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## **LIFESTYLE PROPERTIES DEVELOPMENT LIMITED**

**利福地產發展有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2183)**

### **(1) CONNECTED TRANSACTION AMENDMENTS TO THE EXISTING LP NON-COMPETE DEED**

**AND**

### **(2) CONTINUING CONNECTED TRANSACTION NEWCO FRAMEWORK AGREEMENT**

#### **AMENDMENTS TO THE EXISTING LP NON-COMPETE DEED**

Reference is made to the Existing LP Non-compete Deed, which is the deed of non-competition made by Lifestyle International in favour of the Company on 26 August 2013 in connection with the spin-off exercise completed in September 2013 for the separate listing of the Company on the main board of the Stock Exchange.

Pursuant to the Existing LP Non-compete Deed, Lifestyle International has undertaken to procure that:

- (a) the Lifestyle International Group shall not (i) acquire, hold or develop, whether directly or indirectly, any land or properties for residential usage or for commercial usage in Hong Kong or the PRC, or (ii) acquire an interest in any company principally engaged in the business of property development and/or property investment whose principal assets comprise such land or properties as mentioned in (i), if such company will become a subsidiary of Lifestyle International under the Listing Rules following such acquisition, save for certain exceptions as provided in the Existing LP Non-compete Deed; and

(b) the Lifestyle International Group shall not change the existing use of its owned properties or relevant parts thereof which are designated either for its department store operations or for purposes complementary to its department store operations or for its own use and occupation (including without limitation those used for the supermarkets or other business operations by the Lifestyle International Group and warehouses and offices used in connection with the business operations of the Lifestyle International Group), unless certain procedures are followed and complied with.

Pursuant to the terms of the Existing LP Non-compete Deed, no amendment to the Existing LP Non-compete Deed shall be effective save with the prior approval of the shareholders of the Company by ordinary resolution (other than Lifestyle International and its associates who are also shareholders of the Company and are required under the Listing Rules or by the Stock Exchange to abstain from voting at the relevant general meeting).

Lifestyle International and the Company entered into the Supplemental Deed on 6 June 2016 to amend the Existing LP Non-compete Deed so as to allow the Remaining Lifestyle Group to lease or license its owned properties (including newly acquired or developed properties) to the Newco Group for the Newco Group's department store and supermarket business in the PRC or the Newco Group's restaurant business or the Newco Group's own use and occupation following completion of the Proposed Spin-off. The Supplemental Deed is conditional upon, amongst others, the approval of the LP Independent Shareholders at the EGM.

## **NEWCO FRAMEWORK AGREEMENT**

The Lifestyle Properties Group has been providing the Services to the Newco Group as part of the Lifestyle International Group pursuant to the LI Framework Agreement which governs the terms of provision of certain non-exclusive property project related services (including the Services) for Lifestyle International and its subsidiaries. The provision of the Services to the Newco Group will no longer be covered under the LI Framework Agreement after the Proposed Spin-off as the Newco Group will by then cease to be part of the Lifestyle International Group. As it is intended that the Lifestyle Properties Group will continue the provision of the Services to the Newco Group after the Proposed Spin-off, Newco and the Company therefore entered into the Newco Framework Agreement on 6 June 2016 for the purposes of regulating the terms of provision of the Services by the Lifestyle Properties Group to the Newco Group for the period after the Proposed Spin-off.

## **LISTING RULES IMPLICATIONS**

### **The Supplemental Deed**

Lifestyle International is the controlling shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. According to Chapter 14A of the Listing Rules, amending the Existing LP Non-compete Deed by entering into the Supplemental Deed between the Company and Lifestyle International constitutes a connected transaction of the Company which is subject to the requirements of reporting, announcement and approval by the LP Independent Shareholders.

## **The Newco Framework Agreement**

Upon completion of the Proposed Spin-off, it is expected that (i) United Goal will hold approximately 33.70% of the shareholding of Newco; and (ii) Mr. Thomas Lau will also either directly or through Dynamic Castle hold another 17.99% of the shareholding of Newco. As such, Newco will become a 30%-controlled company of Mr. Thomas Lau, and hence an associate of Mr. Thomas Lau and a connected person of the Company pursuant to Chapter 14A of the Listing Rules upon completion of the Proposed Spin-off. As a result, the Newco Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules following completion of the Proposed Spin-off.

As the highest applicable percentage ratio for the Service Fee Caps under the Listing Rules exceeds 5%, the Newco Framework Agreement and the transactions contemplated thereunder are subject to the requirements of reporting, announcement, annual review and approval by the LP Independent Shareholders under Chapter 14A of the Listing Rules.

### **GENERAL**

The EGM will be convened for the LP Independent Shareholders to approve the Supplemental Deed, the Newco Framework Agreement and the Service Fee Caps by way of poll.

The LP Independent Board Committee comprising all independent non-executive Directors (other than Mr. Lam Siu Lun, Simon, who is a director of Lifestyle International and therefore deemed to be having an interest in the Supplemental Deed, the Newco Framework Agreement or otherwise have a potential conflict of interests in the transactions), has been established to advise the LP Independent Shareholders in respect of the terms of the Supplemental Deed and the Newco Framework Agreement and the Service Fee Caps. The Company has appointed Veda Capital Limited, an independent financial adviser, to advise the LP Independent Board Committee and the LP Independent Shareholders in this regard.

