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(Stock Code: 0017)

## **CONNECTED TRANSACTION**

### **FORMATION OF JOINT VENTURE FOR ACQUISITION AND DEVELOPMENT OF LAND IN QIANHAI, SHENZHEN**

The Board is pleased to announce that on 18 August 2016, the Company and CTFE were awarded a tender by Qianhai Authority to acquire the land use rights of the Land at a consideration of RMB4,207.2 million for the development of the Project.

#### **JOINT VENTURE AND HEADS OF AGREEMENT**

On 18 August 2016, the Company and CTFE entered into the Heads of Agreement relating to the joint venture for the Project. The Heads of Agreement sets out, among other things, the manner of formation of the Joint Venture Entities, the management of the Joint Venture Entities and certain rights and obligations of the shareholders of the Joint Venture Entities and their financial commitments to the Joint Venture Entities.

#### **LISTING RULES IMPLICATIONS**

CTFE is a substantial shareholder of the Company and therefore a connected person (as defined in the Listing Rules) of the Company. The entering into of the Heads of Agreement and the establishment of the joint venture thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest of all relevant percentage ratios (as defined in the Listing Rules) with reference to the estimated financial commitment of the Company for the Heads of Agreement is more than 0.1% but less than 5%, the entering into of the Heads of Agreement and the establishment of the joint venture thereunder are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 18 August 2016, the Company and CTFE were awarded a tender by Qianhai Authority to acquire the land use rights of the Land at a consideration of RMB4,207.2 million for the development of the Project.

## **THE LAND AND THE PROJECT**

The Project involves the development of a financial and commercial complex on the Land covering a site area of approximately 18,218 square metres, with permissible total gross floor area of 170,000 square metres (of which 148,360 square metres will be allocated for office use). The Land is planned for commercial use and will be granted for a term of 40 years.

Pursuant to the terms of the tender, among other things: (a) out of the office premises to be developed on the Land, gross floor area of not less than 45,000 square meters but not more than 55,000 square meters and out of the commercial premises to be developed on the Land, gross floor area of not more than 1,000 square meters shall be sold one-off to a foreign financial institution listed in Fortune 500 in 2015 as its regional headquarters or functional headquarters; and (b) the remaining portion of the office premises to be developed on the Land shall not be sold within 10 years from the date of (i) obtaining the construction completion and acceptance filing certificate or (ii) passing the completion inspection (whichever is earlier) and shall only be transferred as a whole.

The PRC JV Company, which shall be established by the Company and CTFE through the HK JV Company, is required to enter into the land use right transfer agreement with Qianhai Authority on or before 17 November 2016 for acquisition of the Land and shall pay the consideration within 5 working days from the date of signing of the land use right transfer agreement.

## **JOINT VENTURE AND HEADS OF AGREEMENT**

On 18 August 2016, the Company and CTFE entered into the Heads of Agreement relating to the joint venture for the Project. The Heads of Agreement sets out, among other things, the manner of formation of the Joint Venture Entities, the management of the Joint Venture Entities and certain rights and obligations of the shareholders of the Joint Venture Entities and their financial commitments to the Joint Venture Entities. Some major terms of the Heads of Agreement are summarised as follows:

### **Date**

18 August 2016

### **Parties**

- (1) CTFE
- (2) The Company

## **Formation of Joint Venture Entities**

As at the date of the Heads of Agreement, the issued shares of the HK JV Company are owned as to 70% and 30% by a wholly owned subsidiary of CTFE and a wholly owned subsidiary of the Company respectively.

The HK JV Company will establish and wholly own the PRC JV Company. It is expected that the total investment in the PRC JV Company will be RMB8 billion, of which RMB4.5 billion will be its registered capital. The total investment of the PRC JV Company (other than any part for which bank financing is successfully obtained by the Joint Venture Entities) will respectively be contributed by CTFE and the Company to the PRC JV Company through the HK JV Company in the following percentages:

| <u>JV Partner</u>   | <u>Effective Equity Interest</u> |
|---|----------------------------------|
| CTFE or its wholly owned subsidiary   | 70%                              |
| The Company through its wholly owned subsidiary, New World China Land Limited | 30%                              |

Immediately after completion of the formation of the Joint Venture Entities, the effective interest of CTFE and the Company in the PRC JV Company will be 70% and 30% respectively.

