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## **CONTINUING CONNECTED TRANSACTIONS MASTER SALES AGREEMENT**

### **MASTER SALES AGREEMENT**

Reference is made to the announcement of the Company dated 18 June 2010 in relation to, among others, the First Master Sales Agreement.

As the Company and NWD expect that the annual caps under the First Master Sales Agreement will not be sufficient to meet their respective requirements and propose to extend the term and scope of the First Master Sales Agreement, the Company, NWD and CTF Jewellery therefore entered into the Master Sales Agreement on 22 March 2011 to (i) terminate the First Master Sales Agreement; and (ii) provide a framework for the conduct of the Transactions for the three-year period ending 30 June 2013.

### **LISTING RULES IMPLICATIONS**

NWD is a controlling Shareholder (as defined in the Listing Rules) and held an approximately 72.29% attributable interest in the Company as at the date of this announcement. CTF is a substantial shareholder of NWD and CTF Jewellery is an associate of CTF. NWD and CTF Jewellery are therefore connected persons of the Company and the Transactions contemplated under the Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Annual Caps is more than 0.1% but less than 5%, the Transactions contemplated under the Master Sales Agreement and the Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **BACKGROUND**

Reference is made to the announcement of the Company dated 18 June 2010 in relation to, among others, the First Master Sales Agreement.

As the Company and NWD expect that the annual caps under the First Master Sales Agreement will not be sufficient to meet their respective requirements and propose to extend the term and scope of the First Master Sales Agreement, the Company, NWD and CTF Jewellery therefore entered into the Master Sales Agreement on 22 March 2011 to (i) terminate the First Master Sales Agreement; and (ii) provide a framework for the conduct of the Transactions for the three-year period ending 30 June 2013.

## **MASTER SALES AGREEMENT**

### **Date**

22 March 2011

### **Parties**

- (i) The Company;
- (ii) NWD; and
- (iii) CTF Jewellery.

### **Duration**

The Master Sales Agreement shall be for a term commencing from the date of the Master Sales Agreement, i.e., 22 March 2011, and ending on 30 June 2013.

### **Major Terms**

- 1) In respect of the Previous Sales Contracts, the Company and NWD agree to carry out the Transactions contemplated thereunder in accordance with the terms of the relevant Previous Sales Contracts and all terms agreed among the parties thereto shall remain in full force notwithstanding the terms of the Master Sales Agreement.
- 2) Without prejudice to the terms of the Previous Sales Contracts, the Company agrees to, and to procure other members of the Group to, accept the Shopping Vouchers, the Prepaid Shopping Cards and /or the Joint Name Vouchers presented to the Stores from time to time or by any other means acceptable to the Company as payment for purchases of goods at the Stores during the term of the Master Sales Agreement on condition that the relevant value represented by the accepted Shopping Vouchers, the Prepaid Shopping Cards (after deduction of Discounts), the Joint Name Vouchers and/or any other means acceptable to the Company will be settled by members of the NWD Group and/or CTF Jewellery Group (as the case may be).
- 3) The relevant members of CTF Jewellery Group agree to offer Shopping Vouchers Commissions to the relevant members of the NWD Group and the relevant members of the Group agree to offer Rebates to the relevant members of the CTF Jewellery Group in respect of the purchases made by customers at the floor space where CTF Jewellery Group operates its business at the Stores by means of presenting the Shopping Vouchers or by any other means acceptable to the Group for such purchases. The Group will, subject to the arrangements under the relevant Sales Contracts, reconcile the amounts of such Shopping Vouchers Commissions and/or Rebates with the amount receivable from relevant members of the NWD Group in connection with the relevant Transactions and the Group will settle such amounts with the relevant members of the CTF Jewellery Group. The rate of such Shopping Vouchers

Commissions or Rebates will be determined in accordance with the terms of the relevant Sales Contracts.

- 4) The relevant members of the Group agree to offer Discounts to the relevant members of the NWD Group in respect of the purchases of the Prepaid Shopping Cards by the relevant members of the NWD Group or any other means acceptable to the Company as payment for purchases of goods at the Stores. The Group will, subject to the arrangements under the relevant Sales Contracts, reconcile the amounts of such Discounts with the amount receivable from relevant members of the NWD Group in connection with the relevant Transactions and the Group will settle such amounts with the relevant members of the NWD Group.
- 5) The relevant members of the CTF Jewellery Group agree to offer Joint Name Vouchers Commissions to the relevant members of the Group in respect of the purchases of the Joint Name Vouchers by customers or any other means acceptable to the Company as payment for purchases of goods at the Stores. The Group will, subject to the arrangements under the relevant Sales Contracts, reconcile the amounts of such Joint Name Vouchers Commissions or other sums with the amount receivable in connection with the relevant Transactions and the Group will settle such amounts with the relevant members of the CTF Jewellery Group. The rate of such Joint Name Vouchers Commissions or other sums will be determined in accordance with the terms of the relevant Sales Contracts.
- 6) The Transactions will be conducted in accordance with the terms of the Master Sales Agreement and the particular terms and conditions of the relevant Sales Contracts. The terms of and the consideration payable in respect of each Transaction (including the amount of consideration payable and the payment terms) under a Sales Contract shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on arm's length basis, on normal commercial terms and on terms no more favourable than the terms offered by the Group to independent third parties.
- 7) The sale of goods in the Stores by acceptance of the Shopping Vouchers, the Prepaid Shopping Cards, the Joint Name Vouchers or by any other means acceptable to the Company under the Master Sales Agreement is on a non-exclusive basis.
- 8) NWD and the Company agree to terminate the First Master Sales Agreement upon the Master Sales Agreement becoming effective.

