

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**CONTINUING CONNECTED TRANSACTIONS
MASTER LEASING AGREEMENT,
MASTER SALES AGREEMENT
AND
RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER
AGREEMENT**

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

VEDA | CAPITAL
智 略 資 本

A letter from the Independent Board Committee containing its recommendations in respect of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from 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 25 to 47 of this circular.

A notice convening an extraordinary general meeting of New World Department Store China Limited to be held at Meeting Room S226-7, Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Monday, 23 June 2014 at 11:00 a.m. is set out on pages 54 to 56 of this circular. If you are not 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 agent of the Company in Hong Kong at Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, 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, 8 May 2014

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
1 INTRODUCTION	8
2 THE MASTER LEASING AGREEMENT	9
3 THE MASTER SALES AGREEMENT	12
4 RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER AGREEMENT	15
5 INFORMATION RELATING TO THE GROUP, NWD AND ITS SUBSIDIARIES AND THE CTFJ GROUP	18
6 LISTING RULES IMPLICATIONS	18
7 APPROVAL BY THE DIRECTORS	19
8 EXTRAORDINARY GENERAL MEETING	20
9 RECOMMENDATIONS	21
10 FURTHER INFORMATION	22
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	25
APPENDIX — GENERAL INFORMATION	48
NOTICE OF EGM	54

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this circular shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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, and is a subsidiary of NWD as at the date of this circular
“Concessionaire Annual Caps”	the annual cap amounts payable by the CTFJ Group to the Group in respect of the Concessionaire Transactions for each of the three years ending 30 June 2017
“Concessionaire Effective Date”	24 April 2012
“Concessionaire Renewal Date”	1 July 2014, which is conditional upon the renewal of the Master Concessionaire Counter Agreement becoming unconditional as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “Renewal of the Master Concessionaire Counter Agreement” in this circular
“Concessionaire Transactions”	all existing and future transactions between members of the Group and members of the CTFJ Group arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited, a substantial shareholder of NWD and a fellow subsidiary of CTFJ as at the date of this circular
“CTFJ”	Chow Tai Fook Jewellery Group 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

DEFINITIONS

“CTFJ Group”	CTFJ and its subsidiaries from time to time
“Definitive Concessionaire Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the CTFJ Group from time to time in relation to any of the Concessionaire Transactions at any time during the term of the Master Concessionaire Counter Agreement
“Definitive Leasing Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the NWD Group from time to time in relation to any of the Leasing Transactions at any time during the term of the Master Leasing Agreement
“Definitive Sales Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group, any member(s) of the NWD Group, any member(s) of the CTFJ Group and/or any N/C JCE from time to time in relation to any of the Sales Transactions at any time during the term of the Master Sales Agreement
“Director(s)”	the director(s) of the Company
“Discounts”	an amount to be deducted from the value to be settled by the relevant members of the NWD Group in respect of the purchases of the Prepaid Shopping Cards by the relevant members of the NWD Group or any other means acceptable to the Group as payment for purchases of goods at the Stores, being 2% of such value
“EGM”	the extraordinary general meeting of the Company to be convened and held at Meeting Room S226-7, Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Monday, 23 June 2014 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps

DEFINITIONS

“Former Master Leasing Agreement”	the master leasing agreement dated 22 March 2012 entered into between the Company and NWD, details of which were disclosed in the announcement of the Company dated 22 March 2012
“Former Master Sales Agreement”	the agreement in relation to the Sales Transactions entered into among the Company, NWD and CTFJ on 22 March 2012, details of which were disclosed in the joint announcement of the Company, NWD and CTFJ dated 22 March 2012 and the joint announcement of the Company and NWD dated 27 December 2012
“Group”	the Company and its subsidiaries from time to time
“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 board committee of the Company 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
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholders”	in respect of the resolutions related to the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transaction and the Sales Annual Caps, Shareholders other than NWD and its associates; and in respect of the resolutions related to the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, all Shareholders
“Joint Name Vouchers”	various joint name cards and/or joint name vouchers issued or to be issued by the CTFJ Group and/or the Group which may be presented for purchasing goods at the floor space where the CTFJ Group operates its business at the Stores

DEFINITIONS

“Joint Name Vouchers Commissions”	an amount, being a percentage as agreed under the relevant Definitive Sales Agreement, to be offered by the relevant members of the CTFJ Group to the relevant members of the Group in respect of the purchases of the Joint Name Vouchers by the customers at the Stores or any other means acceptable to the Group at the Stores as payment for purchases of goods
“Latest Practicable Date”	5 May 2014, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Leasing Annual Caps”	the annual cap amounts payable by the Group to the NWD Group, and vice versa, in respect of the Leasing Transactions for each of the three financial years ending 30 June 2017
“Leasing Effective Date”	1 July 2014, subject to the condition set out in the Master Leasing Agreement and as set out in the sub-paragraph headed “Conditionality” in the paragraph headed “The Master Leasing Agreement” in this circular
“Leasing Transactions”	all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of premises by members of the Group from members of the NWD Group, and vice versa, as contemplated under the Master Leasing Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Master Concessionaire Counter Agreement”	the agreement in relation to the Concessionaire Transactions entered into between the Company and CTFJ on 22 March 2012, details of which were disclosed in the joint announcement of the Company, NWD and CTFJ dated 22 March 2012
“Master Leasing Agreement”	the agreement in relation to the Leasing Transactions entered into between the Company and NWD on 11 April 2014

