

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# **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)**

## **DISCLOSEABLE AND CONNECTED TRANSACTION** **ACQUISITION OF INTERESTS IN UPHILL GROUP LIMITED**

The Board announced that on 17 December 2007, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor whereby the Purchaser agreed to acquire from the Vendor the Sale Share and the Shareholder's Loan for an aggregate consideration of HK\$885,417,000.

The principal asset of Uphill Group is Wuhan New Eagle, which is the operator of Wuhan Department Store and the sole legal and beneficial owner of the Property. The Directors believe that the Acquisition will further enhance the Group's strategy of expanding its department stores network in the PRC.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.08 of the Listing Rules. The Vendor is an indirect wholly-owned subsidiary of New World Development, who is interested in approximately 72.29% of the entire share capital of the Company. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Rule 14A.16(5) of the Listing Rules. The Agreement is subject to the approval of the Independent Shareholders at the EGM. New World Development and its respective associates and any Shareholders who have material interests in the Acquisition are required to abstain from voting on the relevant resolution in relation to the Agreement.

A circular containing, among other things, further details of the Agreement, valuation letter, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Agreement, and the notice of the EGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **INTRODUCTION**

On 17 December 2007, the Purchaser entered into the Agreement with the Vendor to acquire the Sale Share, being the entire issued share capital of Uphill Group, and the Shareholder's Loan for an aggregate consideration of HK\$885,417,000.

## **THE AGREEMENT**

**Date:** 17 December 2007

### **Parties**

(i) Purchaser: New Bright Resources Limited

(ii) Vendor: Solar Leader Limited

### **Subject matter to be acquired**

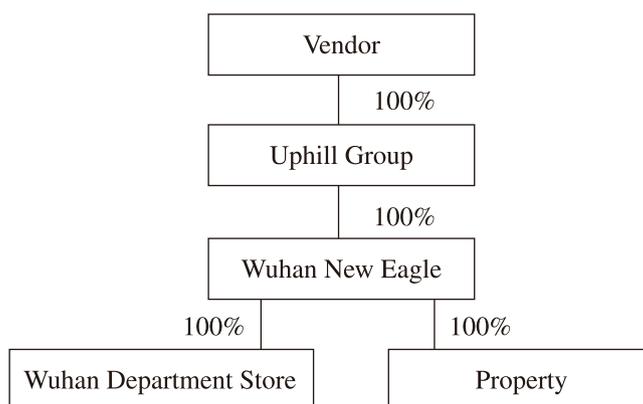
The Purchaser has conditionally agreed to acquire from the Vendor the Sale Share, being the entire issued share capital of Uphill Group and the Shareholder's Loan.

Upon Completion, Uphill Group and Wuhan New Eagle will become wholly-owned subsidiaries of the Group, and Uphill Group will owe the Shareholder's Loan to the Purchaser.

### **Information on Uphill Group, Wuhan Department Store and the Property**

Uphill Group was incorporated in the BVI on 9 March 1999. Uphill Group is an investment holding company which owns 100% legal and beneficial interests in Wuhan New Eagle. The principal assets of Wuhan New Eagle are its 100% legal and beneficial interest in Wuhan Department Store and the Property. The unaudited net asset value of Uphill Group as at 30 June 2007 was HK\$569,416,086. The unaudited net profits before and after tax and extraordinary items attributable to Uphill Group for the year ended 30 June 2007 prepared in accordance with the Hong Kong Financial Reporting Standards were HK\$56,829,014 and HK\$52,418,834, respectively; and that for the year ended 30 June 2006 were HK\$42,155,450 and HK\$38,899,852, respectively.

Set out below is a structure of Uphill Group:



The Property is a commercial complex comprising of retail shops premises. Wuhan Department Store operates its department store business operations at the Property. The Property comprises Levels 1 to 6 and one-level basement of Wuhan New World Trade Tower I and Levels 1 to 5 and one-level basement of the Wuhan New World Trade Tower II with a total gross floor area of approximately 42,000 square meters. It is located in the downtown of Wuhan, which accommodates the city's prime commercial buildings.

Wuhan Department Store commenced its operation in 1994. It has a market position of mid-to-high end sector, with a focus on the high-end consumers. Merchandise on offer includes top international fashion brands, cosmetics, jewellery, etc. The store complex integrates shopping, dining and entertainment facilities into a center of leisure and culture.

Wuhan New Eagle is the sole legal and beneficial owner of the land use rights and the property ownership rights of the Property. The Property have been appraised by the Independent Valuer. A final draft of the valuation report has been prepared and is being finalized. The Company does not anticipate any further changes to be made to the appraised value of the Property as stated in the final draft of the valuation report. The valuation letter and certificate will be included in the circular to be sent to the Shareholders in relation to the Acquisition.

### **Consideration**

The consideration of HK\$885,417,000 was agreed between the parties based on arm's length negotiations by reference to the unaudited net asset value of Uphill Group and the final draft of the valuation report of the Independent Valuer. As set out below, the Agreement is conditional on the receipt by the Purchaser of the formal valuation. The consideration will be satisfied in whole in cash by the Purchaser to the Vendor or its nominee on Completion. The Acquisition will be funded by the Group's internal resources.

