

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **New World Department Store China Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



道亨證券有限公司

DaoHengSecurities Ltd.

A Member of the Guoco Group

A letter from the Independent Board Committee (as defined in this circular) containing its recommendations in respect of the transaction under the Agreement (as defined in this circular) to the Independent Shareholders (as defined in this circular) is set out on page 10 of this circular. A letter from Dao Heng Securities Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 18 of this circular.

A notice convening the EGM (as defined in this circular) to be held at Room 608, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 29 January 2008 at 10:00 a.m. is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Share, being one ordinary share in Uphill Group representing its entire issued share capital, and the Shareholder’s Loan
“Agreement”	an agreement dated 17 December 2007 entered into between the Vendor and the Purchaser relating to the sale and purchase of the Sale Share
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	Board of Directors
“BVI”	British Virgin Islands
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	New World Department Store China Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Agreement and the Acquisition
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee comprising all independent non-executive Directors of the Company, namely, Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry

DEFINITIONS

“Independent Financial Adviser”	Dao Heng Securities Limited, a licensed corporation permitted to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO, an independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the transaction under the Agreement
“Independent Shareholders”	Shareholders other than New World Development and its associates
“Independent Valuer”	Sallmanns (Far East) Limited, a firm of professional valuers independent from the Company and New World Development and its associates
“Latest Practicable Date”	means 2 January 2008, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing and Listing of Securities on the Stock Exchange
“Long Stop Date”	1 March 2008 or such later date as the parties to the Agreement may agree in writing
“New World Development”	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 Stock Exchange, which is the controlling Shareholder
“PRC”	The People’s Republic of China
“Property”	Basement 1 and Levels 1 to 6 of Wuhan New World Trade Tower I and Basement 1 and Levels 1 to 5 of Wuhan New World Trade Tower II, Nos. 566 and 568 Jianshe Avenue, Hankou, Wuhan Municipality, Hubei Province, PRC
“Purchaser”	New Bright Resources Limited, a limited liability company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company
“Sale Share”	the one ordinary share of US\$1.00 each in the share capital of Uphill Group beneficially owned by the Vendor, representing the entire issued share capital of Uphill Group
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

DEFINITIONS

“Shareholder”	holder of the shares of the Company
“Shareholder’s Loan”	the outstanding shareholder’s loan of Uphill Group owed to the Vendor in the total amount of HK\$586,355,928.25 as of 30 November 2007
“Shares”	shares in the share capital of the Company, with a par value of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in section 2 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“substantial Shareholder”	has the meaning ascribed thereto in Chapter 1 of the Listing Rules
“Uphill Group”	Uphill Group Limited, a limited liability company incorporated in the BVI which is wholly owned by the Vendor
“Vendor”	Solar Leader Limited, a limited liability company incorporated in the BVI, which an indirect wholly-owned subsidiary of New World Development
“Wuhan Department Store”	Wuhan New Eagle Development Co., Ltd. Wuhan New World Department Store (武漢新鵬發展有限公司武漢新世界百貨商場), a department store wholly owned and operated by Wuhan New Eagle
“Wuhan New Eagle”	Wuhan New Eagle Development Co., Ltd. (武漢新鵬發展有限公司), a wholly foreign owned enterprise incorporated in the PRC and a wholly-owned subsidiary of Uphill Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	the lawful currency of the PRC
“%”	per cent.

LETTER FROM THE BOARD



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)

Non-executive Directors:

Dr. Cheng Kar-shun, Henry
Mr. Au Tak-cheong

Executive Directors:

Mr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip
Mr. Lin Tsai-tan, David
Mr. Wong Kwok-kan, Kenneth
Ms. Ngan Man-ying, Lynda

Independent non-executive Directors:

Mr. Cheong Ying-chew, Henry
Mr. Chan Yiu-tong, Ivan
Mr. Tong Hang-chan, Peter
Mr. Yu Chun-fai, Henry

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

Room 1403, 14th Floor,
West Wing Office Building
New World Centre
20 Salisbury Road
Tsimshatsui, Kowloon
Hong Kong

7 January 2008

To the Shareholders

Dear Sir and Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

1. INTRODUCTION

The Board announced that on 17 December 2007, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor whereby the Purchaser agreed to acquire from the Vendor the Sale Share and the Shareholder's Loan for an aggregate consideration of HK\$885,417,000.

The principal asset of Uphill Group is Wuhan New Eagle, which is the operator of Wuhan Department Store and the sole legal and beneficial owner of the Property. The Directors believe that the Acquisition will further enhance the Group's strategy of expanding its department stores network in the PRC.

Upon completion of the Acquisition, Uphill Group and Wuhan New Eagle will become wholly-owned subsidiaries of the Group, and Uphill Group will owe the Shareholder's Loan to the Purchaser.

LETTER FROM THE BOARD

2. THE AGREEMENT

Date: 17 December 2007

Parties

- (i) Purchaser : New Bright Resources Limited
- (ii) Vendor : Solar Leader Limited

Subject matter to be acquired

The Purchaser has conditionally agreed to acquire from the Vendor the Sale Share, being the entire issued share capital of Uphill Group and the Shareholder's Loan.