Since Lifestyle International has a material interest in the Supplemental Deed, Lifestyle International, Mr. Thomas Lau and their respective associates (including Springboard) shall abstain from voting at the EGM for the proposed resolution to approve the Supplemental Deed. Furthermore, since Mr. Thomas Lau has a material interest in the Newco Framework Agreement and the transactions contemplated thereunder by virtue of the expected direct or indirect interest of Mr. Thomas Lau in the shares of Newco following completion of the Proposed Spin-off, Mr. Thomas Lau and his associates (including Lifestyle International and Springboard) shall abstain from voting at the EGM for the proposed resolution to approve the Newco Framework Agreement, the transactions contemplated thereunder and the Service Fee Caps.

A circular containing, among other things, (a) further information on the Supplemental Deed, the Newco Framework Agreement and the Service Fee Caps; (b) a letter from the independent financial adviser containing its advice to the LP Independent Board Committee and the LP Independent Shareholders in respect thereof; (c) a letter from the LP Independent Board Committee containing its recommendation in respect thereof; and (d) a notice of the EGM is expected to be dispatched to the LP Shareholders on or before 13 June 2016.

## A. THE SUPPLEMENTAL DEED

### The Existing LP Non-compete Deed

Reference is made to the Existing LP Non-compete Deed, which is the deed of non-competition made by Lifestyle International in favour of the Company on 26 August 2013 in connection with the spin-off exercise completed in September 2013 for the separate listing of the Company on the main board of the Stock Exchange.

Pursuant to the Existing LP Non-compete Deed, Lifestyle International has undertaken to procure that, inter alia,:

- (a) the Lifestyle International Group shall not:
  - (i) acquire, hold or develop, whether directly or indirectly, any land or properties for residential usage or for commercial usage in Hong Kong or the PRC, or
  - (ii) acquire an interest in any company principally engaged in the business of property development and/or property investment whose principal assets comprise such land or properties as mentioned in (i) above, if such company will become a subsidiary of Lifestyle International under the Listing Rules following such acquisition (the “**Relevant Company**”),

in each case regardless of the size of the land or properties (collectively, the “**Restrictions**”), provided that the Restrictions shall not apply to, inter alia, (AA) the existing properties owned by the Lifestyle International Group as of the date of the Existing LP Non-compete Deed and (BB) any new land or properties which may be acquired (whether directly or indirectly (including through the acquisition of the Relevant Company)) by the Lifestyle International Group after the date of the Existing LP Non-compete Deed, where such new land or properties is/are for the own use and occupation of the Lifestyle International Group (including without limitation those used for the supermarkets or other business operations by the Lifestyle International Group and warehouses and offices used in connection with the business operations of the Lifestyle International Group) and/or for its department store operations and/or for purposes complementary to its department store operation, regardless of the size of the new land or properties; and

- (b) the Lifestyle International Group shall not change the existing use of its owned properties or relevant parts thereof which are designated either for its department store operations or for purposes complementary to its department store operations

or for its own use and occupation (including without limitation those used for the supermarkets or other business operations by the Lifestyle International Group and warehouses and offices used in connection with the business operations of the Lifestyle International Group) (collectively the “**Permitted Usages**”), to any other usages which do not fall within the scope of the Permitted Usages (the “**Other Usages**”) (the above usage restriction being referred to as the “**Usage Restriction**”), unless:

- (i) the Lifestyle International Group offers to the Lifestyle Properties Group for the purchase of the relevant property or relevant portions thereof which is or are proposed to be designated for the Other Usages (collectively the “**Sale Portions**”) at a price equivalent to the fair valuation attributable to the Sale Portions as determined by an independent property valuer; and
- (ii) such offer has been rejected by an independent committee of the Board. If such offer is rejected by such independent committee, the Lifestyle International Group shall be entitled to deal with, hold or use the Sale Portions for the Other Usages.

Pursuant to the terms of the Existing LP Non-compete Deed, no amendment to the Existing LP Non-compete Deed shall be effective save with the prior approval of the shareholders of the Company by ordinary resolution (other than Lifestyle International and its associates who are also shareholders of the Company and are required under the Listing Rules or by the Stock Exchange to abstain from voting at the relevant general meeting).

### **Backgrounds of the amendments to the Existing LP Non-compete Deed**

As disclosed in the announcement of Lifestyle International dated 22 April 2016, Lifestyle International has submitted a spin-off proposal to the Stock Exchange for the proposed spin-off of the Newco Group by way of a separate listing of shares in the Newco on the main board of the Stock Exchange. It is proposed that after the Proposed Spin-off, there will be a clear delineation between the Remaining Lifestyle Group and the Newco Group. The Remaining Lifestyle Group will continue to be principally engaged in the operation of department stores in Hong Kong and the Newco Group will be principally engaged in the operation of department stores and supermarket business in the PRC and restaurant business.

In connection with the spin-off exercise of the Newco Group, it is intended that following the Proposed Spin-off, the Remaining Lifestyle Group:

- (a) will lease or continue to lease a portion of its owned property, being 20/F, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong (which is currently used as office premises of the Lifestyle International Group), to the Newco Group as its office and principal place of business in Hong Kong; and
- (b) will continue to lease a portion of its owned property, being 22/F, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong, to the Newco Group for its existing operation of a restaurant in Hong Kong (together with the proposed lease mentioned in (a) above, collectively the “**Proposed Leases**”).