## **Boards of directors of the Joint Venture Entities**

The board of directors of each of the HK JV Company and the PRC JV Company and their respective subsidiaries (if any) shall consist of not more than 10 directors, and the number of directors to be appointed on the board of each of those companies shall not exceed the number respectively specified below:

Number of directors to be nominated by CTFE: 7.

Number of directors to be nominated by the Company: 3.

## **Reserved matters**

Save as those specifically contained in the business plan previously approved by the JV Partners unanimously, unanimous consent of all JV Partners will be required for certain matters of the HK JV Company and the PRC JV Company and their respective subsidiaries (if any), including without limitation alteration of names, alteration of articles of association, alteration of the equity or loan capital, change in nature or scope of business, and entering into any transactions which are not on an arm's length basis.

## **Dividend policy**

Subject to circumstances prevailing at the relevant time including the working capital requirements of the HK JV Company, the PRC JV Company and their respective subsidiaries (if any), any dividends to be distributed by the PRC JV Company to the HK JV Company shall be determined by the board of directors of the PRC JV Company, and any dividends to be distributed by the HK JV Company to the JV Partners shall be determined by the board of directors of the HK JV Company.

## **Restriction on transfer and pre-emption rights**

None of the JV Partners shall sell or transfer or dispose of or create or permit to subsist any encumbrance over the legal or beneficial interest in shares of the HK JV Company, directly or indirectly, other than to one or more of its wholly owned subsidiaries or nominees, unless with the prior written consent of the other JV Partners.

In the event that any of the JV Partners wishes to transfer all or part of the shares in the HK JV Company (the “**Sale Interest**”) owned by it, it shall first offer the Sale Interest to the other JV Partners at the same price as that offered to the third party purchaser in accordance with the provisions of the Heads of Agreement and the other JV Partners will have pre-emptive rights over the Sale Interest.

## **Deadlock**

A deadlock will be deemed to have occurred if (i) a proposed resolution presented to the board or a general meeting of a Joint Venture Entity cannot be passed after two consecutive board meetings or general meetings due to the failure to achieve the required majority or unanimity for or against such resolution, or (ii) a quorum is not achieved at two consecutive board meetings or general meetings of a Joint Venture Entity.

Any JV Partner may refer a deadlock to their respective chairman/chief executive officer. If no agreement can be reached by the chairman/chief executive officer of each of the JV Partners within 30 days of the matter in respect of which the deadlock has arisen and being referred to them, possible manners to resolve the deadlock include the winding up of the relevant Joint Venture Entity or the sale by one or more of the JV Partners of its interest.

## **Termination**

A party (the “**Non-defaulting Party**”) may give notice to the other party of its desire to terminate the Heads of Agreement upon the occurrence of certain events as set out in the Heads of Agreement (including, without limitation, a material breach of any of its obligations under the Heads of Agreement by the other party, entering into liquidation by the other party, and change in control of the other party (in each case, the “**Defaulting Party**”). Except in the case of termination upon the Defaulting Party entering into liquidation, after giving such notice, the Non-defaulting Party is entitled to require the Defaulting Party to (a) purchase all of the Equity Interest owned by the Non-defaulting Party, or (b) sell to the Non-defaulting Party all of the Equity Interest owned by the Defaulting Party at the fair market value as agreed by the parties or as certified by the auditors of the relevant Joint Venture Entity in accordance with the Heads of Agreement.

## **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JOINT VENTURE AND ENTERING INTO OF THE HEADS OF AGREEMENT**

One of the main business areas of the Group is property development. The Directors consider that the formation of the Joint Venture Entities pursuant to the Heads of Agreement and the development of the Project are consistent with the core business strategies of the Group and enable the Group to further increase its rental income base.

