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## **CONNECTED TRANSACTION**

## **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **COOPERATION AGREEMENT**

On 8 February 2013, Shenyang Trendy, an indirect wholly-owned subsidiary of NWDS, and SYNWH, an indirect wholly-owned subsidiary of NWCL, entered into the Cooperation Agreement, pursuant to which Shenyang Trendy and SYNWH agreed to cooperate in the Cooperative Project.

Since NWDS and NWCL are both subsidiaries of NWD, each of NWDS and NWCL is a connected person of each other and the Cooperation constitutes a connected transaction of each of NWDS and NWCL under Chapter 14A of the Listing Rules.

As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Cooperation are more than 5% for NWDS and the amount to be contributed by Shenyang Trendy exceeds HK\$10,000,000, the Cooperation is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules for NWDS. In addition, based on the applicable percentage ratios, the Cooperation also constitutes a discloseable transaction for NWDS under Chapter 14 of the Listing Rules.

As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Cooperation are more than 0.1% but less than 5% for NWCL, the Cooperation is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under the Listing Rules for NWCL.

NWDS will convene the EGM for the purpose of seeking approval from the Independent NWDS Shareholders on the Cooperation Agreement and the Cooperation. The Independent NWDS Board Committee has been established to consider the terms of the Cooperation Agreement and the Cooperation, and to advise the Independent NWDS Shareholders as to whether the Cooperation Agreement and the Cooperation are in the interests of NWDS and the shareholders of NWDS as a whole. An independent financial adviser has been appointed to advise the Independent NWDS Board Committee and the Independent NWDS Shareholders in this regard.

A circular of NWDS containing, among others, further information on (i) the Cooperation Agreement and the Cooperation; (ii) a letter of recommendation from the Independent NWDS Board Committee to the Independent NWDS Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent NWDS Board Committee and the Independent NWDS Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the shareholders of NWDS on or before 6 March 2013.

On 8 February 2013, Shenyang Trendy, an indirect wholly-owned subsidiary of NWDS, and SYNWH, an indirect wholly-owned subsidiary of NWCL, entered into the Cooperation Agreement, pursuant to which Shenyang Trendy and SYNWH agreed to cooperate in the Cooperative Project.

## **THE COOPERATION AGREEMENT**

### **Date**

8 February 2013

### **Parties**

- (i) Shenyang Trendy; and
- (ii) SYNWH.

### **Subject matter**

Pursuant to the Cooperation Agreement, Shenyang Trendy and SYNWH agreed to cooperate in the Cooperative Project.

### **Conditionality**

The Cooperation Agreement shall be conditional on the passing of the resolution at the EGM by the Independent NWDS Shareholders to approve the Cooperation Agreement and the Cooperation.

### **Powers and duties of Shenyang Trendy and SYNWH**

Shenyang Trendy shall, in relation to the Cooperative Project, among others, cooperate with SYNWH to enable SYNWH to discharge its duties under the Cooperation Agreement, surrender the portion of the Building it owns for demolition, respond promptly to reasonable requests made by SYNWH for approvals, instructions, information or assistance, and make contribution as set out in the sub-paragraph headed "Cost contribution" below.

SYNWH shall, in relation to the Cooperative Project, among others, be responsible for project planning and supervision, cost budgeting management, material procurement and management, selection and appointment of sub-contractors, liaising and co-ordinating with the relevant parties, including but not limited to the relevant governmental authority, and submission of all necessary applications and obtaining all necessary approvals, licences and consents from the relevant governmental authority. It shall also prepare and provide a periodic report to Shenyang Trendy on the progress of the Cooperative Project.

SYNWH shall procure that the filing procedures of completion of construction works in respect of the New NWDS Property be completed and a valid certificate of compliance confirming completion of all construction works (建築工程竣工驗收備案表) in respect of the New NWDS Property be obtained on or before 31 December 2016.

SYNWH shall also procure that the building ownership right and the land use right of the New NWDS Property be duly transferred to Shenyang Trendy within a reasonably practicable period of time after the issue of certificate of compliance confirming completion of all construction works (建築工程竣工驗收備案表) in respect of the New NWDS Property.

