

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



## **DISCLOSEABLE TRANSACTION DISPOSAL OF A SUBSIDIARY**

On 28 December 2010, NW Investment, a wholly-owned subsidiary of the Company, the Purchaser and the Company entered into the Agreement pursuant to which NW Investment agreed to sell and the Purchaser agreed to purchase the Sale Share at the consideration of RMB385,000,000.

As the relevant percentage ratio in respect of the Disposal calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement under the Listing Rules.

On 28 December 2010, NW Investment, a wholly-owned subsidiary of the Company, the Purchaser and the Company entered into the Agreement pursuant to which NW Investment agreed to sell and Purchaser agreed to purchase the Sale Share on and subject to the terms and conditions of the Agreement.

### **THE AGREEMENT**

#### **Date**

28 December 2010

#### **Parties**

- (a) NW Investment as seller;
- (b) the Purchaser as buyer; and
- (c) the Company

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

## **Assets to be disposed of**

Pursuant to the Agreement, NW Investment shall sell the Sale Share to the Purchaser. The Sale Share represents the entire issued share capital of Luxland.

As at the date of the Agreement, Luxland is the owner of the Property, comprising certain portions of the first floor to the third floor of the property located at No. 341, Zhongshan Road, Chong An District, Wuxi City, Jiangsu, the PRC. The current use of the Property is commercial.

Prior to Completion, Luxland will undertake the relevant procedures to dissect the Property into the Disposed Property and the Retained Property and to transfer the Disposed Property to the Designated Company. After completion of such procedures, Luxland will only hold the Retained Property and will cease to have any interests in the Disposed Property.

The unaudited net liability of Luxland as at 30 June 2010 was HK\$39,481,793. The unaudited net losses both before and after tax of Luxland for the year ended 30 June 2009 was HK\$708,988. The unaudited net profits before and after tax of Luxland for the year ended 30 June 2010 was HK\$1,965,411 and HK\$1,517,313 respectively.

Luxland is currently a wholly-owned subsidiary of the Company. After Completion, the Company will no longer have any interests in Luxland and Luxland will cease to be a subsidiary of the Company.

Pursuant to the Agreement, NW Investment shall bear all tax liabilities of Luxland (other than the Deed Tax) incurred as a consequence of any event which occurred before the Completion Date, and NW Investment shall within 12 months from the Completion Date be responsible for the relevant tax payment after the production by the Purchaser of valid tax payment notices issued by the relevant tax authorities.

## **Consideration**

The Consideration for the Sale Share is RMB385,000,000, which was arrived at after arm's length negotiations between NW Investment and the Purchaser with reference to the current economic climate and property market in the PRC.

The Consideration is payable by the Purchaser to the NW Investment in cash in the following manner :

- (a) the HK\$ Equivalent of RMB115,500,000 (the "**Deposit**"), being 30% of the Consideration, shall be paid by the Purchaser upon the signing of the Agreement by way of a cashier order made payable to the Company; and
- (b) the HK\$ Equivalent of RMB269,500,000, being 70% of the Consideration, shall be paid by the Purchaser on the Completion Date by way of a cashier order made payable to the Company.

The Purchaser has also agreed to bear the Deed Tax incurred for the transfer by Luxland of the Disposed Property to the Designated Company, provided that the amount of Deed Tax to be borne by the Purchaser shall be based on the consideration as assessed by a real estate property transaction valuation company which is recognized by the local PRC tax authority. The HK\$ Equivalent amount of such Deed Tax shall be paid by the Purchaser on the

Completion Date by way of a cashier order made payable to the Company. It is currently expected that the Deed Tax to be incurred for the transfer by Luxland of the Disposed Property to the Designated Company will not exceed RMB10,000,000.

### **Completion**

Completion shall take place on the Completion Date, being the 7<sup>th</sup> Business Day after Luxland had transferred the Disposed Property to the Designated Company and the Designated Company and Luxland have obtained the individual 房屋所有權證 (Building Ownership Certificate) and 國有土地使用證 (State-owned Land Use Rights Certificate) in respect of the Disposed Property and the Retained Property respectively, or such other date as may be agreed in writing between the parties to the Agreement.

NW Investment and the Purchaser had also simultaneously with the signing of the Agreement signed a memorandum to set out the documents to be delivered to the Purchaser as well as the timing of delivery.