Since the Newco Group will cease to be part of the Lifestyle International Group following the Proposed Spin-off, the Proposed Leases by the Remaining Lifestyle Group to the Newco Group following the Proposed Spin-off constitutes a change of usage of the relevant properties of the Remaining Lifestyle Group to the “Other Usages” and such change is prohibited under the Usage Restriction. Besides, with the Restriction and/or the Usage Restriction, the Lifestyle International Group cannot acquire, hold or develop land or properties which may be leased or licensed to the Newco Group for its business operations. In order to facilitate the Proposed Leases and allow the Remaining Lifestyle Group to lease or license any of its other properties (including newly acquired or developed properties) to the Newco Group for the Newco Group’s operation of department stores and supermarket business in the PRC and restaurant business going forward after the Proposed Spin-off, it was proposed that Lifestyle International and the Company shall enter into the Supplemental Deed to amend the Existing LP Non-compete Deed.

### **The Supplemental Deed to the Existing LP Non-compete Deed**

Lifestyle International and the Company entered into the Supplemental Deed on 6 June 2016.

The Supplemental Deed is conditional on fulfillment of all of the following conditions on or before 31 December 2016 or such other date as shall be mutually agreed between Lifestyle International and the Company:

- (a) the listing of, and permission to deal in, the shares of Newco having been granted by the Stock Exchange and the commencement of dealings in the shares of Newco on the Stock Exchange in connection with the Proposed Spin-off; and
- (b) the LP Independent Shareholders having approved the Supplemental Deed in accordance with the articles of association of the Company and the requirements of the Listing Rules.

Subject to the fulfillment of the above conditions, the Supplemental Deed (in other words the proposed amendments to the Existing LP Non-compete Deed) will become effective on the date of the Distribution.

Pursuant to the Supplemental Deed, subject to the fulfilment of the above conditions, the Existing LP Non-compete Deed will be amended to the effect that following the Proposed Spin-off so long as any property of the Remaining Lifestyle Group (including newly acquired or developed properties) or any part thereof is leased or licensed by the Remaining Lifestyle Group to the Newco Group for the Newco Group’s department store and supermarket business in the PRC or for the Newco Group’s restaurant business (collectively, the “**Newco Principal Businesses**”) or for purposes complementary to the Newco Principal Businesses or for the Newco Group’s own use and occupation (including without limitation warehouses and offices used in connection with the Newco Principal Businesses), the relevant property of the Remaining Lifestyle Group or part thereof which is or is proposed to be subject to such lease(s) or license(s) shall not be subject to the Restriction and the Usage Restriction.

## Reasons for the Supplemental Deed

As disclosed above, without the amendments under the Supplemental Deed, the Proposed Leases and any future lease or license of any other properties (including newly acquired or developed properties) by the Remaining Lifestyle Group to the Newco Group for the operation of department stores and supermarket business in the PRC and restaurant business by the Newco Group will not be permitted under the Existing LP Non-compete Deed.

The original intention and purpose of the parties in entering into the Existing LP Non-compete Deed were to prevent the Lifestyle International Group (which at the material time also included the Newco Group) from competing with the Lifestyle Properties Group by limiting the usages of properties owned or acquired by the Lifestyle International Group.

Having considered that (i) the principal business of the Newco Group is the operation of department stores and supermarket business in the PRC and restaurant business and such principal business does not constitute competing business to the Lifestyle Properties Group which is principally engaged in property development and property investment and (ii) under the Supplemental Deed, the properties to be leased or licensed to the Newco Group by the Remaining Lifestyle Group after the Proposed Spin-off can only be used by the Newco Group for such principal business or for purposes complementary to such principal business or for its own use and occupation (the “**Lease Restriction**”), the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from an independent financial adviser) are of the opinion that:

- (a) the protection afforded to the Company under the Supplemental Deed is in line with the original intention and purpose of the parties in entering into the Existing LP Non-compete Deed. This is so notwithstanding that the Remaining Lifestyle Group will receive rental income from the properties to be leased to the Newco Group because the original intention and purpose of the parties in entering into the Existing LP Non-compete Deed were to prevent the Lifestyle International Group (which at the material time also included the Newco Group) from competing with the Lifestyle Properties Group by limiting the usages of properties owned or acquired by the Lifestyle International Group. This was not to prohibit the Remaining Lifestyle Group from receiving rental income from the Newco Group for properties to be leased to it. Indeed, either the Remaining Lifestyle Group or the Newco Group was allowed to use the properties of the other, whether for rental income or not, if they were for the department store operations of the Lifestyle International Group or purposes complementary to such operations. The amendments under the Supplemental Deed are simply to legitimate such permissible arrangement which technically becomes prohibited as a result of the separation of the two group of companies following the Proposed Spin-off. After all, the principal business of the Remaining Lifestyle Group is in the operation of department stores in Hong Kong and it is not its ordinary course of business to receive rental income. Besides, there is also the Lease Restriction under the Supplemental Deed. As such, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice

from an independent financial adviser) consider that the arrangement that the Remaining Lifestyle Group will receive rental income from the properties to be leased to the Newco Group is in line with the original intention of the Existing LP Non-compete Deed; and

- (b) the terms of the Supplemental Deed are fair and reasonable, on normal commercial terms and in the interests of the Company and the LP Shareholders as a whole. This is so notwithstanding that the Company will give up its opportunity to acquire any properties of the Remaining Lifestyle Group which may be leased to the Newco Group for its principal business under the Existing LP Non-compete Deed.

