

**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 proxy form to the purchaser or the transferee 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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**新世界百貨中國有限公司**

**New World Department Store China Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 825)**

**CONTINUING CONNECTED TRANSACTIONS**

**Independent financial adviser to the Independent Board Committee  
and Independent Shareholders**



**國浩資本有限公司**

**GuocoCapital Limited**

A Member of the Hong Leong Group

A letter from the Independent Board Committee containing its recommendations in respect of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps to the Independent Shareholders is set out on page 17 of this circular. A letter from GuocoCapital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

A notice convening an extraordinary general meeting of New World Department Store China Limited to be held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Monday, 29 June 2009 at 11:00 am is set out on pages 40 to 42 of this circular. Whether or not you are able to attend the meeting, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, 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 the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Hong Kong, 10 June 2009

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## DEFINITIONS

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

“Annual Caps”	the annual cap amounts in respect of each of the Continuing Connected Transactions for the three financial years ending 30 June 2010, 2011 and 2012, the particulars of which are set out in the section titled “Annual Caps” in the Letter from the Board in this circular
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CCT Agreements”	the Master Management Agreement, the Master Leasing Agreement, the Master Concessionaire Counter Agreement and the Master Services Agreement
“Company”	New World Department Store China Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Concessionaire Counter Arrangements”	the arrangements relating to the provision of the floor space by members of the Group to members of the CTF Jewellery Group to exhibit and sell jewellery
“Continuing Connected Transactions”	the non-exempt continuing connected transactions contemplated under the CCT Agreements
“CTF”	Chow Tai Fook Enterprises Limited, a substantial shareholder of NWD, which in turn is a controlling shareholder of the Company
“CTF Jewellery”	Chow Tai Fook Jewellery Company Limited, an associate of CTF
“CTF Jewellery Group”	CTF Jewellery and its subsidiaries from time to time
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Monday, 29 June 2009 at 11:00 am to consider and, if thought fit, approve the Continuing Connected Transactions, the CCT Agreements and the Annual Caps
“Group”	the Company and its subsidiaries from time to time

## DEFINITIONS

“GuocoCapital”	GuocoCapital Limited, a 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, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry
“Independent Shareholders”	Shareholders other than NWD, CTF and their respective associates
“Latest Practicable Date”	5 June 2009, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Consultancy Services”	management services including but not limited to services in respect of the operation, accounting, administration, advertising and promotion, consultancy and financial advice, marketing, human resources management and the licence to use trademarks and any other services in relation to the management of department store as the Company and NWD may agree from time to time
“Master Concessionaire Counter Agreement”	the agreement dated 22 May 2009 entered into between the Company and CTF Jewellery regarding the provision of the concessionaire counters and the floor space by members of the Group in the Stores to members of the CTF Jewellery Group to exhibit and sell jewellery from time to time
“Master Leasing Agreement”	the agreement dated 22 May 2009 entered into between the Company and NWD regarding the leasing of various Premises by the Group from the NWD Group to be used for the Group’s office, warehouse, car parks and department stores owned by the Group

## DEFINITIONS

“Master Management Agreement”	the agreement dated 22 May 2009 entered into between the Company and NWD regarding the provision by the Group to the NWD Group of the Management Consultancy Services for the NWD Store
“Master Services Agreement”	the agreement dated 22 May 2009 entered into between the Company and NWSH regarding the provision of the Services by NWSH Group for the Stores
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“NWD Group”	NWD and its subsidiaries from time to time
“NWD Store(s)”	department store(s) owned by the NWD Group, which is/are not department store(s) owned by the Group
“NWSH”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“NWSH Group”	NWSH and its associates from time to time
“Premises”	premises owned by members of the NWD Group from time to time
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

## DEFINITIONS

“Services”	includes (a) the maintenance services, including routine maintenance check, non-routine maintenance, ad-hoc maintenance support; (b) electrical and mechanical services repair including those works of new department stores; (c) electrical and mechanical renovation services including supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing, drainage systems and low voltage system; (d) renovation maintenance including lift repair and maintenance services; (e) electrical and mechanical services design including electrical systems and system design and consultancy; and (f) new department stores electrical and mechanical works including computer aided drafting services, and such other types of services as may be agreed upon from time to time in writing by the Company and NWSH
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	share(s) 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
“Stores”	the department stores owned by the Group from time to time
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

*Unless otherwise specified in this circular, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ at the rate of HK\$1=RMB0.88059. No representation is made that any amounts in HK\$ or RMB can be or could have been converted at the relevant dates at the above rate or any other rates at all.*

## LETTER FROM THE BOARD



新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

*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

10 June 2009

*To the Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### 1. INTRODUCTION

The Board refers to the joint announcement of the Company and NWD dated 22 May 2009 in relation to the proposed Continuing Connected Transactions. Pursuant to the requirements under the Listing Rules, the Company will seek the approval of the Independent Shareholders in relation to the Continuing Connected Transactions, the CCT Agreements and the Annual Caps.

The purposes of this circular are: (i) to provide you with further information regarding the Continuing Connected Transactions, the CCT Agreements and the Annual Caps; (ii) to set out the letter of advice from GuocoCapital to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps; (iii) to set out the recommendation and opinion of the Independent Board Committee after taking into consideration of the advice of GuocoCapital in relation to the terms of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps; and (iv) to give you notice of the EGM at which ordinary resolutions will be proposed to approve the Continuing Connected Transactions, the CCT Agreements and the Annual Caps.

## LETTER FROM THE BOARD

### 2. CONTINUING CONNECTED TRANSACTIONS

#### A. Master Management Agreement

Members of the Group and members of the NWD Group had in the past entered into certain management agreements for the provision of the Management Consultancy Services for certain NWD Stores in accordance with a master management agreement dated 22 June 2007 executed by the Company and NWD (the “**Old Master Management Agreement**”) and one of the management agreements has not expired as at the date of the Master Management Agreement. The Group and the NWD Group wish to continue the management agreement and may from time to time enter into new management agreements relating to the provision of the Management Consultancy Services by the Group to the NWD Group. Accordingly, the Company and NWD agree to terminate the Old Master Management Agreement and enter into the Master Management Agreement. Set out below are the principal terms of the Master Management Agreement:

*Date:*

22 May 2009

*Parties:*

The Company and NWD

*Subject matter:*

Pursuant to the Master Management Agreement, the Company agrees to, and to procure its subsidiaries to, provide the Management Consultancy Services to the NWD Group at the request of any member of the NWD Group from time to time during the duration of the Master Management Agreement in accordance with its terms and the terms and conditions of (a) the relevant management agreement entered into between member of the NWD Group and member of the Group which is still in force and has not expired; or (b) the relevant management agreements to be entered into between members of the NWD Group and members of the Group from time to time. The terms of and management fees payable under the new management agreements shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm’s length basis, on normal commercial terms and on terms no more favourable than the terms offered by the Group to independent third parties.

*Condition precedent:*

The Master Management Agreement is conditional upon the approval by the Independent Shareholders of (i) the Master Management Agreement and the transactions contemplated thereunder; and (ii) the Annual Caps in relation to the Master Management Agreement at an EGM to be held in accordance with the requirements of the Listing Rules.



## LETTER FROM THE BOARD

*Duration:*

Subject to satisfaction of the condition precedent mentioned above, the Master Management Agreement shall be for a term of three years from 1 July 2009 and the Old Master Management Agreement shall be terminated with effect from 1 July 2009.

*Consideration:*

The management fee payable by the NWD Group to the Group shall be determined in accordance with the basis set out in the section titled “Master Management Agreement — Subject matter” above and at the consideration which is no less favourable than such NWD Store shall be managed by independent third parties in the ordinary course of business. The management fee is calculated based on either (a) an agreed percentage of the store’s gross sales proceeds and rental income from third party operators, respectively; or (b) a fixed management fee plus an agreed percentage of the store’s gross sales proceeds and rental income from third party operators, respectively.