## **Conditions of the Agreement**

The Agreement is subject to and conditional upon the fulfillment of, inter alia, the following conditions precedent on or before the Long Stop Date:

- (i) the Vendor having performed all of the covenants and agreements required to be performed by it under the Agreement on or prior to Completion;
- (ii) all approvals and consents of third parties (including the Stock Exchange) which are necessary for the entering into and the implementation of the Agreement and all transactions contemplated under the Agreement having been obtained;
- (iii) the receipt by the Purchaser of a valuation report in respect of the Property prepared by a firm of independent valuers acceptable to the Purchaser;
- (iv) during the period from the date of the Agreement to Completion, there not having occurred any material adverse effect on, or there not being in existence on Completion any material adverse change in, the financial position, operating performance and all other aspects of the Uphill Group and Wuhan New Eagle as a whole; and
- (v) the approval of the Agreement by the Independent Shareholders at the EGM by resolution passed in accordance with the Listing Rules.

The Purchaser may at its absolute discretion waive in writing the conditions mentioned above (other than conditions (ii), (iii) and (v) above). If any of the above conditions shall not have been fulfilled in full (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, then the Agreement shall be void and of no effect and no party shall have any rights or claims whether for loss or damages or other relief whatsoever against any of the other parties on any ground save for antecedent breaches. The Purchaser has no present intention to waive any of the conditions above.

## **Completion**

Completion is to take place within five business days after fulfillment of all conditions (or such later date as shall be agreed in writing between the Vendor and the Purchaser).

## **REASONS FOR THE ACQUISITION**

The Company is principally engaged in the department store business and has emphasized the development of its department store business in the inner provinces of the PRC. The Acquisition will further enhance the Company's influence in central China as well as consolidate its status of becoming a dominant department store operator in the flourishing retail market in the PRC. The Directors believe that the Acquisition will further enhance the Group's department store business and enrich the revenue stream of the Company. The Acquisition will provide an opportunity for the Company to increase its interests in department store business in the central and western parts of China. Accordingly, the

Directors believe that it is now an opportune time to proceed with the Acquisition which, upon Completion, will further enhance the Group's strategy of expanding its department store network in China. The terms of the Agreement were arrived at after arm's length negotiations with the Vendor.

Based on the above reasons, the Directors consider that the terms of the Agreement to be fair and reasonable as far as the Shareholders are concerned, and that the transactions contemplated under the Agreement are in the interests of the Company and its Shareholders as a whole.

## **INFORMATION RELATING TO THE GROUP**

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

## **INFORMATION RELATING TO NEW WORLD DEVELOPMENT**

The principal activities of the New World Development include investments in the area of property, infrastructure, services and telecommunications and technology. New World Development indirectly and wholly owns the entire issued share capital of Uphill Group, which renders Uphill Group a Connected Person of the Company.

## **GENERAL**

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.08 of the Listing Rules and a connected transaction for the Company under Rule 14A.16(5) of the Listing Rules and will be subject to, and conditional on, among other things, the approval of the Independent Shareholders by poll at the EGM. The EGM will be convened by the Company at which resolution will be proposed to seek approval of, among other things, the Agreement. At such meeting, the votes of the Independent Shareholders in relation to the Agreement will be taken by poll on which the Vendor and its associates will abstain from voting. The Independent Board Committee will be constituted to advise the Independent Shareholders relating to the Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Agreement, valuation letter, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Agreement, and the notice of the EGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## TERMS USED IN THIS ANNOUNCEMENT

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

“Acquisition”	the proposed acquisition of the Sale Share, being one ordinary share in Uphill Group representing its entire issued share capital, and the Shareholder’s Loan
“Agreement”	an agreement dated 17 December 2007 entered into between the Vendor and the Purchaser relating to the sale and purchase of the Sale Share
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	Board of Directors
“BVI”	British Virgin Islands
“Company”	New World Department Store China Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Agreement and the Acquisition
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee comprising all independent non-executive Directors of the Company
“Independent Shareholders”	Shareholders other than New World Development and its associates
“Independent Valuer”	Sallmanns (Far East) Limited, a firm of professional valuers independent from the Company and New World Development and its associates

“Listing Rules”	The Rules Governing and Listing of Securities on the Stock Exchange
“Long Stop Date”	1 March 2007 or such later date as the parties to the Agreement may agree in writing
“New World Development”	New World Development Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange, which is the controlling shareholder of the Company
“PRC”	The People’s Republic of China
“Property”	Basement 1 and Levels 1 to 6 of Wuhan New World Trade Tower I and Basement 1 and Levels 1 to 5 of Wuhan New World Trade Tower II, Nos. 566 and 568 Jianshe Avenue, Hankou, Wuhan Municipality, Hubei Province, PRC
“Purchaser”	New Bright Resources Limited, a limited liability company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company
“Sale Share”	the one ordinary share of US\$1.00 each in the share capital of Uphill Group beneficially owned by the Vendor, representing the entire issued share capital of Uphill Group
“Shareholder”	holder of the shares of the Company
“Shareholder’s Loan”	the outstanding shareholder’s loan of Uphill Group owed to the Vendor in the total amount of HK\$586,355,928.25 as of 30 November 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Uphill Group”	Uphill Group Limited, a limited liability company incorporated in the BVI which is wholly owned by the Vendor
“Vendor”	Solar Leader Limited, a limited liability company incorporated in the BVI, which an indirect wholly owned subsidiary of New World Development
“Wuhan Department Store”	Wuhan New World Department Store (武漢新世界百貨商場), a department store wholly owned and operated by Wuhan New Eagle

“Wuhan New Eagle”      Wuhan New Eagle Development Co., Ltd. (武漢新鵬發展有限公司), a wholly foreign owned enterprise incorporated in the PRC and a wholly-owned subsidiary of Uphill Group

“%”      per cent.

By order of the Board  
**WONG Kwok-kan, Kenneth**  
*Company Secretary*

Hong Kong, 17 December 2007

*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, Henry.*