DEFINITIONS

“Master Sales Agreement”	the agreement in relation to the Sales Transactions entered into among the Company, NWD and CTFJ on 11 April 2014
“N/C JCE(s)”	jointly-controlled entity(ies) jointly controlled by CTFE and NWCL
“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 and is a subsidiary of NWD and a fellow subsidiary of the Company as at the date of this circular
“NWCL Group”	NWCL and its subsidiaries from time to time
“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, and is the holding company of NWCL and the Company as at the date of this circular
“NWD Group”	NWD and its subsidiaries (other than the Group) from time to time
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Prepaid Shopping Cards”	various prepaid shopping cards issued or to be issued by the Group to the NWD Group and/or the CTFJ Group which may be presented at the Stores for purchasing goods at the Stores
“Rebates”	an amount, being a percentage as agreed under the relevant Definitive Sales Agreement, to be offered by members of the Group to members of the CTFJ Group in respect of the purchases of goods by customers at the floor space where the CTFJ Group operates its business at the Stores by means of presenting the Shopping Vouchers or by any other means as agreed for such purchases
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sales Annual Caps”	the annual cap amounts payable by (i) the NWD Group to the Group; (ii) the Group to the NWD Group; (iii) the CTFJ Group to the Group; (iv) N/C JCEs to the Group; (v) the Group to the CTFJ Group; and (vi) the Group to N/C JCEs in respect of the relevant Sales Transactions for each of the three years ending 30 June 2017
“Sales Effective Date”	1 July 2014, which is conditional upon the Master Sales Agreement becoming unconditional as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “The Master Sales Agreement” in this circular
“Sales Transactions”	all existing and future transactions between members of the Group, members of the NWD Group, members of the CTFJ Group and/or N/C JCEs in respect of the use of the Shopping Vouchers, the Prepaid Shopping Cards, the Joint Name Vouchers or other means acceptable to the Group as payment of purchases of goods at the Stores and the settlement of the relevant value represented by such Shopping Vouchers (with the Shopping Vouchers Commissions and Rebates), the Prepaid Shopping Cards (with the Discounts, where applicable), the Joint Name Vouchers (with the Joint Name Vouchers Commissions) or by any other means acceptable to the Group among relevant members of the Group, the NWD Group or the CTFJ Group; and the sale of goods by members of the NWD Group, the CTFJ Group and/or N/C JCEs to members of the Group as contemplated under the Master Sales Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the shares of the Company
“Shopping Vouchers”	various cash equivalent gift coupons, gift cards and stored value shopping cards issued or to be issued by the NWD Group which may be presented at the Stores for purchasing goods at the Stores

DEFINITIONS

“Shopping Vouchers Commissions”	an amount, being a percentage as agreed under the relevant Definitive Sales Agreement, to be offered by the relevant members of the CTFJ Group to the relevant members of the NWD Group in respect of the purchases of goods by customers at the floor space where the CTFJ Group operates its business at the Stores by means of presenting the Shopping Vouchers or by any other means as agreed for such purchases
“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 622 of the Laws of Hong Kong)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

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

Ms. Ngan Man-ying, Lynda

Executive Directors:

Mr. Cheng Chi-kong, Adrian

Mr. Cheung Fai-yet, Philip

Mr. Wong Kwok-kan, Kenneth

Independent non-executive Directors:

Mr. Cheong Ying-chew, Henry

Mr. Chan Yiu-tong, Ivan

Mr. Tong Hang-chan, Peter

Mr. Yu Chun-fai

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business in Hong Kong:

7th Floor, 88 Hing Fat Street

Causeway Bay, Hong Kong

8 May 2014

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MASTER LEASING AGREEMENT,
MASTER SALES AGREEMENT
AND
RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER
AGREEMENT**

1. INTRODUCTION

The Board refers to the announcements of the Company both dated 11 April 2014 in relation to, among other things, the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

The purposes of this circular are, among other things: (i) to provide you with further details of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire

LETTER FROM THE BOARD

Transactions and the Concessionaire Annual Caps; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the matters set out in (i); (iii) to set out the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the Independent Financial Adviser in relation to the matters set out in (i); and (iv) to give you the notice of the EGM at which ordinary resolutions will be proposed to approve the matters set out in (i).

2. THE MASTER LEASING AGREEMENT

Background

Members of the Group and members of the NWD Group had in the past entered into certain leasing agreements for the leasing of premises by the relevant members of the Group from the relevant members of the NWD Group in accordance with the Former Master Leasing Agreement and certain of the leasing agreements have not expired as at the Leasing Effective Date. The Group and the NWD Group wish to continue the leasing agreements and may from time to time enter into new leasing agreements for the leasing of premises by the Group from the NWD Group, and vice versa. Accordingly, the Company and NWD agree to terminate the Former Master Leasing Agreement and enter into the Master Leasing Agreement.

Date

11 April 2014

Parties

- (1) The Company; and
- (2) NWD

General terms for the Leasing Transactions

The relevant members of the Group and the relevant members of the NWD Group may from time to time enter into Definitive Leasing Agreement(s) in relation to any Leasing Transactions upon, and subject to, the terms and conditions in compliance with the Master Leasing Agreement as may be agreed between the relevant members of the Group and the relevant members of the NWD Group. All existing agreements between the relevant members of the Group and the relevant members of the NWD Group in respect of the Leasing Transactions (to the extent which covers the Leasing Transactions after the Leasing Effective Date) will be treated as Definitive Leasing Agreements made pursuant to the Master Leasing Agreement as from the Leasing Effective Date. The Former Master Leasing Agreement shall be terminated immediately upon the Master Leasing Agreement becoming effective on the Leasing Effective Date.

LETTER FROM THE BOARD

With effect from the Leasing Effective Date, the Leasing Transactions shall be conducted:

- (a) in the usual and ordinary course of business of the Company and NWD;
- (b) on normal commercial terms; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Leasing Annual Caps), the applicable laws, the Master Leasing Agreement and the relevant Definitive Leasing Agreement.

The consideration for each Definitive Leasing Agreement will be determined in the following manner:

- (a) For new rental services, the lessee will approach the lessor for on-site visit for the available property, and the lessee will verbally request for a quote if it wishes to proceed with the lease.
- (b) For both new and renewed rental services, a quote will be provided by the lessor in form of standard lease agreement.
- (c) In cases where a member of the Group is the lessee, it may, through its operational and technical departments, consider either to accept the quote which is either better than or equal to the currently available market comparative quotes obtained by the Group as lessee for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least two public quotations of the real estate agencies, and proceed with the lease or reject the quote and decline to proceed further.
- (d) In cases where a member of the Group is the lessor, it will provide to the lessee a quote which is either better than or equal to the currently available market comparative quotes from the Group as lessor for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least two public quotations of the real estate agencies. The lessee may consider either to accept the quote and proceed with the lease or reject the quote and decline to proceed further.

