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新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
FORMATION OF A JOINT VENTURE,
DEEMED DISPOSAL
AND
GRANT OF PUT OPTION**

**FORMATION OF A JOINT VENTURE, DEEMED DISPOSAL AND GRANT OF
PUT OPTION**

The Board is pleased to announce that, on 29 September 2022, Noble Rich (an indirect wholly-owned subsidiary of the Company) and the JV Partner, an Independent Third Party, agreed to establish a joint venture in the JV Co, in which Noble Rich will own 49% and the JV Partner will own 51%. The JV Co is the holding company of a piece of land located at Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong (i.e. the Property) for construction and development into a commercial complex.

The reduction of the Group's shareholding interest in the JV Co (from a holding of 100% to 49%) upon completion of the Subscription (i.e. the Deemed Disposal) constitutes a deemed disposal for the Group.

Noble Rich, the JV Partner, the Company and the JV Co also entered into the Option Agreement on 29 September 2022 pursuant to which the Put Option Grantors (i.e. collectively, the Company and Noble Rich) agreed that if a Put Option Trigger Event occurs, the Put Option Grantee (i.e. the JV Partner) will have the right to require the relevant Put Option Grantor to purchase from the Put Option Grantee all its shares in the JV Co (i.e. the Option Shares).

LISTING RULES IMPLICATIONS

The JV Co was formed as a single purpose vehicle to develop the commercial complex for sale purpose. The arrangement of the JV Formation was made on arm's length basis on normal commercial terms and accordingly, the JV Formation does not in itself constitute a notifiable transaction of the Company pursuant to Rule 14.04(1)(f) of the Listing Rules and is therefore exempt from reporting and announcement requirements of Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules was more than 5% but less than 25% in respect of each of the Deemed Disposal and the grant of the Put Option contemplated under the joint venture, each of the Deemed Disposal and the grant of the Put Option (the exercise of which is not at the discretion of the Group) constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules. The information in relation to the JV Formation is set out in this announcement on a voluntary basis to facilitate the Shareholders and/or the investing public in understanding the reason of the Deemed Disposal and the grant of the Put Option.

INTRODUCTION

The Board is pleased to announce that, on 29 September 2022, Noble Rich (an indirect wholly-owned subsidiary of the Company) and the JV Partner, an Independent Third Party, agreed to establish a joint venture in the JV Co, in which Noble Rich will own 49% and the JV Partner will own 51%. The JV Co is the holding company of a piece of land located at Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong (i.e. the Property) for construction and development into a commercial complex.

The reduction of the Group's shareholding interest in the JV Co (from a holding of 100% to 49%) upon completion of the Subscription (i.e. the Deemed Disposal) constitutes a deemed disposal for the Group.

The JV Formation will take effect upon Noble Rich and the JV Partner becoming a 49% shareholder and a 51% shareholder of the JV Co respectively. Noble Rich, the JV Partner, the Company and the JV Co also entered into the Option Agreement on 29 September 2022 pursuant to which the Put Option Grantors agreed that if a Put Option Trigger Event occurs, the Put Option Grantee will have the right to require the relevant Put Option Grantor to purchase from the Put Option Grantee all its shares in JV Co (i.e. the Option Shares).

FORMATION OF A JOINT VENTURE AND THE DEEMED DISPOSAL

The followings are certain key terms of the Shareholders' Agreement in respect of the JV Co:

Date

29 September 2022 (after trading hours)

Parties

- (i) the JV Partner
- (ii) the JV Co
- (iii) Noble Rich (an indirect wholly-owned subsidiary of the Company)
- (iv) Marina Sun (a direct wholly-owned subsidiary of the JV Co and it indirectly owns the entire interest in the Property)
- (v) Project Company (an indirect wholly-owned subsidiary of the JV Co and it directly owns the entire interest in the Property)

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the JV Partner and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Business of the JV Co

Unless otherwise unanimously agreed between the shareholders of the JV Co, the sole business of the JV Co shall be the ownership, development, sale and disposal of the Property through its direct holding of the shares in Marina Sun and indirect holding of the shares in the Project Company.

Capital commitment

The respective contribution to the total capital commitment to the JV Co by the Group and the JV Partner is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the JV Co.