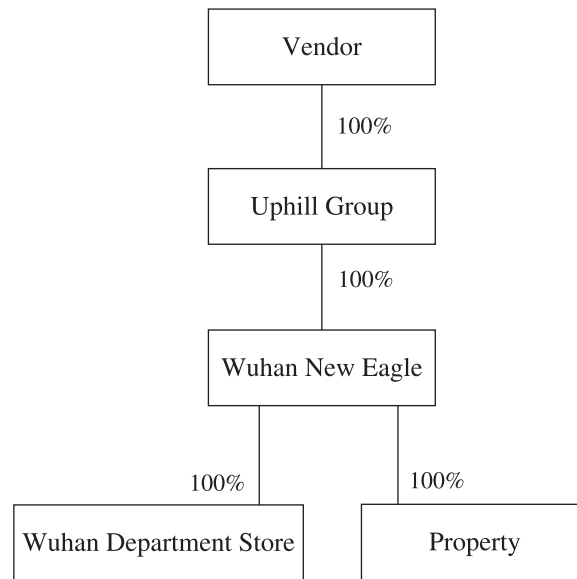
Upon Completion, Uphill Group and Wuhan New Eagle will become wholly-owned subsidiaries of the Group, and Uphill Group will owe the Shareholder's Loan to the Purchaser.

Information on Uphill Group, Wuhan Department Store and the Property

Uphill Group was incorporated by the Vendor in the BVI on 9 March 1999. At the time of incorporation, the issued share capital of Uphill Group was US\$1.00. Uphill Group is an investment holding company which owns 100% legal and beneficial interests in Wuhan New Eagle. The principal assets of Wuhan New Eagle are its 100% legal and beneficial interest in Wuhan Department Store and the Property. The unaudited net asset value of Uphill Group as at 30 June 2007 was HK\$569,416,086. The unaudited net profits before and after tax and extraordinary items attributable to Uphill Group for the year ended 30 June 2007 prepared in accordance with the Hong Kong Financial Reporting Standards were HK\$56,829,014 and HK\$52,418,834 respectively; and that for the year ended 30 June 2006 were HK\$42,155,450 and HK\$38,899,852 respectively.

LETTER FROM THE BOARD

Set out below is a structure of Uphill Group:



The Property is a commercial complex comprising of retail shops premises. Wuhan Department Store operates its department store business operations at the Property. The Property comprises Levels 1 to 6 and one-level basement of Wuhan New World Trade Tower I and Levels 1 to 5 and one-level basement of Wuhan New World Trade Tower II with a total gross floor area of approximately 42,000 square meters. It is located in the downtown of Wuhan, which accommodates the city's prime commercial buildings.

According to the State-owned Land Use Rights Certificate, the land use rights of the land parcel cannot be transferred, leased or mortgaged unless approval from the authority issuing the certificate has been obtained. However, according to a Consent Letter dated 20 December 2007 issued by the Bureau of Land Administration of Wuhan (武汉市土地管理局), Wuhan New Eagle is approved to transfer, lease and mortgage the aforesaid land use rights. Therefore, the land use rights of the land parcel can be used, transferred, leased or mortgaged by Wuhan New Eagle without further approval from relevant authority is required.

Wuhan Department Store commenced its operation in 1994. It has a market position of mid-to-high end sector, with a focus on the high-end consumers. Merchandise on offer includes top international fashion brands, cosmetics, jewellery, etc. The store complex integrates shopping, dining and entertainment facilities into a center of leisure and culture.

Wuhan New Eagle is the sole legal and beneficial owner of the land use rights and the property ownership rights of the Property. The valuation letter and certificate are included in Appendix I to the circular to be sent to the Shareholders in relation to the Acquisition.

Consideration

The consideration of HK\$885,417,000 was agreed between the parties based on arm's length negotiations by reference to the unaudited net asset value of Uphill Group and the final draft of the valuation report of the Independent Valuer. As set out below, the

LETTER FROM THE BOARD

Agreement is conditional on the receipt by the Purchaser of the formal valuation. The consideration will be satisfied in whole in cash by the Purchaser to the Vendor or its nominee on Completion. The Acquisition will be funded by the Group's internal resources.

Conditions of the Agreement

The Agreement is subject to and conditional upon the fulfillment of, *inter alia*, the following conditions precedent on or before the Long Stop Date:

- (i) the Vendor having performed all of the covenants and agreements required to be performed by it under the Agreement on or prior to Completion;
- (ii) all approvals and consents of third parties (including the Stock Exchange) which are necessary for the entering into and the implementation of the Agreement and all transactions contemplated under the Agreement having been obtained;
- (iii) the receipt by the Purchaser of a valuation report in respect of the Property prepared by a firm of independent valuers acceptable to the Purchaser;
- (iv) during the period from the date of the Agreement to Completion, there not having occurred any material adverse effect on, or there not being in existence on Completion any material adverse change in, the financial position, operating performance and all other aspects of Uphill Group and Wuhan New Eagle as a whole; and
- (v) the approval of the Agreement by the Independent Shareholders at the EGM by resolution passed in accordance with the Listing Rules.

The Purchaser may at its absolute discretion waive in writing the conditions mentioned above (other than conditions (ii), (iii) and (v) above). As at the Latest Practicable Date, none of the above conditions has been satisfied in full. If any of the above conditions shall not have been fulfilled in full (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, then the Agreement shall be void and of no effect and no party shall have any rights or claims whether for loss or damages or other relief whatsoever against any of the other parties on any ground save for antecedent breaches. The Purchaser has no present intention to waive any of the conditions above.

Completion

Completion is to take place within five business days after fulfillment of all conditions (or such later date as shall be agreed in writing between the Vendor and the Purchaser).

3. REASONS FOR THE ACQUISITION

The Company is principally engaged in the department store business and has emphasized the development of its department store business in the inner provinces of the PRC. The Acquisition will further enhance the Company's influence in central China as well as consolidate its status of becoming a dominant department store operator in the flourishing retail market in the PRC. The Directors believe that the Acquisition will further enhance the Group's department store business and enrich the revenue stream of the Company. The Acquisition will provide an

LETTER FROM THE BOARD

opportunity for the Company to increase its interests in department store business in the central and western parts of China. Accordingly, the Directors believe that it is now an opportune time to proceed with the Acquisition which, upon Completion, will further enhance the Group's strategy of expanding its department store network in China. The terms of the Agreement were arrived at after arm's length negotiations with the Vendor.