Conditionality

The Master Leasing Agreement is conditional upon the approval by the Independent Shareholders of the Master Leasing Agreement, the Leasing Transactions and the Leasing Annual Caps at the EGM.

LETTER FROM THE BOARD

Duration

The Master Leasing Agreement shall commence on the Leasing Effective Date, and shall continue up to and including 30 June 2017, unless terminated earlier in accordance with the Master Leasing Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Leasing Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waiver obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Leasing Agreement.

Historical figures and the Leasing Annual Caps

The aggregate transaction amounts under the Former Master Leasing Agreement for the Company for each of the two financial years ended 30 June 2013 and the six months ended 31 December 2013 were approximately RMB328,330,000, RMB338,199,000 and RMB153,389,000, respectively.

The Leasing Annual Caps for each of the three financial years ending 30 June 2017 are RMB550,000,000, RMB550,000,000 and RMB593,000,000, respectively, and have been determined based on historical transaction amounts under the Former Master Leasing Agreement, the terms of the leases and the expected addition of one to two new Stores, subject to the then market conditions and economic factors.

Reasons for and benefits of entering into the Master Leasing Agreement

Given that the relevant Stores have been operating at the premises owned by the NWD Group (save and except for certain of the premises which are for use 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 also 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.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Leasing Agreement have been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and the Leasing Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

3. THE MASTER SALES AGREEMENT

Background

Members of the Group had in the past entered into, and are expected from time to time enter into, certain sales agreements with members of the NWD Group and/or members of the CTFJ Group in respect of the use of the Shopping Vouchers, the Prepaid Shopping Cards, the Joint Name Vouchers or other means acceptable to the Group as payment of purchases of goods at the Stores and the settlement of the relevant value represented by such Shopping Vouchers (with the Shopping Vouchers Commissions and Rebates), the Prepaid Shopping Cards (with the Discounts, where applicable), the Joint Name Vouchers (with the Joint Name Vouchers Commissions) or by any other means acceptable to the Group among relevant members of the Group, the NWD Group or the CTFJ Group in accordance with the Former Master Sales Agreement and certain of the sales agreements have not expired as at the date of the Master Sales Agreement. The Group, the NWD Group and the CTFJ Group wish to continue the sales agreements and, they, together with N/C JCEs, may from time to time enter into new sales agreements in respect of the Sales Transactions. Accordingly, the Company, NWD and CTFJ agree to terminate the Former Master Sales Agreement and enter into the Master Sales Agreement.

Date

11 April 2014

Parties

- (1) The Company;
- (2) NWD; and
- (3) CTFJ

Conditionality

The Master Sales Agreement is conditional upon the approval by the Independent Shareholders of the Master Sales Agreement, the Sales Transactions and the Sales Annual Caps at the EGM.

General terms for the Sales Transactions

Relevant members of the Group may from time to time enter into Definitive Sales Agreement(s) with relevant members of the NWD Group, relevant members of the CTFJ Group and/or relevant N/C JCE(s) in relation to any Sales Transactions upon, and subject to, the terms and conditions in compliance with the Master Sales Agreement as may be agreed between relevant members of the Group, relevant members of the NWD Group, relevant members of the CTFJ Group and/or relevant N/C JCE(s). All existing agreements between relevant members of the Group, relevant members of the NWD Group, relevant

LETTER FROM THE BOARD

members of the CTFJ Group and/or relevant N/C JCE(s) in respect of the Sales Transactions (to the extent which covers the Sales Transactions after the Sales Effective Date) will be treated as Definitive Sales Agreements made pursuant to the Master Sales Agreement as from the Sales Effective Date. The Former Master Sales Agreement shall be terminated immediately upon Master Sales Agreement becoming effective on the Sales Effective Date.

With effect from the Sales Effective Date, the Sales Transactions shall be conducted:

- (a) in the usual and ordinary course of business of the Company, NWD and CTFJ, as the case may be;
- (b) on normal commercial terms; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Sales Annual Caps), the applicable laws, the Master Sales Agreement and the relevant Definitive Sales Agreement.

The consideration for each Definitive Sales Agreement will be determined in the following manner:

- (i) In respect of the Joint Name Vouchers issued by the CTFJ Group and/or the Group to be sold to the customers at the floor space where the CTFJ Group operates its business in the Stores, the Joint Name Vouchers Commissions charged by the Group will depend on the location of Stores and quantities.
- (ii) In respect of the Prepaid Shopping Cards issued by the Group to be sold to the NWD Group, the CTFJ Group or independent third parties, the Group will charge on the face value of the Prepaid Shopping Cards, with or without Discount up to 2%, depending on the location of Stores and quantities.
- (iii) In respect of the Shopping Vouchers issued by the NWD Group to be given to its customers for use in the Stores, the Group will charge on the face value of the Shopping Vouchers, with or without discount, depending on the location of Stores and quantities.
- (iv) In respect of purchase of goods by the Group, the Group will assess the quote given by the vendor to ensure that it is better (to the Group) than or equal to at least two market comparables obtained from independent third parties.
- (v) In respect of sale of goods from the Group, the Group will provide a quote, which is better (to the Group) than or equal to at least two market comparables given to independent third parties, to the purchaser.
- (vi) The management of the Group will, together with the technical department, determine the consideration and terms of the transactions under each Definitive Sales Agreement, and will generally review such terms annually to ensure compliance thereof and determine whether adjustments shall be made

LETTER FROM THE BOARD

to ensure that such terms are either better (to the Group) than or equal to those offered by the Group to, or obtained by the Group from, independent third parties.