*Reasons for and benefits of entering into the Master Management Agreement*

It is part of the principal business of the Group to manage department stores which are owned by third parties. As NWD is the ultimate beneficial owner of the NWD Store, the Directors believe that the Master Management Agreement will also serve to protect the interests of the Group and to facilitate possible acquisition by the Group of the NWD Store at a future date. The entering into of the Master Management Agreement would enable the Group to regulate the existing and future operational agreements under a common framework agreement.

### **B. Master Leasing Agreement**

Members of the Group and members of the NWD Group had in the past entered into certain leasing agreements for leasing various Premises by the Group from the NWD Group for use as the Group’s office, warehouse, car parks and department stores owned by the Group in accordance with a master leasing agreement dated 22 June 2007 and a supplemental letter dated 19 March 2008 between the Company and NWD (collectively, the “**Old Master Leasing Agreement**”) and certain of the leasing agreements have not expired as at the date of the Master Leasing Agreement. The Group and the NWD Group wish to continue the leasing agreements and may from time to time enter into new leasing agreements for leasing various Premises by the Group from the NWD Group. Accordingly, the Company and NWD agree to terminate the Old Master Leasing Agreement and enter into the Master Leasing Agreement. Set out below are the principal terms of the Master Leasing Agreement:

*Date:*

22 May 2009

*Parties:*

The Company and NWD

## LETTER FROM THE BOARD

### *Subject matter:*

Pursuant to the Master Leasing Agreement, NWD agrees to, and to procure its subsidiaries to, lease the Premises to the Group at the request of any member of the Group from time to time during the duration of the Master Leasing Agreement in accordance with its terms and the terms and conditions of (a) the relevant leasing agreements entered into between members of the NWD Group and members of the Group which are still in force and have not expired; or (b) the relevant leasing agreements to be entered into between members of the Group and members of the NWD Group from time to time. The terms of and the consideration payable under the new leasing agreements shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms with reference to the prevailing market rental and on terms no less favourable than the terms offered by the NWD Group to independent third parties.

### *Condition precedent:*

The Master Leasing Agreement is conditional upon the approval by the Independent Shareholders of (i) the Master Leasing Agreement and the transactions contemplated thereunder; and (ii) the Annual Caps in relation to the Master Leasing Agreement at an EGM to be held in accordance with the requirements of the Listing Rules.

### *Duration:*

Subject to the satisfaction of the condition precedent mentioned above, the Master Leasing Agreement shall be for a term of three years from 1 July 2009 and the Old Master Leasing Agreement shall be terminated with effect from 1 July 2009.

### *Consideration:*

The consideration (including the rental and management fees) for each of the Premises to be leased by any member of the Group from the NWD Group shall be determined in accordance with the basis set out in the section titled "Master Leasing Agreement — Subject matter" above and at the price which is no less favourable than if such Premises are leased by the NWD Group to independent third parties in the ordinary course of business.

### *Reasons for and benefits of entering into the Master Leasing Agreement*

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

## LETTER FROM THE BOARD

### C. Master Concessionaire Counter Agreement

Members of the Group had in the past and is expected from time to time to enter into concessionaire counter agreements and rental agreements with members of the CTF Jewellery Group pursuant to which members of the Group shall provide floor space in the Stores to the CTF Jewellery Group to exhibit and sell jewellery. The Group and the CTF Jewellery Group wish to continue the concessionaire counter agreements and rental agreements and may from time to time enter into new concessionaire counter agreements and rental agreements in relation to the provision of floor space at the Stores by members of the Group to members of the CTF Jewellery Group. Accordingly, the Company and CTF Jewellery agree to enter into the Master Concessionaire Counter Agreement. Set out below are the principal terms of the Master Concessionaire Counter Agreement.

*Date:*

22 May 2009

*Parties:*

The Company and CTF Jewellery

*Subject matter:*

Pursuant to the Master Concessionaire Counter Agreement, the Company agrees to, and to procure its subsidiaries to, provide floor space in the Stores to members of the CTF Jewellery Group from time to time for exhibiting and selling jewellery during the duration of the Master Concessionaire Counter Agreement in accordance with its terms and the terms and conditions of (a) the relevant concessionaire counter agreements entered into between members of the Group and members of the CTF Jewellery Group which are still in force and have not expired; or (b) the relevant concessionaire counter agreements or rental agreements to be entered into between members of the Group and members of the CTF Jewellery Group from time to time. The terms of and the consideration payable under the new concessionaire counter agreements and rental agreements shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms and on terms no more favourable than the terms offered by the Group to independent third parties.

*Condition precedent:*

The Master Concessionaire Counter Agreement is subject to the approval by the Independent Shareholders of (i) the Master Concessionaire Counter Agreement and the transactions contemplated thereunder; and (ii) the Annual Caps in relation to the Master Concessionaire Counter Agreement at an EGM to be held in accordance with the requirements of the Listing Rules.

## LETTER FROM THE BOARD

If the above condition is not fulfilled by 1 July 2009 or such later date as may be agreed by the parties to the Master Concessionaire Counter Agreement, the Master Concessionaire Counter Agreement shall be terminated with immediate effect and none of the parties thereto shall have rights against the other party except in relation to any antecedent breach of the Master Concessionaire Counter Agreement.

*Duration:*

Subject to the satisfaction of the condition precedent mentioned above, the Master Concessionaire Counter Agreement shall be for a term of three years from 1 July 2009.

*Consideration:*

For each transaction under the Master Concessionaire Counter Agreement, pursuant to the relevant concessionaire counter agreements and rental agreements, commissions and basic usage costs and rebates are payable by the CTF Jewellery Group to members of the Group for the use of the concessionaire counters or the floor space in the Stores. Such commissions and rebates are to be calculated by a pre-determined percentage of sales made for each type of the products sold at the concessionaire counters and the gross sales figures of concessionaire counters, while the basic usage costs comprise the general promotional contributions and other fixed charges. The amounts payable under the concessionaire counter agreements and the rental agreements shall be determined in accordance with the basis set out in the section titled “Master Concessionaire Counter Agreement — Subject matter” above.

*Reasons for and benefits of entering into the Master Concessionaire Counter Agreement*

CTF Jewellery is a well-known jewellery brand in Hong Kong and the PRC. The Directors believe that including CTF Jewellery as one of the concessionaire counters in the Stores enhances the Company’s brand and product mix and raises the image and profile of the Stores.

#### **D. Master Services Agreement**

Members of the Group and members of the NWSH Group had in the past entered into various services agreements for the provision of the Services by the NWSH Group to the Group in accordance with a master services agreement dated 11 October 2007 between the Company and NWSH (the “**Old Master Services Agreement**”) and certain of the services agreements have not expired as at the date of the Master Service Agreement. The Group and the NWSH Group wish to continue the services agreements and may from time to time enter into new services agreements for the provision of the Services by the NWSH Group to the Group. Accordingly, the Company and NWSH agree to terminate the Old Master Services Agreement and enter into the Master Services Agreement. Set out below are the principal terms of the Master Services Agreement:

*Date:*

22 May 2009

## LETTER FROM THE BOARD

*Parties:*

The Company and NWSH

*Subject matter:*

Pursuant to the Master Services Agreement, NWSH agrees to, and to procure its associates to, provide the Services to the Group for the Stores at the request of any member of the Group from time to time during the duration of the Master Services Agreement in accordance with its terms and the terms and conditions of (a) the relevant services agreements entered into between members of the NWSH Group and members of the Group which are still in force and have not expired; or (b) the relevant services agreements to be entered into between members of the NWSH Group and members of the Group from time to time. The terms of and service fees payable under the new services agreements shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by the NWSH Group to independent third parties.

