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## **New World Department Store China Limited** **新世界百貨中國有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0825)

### **CONTINUING CONNECTED TRANSACTION**

On 11 October 2007, the Company and NWSH entered into the Master Services Agreement regarding the provision of the Services for the Stores for an initial term of two years.

NWD, the controlling shareholder of the Company, is interested in approximately 56.08% of the issued share capital of NWSH as at the date of this announcement. NWSH is an associate of NWD and hence is a connected person of the Company under the Listing Rules. Therefore, the Transaction contemplated by the Master Services Agreement will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to approval by the Independent Shareholders.

A circular containing further details of the Master Services Agreement, letter from the Independent Board Committee, an opinion of the independent financial adviser together with a notice convening the EGM to approve the Master Services Agreement and the transactions contemplated thereunder and the Caps will be despatched to the Shareholders as soon as practicable.

### **THE MASTER SERVICES AGREEMENT**

**Date:**

11 October 2007

**Parties:**

- (1) the Company; and
- (2) NWSH.

As at the date of this announcement, NWSH is a non-wholly owned subsidiary of NWD, the controlling shareholder of the Company. NWSH is therefore a connected person of the Company within the meaning of the Listing Rules.

**Duration:**

The Master Services Agreement is for a term of two years unless either party terminates the agreement by giving at least one month's written notice to the other party.

**Subject matter:**

Under the Master Services Agreement, NWSH agrees to, and agrees to procure its subsidiaries to, provide the Services, on a non-exclusive basis, to the Group for the Stores at the request of any member of the Group from time to time during the term of the Master Services Agreement pursuant to the particular terms and conditions of the relevant Service Contract(s) to be entered into from time to time.

**Condition precedent:**

The Master Services Agreement is conditional upon the approval by the Independent Shareholders of (i) the Master Services Agreement and the transactions contemplated thereunder; and (ii) the Caps at an EGM to be held in accordance with the requirements of the Listing Rules.

**Consideration and terms for the provision of the Services:**

Pursuant to the Master Services Agreement, a separate Service Contract may be entered into from time to time between any member of the Group and any member of the NWSH Group in respect of each Transaction. In this connection, the Company and NWSH have agreed that the service fees and terms of each Transaction shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, and shall be on arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by the NWSH Group to independent third parties.

The maximum annual aggregate service fees in respect of the Services to be provided by the NWSH Group to the Group for the term of two years as set out in the Master Services Agreement are as follows:

- (a) for the financial year ending 30 June 2008, not exceeding RMB90,000,000 (equivalent to approximately HK\$92,700,000); and
- (b) for the financial year ending 30 June 2009, not exceeding RMB125,000,000 (equivalent to approximately HK\$132,612,500).

**Proposed annual caps:**

The Directors expect that for each of the two financial years ending 30 June 2009, the annual aggregate value of the Transactions will not exceed RMB90,000,000 (equivalent to approximately HK\$92,700,000) and RMB125,000,000 (equivalent to approximately HK\$132,612,500) respectively.

The annual caps for the service fees payable by the Group to the NWSH Group in respect of the Services have been determined by reference to future expansion of the Stores, as it is expected that there will be further extension to the existing Stores and new Stores will be opened in the coming years.

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

The Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The Service Contracts will be agreed on an arm's length basis on normal commercial terms. The entering into of the Master Services Agreement would enable the Group to regulate the provision of the Services by the NWSH Group to the Group under a common framework agreement. The Directors (excluding the independent non-executive Directors who have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Master Services Agreement and will provide their views after considering the opinion of the independent financial adviser) consider that the terms of the Master Services Agreement have been negotiated on an arm's length basis and on normal commercial terms and the terms thereof are fair and reasonable and are in the best interests of the Group and the Shareholders as a whole.

## **INFORMATION ON THE GROUP AND THE CONNECTED PERSON**

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

The principal activities of the NWSH Group include: (i) the investment in and/or operation of facilities, contracting, transport and financial services; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals.

## **LISTING RULES REQUIREMENTS**

As the Transaction contemplated by the Master Services Agreement constitutes a non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules, it will be subject to the reporting, annual review and independent shareholders' approval requirements under the Listing Rules. Accordingly, the Company will seek approval from the Independent Shareholders of the Transaction and the Caps by way of poll at a general meeting.

## **GENERAL**

NWD, the controlling shareholder of the Company, is interested in approximately 56.08% of the entire issued share capital of NWSH as at the date of this announcement. NWSH is an associate of NWD and hence is a connected person of the Company under the Listing Rules. Therefore, the Transaction contemplated by the Master Services Agreement will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to approval by the Independent Shareholders.

In view of the interests of NWD in the Transaction, NWD and its associates will abstain from voting in relation to the resolution to approve the Master Services Agreement and the Caps. An Independent Board Committee has been appointed to advise the Independent Shareholders on whether or not the terms of the Master Services Agreement including the Caps are in the interest of the Company and are fair and reasonable so far as the Shareholders as a whole are concerned.

Dao Heng Securities Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transactions.

A circular containing further details of the Master Services Agreement, letter from the Independent Board Committee, an opinion of the independent financial adviser together with a notice convening the EGM to approve the Master Services Agreement and the transactions contemplated thereunder and the Caps will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

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

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means for each of the two financial years ending 30 June 2008 and 2009, RMB90,000,000 (equivalent to approximately HK\$92,700,000) and RMB125,000,000 (equivalent to approximately HK\$132,612,500) in respect of the aggregate of the service fees for the Transactions payable under the Master Services Agreement
“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
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Master Services Agreement and the transactions contemplated thereunder and the Caps
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors
“Independent Shareholders”	Shareholders other than NWD and its associates
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Master Services Agreement”	the master services agreement entered into between the Company and NWSH dated 11 October 2007
“NWD”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong whose shares are listed on the main board of the Stock Exchange
“NWSH”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“NWSH Group”	NWSH and its associates
“PRC”	the People’s Republic of China
“Services”	includes (a) the maintenance services, including routine maintenance check, non-routine maintenance, ad hoc maintenance support; (b) electrical and mechanical services repair including those works of new department stores; (c) 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; (d) renovation maintenance including lift repair and maintenance services; (e) electrical and mechanical services design including electrical systems and system design and consultancy; and (f) new department stores electrical and mechanical works including computer aided drafting services, and such other types of services as may be agreed upon from time to time in writing by the Company and NWSH
“Service Contract(s)”	the specific contract or service requisition order to be entered into or concluded between member of the Group and member of the NWSH Group during the duration of the Master Services Agreement in respect of a particular occasion of provision of the Services; and “Service Contracts” shall be construed accordingly
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stores”	the department stores operated by the Group from time to time
“Transaction”	the transaction between any member of the Group and any member of the NWSH Group in respect of a particular provision of the Services; and “Transactions” shall be so construed accordingly
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“%”

per cent

By order of the Board  
**New World Department Store China Limited**  
**WONG Kwok-kan, Kenneth**  
*Company Secretary*

Hong Kong, 11 October 2007

*As at the date of this announcement, the non-executive directors of the Company are Dr. CHENG Kar-shun, Henry and Mr. AU Tak-cheong; the executive directors are Mr. CHEUNG Fai-yet, Philip, Mr. LIN Tsai-tan, David, Mr. WONG Kwok-kan, Kenneth, Mr. CHENG Chi-kong, Adrian 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.*

*In this announcement, RMB has been converted to HK\$ at the rate of RMB1 = HK\$1.03 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.*