It was the original intention of the parties when entering into the Existing LP Non-compete Deed to confer a pre-emption right to the Company to purchase the properties of the Remaining Lifestyle Group first when there is a real change in the usage of such properties. If such properties are to be leased to the Newco Group, their usage is subject to the Lease Restriction, meaning that they will still have to be used for the principal business of the Newco Group, which is in line with the original spirit of the Existing LP Non-compete Deed, namely that usage of the properties of the Lifestyle International Group (whether such properties are from the Remaining Lifestyle Group or the Newco Group) shall be confined to department store operations or for purposes complementary to it (including restaurant operations) and if otherwise, the Company has a pre-emption right to purchase them at market value first before the proposed change in usage. In particular, the properties for the Proposed Leases have been used by the Lifestyle International Group as office premises and operation of a restaurant in Hong Kong for more than ten years, and, with the Lease Restriction, will continue to be used for similar purposes by the Newco Group under the Proposed Leases following the Proposed Spin-off. The so-called change in usages of the properties of the Remaining Lifestyle Group now arises technically because of the separation of the two group of companies, namely the Remaining Lifestyle Group and the Newco Group, following the Proposed Spin-off. However, as explained above, the actual usage of the properties which may be leased to the Newco Group in substance has not changed. If substance over form is the deciding factor in determining whether a pre-emption right should be exercised by the Company to purchase the properties to be leased to the Newco Group first, it is fair and reasonable and on normal commercial terms for the Company to give effect to the original intention of the parties under the Existing LP Non-compete Deed by reference to the change in circumstances so that such right should not be exercised by the Company in view of there being in substance no real change in the usage of such properties.

Lifestyle International has given non-compete undertakings to the Company pursuant to the Existing LP Non-compete Deed in order to ensure that there is a clear delineation between the business of the Lifestyle International Group and the business of the Lifestyle Properties Group following the spin-off of the Company from Lifestyle International in September 2013 (the “**LP Spin-off**”). As the Newco Group was part of the Lifestyle International Group at the time of the LP Spin-off and Mr. Thomas Lau and its close associates will remain to be the controlling shareholders of both Lifestyle International and Newco even after the Proposed Spin-off, in order to enable the Company to continue to have similar rights conferred under the Existing LP Non-



complete Deed following the Proposed Spin-off which, when completed, will result in the Newco Group ceasing to be part of the Lifestyle International Group, it is the understanding of the Company from Lifestyle International that Newco will also execute non-compete undertakings (“**Newco Non-compete Undertakings**”) in favour of the Company for the purpose of the Proposed Spin-off to provide undertakings on the terms similar to those given by Lifestyle International to the Company under the Existing LP Non-compete Deed. In particular, the Newco Non-compete Undertakings will contain certain restrictions against the Newco Group in respect of, inter alia, (AA) the acquisition, holding or development of properties of the Newco Group (which terms of restrictions are substantially similar to those of the Restrictions as set out in the section headed “The Supplemental Deed — the Existing LP Non-compete Deed” of this announcement above) and (BB) the change of the existing usage of the properties of the Newco Group (which terms of restrictions are substantially similar to the Usage Restriction as set out in the section headed “The Supplemental Deed — the Existing LP Non-compete Deed” of this announcement above), in each case of (AA) and (BB) with similar exclusions with reference to the usage for the Newco Group’s department store operations or for purposes complementary to the Newco Group’s department store operations or for the Newco Group’s own use and occupation (including without limitation those used for the supermarkets, restaurants or other business operations by the Newco Group and warehouses and offices used in connection with the business operations of the Newco Group).

In relation to the Daning Project (which is to be developed in phases) owned by the Newco Group, in view of similar undertakings having been given by Lifestyle International under the Existing LP Non-compete Deed, Newco will also undertake to the Company under the Newco Non-compete Undertakings that if and whenever the development of a property, or the relevant part thereof, comprised in the Daning Project which is for any other usages (other than for the Newco Group’s department store operations or for purposes complementary to the Newco Group’s department store operations or for the Newco Group’s own use and occupation (including without limitation those used for the supermarkets, restaurants or other business operations by the Newco Group and warehouses and offices used in connection with the business operations of the Newco Group)) has been completed and is legally permissible for transfer or sale, it will procure the Newco Group to offer such property or the relevant part thereof (the “**Offered Jing’an Property**”) to the Lifestyle Properties Group for purchase at a price equivalent to the fair valuation attributable to the Offered Jing’an Property as determined by an independent property valuer. The Company will make the decision on such offer through an independent committee of the Board. If such offer is rejected by the independent committee of the Board, the Newco Group shall be entitled to deal with, hold or use the Offered Jing’an Property for any such other usages.

The Company will make further announcement regarding the Newco Non-compete Undertakings in due course after Newco has given the Newco Non-compete Undertakings to the Company in connection with the Proposed Spin-off.