*Condition precedent:*

The Master Services Agreement is conditional upon the approval by the Independent Shareholders of (i) the Master Services Agreement and the transactions contemplated thereunder; and (ii) the Annual Caps in relation to the Services at an EGM to be held in accordance with the requirements of the Listing Rules.

*Duration:*

Subject to the satisfaction of the condition precedent mentioned above, the Master Services Agreement shall be for a term of three years from 1 July 2009 and the Old Master Services Agreement shall be terminated with effect from 1 July 2009.

*Consideration:*

The service fees payable by the Group to the NWSH Group shall be determined in accordance with the basis set out in the section titled "Master Services Agreement — Subject matter" above.

*Reasons for and benefits of entering into the Master Services Agreement*

The Services are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The services agreements will be agreed on an arm's length basis and on normal commercial terms. The entering into of the Master Services Agreement would enable the Group to regulate the provision of the Services by the NWSH Group to the Group under a common framework agreement.

<b>LETTER FROM THE BOARD</b>
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**E. Historical Figures**

According to the audited consolidated accounts of the Group for the two financial years ended 30 June 2008 and the unaudited consolidated management accounts of the Group for the nine months ended 31 March 2009, the aggregate approximate amounts of the Continuing Connected Transactions are as follows:

	<b>For the financial year ended 30 June 2007</b>	<b>For the financial year ended 30 June 2008</b>	<b>For the nine months ended 31 March 2009</b>
Master Management Agreement	HK\$69,526,000	HK\$77,082,000	HK\$48,163,000 (approximately RMB42,384,000)
Master Leasing Agreement	HK\$111,797,000	HK\$132,898,000	HK\$86,098,000 (approximately RMB75,766,000)
Concessionaire Counter Arrangements	HK\$12,375,000	HK\$17,905,000	HK\$15,073,000 (approximately RMB13,264,000)
Master Services Agreement	HK\$22,144,000	HK\$79,139,000	HK\$29,133,000 (approximately RMB25,637,000)

## LETTER FROM THE BOARD

### F. Annual Caps

It is expected that the annual consideration payable under each of the Continuing Connected Transactions will not exceed the amount set out below (the “Annual Caps”):

	<b>For the year ending 30 June</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Master Management Agreement	RMB110,402,000 (approximately HK\$125,373,000)	RMB126,962,000 (approximately HK\$144,178,000)	RMB146,006,000 (approximately HK\$165,805,000)
Master Leasing Agreement	RMB154,479,000 (approximately HK\$175,427,000)	RMB224,415,000 (approximately HK\$254,847,000)	RMB276,907,000 (approximately HK\$314,456,000)
Master Concessionaire Counter Agreement	RMB51,208,000 (approximately HK\$58,152,000)	RMB74,734,000 (approximately HK\$84,868,000)	RMB107,878,000 (approximately HK\$122,507,000)
Master Services Agreement	RMB141,998,000 (approximately HK\$161,253,000)	RMB420,164,000 (approximately HK\$477,139,000)	RMB413,766,000 (approximately HK\$469,874,000)

### G. Basis for the Annual Caps

The Annual Caps in respect of the Master Management Agreement have been determined by reference to historical transaction amounts, gross sales proceeds and rental income from third party operators.

The Annual Caps in respect of the Master Leasing Agreement have been determined based on the historical transaction amounts, the terms of the leases and the expected growth in the number of new Stores.

The Annual Caps in respect of the Master Concessionaire Counter Agreement have been determined based on the terms of the existing Concessionaire Counter Arrangements, the historical transaction amounts, the expected increase of sales of each of the concessionaire counters and the floor space of the CTF Jewellery Group alongside with the growth of the relevant stores and the number of new concessionaire counters and the floor space for which members of the Group might enter into new concessionaire counter agreements and rental agreements with members of the CTF Jewellery Group for stores to be opened by the Group, and the expected increase of sales from the concessionaire counters and the floor space in the Stores at which the CTF Jewellery Group conducts business by means of accepting cash equivalent gift coupons, gift cards and stored value shopping cards of NWCL and its subsidiaries, which may be presented at the Stores for purchasing goods at such stores from time to time.

## **LETTER FROM THE BOARD**

The Annual Caps in respect of the Master Services Agreement have been determined based on the historical transaction amounts and future expansion of the Stores, as it is expected that there will be further extension and renovation to the existing Stores and new Stores will be opened in the coming years.

The Directors consider that the Continuing Connected Transactions, the CCT Agreements, and the Annual Caps are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

### **3. LISTING RULES IMPLICATIONS**

NWD is the controlling shareholder of the Company and hence a connected person of the Company. NWD is interested in approximately 57% of the issued share capital of NWSH as at the Latest Practicable Date and NWSH being an associate of NWD is also a connected person of the Company under the Listing Rules. Members of the CTF Jewellery Group are associates of CTF, which in turn is a substantial shareholder of NWD, a controlling shareholder of the Company. Accordingly, members of the CTF Jewellery Group are also connected persons of the Company under the Listing Rules. Therefore, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the Continuing Connected Transactions are more than 2.5%, each of the Continuing Connected Transactions is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. In view of the interests of NWD and CTF in the relevant Continuing Connected Transactions, NWD, CTF and their respective associates which are together interested in aggregate of approximately 72.29% of the issued share capital of the Company as at the Latest Practicable Date will abstain from voting in respect of the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions, the CCT Agreements and the Annual Caps.

The Independent Board Committee has been established to consider the terms of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps, and to advise the Independent Shareholders as to whether the Continuing Connected Transactions, the CCT Agreements and the Annual Caps are in the interests of the Company and the Shareholders as a whole. GuocoCapital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **4. INFORMATION ON THE GROUP AND THE CONNECTED PERSONS**

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

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

To the best knowledge of the Directors, the CTF Jewellery Group is engaged in selling jewellery.



## **LETTER FROM THE BOARD**

The principal activities of NWSH and its subsidiaries include: (i) the investment in and/or operation of facilities, contracting, transport and financial services; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals.

### **5. EXTRAORDINARY GENERAL MEETING**

Set out on pages 40 to 42 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve, among other things, the Continuing Connected Transactions, the CCT Agreements and the Annual Caps.

A proxy form for use at the EGM is enclosed herein. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, 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 adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The votes to be taken at the EGM will be taken by poll. An announcement of the results of the EGM will be published by the Company.

### **6. RECOMMENDATIONS**

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on page 17 of this circular which contains its recommendation to the Independent Shareholders; and
- (b) the letter from GuocoCapital set out pages 18 to 32 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the terms of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps, and taken into account the advice of GuocoCapital, considers that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and the terms of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM as set out in the EGM notice.

## LETTER FROM THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors are of the view that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and the terms of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps are on normal commercial terms and are fair and reasonable and in the interest of the Group and the Shareholders as a whole. Accordingly, the Directors also recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions, the CCT Agreements and the Annual Caps.

### 7. FURTHER INFORMATION

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

Yours faithfully,  
For and on behalf of  
**New World Department Store China Limited**  
**Cheng Kar-shun, Henry**  
*Chairman*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**



**新世界百貨中國有限公司**

**New World Department Store China Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 825)**

10 June 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 10 June 2009 (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 members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. GuocoCapital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Continuing Connected Transactions, the CCT Agreement and the Annual Caps. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 18 to 32 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 16 of the Circular and the general information set out in the appendix.

Having considered the terms of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps, and taken into account the advice of GuocoCapital, we consider that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and the terms and conditions of the CCT Agreements, including the Annual Caps, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions, the CCT Agreements and the Annual Caps.

