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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF THE ENTIRE INTEREST IN THE TARGET COMPANY

THE DISPOSAL

On 19 July 2019, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the Sale Shares at the consideration of HK\$1,000,000. The Target Group is principally engaged in brand management, and the distribution and retailing of fashion apparels and accessories in the PRC.

Completion took place immediately after the signing of the Agreement. Upon Completion, the Company ceased to hold any interest in the Target Company, and the Target Company ceased to be a subsidiary of the Company.

LISTING RULE IMPLICATIONS

As one of the applicable percentage ratios in respect of the Disposal is more than 5% and all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, NWD holds approximately 75% of the total issued share capital of the Company. As the Purchaser is a wholly-owned subsidiary of NWD, the Purchaser is therefore a connected person of the Company, and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) one of the applicable percentage ratios in respect of the Disposal is more than 5% but all of them are less than 25%; and (ii) the total consideration is less than HK\$10,000,000, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 19 July 2019, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the Sale Shares.

The major terms of the Agreement are summarised as follows:

THE AGREEMENT

Date

19 July 2019

Parties

- (1) the Vendor
- (2) the Purchaser

Subject matter of the Agreement

The Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The consideration is HK\$1,000,000 and will be paid in cash within one month after the date of Completion.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the financial position, including, but not limited to, the net asset value of the Target Company and the business prospect of the Target Group. The Directors are of the view that the consideration is fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

Completion

Completion took place immediately after the signing of the Agreement. Upon Completion, the Company ceased to hold any interest in the Target Company, and the Target Company ceased to be a subsidiary of the Company.

INFORMATION OF THE TARGET GROUP

The Target Group is principally engaged in brand management, and the distribution and retailing of fashion apparels and accessories in the PRC.

The unaudited consolidated net liabilities of the Target Company as at 30 June 2019 was approximately HK\$3,500,000.

The consolidated net profit or loss of the Target Company for the two years ended 31 December 2017 and 2018 are set out as follows:

	For the year ended 31 December 2017 <i>HK\$</i> <i>(audited)</i>	For the year ended 31 December 2018 <i>HK\$</i> <i>(unaudited)</i>
Net profit/ (loss) before taxation and extraordinary items	8,507,000	(28,667,000)
Net profit/ (loss) after taxation and extraordinary items	8,428,000	(28,404,000)

INFORMATION OF THE VENDOR, THE GROUP AND THE PURCHASER

The Vendor is principally engaged in investment holding. The Group is principally engaged in the business of operating department stores in the PRC.

The Purchaser is principally engaged in retail and corporate sales.

FINANCIAL EFFECT OF THE DISPOSAL

It is expected that the Group will recognise a net gain attributable to the Disposal of approximately HK\$4,500,000 (before tax), which is calculated by reference to (i) the difference between the consideration for the Disposal and the unaudited consolidated net liabilities including goodwill of the Target Company as at 30 June 2019; and (ii) the reclassification of cumulative translation exchange reserve of the Target Company as at 30 June 2019 to the consolidated income statement of the Group.

Shareholders of the Company should note that the actual amount of the gain on the Disposal to be recognised in the consolidated financial statements of the Company depends on the consolidated net liabilities of the Target Company as at the Completion Date, and changes in the cumulative translation exchange reserve from 30 June 2019 up to the Completion Date, and therefore may be different from the amount mentioned above.

Upon Completion, the Company ceased to hold any interest in the Target Company and the results of the Target Company are no longer consolidated into the consolidated financial statements of the Group.

USE OF PROCEEDS

The Board intends to apply the net proceeds from the Disposal (after deducting relevant costs and expenses in connection with the Disposal) for the purpose of general working capital of the Group.

REASON AND BENEFITS OF THE DISPOSAL

In view of the current market conditions, the management of the Company came to the decision on the Disposal to facilitate the Group to focus resources on its core department store businesses.

The Directors, including the independent non-executive Directors, are of the view that the Disposal and the terms of the 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 interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Disposal is more than 5% and all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, NWD holds approximately 75% of the total issued share capital in the Company. As the Purchaser is a wholly-owned subsidiary of NWD, the Purchaser is therefore a connected person of the Company, and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) one of the applicable percentage ratios in respect of the Disposal is more than 5% but all of them are less than 25%; and (ii) the total consideration is less than HK\$10,000,000, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Disposal. Dr. Cheng Kar-shun, Henry, Dr. Cheng Chi-kong, Adrian and Mr. Au Tak-cheong, each a Director, are also directors of NWD. They were not present at the board meeting of the Company held for the approval of the Disposal and accordingly they did not vote on the relevant resolution approving the Disposal. Other than Dr. Cheung 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 resolution approving the Disposal.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the sale and purchase agreement dated 19 July 2019 between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Business Day”	day on which banks are generally open for business in Hong Kong and which is not a Saturday, a Sunday, a public holiday or a

	day on which typhoon signal no. 8 or a black rainstorm warning is hoisted in Hong Kong
“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
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the entire issued share capital of the Target Company by the Vendor to the Purchaser pursuant to the terms of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“NWD”	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
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchaser”	K11 Sales & E-Commerce Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-

	owned subsidiary of NWD
“Sale Shares”	14,001 ordinary shares of US\$1.00 each in the Target Company, representing the entire issued share capital of the Target Company and held by the Vendor as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Well Metro Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Techwise Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 19 July 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.