## **Cost contribution**

Shenyang Trendy shall contribute a sum of RMB527,060,000 (subject to adjustment as set out in the sub-paragraph headed "Adjustment" below) and settle with SYNWH in the following manner unless otherwise agreed by both parties in writing:

- (a) RMB105,412,000, being 20% of the contribution, shall be paid within 10 business days after the Effective Date;
- (b) RMB105,412,000, being 20% of the contribution, shall be paid within 180 business days after the Effective Date;
- (c) RMB263,530,000, being 50% of the contribution, shall be paid within 10 business days of the signing of confirmation by Shenyang Trendy acknowledging the completion of the main structure (房屋主體結構封頂) of the New NWDS Property, such acknowledgement shall be made, or failing which, deemed to have been made, by Shenyang Trendy no later than 10 business days of the receipt of a confirmation from the supervising body of the New NWDS Property appointed by SYNWH regarding such completion; and
- (d) RMB52,706,000, being 10% of the contribution, shall be paid within 10 business days of the signing of confirmation on handover (房屋交接確認書) of the New NWDS Property by Shenyang Trendy and SYNWH confirming the delivery of the New NWDS Property which is up to the standard satisfactory to Shenyang Trendy after inspection and satisfaction of all conditions relating to the handover, such confirmation shall be made, or failing which, deemed to have been made, by Shenyang Trendy no later than 10 business days of the receipt of a notification given by SYNWH of the handover of the New NWDS Property with the issue of a valid certificate of compliance confirming completion of all construction works (建築工程竣工驗收備案表) in respect of the New NWDS Property by the relevant governmental authority.

The sum of RMB527,060,000 to be contributed by Shenyang Trendy represents approximately RMB20,000 per sq.m. with reference to the Estimated Area. The sum to be contributed by Shenyang Trendy and the adjustment mechanism set out in the sub-paragraph headed "Adjustment" below were determined after arm's length negotiations between Shenyang Trendy and SYNWH, taking into account of, among others, all of the related costs of demolition of upper ground level 1 to level 4 of the Building and design, construction and payment of any relevant land grant premium of the New NWDS Property.

## **Adjustment**

The contribution by Shenyang Trendy as set out above shall be adjusted, after the issue of the state-owned land use right certificate (國有土地使用權證) and the building ownership right certificate (房屋所有權證) of the New NWDS Property by the relevant governmental authority, in accordance with the increase or decrease (if any) of the Actual Area as compared with the Estimated Area at the rate of RMB20,000 per sq.m.

In the event that the Actual Area is larger than the Estimated Area, Shenyang Trendy shall pay the difference at the rate of RMB20,000 per sq.m. to SYNWH. In the event that the Estimated Area is larger than the Actual Area, SYNWH shall refund the difference at the rate of RMB20,000 per sq.m. to Shenyang Trendy. Such payment or refund shall be made within 10 business days after the issue of the state-owned land use right certificate (國有土地使用權證) and the building ownership right certificate (房屋所有權證) in respect of the New NWDS Property by the relevant governmental authority. The NWCL Directors and the NWDS Directors expect that there will not be a material difference between the Estimated Area and the Actual Area.

## **REASONS FOR AND BENEFITS OF THE COOPERATION**

According to the relevant PRC regulations and requirements of the local governmental authorities, the Property Project is to be carried out on a unified-planning basis, under which Shenyang Trendy and SYNWH will receive a compensation of RMB250,012,000 and RMB316,864,000, respectively, from the local governmental authority. SYNWH holds the necessary business licence to carry on property development works.

The NWDS Group has built its reputation in Shenyang through its operation of the Shenyang Store for over 17 years. The New NWDS Property will have a larger floor area of approximately 12,463 sq.m. than the existing Shenyang Store at the Building and the NWDS Directors intend to use the New NWDS Property as department store. With an enlarged floor area, the NWDS Group can provide full range of department store services to its customers in Shenyang. The NWDS Directors believe that the Cooperation will further enhance the business of the NWDS Group and enrich the revenue stream of the NWDS Group. The NWDS Directors (excluding the independent non-executive NWDS Directors who will provide their views after considering the opinion of the independent financial adviser) consider that the terms of the Cooperation Agreement are on normal commercial terms and are fair and reasonable and in the interests of the NWDS Group and the shareholders of NWDS as a whole.

The NWCL Group operated the New World Shenyang Hotel at the Building. The New World Shenyang Hotel has recently ceased operation in anticipation of the Property Project, which involves the redevelopment of the Land, the demolition of the Building and erection of the Redeveloped Building. The Redeveloped Building will have a total floor area of 97,371 sq.m., being the permitted area enlarged from the existing floor area of 35,058 sq.m. of the Building upon obtaining the approval of the said unified-planning. The Redeveloped Building, after deducting the portion attributable to the New NWDS Property, will provide a floor area of 71,018 sq.m. to be held and used by SYNWH as offices and carpark spaces for sale and for lease. The NWCL Directors believe that, in view of the said unified-planning requirement in respect of the redevelopment of the Land and the Building, the Cooperation will enable the smooth operation of the Property Project. Furthermore, as a result of the Cooperation, the floor area of the Redeveloped Building will be enlarged, which will further enhance the value of the Land.