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 a letter of advice to the Independent Board Committee and the Independent Shareholders from GuocoCapital prepared for the purpose of incorporation in this circular:*



10 June 2009

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

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### 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 Continuing Connected Transactions, the CCT Agreements and the Annual Caps. Details of the Continuing Connected Transactions, the CCT Agreements and the Annual Caps are set out in the letter from the Board in the circular of the Company dated 10 June 2009 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as those defined in the Circular unless the context otherwise requires.

On 22 May 2009, the Company entered into (i) the Master Management Agreement with NWD regarding the provision of the Management Consultancy Services by the Group to the NWD Group relating to the NWD Stores; (ii) the Master Leasing Agreement with NWD regarding the leasing of various Premises by the Group from the NWD Group for use as the Group’s office, warehouse, car parks and department stores owned by the Group; (iii) the Master Concessionaire Counter Agreement with CTF Jewellery to provide floor space to the CTF Jewellery Group to exhibit and sell jewellery; and (iv) the Master Services Agreement with NWSH regarding the provision of the Services by the NWSH Group for the Stores.

NWD is the controlling shareholder of the Company and hence a connected person of the Company. As at the Latest Practicable Date, NWD is interested in approximately 57% of the issued share capital of NWSH and NWSH, being an associate of NWD, is also a connected person of the Company under the Listing Rules. Members of the CTF Jewellery Group are associates of CTF, which in turn is a substantial shareholder of NWD, a controlling shareholder of the Company. Accordingly, members of the CTF Jewellery Group are also connected persons of the Company under the Listing Rules. Therefore, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the Continuing Connected Transactions are more than 2.5%, each of the Continuing Connected Transactions is subject to the reporting, announcement and independent shareholders’

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approval requirements under the Listing Rules. In view of the interests of NWD and CTF in the relevant Continuing Connected Transactions, NWD, CTF and their respective associates which are together interested in aggregate of approximately 72.29% of the issued share capital of the Company will abstain from voting in respect of the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions, the CCT Agreements and the Annual Caps.

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 Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and the terms and conditions of the CCT Agreements, including the Annual Caps, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

### **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, are considered eligible to give independent advice on the Continuing Connected Transactions, the CCT Agreements and the Annual Caps thereto. 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 Continuing Connected Transactions, the CCT Agreements and the Annual Caps, 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Continuing Connected Transactions, the CCT Agreements and the bases for the determination of the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the following principal factors and reasons:

#### (I) Master Management Agreement

##### *Background to and reasons for the Master Management Agreement*

It is part of the principal business of the Group to manage department stores which are not owned by the Group. With reference to the latest interim report of the Company for the six months ended 31 December 2008 (the “**Interim Report**”), management fee income was the third largest source of income stream of the Group, which represented approximately 12% of the Group’s total revenue for the six months ended 31 December 2008.

Members of the Group and members of the NWD Group had in the past entered into certain management agreements for the provision of the Management Consultancy Services for certain NWD Stores in accordance with the Old Master Management Agreement and one of the management agreements, regarding the management of the Beijing New World Shopping Mall (the “**Beijing Store**”), has not expired as at the date of the Master Management Agreement. The Group and the NWD Group wish to continue the management agreement and may from time to time enter into new management agreements relating to the provision of the Management Consultancy Services by the Group to the NWD Group. Accordingly, the Company and NWD agree to terminate the Old Master Management Agreement and enter into the Master Management Agreement for a term of three years from 1 July 2009.

Following the acquisitions of the department stores in Wuhan, Kunming and Ningbo by the Group from the NWD Group during the previous years, the Beijing Store is currently the only managed store which is owned by the NWD Group. The Beijing Store was not included in the Group at the time of the listing of the Shares on the main board of the Stock Exchange because the legal title of the companies which held the Beijing Store was held by an independent third party. In this regard, NWD has granted an option to the Group to acquire the whole or part of the Beijing Store as and when the Group considers appropriate.

As NWD is the ultimate beneficial owner of the Beijing Store, the Directors believe that the Master Management Agreement will serve to protect the interests of the Group and to facilitate possible acquisition by the Group of the NWD Store at a future date. The entering into the Master Management Agreement would enable the Group to regulate the existing and future operational agreements under a common framework agreement.

Having considered that (i) store management is part of the principal business of the Group and (ii) the entering into the Master Management Agreement can facilitate future possible acquisition of the NWD Store, we concur with the view of the Directors that the entering into the Master Management Agreement is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Principal terms of the Master Management Agreement*

Pursuant to the Master Management Agreement, the Company agrees to, and to procure its subsidiaries to, provide the Management Consultancy Services to the NWD Group at the request of any member of the NWD Group from time to time during the duration of the Master Management Agreement in accordance with its terms and the terms and conditions of (a) the relevant management agreement entered into between members of the NWD Group and members of the Group which is still in force and has not expired; or (b) the relevant management agreements to be entered into between members of the NWD Group and members of the Group from time to time. The terms of and management fees payable under the new management agreements shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms and on terms no more favourable than the terms offered by the Group to independent third parties.

Pursuant to the Master Management Agreement, the management fee is calculated based on either (a) an agreed percentage of the store's gross sales proceeds and rental income from third party operators, respectively; or (b) a fixed management fee plus an agreed percentage of the store's gross sales proceeds and rental income from third party operators, respectively. We have reviewed samples of management agreements in respect of the provision of management services to the NWD Store and other managed store owned by independent third party and we noted that management fees payable by the NWD Group and other third party store owner were charged at comparable rates.

Accordingly, we are of the view that the terms of the Master Management Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### *Annual Caps*

As set out in the letter from the Board, the Annual Caps in respect of the Master Management Agreement for the three years ending 30 June 2010, 2011 and 2012 are RMB110,402,000 (approximately HK\$125,373,000), RMB126,962,000 (approximately HK\$144,178,000) and RMB146,006,000 (approximately HK\$165,805,000) respectively.

As advised by the Directors, the Annual Caps in respect of the Master Management Agreement have been determined with reference to historical transaction amounts, gross sales proceeds and rental income from third party operators.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and reasonableness of the Annual Caps in respect of the Master Management Agreement, we have taken into account the following factors:

(i) *Historical transaction amounts*

The historical transaction amounts in respect of the transactions contemplated under the Old Master Management Agreement were as follows:

	<b>For the financial year ended 30 June 2007</b>	<b>30 June 2008</b>	<b>For the nine months ended 31 March 2009</b>
Actual transaction amount	HK\$69,526,000	HK\$77,082,000	HK\$48,163,000 (approximately RMB42,384,000)

The historical transaction amount for the financial year ended 30 June 2008 increased by approximately 11% as compared to that of year 2007. The transaction amount for the nine months ended 31 March 2009 decreased mainly due to the reducing number of NWD Stores following the various acquisitions by the Group during the past few years and the recent outbreak of the global financial crisis which affected the short term performance of the NWD Stores. However, the Directors expect that the performance of the NWD Stores will soon recover and continue to demonstrate a growing trend given the rationale as discussed below.

(ii) *Strong growth of retail sales of consumer goods in Beijing*

Despite the recent outbreak of the global financial crisis, the retail market in Beijing remains strong. According to the Beijing Statistical Information Net, the value of retail sales of consumer goods in Beijing has grown to approximately RMB122.1 billion in the first quarter of 2009, representing a growth of approximately 13% as compared to the same period in 2008, which indicates a strong and increasing demand for retail consumer products in Beijing. As such, the performance of the Beijing Store is expected to improve.

