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## **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF A COMPANY HOLDING INTEREST IN A PROPERTY IN SHANGHAI, THE PRC**

On 21 September 2011, the Sellers and the Buyer entered into the Agreement pursuant to which the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase the Sale Shares from the Sellers for an aggregate gross consideration of RMB1,460,000,000 (equivalent to approximately HK\$1,782,031,000) (subject to the deductions and adjustments), on and subject to the terms and conditions of the Agreement.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements under the Listing Rules.

As the Company is a subsidiary of NWD and one of the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but is less than 25%, the Acquisition also constitutes a discloseable transaction for NWD under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements under the Listing Rules.

On 21 September 2011, the Sellers and the Buyer entered into the Agreement pursuant to which the Sellers have conditionally agreed to sell and the Buyer has conditionally agreed to purchase the Sale Shares from the Sellers for an aggregate gross consideration of RMB1,460,000,000 (equivalent to approximately HK\$1,782,031,000) (subject to the deductions and adjustments as set out in the section headed “The Consideration” in this announcement below), on and subject to the terms and conditions of the Agreement.

#### **THE AGREEMENT**

##### **Date**

21 September 2011

##### **The parties**

- (a) BRE/Changshou S.à r.l. and Daily Right Limited as sellers
- (b) Skybird International Limited, a wholly-owned subsidiary of the Company, as buyer

To the best of the knowledge, information and belief of the Directors and the NWD Directors having made all reasonable enquiries, the Sellers and their ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

### **Assets to be acquired**

Pursuant to the Agreement, the Buyer shall acquire from the Sellers the Sale Shares representing 100% of the issued share capital of Moral High, of which 95% of the issued share capital of Moral High shall be acquired from BRE and 5% of the issued share capital of Moral High shall be acquired from Daily Right.

Moral High is a company incorporated in Samoa with limited liability on 15 November 2005. Moral High has no material assets other than its wholly-owned subsidiary Peak and the principal activity of Moral High is the holding of 100% interest in Peak.

As at 31 March 2011, the unaudited net asset value of Moral High was HK\$310,534,228; the unaudited net losses before and after taxation and extraordinary items of Moral High for the year ended 31 March 2010 were HK\$60,315 and HK\$60,594 respectively; and the unaudited net losses before and after taxation and extraordinary items of Moral High for the year ended 31 March 2011 were HK\$123,416 and HK\$123,674 respectively.

Peak is a limited liability company established in the PRC on 25 July 2006 and is a wholly-owned subsidiary of Moral High. The registered capital of Peak is US\$40,000,000 (equivalent to approximately HK\$312,000,000) and such registered capital has been fully paid up. The principal activity of Peak is the holding of the Property and the operation of a retail business at the same location. The Property consists of a completed retail development with a gross floor area of approximately 42,000 square metres known as “Channel 1 調頻壹” located at 155 Changshou Road, Putuo District, Shanghai, the PRC. The retail business currently in operation commenced operation in May 2009. Prior to 31 December 2010, significant operating costs were incurred for the development of retail business.

As at 31 December 2010, the audited net liability value of Peak was RMB768,037 (equivalent to approximately HK\$937,000); the audited net losses before and after taxation and extraordinary items of Peak for the year ended 31 December 2009 during which Peak commenced its operation was RMB251,920,055 (equivalent to approximately HK\$307,486,000); and the audited net losses before and after taxation and extraordinary items of Peak for the year ended 31 December 2010 was RMB46,712,081 (equivalent to approximately HK\$57,015,000).

### **The Consideration**

The aggregate gross consideration for the Sale Shares is RMB1,460,000,000 (equivalent to approximately HK\$1,782,031,000) (subject to the deductions and adjustments as set out below) and is payable by the Buyer to the Sellers as follows:

- (a) the Buyer had prior to the signing of the Agreement deposited HK\$50,000,000 with the Stakeholder and shall within 5 business days from the date of the Agreement deposit with the Stakeholder an additional HK\$50,000,000, and such aggregate sum of HK\$100,000,000 together with interests, if any (the “Deposit”) shall be held in escrow in accordance with the terms of the Stakeholder Agreement and be released by the Stakeholder to the Sellers at Completion in accordance with the terms of the Stakeholder Agreement;

- (b) an amount calculated pursuant to the following formula shall be paid by the Buyer to BRE at Completion:

(the HK\$ Equivalent of:  $C - R - D$ )

Where, (i) "C" is 95% of the amount equal to the gross consideration of RMB1,460,000,000 less the Bank Loan Assumption Amount of RMB580,000,000 and less the Adjustment Amount, (ii) "R" is the sum of RMB1,200,000 (the "**Retention Amount**"), and (iii) "D" is 95% of the Deposit; and

