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TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTION

On 2 May 2017, Trendy Plaza, an indirect subsidiary of the Company, entered into the Termination Agreement with Ramada, an indirect subsidiary of NWD, pursuant to which Trendy Plaza and Ramada agreed to terminate the Lease Agreement with effect from 31 July 2017.

As at the date of this announcement, Ramada is an indirect subsidiary of NWD. NWD is a substantial shareholder of the Company. As such, Ramada is a connected person of the Company under 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 Trendy Plaza under the Termination Agreement is 0.1% or more 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 15 October 2001, Trendy Plaza as lessee and Fung Seng as lessor entered into a lease agreement in respect of the leasing of the Property. On 1 January 2009, Fung Seng, Trendy Plaza and Ramada entered into the Tripartite Agreement pursuant to which the parties agreed that Ramada would take up the Lease Agreement in place of Fung Seng with effect from 1 January 2009.

THE TERMINATION AGREEMENT

On 2 May 2017, Trendy Plaza entered into the Termination Agreement with Ramada, the principal terms of which are summarised as follows:

Date : 2 May 2017

- Parties : Trendy Plaza as lessee and Ramada as lessor
- Property : portions of the Lower Ground levels one to three and the Upper Ground levels one to three, Shanghai Ramada Plaza (華美達廣場), 823 Changning Road, Changning District, Shanghai, the PRC, with an aggregate gross floor area of 20,797 square metres
- Date of surrender of the Property : On or before 31 July 2017
- Compensation for early termination : (1) A total sum of RMB38,000,000 is payable by Ramada to Trendy Plaza as compensation payment for the early termination of the Lease Agreement. The sum represents the entire sum payable by Ramada to Trendy Plaza in connection to the early termination of the Lease Agreement and covers compensation for all losses to be incurred by Trendy Plaza, including, among others, the loss on disposal of the renovation, decoration of the Property, damages which are to be incurred in relation to the claims by the sub-lessees whose contracts would be discontinued and staff redundancy payment payable by Trendy Plaza as a result of the early termination.
- (2) The compensation will be payable by Ramada to Trendy Plaza in two tranches. The first tranche of payment of RMB19,000,000 is payable within 14 days after the date of the Termination Agreement. The second tranche of payment of RMB19,000,000 will be payable within 30 days after the date of the Termination Agreement.
- (3) Save for the compensation set out above, Trendy Plaza shall not demand for any other sum(s) from Ramada on any ground, and shall not demand or request Ramada to make any form of compensation or remedy to Trendy Plaza, any sub-lessees which carry on business in the Property or any third party.
- Arrangement for the existing sub-leases which carry on business in the Property and delivery on as-is basis : (1) Trendy Plaza will be responsible for the termination of all contracts with the sub-lessees which carry on business in the Property and will be responsible for all liabilities and charges arising from the termination.
- (2) The Property shall be delivered to Ramada on or before the Termination Date on an as-is basis.
- (3) On the day the Property is delivered to Ramada, the parties shall sign the Confirmation.

- Other : (1) The parties shall complete the procedures for changing the payer of the utility bills for the Property, including but not limited to water, electricity and gas bills, from Trendy Plaza to Ramada on or before the Termination Date.
- (2) Trendy Plaza shall be responsible for any rent, utility and other charges or payments (if any) incurred and actually payable on or before the earlier of (i) 31 July 2017 or (ii) the day the Property is delivered to Ramada.
- (3) Within 10 days from the Termination Date, Trendy Plaza shall assist Ramada in completing the procedures in relation to the termination of the Lease Agreement. Each party shall bear its share of the relevant costs.
- (4) Trendy Plaza shall ensure that Trendy Plaza and any sub-lessees do not occupy the registered address of the Property when Trendy Plaza delivers up the Property to Ramada on or before the Termination Date.

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

Owing to the operating needs of Ramada, the parties have decided to enter into the Termination Agreement after arms' length negotiation. Under the Termination Agreement, Trendy Plaza will be compensated for the early termination of the Lease 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 and the transactions contemplated thereunder. Dr. Cheng Kar-shun, Henry, Dr. Cheng Chi-kong, Adrian and Mr. Au Tak-cheong are common directors of the Company and NWD. 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. Dr. Cheng Chi-kong, Adrian and Mr. Au Tak-cheong who were present at the meeting of the board have abstained from voting on the relevant board resolutions. Dr. Cheng Kar-shun, Henry was not present at the meeting of the Board and accordingly did not vote on the relevant board resolutions.

GENERAL INFORMATION

The Group is principally engaged in the business of operating department store and other related business and property investment operations in the PRC. Trendy Plaza is principally engaged in department store operation.

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. Ramada is principally engaged in property investment and hotel operation.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ramada is an indirect subsidiary of NWD. NWD is a substantial shareholder of the Company. As such, Ramada is a connected person of the Company under 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 Trendy Plaza under the Termination Agreement is 0.1% or more 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 annual rental of RMB9,950,482 paid or payable by Trendy Plaza to Ramada under the Lease Agreement
“Board”	the board of Directors
“Company”	New World Department Store China Limited (新世界百貨中國有限公司), 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
“Confirmation”	Confirmation of Delivery of Property (場地返還確認書) to be signed by Trendy Plaza and Ramada on the date the Property is delivered to Ramada, in which the parties confirm that the Property is delivered on an as-is basis and that they have no dispute in relation to delivery on an as-is basis, the state and quantity of the Property, facilities, equipments, and fixed assets
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company

“Fung Seng”	豐盛地產發展(上海)有限公司 (Fung Seng Estate Development (Shanghai) Co., Ltd.), a company incorporated in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Lease Agreement”	the lease agreement dated 15 October 2001 and the supplementary lease agreements dated 26 July 2005, 20 June 2006 and 1 December 2006 entered into between Trendy Plaza and Fung Seng, and the supplementary lease agreement dated 28 November 2011 entered into between Trendy Plaza and Ramada in respect of the leasing of the Property for a term of twenty (20) years
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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”	portions of the Lower Ground levels one to three and the Upper Ground levels one to three, Shanghai Ramada Plaza (華美達廣場), 823 Changning Road, Changning District, Shanghai, the PRC, with an aggregate gross floor area of 20,797 square metres
“Ramada”	上海華美達廣場有限公司 (Shanghai Ramada Plaza Ltd.), a company established in the PRC and an indirect subsidiary of NWD
“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 2 May 2017 entered into between Trendy Plaza and Ramada for termination of the Lease Agreement
“Termination Date”	31 July 2017
“Trendy Plaza”	新世界百貨集團上海新寧購物中心有限公司 (Shanghai New World Trendy Plaza Co., Ltd.), a company established in the PRC and an indirect subsidiary of the Company
“Tripartite Agreement”	the tripartite agreement dated 1 January 2009 entered into between Fung Seng, Trendy Plaza and Ramada pursuant to which the parties agreed, among other things, that Ramada would take up the Lease Agreement in place of Fung Seng with effect from 1 January 2009
“%”	per cent.

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

Hong Kong, 2 May 2017

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.