
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



CONTINUING CONNECTED TRANSACTIONS THE SERVICES GROUP MASTER SERVICES AGREEMENT AND NOTICE OF EGM

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

BALLAS
C A P I T A L

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

A letter from the Board is set out on pages 7 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 and 18 of this circular. A letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 48 of this circular.

A notice convening the EGM to be held at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 19 June 2020 at 11:30 a.m. is set out on pages 64 to 66 of this circular. A proxy form is also enclosed. Whether or not you are able to attend the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit it with the Company’s share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page 1 of this circular for the measures being taken to prevent and control the spread of the COVID-19 at the EGM, including but not limited to:

- (1) Compulsory body temperature check
- (2) Compulsory wearing of surgical face mask
- (3) Maintaining a safe distance between seats
- (4) No provision of refreshments or beverages
- (5) No distribution of coupons for subsequent consumption

Any person who does not comply with the precautionary measures will be denied entry into or be required to leave the EGM venue.

In light of the continuing risks posed by the COVID-19 and as part of the Company’s control measures to safeguard the health and safety of the Shareholders, the Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

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PRECAUTIONARY MEASURES FOR THE EGM

The health of the Shareholders, staff and stakeholders of the Company is of paramount importance to us. To prevent and control the spread of the COVID-19, the Company will implement the following at the EGM as part of the control measures to safeguard the health and safety of our attending Shareholders, staff and stakeholders of the Company:

- (1) Compulsory body temperature checks will be conducted for every attendee at the entrance of the EGM venue. Any person who has a body temperature of over 37.5 degrees Celsius or is subject to the mandatory quarantine order imposed by the Hong Kong government will be denied entry into or be required to leave the EGM venue.
- (2) Every attendee must wear a surgical face mask throughout the EGM and inside the EGM venue. **Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.**
- (3) The Company will maintain a safe distance between seats.
- (4) No refreshments or beverages will be served.
- (5) No distribution of coupons for subsequent consumption.

In addition, the Company would like to remind all attending Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. The Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and return the proxy forms to the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. The Shareholders should check the Company's website (www.nwd.com.hk) or the HKEXnews' website (www.hkexnews.hk) for any future announcements and updates on the EGM arrangements.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 24 April 2020 in respect of, amongst others, the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BCL” or “Independent Financial Adviser” or “IFA”	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
“Board”	the board of Directors of the Company
“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(s)”	has the meaning ascribed to it under the Listing Rules
“Definitive Services Group Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Services Group and any member(s) of the Group from time to time in relation to any of the Services Group Transactions at any time during the term of the Services Group Master Services Agreement
“Directors”	the directors of the Company
“EGM”	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

DEFINITIONS

“EGM Matters”	the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps
“Facility Management Services”	provision of information technology services 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 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)
“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”	the independent Board committee comprising all the independent non-executive Directors
“Independent Shareholders”	the Shareholders, other than Mr. Doo and his associates, who do not have any material interest in the Services Group Master Services Agreement and are not required to abstain from voting at the EGM to consider and approve the EGM Matters
“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;
“Latest Practicable Date”	25 May 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“Mr. Doo”	Mr. Doo Wai-Hoi, William, the non-executive vice-chairman and a non-executive Director of the Company and a director of certain subsidiaries of the Company and the beneficial owner of several corporate substantial shareholders of certain subsidiaries of the Company, and a controlling shareholder of the Services Group
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property Management Services”	property management and related accounting services, property sales, vessel and vehicle sales and letting agency services, pre-marketing consultancy services, technical services, provision of car parking management and related services
“Rental 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

DEFINITIONS

“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 circular
“Services Group Master Services Agreement”	the master services agreement in relation to the Services Group Transactions entered into between Mr. Doo and the Company on 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“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
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

Executive Directors:

Dr. Cheng Kar-Shun, Henry, *GBS (Chairman)*
Dr. Cheng Chi-Kong, Adrian, *JP*
(*Executive Vice-chairman and chief executive officer*)
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Sitt Nam-Hoi
Ms. Huang Shaomei, Echo
Ms. Chiu Wai-Han, Jenny

Registered office:

30th Floor
New World Tower
16–18 Queen's Road Central
Hong Kong

Non-executive Directors:

Mr. Doo Wai-Hoi, William, *JP*
(*Non-executive Vice-chairman*)
Mr. Cheng Kar-Shing, Peter
Ms. Ki Man-Fung, Leonie, *GBS SBS JP*

Independent Non-executive Directors:

Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson, *JP*
(*Alternate director to Mr. Cha Mou-Sing, Payson:*
Mr. Cha Mou-Zing, Victor)
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John, *BBS JP*
Mr. Liang Cheung-Biu, Thomas
Mr. Ip Yuk-Keung

1 June 2020

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

Dear Sir or Madam,

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

INTRODUCTION

References are made to the Announcement in relation to, amongst others, the EGM Matters.

LETTER FROM THE BOARD

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

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

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

LETTER FROM THE BOARD

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 at least three quotations from suppliers (including independent third parties in the market, subject to practical availability and feasibility) 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. These measures/procedures are designed

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with a view to ensuring the price and terms of procurement services offered are fair and reasonable and comparable to those offered by independent third parties, and will be adhered to by the Group for its procurement activities;

(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. In deriving the cost basis for the group life insurance policy to be offered, the relevant member of the Group will consider, among other things, (i) the sum assured/risk exposure; (ii) the demographic of the insured profile (including but not limited to age, occupation and geographical location); (iii) the reinsurance terms; (iv) the relevant underwriting information; and (v) the relevant insurance claims history of the insured entity; and

LETTER FROM THE BOARD

- (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 commence on the Services Group Effective Date, and 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

LETTER FROM THE BOARD

- (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 (i) the transaction values brought by some existing projects (for example, the Inland Revenue Tower at Kai Tak) which is expected that subcontracting services will be provided by the Services Group for the financial year ending 30 June 2021 in accordance with the respective project timelines; (ii) the development cycle and completion status of the relevant property projects; (iii) the potential business growth of the Group's construction business which would give rise to the increase in the transaction values of contracting services, 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 particular increase in Services Group Annual Cap for the financial year ending 30 June 2023 is mainly due to the increase in transaction values of electrical, mechanical, fire services and plumbing works of certain secured and potential sizeable projects relating to the Immigration Headquarter at Tseung Kwan O and certain government or institutional projects relating to healthcare and education sectors which may be subcontracted to the Services Group and the estimated contract values of such projects which are determined on a project-by-project basis in accordance with the respective project timelines.

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

LETTER FROM THE BOARD

administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the agreements in respect of the provision of the Services Group Services.

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

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

Given that the co-operation between members of the Group and members of the Services Group has been over decades, the entering into the Services Group Master Services Agreement can create synergies because (i) both parties are satisfied with the quality of the services being provided; (ii) both parties are familiar with each other hence providing a more effective communication and higher work efficiency; and (iii) allows both parties to provide with each other flexibility in relation to the services to be provided.

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

APPROVAL OF THE BOARD

Mr. Doo has a material interest in the 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. Ms. Huang Shaomei, Echo and Ms. Chiu Wai-Han,

LETTER FROM THE BOARD

Jenny who were appointed as the Directors with effect from 1 May 2020 were not present at the aforesaid board meeting of the Company and accordingly did not vote on the relevant board resolutions.

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

The Group

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

Mr. Doo and the Services 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.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

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.

LETTER FROM THE BOARD

EGM

The Company will convene and hold the EGM at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 19 June 2020 at 11:30 a.m. to consider and, if thought fit, approve the EGM Matters. A notice of EGM is set out on pages 64 to 66 of this circular.

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

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

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

A proxy form for use in connection with the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.

The register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 June 2020.

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

RECOMMENDATION

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

LETTER FROM THE BOARD

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 17 and 18 of this circular. Your attention is also drawn to the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the EGM Matters set out on pages 19 to 48 in this circular.