Based on the above reasons, the Directors consider that the terms of the Agreement to be fair and reasonable as far as the Shareholders are concerned, and that the transaction contemplated under the Agreement are in the interests of the Company and the Shareholders as a whole.

4. INFORMATION RELATING TO THE GROUP

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

5. INFORMATION RELATING TO NEW WORLD DEVELOPMENT

The principal activities of the New World Development include investments in the area of property, infrastructure, services and telecommunications and technology. New World Development indirectly and wholly owns the entire issued share capital of Uphill Group, which renders Uphill Group a Connected Person of the Company.

6. DISCLOSEABLE AND CONNECTED TRANSACTION

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.08 of the Listing Rules and a connected transaction for the Company under Rule 14A.16(5) of the Listing Rules and will be subject to, and conditional on, among other things, the approval of the Independent Shareholders by poll at the EGM. The EGM will be convened by the Company at which resolution will be proposed to seek approval of, among other things, the Agreement. At such meeting, the votes of the Independent Shareholders in relation to the Agreement will be taken by poll on which New World Development and its associates will abstain from voting. The Independent Board Committee has been constituted to advise the Independent Shareholders relating to the Agreement. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

7. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 66 of the Articles of Association of the Company, at any general meeting resolutions put to the vote of the meeting shall be decided on a show of hands unless a poll (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) is demanded:

- (i) by the chairman of the meeting;
- (ii) by at least three members present in person or at the meeting;
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting;

LETTER FROM THE BOARD

- (iv) by any member or members present in person or by proxy and holding Share conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) if required by the Listing Rules, by any Director or Directors who individually or collectively hold proxies in respect of Shares representing five per cent or more of the total voting rights at the meeting.

8. EXTRAORDINARY GENERAL MEETING

Set out on page 31 of this circular is the notice convening the EGM at which ordinary resolution will be proposed to approve, among other things, the Agreement and the transactions contemplated thereunder.

New World Development, being the controlling Shareholder, beneficially owning approximately 72.29% of the share capital of the Company as at the Latest Practicable Date, and its associates will abstain from voting on the resolutions approving, among other things, the Agreement to be proposed at the EGM.

The votes to be taken at the EGM will be taken by poll, an announcement of the results of which will be published on the Business Day following the EGM.

9. ACTION TO BE TAKEN

A proxy form for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM. Delivery of a proxy form will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

10. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 10 of this circular which contains its recommendation to the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Agreement and the transactions contemplated thereunder are on normal commercial terms in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Board recommends that the Independent Shareholders should vote in favour of the resolution as set out in the EGM Notice.

Your attention is also drawn to the additional information set out in the appendix to this circular.

By order of the Board
Cheng Kar-shun, Henry
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular.



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)

7 January 2008

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 7 January 2008 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the terms and conditions of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Dao Heng Securities Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transaction contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 11 to 18 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 4 to 9 of the Circular and the general information set out in the appendix.

Having taken into account the terms of the Agreement, and the advice given by Dao Heng Securities Limited, we consider that the Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the Agreement and the transaction contemplated thereunder to be proposed at the EGM.

Yours faithfully,
Cheong Ying-chew, Henry
Chan Yiu-tong, Ivan
Tong Hang-chan, Peter
Yu Chun-fai, Henry
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Dao Heng Securities Limited prepared for the purpose of incorporation in this circular.



7 January 2008

*To: The Independent Board Committee and the Independent Shareholders of
New World Department Store China Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement as to whether the terms of the Acquisition contemplated under the Agreement are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Acquisition are set out in the letter from the Board in the circular of the Company dated 7 January 2008 (the “Circular”), of which this letter forms part. Capitalized terms used in this letter shall have the same respective meanings as those defined in the Circular unless the context otherwise requires.

On 17 December 2007, the Purchaser, being an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, an indirect wholly-owned subsidiary of New World Development, pursuant to which the Purchaser conditionally agreed to acquire the entire issued share capital of Uphill Group (the “Sale Share”) and the Shareholder’s Loan at an aggregate consideration of HK\$885,417,000. Upon completion of the Acquisition, Uphill Group and Wuhan New Eagle will become wholly-owned subsidiaries of the Group, and Uphill Group will owe the Shareholder’s Loan to the Purchaser.

The Acquisition constitutes a discloseable transaction of the Company under Rule 14.08 of the Listing Rules. As at the Latest Practicable Date, New World Development is interested in approximately 72.29% of the entire share capital of the Company and is hence a controlling shareholder of the Company. As such, New World Development is a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to approval from the Independent Shareholders at the EGM to be held by the Company. New World Development and its associates are required to abstain from voting on the relevant resolution in relation to the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising the independent non-executive Directors, Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry, has been established to advise the Independent Shareholders as to whether the Acquisition and the terms of the Agreement are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

BASIS OF OUR OPINION

We are not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Acquisition. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion with regard to the Acquisition, we have relied on the information supplied, representations made and opinions expressed by the Company, its Directors, advisers and representatives, for which they are solely responsible. We have assumed that all such information and representations were true, accurate and complete at the time they were made and continue to be so at the date of this letter. We have also assumed that all statements of belief, opinion and intention of the Directors, the Company's advisers and representatives produced to us were reasonably made after due and careful inquiry. We have been advised by the Company that no material facts, the omission of which would make any statement or opinion contained in this letter to be misleading, have been omitted from the information provided by the Company to us.

