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**(Stock Code: 0017)**

## **DISCLOSEABLE TRANSACTIONS ACQUISITION OF INTEREST IN THE TARGET COMPANY**

The Board is pleased to announce that on 27 November 2018, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreements, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, the Equity Interest and the Shareholder's Loan for a total consideration of RMB4,781,334,136.91, following the successful bidding by the Purchaser in respect of the Acquisition in a public tender.

### **LISTING RULES IMPLICATIONS**

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition Agreements is more than 5% but less than 25%, the transactions in respect of the Acquisition Agreements constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **INTRODUCTION**

The Board is pleased to announce that on 27 November 2018, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreements, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, the Equity Interest and the Shareholder's Loan for a total consideration of RMB4,781,334,136.91, following the successful bidding by the Purchaser in respect of the Acquisition in a public tender.

As the Equity Interest relates to state-owned assets of the PRC, the Acquisition is required to proceed by way of a public tender administered by the Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所). The successful bidder will own 65% of the equity interest of the Target Company and will assume 65% of the Vendor's loan to the Target Company in accordance with the terms and conditions of the Acquisition Agreements.

## **ACQUISITION AGREEMENTS**

The material terms of the Acquisition Agreements, comprising the Transfer Agreement and the Cooperative Development Agreement, are set out below:

### **Date**

27 November 2018

### **Parties**

- (1) the Purchaser; and
- (2) the Vendor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

### **Effective date**

Each of the Acquisition Agreements will become effective when each of them is duly signed by the legal representatives or authorized representatives of the Purchaser and the Vendor and affixed with their respective company chops.

## **I) Transfer Agreement**

### **Assets to be acquired**

The Purchaser agreed to acquire (i) the Equity Interest, representing 65% of the total equity interest of the Target Company; and (ii) the Shareholder's Loan, representing 65% of the aggregate amount of shareholder's loan payable by the Target Company to the Vendor.

### **Consideration**

The total amount of consideration payable by the Purchaser to the Vendor for the Acquisition is RMB4,781,334,136.91, comprising RMB302,873,700 for the acquisition of the Equity Interest and RMB4,478,460,436.91 for the assumption of the Shareholder's Loan.

The Purchaser has paid the Deposit to a bank account designated by the Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所) upon submission of the Purchaser's bid in respect of the Acquisition.

The amount of consideration shall be settled in the following manner:

- (1) The consideration, net of the Deposit, shall be paid in one lump sum by way of bank transfer to the Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所) within five working days from the effective date of the Acquisition Agreements.

- (2) Upon the said payment and the payment of transaction service fees to the Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所), the Deposit shall be automatically applied towards payment of the consideration.
- (3) The consideration shall be transferred from the Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所) to the Vendor within five working days from the receipt by the Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所) of the confirmation of transfer of the Equity Interest and the Shareholder's Loan that is duly signed by the Vendor and the Purchaser.

The consideration is equivalent to the minimum bidding price for the acquisition of the Equity Interest and the Shareholder's Loan, and is financed by the internal resources of the Group. The consideration attributable to the acquisition of the Equity Interest represents the Purchaser's share of 65% of the appraised value of the Equity Interest as at 31 August 2018, and certain cost paid by the Vendor in relation to the Land. The consideration attributable to the acquisition of the Shareholder's Loan represents the Purchaser's share of 65% of the aggregate amount of shareholder's loan payable by the Target Company to the Vendor as at 31 August 2018 for payment of the land premium, deed tax and interests in relation to the Land.

### **Specific debt**

Apart from the consideration, the Purchaser shall bear, in proportion to its equity interest in the Target Company, the specific debt incurred by the Target Company to the Vendor amounting to RMB67,899,552.59.

The specific debt represents the amount of interests payable by the Target Company to the Vendor at the interest rate of 6.5% per annum in respect of the total debt due from the Target Company to the Vendor for payment of the land premium and the related deed tax in relation to the Land, which amounted to RMB6,574,459,100 in aggregate, for the period from 1 September 2018 to 27 November 2018.

The share of the specific debt borne by the Purchaser amounting to RMB67,899,552.59 is calculated based on the following formula:

$$\text{RMB6,574,459,100} \times 65\% \times 6.5\% \times 88 \text{ days} / 360 \text{ days}$$

The Purchaser shall pay the specific debt in one lump sum to the bank account of the Target Company within 10 working days from the effective date of the Transfer Agreement.

