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New World Department Store China Limited
新世界百貨中國有限公司

NWDS Announces Listing Plan on the SEHK to Raise up to HK\$ 2.71 billion

**One of the leading department store chain operators in the PRC
Ramping up to strengthen its position in the retail sector**

(27 June 2007 – Hong Kong) New World Department Store China Limited (“NWDS” or the “Company”; Hong Kong stock code: 825), one of the largest owners and operators of department stores in the PRC, announced today details of its listing plan on The Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”).

The Initial Public Offering of NWDS constitutes a spin-off from its parent company, New World Development Company Limited (“NWD”, Hong Kong stock code: 17). NWDS will initially offer a total of 406,300,000 new shares (before the exercise of the over-allotment option), of which 90% will be offered by way of International Placing to institutional, professional and/or other investors, and the remaining 10% will be offered in the Hong Kong Public Offer. A Preferential offer is given to qualifying shareholders of NWD, with the shares representing approximately 5% of the Global Offering. There is an over-allotment option of up to 60,945,000 new shares (representing 15% of the Global Offering). Following the Global Offering, NWD will remain as the majority shareholder of NWDS, retaining a stake of approximately 75%, assuming the over-allotment option is not exercised.

The Offer Price will range between HK\$4.8 to HK\$5.8 per share. The board lot is 1,000 shares. The Hong Kong Public Offer will open on Thursday 28 June 2007 and close at 12:00 noon on Wednesday 4 July 2007. The final Offer Price is expected to be determined on or around Thursday 5 July 2007. Commencement of trading of NWDS shares is expected to take place on Thursday 12 July 2007.

Deutsche Bank and HSBC are the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors for the transaction.

Commenting on the proposed spin-off and Global Offering of NWDS, Chairman of NWDS and Managing Director of NWD Dr. Henry Cheng said: "NWDS is one of the key investments made by NWD as part of our Greater China strategy. It also embodies a story of success of NWD. The spin-off will increase the transparency of NWDS. It will also allow NWDS to establish a higher profile as a separately listed entity, and gain access to the capital markets to fund its future growth. Meanwhile, NWD will continue to benefit from the business prospects and performance of NWDS by maintaining a majority shareholding in it."

Established in 1993, NWDS was one of the first foreign investors in the PRC retail sector. NWDS currently operates a large national network of 22 "New World" branded department stores and six "巴黎春天" (Ba Li Chun Tian) branded department stores in Shanghai. Among them 16 stores are self-owned while 12 are managed stores. The department store retail chain covers Hong Kong and 15 major cities in the PRC, including Beijing, Shanghai, Shenyang and Wuhan. According to Euromonitor, the Company is one of the top 5 owners and operators of department stores in the PRC in terms of sales excluding sales tax.

NWDS positions itself at the mid-to-high end of the PRC retail market and offers a range of merchandise including fashion, accessories, jewellery and cosmetics. Sales in its self-owned stores are divided into concessionaire sales and direct sales. Most sales income from its self-owned stores is derived from concessionaires. NWDS also receives management fees for its 12 managed stores.

NWDS has a proven track record of growth and profitability. For the past three financial years ended 30 June 2006, it achieved a sales CAGR of 27%. Its net profit for the full year of FY2007 is expected to reach not less than HK\$265 million, representing year-on-year growth of up to 67.7%.

Commenting on NWDS' competitive strengths, Mr. Adrian Cheng, Executive Director of NWDS, said: "NWDS has been able to build and maintain close and long-term relationships with its concessionaires and direct sales suppliers. We have managed to secure prime locations on more advantageous terms for the development of new stores, thanks to our long operating history and well-established brand name and reputation in the PRC. In addition, our strong and long-term relationships with concessionaires will also enable the Company to open new stores and expand at a faster pace and in a more cost-efficient manner."

He added: "We are supported by a strong and stable management team. The team members have substantial experience and expertise in the retail industry in the PRC, as well as proven leadership and execution capabilities. Most members of the senior management team have over 10 years of experience in the retail industry and have been with the Company since inception. The team has amassed vast knowledge of local consumption patterns and developed thorough understanding of consumer preferences and trends in the PRC."

