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CONTINUING CONNECTED TRANSACTIONS

Existing Master Services Agreement

The Company had been engaging members of the NWSH Group to provide Services to members of the Group under the NWSH Master Services Agreement. Since certain subsidiaries of NWSH will cease to be members of the NWSH Group and become members of Services Group after completion of the Group B Disposal, the Company therefore entered into the Existing Master Services Agreement on 16 May 2011 with Mr. Doo in relation to the provision of Services by the relevant members of the Services Group to the relevant members of the Group for the Stores in accordance with the terms of the Existing Master Services Agreement and the particular terms and conditions of the relevant Existing Services Agreements.

Listing Rules Implications

Since Mr. Doo is an associate of certain Directors and hence a connected person of the Company under the Listing Rules, the entering into of the Existing Master Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Annual Caps under the Existing Master Services Agreement is more than 0.1% but less than 5%, the Existing Master Services Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the independent Shareholder's approval under Chapter 14A of the Listing Rules.

BACKGROUND

The Company had been engaging members of the NWSH Group to provide Services to members of the Group under the NWSH Master Services Agreement. Since certain subsidiaries of NWSH will cease to be members of the NWSH Group and become members of Services Group after completion of the Group B Disposal, the Company therefore entered into the Existing Master Services Agreement on 16 May 2011 with Mr. Doo in relation to the provision of Services by the relevant members of the Services Group to the relevant members of the Group for the Stores in accordance with the terms of the Existing Master Services Agreement and the particular terms and conditions of the relevant Existing Services Agreements.

EXISTING MASTER SERVICES AGREEMENT

On 16 May 2011, the Company entered into an Existing Master Services Agreement with Mr. Doo under the following principal terms and conditions:

- Parties: (1) the Company
(2) Mr. Doo

- Condition precedent: The Existing Master Services Agreement is conditional upon completion of the Group B Disposal.

- Duration: Subject to the satisfaction of the condition precedent mentioned above, the Existing Master Services Agreement shall be for a term of three years immediately after the date of completion of the Group B Disposal.

- Nature of transactions: Provision of Services by members of the Services Group to members of the Group.

- Pricing basis: the service fee with respect to the provision of Services by member(s) of the Services Group to member(s) of the Group were determined on a case-by-case basis and in compliance with the applicable laws and regulations, on arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by the Services Group to independent third parties.

Provision of Services

The Services under the Existing Master Services Agreement include the following services:

1. maintenance services, including routine maintenance check, non-routine maintenance, ad-hoc maintenance support;
2. electrical and mechanical services repair including those works of new department stores;
3. electrical and mechanical renovation services including supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing, drainage systems and low voltage system;
4. renovation maintenance including lift repair and maintenance services;
5. electrical and mechanical services design including electrical systems and system design and consultancy; and
6. new department stores electrical and mechanical works including computer aided drafting services.

Other Material Terms:

1. Mr. Doo agrees to, and to procure members of the Services Group to, provide the Services to members of the Group in accordance with the terms of the Existing Master Services Agreement and the particular terms and conditions of the relevant Existing Services Agreement.
2. The parties agree that the appointment of the relevant members of the Services Group by the Group to provide the Services under the Existing Master Services Agreement and the Existing Services Agreements is on a non-exclusive basis and shall be subject to the relevant laws, rules and regulations.
3. Mr. Doo confirms and undertakes that the fee payable in respect of each of the Services under the Existing Services Agreement provided by any member of the Services Group during the term of Existing Master Services Agreement shall be determined by the parties thereto in accordance with the terms of the relevant Existing Services Agreements in the ordinary course of business and shall be negotiated on arm's length basis and on normal commercial terms or at prices and terms no less favourable to the Company than terms available from independent third parties of the Group.

The parties agree that any new services agreements to be entered into between members of the Group and members of the Services Group after completion of the Group B Disposal in respect of the provision of the Services shall be governed by the New Master Services Agreement.

HISTORICAL AGGREGATE TRANSACTION VALUES

The aggregate transaction values in respect of the provision of Services by members of the Services Group to members of the Group for the financial years ended 30 June 2009, 2010 and the six months ended 31 December 2010 were as follows:

Category	Aggregate transaction values		
	Financial year ended 30/06/2009 (RMB million)	Financial year ended 30/06/2010 (RMB million)	six months ended 31/12/2010 (RMB million)
Provision of Services to members of the Group by members of the Services Group which belongs to the NWSH Group prior to the completion of the Group B Disposal	36.68	79.90	39.11

MAXIMUM AGGREGATE ANNUAL VALUES

The Company expects that the Annual Caps in respect of the provision of Services contemplated under the Existing Master Services Agreement will be as follows:

Category	Annual Cap for each of the financial years ending 30 June		
	2012 (RMB million)	2013 (RMB million)	2014 (RMB million)
Provision of Services by members of the Services Group to members of the Group	30	20	20

The above-mentioned projected figures are determined basing on the service fee and the outstanding contract sum payable by the Group under the Existing Services Agreement during the term of the Existing Master Services Agreement.

