

The Adjusted NTAV per NWDSC Share is therefore approximately HK\$2.611 (based on 1,686,145,000 NWDSC Shares in issue as at the Latest Practicable Date), and the Offer Price of HK\$2.00 per Offer Share represents a discount of approximately 23.4% to the Adjusted NTAV per NWDSC Share.

### **3. Future prospects and outlook of the NWDSC Group**

As stated in the Letter from UBS, following the close of the Offer, the Offeror intends to continue the existing businesses of the NWDSC Group upon completion of the Offer, and to develop deeper synergies with the overall NWDSC businesses, explore new development opportunities and implement long-term growth strategies. The Offeror may also from time to time, based on market situation, consider introducing significant changes to the existing operations of the NWDSC Group following the review of its strategic options relating to the business, structure and/or direction of the NWDSC Group. The Offeror may continue to explore the possibility of re-aligning or re-deploying the assets of the NWDSC Group and assess suitable opportunities to enhance the financial flexibility of the NWDSC Group. It is also the current intention of the Offeror that the employment of the existing employees of the NWDSC Group should be continued following the completion of the Offer except for changes which may occur in the ordinary course of business.

### **4. Principal terms of the Offer**

UBS, on behalf of the Offeror, will make the Offer in accordance with the Takeovers Code on the following basis:

**Offer:**

<b>For each Offer Share</b>	<b>HK\$2.00 in cash</b>
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The Offer is being extended to all NWDSC Shareholders except for the Offeror. As at the Joint Announcement Date and the Latest Practicable Date, no NWDSC Option has been granted or is outstanding under the NWDSC Share Option Scheme.

#### ***4.1 The Offer Price***

The Offer Price of HK\$2.00 per Offer Share represents:

- (i) a premium of approximately 4.2% over the closing price of HK\$1.920 per NWDSC Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 50.4% over the closing price of HK\$1.330 per NWDSC Share as quoted on the Stock Exchange on the Last Trading Day;

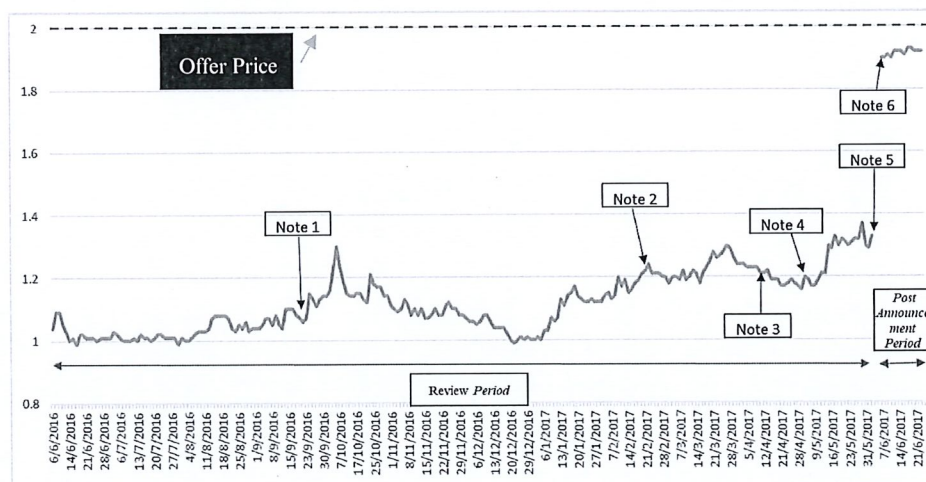
- (iii) a premium of approximately 51.3% over the average closing price of approximately HK\$1.322 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 51.9% over the average closing price of approximately HK\$1.317 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 60.7% over the average closing price of approximately HK\$1.244 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 61.6% over the average closing price of approximately HK\$1.237 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 60 trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 73.5% over the average closing price of approximately HK\$1.153 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 41.1% to the unaudited consolidated net asset value attributable to NWDSC Shareholders per NWDSC Share of approximately HK\$3.396 per NWDSC Share (based on the number of issued NWDSC Shares as at the Latest Practicable Date) as at 31 December 2016;
- (ix) a discount of approximately 23.4% to the Adjusted NTAV per NWDSC Share of approximately HK\$2.611 per NWDSC Share (based on the number of issued NWDSC Shares as at the Latest Practicable Date) as at 31 December 2016, the date to which the latest unaudited interim results of the NWDSC Group were made up;
- (x) a discount of approximately 44.5% to the Adjusted NAV per NWDSC Share of approximately HK\$3.602 per NWDSC Share (based on the number of issued NWDSC Shares as at the Latest Practicable Date) as at 31 December 2016, the date to which the latest unaudited interim results of the NWDSC Group were made up; and
- (xi) a discount of approximately 43.0% to the audited consolidated net asset value attributable to NWDSC Shareholders per NWDSC Share of approximately HK\$3.507 per NWDSC Share (based on the number of

