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 **新世界發展有限公司**
New World Development Company Limited
(incorporated in Hong Kong with limited liability)
(Stock Code: 0017)

**REVISION OF CAPS FOR
CONCESSIONAIRE COUNTER
ARRANGEMENTS IN RESPECT OF
2008 AND 2009**

 **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)

**REVISION OF CAPS FOR MASTER
LEASING AGREEMENT AND
CONCESSIONAIRE COUNTER
ARRANGEMENTS IN RESPECT OF
2008 AND 2009**

As disclosed in the Prospectus, prior to the Listing, NWDSC entered into respectively (i) the Master Leasing Agreement with NWD; and (ii) the Concessionaire Counter Arrangements with CTF Jewellery. The transactions contemplated under the Master Leasing Agreement and the Concessionaire Counter Arrangements respectively constituted non-exempt continuing connected transactions of NWDSC after the Listing, subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Stock Exchange granted NWDSC a waiver on 4 June 2007 from strict compliance with the announcement and independent shareholders' approval requirements in relation to the Master Leasing Agreement and the Concessionaire Counter Arrangements.

The anticipated annual aggregate of the amounts of the transactions under the Master Leasing Agreement and the Concessionaire Counter Arrangements are expected to exceed the Original Leasing Annual Caps and the Original Concessionaire Annual Caps respectively. The directors of NWDSC propose to revise the Original Leasing Annual Caps. Both the directors of NWD and NWDSC propose to revise the Original Concessionaire Annual Caps.

As the applicable ratios in respect of the Revised Concessionaire Annual Caps are less than 2.5% for NWD, the Concessionaire Counter Arrangements are subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under the Listing Rules so far as NWD is concerned. As more than one of the applicable percentage ratios in respect of the Revised Caps is more than 2.5% for NWDSC, the Transactions and the Revised Caps are subject to the reporting, annual review and independent shareholders' approval requirements under the Listing Rules so far as NWDSC is concerned. Accordingly, NWDSC will seek approval from the NWDSC Independent Shareholders of the Transactions and the Revised Caps by way of poll at the EGM.

A circular containing further details of the Transactions and the Revised Caps, letter from the NWDSC Independent Board Committee, an opinion of the independent financial adviser together with a notice convening the EGM to approve the Transactions and the Revised Caps will be dispatched to the shareholders of NWDSC as soon as practicable.

BACKGROUND

As disclosed in the Prospectus, prior to the Listing, NWDSC entered into respectively (i) the Master Leasing Agreement with NWD; and (ii) the Concessionaire Counter Arrangements with CTF Jewellery. The transactions contemplated under the Master Leasing Agreement and the Concessionaire Counter Arrangements respectively constituted non-exempt continuing connected transactions of NWDSC after the Listing, subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Stock Exchange granted NWDSC a waiver on 4 June 2007 from strict compliance with the announcement and independent shareholders' approval requirements in relation to the Master Leasing Agreement and the Concessionaire Counter Arrangements.

The anticipated annual aggregate of the amounts of the transactions under the Master Leasing Agreement and the Concessionaire Counter Arrangements are expected to exceed the Original Leasing Annual Caps and the Original Concessionaire Annual Caps respectively. The directors of NWDSC propose to revise the Original Leasing Annual Caps. Both the directors of NWD and NWDSC propose to revise the Original Concessionaire Annual Caps.

MASTER LEASING AGREEMENT

1. Background

As disclosed in the Prospectus, prior to the Listing, NWDSC and NWD entered into the Master Leasing Agreement on 22 June 2007. Pursuant to the Master Leasing Agreement, the NWDSC Group agreed to continue to lease and may from time to time lease new premises from the NWD Group in accordance with the respective terms of the relevant leasing agreements.

2. Revision of Annual Caps

For the period from 1 July 2007 to 31 October 2007, the aggregate rental payment to the NWD Group under the Master Leasing Agreement amounted to approximately HK\$41,436,000, representing approximately 29% of the Original Leasing Annual Cap for the year ending 30 June 2008. The directors of NWDSC confirm that the Original Leasing Annual Cap was not exceeded as at 31 December 2007.

