consultants on the preparation of tender documents and drawings; monitoring the approval of necessary construction permits; (b) overseeing the overall construction including the construction progress and managing the daily operation of construction sites; certifying periodic payments to suppliers and contractors; preparation of cash flow projection; and (c) arranging for hand-over of the completed works complete with full technical documentation for future maintenance and operation; approving final payments to consultants; and co-ordination with consultants on the compilation of final accounts
“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 and Procurement Services”	rental of properties including without limitation spare spaces, office spaces and car parking spaces, vehicles and vessels, buying and procurement services for sourcing goods, provision of supply chain management and consultancy services, sample production and import and export trading services, wholesaling, provision of freight forwarding and packaging and other logistics services, storage and warehousing services, design, marketing and sourcing services, merchandising agent services, general trading of merchandise, advertising and promotion-related services and related services
“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 and Share Buy-backs 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 financial years ending 30 June 2021, 2022 and 2023
“Services Group Contracting Services”	provision of services as main contractors, management contractors, project managers, subcontractors or agents, building and general construction, civil engineering, building exterior and interior design, building maintenance and repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management, hiring, procurement and supply of construction and building machinery, 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 2020, which is conditional upon the entering into of 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 announcement
“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 24 April 2020
“Services Group Services”	the Services Group Contracting Services, Cleaning and Landscaping Services, Facility Management Services, Insurance, Medical and Health Care Services, Property Management Services, Security and Guarding Services, Rental and Procurement 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 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
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“%”	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, 24 April 2020

As at the date of this announcement, (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Heng, Ms. Cheng Chi Man, Sonia and Mr. Sitt Nam Hoi; (b) the non-executive directors of the Company are Mr. Doo Wai Hoi, William, Mr. Cheng Kar Shing, Peter and Ms. Ki Man Fung, Leonie; and (c) the independent non-executive directors of the Company are Mr. Yeung Ping Leung, Howard, Mr. Cha Mou Sing, Payson (alternate director to Mr. Cha Mou Sing, Payson: Mr. Cha Mou Zing, Victor), Mr. Ho Hau Hay, Hamilton, Mr. Lee Luen Wai, John, Mr. Liang Cheung Biu, Thomas and Mr. Ip Yuk Keung.