We consider that we have been provided with, and we have reviewed, sufficient information to enable us to reach an informed view thereof and to justify reliance on the accuracy of the information provided to us so as to provide a reasonable basis for our advice. We have no reason to suspect that any material facts or information have been omitted or withheld from the information supplied or opinions expressed to us nor to doubt the truth, accuracy and completeness of the information and representations provided, or the reasonableness of the opinions expressed, to us by the Company, its Directors, advisers and representatives. We have not, however, carried out any independent verification of the information provided to us by the Company, its Directors, advisers and representatives, nor have we conducted any independent in-depth investigation into the business and affairs or future prospects of the Group. Accordingly, we do not warrant the accuracy or completeness of any such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

I. Backgrounds and reasons for the Acquisition

a. Background information of the Group

The Company was listed on the main board of the Stock Exchange on 12 July 2007. It is an owner and operator of department stores. Based on the annual report of the Company for the year ended 30 June 2007 (the "Annual Report"), the Group operates 28 department

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

stores in the PRC and Hong Kong, of which 16 stores are owned and operated by the Group and the remaining 12 stores are managed by the Group but are owned by independent third parties and the Group's connected persons.

The Group's revenue is primarily derived from the operation of department stores which comprises three sources including commission income from concessionaire sales, direct sales from the Group's self-owned stores and management fees from the Group's managed stores. Enjoying the booming economy of Mainland China, the Group recorded a growth of approximately 31% in revenue and approximately 92% in net profits for the financial year ended 30 June 2007.

As disclosed in the Annual Report, the Group aims to become a dominant department store operator in the PRC and targets to boost its number of stores to 32 by the end of 2008. The Group is also seeking business expansions through various ways including acquisitions of stores currently under the Group's management.

Central China region is the third largest geographical segment of business of the Group contributing approximately 15.7% total revenue to the Group for the year ended 30 June 2007. Out of the 5 stores being operated by the Group in the central China region, 4 stores are located in Wuhan while three of them are self-owned by the Group and the remaining one, being the Wuhan Department Store, is managed by the Group.

b. *Background information of Uphill Group*

Uphill Group is an investment holding company holding 100% interest at Wuhan Department Store and the Property through Wuhan New Eagle, a wholly owned subsidiary of Uphill Group. Wuhan Department Store commenced its business in 1994 and its operations have been managed by the Group since then. Wuhan Department Store positions itself as an integrated department store at the middle-to-high end of the market which offers merchandises of international brands and exclusive labels.

Wuhan New Eagle is the sole legal and beneficial owner of the land use rights and the property ownership rights of the Property. The Property, where Wuhan Department Store operates its business at, is a commercial complex comprising two towers with a total gross floor area of approximately 42,000 square meters. The Property locates in the downtown of Wuhan with well developed transport networks and heavy pedestrian traffic.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The unaudited financial information of Uphill Group (prepared based on Hong Kong Financial Reporting Standards) during the two financial years ended 30 June 2007 is summarised as follows:

	Year ended 30 June	
	2007	2006
	(HK\$'000)	(HK\$'000)
	<i>unaudited</i>	<i>unaudited</i>
Net profits before tax and extraordinary items	56,829	42,155
Net profits after tax and extraordinary items	52,419	38,900

The unaudited net asset value of Uphill Group was approximately HK\$569 million as at 30 June 2007.

c. *Background and reasons of the Acquisition*

As stated in the prospectus of the Company dated 28 June 2007 (the "Prospectus"), certain department stores (including the Wuhan Department Store) (the "Excluded Stores") held by New World Development were excluded from the Group at the time of the new listing of the Company due to various difficulties encountered. As a result, New World Development undertook in a deed of non-competition (the "Deed") in favour of the Company dated 22 June 2007, pursuant to which New World Development would use its best endeavour to transfer the Excluded Stores to the Company as soon as practicable and in any event not later than three years from the date of the Deed.

Based on the information disclosed in the Prospectus, there were defects on the relevant land use rights certificate where the Property was situated. As such, the Company decided not to include the Wuhan Department Store with defective title in the Group at the time of the new listing of the Company. As indicated in the legal opinion prepared by Gaopeng and Partners, the PRC legal adviser of the Company, Wuhan New Eagle legally owned the building ownership rights and the land use rights on the land where the Property is situated at. Wuhan New Eagle has obtained approvals from the relevant governmental authorities that the land use rights can be used, transferred, leased or mortgaged by Wuhan New Eagle with no further approvals, permissions and/or consents from any PRC governmental authority and/or organisation required. As such, the Directors believe that the Acquisition is in the interest of the Company and the Shareholders as a whole.

The Group has emphasized the development of its business in the inner provinces of the PRC. The Directors consider Wuhan is one of the main locations where the Company plans to further invest into due to its recent fast economic growth. According to the statistics published in Statistical Information of Wuhan, the per capita disposable income of Wuhan increased by approximately 1.2 times from approximately RMB5,573.04 in 1997 to approximately RMB12,359.98 in 2006 while the total retail sales of consumer goods increased by approximately 2.0 times from approximately RMB43.8 billion in 1997 to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately RMB129.3 billion in 2006. Given the rapid economic growth and the raising demand for consumer goods in Wuhan, the Directors expect the Acquisition will enhance the Group's department store business and the Company's influence in central China region.