## B. NEWCO FRAMEWORK AGREEMENT

### Backgrounds for entering into the Newco Framework Agreement

The Lifestyle Properties Group has been providing the Services to the Newco Group as part of the Lifestyle International Group pursuant to the LI Framework Agreement which governs the terms of provision of certain non-exclusive property project related services (including the Services) for Lifestyle International and its subsidiaries. The provision of the Services to the Newco Group will no longer be covered under the LI Framework Agreement after the Proposed Spin-off as the Newco Group will by then cease to be part of the Lifestyle International Group. As it is intended that the Lifestyle Properties Group will continue the provision of the Services to the Newco Group after the Proposed Spin-off, Newco and the Company therefore entered into the Newco Framework Agreement on 6 June 2016 for the purposes of regulating the terms of provision of the Services by the Lifestyle Properties Group to the Newco Group for the period after the Proposed Spin-off.

### Principal Terms of Newco Framework Agreement

The principal terms of the Newco Framework Agreement are set out below:

- Date : 6 June 2016
- Parties : (a) the Company; and  
(b) Newco
- Condition : The Newco Framework Agreement shall become effective conditional on the fulfillment of all of the following conditions:
- (a) the obtaining of approval by the LP Independent Shareholders in the EGM in respect of the Newco Framework Agreement, the transactions contemplated thereunder and the Service Fee Caps in a manner as required by the Stock Exchange or under the Listing Rules, the articles of association of the Company and the applicable laws; and
  - (b) the listing of, and permission to deal in, the shares of Newco having been granted by the Stock Exchange and the commencement of dealings in the shares of Newco on the Stock Exchange.
- Term : From the date of the Distribution up to and including 31 December 2018 (the “**Initial Term**”), unless terminated earlier by either party giving to the other party not less than 30 business days’ written notice or otherwise in accordance with the terms of the Newco Framework Agreement.

Subject to compliance with the requirements of the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Initial Term or subsequent renewal term, the Newco Framework Agreement will be automatically renewed for successive periods of 3 years each thereafter (or such other period permitted under the Listing Rules).

Types of services : The Newco Group may from time to time during the term of the Newco Framework Agreement request the Lifestyle Properties Group to provide the Services.

Subsidiary Agreement(s) : The Newco Group and the Lifestyle Properties Group may from time to time during the term of the Newco Framework Agreement enter into various individual separate services agreement(s) (the “**Subsidiary Agreement(s)**”) in relation to any transaction arising from the provision of the Services by the Lifestyle Properties Group. A Subsidiary Agreement shall set out the particular scope of the Services, terms and fees of services and other terms in conformity with the terms of the Newco Framework Agreement. The terms of each Subsidiary Agreement must comply with the terms of the Newco Framework Agreement. In particular, the Services to be provided under any Subsidiary Agreement must comply with the following terms:

- (a) its terms are on normal commercial terms (or on terms no less favourable to the Lifestyle Properties Group and the Newco Group than terms available to or from independent third parties);
- (b) the fee for the Services shall be based on the costs of provision of the relevant Services incurred by the Lifestyle Properties Group plus a margin of 7%. Such fee shall be determined on arm’s length negotiations and by reference to the actual costs to be incurred by the Lifestyle Properties Group for the provision of the relevant Services; and
- (c) all the transactions shall be conducted in compliance with all applicable provisions of the Listing Rules, applicable laws, and the respective terms of the Newco Framework Agreement and the Subsidiary Agreement.

The Company has established a series of internal procedures in order to ensure that the individual transactions conducted under the Subsidiary Agreement(s) are conducted in accordance with the terms of the Newco Framework Agreement. Such internal control measures mainly include that:

- (a) the external auditors of the Company will be engaged to review for each financial year in relation to the pricing policies and transactional amounts of the individual transactions conducted under the Subsidiary Agreement(s) during the preceding financial year to ensure the Subsidiary Agreement(s) are entered into and conducted pursuant to the principles laid down in the Newco Framework Agreement; and
- (b) the Board, including the independent non-executive Directors, will conduct prudent review and appraisal of the Subsidiary Agreement(s) entered into by the Lifestyle Properties Group and monitor the transactional amounts in a timely manner.

The senior management of the Company will review the timesheet filled in by the staff who provided the Services each month and make reference to the progress of the relevant projects and the position of the staff in order to assess the reasonableness of the time spent on the projects recorded by each staff. The Company will then charge the Newco Group at actual costs incurred by the Lifestyle Properties Group plus a margin of 7%.

There are no specific payment terms specified in the Newco Framework Agreement for the provision of the Services. Indeed, payment terms will be agreed by the parties and stipulated in the Subsidiary Agreements. Based on the past practice for the provision of Services to the Newco Group under the services framework agreement dated 26 August 2013 between Lifestyle International and the Company and the LI Framework Agreement, under the relevant Subsidiary Agreements, invoice for Services rendered will be issued monthly and shall be settled by members of the Newco Group within 30 days of the date of presentation of the relevant monthly invoices. It is anticipated that similar payment terms will be incorporated in the Subsidiary Agreements to be entered into under the Newco Framework Agreement.

For the avoidance of doubt, the Services do not cover the provision of routine property management services, which refers to the day-to-day building management services including but not limited to maintenance, security, cleaning and general upkeep of the property, for the existing properties of the Newco Group.

