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New World Department Store China Limited
新世界百貨中國有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

DISCLOSEABLE TRANSACTION
ACQUISITION OF PROPERTY IN ZHENGZHOU CITY

On 7 July 2008, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with the Vendor pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the building ownership right and land use right of the Property for a consideration of RMB307,317,000 (subject to adjustments).

As one of the applicable percentage ratios exceed 5% but are all below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

A circular containing further details relating to the Acquisition and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

THE FRAMEWORK AGREEMENT

Date

7 July 2008

Parties

The Vendor

The Purchaser, a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company as at the date of this announcement.

The Acquisition

Subject to the terms of the Framework Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the building ownership right and the land use right of the Property. The Property is situated at Level 1 to Level 4 of Block A of the commercial podium building to be erected on land parcel numbered GC1-459-16, 商城路北、紫荆山路東 (Shangcheng Road North and Zijingshan Road East), Zhengzhou City, Henan Province, the PRC. The land use right area of the Land is approximately 26,396.4 square metres. The designated use of the Land is residential and the term for the grant of the land use right of the Land will expire on 19 April 2076.

The Vendor has agreed to provide 100 carpark spaces for use by the Purchaser for free for a period of two years from the date of signing of the Handover Confirmation (as hereinafter defined).

The Vendor has agreed to ensure that the roof of Level 1 to Level 4 of the podium building, the front door square and certain space outside the Property shall be exclusively managed and used by the Purchaser until the expiry of the land use right of the Project.

The Purchaser shall have the right to terminate the Framework Agreement if the absolute value of the percentage deviation of the site area of the Property as determined by any of the following formulae is greater than 3%:

$$(1) \text{ Agreed/Plan Site Area Percentage Deviation} = \left| \frac{\text{Agreed Site Area} - \text{Plan Site Area}}{\text{Plan Site Area}} \times 100\% \right|$$

; or

$$(2) \text{ Actual/Agreed Site Area Percentage Deviation} = \left| \frac{\text{Actual Site Area} - \text{Agreed Site Area}}{\text{Agreed Site Area}} \times 100\% \right|$$

The Vendor has undertaken to handover the completed Property together with the prescribed facilities and electrical and mechanical systems to the Purchaser on or before 31 December 2009.

Consideration

The Consideration for the acquisition of the building ownership right and land use right of the Property is RMB307,317,000 (being the Plan Site Area multiplied by RMB8,900 per square metre), payable in cash. The Consideration will be funded by internal resources of the Group.

The Consideration shall be adjusted in the following manner:

If the Actual/Agreed Site Area Percentage Deviation is within (and including) 3%, the Consideration shall be adjusted accordingly at RMB8,900 per square metre.

If the Actual/Agreed Site Area Percentage Deviation is greater than 3% and the Actual Site Area is greater than the Agreed Site Area, the Purchaser shall make additional payment for the part of the area falling within (and including) 3% of the Actual/Agreed Site Area Percentage Deviation calculated at RMB8,900 per square metre. The Vendor shall be responsible for the part of the area exceeding 3% of the Actual/Agreed Site Area Percentage Deviation. The Purchaser needs not make additional payment for such part while all the rights of such part shall belong to the Purchaser.

If the Actual/Agreed Site Area Percentage Deviation is greater than 3% and the Actual Site Area is smaller than the Agreed Site Area, the Vendor shall refund the Consideration in respect of the part of the area falling within (and including) 3% of the Actual/Agreed Site Area Percentage Deviation to the Purchaser. The Vendor shall refund to the Purchaser two times the amount of the Consideration in respect of the part of the area exceeding 3% of the Actual/Agreed Site Area Percentage Deviation.

If the Agreed/Plan Site Area Percentage Deviation is within (and including) 3%, the Consideration shall be adjusted accordingly at RMB8,900 per square metre.

If the Agreed/Plan Site Area Percentage Deviation is greater than 3% and the Agreed Site Area is greater than the Plan Site Area, the part of the area falling within (and including) 3% of the Agreed/Plan Site Area Percentage Deviation shall be calculated at RMB8,900 per square metre. The Purchaser needs not pay for the part of the Agreed Site Area exceeding 3% of the Agreed/Plan Site Area Percentage Deviation while all the rights of such part shall belong to the Purchaser.