Board composition

The board of directors of the JV Co shall comprise three directors of whom two directors shall be appointed by the JV Partner and one director shall be appointed by Noble Rich.

Subscription and the Deemed Disposal

As part of the JV Formation, the JV Co, Noble Rich and the JV Partner entered into a subscription agreement on 29 September 2022 whereby the JV Partner agreed to subscribe for, and the JV Co agreed to allot and issue to the JV Partner, 510 new ordinary shares in the JV Co, representing 51% of the enlarged issued share capital of the JV Co for the consideration of approximately HK\$3,078.8 million. Upon completion of the Subscription, the JV Co shall cease to be a subsidiary of the Company. The financial results of the JV Co will no longer be consolidated by the Group.

The subscription price shall be paid by the JV Partner in cash as follows:

- (i) 30% on the date of completion of the Subscription;
- (ii) 20% on 19 December 2022 (or such other date as may be agreed);
- (iii) 50% on 20 March 2023 (or such other date as may be agreed),

provided the payment in each of (ii) and (iii) above is conditional upon, among others, the receipt by the JV Partner of (a) save for the occurrence of certain events, a certification from the authorised person for the construction project for the Property that the project is not suspended and there has been no delay to the project milestone dates at the relevant time and (b) confirmation from the JV Co and Noble Rich confirming at the relevant time, among others, that no insolvency event has occurred in respect of any members of the Group involved in this project which will result in the completion date of the project not occurring by the Original Project Required Completion Date.

The subscription price was determined after arm's length negotiations and with reference to 51% of the market value of the Property by taking into consideration the market value of comparable properties in the proximity area.

The completion of Subscription shall take place on the date falling 10 business days (or earlier date as mutually agreed by the parties) after the satisfaction (or waiver) of, among others, the following conditions:

- (i) the Company, via Noble Rich, has made a shareholder loan in the amount as mutually agreed by the parties to the JV Co, which shall be made available to the Project Company as a shareholder loan;
- (ii) the agreed form of the amended and restated memorandum and articles of association of each of the JV Co and Marina Sun having been duly adopted; and
- (iii) the financing bank of the JV Partner being satisfied with all of its know-your-client requirements for the purposes of providing financing to the JV Partner to fund the payment of any part or all of the subscription price for the Subscription.

Upon completion of the Subscription, the JV Co shall cease to be a subsidiary of the Company and the Company will indirectly hold 49% shareholding interest in the JV Co. The financial results of the JV Co will no longer be consolidated by the Group.

The JV Co intends to utilise the proceeds from the Subscription for the construction and development of the Property to further the business purpose of this joint venture arrangement.

Guarantee

Pursuant to a deed of guarantee dated 29 September 2022 given by the Company in favour of the JV Partner, the Company guarantees to the JV Partner, among others, the punctual performance of the obligations (including any payment obligation) of Noble Rich under the relevant transaction documents.

GRANT OF PUT OPTION

Pursuant to the Shareholders' Agreement, the following parties have also entered into the Option Agreement with respect to certain rights (but not obligations) granted to the Put Option Grantee. The followings are the key terms of the Option Agreement:

Date

29 September 2022 (after trading hours)

Parties

- (i) the JV Partner, as the Put Option Grantee
- (ii) the JV Co
- (iii) Noble Rich (an indirect wholly-owned subsidiary of the Company), as a Put Option Grantor
- (iv) the Company, as a Put Option Grantor

Subject matter

If the Put Option is exercised by the Put Option Grantee (to be exercised at its sole discretion, subject to the occurrence of a Put Option Trigger Event), the Put Option Grantee shall sell, and the relevant Put Option Grantor shall purchase, the Option Shares.

The JV Co, as stated in this announcement above, through its holding of Marina Sun and the Project Company, solely engages in the ownership, development, sale and disposal of the Property. As at the date of this announcement, the agreed value of the Option Shares held by the JV Partner was approximately HK\$3,078.8 million.

Condition(s) to exercise

Subject to the condition(s) stated below, the Put Option is exercisable by the Put Option Grantee at any time during the Exercise Period by serving the Put Option Exercise Notice on the Put Option Grantors.