The Independent Board Committee, having taken into account the reasons for and the benefits of entering into the Services Group Master Services Agreement and the transactions contemplated thereunder, the basis of determining the Services Group Annual Caps and the advice of the IFA, considers that the EGM Matters (namely, the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps) are in the ordinary and usual course of business of the Group, on normal commercial terms or better, fair and reasonable and in the interests of the Group and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution approving the EGM Matters.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

1 June 2020

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 1 June 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

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

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

We wish to draw your attention to the letter from the Board as set out on pages 7 to 16 of the Circular which contains, among others, information on the EGM Matters as well as the letter from IFA as set out on pages 19 to 48 of the Circular which contains its advice in respect of the EGM Matters.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the reasons for and the benefits of entering into the Services Group Master Services Agreement and the transactions contemplated thereunder, the basis of determining the Services Group Annual Caps and the advice of the IFA, we consider that the EGM Matters are in the ordinary and usual course of business of the Group, on normal commercial terms or better, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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

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



Unit 1802, 18/F
1 Duddell Street
Central
Hong Kong

1 June 2020

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS THE SERVICES GROUP MASTER SERVICES AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps. Details of the terms of the Services Group Master Services Agreement are contained in the circular of the Company dated 1 June 2020 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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 of the Company.

The independent board committee comprising Mr. Yeung Ping Leung, Howard, Mr. Cha Mou Sing, Payson (alternate director to Mr. Cha Mou Sing, Payson: Mr. Cha Mou Zing, Victor), Mr. Ho Hau Hay, Hamilton, Mr. Lee Luen Wai, John, Mr. Liang Cheung Biu, Thomas and Mr. Ip Yuk Keung, has been established 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 ordinary and usual course of business of the Group, on normal commercial terms or better, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into of the Services Group Master Services Agreement and the Services Group Transactions contemplated thereunder is in the ordinary and usual course of business of the Group and the terms thereof are on normal commercial terms or better and fair and reasonable; (ii) whether the entering into of the Services Group Master Services Agreement and the Services Group Transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole; (iii) whether the Services Group Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the entering into of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have confirmed in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group or any of its respective subsidiaries or associates.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we are not aware of any relationships or interests between Ballas Capital Limited and the Company or any other parties that could be reasonably regarded as a hindrance to Ballas Capital Limited's independence as defined under the Listing Rules to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1 Information on the Group and the Services Group

1.1 Information on the Group

The Company is a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0017). The Group is principally engaged in property development, property investment and investment in and/or operation of roads, commercial aircraft leasing, construction, insurance, hotels and other strategic businesses.

1.1.1 Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial results of the Group for the financial years ended 30 June 2018 (“**FY2018**”) and 2019 (“**FY2019**”) and the unaudited consolidated financial results of the Group for the six months ended 31 December 2019 (“**HY2020**”) as extracted from annual report of the Company for the financial year ended 30 June 2019 and the interim report of the Company for the six months ended 31 December 2019 (the “**2020 Interim Report**”).

	FY2018 (Audited) <i>HK\$'million</i>	FY2019 (Audited) <i>HK\$'million</i>	HY2020 (Unaudited) <i>HK\$'million</i>
Revenue	60,688.7	76,763.6	32,464.4
Gross Profit	20,563.4	25,021.5	12,264.7
Operating profit	30,975.3	25,202.1	6,398.8
Profit attributable to Shareholders	23,338.1	18,160.1	1,017.3

The Group recorded revenue of approximately HK\$76,763.6 million for FY2019, representing an increase of approximately 26.4% as compared to that of FY2018, which was mainly due to the Group’s outperformance in Hong Kong property related operations. The revenue from the Group’s property development segment increased from approximately HK\$23,380.8 million for FY2018 to approximately HK\$38,511.5 million for FY2019.

The Group’s property development segment reported an approximate 65% increase in revenue in FY2019, which was mainly due to the contribution from property development in Hong Kong. In FY2019, projects including “THE PAVILIA BAY”, “MOUNT PAVILIA”,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“ARTISAN HOUSE”, “PARK HILLCREST”, “The Masterpiece”, “THE PAVILIA HILL”, “THE PARKVILLE”, the “Double Cove series” and “PARK VILLA” had driven performance in the segment.

The operating profit of the Group and profit attributable to Shareholders for FY2019 decreased by approximately 18.6% and approximately 22.2% respectively to approximately HK\$25,202.1 million and approximately HK\$18,160.1 million respectively. The decrease in operating profit in FY2019 was mainly due to (i) the decrease in changes in fair value of and gain on transfer to investment properties for FY2019; and (ii) the fact that the Group recorded significant other gains for FY2018, which mainly represented gain on remeasurement of an available-for-sale financial asset and net gain on disposal of certain subsidiaries, joint ventures and associated companies.

For HY2020, the Group recorded revenue of approximately HK\$32,464.4 million and profit attributable to Shareholders of approximately HK\$1,017.3 million.

1.1.2 Financial position of the Group

Set out below is the summary of the financial position of the Group as extracted from the 2020 Interim Report.

	As at 31 December 2019 (Unaudited) <i>HK\$'million</i>
Non-current assets	410,812.6
Cash and bank balances	63,542.8
Other current assets	<u>119,165.4</u>
Total assets	<u><u>593,520.8</u></u>
Borrowings and other interest-bearing liabilities (non-current portion)	141,163.7
Other non-current liabilities	33,331.7
Borrowings and other interest-bearing liabilities (current portion) and short-term borrowings	44,931.9
Other current liabilities	<u>96,883.6</u>
Total liabilities	<u><u>316,310.9</u></u>
Equity attributable to Shareholders	<u><u>216,273.9</u></u>

As at 31 December 2019, the total assets of the Group amounted to approximately HK\$593,520.8 million, mainly comprising (i) investment properties with an amount of approximately HK\$168,104.2 million (representing approximately 28.3% of total assets); (ii) properties for development, properties under development and properties held for sale, with an aggregate amount of approximately HK\$97,970.3 million (representing approximately 16.5% of total assets); (iii) interests in joint ventures and associated companies which mainly represents the Group's investments in various projects, with an aggregate amount of approximately HK\$70,496.7 million (representing approximately 11.9% of total assets); and (iv) cash and bank balances with an amount of approximately HK\$63,542.8 million (representing approximately 10.7% of total assets).

As at 31 December 2019, the total liabilities of the Group amounted to approximately HK\$316,310.9 million, mainly comprising (i) borrowings and other interest-bearing liabilities (including current and non-current portions) and short-term borrowings of approximately HK\$186,095.6 million (representing approximately 58.8% of total liabilities); and (ii) creditors, accrued charges, payables to policyholders and contract liabilities of approximately HK\$56,764.4 million (representing approximately 17.9% of total liabilities).

The Group recorded equity attributable to Shareholders of approximately HK\$216,273.9 million as at 31 December 2019.

1.2 Information on the listed subsidiaries of the Company

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

NWS is a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0659). The NWS Group is principally engaged in (i) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and (ii) the investment in and/or operation of environmental and logistics projects, facilities and transport.

NWDS China is a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0825). The NWDS China Group is principally engaged in the business of operating department store and other related business and property investment operations in the PRC.

1.3 Information on Mr. Doo and the Services 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.

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.

2 Background of the Services Group Transactions

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.

3 Principal terms of the Services Group Master Services Agreement

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.

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 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 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

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- 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 at least three quotations from suppliers (including independent third parties in the market, subject to practical availability and feasibility) 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. These measures/procedures are designed with a view to ensuring the price and terms of procurement services offered to the Group by the Services Group are fair and reasonable and comparable to those offered to the Group by independent third parties, and will be adhered to by the Group for its procurement activities;

(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 Services Group will participate in a tender from all bidders (including independent third parties in the market). The procedures for tender and bidding will be conducted in accordance with the Group's internal tender procedure(s);

- (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;
- (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. In deriving the cost basis for the group life insurance policy to be offered, the relevant member of the Group will consider, among other things, (i) the sum assured/risk exposure; (ii) the demographic of the insured profile (including but not limited to age, occupation and geographical location); (iii) the reinsurance terms; (iv) the relevant underwriting information; and (v) the relevant insurance claims history of the insured entity; 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.

