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## **CONNECTED TRANSACTION:**

### **ACQUISITION OF INTERESTS IN YUNNAN NEW WORLD DEPARTMENT STORE CO., LTD. AND NINGBO NEW WORLD TRENDY DEPARTMENT STORE CO., LTD.**

The Board would like to announce that on 20 January 2009, the Vendor, NWD, the Purchaser and Yunnan Co entered into the Kunming Agreement whereby the Purchaser agreed to acquire from the Vendor the Kunming Sale Interest for a consideration of HK\$3,000,000.

The Board would also like to announce that on 20 January 2009, the Vendor, the Purchaser and Ningbo Co entered into the Ningbo Agreement whereby the Purchaser agreed to acquire from the Vendor the Ningbo Sale Interest for a consideration of RMB2,000,000.

The Purchaser is an indirect-wholly-owned subsidiary of the Company. The Vendor is an indirect-wholly-owned subsidiary of NWD, who is interested in approximately 72.29% of the entire share capital of the Company. Accordingly under the Listing Rules, the Vendor is a connected person of the Company, and each of the Kunming Acquisition and the Ningbo Acquisition constitutes a connected transaction of the Company under the Listing Rules.

As one of the applicable percentage ratios in respect of the Kunming Acquisition and the Ningbo Acquisition (which has been aggregated under Rule 14A.25 of the Listing Rules) is more than 2.5% but less than 5.0%, and that the aggregate consideration is less than HK\$10,000,000, the Kunming Acquisition and the Ningbo Acquisition, as aggregated, are subject only to the reporting and announcement requirements and are exempted from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

## **THE KUNMING ACQUISITION**

### **Introduction**

The Vendor is the owner of the Kunming Sale Interest relating to Yunnan Co. The Trustees are the registered owners of the registered capital of Yunnan Co and hold the entire equity interest in the registered capital of Yunnan Co on behalf of the Vendor pursuant to the terms of the Kunming Trust Agreement.

On 20 January 2009, the Vendor, NWD, the Purchaser and Yunnan Co entered into the Kunming Agreement whereby the Purchaser agreed to acquire from the Vendor the Kunming Sale Interest for a consideration of HK\$3,000,000.

### **The Kunming Agreement**

*Date:*

20 January 2009

*Parties:*

- (i) Solar Leader Limited (as Vendor)
- (ii) NWD
- (iii) New World Department Stores Investment (China) Co., Ltd. (as Purchaser)
- (iv) Yunnan Co

### **Subject matter to be acquired**

The Purchaser has conditionally agreed to acquire from the Vendor the Kunming Sale Interest, being all interests and rights of the Vendor arising or derived from the Kunming Trust Agreement including any beneficial interest in the entire equity interest in the registered capital of Yunnan Co.

Pursuant to the Kunming Agreement, the Vendor has also agreed to enter into the Kunming Transfer Agreement with the Purchaser and the Trustees for the transfer of the Kunming Sale Interest to the Purchaser under the relevant laws and regulations of the PRC on terms which are satisfactory to the Company.

Upon Kunming Completion, Yunnan Co will become a wholly-owned subsidiary of the Group.

### **Information on Yunnan Co**

Yunnan Co was incorporated in the PRC in January 2004. The original purchase cost of the Kunming Sale Interest to the Vendor is RMB1.00. Yunnan Co operates a department store business in Kunming, the PRC in the name of Kunming New World Department Store (昆明新世界百貨店). The unaudited net liability value of Yunnan Co as at 30 June 2008 was approximately HK\$3,759,000. The unaudited net profit / (loss) before and after tax and extraordinary items attributable to Yunnan Co for the year ended 30 June 2008 prepared in accordance with the Hong Kong Financial Reporting Standards were approximately HK\$965,000; and that for the year ended 30 June 2007 were approximately (HK\$553,000).

Kunming New World Department Store commenced its operation in June 2004. It has a market position of middle-to-high end sector. Merchandise on offer includes international fashion brands, cosmetics and jewellery. The store integrates various merchandises including men's wear, women's wear, children's wear and sportswear and provides desirable shopping environment to the customers.

### **Consideration**

The consideration of HK\$3,000,000 was agreed between the parties based on arm's length negotiations by reference to the economic climate and the benefits summarized in this announcement. The consideration will be satisfied in whole in cash by the Purchaser or its nominee on Kunming Completion. The Kunming Acquisition will be funded by the Group's internal resources.

