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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)

TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTION

On 11 December 2015, Beijing Shishang, an indirect wholly-owned subsidiary of the Company, entered into the Termination Agreement with Huamei Technology, an indirect wholly-owned subsidiary of NWCL, pursuant to which Beijing Shishang and Huamei Technology agreed to terminate the Lease Agreement with effect from 1 January 2016.

As at the date of this announcement, Huamei Technology is an indirect wholly-owned subsidiary of NWCL which in turn is a subsidiary of NWD. NWD is a substantial shareholder of the Company. As such, Huamei Technology is an associate of the connected person of the Company under Rule 14A.13 of the Listing Rules. The transaction under the Termination Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the aggregate of the Annual Rental and the compensation receivable by Beijing Shishang under the Termination Agreement is more than 0.1% but all of them are less than 5%, the Termination Agreement is subject to the reporting and announcement requirements but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

On 12 April 2010, Beijing Shishang as lessee and Huamei Technology as lessor entered into the Lease Agreement in respect of the leasing of the Property. The Lease Agreement was governed by the Master Agreement. Beijing Shishang has also sub-leased the Property to various sub-lessees.

THE TERMINATION AGREEMENT

On 11 December 2015, Beijing Shishang entered into the Termination Agreement with Huamei Technology, the principal terms of which are summarised as follows:

Date : 11 December 2015

Parties : Beijing Shishang as lessee and Huamei Technology as lessor

- Property : the Lower Ground level one and the Upper Ground levels one to three, Baoding Building (寶鼎大廈), No. 7 East Damochang Street, Chongwen District, Beijing, the PRC, with an aggregate gross floor area of 40,286 square metres
- Date of surrender of the Property : 1 January 2016
- Compensation for early termination : A total sum of RMB25,000,000 is payable by Huamei Technology to Beijing Shishang as compensation payment for the early termination of the Lease Agreement. The sum represents compensation for all losses to be incurred by Beijing Shishang, and it covers, among others, the loss on disposal of the renovation, decoration or any assets of the Property at net book value, damages and legal fees which are to be incurred in relation to the claims by the concessionaires or outsource service companies whose contracts would be discontinued, staff redundancy payment and taxes payable by Beijing Shishang as a result of the early termination (including, but not limited to, taxes incurred due to transfer or disposal of equipment and assets).
- The compensation is payable by Huamei Technology within 15 working days from the date of the Termination Agreement.
- Arrangement for the existing sub-leases and outsource service contracts : (1) Beijing Shishang will terminate all contracts with the concessionaires which carry on business in the Property and will be responsible for all liabilities and charges arising from the termination.
- (2) For those selected sub-tenants and outsource service companies which will continue performance of their contracts with Huamei Technology, Beijing Shishang will assign its rights and novate its obligations under the respective sub-leases or contracts to Huamei Technology on the Termination Date.
- (3) Beijing Shishang will be responsible for termination of the contracts with those outsource service companies which are not selected by Huamei Technology and whose contracts would not be continued on the Termination Date.
- Other : With effect from the Termination Date, Huamei Technology will be entitled to all the revenue generated from the operation at the Property (including but not limited to the rental received or receivable from sub-tenants and the management fees), responsible for its management, and bear the liabilities and risk in relation to the Property which prior to the Termination Date shall be entitled or responsible by Beijing Shishang. Any fees incurred due to the disputes over the Property before the Termination Date shall be borne by Beijing Shishang. Beijing Shishang will

indemnify any costs, expenses and losses suffered by Huamei Technology in relation to the settlement of such disputes.

The terms of the Termination Agreement have been agreed by the parties after arm's length negotiation and are on normal commercial terms.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TERMINATION AGREEMENT

The Property was sub-leased by Beijing Shishang before the Termination Date. As the revenue generated from sub-leasing the Property did not meet the management's original expectation and the Parties did not reach a consensus on change of the rental fee payable under the Lease Agreement, after arm's length negotiation, the Parties decided to early terminate the Lease Agreement and Beijing Shishang will be entitled to certain compensation for early termination under the Termination Agreement.