issue NWDSC Shares as at the Latest Practicable Date) as at 30 June 2016, the date to which the latest audited financial results of the NWDSC Group were made up.

## 5. Historical performance of the NWDSC Shares

### 5.1 Share price performance of the NWDSC Shares

The following chart sets out the historical trading price performance of the NWDSC Shares during the period (i) from 5 June 2016 (i.e. 12 months before the trading halt of the NWDSC Shares on 5 June 2017) up to 6 June 2017 (the “**Review Period**”); and (ii) from 7 June 2017 up to and including the Latest Practicable Date (the “**Post Announcement Period**”):



Source: website of the Stock Exchange

*Note 1:* NWDSC issued the annual results announcement for the year ended 30 June 2016 on 20 September 2016.

*Note 2:* NWDSC issued the interim results announcement for the six months ended 31 December 2016 on 21 February 2017.

*Note 3:* NWDSC issued two announcements in relation to certain continuing connected transactions on 10 April 2017.

*Note 4:* NWDSC issued an announcement regarding the termination of existing continuing connected transactions with an indirect subsidiary of New World Development Company Limited on 2 May 2017.

*Note 5:* NWDSC issued the announcement in relation to the halt of trading of the NWDSC Shares pending the release of inside information relating to the Offer on 5 June 2017.

*Note 6:* NWDSC issued the announcement in relation to the Offer (the “**Offer Announcement**”) on 6 June 2017.

We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the NWDSC Shares and the Offer. The chart above represents the daily movement in the closing prices of the NWDSC Shares against the Offer Price during the Review Period and the Post Announcement Period.

During the Review Period, we note that the historical closing prices of the NWDSC Shares were at a range between HK\$0.99 and HK\$1.93. Prior to the Offer Announcement, the price of the NWDSC Shares were always below the Offer Price, at a range between HK\$0.99 and HK\$1.37. Following the Offer Announcement, the price of the NWDSC Shares rose from HK\$1.33 to HK\$1.90 on 7 June 2017. We consider the significant price fluctuations following the publication of the Offer Announcement to be attributable to the fact that the Offer Price is being set at HK\$2.00 per Offer Share. After the publication of the Offer Announcement, the historical closing prices of the NWDSC Shares were at a range between HK\$1.90 and HK\$1.93 during the Post Announcement Period.

In view of the fluctuation in the share price of NWDSC, Independent NWDSC Shareholders who wish to realise their investment in the NWDSC Group are reminded that they should carefully and closely monitor the market price of NWDSC during the Offer Period and consider selling their NWDSC Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sale of such NWDSC Shares in the open market would exceed the net amount receivable under the Offer.