The Group has been the operator of the Wuhan Department Store since its commencement of operation pursuant to an operational agreement entered into between the Group and Wuhan New Eagle. During the two years ended 30 June 2007 and 2006, the Group recorded a management fee income of approximately HK\$25.5 million and HK\$22.3 million respectively for the provision of management services to the Wuhan Department Store. The Directors advised that the financial performance of Uphill Group will be consolidated in the Group's financial statements after the Acquisition. Given Uphill Group recorded a net profit after tax and extraordinary items of approximately HK\$52.4 million and HK\$38.9 million, after deducting the said management fee payable to the Group, for the two years ended 30 June 2007 and 2006 respectively, we concur with the view of the Directors that the Acquisition will enhance the revenue stream and strengthen the profitability of the Group.

Having considered that (i) it is one of the Group's business strategies to expand its business through acquisitions of stores that the Group is currently managing; (ii) the building ownership rights and the land use rights of the Property are legally owned by Wuhan New Eagle; (iii) the economy of Wuhan is growing at a rapid pace and (iv) the Group can enjoy the financial performance of Uphill Group after the Acquisition, we concur with the view of the Directors that the Acquisition is in the interest of the Group and the Shareholders as a whole.

II. Principal terms of the Agreement

Pursuant to the Agreement, the Purchaser agreed to acquire from the Vendor the Sale Share and the Shareholder's Loan at the total consideration of HK\$885,417,000 (the "Consideration").

a. Price-to-earnings ratio (PER) and price-to-book ratio (PBR) analysis

In assessing the fairness and reasonableness of the Consideration, we have performed the PER and PBR analysis by comparing the relevant ratios to a number of companies whose shares are listed on the Stock Exchange and are principally engaged in operation of department stores in the PRC (the "Comparable Companies") as at 17 December 2007 (being the date of the Agreement). To the best of our knowledge, we have identified 7 Comparable Companies with details set out as below:

Stock code	Stock name	Principal business	PER (times)	PBR (times)
602	Jiahua Stores Holdings Limited	Engaged in operation and management of retail stores	15.0	2.5
984	Aeon Stores (Hong Kong) Co., Limited	Operation of general merchandise stores	28.7	4.8

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Stock code	Stock name	Principal business	PER <i>(times)</i>	PBR <i>(times)</i>
996	Oriental Ginza Holdings Limited <i>(formerly known as CASH Retail Management Group Limited)</i>	Engaged in the department store business and the provision of retail management services	N/A <i>(note 1)</i>	1.2
1212	Lifestyle International Holdings Ltd.	Operation of “lifestyle” department stores and property holding	44.3	7.9
1833	Intime Department Store (Group) Company Limited	Engaged in the operation and management of department stores in the PRC	55.7	3.2
3308	Golden Eagle Retail Group Limited	Engaged in the development and operation of a stylish premium department store chain in the PRC	55.6	11.7
3368	Parkson Group Limited	Operation and management of department store business in the PRC	93.0	16.9
Maximum			93.0	16.9
Minimum			15.0	1.2
Mean			48.7	6.9
Uphill Group			16.9	1.6

Source: Bloomberg, latest published prospectus, interim and/or annual reports of the Comparable Companies

Note:

- Oriental Ginza Holdings Limited suffered a net loss for the latest financial year ended 31 December 2006 and no PER figure is hence available.

It is noted from the above table that the PER of 16.9 times of Uphill Group falls within the respective range of the Comparable Companies and is lower than the average PER of the Comparable Companies. It is also noted that the PBR of Uphill Group is lower than the average PBR of the Comparable Companies. We are of the view that the bases for determining the Consideration in the PER and PBR aspects are fair and reasonable.

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b. *Valuation of the Property*

The Directors advised that the Consideration was determined after arm's length negotiation between the Purchaser and the Vendor with reference to the unaudited net asset value of Uphill Group and the report of the Independent Valuer. The Consideration will be settled in full in cash on Completion.

We noted from the valuation report (the "Valuation Report") as set out in appendix I of the Circular that the Independent Valuer has adopted the "Investment Method" on assessing the market value of the Property. We are given to understand from the Independent Valuer that it is a common practice to value a property by either "Direct Comparison Method" (i.e. arriving the fair market value through comparing the relevant market prices of similar properties in the market) or "Investment Method" (i.e. capitalization of net income generated or to be generated by a property). We are advised that given the unique nature of the Property as a department store, no direct comparable is available in the market. Thus, the Independent Valuer considered the Investment Method an appropriate method in valuating the Property. We note from valuation reports disclosed in recently published circulars of listed companies that similar approaches were adopted by professional valuers in assessing the value of properties. As such, we concur with the Independent Valuer that the Investment Method is an appropriate method to assess the value of the Property.

According to the Valuation Report, the market value of the Property amounted to RMB609 million (equivalent to approximately HK\$631.9 million) as at 31 October 2007 which represented an appreciation of approximately HK\$186.3 million to the respective book value of the Property based on the latest management account of Uphill Group available to the Company. It is noted that the premium of approximately HK\$316 million on the Consideration over the unaudited net asset value of Uphill Group as at 30 June 2007 is largely for the appreciation of the Property. Having considered the valuation of the Property and that the Acquisition is lower than the average market PBR discussed above, we are of the view that the bases for determining the Consideration with reference to the unaudited net asset value of Uphill Group and the Valuation Report are fair and reasonable.

Taking into account (i) the PER and the PBR of Uphill Group are lower than the market average of the Comparable Companies and (ii) the appreciation of the Property as valued by the Independent Valuer discussed in sections IIa and IIb above, we are of the view that the Acquisition, which includes the Wuhan Department Store and the Property, is in the interest of the Company and the Shareholders as a whole.