(iii) *The recent growth of the economy and the consumer confidence in Beijing*

According to the Beijing Statistical Information Net, the value of gross domestic product of Beijing in the first quarter of 2009 has reached approximately RMB251.1 billion, representing a growth of approximately 6% as compared to the same period in 2008. Moreover, the consumer confidence index of Beijing in the first quarter of 2009 increased by approximately 7% as compared to the previous quarter. These figures demonstrate that the economy and consumer confidence in Beijing are still on the growing trend and spending on consumer products is expected to increase. Accordingly, it is believed that given the existing economic trends, the performance of the Beijing Store will improve and more management fee income is expected to be received by the Group.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account (i) the historical transaction amounts; (ii) the recent growth of retail sales of consumer goods in Beijing; and (iii) the recent growth of the economy and consumer confidence in Beijing, we are of the view that the bases adopted to determine the Annual Caps in respect of the Master Management Agreement for the three years ending 30 June 2012 are fair and reasonable so far as the Independent Shareholder are concerned.

### **(II) Master Leasing Agreement**

#### *Background to and reasons for the Master Leasing Agreement*

The Company is an owner and operator of department stores and is operating 33 department stores in the PRC as at 31 December 2008. Out of these 33 department stores, the Group owns and operates 20 stores while the remaining 13 stores are managed by the Group and are owned by independent third parties or the NWD Group.

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

Members of the Group and members of the NWD Group had in the past entered into certain leasing agreements for leasing various Premises by the Group from the NWD Group for use as the Group's office, warehouse, car parks and department stores owned by the Group in accordance with the Old Master Leasing Agreement and certain of the leasing agreements have not expired as at the date of the Master Leasing Agreement. The Group and the NWD Group wish to continue the leasing agreements and may from time to time enter into new leasing agreements for leasing various Premises by the Group from the NWD Group. Accordingly, the Company and NWD agree to terminate the Old Master Leasing Agreement and enter into the Master Leasing Agreement for a term of three years from 1 July 2009. Given that the relevant Stores have been operating at their respective Premises (save and except for certain of the premises which are used as the office and car parks of the Group) for a number of years and the cost to be incurred and the adverse impact on the operation of the Stores in the event of their relocation will be substantial, the Directors believe that maintaining the lease agreements with the NWD Group will ensure the Group's stability in using the relevant Premises. The Directors further believe that it is in the interests of the Company to enter into the Master Leasing Agreement so that the Group may regulate the existing and future leasing agreements with the NWD Group under a common framework agreement.

Taking into account (i) the principal activities of the NWD Group; (ii) the benefits of maintaining the existing leases; and (iii) the flexibility granted to the Group for future leases of Premises as and when the Directors consider appropriate, we concur with the view of the Directors that the entering into the Master Leasing Agreement is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Principal terms of the Master Leasing Agreement*

Pursuant to the Master Leasing Agreement, NWD agrees to, and to procure its subsidiaries to, lease the Premises to the Group at the request of any member of the Group from time to time during the duration of the Master Leasing Agreement in accordance with its terms and the terms and conditions of (a) the relevant leasing agreements entered into between members of the NWD Group and members of the Group which are still in force and have not expired; or (b) the relevant leasing agreements to be entered into between members of the Group and members of the NWD Group from time to time. The terms of and the consideration payable under the new leasing agreements shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms with reference to the prevailing market rental and on terms no less favourable than the terms offered by the NWD Group to independent third parties. We have obtained samples of leasing agreements entered into by the Group with the NWD Group and with other third party landlord and we noted that the terms offered by the NWD Group are no less favourable than those offered by third party landlord.

Accordingly, we are of the view that the terms of the Master Leasing Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### *Annual Caps*

As set out in the letter from the Board, the Annual Caps in respect of the Master Leasing Agreement for the three years ending 30 June 2010, 2011 and 2012 are RMB154,479,000 (approximately HK\$175,427,000), RMB224,415,000 (approximately HK\$254,847,000) and RMB276,907,000 (approximately HK\$314,456,000) respectively.

As advised by the Directors, the Annual Caps in respect of the Master Leasing Agreement have been determined based on the historical transaction amounts, the terms of the leases and the expected growth in the number of new Stores.

In assessing the fairness and reasonableness of the Annual Caps in respect of the Master Leasing Agreement, we have taken into account the following factors:

(i) *Historical transaction amounts*

Set out below are the historical transaction amounts in respect of the transactions contemplated under the Old Master Leasing Agreement:

	<b>For the financial year ended</b>		<b>For the nine</b>
	<b>30 June 2007</b>	<b>30 June 2008</b>	<b>months ended</b>
			<b>31 March 2009</b>
Actual transaction amount	HK\$111,797,000	HK\$132,898,000	HK\$86,098,000 (approximately RMB75,766,000)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note from the above that the historical transaction amount for the year ended 30 June 2008 represented an annual growth of approximately 19% as compared with that in year 2007. The decrease in transaction amount during the year 2009 was principally due to the acquisition of a leased premise by the Group in year 2008. However, the Directors consider the factors as discussed below would account for the expected increase in future transactions contemplated under the Master Leasing Agreement.

(ii) *Expansion strategies of the Group*

Opening new stores in prime locations has long been a key expansion strategy of the Group. The Group also strives to open new stores in cities that it has no foothold to increase its market share. For the financial years ended 30 June 2007 and 2008 and the six months ended 31 December 2008, the Group opened 7 stores, 4 stores and 2 stores respectively which increased the gross floor area of the Group's stores from 817,000 square meters as at 30 June 2007 up to 1,042,570 square meters as at 31 December 2008. With the continual execution of the growth strategies of the Group, the Directors expect that additional floor space and Premises will be leased from the NWD Group for the opening of new Stores and the extension of some of the existing Stores.

(iii) *Potential increase in rental expenses*

We note that certain leases were charged to the Group based on the turnover generated by the respective department stores. According to the Interim Report, turnover of the Group amounted to approximately HK\$883.9 million for the six months ended 31 December 2008, representing a growth of approximately 33% as compared to the same period in year 2007 even though the performance of the Group might have been influenced by the outbreak of the global financial crisis in the latter half of 2008. With the introduction of a series of policies by the PRC government to stimulate the economy, the Directors are still optimistic towards the PRC retail market, and believe that the business of the Group will continue to grow. Accordingly, the rental expenses for the department stores incurred by the Group are expected to increase with the improving performance of the Stores for the upcoming three financial years ending 30 June 2012.

Taking into account (i) the historical transaction amounts; (ii) the expected leases of additional floor space and Premises from the NWD Group; and (iii) the potential increase in rental expenses, we are of the view that the bases adopted to determine the Annual Caps in respect of the Master Leasing Agreement for the three years ending 30 June 2012 are fair and reasonable so far as the Independent Shareholders are concerned.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (III) Master Concessionaire Counter Agreement

#### *Background to and reasons for the Master Concessionaire Counter Agreement*

Commission from concessionaire sales is one of the major sources of income of the Group. With reference to the Interim Report, commissions from concessionaire sales accounted for approximately 65% of the Group's total revenue for the six months ended 31 December 2008.

Members of the Group had in the past and is expected from time to time to enter into concessionaire counter agreements and rental agreements with members of the CTF Jewellery Group pursuant to which members of the Group shall provide floor space in the Stores to the CTF Jewellery Group to exhibit and sell jewellery. The Group and the CTF Jewellery Group wish to continue the concessionaire counter agreements and rental agreements and may from time to time enter into new concessionaire counter agreements and rental agreements in relation to the provision of floor space at the Stores by members of the Group to members of the CTF Jewellery Group.

Given that it is the Group's operational strategy to optimise the merchandise mix at its department stores and CTF Jewellery is a well-known jewellery brand in Hong Kong and the PRC, the Directors believe that including CTF Jewellery as one of the concessionaire counters in the Stores can enhance the Company's brand and product mix and raise the image and profile of the Stores. Accordingly, the Directors propose to enter into the Master Concessionaire Counter Agreement for a term of three years from 1 July 2009.

Having considered that (i) commissions from concessionaire sales is the major source of income of the Group; (ii) it is the Group's operational strategy to optimise merchandise mix; and (iii) CTF Jewellery is a well-known jewellery brand which matches the image and profile of the Group, we concur with the view of the Directors that the entering into the Master Concessionaire Counter Agreement is in the interests of the Company and the Independent Shareholders as a whole.