### **Consideration**

The consideration settled by the NWD Group and/or CTF Jewellery Group with the Group shall be determined in accordance with the basis set out in clause numbered (6) under the section headed "Master Sales Agreement – Major Terms" above. Pursuant to the Master Sales Agreement, the Group shall accept the Shopping Vouchers, the Prepaid Shopping Cards, the Joint Name Vouchers or any other means acceptable to the Company as payment for purchases of goods at the Stores and the relevant value represented by the Shopping Vouchers, the Prepaid Shopping Cards, the Joint Name Vouchers and any other means acceptable to the Company will be settled by members of the NWD Group and/or CTF Jewellery Group (as the case may be).

The relevant value representing the goods to be purchased by means of presenting Shopping Vouchers at the Stores will be settled by NWD Group to the Group on periodic basis based on the value of goods purchased and that of the Prepaid Shopping Cards will be settled by the NWD Group and/or CTF Jewellery Group (as the case may be) to the Group on transaction basis (less Discounts offered) whereas the relevant amounts in relation to the Joint Name Vouchers will be settled by the Group with the CTF Jewellery Group on periodic basis, or other basis in accordance with the terms of the relevant Sales Contracts.

### **Annual Caps**

It is expected that the Annual Caps will not exceed RMB70,000,000 for each of the three financial years ending 30 June 2013.

Since it is anticipated by NWD that each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the relevant maximum value in respect of the various sale arrangements under the Master Sales Agreement involving CTF Jewellery Group for the three financial years ending 30 June 2013 is de minimis, NWD is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Annual Caps have been determined based on the historical transaction amounts under the First Master Sales Agreement, the estimated values of the Prepaid Shopping Cards to be purchased by the NWD Group and CTF Jewellery Group, the Shopping Vouchers to be provided by the NWD Group and the Joint Name Vouchers to be purchased by the customers by reference to the estimated marketing expenses to be incurred by the NWD Group and the CTF Jewellery Group for purchase of the Prepaid Shopping Cards and issue of the Shopping Vouchers and sale of the Joint Name Vouchers respectively as part of the marketing plan for the sales of its products, the prevailing market conditions and the estimated expansion of existing and future projects of members of the NWD Group and the CTF Jewellery Group.

The Directors (including the independent non-executive Directors) consider that the Annual Caps are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

### **Historical Figure**

The transaction amount under the First Master Sales Agreement for the six months ended 31 December 2010 was approximately RMB1,654,000.

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

The entering into of the Master Sales Agreement would bring more customers to and enhance the sales of the Stores. The Directors (including the independent non-executive Directors) consider that the terms of the Master Sales 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 interests of the Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

NWD is a controlling Shareholder (as defined in the Listing Rules) and held an approximately 72.29% attributable interest in the Company as at the date of this announcement. CTF is a substantial shareholder of NWD and CTF Jewellery is an associate of CTF. NWD and CTF Jewellery are therefore connected persons of the Company and the Transactions contemplated under the Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Annual Caps is more than 0.1% but less than 5%, the Transactions contemplated under the Master Sales Agreement and the Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **APPROVAL BY THE BOARD**

None of the Directors has a material interest in the Master Sales Agreement. However, it was stated in the prospectus of the Company dated 28 June 2007 that three of the Directors, Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda (who are also the executive directors of NWCL, a member of the NWD Group and Ms. Ngan Man-ying, Lynda holds directorships in certain companies controlled by the Company) will abstain from voting in the resolution(s) relating to transactions(s) between the Group and NWCL Group. Therefore, Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda have abstained from voting on the relevant board resolutions to approve the Master Sales Agreement at its board meeting. Dr. Cheng Kar-shun, Henry and Mr. Cheng Chi-kong, Adrian are the directors of CTF Jewellery. Other than Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda, none of the Directors is required to abstain from voting on the relevant board resolutions to approve the Master Sales Agreement at its board meeting.

