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MAJOR TRANSACTION IN RELATION TO THE SUPPLEMENTAL LEASE AGREEMENT

THE SUPPLEMENTAL LEASE AGREEMENT

The Board is pleased to announce that on 1 June 2021, NWDS China (a wholly-owned subsidiary of the Company) as the tenant and the Landlord entered into the Supplemental Lease Agreement in respect of the Leased Premises for a term of fifteen (15) years commencing from 23 December 2021 and expiring on 22 December 2036. The Leased Premises have been leased by the Group since 2005 under the Existing Lease Agreement for operating the department store business of the Group. As the Existing Lease Agreement will expire on 22 December 2021, NWDS China and the Landlord have entered into the Supplemental Lease Agreement to extend and modify the terms of the Existing Lease Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the lease payments payable by the Group under the Supplemental Lease Agreement are recognised as right-of-use asset acquired by the Group in its consolidated statement of financial position. Accordingly, the transaction contemplated under the Supplemental Lease Agreement is regarded as an acquisition of asset under the definition of “transaction” as set out in Rule 14.04(1)(a) of the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) calculated based on the value of the right-of-use asset recognised by the Group under the Supplemental Lease Agreement are more than 25%, the transaction contemplated under the Supplemental Lease Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholders or any of their respective associates has any material interest in the Supplemental Lease Agreement and none of the Shareholders is required to abstain from voting in favour of the resolution approving the entering into of the Supplemental Lease Agreement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders’ approval may be accepted in lieu of holding a

general meeting for approving the Supplemental Lease Agreement. The Company has obtained written approval from NWD, which directly and indirectly holds an aggregate of 1,264,400,000 Shares (representing approximately 74.99% of the total issued share capital of the Company as at the date of this announcement) in respect of the Supplemental Lease Agreement. As such, the Company is exempted from convening a general meeting to approve the Supplemental Lease Agreement and the transaction contemplated thereunder.

A circular containing, among other things, information relating to the Supplemental Lease Agreement is expected to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 23 June 2021.

INTRODUCTION

The Board is pleased to announce that on 1 June 2021, NWDS China (a wholly-owned subsidiary of the Company) as the tenant and the Landlord entered into the Supplemental Lease Agreement in respect of the Leased Premises for a term of fifteen (15) years commencing from 23 December 2021 and expiring on 22 December 2036. The Leased Premises have been leased by the Group since 2005 under the Existing Lease Agreement for operating the department store business of the Group. As the Existing Lease Agreement will expire on 22 December 2021, NWDS China and the Landlord have entered into the Supplemental Lease Agreement to extend and modify the terms of the Existing Lease Agreement.

The Supplemental Lease Agreement

The principal terms of the Supplemental Lease Agreement are set out below:

Date	: 1 June 2021
Tenant	: NWDS China
Landlord	: Shanghai Wanda Commercial Plaza Property Co., Ltd.* (上海萬達商業廣場置業有限公司)
Leased Premises	: The department store building located in Shanghai Wanda Commercial Plaza, No. 1 Songhu Road, Yangpu District, Shanghai, the PRC
Gross floor area	: Approximately 44,078.75 sq m
Term	: Fifteen (15) years commencing from 23 December 2021 and expiring on 22 December 2036 (the “ Term ”)
Rental	: The monthly rental is calculated at RMB133.36 per sq m, amounting to an annual rent of RMB70,540,105.2 for the first three years of the Term, with an increment of 5% for every subsequent three years.

The amount of rental payable was determined after arm's length negotiations between NWDS China and the Landlord taking into consideration the prevailing market rental rate for comparable premises in the vicinity of the Leased Premises and the existing rental under the Existing Lease Agreement.

Payment terms : The rent shall be payable monthly in accordance with the terms of the Existing Lease Agreement.

Other material terms : a) Without the prior consent of the Landlord, NWDS China may not sub-lease more than 20% of the total gross floor area of the Leased Premises under the Supplemental Lease Agreement; and
b) NWDS China shall be entitled to the exclusive use and occupation of the exterior walls of the Leased Premises during the Term for displaying signboards and advertisements.

Other fees : NWDS China shall pay to the Landlord an annual fee of RMB1,285,000 for the exclusive use and occupation of the exterior walls of the Leased Premises.

The value of the right-of-use asset recognised by the Group under the Supplemental Lease Agreement amounted to approximately RMB723,097,000 (equivalent to approximately HK\$867,023,000) in accordance with HKFRS 16. Incremental borrowing rate of 5.5% is applied to compute the present value of the right-of-use asset recognised by the Group under the Supplemental Lease Agreement.

INFORMATION RELATING TO THE GROUP

The Group is principally engaged in department store and property investment operations in the PRC.