## 5.2 Liquidity of the NWDSC Shares

A table showing the average daily volume of the NWDSC Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued NWDSC Shares and total number of issued NWDSC Shares held by public NWDSC Shareholders (as defined in the Listing Rules) respectively during the Review Period is as follows:

	Total monthly trading volume (number of shares)	Number of trading days during the month (days)	Average daily trading volume (number of shares)	Percentage of average daily trading volume to total number of shares in issue as at the Latest Practicable Date (%) (Note 3)	Percentage of average daily trading volume to total number of shares held by public NWDSC Shareholders as at the Latest Practicable Date (%) (Note 4)
<b>2016</b>					
June (Note 1)	13,379,554	18	743,309	0.04%	0.16%
July	35,763,385	20	1,788,169	0.11%	0.38%
August	17,338,000	22	788,091	0.05%	0.17%
September	64,555,033	21	3,074,049	0.18%	0.66%
October	59,997,685	19	3,157,773	0.19%	0.68%
November	22,430,148	22	1,019,552	0.06%	0.22%
December	16,769,316	20	838,466	0.05%	0.18%
<b>2017</b>					
January	31,993,838	19	1,683,886	0.10%	0.36%
February	41,026,466	20	2,051,323	0.12%	0.44%
March	32,310,099	23	1,404,787	0.08%	0.30%
April	9,918,149	17	583,421	0.03%	0.12%
May	58,238,853	20	2,911,943	0.17%	0.62%
June (Note 2)	183,173,307	15	12,211,554	0.72%	2.61%
— Period before the Offer Announcement	9,497,142	2	4,748,571	0.28%	1.02%
— Post-Announcement Period	173,676,165	13	13,359,705	0.79%	2.86%

Source: website of the Stock Exchange

Notes:

1. The Review Period commenced from 5 June 2016.
2. Trading in NWDSC Shares was suspended from 5 June 2017 to 6 June 2017.
3. Based on 1,686,145,000 NWDSC Shares in issue as at the Latest Practicable Date.

4. Based on 467,133,000 NWDSC Shares held by the public NWDSC Shareholders as at the Latest Practicable Date.

We note that the average daily trading volume of the NWDSC Shares was less than 1% of the NWDSC Shares held by public NWDSC Shareholders, and therefore, had been thin in general during the period before the Offer Announcement. The average daily trading volume of the NWDSC Shares (including both public and non-public trading) per month during the Review Period was ranging from approximately 0.03% in April 2017 to approximately 0.72% in June 2017 of the total number of issued NWDSC Shares as at the Latest Practicable Date. For illustration purpose, the average daily trading volume of the NWDSC Shares (including both public and non-public trading) per month during the Review Period was ranging from approximately 0.12% in April 2017 to 2.61% in June 2017 of the total number of issued NWDSC Shares held by public NWDSC Shareholders as at the Latest Practicable Date.

Comparing with the relatively higher volume activities during the Post Announcement Period as compared to the Review Period, the average daily trading volume of NWDSC Shares during the Review Period was generally thin. The average daily trading volume from 6 June 2017 i.e. the Joint Announcement Date onwards up to the Latest Practicable Date was approximately 0.79% of the total number of NWDSC Shares in issue.

Given the generally low trading volume of the NWDSC Shares during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the NWDSC Shares for the Independent NWDSC Shareholders to dispose of a significant number of the NWDSC Shares in the open market without depressing the NWDSC Share price. Accordingly, the market trading price of the NWDSC Shares may not necessarily reflect the proceeds that the Independent NWDSC Shareholders can receive by the disposal of their NWDSC Shares in the open market. Therefore, we are of the view that the Offer represents an opportunity for the Independent NWDSC Shareholders, particularly for those who hold a large volume of the NWDSC Shares, to dispose of part or all of their NWDSC Shares at the Offer Price if they so wish to.