- (c) an amount calculated pursuant to the following formula shall be paid by the Buyer to Daily Right at Completion:

the HK\$ Equivalent of  $C - D$

where, (i) "C" is 5% of the amount equal to the gross consideration of RMB1,460,000,000 less the Bank Loan Assumption Amount of RMB580,000,000 and less the Adjustment Amount, and (ii) "D" is 5% of the Deposit; and

- (d) the Retention Amount, after deducting therefrom all Employee Payments and Termination Losses, shall be paid in its HK\$ Equivalent by the Buyer to BRE on the date of expiration of the term (including any extended term of up to 6 months from the Completion Date) of the Insite Management Agreement.

If the amount of the aggregate Net Liabilities of Moral High and Peak as shown in the Completion Accounts is greater than the Adjustment Amount, then the Sellers shall within 7 business days from the delivery of such accounts refund to the Buyer (apportioned between BRE and Daily Right as to 95% and 5% respectively) an amount equal to such excess in its HK\$ Equivalent; and if the amount of the aggregate Net Liabilities of Moral High and Peak as shown in the Completion Accounts is less than the Adjustment Amount, then the Buyer shall within 7 business days from the delivery of such accounts pay to the Sellers (apportioned between BRE and Daily Right as to 95% and 5% respectively) an amount equal to such shortfall in its HK\$ Equivalent.

If the Agreement is terminated by the Sellers due to the default of the Buyer, the Deposit shall be forfeited and paid to the Sellers (as to 95% to BRE and 5% to Daily Right) and if the Agreement is terminated by the Buyer due to the default of the Sellers, the Deposit shall be refunded to the Buyer.

The Consideration was arrived at after arm's length negotiations between the Sellers and the Buyer after taking into account of the market price of other properties in the vicinity of the Property, economic factors and the potential of the Property.

### **Conditions**

Completion is subject to the satisfaction (or waiver by the Buyer) of the following conditions (the "**Conditions**") on or prior to the Completion Date:

- (a) each of the representations, warranties and covenants made by Sellers in the Agreement shall be true and correct in all material respects when made and on and as of the Completion Date;

- (b) the Sellers shall have performed or complied in all respects with each obligation and covenant required by the Agreement to be performed or complied with by the Sellers on or before the Completion Date;
- (c) no order or injunction of any court or administrative agency of competent jurisdiction nor any statute, rule, regulation or executive order promulgated by any governmental authority of competent jurisdiction shall be in effect as of the Completion Date which restrains or prohibits the transfer of the applicable assets or the consummation of any other transaction contemplated under the Agreement and all governmental consents related to the transaction shall have been obtained;
- (d) no Material Adverse Change shall have occurred since the date of the Agreement which would affect the Property or the prospects, condition, operation or business thereof or in the assets, business, operation, financial condition or prospects of Peak or Moral High;
- (e) no action, suit or other proceeding shall be pending (save for those listed in the Agreement) which shall have been brought by any person or entity (other than the parties to the Agreement and their affiliates) (i) to restrain, prohibit or change in any material respect the purchase and sale of the applicable assets or the consummation of any other transaction contemplated under the Agreement or (ii) seeking material damages with respect to such purchase and sale or any other transaction contemplated under the Agreement;
- (f) the Sellers shall have delivered, and the Buyer shall have received, all of the documents required to be delivered by the Sellers under the Agreement;
- (g) Completion shall not trigger any obligation to repay, additional liabilities, or change in terms under the ICBC Loan;
- (h) save for those listed in the Agreement, all licenses and permits concerning the Property shall have been obtained;
- (i) all intercompany balances and loans between Moral High, Peak and the Sellers and their respective affiliates shall have been settled and all documents and agreements related thereto or in connection therewith shall have been terminated, in each case with no further obligation or liability to Moral High and/or Peak;
- (j) all registration procedures, approvals and/or consents required by government, laws, rules and regulations and contracts in respect of and/or in connection with the transactions contemplated under the Agreement having been completed and/or obtained.
- (k) Peak shall terminate Insite's appointment as asset manager pursuant to the asset management agreement dated 5 November 2008 entered into between Peak and Insite with effect from the Completion Date;
- (l) all transfer procedures relating to the transfer by Insite to Peak of all intellectual property rights relating to “调•频•壹” shall have been submitted and Insite and Peak shall have entered into a license agreement in relation to the exclusive use of the “调•频•壹” trademark until the earlier of (i) the last day of the registration term of the “调•频•壹” trademark (including any extended registration terms) or (ii) the date the transfer of the “调•频•壹” trademark from Insite to Peak is duly completed, for no consideration; and
- (m) Daily Right having obtained the approval of the Agreement and the transactions contemplated thereunder by the shareholders of VXL Capital Limited, its ultimate parent.