The Put Option Grantee may only exercise the Put Option upon the occurrence of a put option trigger event (the “**Put Option Trigger Events**” and each a “**Put Option Trigger Event**”), which shall include:

- (a) any breach by Noble Rich of its undertaking on the procurement of:
 - (i) the issuance of the Certificate of Compliance or (if applicable) the obtaining of the consent to assign issued by the Lands Department of Hong Kong or any other documents issued by the applicable government agency permitting the assignment of the undivided shares (together with the rights to exclusive possession of the relevant units) in the Property for strata sale; and
 - (ii) the obtaining of the pre-sale consent under the Lands Department Consent Scheme for strata title sale of units in the Property,occurs by no later than the Original Project Required Completion Date; or
- (b) by reference to the AP Confirmation there is a Property Area Shortfall which is greater than five per cent. (5%) of the mutually agreed Property Saleable Area or the mutually agreed Property Total MFA.

If the Put Option is exercised by the Put Option Grantee during the Exercise Period, any one of the Put Option Grantors (to be elected among themselves) shall purchase the Option Shares from the Put Option Grantee and pay the Put Option Price, representing the entire exercise price of the option, in cash upon Option Completion. Option Completion shall take place on the date which is ten (10) business days after the date of the Put Option Exercise Notice (or such other date agreed by the Put Option Grantee and the relevant Put Option Grantor). Upon the Option Completion, the JV Co shall be entirely owned by the Group and shall become a subsidiary of the Company. The financial results of the JV Co will be consolidated by the Group.

If the Put Option is not exercised (or not exercisable since there is no occurrence of a Put Option Trigger Event) by the Put Option Grantee during the Exercise Period, the Put Option shall lapse on the expiry of the Exercise Period and all the rights and interests of the Put Option Grantee under the Option Agreement shall also cease and determine and no party to the Option Agreement shall have any rights or liabilities to each other save for any antecedent breach.

If the Put Option is exercised in full, the Group would purchase the Option Shares (which owns interests in the Property) at a consideration of approximately HK\$3,462.6 million, representing the consideration payable by the relevant Put Option Grantor (i.e. the Put Option Price and assuming the highest possible monetary value to be paid upon the occurrence of a Put Option Trigger Event). In the event that the Put Option is exercised, the Directors expect that the Group will fund the Put Option Price by using internal resources of the Group and/or external financing.

Consideration

No premium shall be paid by the Put Option Grantee to the Put Option Grantors in respect of the Put Option contemplated under the Option Agreement. Based on the best estimation of the Group, the Put Option Price payable by the relevant Put Option Grantor shall not be more than approximately HK\$3,462.6 million.

The Put Option Price was determined after arm's length negotiation between the Put Option Grantee and the Put Option Grantors on normal commercial terms with reference to (i) the aggregate amount of the investment made by the JV Partner to the JV Co; (ii) the occurrence of a Put Option Trigger Event; and (iii) the JV Partner's expected return on investment in commercial property development of this kind in Hong Kong.

INFORMATION OF THE JV CO AND THE PROPERTY

The JV Co was incorporated in May 2022 and is the holding company of Marina Sun, which in turn, is the holding company of the Project Company. The Project Company is the registered owner of the entire interest in the Property.

As at the date of this announcement, other than the holding and development of the Property, none of the JV Co, Marina Sun and Project Company has commenced any other business operation. The audited net losses of the Project Company for the financial years ended 30 June 2020 and 30 June 2021 were approximately HK\$12,155 and HK\$35,650, respectively. The audited total assets and the audited net liabilities of the Project Company as at 30 June 2021 were approximately HK\$3,895.4 million and HK\$79,764, respectively. Further, the unaudited net loss of the Project Company for the financial year ended 30 June 2022 was HK\$201,324. The unaudited total assets and the unaudited net liabilities of the Project Company as at 30 June 2022 were approximately HK\$4,390.0 million and HK\$281,088, respectively.

The Property is a piece of land located at Wing Hong Street, Cheung Sha Wan. It is intended to carry out construction and development on such land to develop a commercial complex with an estimated Property Saleable Area of approximately 274,547 square feet. After the completion of construction and development of such building, the JV Co will sell and dispose of the Property by way of unit sales.