## **6. Comparison with comparable companies and privatisation precedents**

### ***6.1 Comparison with market comparables***

The NWDSC Group is principally engaged in the operation of department stores and other related businesses in the PRC. In assessing the fairness and reasonableness of the Offer Price, we have adopted the price-to-earnings approach which has been considered as a suitable approach for analysing companies that have a track record of generating profits. Given that the NWDSC Group was profitable in each of FY2015 and FY2016, we consider that the price-to-earnings ratio is a suitable method to evaluate the fairness of the Offer Price. Apart from the price-to-earnings ratio, we have also considered the price-to-book approach in

assessing the fairness and reasonableness of the Offer Price in relation to the Adjusted NTAV of the NWDSC Group, which amounted to approximately HK\$4,402.7 million as at 31 December 2016.

We have conducted research on comparable companies which (i) are listed on the Stock Exchange; (ii) are principally engaged in the operation and management of department stores in the PRC (which at least 50% of the total revenue is attributable to such business based on the latest published results announcement); and (iii) profit making. When determining the above, we have taken into account the principal business of the NWDSC Group and the NWDSC Group's revenue contribution from department stores and other related businesses that accounted for more than 90% of the NWDSC Group's revenue for each of FY2015 and FY2016. Based on the relevant criteria above, we have identified 6 comparable companies (the "Comparables") with details set out below. We consider that the Comparables represent the exhaustive list of comparable companies under the relevant criteria above.

Company name	Stock code	Principal business	Market capitalisation HK\$'million (Note 1)	Net profit attributable to owners of the company HK\$'million (Note 2)	Net assets attributable to owners of the company HK\$'million (Note 2)	P/E Ratio (approximately times) (Note 3)	P/B Ratio (approximately times) (Note 4)
Golden Eagle Retail Group Ltd. ("Golden Eagle")	3308	Development and operation of department store chain	17,991.2	469.7	5,787.7	38.3	3.1
Lifestyle China Group Limited	2136	Operation of department stores and supermarket business	4,566.3	323.6	9,787.1	14.1	0.5
Maoye International Holdings Limited ("Maoye")	848	Operation and management of department stores	4,163.7	53.3	11,656.2	78.1	0.4
Parkson Retail Group Ltd.	3368	Operation and management of department stores	3,345.9	169.3	5,516.5	19.8	0.6
Shirble Department Store Holdings China Ltd	312	Operations and management of department stores	1,160.2	69.6	1,542.1	16.7	0.8
Jihua Stores Holdings Ltd.	602	Operation and management of retail stores	456.5	47.5	680.3	9.6	0.7
		Average				29.4	1.0
		Median				18.2	0.6
		Maximum				78.1	3.1
		Minimum				9.6	0.4
		Implied multiple of the Offer	3,372.3 (Note 5)	78.6 (Note 5)	4,402.7	42.9 (Note 5)	0.8 (Note 6)