In view of the above, the corresponding projected aggregate amount of the transactions contemplated under the Master Leasing Agreement for each of the two years ending 30 June 2008 and 2009 are likely to exceed the respective Original Leasing Annual Caps. Accordingly, NWDSC entered into the Supplemental Agreement with NWD on 19 March 2008 to revise the annual caps for the transactions under the Master Leasing Agreement for each of the two years ending 30 June 2008 and 2009 as follows:

	2006/07	2007/08	2008/09
Original Leasing Annual Caps	HK\$106.7 million	HK\$144.1 million	HK\$149.3 million
Actual amounts incurred	HK\$102,382,000	HK\$41,436,000 (for the period from 1/7/2007 to 31/10/2007)	—
Revised Leasing Annual Caps	—	RMB135.7 million (equivalent to approximately HK\$147.1 million)	RMB212.0 million (equivalent to approximately HK\$229.8 million)

The Supplemental Agreement is conditional upon the approval by the shareholders of NWDSC other than NWD and its associates of (i) the Supplemental Agreement and the transactions contemplated thereunder; and (ii) the Revised Leasing Annual Caps at the EGM to be held in accordance with the requirements of the Listing Rules.

The Revised Leasing Annual Caps are estimated by the directors of NWDSC with reference to (i) the unaudited amount of the transactions under the Master Leasing Agreement for the four months from 1 July 2007 to 31 October 2007; and (ii) the assumption that there will be an annual increase of approximately 56% in 2009. The assumption of the annual increase in the Revised Leasing Annual Caps is based on (i) the expected growth in the number of new department stores of the NWDSC Group; and (ii) the anticipated appreciation in Renminbi.

3. Reasons for Revising the Original Leasing Annual Caps and Listing Rules Requirements

The Original Leasing Annual Caps are expected to be exceeded as a result of (i) the fast appreciation of Renminbi; (ii) the expansion in the number of stores; and (iii) the expansion in the turnover of stores as a turnover rent might be charged by the NWD Group in some of the leases. Pursuant to Rule 14A.36 of the Listing Rules, NWDSC is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules. As more than one of the applicable percentage ratios in respect of the Revised Leasing Annual Caps are more than 2.5%, the Lease and the Revised Leasing Annual Caps are subject to the reporting, annual review and independent shareholders' approval requirements under the Listing Rules. Accordingly, NWDSC will seek approval from the NWDSC Independent Shareholders of the Lease and the Revised Leasing Annual Caps by way of poll at the EGM.

The directors of NWDSC (excluding the independent non-executive directors of NWDSC who will be appointed as members of the NWDSC Independent Board Committee to advise the NWDSC Independent Shareholders in respect of the terms of the Lease and will only provide their views after considering the opinion of the independent financial adviser) consider that the terms of the Lease have been negotiated on an arm's length basis and on normal commercial terms, and the terms thereof and the Revised Leasing Annual Caps are fair and reasonable and are in the best interests of the NWDSC Group and the shareholders of NWDSC as a whole.

CONCESSIONAIRE COUNTER ARRANGEMENTS

1. Background

As disclosed in the Prospectus, prior to the Listing, the NWDSC Group entered into Concessionaire Counter Arrangements with CTF Jewellery or its subsidiaries pursuant to which members of the NWDSC Group provide floor space in its department stores to CTF Jewellery or its subsidiaries to exhibit and sell jewellery.

Pursuant to the concessionaire counter agreements, commissions and basic usage costs are payable by CTF Jewellery or its subsidiaries to members of the NWDSC Group for the use of the concessionaire counters. Such commissions are calculated by a pre-determined percentage of sales made for each type of the products sold at the concessionaire counter and the gross sales figures of concessionaire counter, while the basic usage costs comprise the general promotional contributions and other fixed charges.

2. Revision of Annual Caps

According to the management accounts of the NWDSC Group for the period from 1 July 2007 to 31 December 2007, the aggregate sums with respect to the concessionaire counter agreements paid by CTF Jewellery or its subsidiaries to the NWDSC Group amounted to approximately HK\$8,845,000, representing approximately 49% of the Original Concessionaire Annual Caps for the year ending 30 June 2008.

