

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.



CONTINUING CONNECTED TRANSACTIONS

MASTER LEASING AGREEMENT

On 22 March 2012, the Company and NWD entered into the Master Leasing Agreement in respect of the Transactions.

As at the date of this announcement, NWD is a substantial shareholder of the Company and is therefore a connected person of the Company. The Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As more than one of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Transactions are more than 5% for the Company and the Annual Caps exceed HK\$10,000,000, the Master Leasing Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company. In view of the interests of NWD in the Transactions, NWD and its associates will abstain from voting in respect of the resolutions to be proposed at the EGM to approve the Master Leasing Agreement, the Transactions and the Annual Caps.

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on the Master Leasing Agreement, the Transactions and the Annual Caps. The Independent Board Committee has been established to consider the terms of the Master Leasing Agreement, the Transactions and the Annual Caps, and to advise the Independent Shareholders as to whether the Master Leasing Agreement, the Transactions and the Annual Caps are in the interests of the Company and the Shareholders as a whole. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular of the Company containing, amongst others, further information on (i) the Master Leasing Agreement, the Transactions and the Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 11 April 2012.

INTRODUCTION

On 22 March 2012, the Company and NWD entered into the Master Leasing Agreement in respect of the Transactions.

The principal terms of the Master Leasing Agreement are set out below.

THE MASTER LEASING AGREEMENT

Background

Members of the Group and members of the NWD Group had in the past entered into certain leasing agreements for the leasing of premises by members of the Group from members of the NWD Group in accordance with the Former Master Leasing Agreement and certain of the leasing agreements have not expired as at the Effective Date. The Group and the NWD Group wish to continue the leasing agreements and may from time to time enter into new leasing agreements for the leasing of premises by the Group from the NWD Group. Accordingly, the Company and NWD agree to terminate the Former Master Leasing Agreement and enter into the Master Leasing Agreement.

Date

22 March 2012

Parties

- (1) The Company
- (2) NWD

General terms for the Transactions

Members of the Group and the NWD Group may from time to time enter into Definitive Agreement(s) in relation to any Transactions upon, and subject to, the terms and conditions in compliance with the Master Leasing Agreement as may be agreed between relevant members of the Group and relevant members of the NWD Group. All existing agreements between relevant members of the Group and relevant members of the NWD Group in respect of the Transactions (to the extent which covers the Transactions after the Effective Date) will be treated as Definitive Agreements made pursuant to the Master Leasing Agreement as from the Effective Date. The Former Master Leasing Agreement shall be terminated immediately upon the Master Leasing Agreement becoming effective on the Effective Date.

With effect from the Effective Date, the Transactions shall be conducted:

- (a) in the usual and ordinary course of business of the Company and NWD;

- (b) on normal commercial terms; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Annual Caps), the applicable laws, the Master Leasing Agreement and the relevant Definitive Agreement.

Conditionality

The Master Leasing Agreement is conditional upon the approval by the Independent Shareholders of the Master Leasing Agreement, the Transactions and the Annual Caps at the EGM.

Duration

The Master Leasing Agreement shall commence on the Effective Date, and shall continue up to and including 30 June 2014, unless terminated earlier in accordance with the Master Leasing Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Leasing Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Leasing Agreement.

Historical figures and the Annual Caps

The aggregate transaction amounts under the Former Master Leasing Agreement for the Company for each of the two financial years ended 30 June 2011 and the six months ended 31 December 2011 were approximately RMB107,510,000, RMB284,853,000 and RMB159,887,000, respectively.

The Annual Caps for each of the two financial years ending 30 June 2014 are RMB549,133,000 and RMB554,069,000, respectively, and have been determined based on historical transaction amounts under the Former Master Leasing Agreement, the terms of the leases and the expected growth in the number of new Stores.

