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JOINT ANNOUNCEMENT

DISCLOSEABLE AND CONNECTED TRANSACTION

The NWD Board and the NWS Board are pleased to announce that on 15 November 2016 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of NWS) and the Vendor (a direct wholly-owned subsidiary of CTFE) entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the Sale Shares, representing 50% of the entire issued share capital of the Target Company, at a total consideration of HK\$1.38 billion (subject to adjustment based on the Completion Accounts). Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of NWS. The Target Group is principally engaged in the provision of public bus, ferry and travel related services in Hong Kong.

As at the date of this announcement, the Purchaser is an indirect wholly-owned subsidiary of NWS. NWS is a subsidiary of NWD. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25% for each of NWD and NWS, the Acquisition constitutes a discloseable transaction for each of NWD and NWS that is subject to the notification and announcement requirements under Rule 14.34 of the Listing Rules.

As at the date of this announcement, CTFE together with its subsidiaries hold approximately 43.92% of the total issued share capital of NWD and CTFE holds approximately 2.53% of the total issued share capital of NWS. NWD together with its subsidiaries hold approximately 61.32% of the total issued share capital of NWS. As the Vendor is a wholly-owned subsidiary of CTFE, the Vendor is therefore a connected person of each of NWD and NWS and the Acquisition constitutes a connected transaction for each of NWD and NWS under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% for each of NWD and NWS, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements for each of NWD and NWS under Chapter 14A of the Listing Rules.

The NWD EGM will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As additional time is required to prepare the circular containing, among other things, information on the Sale and Purchase Agreement and the Acquisition, the letter from the independent board committee to the independent shareholders of NWD, the letter from independent financial adviser to the independent board committee and the independent shareholders of NWD and the notice convening the NWD EGM, the circular is expected to be despatched to the shareholders of NWD on or before 7 December 2016.

The NWS SGM will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As additional time is required to prepare the circular containing, among other things, information on the Sale and Purchase Agreement and the Acquisition, the letter from the independent board committee to the independent shareholders of NWS, the letter from independent financial adviser to the independent board committee and the independent shareholders of NWS and the notice convening the NWS SGM, the circular is expected to be despatched to the shareholders of NWS on or before 7 December 2016.

INTRODUCTION

The NWD Board and the NWS Board are pleased to announce that on 15 November 2016 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of NWS) entered into the Sale and Purchase Agreement with the Vendor (a direct wholly-owned subsidiary of CTFE) in respect of the Acquisition at a total consideration of HK\$1.38 billion (subject to adjustment based on the Completion Accounts).

MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT

Date

15 November 2016

Parties

- (1) Vendor: Enrich Group Limited
- (2) Purchaser: NWS Service Management Limited

Acquisition

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the Sale Shares, representing 50% of the entire issued share capital of the Target Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of NWS.

Consideration

The Consideration for the Acquisition is HK\$1.38 billion, which is payable by the Purchaser to the Vendor in cash at Completion and is subject to the adjustment mechanism as set out below:

- (1) if the Statement of NAV Movement reveals a positive figure (i.e. the NAV recorded in the Completion Accounts exceeds the NAV recorded in the September Management Accounts), the Consideration shall be increased by an amount equivalent to 50% of such excess; or
- (2) if the Statement of NAV Movement reveals a negative figure (i.e. the NAV recorded in the Completion Accounts is less than the NAV recorded in the September Management Accounts), the Consideration shall be decreased by an amount equivalent to 50% of such shortfall.

An amount equal to 50% of the above excess or shortfall shall be paid by the Purchaser or repaid by the Vendor (as the case may be) within 14 business days following the delivery of the Completion Accounts and the Statement of NAV Movement by the Purchaser to the Vendor. The Purchaser shall within 60 business days following the Completion Date deliver to the Vendor the Completion Accounts and the Statement of NAV Movement.

The consideration for the Acquisition was determined after arm's length negotiations between the parties taking into account the financial performance and assets value of the Target Group, comparison on market multiples, market conditions and industry risk factors. The consideration for the Acquisition will be funded by the internal resources and bank financing of the NWS Group.