### **Termination**

The Consideration was determined on the basis that the Disposed Property shall have been disposed of by Luxland. If Luxland has at any time after the signing of this Agreement received any notice(s) from any relevant government and/or regulatory authorities objecting to the dissection of the Disposed Property from the Property and/or refusing to grant approval for the dissection of the Disposed Property, the Agreement shall terminate with immediate effect and the Company shall refund the Deposit (without interest) in full to the Purchaser within 15 Business Days from the date of the receipt of the notification from the relevant government and/or regulatory authorities objecting to the dissection of the Disposed Property from the Property and/or refusing to grant approval for the dissection of the Disposed Property. In the event that the Agreement is so terminated, none of the parties shall have any obligations or liabilities towards the other under the Agreement except for the refund of the Deposit as mentioned above.

Other than in the circumstances mentioned above, should NW Investment terminate the Agreement on its own accord, NW Investment and the Company shall pay an amount equal to twice the amount of the Deposit to the Purchaser; and should the Purchaser terminate the Agreement on its own accord, the Deposit shall be forfeited by NW Investment and the Purchaser shall continue to be liable for payment of the Deed Tax.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

It is estimated that the Group will record an unaudited gain, before taking into account relevant tax expenses in relation to the Disposal, of approximately RMB335,000,000 from the Disposal, being the difference between (i) the Consideration, and (ii) the aggregate of the estimated book carrying value of Luxland attributable to the Group. The actual gain arising out of the Disposal is subject to the final tax expenses to be charged on the Disposal and accordingly may be different from the estimated unaudited gain of approximately RMB335,000,000.

The Directors consider that the Disposal represents a good opportunity for the Group to realize its investment in property owned by Luxland and the proceeds from the Disposal shall be applied towards the Group's working capital.

The terms of the Agreement were negotiated on an arm's length basis. The Directors are of the view that the terms of the Disposal are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Company and its shareholders as a whole.

## **GENERAL INFORMATION**

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

The principal activity of the Purchaser is property investment.

## **LISTING RULES IMPLICATIONS**

As the relevant percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement under the Listing Rules.

## **DEFINITIONS**

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

“Agreement”	the agreement dated 28 December 2010 entered into between NW Investment as seller, the Purchaser as purchaser and the Company in relation to the sale and purchase of the Sale Share
“Business Day”	means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks in Hong Kong and the PRC are generally open to the public for business
“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
“Completion”	the completion of the sale and purchase of the Sale Share under the Agreement pursuant to the terms and conditions thereof
“Completion Date”	the 7th Business Day after Luxland had transferred the Disposed Property to the Designated Company and the Designated Company and Luxland have obtained the individual 房屋所有權證 (Building Ownership Certificate) and 國有土地使用證 (State-owned Land Use Rights Certificate) in respect of the Disposed Property and the Retained Property respectively, or such other date as may be agreed in writing between the parties to the Agreement

“Consideration”	the sum of RMB385,000,000, being the consideration for the sale and purchase of the Sale Share
“Deed Tax”	the deed tax (契稅) payable to the relevant tax authorities in the PRC in connection with the transfer of the Disposed Property to the Designated Company
“Designated Company”	a company to be designated by NW Investment to acquire the Disposed Property
“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Sale Share by NW Investment to the Purchaser pursuant to the Agreement
“Disposed Property”	certain portions of both the first floor and the second floor of the property located at No. 341, Zhongshan Road, Chong An District, Wuxi City, Jiangsu, the PRC, which forms part of the Property
“Group”	the Company and/or its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK\$ Equivalent”	in respect of an amount in RMB, means 103% of the HK\$ equivalent of such RMB amount determined with reference to the mid-point of the exchange rate for converting HK\$1 to RMB as published on the website of the People’s Bank of China ( <a href="http://www.pbc.gov.cn">http://www.pbc.gov.cn</a> ) on the Business Day immediately preceding the relevant payment date
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Luxland”	Luxland Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of NW Investment
“NW Investment”	New World Department Store (Investment) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China
“Property”	certain portions of the first floor to the third floor of the property located at No. 341, Zhongshan Road, Chong An District, Wuxi City, Jiangsu, the PRC, which is currently owned by Luxland

“Purchaser”	Bassda Limited, a company incorporated in the British Virgin Islands with limited liability
“Retained Property”	the remaining part of the Property after dissecting therefrom the Disposed Property
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	1 share of US\$1 in the issued share capital of Luxland, constituting the entire issued share capital of Luxland
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 28 December 2010

*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.*