Source: Bloomberg and website of the Stock Exchange

*Notes:*

- (1) Data regarding the market capitalisations are sourced from Bloomberg as at 23 June 2017, being the Latest Practicable Date.
- (2) The respective net profit attributable to owners of the company and the net assets attributable to owners of the company of the Comparables are based on their latest published results announcements.
- (3) The price-to-earnings ratios of the Comparables are calculated by dividing their market capitalisations as at the Latest Practicable Date by their net profit attributable to owners of the company based on their latest published results announcement.
- (4) The price-to-book ratios of the Comparables are calculated by dividing their market capitalisations as at the Latest Practicable Date by their net assets attributable to owners of the company based on their latest published results announcement after excluding goodwill from the net asset value in order to be comparable to our adjustments made to the NWDSC Group's net asset value.
- (5) The implied price-to-earnings ratio (the "**Implied P/E Ratio**") of the Offer is calculated by dividing the hypothetical value of the offer of (the "**Hypothetical Offer Value**") approximately HK\$3,372.3 million (being the hypothetical value of the offer for acquiring 100% of the total number of issued NWDSC Shares, based on the 1,686,145,000 NWDSC Shares in issue multiplied by the Offer Price of HK\$2.00) by the illustrative profit after tax of the NWDSC Group attributable to NWDSC Shareholders for the twelve months ended 31 December 2016 of approximately HK\$78.6 million (the "**NWDSC Illustrative Dec 2016 Profit**"), which is calculated based on the sum of (i) the profit after tax of the NWDSC Group attributable to NWDSC Shareholders for the six months ended 31 December 2016 of approximately HK\$92.8 million, according to the interim results announcement of NWDSC for the six months ended 31 December 2016; and (ii) the illustrative loss after tax of the NWDSC Group attributable to NWDSC Shareholders for the six months ended 30 June 2016 of approximately HK\$14.2 million (which is based on the profit after tax of the NWDSC Group attributable to NWDSC Shareholders for the year ended 30 June 2016 of approximately HK\$45.6 million according to the annual results announcement of NWDSC for the year ended 30 June 2016, minus the profit after tax of the NWDSC Group attributable to NWDSC Shareholders for the six months ended 31 December 2015 of approximately HK\$59.8 million according to the interim results announcement of NWDSC for the six months ended 31 December 2015). In view of the year end of the Comparables all being December and the profit attributable to shareholders of the Comparables used for calculating their respective price-to-earning ratios being for the year ended 31 December 2016, the NWDSC Illustrative Dec 2016 Profit is adopted for calculating the Implied P/E Ratio for a more accurate comparison.
- (6) The implied price-to-book ratio (the "**Implied P/B Ratio**") of the Offer is calculated by dividing the hypothetical value of the offer of approximately HK\$3,372.4 million (being the hypothetical value of the offer for acquiring 100% of the total number of issued NWDSC Shares, based on the 1,686,145,000 NWDSC Shares in issue multiplied by the Offer Price of HK\$2.00) by the Adjusted NTAV of the NWDSC Group as at 31 December 2016 of approximately HK\$4,402.7 million.
- (7) Century Ginwa Retail Holdings Limited ("**Century Ginwa**") is excluded from the Comparables given the circumstance that Century Ginwa changed its financial year end date from 31 December to 31 March, and hence Century Ginwa's latest published earnings was for the fifteen months ended 31 March 2016 as disclosed in its annual



report for the fifteen months ended 31 March 2016. It is noted that Century Ginwa recorded loss attributable to shareholders according to its latest published interim results announcement for the six months ended 30 September 2016.

- (8) For the purpose of this table, the translation of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.15 for the purpose of illustration only.

With reference to the above table, we note that the price-to-earnings ratio of the Comparables range from approximately 9.6 times to 78.1 times, with an average of approximately 29.4 times. We note that the relatively high average of the price-to-earnings ratio of the Comparables is due to the substantial decrease in net profit attributable to owners of Golden Eagle and Maoye of approximately 50.5% and 84.5%, respectively, for their latest financial year ends, which led to Golden Eagle and Maoye recording price-to-earning ratios of approximately 40.8 times and 79.0 times, respectively. The median of the price-to-earnings ratio of the Comparables is approximately 18.2 times.

With reference to the table above, the price-to-book ratio of the Comparables ranged from approximately 0.4 times to approximately 3.1 times, with an average of approximately 1.0 times. We note that the relatively high average of the price-to-book ratios of the Comparables is due to Golden Eagle, which recorded relatively higher price-to-book ratio of approximately 3.1 times. Except for Golden Eagle, we consider that the generally low price-to-book ratios of the Comparables and the implied price-to-book ratio of NWDSC, both being below 1.0 times, is mainly due to the significant contribution of property interests held by the Comparables and NWDSC to their respective total assets. The median of the price-to-book ratios of the Comparables is approximately 0.6 times.

Since the Implied P/E Ratio of the Offer of approximately 42.9 times is well above the average of the price-to-earning ratios of the Comparables of approximately 29.4 times, and the Implied P/B Ratio of the Offer of approximately 0.8 times, despite being slightly below the average of approximately 1.0 times, is still within range and slightly higher than the median of the price-to-book ratios of the Comparables of approximately 0.6 times, we consider that the value of the Offer is fair and reasonable so far as NWDSC and the Shareholders are concerned.