Conditions precedent

Completion is conditional upon the following conditions precedent being fulfilled and/or waived (as the case may be):

- (1) the warranties given by the Vendor set out in the Sale and Purchase Agreement remaining true and accurate and not misleading as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;
- (2) satisfactory completion by the Purchaser of due diligence exercise on various aspects of the Target Company;
- (3) the relevant Target Group Companies having informed the related department(s) of the Government of Hong Kong in respect of the transactions contemplated under the Sale and Purchase Agreement before signing of the Sale and Purchase Agreement and no objection is received from the related department(s) of the Government of Hong Kong prior to Completion or such objection has been resolved;

- (4) all necessary consents and approvals being granted by third parties for the consummation of transactions contemplated in the Sale and Purchase Agreement (including any bank consent as required under the relevant financing documents, consent and approval from governmental or official authorities), if applicable, and no statute, regulation or decision which would prohibit, restrict or materially delay the Acquisition having been proposed, enacted or taken by any governmental or official authority; and
- (5) the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder by the independent shareholders of each of NWS and NWD in the manner required by the Listing Rules.

The Purchaser may waive the conditions precedent (1) to (3). If the conditions precedent are not satisfied or waived (as the case may be) prior to Completion, the Purchaser shall not be bound to proceed with Completion.

Completion

Completion shall take place on the next business day following the fulfilment (or, as applicable, waiver) of the last of the conditions precedent (except the conditions precedent (1) and (3) which shall continue to be fulfilled up to Completion) or such other date as may be determined between the parties in writing.

Termination of the Shareholders Agreement

Upon Completion, the Shareholders Agreement will be automatically terminated without notice and none of the parties to the Shareholders Agreement shall have any claim against any of the other parties, save for any antecedent breach of the Shareholders Agreement.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The NWS Group has been engaging in the transport business through its interest in the Target Group Companies for over ten years. The Target Group, through Citybus, NWFB and NWFF, has been one of the major bus and ferry operators in Hong Kong. The Target Group owned 1,765 buses and 24 vessels (including six pontoons and one workboat), and operated a total of 192 franchised bus routes and five main ferry routes as at 30 September 2016. The Acquisition represents a good opportunity for the NWS Group to increase its interest in its existing investment and to capitalize on the established market position, expertise and experience of the Target Group in the transport industry. By acquiring an additional 50% equity interest in the Target Company, the NWS Group will have the entire control of the Target Company and the results of the Target Group will be fully consolidated into the financial statements of the NWS Group. The NWS Board considers that the Acquisition will enable the NWS Group to fully benefit from the revenue stream, cash flow and results of the Target Group.

The opening of the MTR South Island Line (East) is expected to take place at the end of 2016. Notwithstanding the anticipated competition from the expansion of the MTR network, the NWS Board considers that public bus service in Hong Kong has its competitive advantages in terms of, among others, more extensive geographical coverage, greater travel flexibility, convenience and accessibility, and will continue to be an important means of transportation in Hong Kong.

The NWD Board and the NWS Board (excluding their respective independent non-executive directors whose opinion will be rendered and stated in their respective circulars to be despatched after taking into account the advice from their respective independent financial advisers) are of the view that the Acquisition is on normal commercial terms, and that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of NWD, NWS and their respective shareholders as a whole.

INFORMATION ON NWD GROUP, NWS GROUP, THE PARTIES AND TARGET GROUP

NWD Group

NWD Group (including NWS 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. NWD is the ultimate holding company of NWS and is, together with its subsidiaries, interested in approximately 61.32% of the total issued share capital of NWS as at the date of this announcement.

NWS Group

NWS Group is principally engaged in (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, construction, transport and strategic investments.

The Vendor

The Vendor is an investment holding company which is a direct wholly-owned subsidiary of CTFE.

The Purchaser

The Purchaser is an investment holding company which is an indirect wholly-owned subsidiary of NWS.

Target Group

As at the date of this announcement, the Target Company is held as to 50% by the Purchaser and 50% by the Vendor. The Target Group is principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. The principal subsidiaries of the Target Company include Citybus, NWFB and NWFF, in which the Target Company has an indirect 100% equity interest. Citybus and NWFB operate bus services in Hong Kong while NWFF operates ferry services of outlying island and inner harbour routes in Hong Kong.