Reasons for and benefits of entering into the Master Leasing Agreement

Given that the relevant Stores have been operating at the premises owned by the NWD Group (save and except for certain of the premises which are for use as the office and car parks of the Group) for a number of years and the cost to be incurred and the adverse impact on the operation of the Stores in the event of their relocation will be substantial, the Directors believe that maintaining the lease agreements with the NWD Group will ensure the Group's stability in using the relevant premises. The Directors also believe that it is in the interests of the Company to enter into the Master Leasing Agreement so that the Group may regulate the existing and future leasing agreements with the NWD Group under a common framework agreement.

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of the independent financial adviser) consider that the terms of the Master Leasing Agreement have been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION ON THE GROUP AND NWD AND ITS SUBSIDIARIES

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

To the best knowledge of the Directors, the principal businesses of NWD and its subsidiaries include property, infrastructure, hotel operation, department store operation, services, as well as telecommunications and technology.

LISTING RULES IMPLICATIONS

As at the date of this announcement, NWD is a substantial shareholder of the Company and is therefore a connected person of the Company. The Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As more than one of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Transactions are more than 5% for the Company and the Annual Caps exceed HK\$10,000,000, the Master Leasing Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company. In view of the interests of NWD in the Transactions, NWD and its associates will abstain from voting in respect of the resolutions to be proposed at the EGM to approve the Master Leasing Agreement, the Transactions and the Annual Caps.

APPROVAL BY THE BOARD OF DIRECTORS

None of the Directors has a material interest in the Master Leasing Agreement. Dr. Cheng Kar-shun, Henry and Mr. Cheng Chi-kong, Adrian are common directors of the Company and NWD.

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 the NWCL Group. As the NWD Group includes members of the NWCL Group, 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. 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.

GENERAL

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on the Master Leasing Agreement, the Transactions and the Annual Caps. The Independent Board Committee has been established to consider the terms of the Master Leasing Agreement, the Transactions and the Annual Caps, and to advise the Independent Shareholders as to whether the Master Leasing Agreement, the Transactions and the Annual Caps are in the interests of the Company and the Shareholders as a whole. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular of the Company containing, amongst others, further information on (i) the Master Leasing Agreement, the Transactions and the Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 11 April 2012.

DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“Annual Caps”	the annual cap amounts payable by the Group to the NWD Group in respect of the Transactions for each of the two financial years ending 30 June 2014
“associate”	has the meaning ascribed to it under the Listing Rules
“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 as at the date of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Definitive Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the NWD Group from time to time in relation to any of the Transactions at any time during the term of the Master Leasing Agreement
“Directors”	the directors of the Company
“Effective Date”	1 July 2012, subject to the condition set out in the Master Leasing Agreement and as set out in the paragraph headed “Conditionality” in this announcement

“EGM”		an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Master Leasing Agreement, the Transactions and the Annual Caps
“Former Master Leasing Agreement”		the master leasing agreement dated 22 May 2009 entered into between the Company and NWD, as supplemented by the supplemental master leasing agreement dated 18 June 2010, details of which were disclosed in the joint announcement of the Company and NWD dated 22 May 2009 and the announcement of the Company dated 18 June 2010, respectively
“Group”		the Company and its subsidiaries from time to time
“HK\$”		Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”		The Hong Kong Special Administrative Region of the PRC
“Independent Committee”	Board	an independent committee of the board of the Directors, comprising all of the independent non-executive Directors
“Independent Shareholders”		the Shareholders other than NWD and its associates
“Listing Rules”		the Rules Governing the Listing of Securities on the Stock Exchange
“Master Leasing Agreement”		the agreement in relation to the Transactions entered into between the Company and NWD on 22 March 2012
“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 as at the date of this announcement
“NWCL Group”		NWCL and 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 holding company of NWCL and the Company as at the date of this announcement
“NWD Group”		NWD and its subsidiaries (other than the Group) from time to time

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stores”	the department stores owned by the Group from time to time
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 32 of the laws of Hong Kong)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of premises by members of the Group from members of the NWD Group, as contemplated under the Master Leasing Agreement
“%”	per cent.

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

Hong Kong, 22 March 2012

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.