## *6.2 Comparison with privatisation precedents*

For the purpose of assessing the share price premium represented by the Offer Price, we have also compared the Offer to privatisation proposals listed on the Stock Exchange announced since 1 June 2014, being approximately 3 years before the date of the Announcement, and up to the Latest Practicable Date, excluding privatisation proposals which were not approved (the “**Privatisation Precedents**”), which represents an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange’s website satisfying the above criteria. To minimize the possible distortion due to different market sentiment for each of the Privatisation Precedents, a 3-year period has been adopted for the

selection criteria. The table below illustrates the premiums over the last trading day, the respective 30 days, 90 days, 120 days and 180 days average share prices at which such privatisation proposals have been priced:

Date of initial announcement	Stock code	Company	Premium of offer/cancellation price over the share price of the relevant company prior to announcement of privatisation proposal				
			Last trading day	30 days share price average	90 days share price average	120 days share price average	180 days share price average
20-Mar-17	283	Goldin Properties Holdings Limited	36.8%	33.9%	36.3%	39.7%	49.5%
10-Jan-17	1833	Intime Retail (Group) Company Limited	42.3%	51.8%	52.6%	54.1%	53.7%
23-Sep-16	3668	Chinalco Mining Corporation International	32.4%	34.1%	36.9%	51.5%	62.7%
8-Jul-16	1438	Nirvana Asia Ltd	22.4%	36.3%	36.6%	36.7%	35.9%
17-Jun-16	1768	Barcell Limited	44.3%	132.0%	138.5%	162.0%	159.9%
12-Jun-16	2618	TCL Communication Technology Holdings Limited	34.6%	47.2%	45.1%	39.1%	36.4%
29-May-16	477	Aupu Group Holding Company Limited	24.9%	29.7%	29.4%	27.6%	28.4%
24-May-16	1968	Peak Sport Products Co., Limited	10.6%	15.7%	21.1%	27.3%	22.7%
30 Mar-16	3699	Dalian Wanda Commercial Properties Co., Ltd	3.0%	24.1%	37.5%	25.4%	18.2%
4-Feb-16	3386	Dongpeng Holdings Company Limited	31.8%	47.1%	52.1%	50.1%	35.6%
6-Jan-16	917	New World China Land Limited	25.6%	40.8%	45.7%	57.7%	57.0%
20-Oct-15	1025	Wumart Stores, Inc	90.2%	68.8%	48.5%	18.8%	15.4%
13-Aug-15	350	Jingwei Textile Machinery Company Limited	8.1%	18.9%	8.9%	11.1%	18.3%
27-May-15	2266	Dorsett Hospitality International Limited	32.4%	41.7%	44.0%	39.7%	34.3%
26-Feb-15	1390	Econtext Asia Limited	41.0%	60.4%	64.1%	55.0%	48.5%
11-Dec-14	2626	Hunan Nonferrous Metals Corporation Limited	68.7%	55.8%	50.0%	64.4%	70.2%
		Highest	90.2%	132.0%	138.5%	162.0%	159.9%
		Lowest	3.0%	15.7%	8.9%	11.1%	15.4%
		Average	34.3%	46.1%	46.7%	47.5%	46.7%
		Median	32.4%	41.3%	44.6%	39.7%	36.2%
		The Offer Price	50.4%	60.7%	64.8%	70.8%	73.5%

Source: Bloomberg and website of the Stock Exchange

As indicated above, the means of premiums of the Privatisation Precedents over the last trading day share price, 30 days, 90 days, 120 days and 180 days share price averages were approximately 34.3%, 46.1%, 46.7%, 47.5% and 46.7%, respectively. We note that the premiums represented by the Offer Price over the closing price per NWDSC Share on the Last Trading Day, the 30 days, 90 days, 120 days and 180 days share price averages are all above the corresponding means of premiums of the Privatisation Precedents, which is considered favourable.