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

Pursuant to the Services Group Master Services Agreement, the relevant members of the Group will conduct the Services Group Transactions with the relevant members of the Services Group until 30 June 2023.

We have discussed with the management of the Company and understand that the transactions contemplated under the Services Group Master Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Services Group and the Group. The

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

We have discussed with the management of the Company and noted that the Services Group has provided services to the Group for over decades. During this period, the Services Group has established a reputation in their respective industries and accumulated valuable industrial expertise. Their clientele include the Hong Kong Government and multinational corporations. In view of the fact that the Group does not possess expertise in electrical and mechanical engineering works, and given the credentials and track record of the Services Group, in particular its over 40 years of experience in electrical and mechanical engineering services, possession of licenses required for performing the Services Group Services and over such long cooperation with the Group, the Group considered the Services Group as a suitable and capable candidate to be considered for the continuation of provision of the related services for the Group. The long-term relation between the Group and the Services Group also create synergies such as more effective communication and higher work efficiency.

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

Given that the co-operation between the Group and the Services Group has been over decades, the entering into the Services Group Master Services Agreement is beneficial to both parties because (i) both parties are satisfied with the quality of the services being provided; (ii) both parties are familiar with each other hence providing a more effective communication and higher work efficiency; and (iii) it allows both parties to provide with each other flexibility in relation to the services to be provided.

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

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

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

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

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

The Company and its unlisted subsidiaries

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

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

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

Having considered the contribution of each category of the Services Group Services under the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) as well as their respective number of transactions (i.e. population size) made during the term of the Former Services Group Master Services Agreement, we have selected three sample transactions on a random basis in relation to tender invited by the Group (excluding NWS Group and NWDS China Group) with contract sum exceeding HK\$500,000 and reviewed the relevant documents, including the tenderer list with all qualifying tenderers and the tender committee memo comparing the tender offers between all bidders and the final assessment setting out the decision process and reason of award, and noted that the Company has complied with the tender procedure manual and adhered to the guidelines for tender procedure. We noted from the internal documents that the management of the Group (excluding NWS Group and NWDS China Group) would prepare a Tenderer List based on the scheduled project with information of the potential tenderers such as background, qualification, historical performance, track record, reputation, financial standing and operational capabilities for the Tender Committee to consider. After the approval of the Tenderer List, the Group would invite the shortlisted potential tenderers to submit their tender based on their requirements and the Group would either invite a third party or internal department to carry out detailed assessments and provide with a Tender Report for the management of the Group. After the approval by the management and Tender Committee, normally the tenderer which conformed to all essential requirements set out in the bid invitation with the lowest bid would be awarded the contract. However, if it is not the tenderer with the lowest bid who won the tender, a further justification would be provided to explain additional reasons that the Group has taken into consideration such as its experience, qualification or track record in comparison to the lowest bidder.

In addition, we noted from the management of the Company that once a contractor was appointed as the contractor and/or consultant to a property development and investment project of the Group (excluding the NWS Group and NWDS China Group), a designated project team from the Group (excluding the NWS Group and NWDS China Group) will continue to monitor the ongoing costs incurred by the selected contractor/consultant on the relevant project and project related costs will either be ascertained by an

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent professional quantity surveyor to be appointed by the Group (excluding the NWS Group and NWDS China Group) or an in-house qualified professional quantity surveyor before relevant payments are made to the contractor and/or consultant for their work. Having considered the contribution of each category of the Services Group Services under the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) as well as their respective number of transactions (i.e. population size) made during the term of the Former Services Group Master Services Agreement, we have selected three sample transactions on a random basis in relation to a project of the Group (excluding the NWS Group and NWDS China Group) and reviewed the relevant documents, including the subcontractor payment certificate issued by either an independent professional quantity surveyor or an in-house professional quantity surveyor and the payment monitoring schedule and noted that the Company has complied with the aforesaid cost monitoring process and the project related costs were ascertained by a qualified professional quantity surveyor.

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

The NWS Group

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

For the first type of arrangement, the NWS Group is appointed as management contractor or main contractor or project manager, subcontractor or agent and the Services Group is designated as a nominated subcontractor by the ultimate employer (which may or may not be a member of the NWD Group). Services provided and/or work performed by the Services Group will be monitored by the NWS Group. In addition, consideration to the Services Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

Having considered the contribution of each category of the Services Group Services under the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) as well as their respective number of transactions (i.e. population size) made during the term of the

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Former Services Group Master Services Agreement, we have selected three sample transactions on a random basis and reviewed the relevant documents, including the statement of final account issued by an independent professional quantity surveyor and the payment monitoring schedule, and noted that the independent professional quantity surveyor would recommend the service fee for the relevant subcontracting works.

For the second type of arrangement, the NWS Group has the right to select subcontractor(s) and consideration to such subcontractor(s) will be ascertained under the subcontracting procedures. The NWS Group will obtain tenders or quotations from at least three subcontractors (including members of the Services Group and independent third parties subject to practical availability and feasibility) from a list of pre-approved subcontractors (which is subject to periodic review and update by its management to ensure the subcontractors' quality standards) for services or products in similar times or quantities to determine if the price and terms offered by the Services Group are fair and reasonable as compared to those offered by independent third parties. If the price and terms offered by the Services Group is equal to or better than those offered by the independent service providers, the NWS Group may probably award the contract to the Services Group. We have reviewed the aforesaid list of pre-approved subcontractors who could provide the relevant contracting services as at the Latest Practicable Date, and noted that only approximately 13% of which were members of the Services Group, and thus we consider the NWS Group has a well-diversified contractor base and there are adequate number of subcontractors for the NWS Group to select and not merely to rely on the Services Group. As advised by the management of NWS, for projects which involve consideration of a substantial amount, the Services Group will participate in a tender with all bidders (including independent third parties in the market subject to practical availability and feasibility), 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 NWS Group's internal tender procedure(s).

Having considered the contribution of each category of the Services Group Services under the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) as well as their respective number of transactions (i.e. population size) made during the term of the Former Services Group Master Services Agreement, we have selected three sample transactions on a random basis in relation to the subcontracting engagements made by the NWS Group and reviewed the relevant documents, including the subcontracting schedule for the project setting out the project specifications and expected timing of works; the subcontract tender price analysis comparing the tender offers between all bidders; and the subcontract tender final assessment setting out the decision process and reason of award. We noted that the NWS Group has complied with the aforementioned

guidelines and procedures, and the price and terms of the sample transactions are no less favourable to the NWS Group than those charged by independent subcontractors of the NWS Group. We have also discussed with the management of NWS and noted that no material non-compliance in connection with such guidelines and procedures during the term of the Former Services Group Master Services Agreement was noted by the Group Audit & Risk Assurance Department (the “GARA”) of NWS.

The NWDS China Group

We have discussed with the management of NWDS China and understand that the Services Group Services provided by the Services Group to the NWDS China Group were mainly related to the provision of electrical and mechanical engineering services, and the Services Group will be engaged as service provider subject to successful tender.

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

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

We understand from the management of NWDS China that (i) in respect of the Services Group Contracting Services: through tender from all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount and is equal to or better than those offers of independent third parties and recommended by the operational and technical departments in accordance with the relevant policies taking into account of the independent professional advice; or (ii) in respect of the other Services Group Services: a quote will be provided by the selling party; the purchasing party may, through its operational and technical departments, consider either to accept the quote and proceed with the purchase or reject the quote and decline to proceed further, based on other quote(s) for similar service(s) obtained from the market to ensure the quote from the Services Group is no less favourable to the NWDS China Group than those offered by independent third parties.

During the term of the Former Services Group Master Services Agreement, we noted that there were insignificant amounts of transactions relating to Services Group Services provided by the Services Group to the NWDS China Group. In aggregate, the amount of such transactions amounted to less than HK\$6 million in FY2018, FY2019 and HY2020.