INFORMATION OF 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.

Noble Rich is a company incorporated in the BVI with limited liability, which is indirectly wholly-owned by the Company and is principally engaged in investment holding.

INFORMATION OF THE JV PARTNER

The JV Partner is a limited liability company incorporated in the Republic of Singapore, which is principally engaged in investment activities. The JV Partner is indirectly wholly owned by Ares SSG Capital Partners VI, L.P., a fund which is advised by Ares SSG Capital Management Limited (collectively, with its group entities, “**Ares SSG**”). Ares SSG is one of the largest alternative asset managers in Asia-Pacific with approximately US\$9.8 billion in assets under management. Ares SSG is a subsidiary of Ares Management Corporation which is a corporation listed on the New York Stock Exchange (NYSE: ARES).

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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. The business purpose of the JV Co, being the construction, development, marketing and sale of a commercial complex, is in line with the ordinary and usual course of business of the Group.

The Directors consider that the partnership with the JV Partner via this joint venture arrangement presents a good opportunity to combine the Group’s knowledge and expertise in property construction and development with the resources and experience of a leading global real estate investor to continue to capture the anticipated rising demand for high-quality commercial properties in one of Hong Kong’s emerging business districts. The Cheung Sha Wan district has witnessed remarkable changes in recent years. Boasting excellent transportation infrastructure and ancillary facilities, its convenient location and access include an approximately half-hour drive to Hong Kong International Airport and the Shenzhen Bay Highway Bridge, promising great potential for transforming the area into a new core business district in West Kowloon. After completion of construction and development of the Property into a commercial complex, the unit sales of such commercial complex will further strengthen the income stream of the Group.

The Deemed Disposal and the grant of the Put Option are part and parcel to the JV Formation. The Put Option is only exercisable by the Put Option Grantee if a Put Option Trigger Event occurs. For further information of such triggering events, please refer to the details of each of the Put Option Trigger Events set out in this announcement above. The Directors are of the view that the terms of the Put Option are fair and reasonable and represent normal commercial terms of joint venture arrangement of this kind after arm's length negotiation with the JV Partner.

The Directors consider that the terms of the Shareholders' Agreement, the subscription agreement effecting the Deemed Disposal, the Option Agreement, the aforementioned deed of guarantee and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL IMPACT ON THE GROUP

After taking into account the subscription price payable by the JV Partner for the Subscription and the value of the Property, it is estimated that an unaudited gain of approximately HK\$450 million (before taxation, transaction costs and other customary adjustments) will be recorded in respect of the Deemed Disposal.

LISTING RULES IMPLICATIONS

The JV Co was formed as a single purpose vehicle to develop the commercial complex for sale purpose. The arrangement of the JV Formation was made on arm's length basis on normal commercial terms and accordingly, the JV Formation does not in itself constitute a notifiable transaction of the Company pursuant to Rule 14.04(1)(f) of the Listing Rules and is therefore exempt from reporting and announcement requirements of Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules was more than 5% but less than 25% in respect of each of the Deemed Disposal and the grant of the Put Option contemplated under the joint venture, each of the Deemed Disposal and the grant of the Put Option (the exercise of which is not at the discretion of the Group) constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules. The information in relation to the JV Formation is set out in this announcement on a voluntary basis to facilitate the Shareholders and/or the investing public in understanding the reason of the Deemed Disposal and the grant of the Put Option.