The Directors (including the independent non-executive Directors) consider that the terms of the Heads of Agreement are fair and reasonable, and the transactions contemplated under the Heads of Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company, and in the interests of the Company and its shareholders as a whole.

## **GENERAL**

CTFE is principally engaged in investment holding.

The Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, services and technology.

## **LISTING RULES IMPLICATIONS**

CTFE is a substantial shareholder of the Company and therefore a connected person (as defined in the Listing Rules) of the Company. The entering into of the Heads of Agreement and the establishment of the joint venture thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest of all relevant percentage ratios (as defined in the Listing Rules) with reference to the estimated financial commitment of the Company for the Heads of Agreement is more than 0.1% but less than 5%, the entering into of the Heads of Agreement and the establishment of the joint venture thereunder are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **APPROVAL BY THE BOARD**

Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Kar-Shing, Peter and Mr. Cheng Chi-Heng, each a Director, are also directors of CTFE. They and their associates (as defined in the Listing Rules), being Mr. Doo Wai-Hoi, William and Ms. Cheng Chi-Man, Sonia, were not present at the meeting of the executive committee of the Board held for approval of the Heads of Agreement and the establishment of the joint venture thereunder, and accordingly they did not vote on the relevant resolution approving the Heads of Agreement and the establishment of the joint venture thereunder. All other Directors (including the independent non-executive Directors) have reviewed and approved the Heads of Agreement and the establishment of the joint venture thereunder. Save as disclosed, no other Director is regarded as having a material interest in the transactions.

## **DEFINITIONS**

|           |   |
|-----------|---|
| “Board”   | the board of Directors  |
| “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 issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0017) |

|                          |  |
|--------------------------|--|
| “CTFE”                   | Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability, which is a substantial shareholder of the Company   |
| “Director(s)”            | director(s) of the Company   |
| “Equity Interest”        | effective (direct or indirect) equity interest in or interest in shares of (where applicable) the HK JV Company and/or the PRC JV Company, including all the loans and advances provided by the relevant parties to any of them, as applicable and the context may require |
| “Group”                  | the Company and its subsidiaries from time to time   |
| “Heads of Agreement”     | the heads of agreement dated 18 August 2016 entered into between CTFE and the Company  |
| “HK JV Company”          | Sky Treasure Development Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are indirectly owned as to 70% and 30% by CTFE and the Company respectively   |
| “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  |
| “Joint Venture Entities” | the HK JV Company and the PRC JV Company   |
| “JV Partners”            | CTFE and the Company (or their respective wholly owned subsidiaries which are at the relevant time direct shareholders of the HK JV Company) and, where the context requires or permits, any other shareholders of the HK JV Company                                       |
| “Land”                   | 中國廣東省深圳市前海深港現代服務業合作區桂灣片區二單元 01 街坊 T201-0092 宗地 (Plots T201-0092, Block 01, Unit No.2, Guiwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, Guangdong Province, the PRC*)  |
| “Listing Rules”          | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “PRC”                    | the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and the Republic of Taiwan   |

|                           |  |
|---------------------------|--|
| “PRC JV Company”          | the wholly foreign owned enterprise with limited liability to be established by the HK JV Company under the relevant laws of the PRC |
| “Project”                 | the project in connection with the development of a financial and commercial complex on the Land                                     |
| “Qianhai Authority”       | 深圳市前海深港現代服務業合作區管理局 (Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone*)                               |
| “RMB”                     | Renminbi yuan, the lawful currency of the PRC  |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited  |
| “subsidiaries”            | has the meaning ascribed to it under the Listing Rules   |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules   |
| “%”                       | per cent.  |

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

Hong Kong, 18 August 2016

*As at the date of this announcement; (a) the executive Directors are Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Chen Guanzhan, Ms. Ki Man-Fung, Leonie, Mr. Cheng Chi-Heng, Ms. Cheng Chi-Man, Sonia and Mr. Au Tak-Cheong; (b) the non-executive Directors are Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter; and (c) the independent non-executive Directors 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 and Mr. Liang Cheung-Biu, Thomas.*

*\* For identification purposes only*