### **Conditions of the Kunming Agreement**

The Kunming Agreement is subject to and conditional upon the fulfillment of, *inter alia*, the following conditions precedent on or before the Kunming Long Stop Date:

- (i) the Kunming Transfer Agreement having been executed and completed to the satisfaction of the Company;
- (ii) the Vendor having performed all of the covenants and agreements required to be performed by it under the Kunming Agreement on or prior to Kunming Completion;
- (iii) all approvals and consents of third parties (including the Stock Exchange, if required) which are necessary for the entering into and the implementation of the Kunming Agreement and all transactions contemplated under the Kunming Agreement having been obtained; and
- (iv) during the period from the date of the Kunming Agreement to Kunming Completion, there not having occurred any material adverse effect on, or there not being in existence on Kunming Completion any material adverse change in, the financial position, operating performance and all other aspects of Yunnan Co.

The Purchaser may in its absolute discretion at any time waive in writing any of the conditions mentioned above. If any of the above conditions shall not have been fulfilled (or, where applicable, waived by the Purchaser in writing) prior to the Kunming Long Stop Date, then the Purchaser shall not be bound to proceed with the purchase of the Kunming Sale Interest and the Kunming Agreement shall cease to be of any effect and save in respect of claims arising out of any antecedent breach of the Kunming Agreement. The Purchaser has no present intention to waive any of the conditions above.

### **Kunming Completion**

Kunming Completion is to take place within five business days after the fulfillment of all conditions precedent set out above (or such later date as shall be agreed in writing between the Vendor and the Purchaser).

## **Indemnity**

Pursuant to the Kunming Agreement, each of the Vendor and NWD agrees to jointly and severally indemnify and hold harmless the Purchaser and Yunnan Co from and against (and pay the full amount of) any and all losses which are caused by, result from, arise out of or occur in connection with (i) the Kunming Property and/or the relevant lease agreement of Yunnan Co relating to the Kunming Property including any defects in the title of the Kunming Property; and (ii) the Kunming Transfer Agreement including the Trustees ceasing to be the registered owners of the registered capital of Yunnan Co without the prior written consent of the Purchaser.

It was disclosed in the Prospectus that the relevant title certificates in relation to the Kunming Property had not been obtained. Given such title certificates have not been obtained as at the date of this announcement, each of the Vendor and NWD agrees to give the above indemnity pursuant to the Kunming Agreement.

## **THE NINGBO ACQUISITION**

### **Introduction**

The Vendor is the sole beneficial owner of the entire equity interest in the registered capital of Ningbo Co. The Trustees are the registered owners of the registered capital of Ningbo Co and hold the equity interest in the registered capital of Ningbo Co on behalf of the Vendor pursuant to the terms of the Ningbo Trust Agreement.

On 20 January 2009, the Vendor, the Purchaser and Ningbo Co entered into the Ningbo Agreement whereby the Purchaser agreed to acquire from the Vendor the Ningbo Sale Interest for a consideration of RMB2,000,000.

### **The Ningbo Agreement**

*Date:*

20 January 2009

*Parties:*

- (i) Solar Leader Limited (as Vendor)
- (ii) New World Department Stores Investment (China) Co., Ltd. (as Purchaser)
- (iii) Ningbo Co

### **Subject matter to be acquired**

The Purchaser has conditionally agreed to acquire from the Vendor the Ningbo Sale Interest, being the entire equity interest in the registered capital of Ningbo Co.

Pursuant to the Ningbo Agreement, the Vendor has also agreed to procure the sale, assignment and transfer of the legal title of the Ningbo Sale Interest by the Trustees to the Purchaser on terms acceptable to the Purchaser pursuant to the rights provided to the Vendor under the Ningbo Trust Agreement.

Upon Ningbo Completion, Ningbo Co will become a wholly-owned subsidiary of the Group.

### **Information on Ningbo Co**

Ningbo Co was incorporated in the PRC in November 2004. The original purchase cost of the Ningbo Sale Interest to the Vendor is RMB1.00. Ningbo Co operates a department store business in Ningbo, the PRC in the name of Ningbo New World Trendy Department Store (寧波新世界匯美百貨店). The unaudited net liability value of Ningbo Co as at 30 June 2008 was approximately HK\$28,127,000. The unaudited net profit / (loss) before and after tax and extraordinary items attributable to Ningbo Co for the year ended 30 June 2008 prepared in accordance with the Hong Kong Financial Reporting Standards were approximately HK\$550,000; and that for the year ended 30 June 2007 were approximately (HK\$7,125,000).

Ningbo New World Trendy Department Store commenced its operation in November 2004. It has a market position of middle-to-high end sector. Merchandise on offer includes international fashion brands, cosmetics and jewellery. The store is situated at one of the prime locations of the city with potential of future development.