According to the audited consolidated financial statements of the Target Group for the two financial years ended 30 June 2015 and 30 June 2016 prepared in accordance with HKFRS, the audited consolidated profit before and after income tax of the Target Group for the two financial years ended 30 June 2015 and 30 June 2016 are set out below:

	For the financial year ended 30 June	
	2015	2016
	<i>HK\$'million</i>	<i>HK\$'million</i>
Profit before income tax	286.5	456.1
Profit after income tax	242.7	386.1

According to the audited consolidated financial statements of the Target Group for the financial year ended 30 June 2016 prepared in accordance with HKFRS, the audited consolidated NAV of the Target Group as at 30 June 2016 was HK\$3,499.2 million. According to the September Management Accounts prepared in accordance with HKFRS, the unaudited consolidated NAV of the Target Group as at 30 September 2016 was HK\$3,608.2 million.

Based on the information provided by the Vendor, the original acquisition cost of the Sale Shares by the Vendor was approximately HK\$0.7 billion.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is an indirect wholly-owned subsidiary of NWS. NWS is a subsidiary of NWD. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25% for each of NWD and NWS, the Acquisition constitutes a discloseable transaction for each of NWD and NWS that is subject to the notification and announcement requirements under Rule 14.34 of the Listing Rules.

As at the date of this announcement, CTFE together with its subsidiaries hold approximately 43.92% of the total issued share capital of NWD and CTFE holds approximately 2.53% of the total issued share capital of NWS. NWD together with its subsidiaries hold approximately 61.32% of the total issued share capital of NWS. As the Vendor is a wholly-owned subsidiary of CTFE, the Vendor is therefore a connected person of each of NWD and NWS and the Acquisition constitutes a connected transaction for each of NWD and NWS under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% for each of NWD and NWS, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements for each of NWD and NWS under Chapter 14A of the Listing Rules.

Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian, Mr. Cheng Kar Shing, Peter and Mr. Cheng Chi Heng, all being NWD Directors, are also directors of CTFE. They and their associates, being Mr. Doo Wai Hoi, William and Ms. Cheng Chi Man, Sonia, abstained from voting on the resolutions approving the Acquisition at the meeting of the NWD Board.

Dr. Cheng Kar Shun, Henry, being a NWS Director, is also a director of CTFE. Accordingly, the associates of Dr. Cheng Kar Shun, Henry, who are also NWS Directors (i.e. Mr. Cheng Chi Ming, Brian and Mr. William Junior Guilherme Doo) abstained from voting on the resolutions approving the Acquisition at the meeting of the NWS Board. Dr. Cheng Kar Shun, Henry was not present at the relevant board meeting of NWS and therefore did not vote on the resolutions approving the Acquisition.

An independent board committee of NWD will be formed to advise the independent shareholders of NWD with respect to the relevant resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder proposed to be passed at the NWD EGM. An independent financial adviser will also be appointed to advise the independent board committee and the independent shareholders of NWD in connection therewith.

An independent board committee of NWS will be formed to advise the independent shareholders of NWS with respect to the relevant resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder proposed to be passed at the NWS SGM. An independent financial adviser will also be appointed to advise the independent board committee and the independent shareholders of NWS in connection therewith.

NWD EGM

The NWD EGM will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

As additional time is required to prepare the circular containing, among other things, information on the Sale and Purchase Agreement and the Acquisition, the letter from the independent board committee to the independent shareholders of NWD, the letter from independent financial adviser to the independent board committee and the independent shareholders of NWD and the notice convening the NWD EGM, the circular is expected to be despatched to the shareholders of NWD on or before 7 December 2016.

NWS SGM

The NWS SGM will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

As additional time is required to prepare the circular containing, among other things, information on the Sale and Purchase Agreement and the Acquisition, the letter from the independent board committee to the independent shareholders of NWS, the letter from independent financial adviser to the independent board committee and the independent shareholders of NWS and the notice convening the NWS SGM, the circular is expected to be despatched to the shareholders of NWS on or before 7 December 2016.