Duration

The Master Sales Agreement shall commence on the Sales Effective Date, and shall continue up to and including 30 June 2017, unless terminated earlier in accordance with the Master Sales Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the Master Sales Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Master Sales Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Sales Agreement.

The term of the Former Master Sales Agreement commenced on 22 March 2012 and shall be terminated on 30 June 2014 upon the Master Sales Agreement becoming effective on the Sales Effective Date.

Historical figures and the Sales Annual Caps

Sales from the Group

Sales will be from the Group to the NWD Group, and consideration will be paid by the NWD Group to the Group, in relation to the Shopping Vouchers and Prepaid Shopping Cards issued to the NWD Group (with or without Discounts).

Sales will be from the Group to the CTFJ Group, and consideration will be paid by the CTFJ Group to the Group, in relation to the Prepaid Shopping Cards issued to the CTFJ Group.

Sales will be from the Group to N/C JCEs, and consideration will be paid by N/C JCE to the Group, in relation to the sale of goods from the Group to N/C JCEs.

Sales to the Group

Sales will be from the NWD Group to the Group, and consideration will be paid by the Group to the NWD Group, in relation to the sale of goods from the NWD Group to the Group.

Sales will be from the CTFJ Group to the Group, and consideration will be paid by the Group to the CTFJ Group, in relation to the Joint Name Vouchers (with Joint Name Vouchers Commissions) and sale of goods from the CTFJ Group to the Group.

Sales will be from N/C JCEs to the Group, and consideration will be paid by the Group to N/C JCE, in relation to the sale of goods from N/C JCEs to the Group.

The aggregate transaction amounts payable by (i) the NWD Group to the Group; (ii) the CTFJ Group to the Group; and (iii) N/C JCEs to the Group under the Former Master

LETTER FROM THE BOARD

Sales Agreement for the two years ended 30 June 2013 and the six months ended 31 December 2013 were approximately RMB23.8 million, RMB46.3 million and RMB26.0 million, respectively. All the aggregate transaction amounts payable by (i) the Group to the NWD Group; (ii) the Group to the CTFJ Group; and (iii) the Group to N/C JCEs under the Former Master Sales Agreement for the two years ended 30 June 2013 and the six months ended 31 December 2013 were nil.

The Sales Annual Caps in respect of the sales to the NWD Group, the CTFJ Group and N/C JCEs from the Group for each of the three years ending 30 June 2017 are RMB132.0 million, RMB149.0 million and RMB192.0 million, respectively. The Sales Annual Caps in respect of the sales from the NWD Group, the CTFJ Group and N/C JCEs to the Group for each of the three years ending 30 June 2017 are RMB10.0 million, RMB10.0 million and RMB10.0 million, respectively.

The Sales Annual Caps have been determined based on historical transaction amounts under the Former Master Sales Agreement, the expected values of the Prepaid Shopping Cards to be purchased by the NWD Group and the CTFJ Group, the Shopping Vouchers to be provided by the NWD Group and the Joint Name Vouchers to be purchased by the customers by reference to the estimated marketing expenses to be incurred by the NWD Group and the CTFJ Group for purchase of the Prepaid Shopping Cards, issue of the Shopping Vouchers and sale of the Joint Name Vouchers respectively as part of the marketing plan for the sale of their products, the expected values of the goods to be purchased by the Group from the NWD Group and/or N/C JCEs, the expected values of the goods to be purchased by N/C JCEs from the Group, with a buffer of approximately 25% which include (i) the prevailing market conditions; and (ii) the estimated expansion of existing and future projects of members of the NWD Group, the Group and the CTFJ Group.

Reasons for and benefits of entering into the Master Sales Agreement

The Shopping Vouchers will be given by the NWD Group to its customers for use in the Stores as part of the NWD Group's marketing plan, which will in turn encourage more customer spending in the Stores. The Joint Name Vouchers will be sold at the Stores, which provide the customers a convenient means of payment in the Stores. Accordingly, the Directors believe that the entering into of the Master Sales Agreement would bring more customers to and enhance the sales of the Stores. The Directors (including the independent non-executive Directors) consider that the terms of the Master Sales Agreement have been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and that the Sales Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

4. RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER AGREEMENT

Background

Members of the Group had in the past entered into, and is expected from time to time to enter into, concessionaire arrangements or rental agreements with members of the CTFJ Group in relation to retailing counters for the sale of jewellery products and watches

LETTER FROM THE BOARD

by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business under the Master Concessionaire Counter Agreement. The Group and the CTFJ Group wish to continue the concessionaire arrangements or rental agreements and may from time to time enter into new concessionaire arrangements or rental agreements in relation to the Concessionaire Transactions. The Master Concessionaire Counter Agreement will expire on 30 June 2014. Subject to the compliance of the Listing Rules by the Company and CTFJ, the Master Concessionaire Counter Agreement will be automatically renewed for three years from the Concessionaire Renewal Date.

Date

22 March 2012

Parties

- (1) The Company; and
- (2) CTFJ

General terms for the Concessionaire Transactions

Members of the Group and the CTFJ Group may from time to time enter into Definitive Concessionaire Agreement(s) in relation to any Concessionaire Transactions upon, and subject to, the terms and conditions in compliance with the Master Concessionaire Counter Agreement as may be agreed between the relevant members of the Group and the CTFJ Group. All the then existing agreements between the relevant members of the Group and the CTFJ Group in respect of the Concessionaire Transactions (to the extent which covers the Concessionaire Transactions after the Concessionaire Renewal Date) will be treated as Definitive Concessionaire Agreements made pursuant to the Master Concessionaire Counter Agreement as from the Concessionaire Renewal Date.

With effect from the Concessionaire Renewal Date, the Concessionaire Transactions shall be conducted:

- (a) in the usual and ordinary course of business of the Company and CTFJ;
- (b) on normal commercial terms; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Concessionaire Annual Caps), the applicable laws, the Master Concessionaire Counter Agreement and the relevant Definitive Concessionaire Agreement.