Overall

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

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

Based on the information provided by the management of the Company, we noted that the Services Group Annual Caps related to services provided by the Group mainly consists of (i) Services Group Contracting Services; (ii) Facility Management Services; (iii) Property Management Services; and (iv) Rental Services (the “**Outgoing Services**”). We have discussed with the management of the Company and understand that the provision of the Outgoing Services by the Group is a furtherance of the business relationship with the Services Group, and provide flexibility for the Group, but not obligation, to continue the provision of the Outgoing Services.

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

The Company and its unlisted subsidiaries

Based on the information provided by the management of the Company, the services provided to the Services Group during the term of the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) are predominately related to (i) Rental Services; and (ii) Property Management Services.

In respect of the Rental Services, the basis of terms and rental rate will be determined with reference to the prevailing market rate and will be consistent with those available to other independent third parties. For new rental services, the lessee will approach the Group for on-site visit for the available property, and the lessee will verbally request for a quote if it wishes to proceed with the lease. A quote, for both new and renewed rental services, which is either equal to or better than the currently available market

comparative quotes from the Group as lessor to the independent third parties as lessee for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least three quotes from public quotation of the real estate agencies, will be provided by the Group to the lessee in form of standard lease agreement. The lessee may either accept the quote and proceed with the lease or reject the quote and decline to proceed further. Based on the information provided by the management of the Group (excluding the NWS Group and the NWDS China Group), we noted that Rental Services provided by the Group (excluding the NWS Group and the NWDS China Group) to the Services Group during the term of the Former Services Group Master Services Agreement mainly related to rental of a commercial property owned by the Group (excluding the NWS Group and the NWDS China Group) and we have reviewed the related lease agreement, and noted that the Group (excluding the NWS Group and the NWDS China Group) has complied with the aforementioned internal control policy and procedures and we noted that the rental rate and terms offered by the Group (excluding the NWS Group and the NWDS China Group) are no less favourable than the prevailing market rate. Furthermore, we have also conducted our own research on the rental property market by comparing the prevailing market rental rate of properties with similar location, usable space, available facilities and quality to the rental rate and terms offered by the Group (excluding the NWS Group and the NWDS China Group) and note that the rental rate and terms offered by the Group (excluding the NWS Group and the NWDS China Group) are no less favourable than the prevailing market rate. In performing our own research on the rental property market and prevailing market rate, we have reviewed the rental rate of comparable properties located in the same district that are listed on the websites of real estate agencies, and compared the listed market rental rate to the rental rate offered by the Group (excluding the NWS Group and the NWDS China Group). In addition, we have reviewed the past rental transaction records for comparable properties and compared these to the rental rate offered by the Group (excluding the NWS Group and the NWDS China Group). In view of the aforementioned internal control procedures which include the Group (excluding the NWS Group and the NWDS China Group) performing rental analysis to compare the prevailing market rate of similar properties before entering into rental agreement with the Services Group to ensure the terms are no less favourable to the Group (excluding the NWS Group and the NWDS China Group) than those offered by independent third parties, we consider the terms offered by the Group (excluding the NWS Group and the NWDS China Group) to the Services Group are no less favourable to the Group (excluding the NWS Group and the NWDS China Group) than those offered to independent third parties.

In respect of the Property Management Services, we understand from the management of the Company that the property management services to be provided by the Group (excluding the NWS Group and the NWDS China Group) to the Services Group during the term of the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) will mainly relate to a property located in Shanghai. The basis of terms and management fee will be determined with reference to the prevailing market rate, taking into account the location and area of the property and will be consistent with those offered to other independent third parties. Based on our discussion with the management of the Group (excluding NWS Group and NWDS China Group) and the review of the internal control procedures, in determining the prevailing market rate, the Group (excluding the NWS Group and the NWDS China Group) will compare against at least three quotations offered by the Group (excluding the NWS Group and the NWDS China Group) to independent third parties for the property management of similar properties (with comparable conditions including but not limited to location, area and quality of the property), which the quotation to be provided by the Group (excluding the NWS Group and the NWDS China Group) to the Services Group for the provision of property management services will be either equal to or better than the available market comparative quotations offered to independent third parties. During the term of the Former Services Group Master Services Agreement, we noted that there were insignificant amounts of transactions relating to property management services provided by the Group (excluding the NWS Group and the NWDS China Group) to the Services Group. In aggregate, the amount of such transactions amounted to less than HK\$1 million in FY2018, FY2019 and HY2020. In view of the aforementioned pricing basis including the basis of the terms and management fee being determined with reference to the prevailing market rate which includes comparison with independent third party quotations, we consider that the property management terms offered by the Group (excluding the NWS Group and the NWDS China Group) to the Services Group are no less favourable to the Group (excluding the NWS Group and the NWDS China Group) than those offered to independent third parties.

The NWS Group

Based on the information provided by the management of NWS, we noted that the Services Group Services provided by the NWS Group to the Services Group during the term of the Former Services Group Master Services Agreement were minimal and mainly related to the provision of facilities management services by the NWS Group. However, the relevant Services Group Annual Caps for the term of the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) are expected to be mainly attributable to the provision of project management services by the NWS Group.

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As discussed with the management of NWS, the NWS Group may be engaged for providing project management services for construction projects to the Services Group. In providing such project management services, the NWS Group may be invited to submit tender(s) or quotation(s) or participated through direct appointment. During the term of the Former Services Group Master Services Agreement up to the Latest Practicable Date, there were no engagements where member(s) of the NWS Group were directly appointed by the Services Group and there were no engagements relating to project management services provided by member(s) of the NWS Group to the Services Group. In respect of engagements obtained via tender or through direct appointment, the NWS Group is required to follow its internal tender guidelines and procedures as set out below to ensure the price and terms offered to the Services Group are no less favourable to the NWS Group than those offered by the NWS Group to independent third parties.

In respect of the participation in a tender or quotation, we have discussed with the management of NWS and understand that member(s) of the NWS Group are required to follow its internal tender guidelines. We have reviewed the NWS Group's internal tender guidelines which set out the overall flow of the tendering process, pre-tendering stage, tendering stage and post tendering stage. The assessment criteria for considering whether to proceed with a tender invitation mainly includes, but not limited to, scale and nature of the project, historical relationship with the relevant member(s) of the Services Group, and resource availability of the NWS Group. In preparing for the submission of a tender or quotation, review meeting(s) of the relevant member of the NWS Group will be held to perform a thorough analysis of the project specifications, and the cost and other data collected which include quotations from subcontractors for works packages, quotations from suppliers for materials, estimates on the allocation of machinery and equipment, management resources, labour costs, technical complexity and related commercial and physical works risk, etc. In pricing a tender or quotation, the relevant member of the NWS Group will also make references to its recent job quotations, such as tender or quotation record, purchase price of materials and equipment, labour costs and subcontractors' quotations of projects completed or in progress in the NWS Group's database. Related market information, such as material price and labour costs' trend will also be retrieved from public source, industry reports, and financial database for reference. These measures/procedures are designed to ensure that the tender or quotation price and the terms of the tender or quotation to be offered by the NWS Group are fair and reasonable and comparable to those offered by the NWS Group to independent third parties, and are adhered to by the NWS Group for all projects obtained by the NWS Group through tender or quotation.

For the engagements which are directly appointed by member(s) of the Services Group, the contract amount is expected to be on a cost-plus basis agreed with member(s) of the Services Group. We have discussed with the management of NWS and reviewed the NWS Group's internal procedures regarding engagement through direct appointment, and understand that the relevant member of the NWS Group will perform a thorough analysis of the project specifications, the cost and other data collected and other useful data retrieved on the NWS Group's database for reference and assessment purpose. The cost-plus percentage, which shall be agreed between the NWS Group and the Services Group, will be determined based on findings from the analysis and the senior management of the relevant member of the NWS Group will review the proposed cost-plus percentage as well as the basis of its determination for each engagement and approve the engagement subject to the cost-plus percentage and its basis of determination are in line with the basis of engagements to independent third parties for projects with similar nature and size. In determining whether the proposed cost-plus percentage is in line with the basis of engagements to independent third parties, members(s) of the NWS Group will compare the proposed cost-plus percentage against the cost-plus percentage of at least two engagements with independent third parties that are similar in nature and size (subject to practical availability and feasibility). The cost-plus percentage agreed with independent third parties for similar engagements provide a price reference for the NWS Group in determining whether the proposed cost-plus percentage by members of the Services Group is reasonable as compared to those agreed with independent third parties. In the event the proposed cost-plus percentage is not in line with the basis of engagements to independent third parties based on the project analysis of the NWS Group, the senior management of the relevant member of the NWS Group will not approve the proposed cost-plus percentage and such cost-plus percentage shall be further discussed and agreed with the Services Group according to the NWS Group's internal procedures.