DEFINITION

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meaning:

“Acquisition”	the acquisition by the Purchaser from the Vendor of the Sale Shares as contemplated under the Sale and Purchase Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Citybus”	Citybus Limited (城巴有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Target Company;
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement;
“Completion Accounts”	the unaudited consolidated financial statements of the Target Group for the period from 1 July 2016 to the Completion Date (or such other date as may be determined between the Vendor and the Purchaser in writing);
“Completion Date”	the next business day following the fulfilment (or, as applicable, waiver) of the last of the conditions precedent as set out in the paragraph headed “Conditions precedent” of “Major terms of the Sale and Purchase Agreement” in this announcement (except the conditions precedent (1) and (3) which shall continue to be fulfilled up to Completion) or such other date as may be determined between the Vendor and the Purchaser in writing;

“Consideration”	the initial consideration for the Acquisition in the amount of HK\$1.38 billion payable by the Purchaser to the Vendor in accordance with the Sale and Purchase Agreement;
“CTFE”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability and the holding company of the Vendor;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards;
“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;
“NAV”	net assets value, being total assets less total liabilities;
“NWD”	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: 17) and beneficially owned as to approximately 43.92% by CTFE and its subsidiaries as at the date of this announcement;
“NWD Board”	the board of NWD Directors;
“NWD Director(s)”	director(s) of NWD;
“NWD EGM”	the extraordinary general meeting of NWD to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
“NWD Group”	NWD and its subsidiaries from time to time;
“NWFB”	New World First Bus Services Limited (新世界第一巴士服務有限公司*), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Target Company;
“NWFF”	New World First Ferry Services Limited (新世界第一渡輪服務有限公司*), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Target Company;

“NWS”	NWS Holdings Limited (新創建集團有限公司*), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659), and held as to approximately 61.32% by NWD and its subsidiaries and approximately 2.53% by CTFE as at the date of this announcement;
“NWS Board”	the board of NWS Directors;
“NWS Director(s)”	director(s) of NWS;
“NWS Group”	NWS and its subsidiaries from time to time;
“NWS SGM”	the special general meeting of NWS to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Purchaser”	NWS Service Management Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of NWS;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 November 2016 entered into between the Vendor and the Purchaser in relation to the Acquisition;
“Sale Shares”	250,000,008 shares of HK\$1 each in the capital of the Target Company, representing 50% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and at Completion;
“September Management Accounts”	the unaudited consolidated financial statements of the Target Group for the period from 1 July 2016 to 30 September 2016;
“Shareholders Agreement”	the shareholders agreement dated 9 March 2004 entered into between CTFE, the Vendor, NWS and the Purchaser to regulate their respective responsibilities towards the management of the business and the affairs of the Target Company;
“Statement of NAV Movement”	the statement setting out the difference between the NAV recorded in the September Management Accounts and the NAV recorded in the Completion Accounts;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed thereto in the Listing Rules;

“Target Company”	NWS Transport Services Limited (新創建交通服務有限公司*), a company incorporated in the British Virgin Islands with limited liability, which is held as to 50% by the Purchaser and 50% by the Vendor as at the date of this announcement;
“Target Group”	the Target Company and its subsidiaries;
“Target Group Company(ies)”	member(s) of the Target Group;
“Vendor”	Enrich Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CTFE; and
“%”	per cent.

By order of the board of directors of
New World Development Company Limited
(新世界發展有限公司)
Dr. Cheng Kar Shun, Henry
Chairman

By order of the board of directors of
NWS Holdings Limited
(新創建集團有限公司*)
Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 15 November 2016

As at the date of this announcement, (a) the executive directors of NWD 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 of NWD are Mr. Doo Wai Hoi, William and Mr. Cheng Kar Shing, Peter; and (c) the independent non-executive directors of NWD 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 Bui, Thomas.

As at the date of this announcement, (a) the executive directors of NWS are Dr. Cheng Kar Shun, Henry, Mr. Tsang Yam Pui, Mr. Hui Hon Chung, Mr. Cheung Chin Cheung and Mr. Cheng Chi Ming, Brian; (b) the non-executive directors of NWS are Mr. To Hin Tsun, Gerald, Mr. Dominic Lai, Mr. Lam Wai Hon, Patrick and Mr. William Junior Guilherme Doo; and (c) the independent non-executive directors of NWS are Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan and Mrs. Oei Fung Wai Chi, Grace.

* *For identification purposes only*