### **Consideration**

The consideration of RMB2,000,000 was agreed between the parties based on arm's length negotiations by reference to the economic climate and the benefits summarized in this announcement. The consideration will be satisfied in whole in cash by the Purchaser to the Vendor on Ningbo Completion. The Ningbo Acquisition will be funded by the Group's internal resources.

### **Conditions of the Ningbo Agreement**

The Ningbo Agreement is subject to and conditional upon the fulfillment of, *inter alia*, the following conditions precedent on or before the Ningbo Long Stop Date:

- (i) the legal title of the Ningbo Sale Interest having been transferred from the Trustees and vested in the Purchaser in accordance with the relevant laws and regulations of the PRC and that registrations with all relevant governmental agencies evidencing the transfer and vesting of legal title of the Ningbo Sale Interest in the Purchaser having been completed under the laws and regulations of the PRC;
- (ii) the Vendor having performed all of the covenants and agreements required to be performed by it under the Ningbo Agreement on or prior to Ningbo Completion;
- (iii) all approvals and consents of third parties (including the Stock Exchange, if required) which are necessary for the entering into and the implementation of the Ningbo Agreement and all transactions contemplated under the Ningbo Agreement having been obtained; and

- (iv) during the period from the date of the Ningbo Agreement to Ningbo Completion, there not having occurred any material adverse effect on, or there not being in existence on Ningbo Completion any material adverse change in, the financial position, operating performance and all other aspects of Ningbo Co.

The Purchaser may in its absolute discretion at any time waive in writing any of the conditions mentioned above. If any of the above conditions shall not have been fulfilled (or, where applicable, waived by the Purchaser in writing) prior to the Ningbo Long Stop Date, then the Purchaser shall not be bound to proceed with the purchase of the Ningbo Sale Interest and the Ningbo Agreement shall cease to be of any effect and save in respect of claims arising out of any antecedent breach of the Ningbo Agreement. The Purchaser has no present intention to waive any of the conditions above.

### **Ningbo Completion**

Ningbo Completion is to take place within five business days after the fulfillment of all conditions precedent set out above (or such later date as shall be agreed in writing between the Vendor and the Purchaser).

### **REASONS FOR THE KUNMING ACQUISITION AND THE NINGBO ACQUISITION**

The Company is principally engaged in the department store business and has emphasized the development of its department store business in the PRC. The Kunming Acquisition and the Ningbo Acquisition will further enhance the Company's influence in the PRC as well as consolidate its status of becoming a dominant department store operator in the flourishing retail market in the PRC. The Directors believe that the Kunming Acquisition and the Ningbo Acquisition will further enhance the Group's department store business and enrich the revenue stream of the Group. The Kunming Acquisition and the Ningbo Acquisition will provide an opportunity for the Company to increase its interests in department store business in the south-western and eastern parts of the PRC. Accordingly, the Directors believe that it is now an opportune time to proceed with the Kunming Acquisition and the Ningbo Acquisition which, upon Kunming Completion and Ningbo Completion, will further enhance the Group's strategy of expanding its department store network in the PRC.

It was disclosed in the Prospectus that one of the Company's corporate governance measures requires the Company to appoint an independent financial adviser to advise whether to acquire, inter alia, the Kunming Sale Interest and the Ningbo Sale Interest. Accordingly, an independent financial adviser has been appointed to advise on the terms of the Kunming Agreement and the Ningbo Agreement. The independent financial adviser is of the opinion that each of the Kunming Agreement and the Ningbo Agreement is entered into in the ordinary and normal course of business under normal commercial terms, and the terms of each of the Kunming Agreement and the Ningbo Agreement are fair and reasonable so far as the shareholders of the Company are concerned and are in the interests of the Company and its shareholders as a whole.

Based on the above reasons, the Directors (including the independent non-executive Directors) consider that the terms of the Kunming Agreement and the Ningbo Agreement to be on normal commercial terms that are fair and reasonable as far as the shareholders of the Company are concerned, and that the transactions contemplated under the Kunming Agreement and the Ningbo Agreement are in the interests of the Company and its shareholders as a whole.

## **INFORMATION RELATING TO THE GROUP**

The Group is principally engaged in the operation of department stores in the PRC.

## **INFORMATION RELATING TO THE VENDOR AND NWD**

The principal business activity of the Vendor is investment holding.

The principal business activity of NWD is investment holding and property related investments.

## **GENERAL**

The Purchaser is an indirect-wholly-owned subsidiary of the Company. The Vendor is an indirect-wholly-owned subsidiary of NWD, who is interested in approximately 72.29% of the entire share capital of the Company. Accordingly under the Listing Rules, the Vendor is a connected person of the Company, and each of the Kunming Acquisition and the Ningbo Acquisition constitutes a connected transaction of the Company under the Listing Rules.