Furthermore, based on our discussion with the management of NWS, we understand that the GARA of NWS will conduct review regularly on the engagements between the member(s) of the NWS Group and the member(s) of the Services Group to ensure the implementation of the NWS Group's internal tender guidelines and procedures.

As mentioned above, the services provided by the NWS Group to the Services Group during the term of the Former Services Group Master Services Agreement were minimal and mainly related to the provision of facility management services by the NWS Group, which amounted to less than HK\$5 million in aggregate for the two years and six months ended 31 December 2019. Having considered the respective number of transactions (ie. population size) made during the term of the Former Services Group Master Services Agreement, we have selected two sample transactions on a random basis in relation to transactions provided by the NWS Group to the

Services Group for the provision of facility management services, which we note that its price and terms are no less favourable to the NWS Group than those offered by the NWS Group to independent third parties.

The NWDS China Group

We have discussed with management of NWDS China and understand that the services that were provided by the NWDS China Group to the Services Group during the term of the Former Services Group Master Services Agreement were minimal and amounted to less than HK\$0.5 million. Based on the information provided by the management of NWDS China, we noted that the relevant Services Group Annual Caps for the term of the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) are immaterial and mainly attributable to Rental Services. We understand from the management of NWDS China that NWDS China would follow the internal control guideline and procedures to ensure that the rental terms offered by the NWDS China Group are no less than the prevailing market rate. In respect of the Rental Services, the basis of terms and rental rate will be determined with reference to the prevailing market rate and will be consistent with those available to other independent third parties. Based on our discussion with the management of NWDS China and the review of the internal control procedures, in determining the prevailing market rate, the NWDS China Group, as lessor, will provide the Services Group, as lessee, with a quote with reference to at least two market comparative quote(s) for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or two comparable transactions with independent third parties. Based on the information provided by the management of the NWDS China Group, we noted that Rental Services provided by the NWDS China Group to the Services Group during the term of the Former Services Group Master Services Agreement were minimal and amounted to less than HK\$0.5 million, and mainly related to the rental of a site office owned by the NWDS China Group. In view of the aforementioned internal control policy and procedures, we consider the terms offered by the NWDS China Group are no less favourable to the NWDS China Group than those offered to independent third parties.

Overall

In conclusion, based on our work done, we are of the view that the Services Group Transactions in relation to the Outgoing Services contemplated under the Services Group Master Services Agreement are in the ordinary and usual course of business of the Group and the Group has implemented appropriate internal control procedures to ensure the transactions contemplated under the Services Group Master Services

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Agreement will be conducted on normal commercial terms or better that are no less favourable to the Group than those available to independent third parties.

5 Proposed Annual Caps for the Transactions

5.1 Historical transaction amounts

The table below set out the respective historical transaction amounts of the Services Group Transactions under the Former Services Group Master Services Agreement for FY2018, FY2019 and HY2020:

Services Group Transactions between the Group and the Services Group

Type of transactions	FY2018 HK\$'million	FY2019 HK\$'million	HY2020 HK\$'million
Services Group Services provided by the Services Group to the Group (i.e. Incoming Services)	1,722.9	1,706.3	634.9
Services Group Services provided by the Group to the Services Group (i.e. Outgoing Services)	5.4	5.5	2.9

5.2 Proposed Annual Caps and basis of determination for Annual Caps

The proposed Services Group Annual Caps for the transactions contemplated under the Services Group Master Services Agreement during its term (i.e. three years ending 30 June 2020, namely “FY2021”, “FY2022” and “FY2023” respectively) and the basis of determination for such Services Group Annual Caps are set out as follows:

Type of transactions	FY2021 HK\$'million	FY2022 HK\$'million	FY2023 HK\$'million
Services Group Services provided by the Services Group to the Group (i.e. Incoming Services)	4,959.2	5,792.9	7,158.5
Services Group Services provided by the Group to the Services Group (i.e. Outgoing Services)	54.8	51.9	52.0

As set out in the “Letter from the Board”, 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 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 the Services Group to 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 anticipated 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 subcontractors/package contractors for its construction business and the Services Group is one of the Group's key subcontractors/package contractors.

We understand that the above-mentioned projected figures are determined by the management of the Company based on the relevant historical figures, taking into account the anticipated business outlook 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.

5.2.1 Services Group Annual Caps for Incoming Services

We have discussed with the management of the Company and understand that they have prepared a projection which sets out the estimated contract value for each project by categories of Services Group Services to be entered with the Services Group during the term of the Services Group Master Services Agreements (from 1 July 2020 up to and including 30 June 2023), and we have reviewed the project schedule (the “**Project Schedule**”) and noted that the Group has engaged the Services Group as a subcontractor for the Group's property development projects and the ongoing development will fall into the term of the Services Group Master Services Agreement. Furthermore, the Group may potentially engage the Services Group for contracting services for certain number of its new property development projects.

In order to assess the fairness and reasonableness of the proposed Services Group Annual Caps for the Incoming Services, we have reviewed the relevant calculations and discussed with the management of the Company

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and understand from them that the proposed Services Group Annual Caps are derived from the combined annual caps of (i) the Company and its unlisted subsidiaries; (ii) the NWS Group; and (iii) the NWDS China Group.

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

	FY2021	FY2022	FY2023
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
<i>Entities/groups</i>			
The Company and its unlisted subsidiaries	2,692.1	3,012.0	2,994.0
NWS Group	2,245.0	2,700.0	4,099.0
NWDS China Group	<u>22.1</u>	<u>80.9</u>	<u>65.5</u>
Total	<u>4,959.2</u>	<u>5,792.9</u>	<u>7,158.5</u>

The Company and its unlisted subsidiaries

Based on the information provided by and the discussion with the management of the Company, we noted that the Services Group Services provided by the Services Group to the Company and its unlisted subsidiaries are expected to be substantially attributable to the Services Group Contracting Services. It is expected that demand of such contracting services by the Company and its unlisted subsidiaries, which is one of the major property developers in Hong Kong and the PRC, will remain strong in coming years due to its ongoing property development projects as well as the new property development projects during the term of the Services Group Master Services Agreement.

In order to assess the fairness and reasonableness of the proposed annual caps, we have reviewed the relevant calculations set out in the Project Schedule and discussed with the management of the Company and understand from them that the proposed annual caps are arrived at mainly based on, among others, (i) the estimated scope of works and size in respect of the property development projects set out in the Project Schedule; (ii) the estimated relevant contracting costs for the projects set out in the Project Schedule during the term of the Services Group Master Services Agreement; and (iii) the expected development progress of the projects. We note from the Project Schedule that the contracting services in relation to new and ongoing property development and investment projects in Hong Kong and the PRC contributed substantial portion to the aggregate transaction amount between the Group (excluding NWS Group and NWDS China Group) and the Services Group. We have obtained and reviewed the historical costs of the Group's previous projects with similar nature and size and noted that the scope of work and development progress are comparable to that of

estimated by the management of the Company in the Project Schedule. Moreover, we have compared the unit cost per square feet adopted in the calculation of annual caps and noted that it is in line with the actual historical unit cost per square feet of the Group's previous projects.