The consideration for each Definitive Concessionaire Agreement will be determined in the following manner: a quote, which is either better (to the Group) than or equal to at least two other quotes for the concessionaire counters given to the independent third parties by the Group, will be provided by the relevant member of the Group. Such quote will be determined with reference to the location, usable space, available facilities, quality

LETTER FROM THE BOARD

and rental period of the concessionaire counters; the relevant member of the CTFJ Group may, through its operational and technical departments, either accept the quote and proceed with the concessionaire arrangement or reject the quote and decline to proceed further, based on the relevant policies and other quote(s) for similar arrangement(s) obtained from independent third parties in the market. The management of the Group will determine the consideration and terms of the transactions under each Definitive Concessionaire Agreement, and will generally review such terms annually to determine whether adjustments shall be made.

Conditionality

The renewal of the Master Concessionaire Counter Agreement is conditional upon the approval by the Independent Shareholders of the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps at the EGM.

Duration

The Master Concessionaire Counter Agreement commenced on the Concessionaire Effective Date, and shall continue up to and including 30 June 2014. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Concessionaire Counter Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Concessionaire Counter Agreement. Subject to the approval of the Independent Shareholders of the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps at the EGM, the Master Concessionaire Counter Agreement will be automatically renewed on 1 July 2014 for three years ending 30 June 2017.

Historical figures and the Concessionaire Annual Caps

The aggregate transaction amounts payable by the CTFJ Group to the Group under the Master Concessionaire Counter Agreement for each of the two years ended 30 June 2013 and the six months ended 31 December 2013 were approximately RMB91.3 million, RMB104.8 million and RMB50.0 million, respectively.

The Concessionaire Annual Caps for each of the three years ending 30 June 2017 are RMB205.0 million, RMB265.0 million and RMB345.0 million, respectively.

The Concessionaire Annual Caps have been determined based on the terms of the existing concessionaire counter agreements, the historical transaction amounts under the Master Concessionaire Counter Agreement, the expected increase of points of sales of the CTFJ Group, with reference to the historical growth rate of 13.1% from 1,836 points of sales as at 31 March 2013 to 2,077 points of sales as at 31 March 2014 as disclosed by CTFJ, along with the additional floor space and the number of new concessionaire counters which

LETTER FROM THE BOARD

members of the CTFJ Group might enter into with members of the Group, with reference to the CTFJ Group's strategy to expand its retail network and geographical footprint across the PRC by, among others, increasing the number of its points of sales.

Reasons for and benefits of the renewal of the Master Concessionaire Counter Agreement

CTFJ is one of the largest jewellers in Hong Kong, Macau and the PRC by market share with a heritage of over 80 years. The Directors believe that including CTFJ as one of the concessionaire counters in the Stores enhances the Group's brand and product mix and raises the image and profile of such Stores.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Concessionaire Counter Agreement have been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and that the Concessionaire Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

5. INFORMATION RELATING TO THE GROUP, NWD AND ITS SUBSIDIARIES AND THE CTFJ GROUP

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

To the best knowledge of the Directors, the principal businesses of NWD and its subsidiaries include property development and investments in the area of property, infrastructure, hotel operations, department store operations, services, as well as telecommunications and technology.

To the best knowledge of the Directors, the CTFJ Group is a leading jeweller in the Mainland of China, Hong Kong and Macau with an extensive retail network of over 2,000 points of sale in more than 400 cities in Greater China, Singapore and Malaysia. Its principal products are mass luxury and high-end luxury jewellery products including gem-set jewellery, gold product and platinum and karat gold product; and watch.

6. LISTING RULES IMPLICATIONS

NWD is a substantial shareholder of the Company and hence a connected person of the Company. CTFJ is a fellow subsidiary of CTFE which is a substantial shareholder of NWD. CTFJ is therefore considered to be a connected person of the Company and the Leasing Transactions, the relevant Sales Transactions and the Concessionaire Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As more than one of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of each of the Leasing Transactions and the Concessionaire Transactions, and one of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Sales Transactions, are/is more than 5% for the Company and each of

LETTER FROM THE BOARD

the Leasing Annual Caps, the Sales Annual Caps and the Concessionaire Annual Caps exceeds HK\$10,000,000, the Master Leasing Agreement, the Master Sales Agreement and the renewal of the Master Concessionaire Counter Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

The Independent Board Committee has been established to consider the terms of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the terms of the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, and to advise the Independent Shareholders as to whether the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps are in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

7. APPROVAL BY THE DIRECTORS

The Master Leasing Agreement

None of the Directors has a material interest in the Master Leasing Agreement. Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Mr. Au Tak-cheong are common directors of the Company and NWD.

It was stated in the prospectus of the Company dated 28 June 2007 that three of the Directors, Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda (who are also the executive directors of NWCL, a member of the NWD Group and Ms. Ngan Man-ying, Lynda holds directorships in certain companies controlled by the Company) will abstain from voting in the resolution(s) relating to transactions(s) between the Group and the NWCL Group, as the NWD Group includes members of the NWCL Group. Mr. Au Tak-cheong is a common director of NWD and the Company. Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda have abstained from voting on the relevant board resolutions. Other than Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda, none of the Directors is required to abstain from voting on the relevant board resolutions.

The Master Sales Agreement

None of the Directors has a material interest in the Master Sales Agreement. Dr. Cheng Kar-shun, Henry and Mr. Cheng Chi-kong, Adrian are common directors of the Company, NWD and CTFJ. It was stated in the prospectus of the Company dated 28 June 2007 that three of the Directors, Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda (who are also the executive directors of NWCL, a member of the NWD Group and Ms. Ngan Man-ying, Lynda holds directorships in certain companies controlled by the Company) will abstain from voting in the resolution(s)

LETTER FROM THE BOARD

relating to transactions(s) between the Group and the NWCL Group, as the NWD Group includes members of the NWCL Group. Mr. Au Tak-cheong is a common director of NWD and the Company. Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda have abstained from voting on the relevant board resolutions. Other than Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda, none of the Directors is required to abstain from voting on the relevant board resolutions.