Within five working days from the receipt by the Target Company of such payment, the Target Company shall then transfer such amount to a designated bank account of the Vendor for the repayment of the specific debt owed by the Target Company to the Vendor. The Purchaser undertook that, upon the Target Company's receipt of the payment from the Purchaser, it will procure the Target Company to make such payment without delay. If there is any delay caused by the Purchaser, it shall be deemed as late payment on the part of the Purchaser, and the Purchaser shall bear liabilities of default to the Vendor in respect of the late payment.

Upon completion of the Acquisition, the Purchaser will hold 65% of the total equity interest of the Target Company. The Target Company will become a subsidiary of the Company.

## **Notice of loan transfer**

Within three working days from the completion of the change in industrial and commercial registration in respect of the equity interest in the Target Company, the Vendor will issue to the Target Company a notice of loan transfer in respect of the transfer of the Shareholder's Loan.

## **II) Cooperative Development Agreement**

### **Subject matter and scope of project**

The Vendor agreed to cooperate with the successful bidder for the Acquisition, i.e. the Purchaser to develop property project on the Land, including residential, shopping mall, and office premises, pursuant to the terms and conditions of the Cooperative Development Agreement.

Subject to the terms of the Cooperative Development Agreement, the Purchaser and the Vendor shall fulfil their investment obligations, share the interests and bear the risks of the Target Company in proportion to their respective equity interest in the Target Company.

### **Financing**

Apart from the capital to be injected by the shareholders, the other funds required for the development and construction of the property project will first be financed by the Target Company by way of banks loans and loans from financial institutions, etc. The financing of the Target Company shall first be secured by the assets of the Target Company and, if inadequate, will be guaranteed by the Purchaser.

### **Management of the Target Company**

Pursuant to the Cooperative Development Agreement, the board of directors of the Target Company shall comprise five members, among which two shall be appointed by the Vendor and three shall be appointed by the Purchaser, with a director appointed by the Vendor acting as the chairman of the board of directors. The daily operation of the Target Company is delegated to one general manager and several deputy general managers. The general manager, who is accountable to the board of directors of the Target Company and shall act as the legal representative of the Target Company, shall be a candidate recommended by the Purchaser, whereas one deputy manager responsible for supervision of finance and at least another one deputy manager shall be candidates recommended by the Vendor. Other members of the senior management of the Target Company may be recommended by both parties or employed through open recruitment.

**Restrictions on the transfer of equity interest**

In the event that the Vendor intends to transfer its equity interest in the Target Company, the Purchaser shall have a right of first refusal to purchase the equity interest on the same terms and in accordance with the Company Law of the PRC and the requirements of relevant laws and regulations.

During the term of the Cooperative Development Agreement, the Purchaser is in principle prohibited from transferring its equity interest in the Target Company to any third party other than wholly-owned companies of the Company. Otherwise, the Purchaser will be deemed to be in breach of contract and the Vendor will be entitled to hold the Purchaser accountable for breach of contract and demand that the Purchaser bears all the losses caused to the Vendor. If the Purchaser transfers its equity interest in the Target Company to a wholly-owned company of the Company, the Purchaser shall bear joint and several liabilities.

**Material undertakings by the Purchaser**

- (1) The Purchaser undertook and warranted that, upon the expiration of a five-year period from the date of completion of the construction of commercial properties over the Land, the annual rental income and total operating revenue generated from the commercial properties, which will be determined according to the audited financial statements of the Target Company, shall be not less than an amount equivalent to the following formula, failing which the Purchaser shall be liable for default in accordance with the Cooperative Development Agreement:

$$\text{RMB200 per square metre per month} \times \text{gross floor area of the commercial properties (based on the gross floor area of commercial properties registered in the acceptance certificate of project construction plan, exclusive of parking areas)} \times 12 \text{ months}$$

- (2) The Purchaser undertook and warranted that, upon the expiration of a five-year period from the date of completion of the construction of office premises over the Land, the annual rental income and total operating revenue generated from the office premises, which will be determined according to the audited financial statements of the Target Company, shall be not less than an amount equivalent to the following formula, failing which the Purchaser shall be liable for default in accordance with the Cooperative Development Agreement:

$$\text{RMB120 per square metre per month} \times \text{gross floor area of the office premises (based on the gross floor area of office premises registered in the acceptance certificate of project construction plan, exclusive of parking areas)} \times 12 \text{ months}$$