In view of the above, the corresponding projected aggregate amount of the transactions contemplated under the Concessionaire Counter Arrangements for each of the two years ending 30 June 2008 and 2009 are likely to exceed the respective Original Concessionaire Annual Caps. Accordingly, both the directors of NWD and NWDSC propose to revise the annual caps for the Concessionaire Counter Arrangements for each of the two years ending 30 June 2008 and 2009 as follows:

	2006/07	2007/08	2008/09
Original Concessionaire Annual Cap	HK\$12.5 million	HK\$18.2 million	HK\$26.2 million
Actual amounts incurred	HK\$12,375,000	HK\$8,845,000 (for the period from 1/7/2007 to 31/12/2007)	—
Revised Concessionaire Annual Cap	—	RMB24.6 million (equivalent to approximately HK\$26.67 million)	RMB53.1 million (equivalent to approximately HK\$57.57 million)

The Revised Concessionaire Annual Caps are estimated by the directors of NWD and NWDSC with reference to (i) the unaudited amount of the transactions under the Concessionaire Counter Arrangements for the six months from 1 July 2007 to 31 December 2007; and (ii) the assumption that there will be an annual increase of approximately 116% in 2009. The assumption in the annual increase in the Revised Concessionaire Annual Caps is based on (i) the growth in sales of concessionaire counters in the department stores of the NWDSC Group; (ii) the anticipated appreciation in Renminbi; (iii) the additional contribution of sales of concessionaire counters in the acquired department store; and (iv) the expected growth in the number of concessionaire counters in the department stores of the NWDSC Group.

3. Reasons for Revising Original Concessionaire Annual Caps and Listing Rules Requirements

The Original Concessionaire Annual Caps are expected to be exceeded as a result of the fast appreciation of Renminbi and expansion in the number of stores and turnover of concessionaire counters. Pursuant to Rule 14A.36 of the Listing Rules, NWD and NWDSC are required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules.

As the applicable ratios in respect of the Revised Concessionaire Annual Caps are less than 2.5% for NWD, the Concessionaire Counter Arrangements is subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under the Listing Rules so far as NWD is concerned.

As one of the applicable percentage ratios in respect of the Revised Concessionaire Annual Caps is more than 2.5% for NWDSC, the Concessionaire Counter Arrangements and the Revised Concessionaire Annual Caps are subject to the reporting, annual review and independent shareholders' approval requirements under the Listing Rules so far as NWDSC is concerned. Accordingly, NWDSC will seek approval from the NWDSC Independent Shareholders of the Concessionaire Counter Arrangement and the Revised Concessionaire Annual Caps by way of poll at the EGM.

Dr. Cheng Kar-shun Henry and Mr. Cheng Chi-kong, Adrian are common directors of NWD and NWDSC. Both the directors of NWD and the directors of NWDSC (excluding the independent non-executive directors of NWDSC who will be appointed as members of the NWDSC Independent Board Committee to advise the NWDSC Independent Shareholders in respect of the terms of the Concessionaire Counter Arrangements and will only provide their views after considering the opinion of the independent financial adviser) consider that the terms of the Concessionaire Counter Arrangements have been negotiated on an arm's length basis and on normal commercial terms, and the terms thereof and the Revised Concessionaire Annual Caps are fair and reasonable and are in the best interests of the NWD Group and NWDSC Group and the shareholders of NWD and NWDSC as a whole respectively.

INFORMATION ON THE PARTIES

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

The principal activities of NWD Group include property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology.

To the best knowledge of the directors of NWD and NWDSC, CTF Jewellery is engaged in selling jewellery.

GENERAL

NWD, the controlling shareholder of NWDSC, is interested in approximately 72.29% of the entire issued share capital of NWDSC as at the date of this announcement. CTF Jewellery is an associate of CTF, which in turn is a substantial shareholder of NWD. Hence, both NWD and CTF Jewellery are connected persons of NWDSC under the Listing Rules. Accordingly, the respective transactions contemplated by the Master Leasing Agreement and the Concessionaire Counter Arrangements constitute continuing connected transactions for NWDSC respectively. NWDSC is not connected person of NWD as at the date of this announcement.

Since NWDSC is a subsidiary of NWD and CTF Jewellery is an associate of CTF which is a substantial shareholder of NWD, the transactions contemplated by the Concessionaire Counter Arrangements constitute continuing connected transactions for NWD.