## Historical Figures

The total amount of service fee paid by the Newco Group to the Lifestyle Properties Group for the provision of the Services under the services framework agreement dated 26 August 2013 between Lifestyle International and the Company for the period from 12 September 2013 (being the commencement of the term of the said services framework agreement) up to 31 December 2013 and the financial year ended 31 December 2014 were approximately HK\$2.7 million and HK\$7.0 million respectively.

The total amount of service fee paid by the Newco Group to the Lifestyle Properties Group for the provision of the Services under the LI Framework Agreement for the financial year ended 31 December 2015 was approximately HK\$13.8 million.

## Proposed Annual Caps and Basis of Determination

For the purpose of the Listing Rules, the annual caps of the total amount of service fees payable to the Lifestyle Properties Group for the provision of the Services under the Newco Framework Agreement for each of the financial years ending 31 December 2016 (covering the period from July (being the month in which it is expected that the Distribution will take place) to 31 December 2016), 2017 and 2018 (the “**Service Fee Caps**”) are set at HK\$13,000,000, HK\$30,000,000 and HK\$33,000,000 respectively.

The Service Fee Cap for the year ending 31 December 2016 is substantially lower than those for the years ending 31 December 2017 and 2018 because the period covered by it is not a full year and is only around 6 months. The Service Fee Caps were arrived at on the basis of and by reference to, inter alia, (a) the extent of the expected manpower required for the Services to be rendered by the Lifestyle Properties Group which was determined based on the estimated allocation of time of the project development team of the Lifestyle Properties Group after the Proposed Spin-off on the property projects of the Newco Group during the period; (b) historical manpower costs attributable to such project development team for providing the Services and the historical service fee paid under the services framework agreement dated 26 August 2013 between the Company and Lifestyle International for the period from 12 September 2013 to 31 December 2014 and the LI Framework Agreement for the period from 1 January 2015 up to 31 December 2015; (c) expected salary increment of the project development team during the period; and (d) 7% mark-up over the projected costs of the Services which was within the market range of 5% to 15% (the “**Market Range**”) as confirmed by a letter of confirmation (the “**Confirmation Letter**”) from an independent firm of quantity surveyors (the “**Quantity Surveyor**”).

As advised by the Quantity Surveyor and suggested in the Confirmation Letter, the Company understands that the Market Range for the mark-up over the costs of provision of the relevant Services was arrived at after making references with previous cases which are independent and with similar project management services required (the “**Samples**”) and the building contracts and standards commonly used in Hong Kong market which suggested the net addition to carry out works or provided services by using the cost plus arrangement shall not be more than 15% on the actual cost incurred.

The Company also understands from the Quantity Surveyor that due to confidentiality issues and the facts that each scenarios and services required from the Samples are rarely, if any, strictly identical for simple comparison purposes, information of the Samples cannot be provided to the Company for review. Nevertheless, the Quantity Surveyor has sought and illustrated to the Company two cases from the Samples with additional margins in the range of 5% to 8% and confirmed that the Samples, and the two cases, are representable and are sufficient, together with its experiences, to reach its conclusion in the Confirmation Letter.

As the Daning Project had been transited from the pre-development stage to the site construction stage, more professional personnel on full time basis is required to be on board. Other than provision of administrative work services including but not limited to liaising with relevant government authorities in relation to design plan submission and approval of the project set-up during the pre-development stage, the Services expected to be provided shall now include broader scope of work and higher level of skill sets such as project administration, site works management, contract tendering, procurement, architectural services and quantity surveying services, etc. Accordingly, it is expected that (i) there will be a substantial increase in manpower in terms of both additional headcounts as well as working hours of the individual professional staff concerned and (ii) the salary of the project development team will be increased by around HK\$3 million annually during the term of the Newco Framework Agreement. This will in turn increase the costs of Services being provided and therefore, higher proposed Service Fee Caps.

The table below sets forth a breakdown of the expected cost of manpower required for the Services to be rendered by the Lifestyle Properties Group under the Newco Framework Agreement for the Daning Project which has been taken into account when determining the proposed Service Fee Caps:

	<b>For the year ending 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Danig Project	12,100 <i>(Note)</i>	27,300	30,700

*Note:* This amount of expected manpower cost is attributable to the period from July (being the month in which it is expected that the Distribution will take place) to 31 December 2016.

### **Reasons and benefits for entering into Newco Framework Agreement and transactions contemplated thereunder**

The property project related services in respect of property development provided by the Lifestyle Properties Group require high level of professional knowledge and expertise.

Since the project development team of the Lifestyle Properties Group (which was Lifestyle International Group's previous project development team prior to the spin-off exercise completed in September 2013 for the separate listing of the Company on the main board of the Stock Exchange) is well acquainted with the property projects of the Newco Group and is experienced in providing property project related services, as far

as the existing projects of the Newco Group are concerned, it is time and cost effective from a continuity perspective for the Newco Group to continue engaging the Lifestyle Properties Group to provide the Services. For new projects in the future, the Newco Group may continue to appoint the Lifestyle Properties Group or other service provider(s) to undertake the coordination and supervision work or if necessary, the Newco Group will consider hiring additional project management personnel for its own project development team.