III. **Financial impacts of the Acquisition to the Group**

a. *Net asset value*

Upon completion of the Acquisition, Uphill Group and Wuhan New Eagle will become wholly-owned subsidiaries of the Company. The assets and liabilities of Uphill Group will be consolidated into the Group's financial statements afterwards. The Consideration over the fair value of the identifiable net asset value of Uphill Group will be recorded as goodwill in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Group's financial statements. As a result, the Directors do not expect the Acquisition will have any material adverse impact to the Group's net asset value immediately upon completion of the Acquisition.

b. *Earnings*

Wuhan Department Store, being the sole business operation of Uphill Group, was making profits during the two financial years ended 30 June 2007. The Directors do not expect the financial performance of the Wuhan Department Store to turnaround based on their experiences on operating the Wuhan Department Store. As such, the Directors believe the Acquisition will further enhance the profits of the Group after the Acquisition.

c. *Working Capital*

As disclosed in the Letter from the Board, the Acquisition will be funded by the Group's internal resources. According to the Annual Report, the Group had cash and cash equivalent of approximately HK\$967.5 million as at 30 June 2007. Subsequently, the Group raised a gross proceed of approximately HK\$2,710 million through issuing of new shares for the purpose of listing in the Stock Exchange. On this basis, the Directors are of the view that the cash required for the settlement of approximately HK\$885 million as consideration will not have a material negative effect to the working capital of the Group.

Based on the above, we concur with the view of the Directors that the Acquisition will not have material adverse impact to the net asset value and working capital of the Group and will have positive impact to the Group's earnings. On such basis, we are of the view that the Acquisition is in the interest to the Company and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the above principal factors and reasons as referred above, we consider that the Acquisition and the terms of the Agreement are on normal commercial terms, in the ordinary and usual course of business and in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution in relation to the Acquisition, to be proposed at the EGM.

Yours faithfully,
For and on behalf of
DAO HENG SECURITIES LIMITED
Kenneth Sit
Director Corporate Finance

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 31 October 2007 of the Property held by Wuhan New Eagle Development Co., Ltd.

**Sallmanns**

Corporate valuation and consultancy
www.sallmanns.com

22nd Floor, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2528 5079

7 January 2008

The Board of Directors
New World Department Store China Limited
Rm 1403, 14/F, West Wing Office Building
New World Centre
20 Salisbury Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs,

Re: Basement 1 and Levels 1 to 6 of Wuhan New World Trade Tower I and Basement 1 and Levels 1 to 5 of Wuhan New World Trade Tower II, Nos. 566 and 568 Jianshe Avenue, Hankou, Wuhan Municipality, Hubei Province, The PRC

In accordance with your instructions to value the above property (the "Property") of which Wuhan New Eagle Development Co., Ltd. ("Wuhan New Eagle") has interest in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as at 31 October 2007 (the "date of valuation"). New World Department Store China Limited (the "Company") intends to acquire the entire issued share capital of Uphill Group Limited and the outstanding shareholder's loan of Uphill Group Limited owed to Solar Leader Limited through its indirect wholly-owned subsidiary, New Bright Resources Limited (the Company and its subsidiaries hereinafter referred to as the "Group"). The principal asset of Uphill Group Limited is Wuhan New Eagle.

Our valuation of the property interest represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the Property by the investment method by taking into account the net rental income of the property derived from the existing tenancy with due allowance for the reversionary income potential of the tenancy. The income stream has then been capitalised at an appropriate capitalisation rate.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition November 2007) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as floor area, tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including tenancy agreements, State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrances that might be attached to the property interest or any lease amendments. We have relied considerably on the advice given by the Group's PRC legal advisers — Gaopeng & Partners, concerning the validity of the title to the Property.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the Property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

VALUATION CERTIFICATE

PROPERTY INTEREST HELD BY WUHAN NEW EAGLE IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital Value
			in existing state as at 31 October 2007 RMB
Basement 1 and Levels 1 to 6 of Wuhan New World Trade Tower I and Basement 1 and Levels 1 to 5 of Wuhan New World Trade Tower II, Nos. 566 and 568 Jianshe Avenue, Hankou, Wuhan Municipality, Hubei Province, The PRC.	<p>The Property comprises Basement 1 and Levels 1 to 6 of a 57-storey building and the adjoining Basement 1 and Levels 1 to 5 of a 10-storey building completed in various stages between 1993 and 2004.</p> <p>The Property has a total gross floor area of approximately 42,227.75 sq.m.</p> <p>The Property is leased to Wuhan New Eagle Development Co., Ltd. Wuhan New World Department Store (“Wuhan Department Store”) from Wuhan New Eagle, a connected party, for a term of 1 year commencing from 1 January 2007 and expiring on 31 December 2007 at an annual rent of RMB21,320,000, exclusive of management fees and other charges, with an option to renew.</p> <p>The land use rights of the Property were granted for terms expiring on 6 November 2042 for commercial and commercial/services uses.</p>	The Property is currently occupied by Wuhan Department Store as a department store.	609,000,000

Notes:

- Pursuant to 8 State-owned Land Use Rights Certificates — Wu Guo Yong (2002) Zi Di No. 1403 dated 26 July 2002 and Jiang Guo Yong (Shang 2005) Di Nos. 103271 to 103277 all dated 6 September 2005 issued by the Wuhan Municipal People’s Government (武漢市人民政府), the land use rights of the Property with a total apportioned land area of approximately 2,909.75 sq.m. were granted to Wuhan New Eagle for terms expiring on 6 November 2042 for commercial and commercial/services uses. The land use rights held under the Land Use Rights Certificate — Wu Guo Yong (2002) Zi Di No. 1403 cannot be transferred, leased or mortgaged unless approval from the authority issuing the certificate has been obtained.
- Pursuant to 8 Building Ownership Certificates — Wu Fang Quan Zheng Shi Zi Di Nos. 2006014770 and 200520522 to 200520528 dated 14 January 2006 and 9 August 2005 respectively issued by the Bureau of Housing Management of Wuhan (武漢市房產管理局), the Property with a total gross floor area of approximately 42,227.75 sq.m. is owned by Wuhan New Eagle.