- (3) As the project relates to comprehensive property development above the underground railway of the Vendor, the Purchaser shall urge and ensure that the management team shall not affect the normal operations of the underground railway station in the course of managing and operating the Target Company and the project, and shall provide overall assurance that the quality of the project meets the requirements of the Vendor in

accordance with the Cooperative Development Agreement. If the Vendor discovers problems which will affect the safety of the infrastructure of the underground railway or the operations of the underground railway transport system, the Vendor has the right to terminate the testing or construction of the project, without bearing any other liabilities or expenses apart from the liabilities or expenses that shall be borne by the Target Company.

- (4) The Purchaser undertook to ensure that, amongst others, save for force majeure or government approval for the postponement of completion of construction, the construction of the project on the Land, including office premises and shopping malls, shall be completed before 29 May 2022, and that the test-run of the shopping malls shall commence within one year from the completion of construction.

### **Parent undertaking by the Company**

The Company, as the parent company of the Purchaser, has executed a parent undertaking in favour of the Vendor, pursuant to which the Company undertook that, among other things, (i) the Purchaser shall perform the Cooperative Development Agreement and the agreements and documents relating to the project in accordance with all the obligations of the Purchaser under the Cooperative Development Agreement; and (ii) the Company shall not transfer its right of control of the Purchaser to any third parties other than the wholly-owned subsidiaries of the Company during the term of the Cooperative Development Agreement.

### **Completion**

Within 30 days from the date on which the Cooperative Development Agreement becomes effective and the Vendor receives in full the total consideration payable by the Purchaser and the share of specific debt borne by the Purchaser via the Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所), the Purchaser will be responsible for handling the relevant procedures for the change in industrial and commercial registration in respect of the transfer of Equity Interest and the change in personnel of the Target Company.

The transfer of company chop, certificate(s) and licence(s) of the Target Company to the Purchaser shall take place on the next working day following the date on which the change in industrial and commercial registration in respect of the Equity Interest (including the changes in registration in respect of the legal representative, director(s), supervisor(s), general manager, and other personnel) has been completed pursuant to the terms of the Cooperative Development Agreement, and the new business licence has been granted to the Target Company.

### **INFORMATION OF THE GROUP AND THE PURCHASER**

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

The Purchaser is a company established under the laws of the PRC and is wholly-owned by New World China Land Limited, which is an indirect wholly-owned subsidiary of the Company. Its principal business activity is investment holding.

## **INFORMATION OF THE VENDOR**

The Vendor is a state-owned enterprise incorporated under the laws of the PRC, which owns the entire total equity interest of the Target Company as at the date of this announcement. It is principally engaged in the construction, operation and management of the urban rapid rail transit system in Guangzhou, PRC, and the development and operation of its ancillary businesses. The Vendor has also diversified its operations to engage in businesses such as property development, consulting services and manufacturing of equipment.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company incorporated under the laws of the PRC on 5 December 2017 with registered capital of RMB10,000,000 and is principally engaged in business of property development and operation. The Target Company entered into a land handover confirmation with the Guangzhou City Land Development Centre\* (廣州市土地開發中心) in respect of the handover of the Land from Guangzhou City Land Development Centre\* (廣州市土地開發中心) on behalf of Guangzhou Land Resources and Planning Commission (廣州市國土資源和規劃委員會) to the Target Company on 16 April 2018.

According to the audited financial statements of the Target Company, the total loss of the Target Company from 5 December 2017, being the date of incorporation, to 31 August 2018 is RMB23,848.96.

According to the audited financial statements of the Target Company, the book value of the total assets of the Target Company as at 31 August 2018 was RMB6,899,915,284.74.

According to the valuation report issued by an independent valuer, the appraised value of the total assets of the Target Company as at 31 August 2018 was RMB7,352,707,100 by adopting the asset-based method.

