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CHEUK NANG (HOLDINGS) LIMITED

卓能（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

CONTINUING CONNECTED TRANSACTION

New Service Agreement

Reference is made to the announcement of the Company dated 16 November 2016 in respect of the Existing Service Agreement which was approved in the extraordinary general meeting of the Company held on 25 January 2017. The Existing Service Agreement will expire on 30 June 2018.

On 4 June 2018 (after trading hours), the Company, CCAL and CCA Macau entered into the New Service Agreement in connection with the provision of the Services by CCAL and CCA Macau to the Group, the principal terms of which are substantially the same as the Existing Service Agreement.

CCAL and CCA Macau are companies wholly-owned by Dr. Chao, an executive Director and the controlling Shareholder. The transactions contemplated under the New Service Agreement therefore constitute continuing connected transaction for the Company under the Listing Rules. Given that the relevant percentage ratios in respect of the maximum annual value of the Services to be provided by CCAL and CCA Macau under the New Service Agreement, on annual basis, are more than 1% but less than 5%, the New Service Agreement is subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

NEW SERVICE AGREEMENT

Reference is made to the announcement of the Company dated 16 November 2016 in respect of the Existing Service Agreement which was approved in the extraordinary general meeting of the Company held on 25 January 2017. The Existing Service Agreement will expire on 30 June 2018.

After trading hours of the Stock Exchange on 4 June 2018, the Company, CCAL and CCA Macau entered into the New Service Agreement under which CCAL and CCA Macau have been engaged to provide the Services to the Group. The principal terms of the New Service Agreement are substantially the same as the Existing Service Agreement. The fees for the Services shall be based on the works to be performed, and shall be on normal commercial terms and on terms no less favorable to the Group than those offered by CCAL or, as the case may be, CCA Macau to independent third parties and no less favourable to the Group than those offered by independent service providers. The New Service Agreement may be renewed by mutual agreement between the Company, CCAL and CCA Macau subject to compliance with the Listing Rules and all applicable law.

In accordance with the New Service Agreement, where CCAL and/or CCA Macau agreed to provide Services to any member of the Group, such relevant member shall enter into a separate agreement with CCAL and/or CCA Macau (as the case may be) and the terms of such separate agreement must comply with (i) the terms of the New Service Agreement; and (ii) the requirements of the Listing Rules. The fees payable by the Group under such separate agreements are to be negotiated and determined on a case by case basis depending on the Services required. In determining the fees payable to CCAL and CCA Macau under each separate agreement, the Company or the relevant member of the Group would use best endeavours to obtain quotations from unrelated parties for services in similar scope to determine if the fees and terms offered by CCAL and CCA Macau are fair and reasonable and comparable to those offered by unrelated third parties. If the management of the Company is unable to obtain such quotations, it will reference the recommended fee scale of the Hong Kong Institute of Architects to determine whether the fees to be charged by CCAL and CCA Macau are fair and reasonable. The Company will also request written confirmation from CCAL and CCA Macau that fees charged for Services are on terms no less favourable to the Group than those offered by them to independent third parties.

The New Service Agreement was entered into in the ordinary and usual course of business of the Company. The Directors (including the independent non-executive Directors) are of the view that the transactions under the New Service Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Annual Caps

Set out below are the historical maximum aggregate amounts payable by the Group to CCAL and CCA Macau for the Services (“**Annual Cap**”) and actual payments made under the Existing Service Agreement:

	From 1 July 2016 to 30 June 2017	From 1 July 2017 to 30 June 2018
	<i>HK\$</i>	<i>HK\$</i>
Annual Caps	22,010,000	22,010,000
Aggregate amount of fees paid	22,010,000	22,010,000

Pursuant to the New Service Agreement, the parties agreed that the Annual Cap for each of the years ending 30 June 2019 and 30 June 2020 shall not exceed HK\$24,150,000.