#### *Principal terms of the Master Concessionaire Counter Agreement*

Pursuant to the Master Concessionaire Counter Agreement, the Company agrees to, and to procure its subsidiaries to, provide floor space in the Stores to members of the CTF Jewellery Group from time to time for exhibiting and selling jewellery during the duration of the Master Concessionaire Counter Agreement in accordance with its terms and the terms and conditions of (a) the relevant concessionaire counter agreements entered into between members of the Group and members of the CTF Jewellery Group which are still in force and have not expired; or (b) the relevant concessionaire counter agreements or rental agreements to be entered into between members of the Group and members of the CTF Jewellery Group from time to time. The terms of and the consideration payable under the new concessionaire counter agreements and rental agreements shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms and on terms no more favourable than the terms offered by the Group to independent third parties.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For each transaction under the Master Concessionaire Counter Agreement, pursuant to the relevant concessionaire counter agreements and rental agreements, commissions and basic usage costs and rebates are payable by the CTF Jewellery Group to members of the Group for the use of the concessionaire counters or the floor space in the Stores. Such commissions and rebates are to be calculated by a pre-determined percentage of sales made for each type of the products sold at the concessionaire counters and the gross sales figures of concessionaire counters, while the basic usage costs comprise the general promotional contributions and other fixed charges. We have reviewed samples of concessionaire counter agreements entered into by the Company with the CTF Jewellery Group and with other third party concessionaire and we noted that the relevant terms offered to the CTF Jewellery Group are comparable to those available to third party concessionaire.

Accordingly, we are of the view that the terms of the Master Concessionaire Counter Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### *Annual Caps*

As set out in the letter from the Board, the Directors estimated that the Annual Caps in respect of the Master Concessionaire Counter Agreement for the three years ending 30 June 2010, 2011 and 2012 are RMB51,208,000 (approximately HK\$58,152,000), RMB74,734,000 (approximately HK\$84,868,000) and RMB107,878,000 (approximately HK\$122,507,000) respectively.

As advised by the Directors, the Annual Caps in respect of the Master Concessionaire Counter Agreement have been determined based on the terms of the existing concessionaire counter arrangements, the historical transaction amounts, the expected increase of sales of each of the concessionaire counters and the floor space of the CTF Jewellery Group alongside with the growth of the relevant stores and the number of new concessionaire counters and the floor space for which members of the Group might enter into new concessionaire counter agreements and rental agreements with members of the CTF Jewellery Group for stores to be opened by the Group, and the expected increase of sales from the concessionaire counters and the floor space in the Stores at which the CTF Jewellery Group conducts business by means of accepting cash equivalent gift coupons, gift cards and stored value shopping cards of NWCL and its subsidiaries (the “**Shopping Vouchers**”), which may be presented at the Stores for purchasing goods at such Stores from time to time.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and reasonableness of the Annual Caps in respect of the Master Concessionaire Counter Agreement, we have taken into account the following factors:

(i) *Historical transaction amounts*

The historical transaction amounts in respect of the transactions contemplated under the Concessionaire Counter Arrangements were as follows:

	<b>For the financial year ended 30 June 2007</b>	<b>30 June 2008</b>	<b>For the nine months ended 31 March 2009</b>
Actual transaction amount	HK\$12,375,000	HK\$17,905,000	HK\$15,073,000 (approximately RMB13,264,000)

The historical transaction amount for the financial year ended 30 June 2008 grew significantly by approximately 45% as compared to that of year 2007. With the historical increasing trend, the Directors believe the commissions to be received by the Group in respect of the Master Concessionaire Counter Agreement will keep growing in the coming three financial years ending 30 June 2012.

(ii) *Anticipated increase in the number of concessionaire counters*

The commissions derived from the concessionaire counters operated by the CTF Jewellery Group is directly related to the number of its concessionaire counters and the sales performance of these counters. As advised by the Directors, the significant increase in the Annual Caps in respect of the Master Concessionaire Counter Agreement for the year ending 30 June 2010 is principally due to the expected increase in the number of the concessionaire counters and the floor space operated by the CTF Jewellery Group at the existing Stores and new Stores to be opened.

(iii) *Anticipated increase in concessionaire sales by accepting Shopping Vouchers*

On 22 May 2009, the Company, NWCL and CTF Jewellery entered into a master sales agreement regarding the sale of goods in the Stores by means of accepting the Shopping Vouchers, which may be presented at the Stores for purchasing goods at such Stores from time to time. The Directors believe that the entering into the master sales agreement would bring more customers to and enhance the sales in the Stores. Accordingly, sales from the respective concessionaire counters and the floor space in the Stores operated by the CTF Jewellery Group are also expected to increase due to the acceptance of Shopping Vouchers.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) *Recent growth of the jewellery retail market in the PRC*

According to the information sourced from the National Bureau of Statistics of China, the retail sales of gold, silver and jewellery in the PRC experienced a year-on-year growth of approximately 12% in the first quarter of 2009. Accordingly, the Directors expect that the performance of the concessionaire counters operated by the CTF Jewellery Group will be improved under the recent growing trend of jewellery retail sales in the PRC and thus increase the commissions to be received by the Group.

(v) *Recent trend of commodity prices*

Based on the experience of the Directors, jewellery sales are highly correlated to the demand of jewellery products and the commodity prices of certain precious metals related to jewellery products. Set out below are the commodity spot prices of gold, silver and platinum in the past years:

	<b>As at 31 December</b>				<b>As at</b>
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>31 May</b>
	<i>(US\$/Ounce)</i>				<b>2009</b>
Gold	517.00	636.70	833.92	882.05	979.15
Silver	8.82	12.91	14.80	11.39	15.74
Platinum	970.50	1,136.00	1,526.00	934.50	1,193.00

*Source:* Bloomberg

In spite of the volatilities of the commodity prices, it is noted that the commodity prices of gold, silver and platinum have demonstrated an overall upward-moving trend over the past periods. The selling prices of the jewellery products are expected to increase due to the recent appreciations of the respective commodity prices. As a result, it is believed that the amount of commissions derived from the Master Concessionaire Counter Agreement will rise along with the increasing jewellery sales of the concessionaire counters operated by the CTF Jewellery Group.

Taking into account (i) the historical transaction amounts; (ii) the anticipated increase in the number of concessionaire counters to be operated by the CTF Jewellery Group; (iii) the anticipated increase in concessionaire sales by accepting Shopping Vouchers; (iv) the recent growth of the jewellery retail market in the PRC; and (v) the upward-moving trend of commodity prices, we are of the view that the bases adopted to determine the Annual Caps in respect of the Master Concessionaire Counter Agreement for the three years ending 30 June 2012 are fair and reasonable so far as the Independent Shareholder are concerned.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (IV) Master Services Agreement

#### *Background to and reasons for the Master Services Agreement*

The NWSH Group is principally engaged in the investment in and/or operation of facilities, contracting, transport and financial services; and the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals. The contracting services offered by the NWSH Group include one-stop construction related services extending from materials supply, construction together with electrical and mechanical engineering right through to final decoration.

Members of the Group and members of the NWSH Group had in the past entered into various services agreements for the provision of the Services by the NWSH Group to the Group in accordance with the Old Master Services Agreement and certain of the services agreements have not expired as at the date of the Master Services Agreement. The Group and the NWSH Group wish to continue the services agreements and may from time to time enter into new services agreements for the provision of the Services by the NWSH Group to the Group. Accordingly, the Company and NWSH agree to terminate the Old Master Services Agreement and enter into the Master Services Agreement for a term of three years from 1 July 2009.