It is anticipated that the Purchaser will have capital commitment (excluding the consideration for the Acquisition) in the amount of approximately RMB3.18 billion to the Target Company, which represents the estimated development and construction cost of the project on the Land to be borne by the Purchaser in proportion to its equity interest in the Target Company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The project to be developed on the Land, with total site area of 70,936 square metres and construction site area of 58,027 square metres, will comprise residential and commercial complex with gross floor area of 290,135 square metres for sale and investment purposes. The development is located above the Hanxi Changlong metro station (漢溪長隆地鐵站) in Guangzhou, which is an important hub for transportation, logistics, pedestrian flow and information flow in the southern part of Guangzhou. Situated at the junction of the existing Line 3 and Line 7 of the Guangzhou Metro and the Foshan–Dongguan Intercity Railway (佛莞城際軌道) which is under construction, the project is well-connected to core business districts, such as Zhujiang New Town, Guangzhou South Railway Station, Asian Games City, Guangzhou Higher Education Mega Center, and Wanbo business circle, which have excellent geographical locations and high pedestrian flow. The Acquisition is another strategic move of the Company in the Greater Bay Area. Adhering to the craftsmanship of The Artisanal Movement, the Company will fully utilise its strengths and ample resources of diversified

business and comprehensive commercial operations, and cooperate with the Vendor to turn the project into a landmark of smart commercial and residential complex in the southern part of Guangzhou and to promote the upgrade of auxiliary facilities in the region.

The Directors believe that the terms of the Acquisition Agreements are fair and reasonable, and the Acquisition Agreements and the transactions contemplated thereunder (including the Acquisition) have been entered into after arm's length negotiations and determined on normal commercial terms that are in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Since the highest of all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition Agreements is more than 5% but less than 25%, the transactions in respect of the Acquisition Agreements constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Equity Interest and the Shareholder's Loan by the Purchaser from the Vendor in the public tender;
“Acquisition Agreements”	collectively, (i) the Transfer Agreement; and (ii) the Cooperative Development Agreement;
“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 shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0017);
“Cooperative Development Agreement”	the cooperative development agreement dated 27 November 2018 entered into between the Vendor and the Purchaser in respect of the development of the Land by the Vendor and the Purchaser;
“Deposit”	a guarantee deposit of RMB1 billion paid by the Purchaser to the Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所) in respect of bidding for the Acquisition in the public tender;
“Director(s)”	the director(s) of the Company;
“Equity Interest”	65% of the total equity interest of the Target Company;
“Group”	the Company and its subsidiaries from time to time;



“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Land”	a parcel of land located at Lot No. BA0904007, Hanxi Village, Zhongcun Street, Panyu District, Guangdong Province, the PRC (中國廣東省番禺區鍾村街漢溪村)(Land No. 2017KJ01130033);
“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 Macau Special Administrative Region and Taiwan;
“Purchaser”	Guangzhou Xinpei Investment Co. Ltd. * (廣州新沛投資有限公司), a company established under the laws of the PRC and is wholly-owned by New World China Land Limited, which is an indirect wholly-owned subsidiary of the Company and the successful bidder for the Acquisition;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder’s Loan”	a shareholder’s loan in the amount of RMB4,478,460,436.91, representing 65% of the aggregate amount of shareholder’s loan repayable by the Target Company to the Vendor as at 31 August 2018;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws of Hong Kong);
“Target Company”	Guangzhou Yaosheng Real Estate Development Co., Ltd.* (廣州耀勝房地產開發有限公司), a company incorporated under the laws of the PRC;
“Transfer Agreement”	the transfer agreement dated 27 November 2018 entered into between the Vendor and the Purchaser in respect of the Acquisition;
“Vendor”	Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司), a state-owned enterprise incorporated under the laws of the PRC, which owns the entire equity interest of the Target Company as at the date of this announcement; and
“%”	per cent.

By Order of the Board  
**Wong Man-Hoi**  
Company Secretary

Hong Kong, 27 November 2018

*As at the date of this announcement, (a) the executive Directors are Dr. CHENG Kar-Shun, Henry, Dr. CHENG Chi-Kong, Adrian, Mr. CHENG Chi-Heng, Ms. CHENG Chi-Man, Sonia, Mr. AU Tak-Cheong, Mr. SITT Nam-Hoi and Mr. SO Chung-Keung, Alfred; (b) the non-executive Directors are Mr. DOO Wai-Hoi, William, Mr. CHENG Kar-Shing, Peter and Ms. KI Man-Fung, Leonie; and (c) the independent non-executive Directors are Mr. YEUNG Ping-Leung, Howard, Mr. CHA Mou-Sing, Payson, Mr. CHA Mou-Zing, Victor (alternate Director to 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.*

*\*For identification purposes only*