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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

On 25 July 2008, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreements 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 and the right of use of the Carpark for an aggregate consideration of RMB287,540,000 (subject to adjustments).

As one of the applicable percentage ratios exceeds 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 AGREEMENTS

Date

25 July 2008

Parties

Vendor: 瀋陽豐瑞置業有限公司 (Shenyang Fengrui Property Company Limited)

Purchaser: 瀋陽新世界百貨有限公司 (Shenyang New World Department Store Co., Ltd.)

The Purchaser is 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.

Subject matter

The Property

Subject to the terms of the Co-operation Agreement and the SP Agreements, 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 Purchaser shall have the right to terminate the Co-operation Agreement if, *inter alia*,

- (1) the absolute value of the percentage deviation of the site area of the Property as determined by the following formula is greater than 2%:

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

; or

- (2) the absolute value of the percentage deviation of the site area of the Property as determined by the following formula is greater than 4%:

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

The Vendor undertakes to handover the completed Property together with the prescribed facilities and electrical and mechanical systems to the Purchaser on or before 30 December 2009.

The Carpark

Subject to the terms of the Carpark Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the right of use of the Carpark. The Purchaser shall have the right to terminate the Carpark Agreement if, *inter alia*, the Actual Carpark Number is less than 50.

Termination of either of the Agreements will result in the termination of the other at the same time.

Consideration

The aggregate consideration for the acquisition of the building ownership right and land use right of the Property and the right of use of the Carpark is RMB287,540,000, of which RMB282,100,000 is the Property Consideration and RMB5,440,000 is the Carpark Consideration, payable in cash. The Property Consideration and the Carpark Consideration will be funded by internal resources of the Group.

The Property Consideration

The Property Consideration shall be adjusted in the following manner:

If the absolute value of the Actual/Agreed Area Percentage Deviation is within (and including) 2%, the Property Consideration shall be adjusted accordingly at RMB8,680 per square metre.

If the absolute value of the Actual/Agreed Area Percentage Deviation is greater than 2% 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) 2% of the Actual/Agreed Area Percentage Deviation calculated at RMB8,680 per square metre. The Vendor shall be responsible for the part of the area exceeding 2% of the Actual/Agreed 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 absolute value of the Actual/Agreed Area Percentage Deviation is greater than 2% 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) 2% of the Actual/Agreed 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 2% of the Actual/Agreed Area Percentage Deviation.

If the absolute value of the Agreed/Plan Area Percentage Deviation is within (and including) 4%, the Property Consideration shall be adjusted accordingly at RMB8,680 per square metre.

If the absolute value of the Agreed/Plan Area Percentage Deviation is greater than 4% and the Agreed Site Area is greater than the Plan Site Area, the part of the area falling within (and including) 4% of the Agreed/Plan Area Percentage Deviation shall be calculated at RMB8,680 per square metre. The Purchaser needs not pay for the part of the Agreed Site Area exceeding 4% of the Agreed/Plan Area Percentage Deviation while all the rights of such part shall belong to the Purchaser.

The absolute value of Actual/Plan Area Percentage Deviation shall be less than or equal to 6%, i.e. the maximum Property Consideration of approximately RMB299,026,000 to be paid by the Purchaser shall be calculated based on the area of 34,450 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 Property Consideration in respect of the part of the area exceeding 6% of the Actual/Plan Area Percentage Deviation.

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

- (1) a deposit in the sum of RMB28,210,000 (the “**Deposit**”), representing 10% of the Property Consideration, shall be paid by the Purchaser to the Vendor within five

working days after (a) the Vendor has provided certain documents as prescribed in the Co-operation Agreement; and (b) completion of the notarization procedure of the Co-operation Agreement together with all annexures. The Deposit shall be placed by the Purchaser in a bank account operated jointly by the Vendor and the Purchaser;

(2) the following payments shall be made after the Vendor, the Purchaser and the Escrow Bank have signed the Escrow Agreement and after the Escrow Agreement has been annexed to the SP Agreements:

(a) the Vendor shall transfer the Deposit into the Escrow Account and the Purchaser shall deposit RMB28,210,000, representing 10% of the Property Consideration (together with the Deposit, the “**First Installment**”), into the Escrow Account within five working days after the occurrence of the following events: –

(i) 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 Shenyang City on or before 25 August 2008;

(ii) signing of the SP Agreements by the Vendor and the Purchaser 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 Co-operation Agreement shall form the main terms of the SP Agreements. The rights and obligations of the parties under the Co-operation Agreement shall be determined based on the terms of the SP Agreements upon the registration of the SP Agreements with the relevant authority;

(iii) completion of the registration procedure for the pre-sale of commercial housing as contemplated under the SP Agreements; and

(iv) the completion of the notarization procedure of the SP Agreements;

(b) RMB28,210,000, representing 10% of the Property Consideration, shall be paid by the Purchaser into the Escrow Account within five working days after completion of the construction of the podium building (which shall be completed on or before 30 August 2008) to the satisfaction of the Purchaser and the signing of a confirmation by the Purchaser and the Vendor acknowledging the same;

(c) RMB42,315,000, representing 15% of the Property Consideration, shall be paid by the Purchaser into the Escrow Account within five working days after completion of the construction of the 19th floor of the Property or above (which shall be completed on or before 30 November 2008) to the satisfaction of the Purchaser and the signing of a confirmation by the Purchaser and the Vendor acknowledging the same;

- (d) RMB42,315,000, representing 15% of the Property Consideration, shall be paid by the Purchaser into the Escrow Account within five working days after the completion of the construction of the main structure and certain prescribed facilities of the Property (which shall be completed on or before 20 November 2009) to the satisfaction of the Purchaser and the signing of a confirmation by the Purchaser and the Vendor acknowledging the same;
- (e) RMB28,210,000, representing 10% of the Property Consideration, shall be paid by the Purchaser into the Vendor's account within five working days after the Vendor has been granted (i) the 建築工程竣工驗收備案書 (Memorandum on Completion of Construction Work) of the Property (which shall be granted on or before 10 December 2009); (ii) the 房屋所有權證 (Building Ownership Certificate) of the Project (which shall be granted on or before 30 December 2009); and (iii) certification on cancellation of pledges, if any;
- (f) RMB56,420,000, representing 20% of the Property Consideration, shall be paid by the Purchaser into the Vendor's account within five working days after the handover of the Property in accordance with the Co-operation Agreement and the signing of a confirmation on the handover by the Vendor and the Purchaser; and
- (g) the balance of the Property Consideration, after taking into account any adjustments (the "**Remaining Balance**"), shall be paid by the Purchaser to the Vendor within five working days after the Vendor has applied for the 房屋所有權證 (Building Ownership Certificate) and the 國有土地使用證 (State-owned Land Use Right Certificate) of the Property (which shall be applied on or before 10 March 2010), both of which the Purchaser is the owner.

The Carpark Consideration

The Carpark Consideration shall be adjusted in the following manner:

- (1) if the Actual Carpark Number is not less than 68, no adjustments to the Carpark Consideration shall be made; and
- (2) if the Actual Carpark Number is less than 68, the Carpark Consideration shall be reduced by the amount equal to the difference between 68 and the Actual Carpark Number times RMB80,000.

The Carpark Consideration shall be paid by the Purchaser in the following manner: –

- (1) RMB2,176,000, representing 40% of the Carpark Consideration, shall be paid by the Purchaser into the Escrow Account within five working days after (a) the Vendor has

obtained documents from relevant authority in Shenyang City on the development cost of the Carpark not being included in the development cost of the commercial housing of the Project on or before 10 December 2009; and (b) the payment of the First Installment by the Purchaser; and

- (2) RMB3,264,000, representing 60% of the Carpark Consideration, shall be paid by the Purchaser into the Vendor's account within five working days after the occurrence of the following events:
 - (a) the grant of Memorandum on Completion of Construction Work in relation to the Carpark to the Vendor on or before 10 December 2009;
 - (b) the handover of the Carpark in accordance with the Carpark Agreement and the signing of a confirmation on the handover by the Vendor and the Purchaser;
 - (c) the grant of a certification on the rights of the Carpark to the Vendor on or before 30 December 2009;
 - (d) the application for the 停車場許可證 (carpark permit) to the Purchaser from relevant authority in Shenyang City on or before 10 March 2010; and
 - (e) the payment of the Remaining Balance by the Purchaser in accordance with the Co-operation Agreement.