DEFINITIONS

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

“AP Confirmation”	the written confirmation issued by the authorised person (as defined in the Buildings Ordinance, Chapter 123 of the Laws of Hong Kong) as mutually agreed by Noble Rich and the JV Partner certifying the final Property Saleable Area and the final Property Total MFA and in the form as attached in the Shareholders’ Agreement
“Ares SSG”	has the meaning as ascribed thereto in this announcement
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Certificate of Compliance”	the written confirmation issued by the Director of Lands of the Government of Hong Kong to confirm that all the positive terms and conditions of the government lease of the Property have been complied with to the satisfaction of the Director of Lands
“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)
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Deemed Disposal”	the reduction of the Group’s shareholding interest in the JV Co (from a holding of 100% to 49%) upon completion of the Subscription, which constitutes a deemed disposal under Rule 14.29 of the Listing Rules
“Directors”	the director(s) of the Company
“Exercise Period”	during the term of the Shareholders’ Agreement and within 60 days upon the occurrence of a Put Option Trigger Event
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“JV Co”	Eastern City International Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of the Company prior to the completion of the Subscription and, upon completion of the Subscription, being owned as to 49% by Noble Rich and 51% by the JV Partner
“JV Formation”	the formation of the joint venture and related transactions contemplated under the Shareholders’ Agreement and relevant transaction documents
“JV Partner”	Skyresh Investment (Singapore) Pte. Limited, a company incorporated in the Republic of Singapore with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marina Sun”	Marina Sun Limited, a company incorporated in the BVI with limited liability, which is directly wholly-owned by the JV Co
“Noble Rich”	Noble Rich Holdings Limited, a company incorporated in the BVI with limited liability, which is indirectly wholly-owned by the Company
“Option Agreement”	the put option agreement dated 29 September 2022 and entered into between the JV Partner, Noble Rich, the Company and the JV Co in relation to the grant of the Put Option
“Option Completion”	the completion of the Put Option
“Option Shares”	all (but not some) of the shares of the JV Co owned by the JV Partner as at the date of the Put Option Exercise Notice
“Original Project Required Completion Date”	30 June 2024
“Project Company”	Bonson Holdings Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by the JV Co

“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	the Remaining Portion of New Kowloon Inland Lot No. 6572 (Provisional street number provided by Hong Kong Rating and Valuation Department: 83 Wing Hong Street, Hong Kong) together with all messuages, erections and buildings erected or to be erected thereon
“Property Area Shortfall”	the Property Saleable Area set out in the AP Confirmation is less than the mutually agreed Property Saleable Area or the Property Total MFA set out in the AP Confirmation is less than the mutually agreed Property Total MFA
“Property Saleable Area”	the saleable area of the Property, representing approximately 274,547 square feet
“Property Total MFA”	the Property Saleable Area and the apportioned common area of the Property comprising common lifts, lift lobbies, corridor, communal lavatories, pedestrian links, refuge area cum podium garden and electrical & mechanical room
“Put Option”	the right of the Put Option Grantee to sell, and require the relevant Put Option Grantor to purchase, the Option Shares under the terms of the Option Agreement
“Put Option Exercise Notice”	a notice in writing to be given by the Put Option Grantee pursuant to the terms of the Option Agreement upon exercise of the Put Option
“Put Option Grantee”	the JV Partner
“Put Option Grantor(s)”	collectively, the Company and Noble Rich

“Put Option Price”	in respect of any exercise of the Put Option, an amount equal to the aggregate of: <ul style="list-style-type: none"> (a) as at the relevant time of determination, the aggregate cumulative amount paid by the JV Partner for its investment in the JV Co; and (b) the amount required to provide to the JV Partner an internal rate of return of twelve per cent. (12%) on the investment amount made by the JV Partner mentioned in paragraph (a) above (including all preferred dividends received by the JV Partner)
“Put Option Trigger Event(s)”	has the meaning as ascribed thereto in this announcement
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 29 September 2022 and entered into between the JV Partner, Noble Rich, the JV Co, Marina Sun and Project Company to govern the rights and obligations of the shareholders of the JV Co
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 510 new ordinary shares in the JV Co by the JV Partner as part of the JV Formation, which as a result, the JV Partner will own 51% of the enlarged issued share capital of the JV Co
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Wong Man-Hoi
Company Secretary

Hong Kong, 29 September 2022

As at the date of this announcement, the Board of the Company comprises (a) eight executive directors, namely 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, Ms. Chiu Wai-Han, Jenny and Mr. Ma Siu-Cheung; (b) two non-executive directors, namely, Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter; and (c) six independent non-executive directors, namely Mr. Yeung Ping-Leung, Howard, Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John, Mr. Liang Cheung-Biu, Thomas, Mr. Ip Yuk-Keung, Albert and Mr. Chan Johnson Ow.