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(Stock Code: 0017)

CONNECTED TRANSACTION

ACQUISITION OF THE REMAINING 50% INTEREST IN SHANGHAI NEW WORLD HUAI HAI PROPERTY DEVELOPMENT CO., LTD.*

On 8 September 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the Equity Interest at the total consideration of RMB3,375,000,000. The Target Company is principally engaged in the development, management and operation of Shanghai Hong Kong New World Tower located at 300 Huaihaizhong Road, Huangpu District, Shanghai, the PRC.

Completion took place immediately after the signing of the Agreement. Upon issuance of a new business licence of the Target Company, the Target Company will become an indirect wholly-owned subsidiary of the Company.

As at the date of this announcement, CTF (Holding) indirectly holds approximately 45.14% of the total issued share capital of the Company. As the Vendor is a direct subsidiary of CTF (Holding), the Vendor is a connected person of the Company by virtue of being an associate of CTF (Holding). Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since more than one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE AGREEMENT

Date

8 September 2021

Parties

- (1) Vendor: Chow Tai Fook Nominee Limited, a direct subsidiary of CTF (Holding)
- (2) Purchaser: K11 Shanghai Properties Company Limited, an indirect wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the terms of the Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, the Equity Interest.

The Equity Interest represent 50% of the entire equity interest of the Target Company.

Consideration

The consideration for the Acquisition is RMB3,375,000,000 and shall be paid by the Purchaser to the Vendor in the following manner:

- (a) a sum of RMB1,687,500,000 (or an equivalent amount in HKD), representing 50% of the consideration, was paid by the Purchaser to the Vendor upon Completion; and
- (b) a sum of RMB1,687,500,000 (or an equivalent amount in HKD), representing 50% of the consideration, shall be paid by the Purchaser to the Vendor on or before 8 September 2022.

The consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the net asset value of the Target Company and the appraised values of the Property based on the two valuation reports prepared by two independent valuers.

The consideration is and will be funded by the Group's internal resources.

Dividends

Dividends declared by the Target Company prior to Completion will be distributed to the Vendor and the Purchaser in accordance with the articles of associations of the Target Company.

Completion

Completion took place immediately after the signing of the Agreement. Within 15 working days after the Completion Date, the Vendor and the Purchaser shall use their best endeavour to complete the registration of the transfer of the Equity Interest. Upon issuance of a new business licence of the Target Company, the Target Company will become an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE VENDOR AND THE TARGET COMPANY

The Vendor is a company incorporated in Hong Kong with limited liability and principally engaged in investment holding. It is a direct subsidiary of CTF (Holding). CTF (Holding) is an approximately 81.03% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook

Capital Limited is owned as to approximately 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively.

The Target Company is a company established in the PRC and has a registered and paid-up capital of US\$108,500,000. The principal activity of the Target Company is the development, management and operation of Shanghai Hong Kong New World Tower located at 300 Huaihaizhong Road, Huangpu District, Shanghai, the PRC. The development was completed in 2002 and has then been held for rental purposes. Repositioned by the K11 brand, Shanghai Hong Kong New World Tower has housed Shanghai K11 Art Mall since 2013, the first art mall in Mainland China where global brands, one-of-a-kind stores and catering, unique art spaces and eco-designed interiors have holistically integrated into an unique shopping and art experience, making it a shopping and cultural destination of Huaihaizhong Road and Shanghai. Prior to the Acquisition, the Target Company was owned as to 50% by each of the Vendor and the Purchaser and has been consolidated into the financial statements of the Group as a subsidiary.

Set out below is a summary of the audited net profit of the Target Company for the two years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December	
	2020	2019
	RMB (million)	RMB (million)
	<i>(approximately)</i>	<i>(approximately)</i>
Net profit before taxation and extraordinary items	148	153
Net profit after taxation and extraordinary items	111	117

According to the audited financial statements of the Target Company, the book value of the total assets of the Target Company as at 31 December 2020 was RMB 2,005,397,803.92. Cash dividends of RMB360,000,000 were declared by the Target Company in June 2021 and will be paid to the Vendor and the Purchaser in equal share after Completion.