In view of NWD's interest in the Master Leasing Agreement and the Supplemental Agreement and CTF Jewellery's interest in the Concessionaire Counter Arrangements, NWD and its associates (including CTF and CTF Jewellery) will abstain from voting in relation to the resolutions to approve the Transactions and the Revised Caps. The NWDSC Independent Board Committee will be appointed to advise the NWDSC Independent Shareholders on whether or not the terms of the Transactions including the Revised Caps are in the interest of NWDSC and are fair and reasonable so far as the shareholders of NWDSC as a whole are concerned. An independent financial adviser will be appointed by NWDSC to advise the NWDSC Independent Board Committee on the same.

A circular containing further details of the Transactions and the Revised Caps, letter from the NWDSC Independent Board Committee, an opinion of the independent financial adviser together with a notice convening the EGM to approve the Transactions and the Revised Caps will be dispatched to the shareholders of NWDSC as soon as practicable.

DEFINITIONS

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

“Concessionaire Counter Arrangements”	including various concessionaire counter agreements entered into between NWDSC and CTF Jewellery or any of its subsidiaries
“CTF”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability and a substantial shareholder of NWD
“CTF Jewellery”	Chow Tai Fook Jewellery Company Limited (周大福珠寶金行有限公司), a company incorporated in Hong Kong and an associate of CTF
“EGM”	the extraordinary general meeting of NWDSC to be held to consider and, if thought fit, to approve the Transactions, the Supplemental Agreement and the Revised Caps
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Lease”	the transactions contemplated under the Master Leasing Agreement as amended and supplemented by the Supplemental Agreement
“Listing”	listing of the shares of NWDSC on the main board of the Stock Exchange on 12 July 2007
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Leasing Agreement”	the master leasing agreement dated 22 June 2007 between NWDSC and NWD

“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
“NWD Group”	NWD and its subsidiaries
“NWDSC”	New World Department Store China Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“NWDSC Group”	NWDSC and its subsidiaries
“NWDSC Independent Board Committee”	an independent board committee of NWDSC comprising the independent non-executive directors of NWDSC
“NWDSC Independent Shareholders”	shareholders of NWDSC other than NWD, CTF and their respective associates
“Original Concessionaire Annual Cap(s)”	the original annual cap(s) for the Concessionaire Counter Arrangements as set out in the Prospectus
“Original Leasing Annual Cap(s)”	the original annual cap(s) for the Master Leasing Agreement as set out in the Prospectus
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of NWDSC dated 28 June 2007
“Revised Caps”	the Revised Concessionaire Annual Caps and the Revised Leasing Annual Caps
“Revised Concessionaire Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules, means for each of the two years ending 30 June 2008 and 2009, RMB24.6 million and RMB53.1 million in respect of the aggregate sums payable by CTF Jewellery to the NWDSC Group under the Concessionaire Counter Arrangements
“Revised Leasing Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules, means for each of the two years ending 30 June 2008 and 2009, RMB135.7 million and RMB212.0 million in respect of the aggregate rental and management fees payable by the NWDSC Group to the NWD Group in connection with the premises leased and to be leased by the NWDSC Group under the Master Leasing Agreement as amended and supplemented by the Supplemental Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental letter entered into between NWDSC and NWD on 19 March 2008, supplemental to the Master Leasing Agreement
“Transactions”	(i) the Lease; and (ii) the transactions contemplated under the Concessionaire Counter Arrangements
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the board of
New World Development Company Limited
LEUNG Chi-kin, Stewart
Company Secretary

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

Hong Kong, 19 March 2008

As at the date of this announcement, (a) the executive directors of NWD are Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Dr. Sin Wai-Kin, David, Mr. Liang Chong-Hou, David, Mr. Leung Chi-Kin, Stewart and Mr. Cheng Chi-Kong, Adrian ; (b) the non-executive directors of NWD are Lord Sandberg, Michael, Mr. Cheng Kar-Shing, Peter, Mr. Chow Kwai-Cheung and Mr. Liang Cheung-Biu, Thomas and (c) the independent non-executive directors of NWD are Mr. Yeung Ping-Leung, Howard, Dr. Cha Mou-Sing, Payson (alternate director to Dr. Cha Mou-Sing, Payson: Mr. Cha Mou-Zing, Victor), Mr. Ho Hau-Hay, Hamilton and Mr. Lee Luen-Wai, John.

As at the date of this announcement, the non-executive directors of NWDSC are Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong; the executive directors of NWDSC 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 of NWDSC 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 HK\$1=RMB0.9224 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.