The Directors (including the independent non-executive Directors) consider that the Annual Caps as stated above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE EXISTING MASTER SERVICES AGREEMENT

In anticipation of the change of ownership of certain companies providing the Services to the Group following the Group B Disposal, it is necessary to enter into the Existing Master Services Agreement with Mr. Doo to streamline and regulate the continuing connected transactions between the Services Group and the Group arising from the Existing Services Agreements which will be subsisting, but not yet completed, on the date of completion of the Group B Disposal.

The Existing Master Services Agreement will be able to cover the continuing connected transactions pursuant to the Existing Services Agreements entered into between members of the Group and members of the Services Group. It is intended to provide a single basis on which the Company will comply with the reporting, announcement and annual review requirements in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution of the Existing Services Agreements in respect of the provision of the Services.

The Directors (including the independent non-executive Directors) consider that the terms of the Existing Master Services Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole, and that it is beneficial to the Company to enter into the Existing Master Services Agreement.

INFORMATION REGARDING MR. DOO, THE SERVICES GROUP AND THE GROUP

Mr. Doo

Mr. Doo is an associate of certain Directors, i.e., Mr. Doo is the brother-in-law of Dr. Cheng Kar-shun, Henry and the uncle of Mr. Cheng Chi-kong, Adrian.

The Services Group

The Services Group is principally engaged in the provision of services including laundry and landscaping, security and guarding, trading of building materials, insurance brokerage and property management as at the date of this announcement. Following completion of the Group B Disposal, the businesses of the enlarged Services Group will be further expanded to include the provision of cleaning and electrical and mechanical engineering services.

The Group

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

APPROVAL BY THE BOARD

Mr. Doo is an associate of Dr. Cheng Kar-shun, Henry and Mr. Cheng Chi-kong, Adrian. Both of Dr. Cheng Kar-shun, Henry and Mr. Cheng Chi-kong Adrian are Directors and Dr. Cheng Kar-shun, Henry holds directorships in certain companies controlled by the Company. None of the Directors has a material interest in the transactions contemplated under the Existing Master Services Agreement. Dr. Cheng Kar-shun, Henry and Mr. Cheng Chi-kong Adrian have voluntarily abstained from voting on the relevant board resolutions to approve the Existing Master Services Agreement.

LISTING RULES IMPLICATIONS

Since Mr. Doo is an associate of certain Directors and hence a connected person of the Company under the Listing Rules, the entering into of the Existing Master Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Annual Caps under the Existing Master Services Agreement is more than 0.1% but less than 5%, the Existing Master Services Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the independent Shareholder's approval under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the meanings set out in this announcement:

“Annual Caps”	the annual cap amounts in respect of the continuing connected transactions under the Existing Master Services Agreement for each of the financial years ending 30 June 2012, 2013 and 2014, the particulars of which are set out in the section titled “MAXIMUM AGGREGATE ANNUAL VALUES” in this announcement
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of NWSH dated 2 July 2010 in respect of the management buyout of certain subsidiaries of NWSH, details of which were set out in the joint announcement of NWD and NWSH dated 11 June 2010
“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 main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Services Agreement”	an agreement entered into between the Company and Mr. Doo dated 16 May 2011 in relation to the provision of the Services to the Group for the Stores by members of the Services Group under the Existing Services Agreements
“Existing Services Agreements”	the individual agreements in respect of the provision of any of the Services entered into between a member of the Services Group and a member of the Group pursuant to the NWSH Master Agreement and which subsist on the date of the completion of the Group B Disposal
“Group”	the Company and/or its subsidiaries from time to time
“Group B Disposal”	has the meaning ascribed to it under the Circular
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Doo”	Mr. Doo Wai-hoi, William, an associate of certain Directors, the details of which are set out in the section headed “INFORMATION REGARDING MR. DOO, THE SERVICES GROUP AND THE GROUP” in this announcement
“New Master Services Agreement”	the master services agreement to be entered into between Mr. Doo and the Company after completion of the Group B Disposal in relation to the provision of the Services
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange and which holds an approximately 72.29% attributable interest in the Company as at the date of this announcement
“NWSH”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange and beneficially owned as to approximately 59.14% by NWD as at the date of this announcement
“NWSH Group”	NWSH and/or its associates from time to time
“NWSH Master Agreement”	the agreement entered into between NWSH and the Company dated 22 May 2009 in respect of the provision of certain ongoing services by the NWSH Group to the Group which was approved by the independent Shareholders at an extraordinary general meeting of the Company duly held on 29 June 2009, details of which were set out in the joint announcement of the Company and NWD dated 22 May 2009 and in the circular of the Company dated 10 June 2009
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the services to be provided by the Services Group to the Group from time to time under the Existing Master Services Agreement (the initial scope of which is set out in the section headed “PROVISION OF SERVICES” of this announcement) and such other types of services as the parties hereto may agree from time to time in writing

“Services Group”	Mr. Doo and any company in the equity capital of which Mr. Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as from time to time may be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary
“Share(s)”	the ordinary share(s) in the issued share capital of the Company with a par value of HK\$0.10 each
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stores”	the department stores owned and operated by the Group from time to time
“subsidiary(ies)”	any entity which falls within the definition of “subsidiary” under the Listing Rules or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time
“%”	per cent

By order of the Board
Wu Yuk-kwai, Catherine
Company Secretary

Hong Kong, 16 May 2011

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.