## CONCLUSION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Offer Price is at a premium to the historical prices of the NWDSC Shares throughout the entire Review Period prior to the release of the Offer Announcement;
- (ii) the Offer Price represents a premium of approximately 50.4% over the closing price of approximately HK\$1.330 per NWDSC Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) the Offer Price represents a premium of approximately 73.5% over the average closing price of approximately HK\$1.153 per NWDSC Share as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day;
- (iv) the Implied P/E Ratio of approximately 42.9 times is well above the average and median of the price-to-earnings ratios of the Comparables of approximately 29.4 times and 18.2 times, respectively;
- (v) the Implied P/B Ratio of approximately 0.8 times, despite being slightly lower than the average of approximately 1.0 times, is within range of the price-to-book ratios of the Comparables and slightly higher than the median of the price-to-book ratios of the Comparables of approximately 0.6 times;
- (vi) the premiums represented by the Offer Price over the closing price per NWDSC Share on the Last Trading Day, the 30 days, 90 days, 120 days and 180 days share price averages are all above the corresponding means of premiums of the Privatisation Precedents;
- (vii) trading volume of the Shares was generally thin during the Review Period and the Share Offer provides an opportunity for the Independent NWDSC Shareholders to realise their investment at the Offer Price without exerting a downward impact on the NWDSC Share price; and
- (viii) the sustainability of the relatively higher price and trading volume of the NWDSC Shares after the Offer Announcement is uncertain and may not continue in the absence of the Offer;


we are of the view that the terms of the Offer, are fair and reasonable so far as the Independent NWDSC Shareholders are concerned. Accordingly, we advise the NWDSC Independent Board Committee to recommend to the Independent NWDSC Shareholders to accept the Offer.

Nevertheless, Independent NWDSC Shareholders who wish to realise all or part of their investment in the NWDSC Shares should monitor the NWDSC Share price performance during the Offer Period. In the event that the market price of the NWDSC Share exceeds the Offer Price and the net proceeds from the sale of NWDSC Shares in the open market after deducting all related costs exceed the amount receivable from the Offer, Independent NWDSC Shareholders should consider selling their NWDSC Shares in the open market rather than accepting the Offer. In any event, Independent NWDSC Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the NWDSC Shares will be sustainable during and after the period for the acceptance of the Offer. Independent NWDSC Shareholders should also note that the Offer is conditional upon certain conditions being satisfied or waived, including the Offeror having received valid acceptances of the Offer Shares which would result in the Offeror holding at least 90% of the Offer Shares with the further proviso that, within that holding, the Offeror would also hold at least 90% of the Disinterested NWDSC Shares. Accordingly, the Offer may or may not become unconditional.

As set out in the Letter from UBS, if the Offeror acquires not less than 90% of the Offer Shares and not less than 90% of the Disinterested Shares, it intends to exercise the right under the Cayman Islands Companies Law and pursuant to Rule 2.11 of the Takeovers Code to compulsorily acquire all those Shares not acquired by the Offeror under the Offer. On completion of the compulsory acquisition process (if the compulsory acquisition right is exercised), NWDSC will be beneficially and ultimately owned as to 100% by the Offeror and an application will be made for the withdrawal of the listing of the NWDSC Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Independent NWDSC Shareholders should read carefully the procedures for accepting the Offer with details set out in this Composite Document.

Yours faithfully,  
For and on behalf of  
**Ballas Capital Limited**

  
**Heidi Cheng**                      **Aaron Ko**  
*Managing Director*              *Assistant Director*

*Note:* Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004 and Mr. Aaron Ko of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity since 2010. Ms. Heidi Cheng and Mr. Aaron Ko of Ballas Capital Limited have over 20 and 7 years of experience in the corporate finance industry, respectively.