The renewal of the Master Concessionaire Counter Agreement

None of the Directors has a material interest in the Master Concessionaire Counter Agreement. Dr. Cheng Kar-shun, Henry and Mr. Cheng Chi-kong, Adrian are common directors of the Company, NWD and CTFJ and they voluntarily abstained from voting on the relevant board resolutions.

8. EXTRAORDINARY GENERAL MEETING

Set out on pages 54 to 56 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps. At the EGM, the votes of the Independent Shareholders in relation to the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps will be taken by poll.

In view of the interests of NWD in the Leasing Transactions and the Sales Transactions, NWD and its associates will abstain from voting in respect of the resolutions to be proposed at the EGM to approve the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions and the Sales Annual Caps. No Shareholders are required to abstain from voting in respect of the resolutions to be proposed at the EGM to approve the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

A proxy form for use at the EGM is enclosed herein. If you are not able to attend the EGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer agent of the Company in Hong Kong at Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, 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. An announcement of the poll results of the EGM will be published by the Company.

LETTER FROM THE BOARD

9. RECOMMENDATIONS

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 23 to 24 of this circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 25 to 47 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, and taken into account the advice of the Independent Financial Adviser, considers that the Master Leasing Agreement, the Master Sales Agreement and the renewal of the Master Concessionaire Counter Agreement are on normal commercial terms, and that the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company 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 notice of the EGM.

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 Master Leasing Agreement, the Master Sales Agreement and the renewal of the Master Concessionaire Counter Agreement are on normal commercial terms, and that the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps are fair and reasonable and in the interests of the Company 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 Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

LETTER FROM THE BOARD

10. 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



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)

8 May 2014

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MASTER LEASING AGREEMENT,
MASTER SALES AGREEMENT
AND
RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER
AGREEMENT**

We refer to the circular of the Company dated 8 May 2014 (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 Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire 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 25 to 47 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 8 to 22 of the Circular and the general information set out in the appendix to the Circular. Having considered the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, and taken into account the advice of the Independent Financial Adviser, we consider that the Master Leasing Agreement, the Master Sales Agreement and the renewal of the Master Concessionaire Counter Agreement are on normal commercial terms and that the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company 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 Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Sales Agreement, the Sales Transactions, the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Leasing Agreement including the Leasing Annual Caps, the Master Sales Agreement including the Sales Annual Caps and the renewal of the Master Concessionaire Counter Agreement including the Concessionaire Annual Caps and the transactions contemplated thereunder respectively, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3711, 37/F
Tower II, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

8 May 2014

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS
(I) MASTER LEASING AGREEMENT;
(II) MASTER SALES AGREEMENT;
AND
(III) RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Leasing Agreement including the Leasing Annual Caps, the Master Sales Agreement including the Sales Annual Caps and the renewal of the Master Concessionaire Counter Agreement including the Concessionaire Annual Caps and the transactions contemplated thereunder respectively, details of which are set out in the circular to the Shareholders dated 8 May 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 11 April 2014, the Company and NWD entered into the Master Leasing Agreement in respect of the Leasing Transactions.

On 11 April 2014, the Company, NWD and CTFJ entered into the Master Sales Agreement in respect of the Sales Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 22 March 2012, the Company and CTFJ entered into the Master Concessionaire Counter Agreement in relation to the Concessionaire Transactions, details of which were set out in the joint announcement of the Company, NWD and CTFJ dated 22 March 2012. Subject to the compliance of the Listing Rules by the Company and CTFJ, the Master Concessionaire Counter Agreement will be automatically renewed for three years from the Concessionaire Renewal Date.

NWD is a substantial shareholder of the Company and CTFJ is a fellow subsidiary of CTFE which is a substantial shareholder of NWD. CTFJ is therefore a connected person of NWD. Accordingly, NWD and CTFJ are connected persons of the Company. Thus, the relevant Leasing Transactions, Sales Transactions and Concessionaire Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As more than one of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Leasing Transactions are more than 5% for the Company and each of the Leasing Annual Caps exceeds HK\$10,000,000, the Master Leasing Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

As one of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of each of the Sales Transactions and more than one of the relevant percentage ratios of the Concessionaire Transactions are more than 5% so far as the Company is concerned and each of the Sales Annual Caps and Concessionaire Annual Caps exceed HK\$10,000,000, the Master Sales Agreement and the renewal of the Master Concessionaire Counter Agreement are both subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

In view of the interests of NWD in the Leasing Transactions and Sales Transactions, NWD and its associates will abstain from voting in respect of the resolutions to be proposed at the EGM to approve (i) the Master Leasing Agreement, the Leasing Transactions and the Leasing Annual Caps; and (ii) the Master Sales Agreement, the Sales Transactions and the Sales Annual Caps. No Shareholders are required to abstain from voting in respect of the resolutions to be proposed at the EGM to approve the renewal of Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

The Independent Board Committee has been established to consider the Master Leasing Agreement including the Leasing Annual Caps, the Master Sales Agreement including the Sales Annual Caps and the renewal of the Master Concessionaire Counter Agreement including the Concessionaire Annual Caps and the transactions contemplated thereunder respectively; and to advise the Independent Shareholders as to whether the Master Leasing Agreement including the Leasing Annual Caps, the Master Sales Agreement including the Sales Annual Caps and the renewal of the Master Concessionaire Counter Agreement including the Concessionaire Annual Caps and the transactions contemplated thereunder respectively are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Master Leasing Agreement including the Leasing Annual Caps, the Master Sales Agreement including the Sales Annual Caps and the renewal of the Master Concessionaire Counter Agreement including the Concessionaire Annual Caps and the transactions contemplated thereunder respectively, we have taken into consideration the following principal factors and reasons:

(A) Master Leasing Agreement

Background and reasons for the Master Leasing Agreement

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

As set out in the Board Letter, to the best knowledge of the Directors, the principal businesses of NWD and its subsidiaries include property, infrastructure, hotel operation, department store operation, services, as well as telecommunications and technology.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted from the Board Letter, members of the Group and members of the NWD Group had in the past entered into certain leasing agreements for the leasing of premises by the relevant members of the Group from the relevant members of the NWD Group in accordance with the Former Master Leasing Agreement and certain of the leasing agreements have not expired as at the Leasing Effective Date. The Group and the NWD Group wish to continue the leasing agreements and may from time to time enter into new leasing agreements for the leasing of premises by the Group from the NWD Group, and vice versa. Accordingly, the Company and NWD agree to terminate the Former Master Leasing Agreement and enter into the Master Leasing Agreement. Given that the relevant Stores have been operating at the premises owned by the NWD Group (save and except for certain of the premises which are for use 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 also 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.