## **INFORMATION RELATING TO THE GROUP**

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

## **INFORMATION RELATING TO NWD**

NWD Group is principally engaged in investments in the areas of property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology.

## **INFORMATION RELATING TO CTF JEWELLERY**

CTF Jewellery is principally engaged in the business of selling jewellery.

## DEFINITIONS

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

“Annual Caps”	the maximum annual aggregate transaction amounts in respect of the Transactions under the Master Sales Agreement for the three financial years ending 30 June 2013
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 and is a subsidiary of NWD
“connected person”	has the meaning ascribed to it under the Listing Rules
“CTF”	Chow Tai Fook Enterprises Limited, a substantial shareholder of NWD as at the date of this announcement
“CTF Jewellery”	Chow Tai Fook Jewellery Company Limited, an associate of CTF
“CTF Jewellery Group”	CTF Jewellery and/or its subsidiaries from time to time
“Director(s)”	director(s) of the Company
“Discounts”	an amount, to be deducted from the value to be settled by the relevant members of the NWD Group in respect of the purchases of the Prepaid Shopping Cards or any other means acceptable to the Company as payment for purchases of goods at the Stores, being 2% of such value;
“First Master Sales Agreement”	the master sales agreement entered into between the Company and NWD dated 18 June 2010 regarding the sale of goods in the Stores by means of accepting the Prepaid Shopping Cards by members of the Group, particulars of which are set out in the announcement of the Company dated 18 June 2010
“Group”	the Company and/or its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Joint Name Vouchers”	various joint name cards and/or joint name vouchers issued by the CTF Jewellery Group which may be presented at the floor space where CTF Jewellery Group operates its business at the Stores for purchasing goods
“Joint Name Vouchers Commissions”	an amount, being a percentage as agreed under the relevant Sales Contracts, to be offered by members of the CTF Jewellery Group to members of the Group in respect of the purchases of the Joint Name Vouchers or any other means acceptable to the Company made or to be made by customers at the Stores as payment for purchases of goods
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sales Agreement”	the master sales agreement entered into between the Company, NWD and CTF Jewellery dated 22 March 2011 regarding the sale of goods in the Stores by means of the Prepaid Shopping Cards, the Joint Name Vouchers, the Shopping Vouchers or by other means acceptable to the Company
“NWCL”	New World China Land 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 and is a subsidiary of NWD
“NWCL Group”	NWCL and/or its subsidiaries from time to time
“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, and is the controlling Shareholder of the Company
“NWD Group”	NWD and its subsidiaries (except the Group) from time to time
“PRC”	the People’s Republic of China
“Prepaid Shopping Cards”	various prepaid shopping cards issued or to be issued by the Group to the NWD Group and/or CTF Jewellery Group which may be presented at the Stores for purchasing goods at the Stores

“Previous Sales Contracts”	the specific sales agreements or other arrangements entered into between member(s) of the Group and member(s) of the NWD Group pursuant to the First Master Sales Agreement and those entered into between members of the Group and members of CTF Jewellery Group and which are subsisting as at the date of the Master Sales Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Rebates”	an amount, being a percentage as agreed under the relevant Sales Contracts, to be offered by members of the Group to members of the CTF Jewellery Group in respect of the purchases made by customers at the floor space where CTF Jewellery Group operates its business at the Stores by means of presenting the Shopping Vouchers or by any other means acceptable to the Company
“Sales Contract(s)”	the specific sales agreement(s) or other arrangements entered into or concluded, which are subsisting as at the date of the Master Sales Agreement, and those to be entered into or concluded between member(s) of the Group, member(s) of the NWD Group and/or member(s) of the CTF Jewellery Group from time to time in respect of the Transactions
“Shareholder(s)”	holder(s) of the shares of the Company
“Shopping Vouchers”	various cash equivalent gift coupons, gift cards and stored value shopping cards issued by the NWD Group which may be presented at the Stores for purchasing goods at the Stores
“Shopping Vouchers Commissions”	an amount, being a percentage as agreed under the relevant Sales Contracts, to be offered by members of CTF Jewellery Group to members of NWD Group in respect of the purchases to be made by customers at the floor space where CTF Jewellery Group operates its business at the Stores by means of presenting the Shopping Vouchers or any other means acceptable to the Group for such purchases
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stores”	the department stores owned and operated by the Group from time to time



“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Transaction(s)”	the particular occasion(s) of the sale of goods in the Stores by the Group by accepting the Shopping Vouchers, the Joint Name Vouchers, the Prepaid Shopping Cards or by any other means acceptable to the Company and the settlement of the relevant value represented by such Shopping Vouchers, the Joint Name Vouchers, the Prepaid Shopping Cards or by any other means acceptable to the Company among members of the Group, the NWD Group and/or member(s) of the CTF Jewellery Group (as the case may be)
“%”	per cent.

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

Hong Kong, 22 March 2011

*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.*