As one of the applicable percentage ratios in respect of the Kunming Acquisition and the Ningbo Acquisition (which has been aggregated under Rule 14A.25 of the Listing Rules) is more than 2.5% but less than 5.0%, and that the aggregate consideration is less than HK\$10,000,000, the Kunming Acquisition and the Ningbo Acquisition, as aggregated, are subject only to the reporting and announcement requirements and are exempted from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

## **TERMS USED IN THIS ANNOUNCEMENT**

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

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| “Board”   | the board of Directors  |
| “BVI”     | British Virgin Islands  |
| “Company” | New World Department Store China Limited (新世界百貨中國有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange |

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| “connected person”           | has the meaning ascribed to it under the Listing Rules   |
| “Directors”                  | directors of the Company   |
| “Group”                      | the Company and its subsidiaries   |
| “HK\$”                       | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                  | The Hong Kong Special Administrative Region of the PRC   |
| “Kunming Acquisition”        | the proposed acquisition of the Kunming Sale Interest contemplated under the Kunming Agreement   |
| “Kunming Agreement”          | an agreement dated 20 January 2009 entered into among the Vendor, NWD, the Purchaser and Yunnan Co relating to the sale and purchase of the Kunming Sale Interest  |
| “Kunming Completion”         | completion of the Kunming Acquisition under the Kunming Agreement  |
| “Kunming Long Stop Date”     | 30 June 2009 or such later date as may be agreed among the parties to the Kunming Agreement  |
| “Kunming Property”           | the property at which Kunming New World Department Store (昆明新世界百貨店) is located   |
| “Kunming Sale Interest”      | all interests and rights of the Vendor arising or derived from the Kunming Trust Agreement including any beneficial interest in the entire equity interest in the registered capital of Yunnan Co                        |
| “Kunming Transfer Agreement” | an agreement to be entered into among the Vendor, the Purchaser and the Trustees transferring the Kunming Sale Interest from the Vendor to the Purchaser in accordance with the relevant laws and regulations of the PRC |
| “Kunming Trust Agreement”    | the trust agreement entered into between the Vendor and the Trustees dated 1 January 2007  |
| “Listing Rules”              | The Rules Governing the Listing of Securities on the Stock Exchange  |
| “NWD”                        | New World Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange and is the controlling shareholder of the Company                     |



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| “Ningbo Acquisition”     | the proposed acquisition of the Ningbo Sale Interest contemplated under the Ningbo Agreement   |
| “Ningbo Agreement”       | an agreement dated 20 January 2009 entered into among the Vendor, the Purchaser and Ningbo Co relating to the sale and purchase of the Ningbo Sale Interest      |
| “Ningbo Co”              | Ningbo New World Trendy Department Store Co., Ltd. (寧波新世界匯美百貨有限公司), a limited liability company incorporated in the PRC  |
| “Ningbo Completion”      | completion of the Ningbo Acquisition under the Ningbo Agreement  |
| “Ningbo Long Stop Date”  | 30 June 2010 or such later date as may be agreed among the parties to the Ningbo Agreement   |
| “Ningbo Sale Interest”   | the entire equity interest in the registered capital of Ningbo Co  |
| “Ningbo Trust Agreement” | the trust agreement entered into between the Vendor and the Trustees dated 1 January 2007  |
| “PRC”                    | the People’s Republic of China   |
| “Prospectus”             | the prospectus issued by the Company dated 28 June 2007 relating to the listing of its shares on the Stock Exchange  |
| “Purchaser”              | New World Department Stores Investment (China) Co., Ltd. (新世界百貨投資(中國)有限公司), a wholly-foreign-owned enterprise established in the PRC wholly-owned by the Company |
| “RMB”                    | Renminbi, the lawful currency of the PRC   |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited  |
| “subsidiary”             | has the meaning ascribed to it under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong  |
| “Trustees”               | Zhang Zi Qin (張子欽) and Zhang Zi Zhen (張子鎮), the registered owners of the registered capital of Yunnan Co and Ningbo Co   |
| “Vendor”                 | Solar Leader Limited, a limited liability company incorporated in the BVI, which is an indirect-wholly-owned subsidiary of NWD                                   |

“Yunnan Co” Yunnan New World Department Store Co., Ltd. (雲南新世界百貨有限公司), a limited liability company incorporated in the PRC

“%” per cent.

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

Hong Kong, 20 January 2009

*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.*