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DISCLOSEABLE TRANSACTION

AGREEMENT FOR ACQUISITION

Reference is made to the Announcement dated 2 April 2013 in relation to the proposed acquisition by NWDSI, an indirect wholly-owned subsidiary of the Company, of the entire equity interest in the Target which owns and operates Hongxin Trendy Plaza in Shanghai, the PRC. The Company wishes to announce that on 27 May 2013, NWDSI and the Vendors entered into the Agreement in relation to the Acquisition.

As more than one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% and all of the percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the Announcement dated 2 April 2013 in relation to the proposed acquisition by NWDSI, an indirect wholly-owned subsidiary of the Company, of the entire equity interest in the Target which owns and operates Hongxin Trendy Plaza in Shanghai, the PRC. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company wishes to announce that on 27 May 2013, NWDSI and the Vendors entered into the Agreement in relation to the Acquisition.

THE AGREEMENT

Date

27 May 2013

Parties

- (a) NWDSI
- (b) Hongshan; and
- (c) Dahu

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

The subject matter

Under the Agreement, it is agreed that NWDSI will acquire the entire equity interest in the Target from the Vendors.

Conditionality

The Completion is subject to Dahu's compliance with the relevant listing rules of the Shanghai Stock Exchange, the Company's compliance with the Listing Rules and the Company's controlling shareholder, New World Development Company Limited's compliance with the Listing Rules.

Vendors' obligations

Under the Agreement, the Vendors shall, among other matters,

- (a) ensure that the Target will enter into the Supplementary Agreement;
- (b) ensure that the pledge of Hongxin Trendy Plaza shall be released;

- (c) ensure that Hongxin Trendy Plaza is pledged to NWDSI upon the release of existing pledge, procure the registration of such pledge and provide the Pledge Documents to NWDSI;
- (d) ensure that the Target has terminated all employment contracts with all of its employees and settled all relevant insurance payment, housing funds and other compensation prior to Completion;
- (e) ensure that all rent prepaid by and deposits received from the tenants of Hongxin Trendy Plaza prior to Completion are with the Target upon Completion;
- (f) ensure that all balances due to and due from the Target are settled prior to Completion;
- (g) ensure that the management contract entered into between the Target and Hongxin Management is terminated prior to Completion;
- (h) ensure that a tri-party contract in relation to the change of property manager is entered into among the tenants of Hongxin Trendy Plaza, Hongxin Management and the Target prior to Completion;
- (i) ensure that the management fees prepaid by the tenants of Hongxin Trendy Plaza are transferred from Hongxin Management to the Target upon Completion;
- (j) handover Hongxin Trendy Plaza, all fixed assets and other ancillary facilities and all documents owned by the Target to NWDSI, and assist NWDSI to change the bank signatories and other permits of the Target within 14 working days after Completion;
- (k) provide the Completion Accounts to NWDSI within 10 working days after Completion;
and
- (l) provide Tax Indemnity to the Target and NWDSI.

Consideration

The Consideration, subject to adjustment set out in the paragraph headed “Adjustment” below, is RMB710,000,000, which is the difference between RMB1,250,000,000 and the principal amount of the Loan. The Consideration will be financed by the Group’s internal resources.

The Consideration shall be settled by NWDSI in the following manner:

- (a) RMB355,000,000, being 50% of the Consideration, shall be paid within seven working days after the Effective Date, provided that, among others matters, the Vendors have provided all relevant documents required for the registration of the Acquisition with the relevant PRC authorities, have executed the Indemnity Documents, and the Pledge Documents and the Supplementary Agreement have been executed. The Deposit of RMB50,000,000 deposited by NWDSI into the Co-managed Accounts pursuant to the LOI shall be applied towards satisfying this part of the Consideration;
- (b) RMB106,500,000, being 15% of the Consideration, shall be paid within seven working days after the date on which the Vendors fulfilled their obligations, among other matters, under sub-paragraphs (b) and (c) of the paragraph headed “Vendors’ obligations” above;
- (c) RMB177,500,000, being 25% of the Consideration, shall be paid within seven working days from the date on which the Vendors fulfilled their obligations, among other matters, under sub-paragraphs (d) to (i) of the paragraph headed “Vendors’ obligations” above but all prior to or upon Completion, provided that the equity transfer of the Target has been effected, the new business licence of the Target has been granted by the PRC authorities and received by NWDSI, and the chops and stamps of the Target have been delivered to NWDSI; and
- (d) RMB71,000,000, being 10% of the Consideration, shall be paid within seven working days after the date on which the Vendors fulfilled their obligations, among other matters, under sub-paragraphs (j) and (k) of the paragraph headed “Vendors’ obligations” above. This part of Consideration shall be adjusted in accordance with the paragraph headed “Adjustment” below.