As for the Company, it can continue to develop its own talent pool with previous expertise and experience.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from an independent financial adviser) are of the view that the Newco Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and are on normal commercial terms, and the terms of the Newco Framework Agreement and the Service Fee Caps are fair and reasonable and in the interests of the Company and the LP Shareholders as a whole.

## **C. LISTING RULES IMPLICATIONS**

### **The Supplemental Deed**

Lifestyle International is the controlling shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. According to Chapter 14A of the Listing Rules, amending the Existing LP Non-compete Deed by entering into the Supplemental Deed between the Company and Lifestyle International constitutes a connected transaction of the Company which is subject to the requirements of reporting, announcement and approval by the LP Independent Shareholders.

### **The Newco Framework Agreement**

Upon completion of the Proposed Spin-off, it is expected that (i) United Goal will hold approximately 33.70% of the shareholding of Newco; and (ii) Mr. Thomas Lau will also either directly or through Dynamic Castle hold another 17.99% of the shareholding of Newco. As such, Newco will become a 30%-controlled company of Mr. Thomas Lau, and hence an associate of Mr. Thomas Lau and a connected person of the Company pursuant to Chapter 14A of the Listing Rules upon completion of the Proposed Spin-off. As a result, the Newco Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules following completion of the Proposed Spin-off.

As the highest applicable percentage ratio for the Service Fee Caps under the Listing Rules exceeds 5%, the Newco Framework Agreement and the transactions contemplated thereunder are subject to the requirements of reporting, announcement, annual review and approval by the LP Independent Shareholders under Chapter 14A of the Listing Rules.

Mr. Thomas Lau, a non-executive Director and Mr. Lam Siu Lun, Simon, an independent non-executor Director, are also directors of Lifestyle International. As at the date of this announcement, Mr. Thomas Lau, either directly or through United Goal and Dynamic Castle, is interested in a total of 828,401,792 shares of Lifestyle International, representing approximately 51.69% of the issued share capital of Lifestyle International. Further, Mr. Thomas Lau is also a director of Newco and Mr. Thomas Lau, either directly or through United Goal and Dynamic Castle, is expected to be interested in approximately 51.69% of the shareholding of Newco upon completion of the Proposed Spin-off. As such, Mr. Thomas Lau, Mr. Lau Kam Sen (an executive Director and the son of Mr. Thomas Lau) and Mr. Lam Siu Lun, Simon have abstained from voting on the relevant board resolution(s) for approving the Supplemental Deed, the Newco Framework Agreement, the transactions contemplated thereunder and the Service Fee Caps to avoid any conflict of interest. Save as disclosed above, none of the Directors has a material interest in the Supplemental Deed, the Newco Framework Agreement, the transactions contemplated thereunder and the Service Fee Caps, and none of them is required to abstain from voting on the relevant board resolution(s).

#### **D. GENERAL**

The EGM will be convened for the LP Independent Shareholders to approve the Supplemental Deed, the Newco Framework Agreement and the Service Fee Caps by way of poll.

The LP Independent Board Committee comprising all independent non-executive Directors (other than Mr. Lam Siu Lun, Simon, who is a director of Lifestyle International and therefore deemed to be having an interest in the Supplemental Deed, the Newco Framework Agreement or otherwise have a potential conflict of interests in the transactions), has been established to advise the LP Independent Shareholders in respect of the terms of the Supplemental Deed and the Newco Framework Agreement and the Service Fee Caps. The Company has appointed Veda Capital Limited, an independent financial adviser, to advise the LP Independent Board Committee and the LP Independent Shareholders in this regard.

Since Lifestyle International has a material interest in the Supplemental Deed, Lifestyle International, Mr. Thomas Lau and their respective associates (including Springboard) shall abstain from voting at the EGM for the proposed resolution to approve the Supplemental Deed. Furthermore, since Mr. Thomas Lau has a material interest in the Newco Framework Agreement and the transactions contemplated thereunder by virtue of the expected direct or indirect interest of Mr. Thomas Lau in the shares of Newco following completion of the Proposed Spin-off, Mr. Thomas Lau and his associates (including Lifestyle International and Springboard) shall abstain from voting at the EGM for the proposed resolution to approve the Newco Framework Agreement, the transactions contemplated thereunder and the Service Fee Caps. As at the date of this announcement, Lifestyle International, Mr. Thomas Lau and their respective associates (including Springboard) were interested in, controlled, and were entitled to exercise control over 323,182,050 Shares, representing approximately 77.11% of the issued share capital of the Company. To the best of the Directors' knowledge and information after having made all reasonable enquiries, no other LP Shareholder is required to abstain



from voting at the EGM for the proposed resolutions to approve the Supplemental Deed, the Newco Framework Agreement, the transactions contemplated thereunder and the Service Fee Caps.

A circular containing, among other things, (a) further information on the Supplemental Deed, the Newco Framework Agreement and the Service Fee Caps; (b) a letter from the independent financial adviser containing its advice to the LP Independent Board Committee and the LP Independent Shareholders in respect thereof; (c) a letter from the LP Independent Board Committee containing its recommendation in respect thereof; and (d) a notice of the EGM is expected to be dispatched to the LP Shareholders on or before 13 June 2016.

#### **E. INFORMATION ON THE LIFESTYLE PROPERTIES GROUP, LIFESTYLE INTERNATIONAL GROUP AND NEWCO GROUP**

The Lifestyle Properties Group is principally engaged in property development and property investment.