3. Pursuant to a Tenancy Agreement entered into between Wuhan New Eagle and Wuhan Department Store dated 1 January 2007, the Property is leased to Wuhan Department Store for a term of 1 year commencing from 1 January 2007 at an annual rental of RMB21,320,000, exclusive of management fees and other charges.
4. Pursuant to 5 Tenancy Agreements entered into between Wuhan Department Store and various third parties, portions of the Property with a total gross floor area of approximately 1,677.97 sq.m. are sub-leased to various third parties for terms between 1 year and 20 years at a total monthly passing base rent of RMB153,813 and a turnover rent, exclusive of management fees and other charges.
5. In the absence of further information to the contrary and the relationship between the parties, we have assumed that the current rent will be renewed on an annual basis.
6. We are of the opinion that the current rent passing is substantially below the rack rental value of the building, and hence is well secured.
7. Pursuant to a Consent Letter issued by the Bureau of Land Administration of Wuhan dated 20 December 2007 and with reference to the legal opinion provided by the Group's PRC legal advisers, our valuation is done on the basis that the land use rights held under the State-owned Land Use Rights Certificate — Wu Guo Yong (2002) Zi Di No. 1403 can be transferred, leased or mortgaged without further approval from relevant authority is required.
8. We have been provided with a legal opinion regarding the Property by the Group's PRC legal advisers, which contains, *inter alia*, the following:
 - (i) The building ownership rights and the land use rights of the Property are legally owned by Wuhan New Eagle and protected by the PRC laws.
 - (ii) The building ownership rights and the land use rights of the Property can be used, transferred, leased and mortgaged by Wuhan New Eagle in accordance with the PRC laws.
 - (iii) According to the State-owned Land Use Rights Certificate — Wu Guo Yong (2002) Zi Di No. 1403, the land use rights of the land parcel with an area of approximately 2,037.82 sq.m. cannot be transferred, leased or mortgaged unless approval from the authority issuing the certificate has been obtained. However, according to a Consent Letter dated 20 December 2007 issued by the Bureau of Land Administration of Wuhan (武漢市土地管理局), which is the authority issuing the State-owned Land Use Rights Certificate, Wuhan New Eagle is approved to transfer, lease and mortgage the aforesaid land use rights. Therefore, the land use rights of the land parcel can be used, transferred, leased or mortgaged by Wuhan New Eagle without further approval from relevant authority is required.
 - (iv) The Property is not subject to mortgage or any other third party interests.
 - (v) The existing use of the Property complies with the prescribed user.
 - (vi) The Tenancy Agreement stated in note 3 above is valid and the rights and interests of Wuhan Department Store under the agreement are protected by the PRC laws.
 - (vii) The Tenancy Agreements stated in note 4 above are valid and the rights of lessees under the agreements are protected by the PRC laws.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares and debentures of the Company or the shares and debentures of any associated corporation of the Company (within the meaning of Part XV of the SFO) which were required pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; or (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

(I) Long position in Shares

	Beneficial interests	Family interests	Number of Shares Interests of controlled corporation	Total	Approximate percentage of shareholding
<i>The Company</i>					
Mr. Cheng Chi-kong, Adrian	—	—	1,107,000 (note 1)	1,107,000	0.07
Mr. Cheung Fai-yet, Philip	660,000	—	—	660,000	0.04
<i>New World Development</i>					
Dr. Cheng Kar-shun, Henry	—	300,000	—	300,000	0.01
<i>NWS Holdings Limited</i>					
Dr. Cheng Kar-shun, Henry	9,179,199	587,000	8,000,000 (note 2)	17,766,199	0.88
<i>Mega Choice Holdings Limited</i>					
Dr. Cheng Kar-shun, Henry	—	—	3,710 (note 3)	3,710	34.61
<i>New World China Land Limited</i>					
Dr. Cheng Kar-shun, Henry	12,500,000	1,000,000	52,271,200 (note 2)	65,771,200	1.72
Mr. Cheng Chi-kong, Adrian	110,400	—	760,000 (note 1)	870,400	0.02
Ms. Ngan Man-ying, Lynda	100,000	—	—	100,000	0.00

Notes:

1. These shares are beneficially owned by a company wholly-owned by Mr. Cheng Chi-kong, Adrian.
2. These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.
3. These shares are beneficially owned by certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.

(II) Long position in underlying Shares**(i) The Company**

Name of Director	Date of grant	Exercisable period (note)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	27/11/2007	27/11/2008 to 26/11/2013	1,000,000	8.660
Mr. Au Tak-cheong	27/11/2007	27/11/2008 to 26/11/2013	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27/11/2007	27/11/2008 to 26/11/2013	500,000	8.660
Mr. Cheung Fai-yet, Philip	27/11/2007	27/11/2008 to 26/11/2013	1,500,000	8.660
Mr. Lin Tsai-tan, David	27/11/2007	27/11/2008 to 26/11/2013	459,000	8.660
Mr. Wong Kwok-kan, Kenneth	27/11/2007	27/11/2008 to 26/11/2013	501,000	8.660
Ms. Ngan Man-ying, Lynda	27/11/2007	27/11/2008 to 26/11/2013	500,000	8.660
Mr. Cheong Ying-chew, Henry	27/11/2007	27/11/2008 to 26/11/2013	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27/11/2007	27/11/2008 to 26/11/2013	250,000	8.660
Mr. Tong Hang-chan, Peter	27/11/2007	27/11/2008 to 26/11/2013	250,000	8.660
Mr. Yu Chun-fai, Henry	27/11/2007	27/11/2008 to 26/11/2013	250,000	8.660

Note: The share options were divided into 5 tranches being exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013.