The total cost contribution from Shenyang Trendy represents approximately RMB20,000 per sq.m. for the New NWDS Property which is comparable to the market price of the retail properties in the proximity of the Building and with reference to the gross development value of the New NWDS Property according to a valuation report prepared by an independent valuer. It is estimated that the NWCL Group will record an unaudited gain of approximately RMB79,000,000 arising from the Cooperation, being the net of the cost contribution from Shenyang Trendy and the expected direct cost of development of the New NWDS Property after taking into account of the relevant taxes to be incurred, including business tax, land appreciation tax and corporate income tax.

The NWCL Directors consider that the terms of the Cooperation Agreement are on normal commercial terms and are fair and reasonable and in the interests of the NWCL Group and the shareholders of NWCL as a whole.

## **INFORMATION OF SHENYANG TRENDY, THE NWDS GROUP, SYNWH and THE NWCL GROUP**

Shenyang Trendy is principally engaged in property investment in the PRC. The NWDS Group is principally engaged in the business of operating department stores in the PRC.

SYNWH is principally engaged in the property investment and development in the PRC. The NWCL Group is principally engaged in the business of property development, property investment, rental and hotel operation in the PRC.

### **LISTING RULES IMPLICATIONS**

Since NWDS and NWCL are both subsidiaries of NWD, each of NWDS and NWCL is a connected person of each other and the Cooperation constitutes a connected transaction of each of NWDS and NWCL under Chapter 14A of the Listing Rules.

As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Cooperation are more than 5% for NWDS and the amount to be contributed by Shenyang Trendy exceeds HK\$10,000,000, the Cooperation is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules for NWDS. In addition, based on the applicable percentage ratios, the Cooperation also constitutes a discloseable transaction for NWDS under Chapter 14 of the Listing Rules.

As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Cooperation are more than 0.1% but less than 5% for NWCL, the Cooperation is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under the Listing Rules for NWCL.

### **APPROVAL BY THE BOARD OF THE NWDS DIRECTORS**

None of the NWDS Directors has a material interest in the Cooperation. Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda are common directors of NWDS and NWCL. It was stated in the prospectus of NWDS dated 28 June 2007 that they will abstain from voting on the resolution(s) relating to transaction(s) between the NWDS Group and the NWCL Group. Accordingly, they have abstained from voting on the relevant board resolutions. Other than Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda, none of the NWDS Directors is required to abstain from voting on the relevant board resolutions.

### **APPROVAL BY THE BOARD OF THE NWCL DIRECTORS**

Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda are common directors of NWDS and NWCL. Ms. Ngan Man-ying, Lynda holds directorships in companies controlled by NWDS. None of the NWCL Directors has a material interest in the Cooperation, and accordingly, none of them is required to abstain from voting on the relevant board resolutions. Dr. Cheng Kar-shun, Henry and Ms. Ngan Man-ying, Lynda, who were present at the board meeting of NWCL approving the Cooperation Agreement, have voluntarily abstained from voting on the relevant board resolutions.

### **GENERAL**

NWDS will convene the EGM for the purpose of seeking approval from the Independent NWDS Shareholders on the Cooperation Agreement and the Cooperation. The Independent NWDS Board Committee has been established to consider the terms of the Cooperation Agreement and the Cooperation, and to advise the Independent NWDS Shareholders as to whether the Cooperation Agreement and the Cooperation are in the

interests of NWDS and the shareholders of NWDS as a whole. An independent financial adviser has been appointed to advise the Independent NWDS Board Committee and the Independent NWDS Shareholders in this regard.

A circular of NWDS containing, among others, further information on (i) the Cooperation Agreement and the Cooperation; (ii) a letter of recommendation from the Independent NWDS Board Committee to the Independent NWDS Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent NWDS Board Committee and the Independent NWDS Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the shareholders of NWDS on or before 6 March 2013.