The Buyer may in its absolute discretion at any time waive in writing any one or more of the Conditions and such waiver may be made subject to such terms and conditions as may be determined by the Buyer. In the event that not all the Conditions have been fulfilled or waived by the Buyer by no later than 9:00 a.m. (Hong Kong time) on the Completion Date, the Agreement shall lapse and be of no further effect and no party to the Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches of the Agreement and the Deposit shall be released to the Buyer by the Stakeholder in accordance with the terms of the Stakeholder Agreement.

### **Completion**

Subject to and conditional upon fulfillment or waiver by the Buyer of all the Conditions, Completion shall take place on the Completion Date.

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

The Group is principally engaged in the operation of department stores in the PRC. The Directors and the NWD Directors believes that the Acquisition will further enhance the Company's influence in the Shanghai market. The Directors and the NWD Directors also believes that the Acquisition will provide an opportunity for the Company to increase its interests in department store business in the eastern part of the PRC. The Directors and the NWD Directors do not expect the Acquisition will have any material impact on the Group's asset and liabilities upon completion of the Acquisition. The Directors and the NWD Directors believe that the earnings of the Group will be enhanced.

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

The NWD Directors also consider that the terms of the Acquisition and the Agreement are fair and reasonable and on normal commercial terms and that the Acquisition is in the interests of the NWD Group and the shareholders of NWD as a whole.

### **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements under the Listing Rules.

As the Company is a subsidiary of NWD and one of the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but is less than 25%, the Acquisition also constitutes a discloseable transaction for NWD under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements under the Listing Rules.

## **GENERAL INFORMATION**

The principal activity of the Buyer is investment holding and the principal activity of the Group is the operation of department stores in the PRC.

The principal activities of the NWD Group include property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology.

So far as the Company is aware, BRE is principally engaged in the business of investment holding and Daily Right is principally engaged in the business of investment holding.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares by the Buyer from the Sellers pursuant to the terms and conditions of the Agreement
“Adjustment Amount”	the Net Liabilities of Peak based on its 31 July 2011 management accounts plus the Net Liabilities of Moral High based on its 31 July 2011 management accounts
“Agreement”	the conditional agreement of purchase and sale dated 21 September 2011 entered into between the Sellers and the Buyer in relation to the sale and purchase of the Sale Shares
“Bank Loan Assumption Amount”	an amount in Hong Kong dollars based on the HK\$ Equivalent of 100% of the aggregate outstanding principal balance of the ICBC Loan as at Completion, which will be RMB580,000,000
“BRE”	BRE/Changshou S.à r.l., a company incorporated in the Grand Duchy of Luxembourg with limited liability
“Buyer”	Skybird International Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
“Company”	New World Department Store China Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Agreement
“Completion Accounts”	the management accounts of Moral High as at the Completion Date and the management accounts of Peak as at the Completion Date, both as reviewed by Deloitte Touche Tohmatsu and agreed to by the Buyer, or failing agreement by the Buyer, such accounts of Moral High and Peak as at the Completion Date as reviewed by the Independent Accountants

“Completion Date”	the date when Completion shall take place, being a date to be notified by the Buyer to the Sellers in writing at least 5 Business Days in advance, which shall be a date which is no later than the 60th day from the date of this Agreement, or such later date as may be agreed by the Buyer and the Sellers in writing
“Conditions”	the conditions precedent to Completion, the particulars of which are set out in the section headed “Conditions” in this announcement
“Consideration”	the aggregate consideration for the Sale Shares payable by the Buyer to the Sellers pursuant to the terms and conditions of the Agreement
“Daily Right”	Daily Right Limited, a company incorporated in Samoa with limited liability
“Directors”	the directors of the Company
“Doubtful Collections”	the accounts receivables of Peak that are unlikely to be collected as referred to in the Agreement
“Employee Payments”	any compensation or other amounts paid by the Buyer or any of its affiliates to Insite in connection with the employment of the Insite Employees by the Buyer or its affiliates after Completion
“Group”	the Company and/or its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK\$ Equivalent”	in respect of an amount in RMB, the Hong Kong dollar equivalent of such RMB amount determined with reference to the mid-point of the exchange rate of HK\$1 to RMB as published by the People’s Bank of China ( <a href="http://www.pbc.gov.cn">http://www.pbc.gov.cn</a> ) on the date which is 5 Business Days before the Completion Date
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC Loan”	the loan advanced by the Industrial and Commercial Bank of China Limited to Peak
“Independent Accountants”	KPMG or Ernst & Young
“Insite”	盈石企業管理 上海 有限公司 (Insite Asset Management (Shanghai) Company Limited), a limited liability company established in the PRC currently engaged by Peak to manage the Property