(ii) New World Development

Name of Director	Date of grant	Exercisable period (note)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	19/3/2007	19/3/2007 to 18/3/2012	36,500,000	17.756
Mr. Cheng Chi-kong, Adrian	19/3/2007	19/3/2007 to 18/3/2012	500,000	17.756
Mr. Au Tak-cheong	19/3/2007	19/3/2007 to 18/3/2012	1,200,000	17.756

Note: The share options were divided into 5 tranches being exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011, respectively, to 18 March 2012.

(iii) *New World China Land Limited*

Name of Director	Date of grant	Exercisable period	Number of share options held	Exercise price per share HK\$
Mr. Cheng Chi-kong, Adrian	25/7/2006	26/8/2006 to 25/8/2011	442,000 (note)	2.865

Note: The share options were exercisable within five years commencing one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(iv) *NWS Holdings Limited*

Name of Director	Date of grant	Exercisable period	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	21/8/2007	21/8/2008 to 20/8/2012	3,000,000	16.200

Note: The share options were divided into 4 tranches exercisable from 21 August 2008, 21 August 2009, 21 August 2010 and 21 August 2011, respectively, to 20 August 2012. These share options represent personal interests held by the relevant Director in a capacity as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, there was no outstanding share options or derivative instruments granted to the Directors and none of the Directors and the chief executive of the Company had any interest or short positions in the Shares or underlying Shares or interest in debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

None of the Directors has any direct or indirect interest in any assets which have since 30 June 2007 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group.

None of the Directors is materially interested in any contract or arrangement entered subsisting at the Latest Practicable Date which is significant in relation to the business of the Group

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (not being Directors) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of

Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company:

Name of substantial Shareholder	Long/ Short position	Nature of interest	Number of Shares	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") (<i>note 1</i>)	Long	Corporate	1,218,900,000	72.29
Centennial Success Limited ("Centennial") (<i>note 2</i>)	Long	Corporate	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited ("CTF") (<i>note 3</i>)	Long	Corporate	1,218,900,000	72.29
New World Development	Long	Beneficial Owner	1,218,900,000	72.29

Notes:

1. CYTFH holds 51 % direct interest in Centennial and is accordingly deemed to have an interest in the Shares deemed to be interested by Centennial.
2. Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF.
3. CTF together with its subsidiaries hold an aggregate of approximately 36.53% interest in NWD and is accordingly deemed to have an interest in the Shares interested by NWD.

Save as disclosed herein, the Directors are not aware of any person (who are not Directors) who had an interest or a short position in Share or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of part XV of the SFO.

4. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Dao Heng Securities Limited	Licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Gaopeng & Partners	PRC legal counsel
Sallmanns (Far East) Limited	Professional valuers

Dao Heng Securities Limited, Gaopeng & Partners and Sallmanns (Far East) Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective letters and reports (as the case may be) and references to their respective names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Dao Heng Securities Limited, Gaopeng & Partners and Sallmanns (Far East) Limited was beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which had been since 30 June, 2007 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2007, being the date to which the latest published audited financial statements of the Group were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not terminable within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules:

Businesses which were considered to compete or likely to compete with the business of the Group			
Name of Director	Name of entity	Description of business	Nature of interest of the Director in the entity
Dr. Cheng Kar-shun, Henry	New World Development	Department store operations	Director and shareholder
	Lifestyle International Holdings Ltd. group of companies	Department store operations	Director
Mr. Cheng Chi-kong, Adrian	New World Development	Department store operations	Director

9. MISCELLANEOUS

- (i) The company secretary and qualified accountant of the Company is Mr. Wong Kwok-kan, Kenneth. Mr. Wong is an associate member of The Hong Kong Institute of Certified Public Accountants.
- (ii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iii) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iv) The English text of this circular and the accompanying proxy form shall prevail over its Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company from the date of this circular up to and including 29 January 2008:

- (i) the letter from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (ii) the letter from the Independent Financial Adviser, the text of which is set out on pages 11 to 18 of this circular;
- (iii) the valuation report, by Sallmanns (Far East) Limited as referred to on pages 19 to 23 of this circular;
- (iv) the written consents referred to in paragraph 4 headed “Experts and consents” of this appendix; and
- (v) the Agreement.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of New World Department Store China Limited (the “Company”) will be held at Room 608, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 29 January 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the agreement (the “Agreement”) dated 17 December 2007 entered into between (i) Solar Leader Limited, (ii) New Bright Resources Limited and (iii) Uphill Group Limited, a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which New Bright Resources Limited, an indirect wholly-owned subsidiary of the Company will acquire from Solar Leader Limited one ordinary share of US\$1.00 each in the share capital of Uphill Group Limited and the shareholder’s loan in the total amount of HK\$586,355,928.25 as of 30 November 2007 owed by Uphill Group Limited to Solar Leader Limited, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “Directors”) be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith; and
- (c) the Directors be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Agreement and to make such variation, amendment and waiver of any matters relating thereto or in connection therewith which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

By order of the Board
Wong Kwok-kan, Kenneth
Company Secretary

Hong Kong, 7 January 2008

NOTICE OF EGM

Principal place of business in Hong Kong:

Room 1403, 14th Floor
West Wing Office Building
New World Centre
20 Salisbury Road
Tsimshatsui, Kowloon
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.
- (3) A form of proxy for use at the Meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting.
- (5) The Ordinary Resolution as set out above will be determined by way of a poll.
- (6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (7) As at the date of this notice, 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, Henry.