The Directors (including independent non-executive Directors) consider that the compensation for the early termination is fair and reasonable and on normal commercial terms and the terms of the Termination Agreement are fair and reasonable, on normal commercial terms in the interest of the Company and its shareholders as a whole.

BOARD'S APPROVAL

None of the Directors has a material interest in the Termination Agreement. Dr. Cheng Kar-shun, Henry, Dr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda are common directors of NWCL and the Company.

It was stated in the prospectus of the Company dated 28 June 2007 that three of the Directors, Dr. Cheng Kar-shun, Henry, Dr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda (who are also the executive directors of NWCL and Ms. Ngan Man-ying, Lynda holds directorships in certain companies controlled by the Company) will abstain from voting in the resolution(s) relating to transactions(s) between the Group and the NWCL Group, as the NWD Group includes members of the NWCL Group. Mr. Au Tak-cheong is a common director of NWD and the Company. Dr. Cheng Kar-shun, Henry, Dr. Cheng Chi-kong, Adrian, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda have abstained from voting on the relevant board resolutions. Other than Dr. Cheng Kar-shun, Henry, Dr. Cheng Chi-kong, Adrian, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda, none of the Directors is required to abstain from voting on the relevant board resolutions.

GENERAL INFORMATION

The Group is principally engaged in the business of operating department stores in the PRC. Beijing Shishang is principally engaged in department store operation.

The NWCL Group is principally engaged in property development, property investment and rental and hotel operation in the PRC, as well as hotel management business. Huamei Technology is principally engaged in property investment.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Huamei Technology is an indirect wholly-owned subsidiary of NWCL which in turn is a subsidiary of NWD. NWD is a substantial shareholder of the Company. As such, Huamei Technology is an associate of the connected person of the Company under Rule 14A.13 of the Listing Rules. The transaction under the Termination Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the aggregate of the Annual Rental and the compensation receivable by Beijing Shishang under the Termination Agreement is more than 0.1% but all of them are less than 5%, the Termination Agreement is subject to the reporting and announcement requirements but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Annual Rental”	the rental of RMB5,282,640 paid or payable by Beijing Shishang to Huamei Technology under the Lease Agreement for the year ended 30 June 2015
“Beijing Shishang”	北京時尚新世界百貨有限公司 (Beijing Shishang New World Department Store Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	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, and is a subsidiary of NWD as at the date of this announcement
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Huamei Technology”	華美財富(北京)科技有限公司 (Huamei Wealth (Beijing) Technology Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of NWCL

“Lease Agreement”	the lease agreement dated 12 April 2010 entered into between Beijing Shishang and Huamei Technology in respect of the leasing of the Property for an initial term of three years which can be automatically renewed for a successive period of three years thereafter up to a maximum of fifteen years for the entire lease term
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master leasing agreement in relation to the leasing transactions entered into between the Company and NWD on 11 April 2014, details of which were disclosed in the announcement of the Company dated 11 April 2014
“NWCL”	New World China Land 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 and is a subsidiary of NWD as at the date of this announcement
“NWCL Group”	NWCL and its subsidiaries from time to time
“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 shares of which are listed on the Main Board of the Stock Exchange, and is the holding company of the Company as at the date of this announcement
“NWD Group”	NWD and its subsidiaries from time to time
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Property”	the Lower Ground level one and the Upper Ground levels one to three, Baoding Building (寶鼎大廈), No. 7 East Damochang Street, Chongwen District, Beijing, the PRC, with an aggregate gross floor area of 40,286 square metres
“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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Termination Agreement”	the termination agreement dated 11 December 2015 entered into between Beijing Shishang and Huamei Technology for termination of the Lease Agreement

“Termination Date” 1 January 2016

“%” per cent.

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

Hong Kong, 11 December 2015

As at the date of this announcement, the non-executive Directors are Dr. Cheng Kar-shun, Henry, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda; 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 .