Lifestyle International Group is principally engaged in the operation of department stores and other related operations and property holding.

The Newco Group is principally engaged in the operation of department stores and supermarket business in the PRC and restaurant business.

#### **F. DEFINITIONS**

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

“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“close associates”	has the meaning ascribed to it under the Listing Rules
“Company”	Lifestyle Properties Development Limited (利福地產發展有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 2183) and is owned as to approximately 59.56% by Lifestyle International as at the date of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Daning Project”	a property project of the Newco Group, comprising a sizable commercial complex under development in the Zhabei District (now known as Jing’an District) of Shanghai, the PRC

“Directors”	the director(s) of the Company
“Distribution”	(subject to the fulfillment of conditions for the Proposed Spin-off) the payment of a special interim dividend by Lifestyle International to its qualifying shareholders to be satisfied by way of distribution in specie in the issued shares of Newco for the purpose of implementation of the Proposed Spin-off. After the Distribution, Newco will cease to be a subsidiary of Lifestyle International
“Dynamic Castle”	Dynamic Castle Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Thomas Lau
“EGM”	the extraordinary general meeting of the Company to be convened to consider and if thought fit, approve the Supplemental Deed, the Newco Framework Agreement and the Service Fee Caps
“Existing LP Non-compete Deed”	the deed of non-competition dated 26 August 2013 entered into by Lifestyle International in favour of the Company, further details of which are disclosed in the prospectus of the Company dated 2 September 2013 under the section “Relationship with the Controlling Shareholder — Clear delineation of business”
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“LI Framework Agreement”	the services framework agreement entered into between the Company and Lifestyle International dated 9 April 2015 which regulates, inter alia, all transactions between the Lifestyle Properties Group and the Lifestyle International Group arising from provision of certain non-exclusive property project related services by the Lifestyle Properties Group to the Lifestyle International Group
“Lifestyle International”	Lifestyle International Holdings Limited (利福國際集團有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 1212)
“Lifestyle International Group”	Lifestyle International and its subsidiaries (excluding members of the Lifestyle Properties Group) prior to completion of the Proposed Spin-off

“Lifestyle Properties Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LP Independent Board Committee”	an independent board committee of the Board (comprising Mr. Robert Charles Nicholson and Mr. Wong Kun Kau) established to advise the LP Independent Shareholders regarding the Supplemental Deed, the Newco Framework Agreement and the Service Fee Caps
“LP Independent Shareholders”	the LP Shareholders other than Lifestyle International, Mr. Thomas Lau and their respective associates (including Springboard)
“LP Shareholder(s)”	the shareholder(s) of the Company
“Mr. Thomas Lau”	Mr. Lau Luen Hung, Thomas, a non-executive Director and the Chairman of the Company, who is also the Chairman, chief executive officer and an executive director of Lifestyle International and is deemed to be interested in an aggregate of approximately 51.69% of shareholding in Lifestyle International as at the date of this announcement
“Newco”	Lifestyle China Group Limited (利福中國集團有限公司) (formerly known as Lifestyle China Limited (利福中國有限公司)), a company incorporated in the Cayman Islands with limited liability
“Newco Framework Agreement”	the services framework agreement entered into between the Company and Newco dated 6 June 2016, particulars of which are set out in the section headed “Newco Framework Agreement” in this announcement
“Newco Group”	Newco and its subsidiaries following completion of a corporate reorganisation to be undertaken for the purpose of the Proposed Spin-off
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Spin-off”	the proposed spin-off of the Newco Group by way of a separate listing of shares in Newco on the main board of the Stock Exchange, as disclosed in the announcement of Lifestyle International dated 22 April 2016

“Remaining Lifestyle Group”	Lifestyle International and its subsidiaries (excluding members of the Lifestyle Properties Group and the Newco Group) after completion of the Proposed Spin-off
“Service Fee Caps”	has the meaning ascribed to it in the section headed “Newco Framework Agreement — Proposed Annual Caps and Basis of Determination” in this announcement
“Services”	non-exclusive property project related services in respect of property development, including but without limitation feasibility study, design, project co-ordination and supervision, for the relevant property(ies) owned by or leased to the Newco Group and situated in the PRC
“Share(s)”	ordinary share(s) of HK0.1 each in the share capital of the Company
“Springboard”	Springboard Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Thomas Lau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Deed”	the supplemental deed dated 6 June 2016 entered into between Lifestyle International and the Company to amend the Existing LP Non-compete Deed
“United Goal”	United Goal Resources Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately owned as to 80% by Mr. Thomas Lau and as to 20% by a family trust of which Mr. Lau Luen Hung, Joseph and certain of his family members are eligible beneficiaries
“%”	per cent.

On behalf of the Board  
**Lifestyle Properties Development Limited**  
**Chan Siu Chun, Candy**  
*Executive Director*

Hong Kong, 6 June 2016

*As of the date of this announcement, the Board comprises Ms. Chan Siu Chun, Candy and Mr. Lau Kam Sen as executive directors, Mr. Lau Luen Hung, Thomas and Mr. Wong Man Hoi as non-executive directors, and Mr. Lam Siu Lun, Simon, Mr. Robert Charles Nicholson and Mr. Wong Kun Kau as independent non-executive directors.*