The Actual/Plan Site Area Percentage Deviation shall be less than or equal to 6%, i.e. the maximum Consideration of approximately RMB325,756,020 to be paid by the Purchaser shall be calculated based on the area of 36,601.8 square metres. If the Actual Site Area is smaller than the Plan Site Area, the Vendor shall refund to the Purchaser two times the amount of the Consideration in respect of the part of the area exceeding 6% of the Actual/Plan Site Area Percentage Deviation.

The Actual/Plan Site Area Percentage Deviation shall be calculated as follows:

$$\text{Actual/Plan Site Area Percentage Deviation} = \left| \frac{\text{Actual Site Area} - \text{Plan Site Area}}{\text{Plan Site Area}} \times 100\% \right|$$

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with the Purchaser's reference to the market price of other properties in the vicinity of the Land, economic factors, the potential of the Property and the performances of other department stores of similar capacity in the vicinity.

Payment of Consideration

The Consideration shall be payable by the Purchaser in the following manner:

- (1) 10% of the Consideration, equivalent to RMB30,731,700, shall be paid by the Purchaser to the Vendor as deposit (the “**Deposit**”) within 10 working days after (a) the Vendor has provided certain documents as prescribed in the Framework Agreement; and (b) completion of the notarization procedure of the Framework Agreement, together with the annexures, within two working days after its execution. The Deposit shall be placed by the Purchaser in a bank account to be operated jointly by the Vendor and the Purchaser; and
- (2) the following payments shall be made after the Vendor and the Escrow Bank have signed the Escrow Agreement and after the Escrow Agreement has been annexed to the SP Agreement:
 - (a) the Purchaser shall transfer the Deposit into the Escrow Account and deposit 20% of the Consideration, equivalent to RMB61,463,400, into the Escrow Account within eight working days after the occurrence of the latest of the following events:
 - (i) the Vendor has changed the use of the Property to commercial use, the Vendor has signed the 土地出讓合同補充協議 (Supplemental Agreement for Sale of Property) with the Land Resources Bureau of Zhengzhou City, Henan Province and provided to the Purchaser evidence of payment of any additional land premium on or before 31 October 2008;
 - (ii) the Vendor has been granted the 商品房預售許可證 (permit for the pre-sale of commercial housing) from the relevant property development management authority of Zhengzhou City on or before 31 October 2008;
 - (iii) after the Vendor has provided certain prescribed documents as stated in the Framework Agreement, Purchaser should sign the SP Agreement and supplemental agreement within two working days after the grant of the permit for the pre-sale of commercial housing. Unless agreed otherwise between the Vendor and the Purchaser, the terms of the Framework Agreement shall form the main terms of the SP Agreement. The rights and obligations of the parties under the Framework Agreement shall be determined based on the terms of the SP Agreement upon the registration of the SP Agreement with the relevant government authority; and
 - (iv) the completion of the pre-sale of commercial housing registration procedure in respect of the SP Agreement by the Vendor within two working days after the grant of the permit for the pre-sale of commercial housing;

- (b) 15% of the Consideration, equivalent to RMB46,097,550, shall be paid by the Purchaser into the Escrow Account within eight working days after completion of the construction of the commercial podium building of Block A of the Project (which shall be completed on or before 20 November 2008) and the signing of a confirmation by the Purchaser acknowledging the same;
- (c) 15% of the Consideration, equivalent to RMB46,097,550, shall be paid by the Purchaser into the Escrow Account within eight working days after completion of the construction of the main structure of the tower of Block A of the Project (which shall be completed on or before 30 November 2008) and the signing of a confirmation by the Purchaser acknowledging the same;
- (d) 15% of the Consideration, equivalent to RMB46,097,550, shall be paid by the Purchaser into the Escrow Account within eight working days after completion of the construction of the five main aspects of the Project (which includes design, testing, construction, supervision and units construction) and certain prescribed facilities and electrical and mechanical systems of the Project (which shall be completed on or before 31 October 2009), the signing of a confirmation by the Purchaser acknowledging the same and the provision of the Certificate for the Completion and Acceptance of Construction Work by the Vendor;
- (e) 10% of the Consideration, equivalent to RMB30,731,700, shall be paid by the Purchaser into the Vendor's account within eight working days after the handover of the Property in accordance with the Framework Agreement and the signing of a confirmation on the handover by the Vendor and the Purchaser (the "**Handover Confirmation**");
- (f) 5% of the Consideration, equivalent to RMB15,365,850, shall be paid by the Purchaser into the Vendor's account within eight working days after the Vendor has obtained the 產權登記備案證 (Certificate of Registration of Property Ownership) and the 面積測繪報告 (Building Area Surveying Report) of the Property with 60 working days from the date of signing of the Handover Confirmation by the parties; and
- (g) the balance of the Consideration, after taking into account any adjustments, shall be paid by the Purchaser to the Vendor within eight working days after the Purchaser has been granted the 房屋所有權證 (Building Ownership Certificate) and the 國有土地使用權證 (State-owned Land Use Right Certificate) of the Property.