## **DEFINITIONS**

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

“Actual Area”	the floor area stipulated in the building ownership right certificate (房屋所有權證) of the New NWDS Property to be issued by the relevant governmental authority
“associate”	has the meaning ascribed to it under the Listing Rules
“Building”	New World Shenyang Hotel located on the Land which was owned by SYNWH (as to lower ground level 3 to upper ground level 23, other than upper ground level 1 to level 4) and Shenyang Trendy (as to upper ground level 1 to level 4) and where the Shenyang Store is located
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cooperation”	cooperation of Shenyang Trendy and SYNWH in the Cooperative Project
“Cooperation Agreement”	the agreement in relation to the Cooperation entered into between Shenyang Trendy and SYNWH on 8 February 2013
“Cooperative Project”	certain parts of the Property Project involving the demolition of the Building and the erection of the Redeveloped Building that is or will be attributable to Shenyang Trendy
“Effective Date”	the date on which the Cooperation Agreement becomes unconditional pursuant to the terms thereof and as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “The Cooperation Agreement” in this announcement
“EGM”	an extraordinary general meeting of NWDS to be held to consider and, if thought fit, approve the Cooperation Agreement and the Cooperation
“Estimated Area”	the estimated floor area of the New NWDS Property of approximately 26,353 sq.m.

“HK\$”		Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”		The Hong Kong Special Administrative Region of the PRC
“Independent NWDS Board Committee”		an independent committee of the board of NWDS Directors, comprising all of the independent non-executive NWDS Directors
“Independent Shareholders”	NWDS	the shareholders of NWDS, other than NWD and its associates
“Land”		a parcel of land of approximately 7,847 sq.m. located at 2 Nanjingnan Street, Heping District, Shenyang, Liaoning Province, the PRC, which was owned by Shenyang Trendy (as to approximately 3,109 sq.m.) and SYNWH (as to approximately 4,738 sq.m.), on which the Building is located
“Listing Rules”		The Rules Governing the Listing of Securities on the Stock Exchange
“New NWDS Property”		lower ground level 1 to upper ground level 5 of the Redeveloped Building, which is expected to occupy a floor area of approximately 26,353 sq.m.
“NWCL”		New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and is a subsidiary of NWD
“NWCL Directors”		directors of NWCL
“NWCL Group”		NWCL and its subsidiaries from time to time
“NWD”		New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and is the holding company of NWDS and NWCL
“NWDS”		New World Department Store China Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and is a subsidiary of NWD
“NWDS Directors”		directors of NWDS
“NWDS Group”		NWDS and its subsidiaries from time to time
“PRC”		the People’s Republic of China

“Property Project”	the project to re-develop the Land, pursuant to which the Land is to be re-developed, the Building will be demolished and the Redeveloped Building will be erected on the Land
“Redeveloped Building”	the new building with a floor area of approximately 97,371 sq.m. to be erected on the Land
“RMB”	Renminbi, the lawful currency of the PRC
“Shenyang Store”	the Shenyang New World Department Store – Nanjing Street Branch Store operated by the NWDS Group, which is located on the upper ground level 1 to level 4 of the Building
“Shenyang Trendy”	瀋陽時尚物業有限公司 (Shenyang Trendy Property Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of NWDS
“sq.m.”	square metres
“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)
“SYNWH”	瀋陽新世界酒店有限公司 (Shenyang New World Hotel Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of NWCL
“%”	per cent.

By order of the board of  
**New World China Land Limited**  
**Ngan Man-ying, Lynda**  
*Company Secretary*

By order of the board of  
**New World Department Store China Limited**  
**Wu Yuk-kwai, Catherine**  
*Company Secretary*

Hong Kong, 8 February 2013

*As of the date of this announcement, the executive NWCL Directors are Dr. Cheng Kar-shun, Henry, Mr. Cheng Kar-shing, Peter, Mr. Cheng Chi-kong, Adrian, Ms. Cheng Chi-man, Sonia, Mr. Cheng Chi-him, Conrad, Mr. Fong Shing-kwong, Michael and Ms. Ngan Man-ying, Lynda; the non-executive NWCL Director is Mr. Doo Wai-hoi, William; and independent non-executive NWCL Directors are Dr. Cheng Wai-chee, Christopher, Hon. Tien Pei-chun, James, Mr. Lee Luen-wai, John and Mr. Ip Yuk-keung, Albert.*

*As of the date of this announcement, the non-executive NWDS Directors are Dr. Cheng Kar-shun, Henry, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda; the executive NWDS Directors are Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip and Mr. Wong Kwok-kan, Kenneth; and the independent non-executive NWDS Directors are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai.*