“Insite Employees”	existing employees of Insite to be employed by the Buyer or its affiliates to manage the Property after Completion
“Insite Management Agreement”	a management agreement to be entered into between the Buyer or any of its affiliates with Insite prior to Completion pursuant to which, inter alia, Insite shall (i) provide asset management services to the Buyer with respect to the Property for a period of 3 months from the Completion Date, with an option for the Buyer or any of its affiliates to extend such period for an additional 3 months, (ii) provide such asset management services at the monthly fee of not exceeding RMB237,500, and (iii) provide such asset management services during the term of the management agreement (including any extended term) using a team of staff with materially same title, status and position and not less than the number as the team of staff currently providing asset management services to Peak
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Material Adverse Change (or Effect)”	any change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of the Moral High Group
“Moral High”	Moral High Limited, a company incorporated in Samoa with limited liability, of which 95% of its issued share capital is owned by BRE/Changshou and the remaining 5% of its issued share capital is owned by Daily Right
“Moral High Group”	Moral High and Peak
“Net Liabilities”	the aggregate of all assets and liabilities excluding fixed assets, fixed assets under construction in progress, intangible assets, third party loan and financial assets on shares in affiliated undertakings, where (i) the term “assets” shall include cash or cash equivalents (including restricted cash), account receivables (adjusted for Doubtful Collections), notes and other receivables, advances to suppliers and prepaid expenses and (ii) the term “liabilities” shall include accounts payable, trade creditors, advances from customers, taxes payable, other payable (including government), accrued expenses and social security debts
“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
“NWD Directors”	the directors of NWD
“NWD Group”	NWD and/or its subsidiaries from time to time



“Peak”	峻領德高商業發展 上海 有限公司 (Peak Moral High Commercial Development (Shanghai) Company Limited), a limited liability company established in the PRC, which is a wholly-owned subsidiary of Moral High
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	the property known as “Channel 1 調頻壹” located at 155 Changshou Road, Putuo District, Shanghai, the PRC
“Sale Shares”	26,330,100 shares of US\$1 each in Moral High, representing the entire issued share capital of Moral High
“Sellers”	BRE and Daily Right
“Stakeholder”	Woo, Kwan, Lee & Lo
“Stakeholder Agreement”	the stakeholder agreement dated 21 September 2011 entered into between the Buyer, the Sellers and the Stakeholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Losses”	losses which the Buyer, Moral High and/or Peak may incur as a result of the failure by Insite to pay all relevant salaries, wages, compensation and other amounts which the Insite Employees are entitled in connection with the termination of their employment with Insite in accordance with the applicable employment legislation and the relevant employment contracts with the Insite Employees
“US\$”	United States dollar, the lawful currency of United States of America
“%”	per cent.

By order of the board of directors  
**New World Development Company  
Limited**  
**Wong Man Hoi**  
*Company Secretary*

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

Hong Kong, 21 September 2011

*As at the date of this announcement, (a) the executive NWD Directors are Dato' Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Dr. Sin Wai Kin, David, Mr. Liang Chong Hou, David, Mr. Cheng Chi Kong, Adrian and Mr. Cheng Chi Heng; (b) the non-executive NWD Directors are Mr. Cheng Kar Shing, Peter, Mr. Leung Chi Kin, Stewart, Mr. Chow Kwai Cheung, Mr. Liang Cheung Bui, Thomas and Ms. Ki Man Fung, Leonie; and (c) the independent non-executive NWD Directors are Mr. Yeung Ping Leung, Howard, Dr. Cha Mou Sing, Payson (alternate director to Dr. Cha Mou Sing, Payson: Mr. Cha Mou Zing, Victor), Mr. Ho Hau Hay, Hamilton and Mr. Lee Luen Wai, John.*

*As at the date of this announcement, (a) the non-executive Directors are Dr. Cheng Kar Shun, Henry and Mr. Au Tak Cheong; (b) 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 (c) 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.*

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

*In this announcement, RMB has been converted to HK\$ at the approximate rate of RMB0.81929 = HK\$1 and US\$ has been converted to HK\$ at the rate of US\$1 = HK\$7.8 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*