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**新世界百貨中國有限公司**

**New World Department Store China Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 825)**

## **CONNECTED TRANSACTION DISPOSAL OF THE TARGET COMPANY**

### **THE DISPOSAL AGREEMENT**

Reference is made to the announcement of the Company dated 11 May 2018 in relation to the Equity Transfer Agreement.

On 6 December 2019, NWDS China entered into the Disposal Agreement with K11 RC, pursuant to which NWDS China agreed to sell to K11 RC the Sale Interests, which it acquired from K11 RC pursuant to the Equity Transfer Agreement.

Upon completion of the Disposal, the Company will cease to hold any interest in the Target Company.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, NWD is a substantial shareholder of the Company and K11 RC is a direct wholly-owned subsidiary of NWD. Therefore, K11 RC is a connected person of the Company. The transaction contemplated under the Disposal Agreement constitutes a connected transaction of the Company.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the amount in relation to the transaction contemplated under the Disposal Agreement is more than 0.1% but all percentage ratios are less than 5%, the Disposal Agreement is subject to the reporting and announcement requirements but is exempt from the circular and the approval by the independent shareholders of the Company requirements under Chapter 14A of the Listing Rules.

### **INTRODUCTION**

Reference is made to the announcement of the Company dated 11 May 2018 in relation to the Equity Transfer Agreement.

**THE DISPOSAL AGREEMENT**

On 6 December 2019, NWDS China entered into the Disposal Agreement with K11 RC, pursuant to which NWDS China agreed to sell to K11 RC the Sale Interests.

The major terms of the Disposal Agreement are summarised as follows:

- Date : 6 December 2019
- Parties : NWDS China  
K11 RC
- Subject matter : the Sale Interests
- Consideration : RMB1

The consideration was determined after arm’s length negotiations between K11 RC and NWDS China, with reference to, among other things, (i) the financial information of the Target Company; and (ii) the historical acquisition cost of the 40% equity interests in the Target Company.

- Capital commitment : Pursuant to the Disposal Agreement, K11 RC is required to fulfil its obligation to pay up the outstanding registered capital of the Target Company in full, including the obligation of NWDS China under the Equity Transfer Agreement to contribute RMB16,000,000 to the registered capital of the Target Company, pursuant to the articles of association of the Target Company and the relevant PRC laws and regulations.

Completion will take place when the registration for the Disposal is completed and the updated business licence of the Target Company is obtained.

Upon completion of the Disposal, the Company will cease to hold any interest in the Target Company.

**INFORMATION ON PARTIES**

NWDS China is principally engaged in the business of department store operation and is an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in the business of operating department store and other related business and property investment operations in the PRC.

To the best knowledge of the Directors, K11 RC is an investment holding company and a direct wholly-owned subsidiary of NWD. The principal businesses of NWD Group include property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology.

The Target Company was established in the PRC on 22 September 2016, with paid-up registered capital of RMB10,000,000 and registered capital of RMB40,000,000. The Target Company is principally engaged in the business of sales of cosmetics and personal care products, and beauty related services.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

Set out below are certain financial information of the Target Company based on the financial statements for each of the two financial years ended 31 December 2017 and 31 December 2018:

	<b>For the financial year ended 31 December 2017</b>	<b>For the financial year ended 31 December 2018</b>
	<i>(RMB)</i>	<i>(RMB)</i>
	<i>(audited)</i>	<i>(audited)</i>
Net profit / (loss) before tax	(867,954)	241,387
Net profit / (loss) after tax	(867,954)	241,387

As at 30 June 2019, the unaudited book value of the net assets of the Target Company amounted to approximately RMB8,500,000, which represented the paid-up capital of the Target Company solely injected by K11 RC of RMB10,000,000 and the loss of the Target Company since incorporation.

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

In view of the current market conditions, the management of the Company decided to dispose of the Sale Interests to facilitate the Group's focus on its core department store businesses.

The Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Disposal Agreement are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interest of the Company and its shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Given the insignificant consideration and the investment in Target Company has been classified as financial assets at fair value through other comprehensive income by the Group since acquisition, there is insignificant financial impact of the Disposal on the Group's cash flows and profit or loss.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, NWD is a substantial shareholder of the Company and K11 RC is a direct wholly-owned subsidiary of NWD. Therefore, K11 RC is a connected person of the Company. The transaction contemplated under the Disposal Agreement constitutes a connected transaction of the Company.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the amount in relation to the transaction contemplated under the Disposal Agreement is more than 0.1% but all percentage ratios are less than 5%, the Disposal Agreement is subject to the reporting and announcement requirements but is exempt from the circular and the approval by the independent shareholders of the Company requirements under Chapter 14A of the Listing Rules.

## **APPROVAL BY THE BOARD OF DIRECTORS**

None of the Directors has a material interest in the Disposal Agreement. Dr. Cheng Kar-shun, Henry, Dr. Cheng Chi-kong, Adrian and Mr. Au Tak-cheong are common directors of the Company and NWD. Dr. Cheng Kar-shun, Henry was not present at the board meeting held for the approval of the Disposal and accordingly he did not vote on the relevant board resolutions. Dr. Cheng Chi-kong, Adrian and Mr. Au Tak-cheong have abstained from voting on the relevant board resolutions. Other than Dr. Cheng Kar-shun, Henry, Dr. Cheng Chi-kong, Adrian and Mr. Au Tak-cheong, none of the Directors is required to abstain from voting on the relevant board resolutions.

## **DEFINITIONS**

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

<b>“Company”</b>	New World Department Store China Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Directors”</b>	the director(s) of the Company
<b>“Disposal”</b>	the sale of the Sale Interests by NWDS China to K11 RC pursuant to the terms of the Disposal Agreement
<b>“Disposal Agreement”</b>	the equity transfer agreement dated 6 December 2019 between K11 RC and NWDS China in respect of the Disposal
<b>“Equity Transfer Agreement”</b>	the equity transfer agreement dated 11 May 2018 between K11 RC and NWDS China in respect of

	the transfer of 40% of the equity interests in the Target Company from K11 RC to NWDS China
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“K11 RC”</b>	K11 Retail & Corporate Sales Company Limited, a limited liability incorporated under the laws of the Hong Kong and a direct wholly-owned subsidiary of NWD as at the date of this announcement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“NWD”</b>	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange, and a substantial shareholder of the Company as at the date of this announcement
<b>“NWD Group”</b>	NWD and its subsidiaries from time to time
<b>“NWDS China”</b>	新世界百貨（中國）有限公司 (New World Department Store (China) Co., Ltd.), a limited liability incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
<b>“PRC”</b>	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Sale Interests”</b>	40% of the equity interests in the Target Company, representing the entire equity interests in the Target Company held by NWDS China as at the date of this announcement
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary”</b>	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws

of Hong Kong)

“substantial shareholder”

has the meaning ascribed to it under the Listing Rules

“Target Company”

開士怡化妝品（上海）有限公司 (Kaishiyi Cosmetics (Shanghai) Co., Ltd.), a limited liability company incorporated under the laws of the PRC and owned as to 60% and 40% by K11 RC and NWDS China respectively as at the date of this announcement

“%”

per cent

By order of the board of  
**New World Department Store China Limited**  
**Wu Yuk-kwai, Catherine**  
*Company Secretary*

Hong Kong, 6 December 2019

*As at the date of this announcement, the non-executive Directors are Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong; the executive Directors are Dr. Cheng Chi-kong, Adrian and Mr. Cheung Fai-yet, Philip; and the independent non-executive Directors are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai.*

*English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*