According to the two valuation reports issued by two independent valuers both adopting the income approach, the appraised values of the Property as at 30 June 2021 were RMB7,011,000,000 and RMB7,300,000,000 respectively.

Based on the information available to the Directors, the Vendor acquired the Equity Interest in 2009 and the original acquisition costs of the Equity Interest were US\$54,250,000.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company. The principal business activity of the Purchaser is investment holding.

INFORMATION ON 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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has proactively optimised its internal structure and timely reviewed its asset portfolio.

The Group believes that the Acquisition will help to enhance the operational efficiency of the assets and is in line with the Group's development strategy in Shanghai. Since the Target Company was 50% owned by the Purchaser prior to the Acquisition, the Directors consider that the Acquisition will enable the Group to obtain full management control over the Property which will enhance the efficiency in the management of the Property. The Property which houses 58-storey office building and Shanghai K11 Art Mall has recorded satisfactory occupancy rate and rental performance over the past years. With the economic rebound of Mainland China in 2021, the Directors believe that the robust trend of business and consumption recovery in Shanghai will continue and the Property will have a steady growth in the occupancy rate. Besides, the Property is located in close proximity to the land parcel also situated at Huaihaizhong Road and acquired by the Group in August 2020, which land parcel covers a total gross floor area (excluding carpark) of approximately 100,000 square metres and will comprise a high-end commercial complex.

The Directors consider that it is in the interests and to the benefit of the Group that the Purchaser enters into the Agreement with a view to obtaining full potential benefit and returns from the Property, and the Acquisition will also create positive synergy to the development planning of the Group in Shanghai.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, within the ordinary course of business of the Group, and the Agreement has 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

As at the date of this announcement, CTF (Holding) indirectly holds approximately 45.14% of the total issued share capital of the Company. As the Vendor is a direct subsidiary of CTF (Holding), the Vendor is a connected person of the Company by virtue of being an associate of CTF (Holding). Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since more than one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

APPROVAL BY THE BOARD OF DIRECTORS

Dr. Cheng Kar-Shun, Henry, a Director, is also a director of the Vendor. He and his associates, being Dr. Cheng Chi-Kong, Adrian, Ms. Cheng Chi-Man, Sonia, Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter, had abstained from voting on the resolution approving the Acquisition at a board meeting of the Company. Mr. Cheng Chi-Heng was not present at the aforesaid board meeting of the Company and accordingly did not vote on the relevant board

resolutions. Save as mentioned above, none of the other Directors has a material interest in the Acquisition.

DEFINITIONS

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

“Acquisition”	the acquisition of the Equity Interest by the Purchaser in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
“Agreement”	the sale and purchase agreement dated 8 September 2021 entered into between the Vendor as vendor and the Purchaser as purchaser in respect of the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“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)
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“CTF (Holding)”	Chow Tai Fook (Holding) Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial shareholder of the Company
“Director(s)”	the director(s) of the Company
“Equity Interest”	50% of the entire equity interest of the Target Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“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 Taiwan
“Property”	Shanghai Hong Kong New World Tower located at 300 Huaihaizhong Road, Huangpu District, Shanghai, the PRC
“Purchaser”	K11 Shanghai Properties Company Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Shanghai New World Huai Hai Property Development Co., Ltd.* (上海新世界淮海物業發展有限公司), a company established in the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Chow Tai Fook Nominee Limited, a company incorporated in Hong Kong with limited liability and is a direct subsidiary of CTF (Holding)
“%”	per cent.

By order of the Board
Wong Man-Hoi
Company Secretary

Hong Kong, 8 September 2021

As at the date of this announcement, (a) the Executive Directors of the Company are Dr. CHENG Kar-Shun, Henry, Dr. CHENG Chi-Kong, Adrian, Mr. CHENG Chi-Heng, Ms. CHENG Chi-Man, Sonia, 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 and Mr. CHENG Kar-Shing, Peter; and (c) the Independent Non-executive Directors of the Company are Mr. YEUNG Ping-Leung, Howard, Mr. HO Hau-Hay, Hamilton, Mr. LEE Luen-Wai, John, Mr. LIANG Cheung-Biu, Thomas and Mr. IP Yuk-Keung, Albert.

**For identification purpose only*