The Directors expected that the Services are to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The services agreements in relation to the Services will be agreed on an arm's length basis and on normal commercial terms. Therefore, the entering into the Master Services Agreement would enable the Group to regulate the provision of the Services by the NWSH Group to the Group under a common framework agreement.

Having considered that (i) the NWSH Group is experienced and principally engaged in the provision of the Services; and (ii) the Group requires a secured service provider to provide the Services on a regular and continuing basis, we concur with the view of the Directors that the entering into the Master Services Agreement is in the interests of the Group and the Shareholders as a whole.

#### *Principal terms of the Master Services Agreement*

Pursuant to the Master Services Agreement, NWSH agrees to, and to procure its associates to, provide the Services to the Group for the Stores at the request of any member of the Group from time to time during the duration of the Master Services Agreement in accordance with its terms and the terms and conditions of (a) the relevant services agreements entered into between members of the NWSH Group and members of the Group which are still in force and have not expired; or (b) the relevant services agreements to be entered into between members of the NWSH Group and members of the Group from time to time. The terms of and service fees payable under the new services agreements shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by the NWSH Group to independent third parties.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are given to understand that it is a normal practice of the Group to appoint an independent professional quantity surveyor (the “**Independent Surveyor**”) as its consultant to assess the terms of the quotations from contractors for each project. The Group then engages the contractor at agreed terms after taking into account the advices of the Independent Surveyor. We have reviewed samples of reports from the Independent Surveyor and noted that the Group uses to engage contractors after taking into account the advices of the Independent Surveyor.

Having considered that (i) members of NWSH Group are engaged after consulting the Independent Surveyor; (ii) the terms under the Master Services Agreement will be no less favourable than the same offered by the NWSH Group to independent third parties; and (iii) the Group has its own discretion to engage any third party contractors if the terms are considered favourable by the Group, we are of the view that the terms of the Master Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### *Annual Caps*

As set out in the letter from the Board, the Directors estimated that the Annual Caps in respect of the Master Services Agreement for the three years ending 30 June 2010, 2011 and 2012 are RMB141,998,000 (approximately HK\$161,253,000), RMB420,164,000 (approximately HK\$477,139,000) and RMB413,766,000 (approximately HK\$469,874,000) respectively.

As advised by the Directors, the Annual Caps in respect of the Master Services Agreement have been determined based on the historical transaction amounts and future expansion of the Stores, as it is expected that there will be further extension and renovation to the existing Stores and new Stores will be opened in the coming years.

In assessing the fairness and reasonableness of the Annual Caps in respect of the Master Services Agreement, we have taken into account the following factors:

(i) *Historical transaction amounts*

Set out below are the historical transaction amounts in respect of the transactions contemplated under the Old Master Services Agreement:

	<b>For the financial year ended</b>		<b>For the nine</b>
	<b>30 June 2007</b>	<b>30 June 2008</b>	<b>months ended</b>
			<b>31 March 2009</b>
Actual transaction amount	HK\$22,144,000	HK\$79,139,000	HK\$29,133,000 (approximately RMB25,637,000)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The historical transaction amount increased sharply to approximately HK\$79.1 million for the financial year ended 30 June 2008 as the Group engaged the NWSH Group to provide more Services for the opening of new Stores of relatively larger floor spaces during the financial year ended 30 June 2008. The sharp decrease in historical transaction amount during year 2009 was principally due to the postponement of certain expansion projects as a result of the recent outbreak of global financial crisis.

(ii) *Future expansion plans of the Group*

As stated in the Interim Report, the Group has formulated a set of long-term strategies for business expansion including the opening of new stores and development of greenfield projects, which may involve capital expenditures for the Services. As advised by the Directors, the sharp increase in the Annual Caps in respect of the Master Services Agreement for the financial years ending 30 June 2011 and 2012 is principally due to the expected launching of a large scale extension project and the commencement of a number of new projects relating to the opening of new Stores.

(iii) *Anticipated increase in demand for routine maintenance services*

NWSH and its subsidiaries had, from time to time, provided routine maintenance services to the Stores. With the expected increase in the number of Stores and the aging of the existing Stores, the Directors anticipate the need for refurbishment and ongoing repair and maintenance services for the Stores will increase, thus increase the Group's expenditures in relation to the Services.

Taking into account (i) the historical transaction amounts; (ii) the future expansion plans of the Group; and (iii) anticipated increase in demand for routine maintenance services, we are of the view that the bases adopted to determine the Annual Caps in respect of the Master Services Agreement for the three years ending 30 June 2012 are fair and reasonable so far as the Independent Shareholders are concerned.

### RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and the terms and conditions of the CCT Agreements, including the Annual Caps, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. 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 resolutions in relation to the Continuing Connected Transactions, the CCT Agreements and the Annual Caps, to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**GuocoCapital Limited**  
**Athena Fung**

*Assistant Director, Corporate Finance*

## 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, if any, of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (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 (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO); 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 Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in Shares

	Number of Shares			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
<b>The Company</b>					
Mr. Cheng Chi-kong, Adrian	—	—	1,107,000 <sup>(1)</sup>	1,107,000	0.07
Mr. Cheung Fai-yet, Philip	660,000	—	—	660,000	0.04
<b>Mega Choice Holdings Limited</b>					
Dr. Cheng Kar-shun, Henry	—	—	3,710 <sup>(2)</sup>	3,710	34.61
<b>New World China Land Limited</b>					
Dr. Cheng Kar-shun, Henry	12,500,000	1,950,000	52,271,200 <sup>(3)</sup>	66,721,200	1.74
Ms. Ngan Man-ying, Lynda	100,000	—	—	100,000	negligible
<b>New World Development Company Limited</b>					
Dr. Cheng Kar-shun, Henry	—	300,000	—	300,000	0.01
<b>NWS Holdings Limited</b>					
Dr. Cheng Kar-shun, Henry	9,179,199	—	8,000,000 <sup>(3)</sup>	17,179,199	0.84

*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 certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.
- (3) These shares are beneficially-owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.

## (b) Long positions in underlying Shares — share options

(i) *The Company*

Name	Date of grant	Exercisable period	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 <sup>(1)</sup>	1,000,000	8.660
Mr. Au Tak-cheong	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	500,000	8.660
Mr. Cheung Fai-yet, Philip	27/11/2007 25/3/2008	27/11/2008 to 26/11/2013 <sup>(1)</sup> 25/3/2009 to 24/3/2014 <sup>(2)</sup>	1,500,000 500,000	8.660 8.440
Mr. Lin Tsai-tan, David	27/11/2007 25/3/2008	27/11/2008 to 26/11/2013 <sup>(1)</sup> 25/3/2009 to 24/3/2014 <sup>(2)</sup>	459,000 230,000	8.660 8.440
Mr. Wong Kwok-kan, Kenneth	27/11/2007 25/3/2008	27/11/2008 to 26/11/2013 <sup>(1)</sup> 25/3/2009 to 24/3/2014 <sup>(2)</sup>	501,000 250,000	8.660 8.440
Ms. Ngan Man-ying, Lynda	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	500,000	8.660
Mr. Cheong Ying-chew, Henry	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660
Mr. Tong Hang-chan, Peter	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660
Mr. Yu Chun-fai, Henry	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660

*Notes:*

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013, 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.
- (2) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014, 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.
- (3) The cash consideration paid by each Director for each grant of the share options is HK\$1.00.