The Property Consideration and the Carpark Consideration were 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 Property, economic factors and the potential of the Property.

INFORMATION ON THE PROPERTY AND THE CARPARK

The Property is situated at Level 1 to Level 7 of the building to be erected on 大東區津橋路南側地塊 (land parcel of Jinqiao Road South, Dadong District), Shenyang City, Liaoning Province, the PRC. The building area of the Property is approximately 32,500 square meters. The designated use of the Land is commercial and the term for the grant of the land use right of the Land is from 28 April 2006 to 28 April 2046. The Carpark is located at the upper basement of the building to be erected on the Land.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the operation of department stores in the PRC. The Board believes that the Acquisition will further enhance the Company's influence in the Shenyang market. The Board also believes that the Acquisition will provide an opportunity for the Company to increase its interests in department store business in the north-eastern part of the PRC.

The Board believes that the terms of the Agreements 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 Directors, the principal activities of the Vendor are property development and sale of properties.

GENERAL

As one of the applicable percentage ratios exceeds 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 and right of use of the Carpark as contemplated under the Agreements
“Actual Carpark Number”	the total number of carparks as stated on the certification of carpark use right to be obtained by the Purchaser ultimately in respect of the Carpark
“Actual Site Area”	the area of the Property (excluding the carparks) as stipulated on the Building Ownership Certificate in respect of the Property to be granted to the Purchaser
“Agreed Site Area”	the agreed site area of the Property (excluding the carparks) as stipulated in the SP Agreement
“Agreements”	the Co-operation Agreement and the Carpark Agreement
“Board”	the board of Directors
“Carpark”	the carpark located at the upper basement of the building to be erected on the Land

“Carpark Agreement”	the 停車場使用權出讓協議 (Agreement for the assignment of the right of use of Carpark) entered into between the Vendor and the Purchaser dated 25 July 2008
“Carpark Consideration”	the consideration for the sale and purchase of the right of use of the Carpark in the sum of approximately RMB5,440,000, subject to adjustments
“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
“Co-operation Agreement”	房地產項目合作協議 (Co-operation Agreement for Property Project Development) entered into between the Vendor and the Purchaser dated 25 July 2008 pursuant to which, <i>inter alia</i> , the Vendor has agreed to sell and the Purchaser has agreed to acquire the Property
“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 development on the Land in accordance with the Escrow Agreement
“Escrow Agreement”	the 資金共管協議 (Capital Escrow Agreement) between the Vendor, the Purchaser, and the Escrow Bank in relation to the safekeeping of the pre-sale proceeds of the development on the Land
“Escrow Bank”	the bank engaged by the Vendor to safekeep the pre-sale proceeds of the development on the Land
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	瀋陽市大東區津橋路南側地塊 (land parcel of Jinqiao Road South, Dadong District, Shenyang City)
“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 Co-operation Agreement, being 32,500 square metres
“PRC”	The People’s Republic of China

“Project”	the project to be developed by the Vendor on the Land
“Property”	the prescribed area of Level 1 to Level 7 of the building to be erected on the Land, including the right of use of the outer wall of Level 1 to Level 7 of the Land and the roof of the Property
“Property 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 RMB282,100,000, subject to adjustments
“Purchaser”	瀋陽新世界百貨有限公司(Shenyang New World Department Store 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 Agreements”	商品房買賣合同 (Agreement for Sale and Purchase of Commercial Housing), together with an agreement supplemental thereto, to be entered into between the Vendor and the Purchaser
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	瀋陽豐瑞置業有限公司 (Shenyang Fengrui 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, 28 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.