The actual amounts of progress payments referred to above shall be based on the Consideration as calculated based on the Agreed Site Area specified in the SP Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the operation of department stores in the PRC. We believe the Acquisition will further enhance the company's department store business as well as the Company's influence in Central China Region.

The Board believes that the terms of the Framework Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

INFORMATION ON THE VENDOR

To the best knowledge of the Board, the principal activities of the Vendor are property development and sale of properties.

GENERAL

As one of the applicable percentage ratios exceed 5% but are all below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

A circular containing further details relating to the Agreements and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Acquisition”		the acquisition of the building ownership right and the land use right of the Property as contemplated under the Framework Agreement
“Actual Area”	Site	the site area of the Property as stipulated on the Building Ownership Certificate in respect of the Property to be granted to the Purchaser
“Agreed Area”	Site	the agreed site area of the Property as stipulated in the SP Agreement
“Agreements”		the Framework Agreement and the SP Agreement
“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 Stock Exchange
“Consideration”		the consideration for the sale and purchase of the building ownership right and the land use right of the Property in the sum of RMB307,317,000, subject to adjustments
“Director(s)”		the director(s) of the Company
“Escrow Account”		the bank account opened by the Vendor at the Escrow Bank for the safekeeping of the pre-sale proceeds of the Project in accordance with the Escrow Agreement
“Escrow Agreement”		the 預售款監管協議 (Pre-sale Proceeds Escrow Agreement) between the Vendor and the Escrow Bank in relation to the safekeeping of the pre-sale proceeds of the Project
“Escrow Bank”		the bank engaged by the Vendor to safekeep the pre-sale proceeds of the Project
“Framework Agreement”		房地產買賣框架合同 (Framework Agreement for Sale and Purchase of Property) entered into between the Vendor and the Purchaser dated 7 July 2008 pursuant to which, inter alia, the Vendor has agreed to sell and the Purchaser has agreed to acquire the building ownership right and the land use right of the Property

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	the parcel of land numbered GC1-459-16 located at 商城路北、紫荆山路東 (Shangcheng Road North and Zijingshan Road East), Zhengzhou City, Henan Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Plan Site Area”	the site area of the Property agreed between the Vendor and the Purchaser and set out in the Framework Agreement, being 34,530 square metres
“PRC”	the People’s Republic of China
“Project”	the project to be developed by the Vendor on the Land
“Property”	Level 1 to Level 4 of Block A of the commercial podium building of the Project to be erected, including all the building area, the right of use of the outer wall and the outer space thereof, certain prescribed area between the roof and the staircase outside the building, the building ownership right and/or the right of use of certain prescribed area at the lower ground first floor, the lower ground second floor and other areas and facilities as prescribed in the Framework Agreement
“Purchaser”	武漢新鵬發展有限公司 (Wuhan New Eagle Development Co., Ltd), a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“SP Agreement”	商品房買賣合同 (Agreement for Sale and Purchase of Commercial Housing), together with an agreement supplemental thereto, entered into between the Vendor and the Purchaser pursuant to the Framework Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor” 河南裕鴻置業有限公司 (Henan Yuhong Property Company Limited), a company established in the PRC with limited liability

“%” per cent

By order of the Board
Wong Kwok-kan, Kenneth
Company Secretary

Hong Kong, 9 July 2008

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 Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Lin Tsai-tan, David, Mr. Wong Kwok-kan, Kenneth and Ms. Ngan Man-ying, Lynda; 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, Henry.

English names of the PRC established companies in this announcement are only translations or transliterations of their official Chinese names. In case of inconsistency, the Chinese names prevail.