Adjustment

The Consideration as set out above shall be adjusted, after the issue of the Completion Accounts, in accordance with the Adjustment Amount. In the event that the Adjustment Amount is positive, NWDSI shall pay to the Vendors an additional amount equivalent to the Adjustment Amount. In the event that the Adjustment Amount is negative, NWDSI shall deduct an amount equivalent to the Adjustment Amount from the last instalment of the Consideration to be paid.

Such adjustment shall be settled in the last instalment of the Consideration.

The Consideration (including its adjustment) was arrived at after arm's length negotiations between the Vendors and NWDSI after taking into account the development potential of Hongxin Trendy Plaza and the market price for premises similar to Hongxin Trendy Plaza.

Completion

Pursuant to the Agreement, Completion shall take place on the date on which the entire equity transfer of the Target from the Vendors to NWDSI has been effected and the new business licence of the Target has been granted by the PRC authorities and received by NWDSI, which is expected to be on 30 August 2013.

INFORMATION OF THE TARGET

As of the date of this announcement, the Target is owned as to 51.08% by Hongshan and as to 48.92% by Dahu.

The Target owns and operates Hongxin Trendy Plaza in Shanghai, the PRC. Hongxin Trendy Plaza has a floor area of approximately 43,000 square metres. It is a complex comprising department store, restaurants and entertainment facilities. According to a valuation report prepared by an independent valuer, the market value of Hongxin Trendy Plaza was not less than RMB1.25 billion. Such market value was valued by making reference to the comparable transactions available in the market.

According to the audited accounts of the Target provided by the Vendors, the net asset value of the Target as of 31 December 2012 was approximately RMB114,392,000. The Target's net profits before and after taxation for the year ended 31 December 2011 were approximately RMB448,000; and those for the year ended 31 December 2012 were approximately RMB7,204,000.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

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

To the best knowledge of the Directors, Hongshan is principally engaged in the business of investment holding and Dahu is principally engaged in the business of freshwater fish breeding and sales.

The Group is deploying the expansion strategy of "multiple presences in a single city" to achieve greater market shares and enjoy cost-effectiveness. Shanghai is a core city which the

“Completion Accounts”	the audited accounts of the Target as at the date of Completion agreed by NWDSI and the Vendors
“Consideration”	the consideration for the acquisition of the entire equity interest in the Target under the Agreement, being RMB710,000,000 (subject to adjustment as set out in the paragraph headed “Adjustment” in this announcement)
“Effective Date”	the effective date of the Agreement, being the date on which the Acquisition is approved by the shareholders of Dahu in accordance with the relevant listing rules of the Shanghai Stock Exchange
“Hongxin Management”	上海泓鑫商業經營管理有限公司 (Shanghai Hongxin Operation Management Company Limited, being its unofficial English translation), a company established in the PRC, being the existing property manager of Hongxin Trendy Plaza
“Indemnity Documents”	the guarantee documents entered into between the Vendors and NWDSI in relation to the Tax Indemnity
“Loan”	a loan in the principal amount of RMB540,000,000 owed by the Target to Ping An bank as at the date of the Agreement, which shall be settled by NWDSI
“Pledge Documents”	the pledge documents to be entered into by the Target and NWDSI in respect of the pledge of Hongxin Trendy Plaza to NWDSI as set out in the sub-paragraph (c) of the paragraph headed “Vendors’ obligations” in this announcement

“Supplementary Agreement” the supplementary agreement to be entered into by the Target and Ping An bank providing for early repayment of the Loan prior to its maturity

“Tax Indemnity” the joint and several tax indemnity provided by the Vendors to the Target and NWDSI for any loss arising from the tax exposure specified in the Agreement for five years from the date of Completion

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

Hong Kong, 27 May 2013

As at the date of this announcement, the non-executive Directors are Dr. Cheng Kar-shun, Henry, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda; the executive Directors are Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip and Mr. Wong Kwok-kan, Kenneth; 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.