Besides, we also note from the Project Schedule that ongoing and potential sizable upcoming property projects of NWD Group (excluding NWS Group and NWDS China Group), including but not limited to projects relating to Skycity, Tai Wai Station, Kowloon West King Lam Street, Kai Tak Sports Park and the Ningbo New World Plaza are also projected in the Project Schedule.

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

The NWS Group

Based on the information provided by and the discussion with the management of NWS, we noted that the Services Group Services provided by the Services Group were mainly attributable to the contracting services. The surge in the proposed annual caps as compared with their historical transaction values is due to the increase in the transaction values of contracting services, 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 NWS Group may need to engage subcontractors/package contractors for its construction business and the Services Group is one of the NWS Group's pre-approved subcontractors/package contractors.

In order to assess the fairness and reasonableness of the proposed annual caps, we have reviewed the relevant calculations and discussed with the management of NWS and understand from them that the proposed annual caps are arrived at mainly based on (i) the estimated scope of works in respect of the property development projects set out in the Project Schedule; (ii) the estimated relevant contract value; and (iii) the expected progress of the construction works of the projects set out in the Project Schedule during the term of the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023). We have reviewed the Project Schedule which sets out the estimated contract values for each project during the term of the Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023) and noted that the contracting services to be provided by the Services Group are mainly related to certain sizeable upcoming and/or ongoing projects which include, but not limited to, certain public or

private sector development projects such as the Inland Revenue Tower at Kai Tak and the Immigration Headquarter at Tseng Kwan O, as well as other various residential and commercial development projects given the fact that the NWS Group needs to engage subcontractors/package contractors for its construction business and the Services Group is one of the NWS Group's pre-approved subcontractors/package contractors. We further note that the proposed annual caps for Services Group Services provided by the Services Group to the NWS Group increase by approximately 20.3% from approximately HK\$2,245 million for FY2021 to approximately HK\$2,700 million for FY2022, which further increases by approximately 51.8% to approximately HK\$4,099 million for FY2023. Based on our discussion with management of NWS and our review of the Project Schedule, we note that the annual caps for FY2022 and FY2023 are mainly attributable to contracting services, including electrical and mechanical, fire services and plumbing works expected to be provided for both secured and potential projects mainly relating to the Immigration Headquarter at Tseung Kwan O and certain government or institutional projects relating to healthcare and education sectors in Hong Kong. Some of these projects are expected to commence from FY2021, with a relatively larger portion of services expected to be provided in FY2022 and a significant portion of the services expected to be provided in FY2023 in accordance with the respective project timelines, which contributed to the significant increase in annual cap for FY2023 as compared to the proportionally smaller increase in annual cap for FY2022. We understand from NWS that in estimating the progress of the construction works for a project, such estimate is made with reference to the project requirements and the progress assessment conducted by the NWS Group's in-house surveyors. We have also compared the historical contract value in relation to engagement of independent subcontractor/package contractor by the NWS Group for projects with similar nature and size to the projects in the Project Schedule that are expected to occur during FY2021 to FY2023 and noted that it is comparable with the estimated figures adopted in the calculation of Services Group Annual Caps.

The NWDS China Group

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

In order to assess the fairness and reasonableness of the proposed annual caps, we have discussed with the management of NWDS China about the Project Schedule which sets out the estimated value of Services Group Contracting Services and other relevant services by entities and

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projects that may be awarded by the NWDS China Group to the Services Group during the term of the Services Group Master Services Agreement, and noted that the values of the Services Group Contracting Services are estimated primarily based on (i) the possible contracting services that may be awarded by the NWDS China Group to the Services Group with respect to each project of the NWDS China Group; (ii) the development plans of such projects including those related to contracting services and proposed timetable in relation thereto; and (iii) the estimated quantity of contracting services required and the prices of such services, the latter of which are made reference to the prevailing market prices after factoring into the labour costs, material costs as well as possible inflation, the basis of which is considered to be reasonable.

We have discussed with the management of NWDS China and understand that the estimated annual caps are derived based on the business development plan of NWDS China Group which sets out the planned renovation schedule for the NWDS China Group's stores during the term of Services Group Master Services Agreement (from 1 July 2020 up to and including 30 June 2023). In estimation of the relevant annual caps, the management of NWDS China assumed that the Services Group would participate and win all tenders for contracting services invited by the NWDS China Group and we have discussed with the management of NWDS China regarding such assumption and understand that it was made for to allow flexibility only and the winning bids shall be the one with the lowest tender amount in accordance with the Group's internal tender procedures as mentioned above in this letter. We consider the estimation of annual caps for Incoming Services attributable to the NWDS China Group is fair and reasonable.

5.2.2 Services Group Annual Caps for Outgoing Services

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

	FY2021	FY2022	FY2023
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
<i>Entities/groups</i>			
The Company and its unlisted subsidiaries	13.0	10.1	10.1
NWS Group	40.0	40.0	40.0
NWDS China Group	<u>1.8</u>	<u>1.8</u>	<u>1.9</u>
Total	<u><u>54.8</u></u>	<u><u>51.9</u></u>	<u><u>52.0</u></u>

The Company and its unlisted subsidiaries

Based on the information provided by the management of the Company, we noted that the Outgoing Services provided by the Company and its unlisted subsidiaries are expected to be mainly attributable to (i) Rental Services and (ii) Property Management Services.

In respect of the proposed annual caps attributable to the Rental Services, we understand from the management of the Company that this relates to the rental of office space. We have reviewed the relevant calculations and understand that the proposed annual caps are arrived at mainly based on (i) the historical transaction values of the rental of the Group's similar properties; and (ii) the estimated change in rental costs by making reference to the changes in market rental rate.

In respect of the proposed annual caps attributable to the Property Management Services, we understand from the management of the Company that the proposed annual caps are arrived at mainly based on (i) the historical transaction values of the property management fee for similar properties managed by the Group; and (ii) the location and area of the property to be managed by the Group. The size of the Services Group Annual Caps for the Outgoing Services attributable to the Company and its unlisted subsidiaries is immaterial to the Group's overall operation as a whole.

The NWS Group

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

We understand from the management of NWS that the proposed Services Group Sales Caps of HK\$40 million in each of FY2021, FY2022 and FY2023 will provide the flexibility for the NWS Group to capture business opportunities in the event that the NWS Group is engaged to provide Services Group Master Services to the Services Group. The proposed annual caps are arrived at based on (i) the estimated scope of works of the contracting services to be provided; (ii) the estimated size of projects to be managed; and (iii) the estimated operating costs in relation to the provision of the contracting services. We have reviewed the relevant calculations in the Project Schedule and have compared the estimated figures adopted in the calculation of the

Services Group Annual Caps to historical contract value in relation to provision of project management services by the NWS Group for projects owned by independent third parties with similar nature and size and noted that it is comparable with the estimated figures adopted in the calculation of the Services Group Annual Caps.

The NWDS China Group

Based on the information provided by the management of NWDS China, we noted that the Outgoing Services provided by the NWDS China Group are mainly related to Rental Services and the size of the Services Group Annual Caps for the Outgoing Services attributable to the NWDS China Group is immaterial to the Group's overall operation as a whole.

