

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 MASTER LEASING AND LICENSING AGREEMENT

Reference are made to (i) the 2014 Joint Announcement and (ii) the 2017 Announcement in respect of the Former Master Leasing Agreement.

On 28 April 2020, the Company and CTFJ entered into the Master Leasing and Licensing Agreement in relation to the Transactions and agreed to terminate the Former Master Leasing Agreement upon the Master Leasing and Licensing Agreement becoming effective on the Effective Date.

As at the date of this announcement, CTFE is a substantial shareholder of the Company, and therefore a connected person of the Company. CTFJ is a fellow subsidiary of CTFE and is therefore an associate of a connected person (being CTFE) of the Company. In view of such relationships, CTFJ is a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

THE MASTER LEASING AND LICENSING AGREEMENT

Background

Reference are made to (i) the 2014 Joint Announcement and (ii) the 2017 Announcement in respect of the Former Master Leasing Agreement.

On 11 April 2014, the Company and CTFJ entered into the Former Master Leasing Agreement in relation to the transactions arising from the leasing or tenancy agreements between relevant members of the Group and relevant members of the CTFJ Group. The initial term of the Former Master Leasing Agreement expired on 30 June 2017. The Company and CTFJ agreed to renew the Former Master Leasing Agreement upon the expiry of its initial term on 30 June 2017 for a further term of three years up to and including 30 June 2020.

On 28 April 2020, the Company and CTFJ entered into the Master Leasing and Licensing Agreement in relation to the Transactions and agreed to terminate the Former Master Leasing Agreement upon the Master Leasing and Licensing Agreement becoming effective on the Effective Date.

The principal terms of the Master Leasing and Licensing Agreement are set out below:

Date

28 April 2020

Parties

- (a) the Company; and
- (b) CTFJ

General terms for the Transactions

The relevant members of the Group and the relevant members of the CTFJ Group may from time to time enter into Definitive Agreement(s) in relation to any Transactions upon, and subject to, the terms and conditions in compliance with the Master Leasing and Licensing Agreement as may be agreed between relevant members of the Group and relevant members of the CTFJ Group. All existing agreements between the relevant members of the Group and the relevant members of the CTFJ Group in respect of the Transactions (to the extent which covers the Transactions on and after the Effective Date) shall be treated as Definitive Agreements made pursuant to the Master Leasing and Licensing 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 Group and CTFJ Group;
- (b) on normal commercial terms or better (as defined in the Listing Rules) for each of the Group and CTFJ Group and based on the then prevailing market rates; and
- (c) in compliance with all applicable provisions of the Listing Rules (including but not limited to the Annual Caps), the applicable laws, the Master Leasing and Licensing Agreement and the relevant Definitive Agreement(s).

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

- (a) for lessor, the lessor will provide the lessee with a quote after it has, at its best endeavour, obtained at least one market comparative quote for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or reviewed at least one comparable transaction with independent third parties; and
- (b) for lessee, the lessee will, at its best endeavour, obtain at least one market comparative quote for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or review at least one comparable transaction with independent third parties before deciding whether to accept the quote provided by the lessor and proceed further.

Duration

The Master Leasing and Licensing Agreement shall be effective from the Effective Date up to and including 30 June 2023, unless terminated earlier in accordance with the Master Leasing and Licensing Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Leasing and Licensing 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 Master Leasing and Licensing 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 Leasing and Licensing Agreement.

Termination of the Former Master Leasing Agreement

On 28 April 2020, the Company and CTFJ agreed to terminate the Former Master Leasing Agreement upon the Master Leasing and Licensing Agreement becoming effective on the 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 Master Leasing Agreement.

Historical figures and the Annual Caps

During the renewal term of the Former Master Leasing Agreement, all leasing or tenancy services under the Former Master Leasing Agreement were provided by the Group to the CTFJ Group. The aggregate transaction amounts in relation to the transactions under the Former Master Leasing Agreement for the Group for each of the two financial years ended 30 June 2018 and 2019 and the six months ended 31 December 2019 were approximately HK\$98.5 million, HK\$92.3 million and HK\$47.7 million, respectively.

The Annual Caps for each of the three financial years ending 30 June 2021, 2022 and 2023 are set out below:

	For the year ending 30 June		
	2021	2022	2023
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Provision of leasing, tenancy, licensing, concession or other similar services under the Master Leasing and Licensing Agreement to the CTFJ Group by the Group	124.6	151.2	166.3

Taking into account that the Group has no imminent plan to require leasing, tenancy, licensing, concession or other similar services from the CTFJ Group, the Annual Caps have been determined based on (i) the historical transaction amounts paid by the CTFJ Group to the Group under the Former Master Leasing Agreement; (ii) the terms of the underlying leases; (iii) the prevailing market rates of similar property(ies); and (iv) the expected growth in the business of the CTFJ Group and the amount of transactions under the Master Leasing and Licensing Agreement.

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

Members of the Group and members of the CTFJ Group may maintain the current leasing or tenancy arrangement and having considered that the Group and the CTFJ Group may from time to time consider entering into new licensing, concession or other similar collaboration arrangements in respect of real property (including without limitation retail shops, shops-in-shops and counters) in addition to current leasing or tenancy arrangements, in order to systematically organise all the said arrangements between the CTFJ Group and the Group for the purposes of Chapter 14A of the Listing Rules, the Company and CTFJ decided to enter into the Master Leasing and Licensing Agreement.

The Directors believe that it is in the interests of the Company to enter into the Master Leasing and Licensing Agreement for an initial term of three years so that the Group may regulate the existing and future leasing, tenancy, licensing, concession and other similar collaboration agreements with the CTFJ Group under a common framework agreement.

DIRECTOR'S CONFIRMATION

The Directors (including the independent non-executive Directors) consider that the entering into of the Master Leasing and Licensing Agreement and its terms are fair and reasonable, on normal commercial terms and within the ordinary and usual course of business of the Group, and are in the interests of the Group and the shareholders of the Company as a whole, and that the Annual Caps are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

INFORMATION ON THE GROUP AND CTFJ GROUP

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.

The CTFJ Group is one of the largest jewellers in the world with an extensive retail network in Greater China, Japan, Korea, Southeast Asia and the United States, in addition to its e-commerce business. The CTFJ Group is principally engaged in the business of manufacturing and selling of high-end luxury, mass luxury and youth line jewellery products, including gem-set jewellery, gold products and platinum/karat gold products, and distribution of various watch brands.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CTFE is a substantial shareholder of the Company, and therefore a connected person of the Company. CTFJ is a fellow subsidiary of CTFE and is therefore an associate of a connected person (being CTFE) of the Company. In view of such relationships, CTFJ is a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

APPROVAL BY THE BOARD OF DIRECTORS

Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Heng and Ms. Cheng Chi Man, Sonia are common directors of CTFJ and the Company. Dr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Heng and Ms. Cheng Chi Man, Sonia and their associates, being Mr. Doo Wai Hoi, William and Mr. Cheng Kar Shing, Peter, had abstained from voting on the resolutions approving the entering into of the Master Leasing and Licensing Agreement and the Annual Caps at the board meeting of the Company. Dr. Cheng Kar Shun, Henry was not present at the aforesaid board meeting of the Company and accordingly did not vote on the relevant board resolutions. Save as mentioned above, none of the Directors has a material interest in the entering into of the Master Leasing and Licensing Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

"2014 Joint Announcement"	the joint announcement of the Company and CTFJ dated 11 April 2014 in respect of the Former Master Leasing Agreement
"2017 Announcement"	the announcement of the Company dated 13 April 2017 in respect of the renewal of the Former Master Leasing Agreement
"Annual Caps"	the annual cap amounts payable by the CTFJ Group to the Group in respect of the Transactions for each of the three financial years ending 30 June 2021, 2022 and 2023
"associate"	has the meaning ascribed to it under the Listing Rules

“Company”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0017)
“connected person”	has the meaning ascribed to it under the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability, being a substantial shareholder of the Company and a fellow subsidiary of CTFJ
“CTFJ”	Chow Tai Fook Jewellery Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CTFJ Group”	CTFJ and its subsidiaries from time to time
“Definitive Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the CTFJ Group from time to time in relation to any of the Transactions at any time during the term of the Master Leasing and Licensing Agreement
“Directors”	the directors of the Company
“Effective Date”	1 July 2020
“Former Master Leasing Agreement”	the master leasing agreement entered into between the Company and CTFJ on 11 April 2014 and renewed on 1 July 2017 in relation to the transactions arising from the leasing or tenancy agreements between members of the Group and members of the CTFJ Group
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Leasing and Licensing Agreement”	the master leasing and licensing agreement in relation to the Transactions entered into between the Company and CTFJ on 28 April 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

"Transactions"

all existing and future transactions between members of the Group and members of the CTFJ Group arising from the leases or tenancy agreements, licensing agreements, concession agreements, other similar collaboration agreements or any other agreements in relation to any real properties (including without limitation retail shops, shops-in-shops and counters) between members of the Group and members of the CTFJ Group, as contemplated under the Master Leasing and Licensing Agreement

"%"

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 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.