Upon deducting underwriting costs and the estimated expenses payable in connection with the Global Offering, net proceeds from the offering are expected to be approximately HK\$2,021 million (assuming an Offer Price of HK\$5.3 per share, being the mid-point of the indicative offer price range of HK\$4.8 to HK\$5.8 per share, prior to the exercise of the over-allotment option).

The net proceeds will be applied in the following manner:

- ♦ approximately HK\$450-550 million for establishing new stores within the next three years in certain major cities in the PRC such as Anshan, Nanjing and Chongqing;
- ♦ approximately HK\$600 million for acquiring the leased properties at which certain existing stores are located;
- ♦ approximately HK\$500 million for acquiring department stores in other cities in the PRC where consumption power and future prospects are promising;
- ♦ approximately HK\$250 million for expansion, refurbishment and renovation of certain existing stores in the PRC such as those stores in Harbin, Shanghai, Shenyang and Tianjin;
- ♦ approximate HK\$50 million for upgrading existing information technology and management systems ; and
- ♦ the remaining balance will be used as general working capital.

Mr. Adrian Cheng concluded: "Looking ahead, we intend to continue to grow our retail network to capitalise on the growing affluence of PRC consumers and to further enhance the operational efficiency of our existing stores. NWDS has a robust and diversified growth strategy. We will look for appropriate sites for new stores in certain major cities where we already have a presence, such as Beijing and Shanghai. We will also study the potential of opening new stores in other cities in the PRC, such as Anshan, Hangzhou, Nanjing, and Xi'an. In addition, we will also look to make value-enhancing acquisitions of other department stores when the right opportunities arise, including our managed stores for which we have options or rights of first refusal to acquire. We will continue to expand, renovate and upgrade our existing stores and to enhance our brand reputation and product mix, with a view to providing better shopping experiences for our customers. Our mission is to ultimately become a dominant department store chain operator in the PRC. We believe this goal is achievable, and we are totally committed towards it."

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For further inquiries, please contact:

New World Department Store China Limited

Ms. Rebecca Woo
Director – Corporate Affairs
Tel: (852) 2753 3911
Fax: (852) 2318 0884
Email: nwdscad@nwds.com.hk

iPR Ogilvy Ltd

Doris Lam/ Stella Lui/ Jane Yip/ Natalie Tam
Tel: (852) 3170 6751/ 2136 6178/ 2136 6175/ 2136 6182
Fax: (852) 3170 6606
Email: doris.lam@iprogilvy.com/ stella.lui@iprogilvy.com/
jane.yip@iprogilvy.com/ natalie.tam@iprogilvy.com

New World Department Store China Limited Fact Sheet at a Glance

Total number of Offer Shares	:	406,300,000 new shares (Subject to over-allotment option, up to an additional 60,945,000 new shares)
Offering structure		
♦ Hong Kong Public Offering	:	40,630,000 new shares (Subject to adjustment)
♦ International Placing	:	365,567,000 new shares (Subject to adjustment)
Offer price	:	HK\$4.8 – HK\$5.8 per share
Market capitalization (Prior to the exercise of the over-allotment option)	:	HK\$7,801 million to HK\$9,426 million
Forecast consolidated profit attributable to equity holders of the Company		Not less than HK\$265 million
Pro forma forecast price/earnings multiple		30 times to 36 times
Public offer period	:	28 June – 4 July 2007 noon
Price determination	:	5 July 2007
Announcement of allotment results	:	11 July 2007
Listing date	:	12 July 2007
Stock code	:	825

Track Record

The results highlights of the Company for the three financial years ended 30 June 2006 and the six months results ended 31 December 2005 and 2006 are as summarized below:

	For the Financial Year ended 30 June			For the six months ended 31 December	
	2004 HK\$ mil	2005 HK\$ mil	2006 HK\$ mil	2005 HK\$ mil	2006 HK\$ mil
Sales	467.8	594.2	750.0	346.1	453.8
Operating profit	112.7	128.4	171.9	81.7	167.2
Profit before taxation	112.5	128.1	182.6	87.9	169.6
Profit for the year/ period	74.9	100.8	157.9	71.0	140.4