5.2.3 Our view on the proposed Annual Caps of the Services Group Master Services Agreement

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

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that:

- (a) the entering into of the Services Group Master Services Agreement and the Services Group Transactions contemplated thereunder is in the ordinary and usual course of business of the Group and the terms thereof are on normal commercial terms or better and fair and reasonable;
- (b) the entering into of the Services Group Master Services Agreement and the Services Group Transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole; and
- (c) the Services Group Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolution in relation to the entering into of the Services Group Master Services Agreement, the Services Group Transactions and the Services Group Annual Caps.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Heidi Cheng **Colin Lee**
Managing Director *Assistant Director*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004, and Mr. Colin Lee of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2013 to 2018 and since 2020.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS BY DIRECTORS

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

(I) Long positions in shares

	Number of Shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
The Company (ordinary Shares)					
Dr. Cheng Kar-Shun, Henry	10,675,637	—	—	10,675,637	0.10
Mr. Doo	—	5,200,000	29,117,081 ⁽¹⁾	34,317,081	0.34
Dr. Cheng Chi-Kong, Adrian	4,500,000	—	—	4,500,000	0.04
Mr. Yeung Ping-Leung, Howard	533,779	—	—	533,779	0.01
Mr. Cheng Kar-Shing, Peter	533,779	566,567	—	1,100,346	0.01
Mr. Ho Hau-Hay, Hamilton	—	—	878,353 ⁽²⁾	878,353	0.01
Mr. Liang Cheung-Biu, Thomas	10,429	—	—	10,429	0.00
Ms. Ki Man-Fung, Leonie	90,000	—	—	90,000	0.00
Mr. Cheng Chi-Heng	533,779	—	—	533,779	0.01
Ms. Cheng Chi-Man, Sonia	3,202,688	—	—	3,202,688	0.03
New World Department Store China Limited (ordinary shares of HK\$0.10 each)					
Ms. Ki Man-Fung, Leonie	20,000	—	—	20,000	0.00
Ms. Cheng Chi-Man, Sonia	92,000	—	—	92,000	0.01
NWS Holdings Limited (ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	18,349,571	—	12,000,000 ⁽³⁾	30,349,571	0.78
Mr. Cheng Kar-Shing, Peter	320,097	—	6,463,227 ⁽⁴⁾	6,783,324	0.17
Ms. Ki Man-Fung, Leonie	15,000	—	—	15,000	0.00
Sun Legend Investments Limited (ordinary shares)					
Mr. Cheng Kar-Shing, Peter	—	—	7,500,500 ⁽⁵⁾	7,500,500	50.00

Notes:

- (1) These Shares are beneficially owned by companies which are wholly-owned by Mr. Doo.
- (2) These Shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (3) These shares are beneficially owned by a company which is wholly-owned by Dr. Cheng Kar-Shun, Henry.
- (4) These shares are beneficially owned by a company which is wholly-owned by Mr. Cheng Kar-Shing, Peter.
- (5) These shares are beneficially owned by a controlled corporation of Mr. Cheng Kar-Shing, Peter.

(II) Long positions in share options

The Company

Name of Director	Date of grant	Exercisable period (Note)	Number of share options	Exercise price per Share (HK\$)
Dr. Cheng Kar-Shun, Henry	3 July 2017	(2)	2,000,000	10.036
Mr. Doo	3 July 2017	(2)	100,000	10.036
Dr. Cheng Chi-Kong, Adrian	10 June 2016	(1)	3,736,471	7.540
	3 July 2017	(2)	2,000,000	10.036
Mr. Yeung Ping-Leung, Howard	3 July 2017	(2)	100,000	10.036
Mr. Cha Mou-Sing, Payson	10 June 2016	(1)	533,779	7.540
	3 July 2017	(2)	100,000	10.036
Mr. Cheng Kar-Shing, Peter	3 July 2017	(2)	100,000	10.036
Mr. Ho Hau-Hay, Hamilton	3 July 2017	(2)	100,000	10.036
Mr. Lee Luen-Wai, John	3 July 2017	(2)	100,000	10.036
Mr. Liang Cheung-Biu, Thomas	3 July 2017	(2)	100,000	10.036
Ms. Ki Man-Fung, Leonie	3 July 2017	(2)	100,000	10.036
Mr. Cheng Chi-Heng	3 July 2017	(2)	100,000	10.036
Ms. Cheng Chi-Man, Sonia	3 July 2017	(2)	100,000	10.036
Mr. Sitt Nam-Hoi	10 June 2016	(7)	827	7.540
	3 July 2017	(2)	300,000	10.036
	6 July 2018	(4)	600,000	11.040
Mr. Ip Yuk-Keung	6 July 2018	(4)	600,000	11.040
Ms. Huang Shaomei, Echo	3 July 2017	(5)	1,150,000	10.036
	6 July 2018	(6)	150,000	11.040
Ms. Chiu Wai-Han, Jenny	10 June 2016	(3)	119,597	7.540
	6 July 2018	(4)	300,000	11.040
			<u>12,490,674</u>	

Notes:

- (1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (2) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
- (3) Divided into 2 tranches exercisable from 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (4) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

- (5) Divided into 2 tranches exercisable from 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
- (6) Divided into 2 tranches exercisable from 6 July 2020 and 6 July 2021 respectively to 5 July 2022.
- (7) Exercisable from 10 June 2019 to 9 June 2020.
- (8) The cash consideration paid by each Director for the grant of share options is HK\$10.0.

(III) Long positions in debentures

(i) *Celestial Dynasty Limited (“CDL”)*

Name of Director	Amount of debentures in US\$ issued by CDL				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest US\$	Family interests US\$	Corporate interests US\$	Total US\$	
Mr. Doo	—	—	2,800,000 ⁽¹⁾	2,800,000	0.43

Note:

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

(ii) Celestial Miles Limited (“CML”)

Name of Director	Amount of debentures in US\$ issued by CML				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest US\$	Family interests US\$	Corporate interests US\$	Total US\$	
Mr. Doo	—	—	34,600,000 ⁽¹⁾	34,600,000	2.66
Mr. Cheng Kar-Shing, Peter	2,000,000	—	—	2,000,000	0.15
Mr. Lee Luen-Wai, John	—	61,000	—	61,000	0.00
	<u>2,000,000</u>	<u>61,000</u>	<u>34,600,000</u>	<u>36,661,000</u>	

Note:

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

(iii) New World China Land Limited (“NWCL”)

Name of Director	Amount of debentures issued by NWCL				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest HK\$	Family interests HK\$	Corporate interests HK\$	Total HK\$	
Mr. Doo	—	—	538,500,000 ⁽¹⁾	538,500,000	6.59

Note:

- (1) These debentures are held by companies which are wholly owned by Mr. Doo, of which HK\$390,000,000 debentures were issued in US\$ and had been translated into HK\$ using the rate of US\$1.0 = HK\$7.8.

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

Name of Director	Amount of debentures in US\$ issued by NWD Finance				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest US\$	Family interests US\$	Corporate interests US\$	Total US\$	
Mr. Doo	—	3,075,000	74,600,000 ⁽¹⁾	77,675,000	3.11
Ms. Ki Man-Fung, Leonie	1,000,000	—	—	1,000,000	0.04
	<u>1,000,000</u>	<u>3,075,000</u>	<u>74,600,000</u>	<u>78,675,000</u>	

Note:

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

(v) NWD (MTN) Limited (“NWD (MTN)”)

Name of Director	Amount of debentures issued by NWD (MTN)				Approximate % to the total amount of debentures in issue as at the Latest Practicable Date
	Personal interest HK\$	Family interests HK\$	Corporate interests HK\$	Total HK\$	
Mr. Doo	—	23,400,000 ⁽¹⁾	156,000,000 ⁽²⁾	179,400,000	0.48
Ms. Ki Man-Fung, Leonie	11,800,000 ⁽³⁾	—	—	11,800,000	0.03
	<u>11,800,000</u>	<u>23,400,000</u>	<u>156,000,000</u>	<u>191,200,000</u>	

Notes:

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

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

3. COMMON DIRECTORS

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

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

4. INTERESTS IN ASSETS OF THE GROUP

Dr. Cheng Kar-Shun, Henry, Mr. Doo, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Kar-Shing, Peter, Mr. Cheng Chi-Heng and Ms. Cheng Chi-Man, Sonia are members of the Cheng's family which holds interest in CYTFH and CYTFH-II which in turn indirectly control CTFE, the controlling shareholder of the Company. The Group had entered into the following transactions with CTFE and/or its associates since 30 June 2019:

- (a) an internal reorganisation which involves the disposal of 70% interest in a subsidiary engaged in healthcare business by the Group, together with its related shareholder's loan, to a subsidiary of CTFE for a consideration of HK\$45.5 million;
- (b) an internal reorganisation which involves the disposal of 50% interest in a company engaged in commercial aircraft leasing management business jointly owned by NWS Holdings Limited and CTFE to another joint venture company owned by NWS Holdings Limited and CTFE as to 50% each for a consideration of US\$50.0; and
- (c) lease agreements regarding rental of properties between members of the CTFE group and members of the Group. The aggregate amount of such transactions are covered under the master services agreement dated 10 April 2017 made between the Company and CTFE as disclosed in the Company's 2019 annual report.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 30 June 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. SUBSTANTIAL SHAREHOLDERS

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

Long positions in Shares

	Number of Shares			Approximate % of shareholding as at the Latest Practicable Date
	Beneficial interests	Interests of controlled corporation	Total	
CYTFH ⁽¹⁾	—	4,535,634,444	4,535,634,444	44.53
CYTFH-II ⁽²⁾	—	4,535,634,444	4,535,634,444	44.53
CTFC ⁽³⁾	—	4,535,634,444	4,535,634,444	44.53
CTFHL ⁽⁴⁾	—	4,535,634,444	4,535,634,444	44.53
CTFE ⁽⁵⁾	4,123,491,293	412,143,151	4,535,634,444	44.53

Notes:

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

6. DIRECTORS' SERVICE CONTRACTS

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

7. MATERIAL ADVERSE CHANGE

The outbreak of the coronavirus disease 2019 (COVID-19) is expected to have impact on the Group's business operations, and the Board is still assessing its overall impact on the Group's financial performance. The Board will continue to monitor the status and development of the COVID-19 outbreak and its impact on the operations and financial performance of the Group and will make announcement(s) as and when appropriate. Notwithstanding the foregoing, the Group has been maintaining a healthy financial position supported by the cash on hand and committed banking facilities of the Group.

Save as disclosed above, as of the Latest Practicable Date, there was no other material adverse change in the financial or trading position of the Group since 30 June 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

8. COMPETING INTEREST

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

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Dr. Cheng Kar-Shun, Henry	CTFE group of companies	Property investment and development, hotel operations, commercial aircraft leasing, aircraft trading and healthcare investment	Director
	FSE Holdings Limited group of companies	Property and carpark management and landscaping	Shareholder
	Shanghai New World Shangxian Lane Development Limited	Property investment and development	Director

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Mr. Doo	Ace Action Ltd. group of companies	Property investment	Director and shareholder
	Amelia Gold Limited group of companies	Property investment	Director and shareholder
	Fortune Success Limited group of companies	Property investment	Director and shareholder
	FSE Holdings Limited group of companies	Property and carpark management and landscaping	Shareholder
	Fung Seng Enterprises Investment Company Limited group of companies	Property investment	Director and shareholder
	Fung Seng Enterprises Limited group of companies	Property investment and management	Director and shareholder
	Golden Wealth Investment Limited group of companies	Property investment and development	Director and shareholder
	Lifestyle International Holdings Limited group of companies	Department stores operations and property investment	Director
	Oriental Triumph Inc. group of companies	Property and hotel investment	Director and shareholder
	Silver City International Limited group of companies	Property investment	Director and shareholder

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
	Silver Success Company Limited group of companies	Hotel operations	Director and shareholder
	Sunshine Dragon Group Limited group of companies	Property investment	Director and shareholder
Dr. Cheng Chi-Kong, Adrian	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
	CTFE group of companies	Property investment and development, hotel operations, commercial aircraft leasing, aircraft trading and healthcare investment	Director
	New Century Healthcare Holding Co. Limited group of companies	Healthcare investment	Director
Mr. Cheng Kar-Shing, Peter	CTFE group of companies	Property investment and development, hotel operations, commercial aircraft leasing, aircraft trading and healthcare investment	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and shareholder
Mr. Cha Mou-Sing Payson	HKR International Limited group of companies	Property investment and development and property management	Director and shareholder

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
	Hanison Construction Holdings Limited group of companies	Construction, property investment and development	Director and shareholder
Mr. Cha Mou-Zing, Victor	HKR International Limited group of companies	Property investment and development and property management	Director and shareholder
	Hanison Construction Holdings Limited group of companies	Construction, property investment and development	Shareholder
Mr. Ho Hau-Hay, Hamilton	Honorway Investments Limited	Property investment and development	Director and shareholder
	Tak Hung (Holding) Company Limited	Property investment and development	Director and shareholder
Mr. Lee Luen-Wai, John	Lippo Limited	Property investment, development and management	Director
	Lippo China Resources Limited	Property investment, development and management	Director
	Hongkong Chinese Limited	Property investment, development and management	Director
Mr. Liang Cheung-Biu, Thomas	Bermuda Investments Limited	Property investment	Director
	Greenwich Investors Limited	Property investment	Director
	Lambda Enterprises Limited	Property management	Director

Name of Director	Businesses which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
	Wideland Investors Limited group of companies	Property investment	Director and spouse interest (director and shareholder)
Mr. Cheng Chi-Heng	CTFE group of companies	Property investment and development, hotel operations, commercial aircraft leasing, aircraft trading and healthcare investment	Director

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

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

9. INTERESTS IN CONTRACTS OR ARRANGEMENTS

Save for contracts amongst group companies and save for Mr. Doo who is a party to the Services Group Master Services Agreement dated 24 April 2020 with the Company, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

10. EXPERT AND CONSENT

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

Name	Qualifications
Ballas Capital Limited	A corporation licensed to carry on type 1 and type 6 regulated activities under the SFO

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

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

As at the Latest Practicable Date, the IFA did not have any interest, directly or indirectly, in any assets which since 30 June 2019, the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

- (a) The English text of this circular and the enclosed proxy form shall prevail over the Chinese text.
- (b) The registered office of the Company is situated at 30th Floor, New World Tower, 16–18 Queen’s Road Central, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company in Hong Kong at 30th Floor, New World Tower, 16–18 Queen’s Road Central, Hong Kong during normal business hours on any business day (Saturdays excluded) from the date of this circular up to and including 19 June 2020 and at the EGM:

- (a) the Services Group Master Services Agreement;
- (b) the written consent as referred to under the paragraph headed “Expert and consent” in this appendix;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (d) the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular; and
- (e) this circular.



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of New World Development Company Limited (新世界發展有限公司) (the “Company”) will be held at Meeting Room N201 (Expo Drive Entrance), Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 19 June 2020 at 11:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Services Group Master Services Agreement (as defined and described in the circular of the Company dated 1 June 2020 (the “Circular”), a copy of the Circular marked “A” is tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the Services Group Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Services Group Annual Caps as defined and described in the Circular in respect of the consideration payable under the Services Group Master Services Agreement for each of the three financial years ending 30 June 2021, 30 June 2022 and 30 June 2023 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Services Group Master Services Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

By order of the Board
Wong Man-Hoi
Company Secretary

Hong Kong, 1 June 2020

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or (if he is a holder of two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for the meeting or any adjournment thereof (as the case may be).
3. Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the above meeting, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 June 2020.
6. Voting on the above resolution will be taken by poll.
7. If a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 7:30 a.m. to 11:30 a.m. on the date of the meeting, the meeting will be automatically postponed to a later date and/or time as determined by the Company. The Company will publish an announcement on its corporate website (www.nwd.com.hk) and the HKEXnews' website (www.hkexnews.hk) to notify members of the Company of the date, time and location of the rescheduled meeting.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
9. As at the date of this notice, (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, Mr. Sitt Nam-Hoi, Ms. Huang Shaomei, Echo and Ms. Chiu Wai-Han, Jenny; (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.

NOTICE OF EGM

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page 1 of the Circular for the measures being taken to prevent and control the spread of the COVID-19 at the EGM, including but not limited to:

- (1) Compulsory body temperature check
- (2) Compulsory wearing of surgical face mask
- (3) Maintaining a safe distance between seats
- (4) No provision of refreshments or beverages
- (5) No distribution of coupons for subsequent consumption

Any person who does not comply with the precautionary measures will be denied entry into or be required to leave the EGM venue.

In light of the continuing risks posed by the COVID-19 and as part of the Company's control measures to safeguard the health and safety of the shareholders of the Company (the "Shareholders"), the Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified in note 2 above, instead of attending the EGM in person.