(ii) *New World China Land Limited*

Name	Date of grant	Exercisable period	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	7/1/2008	8/2/2008 to 7/2/2011 <sup>(1)</sup>	2,000,000	6.972
	29/12/2008	30/1/2009 to 29/1/2013 <sup>(3)</sup>	1,600,000	1.500
Mr. Cheng Chi-kong, Adrian	25/7/2006	26/8/2006 to 25/8/2011 <sup>(2)</sup>	331,600	2.865
	7/1/2008	8/2/2008 to 7/2/2011 <sup>(1)</sup>	1,500,000	6.972
	29/12/2008	30/1/2009 to 29/1/2013 <sup>(3)</sup>	1,200,000	1.500
Ms. Ngan Man-ying, Lynda	7/1/2008	8/2/2008 to 7/2/2011 <sup>(1)</sup>	1,000,000	6.972
	29/12/2008	30/1/2009 to 29/1/2013 <sup>(3)</sup>	900,000	1.500

*Notes:*

- (1) Divided into 3 tranches, exercisable from 8 February 2008, 8 February 2009 and 8 February 2010, respectively, to 7 February 2011.
- (2) Divided into 5 tranches, exercisable from 26 August 2006, 26 August 2007, 26 August 2008, 26 August 2009 and 26 August 2010, respectively, to 25 August 2011.
- (3) Divided into 4 tranches, exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012, respectively, to 29 January 2013.
- (4) The cash consideration paid by each Director for each grant of the share options is HK\$10.00.

(iii) *New World Development Company Limited*

Name	Date of grant	Exercisable Period	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 <sup>(1)</sup>	36,701,279	17.659
Mr. Cheng Chi-kong, Adrian	19/3/2007	19/3/2007 to 18/3/2012 <sup>(2)</sup>	502,757	17.659
Mr. Au Tak-cheong	19/3/2007	19/3/2007 to 18/3/2012 <sup>(2)</sup>	1,206,617	17.659

*Notes:*

- (1) Exercisable from 19 March 2007 to 18 March 2012.
- (2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011, respectively, to 18 March 2012.
- (3) The cash consideration paid by each Director for grant of the share options is HK\$10.00.

(iv) *NWS Holdings Limited*

Name	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 <sup>(1)</sup>	3,001,277	16.193

*Notes:*

- (1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011, respectively, to 20 August 2012.
- (2) The cash consideration paid by the Director for grant of the share options is HK\$10.00.

(c) **Long positions in underlying shares — debentures***New World China Land Finance Limited (“NWCLF”)*

Name	Amount of debentures in RMB issued by NWCLF			Total	Percentage of the total debentures in issue as at the Latest Practicable Date
	Personal Interests	Family Interests	Corporate Interests		
Mr. Cheng Chi-kong, Adrian	—	—	2,000,000 <sup>(Note)</sup>	2,000,000	0.08

*Note:* These debentures are convertible into 260,034 shares of HK\$0.1 each of NWCL, representing approximately 0.01% of its issued share capital as at the Latest Practicable Date, for the period from 26 June 2007 to 26 May 2012, which are held by a company wholly-owned by Mr. Cheng Chi-Kong, Adrian.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or any of their associate had or deemed to have any interest or short position in the shares, underlying shares or interest in debentures of the Company or any of 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, to be notified to the Company and the Stock Exchange.

### 3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors were aware, as at the Latest Practicable Date, the following persons (not being Directors or the chief executive of the Company) 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 which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO, or who (other than a member of the Group was) was, 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 Group:

Name	Number of Shares held			Approximate percentage of shareholding (direct or indirect)
	Beneficial interests	Corporate interest	Total	
Cheng Yu Tung Family (Holdings) Limited (“CYTFH”) <sup>(1)</sup>	—	1,218,900,000	1,218,900,000	72.29
Centennial Success Limited (“Centennial”) <sup>(2)</sup>	—	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited <sup>(3)</sup>	—	1,218,900,000	1,218,900,000	72.29
New World Development Company Limited	1,218,900,000	—	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 interested by or 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 38.51% 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 (not being Directors or the chief executive of the Company) who, as at the Latest Practicable Date, have 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 was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group was) was, 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 Group.

#### 4. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
GuocoCapital	a licensed corporation for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

GuocoCapital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, GuocoCapital did not have any direct or indirect interest in any assets which had since 30 June 2008 (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, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, GuocoCapital was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

#### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2008, being the date to which the latest published audited financial statements of the Group were made up.

#### 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, other than service contracts expiring or terminable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

#### 7. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 30 June 2008, being the date to which the latest published audited financial statements of the Group were made up.

#### 8. DIRECTORS' INTERESTS IN CONTRACTS

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



## 9. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 (the “**Competing Businesses**”) other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group:

### Businesses which were considered to compete or likely to compete with the business of the Group

Name	Name of entity	Description of business	Nature of interest of the Director in the entity
Dr. Cheng Kar-shun, Henry	New World Development Company Limited	Department store operation	Director and shareholder
	Lifestyle International Holdings Ltd. group of companies	Department store operation	Director
Mr. Cheng Chi-kong, Adrian	New World Development Company Limited	Department store operation	Director

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors, and their respective associates had interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Company does not rely on any of the Competing Businesses in carrying on the Company's business. The Directors are of the view that the Company is capable of carrying on its business independently of, and at arm's length from the Competing Businesses.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays) at the principal place of business of the Company in Hong Kong at Room 1403, 14th Floor, West Wing Office Building, New World Centre, 20 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Master Management Agreement;
- (b) the Master Leasing Agreement;
- (c) the Master Concessionaire Counter Agreement;
- (d) the Master Services Agreement;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (f) the letter issued by GuocoCapital, the full text of which is set out on pages 18 to 32 of this circular; and
- (g) the written consent of GuocoCapital referred to in paragraph 4 in this appendix.

## 11. GENERAL

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

## NOTICE OF EGM



新世界百貨中國有限公司

New World Department Store China Limited

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 825)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of the shareholders of New World Department Store China Limited (the “**Company**”) will be held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Monday, 29 June 2009 at 11:00 am for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Master Management Agreement (as defined and described in the circular of the Company dated 10 June 2009 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Master Management Agreement marked “B” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated under the Master Management Agreement and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the relevant Annual Caps as defined and described in the Circular in respect of the consideration payable under the Master Management Agreement for each of the three years ending 30 June 2010, 2011 and 2012 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Management Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

2. “**THAT:**

- (a) the Master Leasing Agreement (as defined and described in the circular of the Company dated 10 June 2009 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Master Leasing Agreement marked “C” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated under the Master Leasing Agreement and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the relevant Annual Caps as defined and described in the Circular in respect of the consideration payable under the Master Leasing Agreement for each of the three years ending 30 June 2010, 2011 and 2012 be and are hereby approved; and

## NOTICE OF EGM

- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Leasing Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

### 3. “**THAT:**

- (a) the Master Concessionaire Counter Agreement (as defined and described in the circular of the Company dated 10 June 2009 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Master Concessionaire Counter Agreement marked “D” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated under the Master Concessionaire Counter Agreement and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the relevant Annual Caps as defined and described in the Circular in respect of the consideration payable under the Master Concessionaire Counter Agreement for each of the three years ending 30 June 2010, 2011 and 2012 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Concessionaire Counter Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

### 4. “**THAT:**

- (a) the Master Services Agreement (as defined and described in the circular of the Company dated 10 June 2009 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Master Services Agreement marked “E” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated under the Master Services Agreement and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the relevant Annual Caps as defined and described in the Circular in respect of the consideration payable under the Master Services Agreement for each of the three years ending 30 June 2010, 2011 and 2012 be and are hereby approved; and

## NOTICE OF EGM

- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Services Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

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

Hong Kong, 10 June 2009

*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 proxy form, 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 branch share registrar and transfer office of the Company in Hong Kong at 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 any adjournment thereof. Completion and return of the proxy form will not preclude members from attending and voting in person at the Meeting.
- (5) The Ordinary Resolutions 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 of the Company are Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong; the executive directors of the Company are Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Lin Tsai-tan, David, Mr. Wong Kwok-kan, Kenneth and Ms. Ngan Man-ying, Lynda; and the independent non-executive directors of the Company are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry.