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CONNECTED TRANSACTION EQUITY TRANSFER AGREEMENT

EQUITY TRANSFER AGREEMENT

On 11 May 2018, NWDS China entered into the Equity Transfer Agreement with K11 RC, pursuant to which NWDS China agreed to purchase from K11 RC 40% of the equity interests in the Target Company. Upon the Completion Date, the Target Company will be owned as to 60% and 40% by K11 RC and NWDS China, respectively.

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 Equity Transfer 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 Equity Transfer Agreement is more than 0.1% but all percentage ratios are less than 5%, the Equity Transfer Agreement is only 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.

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A summary of the major terms of the Equity Transfer Agreement is set out below:-

Date	:	11 May 2018
Parties	:	K11 RC NWDS China
Subject matter	:	40% of the equity interests in the Target Company

Consideration : Nil

Capital commitment : Pursuant to the Equity Transfer Agreement, within one year of the Completion Date, K11 RC and NWDS China are required to fulfil their obligation to pay up the registered capital of the Target Company with reference to their respective shareholding in the Target Company. Taking into account the existing paid-up capital of the Target Company in the amount of RMB10,000,000 was contributed by K11 RC solely, each of K11 RC and NWDS China will further inject RMB14,000,000 and RMB16,000,000 into the Target Company as its paid-up registered capital, respectively, pursuant to the articles of association of the Target Company. After such capital injection, the registered capital of the Target Company will be fully paid-up.

K11 RC shall provide all the relevant documents required by the relevant PRC tax authority to NWDS China for NWDS China to complete the relevant taxation reporting procedures (if any). In the event that the relevant taxation reporting procedures cannot be duly completed due to the failure of K11 RC to provide all the relevant documents required by the relevant PRC tax authority, the time for injection of the capital commitment as mentioned above will be postponed accordingly.

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. Upon the Completion Date, the Target Company will be owned as to 60% and 40% by K11 RC and NWDS China, respectively.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are certain financial information of the Target Company based on the audited financial statements for each of the two financial years ended 31 December 2016 and 31 December 2017:

	For the financial year ended 31 December 2016	For the financial year ended 31 December 2017
	<i>(RMB)</i>	<i>(RMB)</i>
Net loss before tax	(103,048)	(867,954)
Net loss after tax	(103,048)	(867,954)

As at 31 December 2017, the audited book value of the net assets of the Target Company amounted to approximately RMB8,200,000.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Target Company is principally engaged in the business of sales of cosmetics and personal care products, and beauty related services. The board of Directors considers that the acquisition of 40% of the equity interests in the Target Company under the Equity Transfer Agreement would further expand the retail network and scope of the Group and in turn, would enable the Group to diversify its retail operations, while having immediate synergetic effect within the Group as a whole.

The Directors (including the independent non-executive Directors) are of the view that the acquisition of 40% of the equity interests in the Target Company under the Equity Transfer Agreement is on normal commercial terms and the transaction contemplated under the Equity Transfer Agreement is fair and reasonable, in the ordinary and usual course of business of the Group, and is in the interests of the Company and its shareholders as a whole.

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APPROVAL BY THE BOARD OF DIRECTORS

None of the Directors has a material interest in the Equity Transfer 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, 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:

“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
“Completion Date”	the day on which NWDS China is registered as the shareholder as to 40% of the equity interests in the Target Company upon the issuance of the business licence of the Target Company by the relevant PRC government authority
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the transfer of 40% of the equity interests in the Target Company
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between K11 RC and NWDS China in respect of the transfer of 40% of the equity interests in the Target Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region
“K11 RC”	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, details of which are set out in the section headed “Information on Parties” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NWD”	New World Development Company Limited, 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, its subsidiaries (other than the Group) from time to time
“NWDS China”	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 as at the date of the Equity Transfer Agreement, details of which are set out in the section headed “Information on Parties” in this announcement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	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 a direct wholly-owned subsidiary of K11 RC as at the date of the Equity Transfer Agreement, details of which are set out in the section headed “Information on Parties” in this announcement
“%”	per cent

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

Hong Kong, 11 May 2018

As at the date of this announcement, the non-executive Directors are Dr. Cheng Kar-shun, Henry, Mr. Au Tak-cheong and Mr. Cheung Fai-yet, Philip; the executive Directors are Dr. Cheng Chi-kong, Adrian and Mr. Niu Wei; 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.