INFORMATION RELATING TO THE LANDLORD

The Landlord is a company established in the PRC principally engaged in property leasing and management. It is a wholly-owned subsidiary of Dalian Wanda Commercial Management Group Co., Ltd.* (大連萬達商業管理集團股份有限公司), which is a commercial properties holding, managing and operating enterprise established in the PRC, and is the platform for commercial property investments and operations of Dalian Wanda Group Co., Ltd.* (大連萬達集團股份有限公司) (“**Dalian Wanda Group**”).

Dalian Wanda Group is a large multinational conglomerate established in the PRC that operates in the core industries of commercial management, cultural industry, real estate and investment. Dalian Wanda Group is controlled by its founder, Mr. Wang Jianlin.

To the best knowledge and belief of the Directors having made all reasonable enquiries, the Landlord and its ultimate owner(s) are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules).

REASONS AND BENEFITS FOR ENTERING INTO THE SUPPLEMENTAL LEASE AGREEMENT

NWDS China is the existing tenant of the Leased Premises under the Existing Lease Agreement and the Group has been operating department store business at the Leased Premises since 2005. As the Existing Lease Agreement will expire on 22 December 2021, the Directors believe that maintaining the lease at the Leased Premises will ensure the stability and continuity of the Group's operation of its department store business in the Leased Premises.

The Directors are of the view that the terms of the Supplemental Lease 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 the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the lease payments payable by the Group under the Supplemental Lease Agreement are recognised as right-of-use asset acquired by the Group in its consolidated statement of financial position. Accordingly, the transaction contemplated under the Supplemental Lease Agreement is regarded as an acquisition of asset under the definition of "transaction" as set out in Rule 14.04(1)(a) of the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) calculated based on the value of the right-of-use asset recognised by the Group under the Supplemental Lease Agreement are more than 25%, the transaction contemplated under the Supplemental Lease Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholders or any of their respective associates has any material interest in the Supplemental Lease Agreement and none of the Shareholders is required to abstain from voting in favour of the resolution approving the entering into of the Supplemental Lease Agreement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Supplemental Lease Agreement. The Company has obtained written approval from NWD, which directly and indirectly holds an aggregate of 1,264,400,000 Shares (representing approximately 74.99% of the total issued share capital of the Company as at the date of this announcement) in respect of the Supplemental Lease Agreement. As such, the Company is exempted from convening a general meeting to approve the Supplemental Lease Agreement and the transaction contemplated thereunder.

A circular containing, among other things, information relating to the Supplemental Lease Agreement is expected to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 23 June 2021.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“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
“Director(s)”	the director(s) of the Company
“Existing Lease Agreement”	the existing lease agreement dated 22 April 2005 entered into between NWDS China (as the tenant) and the Landlord in respect of the Leased Premises, as amended and supplemented by the Novation Agreement and the Second Novation Agreement
“Group”	the Company and its subsidiaries
“HKFRS 16”	the Hong Kong Financial Reporting Standard 16 issued by the Hong Kong Institute of Certified Public Accountants, which sets out the principles for the recognition, measurement, presentation and disclosure of leases
“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
“Landlord”	Shanghai Wanda Commercial Plaza Property Co., Ltd.* (上海萬達商業廣場置業有限公司), a company established in the PRC and the landlord of the Leased Premises
“Leased Premises”	the department store building located in Shanghai Wanda Commercial Plaza, No. 1 Songhu Road, Yangpu District, Shanghai, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Novation Agreement”	the agreement dated 15 September 2006 entered into among NWDS China, Shanghai Huizi and the Landlord regarding the novation of all of NWDS China’s rights and obligations under the Existing Lease Agreement to Shanghai Huizi

“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 (Stock Code: 0017), and is the holding company of the Company as at the date of this announcement
“NWDS China”	New World Department Store (China) Co., Ltd.* (新世界百貨(中國)有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China and, for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Novation Agreement”	the agreement dated 26 January 2021 entered into among NWDS China, Shanghai Huizi and the Landlord regarding the novation of all of Shanghai Huizi’s rights and obligations under the Existing Lease Agreement (as amended and supplemented by the Novation Agreement) to NWDS China
“Shareholders”	holders of the shares of the Company
“Shanghai Huizi”	Shanghai New World Huizi Department Store Co., Ltd.* (上海匯姿百貨有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“sq m”	square metre(s)
“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)
“Supplemental Lease Agreement”	the supplemental agreement to the Existing Lease Agreement entered into between NWDS China and the Landlord on 1 June 2021

“%” per cent.

** for identification purpose only*

By order of the board of
New World Department Store China Limited
Dr. Cheng Chi-kong, Adrian
Chairman

Hong Kong, 1 June 2021

As at the date of this announcement, the non-executive Directors are Dr. Cheng Chi-kong, Adrian and Ms. Chiu Wai-han, Jenny; the executive Directors are Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy; 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.