Having considered (i) the principal activities of the Group and the NWD Group; (ii) certain of the leasing agreements under the Former Master Leasing Agreement have not expired and the Leasing Transactions are expected to continue in the future; and (iii) the fact that the relevant Stores have been operating at the premises owned by the NWD Group for a number of years and the benefits of maintaining the leasing agreements with the NWD Group, we concur with the view of the Directors that the entering into of the Master Leasing Agreement is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Master Leasing Agreement

Date: 11 April 2014

Parties: NWD and the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

General terms for
the Leasing
Transactions:

The relevant members of the Group and the relevant members of the NWD Group may from time to time enter into Definitive Leasing Agreement(s) in relation to any Leasing Transactions upon, and subject to, the terms and conditions in compliance with the Master Leasing Agreement as may be agreed between the relevant members of the Group and the relevant members of the NWD Group. All existing agreements between the relevant members of the Group and the relevant members of the NWD Group in respect of the Leasing Transactions (to the extent which covers the Leasing Transactions after the Leasing Effective Date) will be treated as Definitive Leasing Agreements made pursuant to the Master Leasing Agreement as from the Leasing Effective Date. The Former Master Leasing Agreement shall be terminated immediately upon the Master Leasing Agreement becoming effective on the Leasing Effective Date.

With effect from the Leasing Effective Date, the Leasing Transactions shall be conducted:

- (a) in the usual and ordinary course of business of the Company and NWD;
- (b) on normal commercial terms; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Leasing Annual Caps), the applicable laws, the Master Leasing Agreement and the relevant Definitive Leasing Agreement.

The consideration for each Definitive Leasing Agreement will be determined in the following manner (collectively, the “**Quotation Procedures For Leasing**”):

- (a) For new rental services, the lessee will approach the lessor for on-site visit for the available property, and the lessee will verbally request for a quote if it wishes to proceed with the lease.
- (b) For both new and renewed rental services, a quote will be provided by lessor in form of standard lease agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) In cases where the Group is the lessee, it may, through its operational and technical departments, consider either to accept the quote which is either better than or equal to the currently available market comparative quotes obtained by the Group as lessee for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least two public quotation of the real estate agencies, and proceed with the lease or reject the quote and decline to proceed further.

- (d) In cases where the Group is the lessor, it will provide to the lessee a quote which is either better than or equal to the currently available market comparative quotes from the Group as lessor for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least two public quotation of the real estate agencies. The lessee may consider either to accept the quote and proceed with the lease or reject the quote and decline to proceed further.

Duration:

The Master Leasing Agreement shall commence on the Leasing Effective Date, and shall continue up to and including 30 June 2017, unless terminated earlier in accordance with the Master Leasing Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Leasing Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waiver obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Leasing Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the terms of the Master Leasing Agreement, we have obtained and reviewed not less than two sample sets of the leasing agreements entered into by the Group with the NWD Group and with other landlords who are independent third parties of the Company and the relevant premises are comparable in usable size and available facilities. We noted that the terms offered by the NWD Group are no less favorable than those offered by other landlords.

We have also interviewed with the management of the Company in relation to the consideration for each Definitive Leasing Agreement and we have been briefed about the procedures of arriving the quotes for the leasing transactions under the Former Master Leasing Agreement. We have reviewed relevant internal control policies and the objectives of the policies, among others, are to evaluate and review the implementation of the Quotation Procedures For Leasing. We are given to understand from the management of the Company that the internal control policies and the pricing mechanism in the Quotation Procedures For Leasing are followed by the operational and technical departments of the Group for entering the leasing transactions under the Former Master Leasing Agreement and senior management of the Company would review the work done by relevant staff to ensure that all the internal control policies and the Quotation Procedures For Leasing are properly performed by responsible staff and the comparative quotes obtained by the Group represent the market rates with reference to the public researches regarding the property market in the PRC and public quotation of independent real estate agencies. The decision for whether accepting or rejecting the quotes will be made by the senior management of the Company upon the above mentioned procedures. We are given to understand from the Company that the Company performs internal control assessment from time to time. We have obtained and reviewed the latest internal control assessment approved and signed by the senior management of the operational and technical departments of the Group and we noted that the above mentioned procedures have been properly complied.

Having considered that (i) the internal control policies adopted by the Company; (ii) on-site visit for the property will be performed by the Company in order to better know the property and the area nearby; (iii) the quotes will be compared to the market comparative quotes and also compared against sufficient numbers i.e. at least two public quotation of the real estate agencies; and (iv) the work done in relation to the Quotation Procedures For Leasing will be reviewed by the senior management of the Company to ensure that the Quotation Procedures For Leasing are properly complied with, we are of the view that the internal control polices and Quotation Procedures For Leasing are sufficient to ensure that the quotation will be comparable to the market rates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) relevant internal control policies and Quotation Procedures For Leasing have been in place for the leasing transactions as a set of guideline for the Company to follow; (ii) internal control assessment is performed by the Company from time to time to ensure the compliance of the internal control policies; and (iii) the terms offered by the NWD Group are no less favorable than those offered by other landlords as observed from the samples obtained, 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.

Leasing Annual Caps

As set out in the Board Letter, the Leasing Annual Cap for each of the three financial years ending 30 June 2017 is RMB550,000,000, RMB550,000,000 and RMB593,000,000, respectively.