The Annual Caps under the New Service Agreement are determined between the parties on an arm’s length basis by reference to factors such as the current market price of similar services available in the market, the prevailing market conditions and the relative complexity of the Group’s various developments, particularly its existing property development projects in Hong Kong, the property development project in Macau and Malaysia and the proposed and ongoing renovation projects for existing rental properties of the Group. The Annual Caps under the New Service Agreement primarily relate to services to be provided for the Group’s development project situated at Estrada de Seac Pai Van in Coloane, Macau (“**Macau Project**”). As the *Planta de Condicoes Urbanisticas* (規劃條件圖) (“*PCU*”) and the *Ante Projecto de Obra* have already been approved by the Macanese authorities, the scope under the New Service Agreement is expected to include the submissions for the commencement of site formation and foundation work, as well as statutory submission for detailed construction plans with coordination with specialist consultants for the *Projecto de Obra*, and preparation for structural and building services plans and drawings. The balance of the Annual Caps is for architectural and design consultancy services for the Group’s rental properties and completed projects under sale, the fee for which is expected to be paid annually.

The Directors (including the independent non-executive Directors) consider that the Annual Caps under the New Service Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In the event that the Annual Caps under the New Service Agreement are exceeded, the Company will make a further announcement and will comply with the Listing Rules as and when necessary.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW SERVICE AGREEMENT

The principal activities of CCAL and CCA Macau are providing architectural, engineering, design and miscellaneous consultancy services for property development projects. Given that the Group's property development projects are underway which results in demand for the continuing provision of such services, the Board believes that the services by CCAL and CCA Macau under the New Service Agreement, which is to be provided on a regular and continuing basis, will enable the Group to benefit from the expertise, experience, efficiency and economies of scale of CCAL and CCA Macau, which would enable the Group to obtain quality services at competitive prices. In addition, CCAL has been providing Services pursuant to the Existing Service Agreement and the prior service agreements in respect of the Group's existing property development projects since 2006 and CCA Macau has provided services for the Group's Macau Project under the prior service agreements for the period between November 2007 and 30 June 2012, the Board believes that the continuity for provision of services by CCAL and CCA Macau will avoid possible interruptions in the carrying out of the Group's development projects if the Group has to engage other professional firms for such services.

GENERAL

The Company is an investment holding company. The activities of its principal operating subsidiaries include property trading, property development and investment.

CCAL and CCA Macau are companies wholly owned by Dr. Chao, an executive Director and the controlling Shareholder. The transactions contemplated under the New Service Agreement therefore constitute a continuing connected transaction for the Company under the Listing Rules. Given that the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum annual value of the Services to be provided by CCAL and CCA Macau under the New Service Agreement, on an annual basis, are more than 1% but less than 5%, the New Service Agreement is subject to reporting, announcement and annual review requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Except Dr. Chao, no Director has a material interest in the transaction contemplated under the New Service Agreement. Dr. Chao has abstained from voting on the resolutions of the Board for approving the New Service Agreement and its Annual Caps.

TERMS USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors
“CCA Macau”	Cecil Chao Design (Macau) Limited, a company incorporated in Macau with limited liability
“CCAL”	Cecil Chao & Associates Limited, a company incorporated in Hong Kong with limited liability
“Company”	Cheuk Nang (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Dr. Chao”	Dr. Chao Sze Tsung, Cecil, an executive Director and the controlling shareholder of the Company
“Director(s)”	director(s) of the Company
“Existing Service Agreement”	the agreement dated 16 November 2016 entered into between the Company, CCAL and CCA Macau regarding the provision of Services by CCAL and CCA Macau to the Group for the period from 1 July 2016 to 30 June 2018
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the People’s Republic of China
“New Service Agreement”	the agreement entered into between the Company, CCAL and CCA Macau dated 4 June 2018 in connection with the provision of Services by CCAL and CCA Macau to the Group for the period from 1 July 2018 to 30 June 2020
“Services”	architectural, engineering, design, project management and related services

“Share(s)”	Share(s) of the Company
“Shareholders”	Holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar
“%”	per cent.

Yours faithfully,
For and on behalf of the Board
Chao Sze Tsung Cecil
Chairman

Hong Kong, 4 June 2018

As at the date of this announcement, the Board comprises of nine Directors, of which Dr. Chao Sze Tsung, Cecil (Chairman), Ms. Chao Gigi (Vice Chairman), Mr. Yung Philip and Ms. Ho Sau Fun, Connie are executive Directors; Mr. Lee Ding Yue, Joseph and Mr. Chao Howard are non-executive Directors and Dr. Sum Ping Hsu, Samson, Mr. Ting Woo Shou, Kenneth and Mr. Lam Ka Wai, Graham are independent non-executive Directors.