As advised by the Company, the Leasing Annual Caps have been determined based on historical transaction amounts under the Former Master Leasing Agreement, the terms of the leases and the expected addition of one to two new Stores annually, subject to the then market condition and economic factors.

We noted that the annual cap for the year ended 30 June 2014 under the Former Master Leasing Agreement was RMB554,069,000 (the “**2014 Annual Cap**”). The Leasing Annual Caps for the year ending 30 June 2015 and 2016 are similar to the 2014 Annual Cap while the Leasing Annual Cap for the year ending 30 June 2017 represents an increase of approximately 7.8% as compared to the Leasing Annual Cap for the year ending 30 June 2015.

As set out in the Board Letter, the aggregate transaction amounts under the Former Master Leasing Agreement for the Company for each of the two financial years ended 30 June 2013 and the six months ended 31 December 2013 were approximately RMB328,330,000, approximately RMB338,199,000 and approximately RMB153,389,000, respectively. The historical transaction amount for the year ended 30 June 2013 represented an increase of approximately 3.0% as compared with that for the financial year ended 30 June 2012.

As advised by the Company, the historical transaction amount for the six months ended 31 December 2013 of RMB153,389,000 represented a decrease of approximately 13.5% as compared to the historical transaction amount for the same period in the previous year which amounted to RMB177,244,000.

We were given to understand that opening new stores in prime locations has long been a key expansion strategy of the Group. For the financial year ended 30 June 2013, the Group opened two self-owned stores and two managed stores. As at 30 June 2013, the Group operated a total of thirty-six

self-owned stores and five managed stores with a total gross floor area of about 1,513,940 sq. m., representing an increase of approximately 9.1% as compared to status as at 30 June 2012.

As noted from the annual report of the Company for the year ended 30 June 2013 (the "AR2013"), the revenue of the Group was approximately HK\$4,011.5 million for the year ended 30 June 2013, representing a growth of approximately 14.9% as compared to the financial year ended 30 June 2012. Rental income increased by approximately 31.2% to approximately HK\$510.7 million for the financial year ended 30 June 2013. As advised by the Company, the increase in rental income was mainly attributable to the increase in area from the opening, expanding and also acquiring new Stores. Whereas, as stated in the AR2013, operating lease rental expense increased from approximately HK\$863.1 million for the financial year ended 30 June 2012 to approximately HK\$980.4 million, representing an increase of approximately 13.6%.

We also noted from the website of the National Bureau of Statistics of China (www.stats.gov.cn) that the gross domestic products in the PRC ("GDP") has increased by approximately 7.7% from the year 2012 to the year 2013 and the retail sales of consumer goods (excluding the catering industry) in the PRC has increased by approximately 13.6% from the year 2012 to the year 2013.

Having considered (i) the historical transactions amount under the Former Master Leasing Agreement; (ii) the operation and expansion strategies of the Group with reference to the increasing rental incomes and lease rental expenses; and (iii) the growth in GDP and the recent growth of retail sales of consumer goods in the PRC, we are of the view that the bases adopted to determine the Leasing Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(B) The Master Sales Agreement

Background and reasons for the Master Sales Agreement

As set out in the annual report of CTFJ for the year ended 31 March 2013 (the "CTFJ AR2013"), CTFJ Group is an investment holding company. The CTFJ Group is the world's largest pure-play jeweller by market capitalisation with an extensive retail network. Its principal products are mass luxury jewellery and high-end luxury jewellery products including gem-set jewellery, gold product and platinum and karat gold product; and watch. The activities of the principal subsidiaries are mainly (i) sales or manufacturing of jewellery products; (ii) sales of watches; and (iii) trading of diamonds and diamonds cutting and polishing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted from the Board Letter, members of the Group had in the past entered into certain sales agreements with members of the NWD Group and/or members of the CTFJ Group in respect of the use of the Shopping Vouchers, the Prepaid Shopping Cards, the Joint Name Vouchers or other means acceptable to the Group as payment of purchases of goods at the Stores and the settlement of the relevant value represented by such Shopping Vouchers (with the Shopping Vouchers Commissions and Rebates), the Prepaid Shopping Cards (with the Discounts, where applicable), the Joint Name Vouchers (with the Joint Name Vouchers Commissions) or by any other means acceptable to the Group among relevant members of the Group, the NWD Group or the CTFJ Group in accordance with the Former Master Sales Agreement and certain of the sales agreements have not expired as at the date of the Master Sales Agreement. The Group, the NWD Group and the CTFJ Group wish to continue the sales agreements and, they, together with N/C JCEs, may from time to time enter into new sales agreements in respect of the Sales Transactions. Accordingly, the Company, NWD and CTFJ agree to terminate the Former Master Sales Agreement and enter into the Master Sales Agreement.

Further noted from the Board Letter, the Shopping Vouchers will be given by the NWD Group to its customers for use in the Stores as part of the NWD Group's marketing plan, which will in turn encourage more customer spending in the Stores. The Joint Name Vouchers will be sold at the Stores, which provide the customers a convenient means of payment in the Stores. Accordingly, the Directors believe that the entering into of the Master Sales Agreement would bring more customers to enhance the sales of the Stores. Moreover, the Directors consider that the terms of the Master Sales Agreement have been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole and that the Sales Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As noted from the AR2013, the aggregate transaction amounts payable by the NWD Group and the CTFJ Group to the Group, being the aggregate consideration under the Former Master Sales Agreement, for two financial years ended 30 June 2013 were respectively RMB23,810,000 and RMB46,254,000, with an increase by approximately 94%.

Having considered (i) the principal activities of the Group and the NWD Group (as mentioned in the section headed "Background and reasons for the Master Leasing Agreement" in this letter) and the CTFJ Group; (ii) the Group had in the past entered into sales agreement with members of the NWD Group and/or members of the CTFJ Group; (iii) certain of the sales agreements under the Former Master Sales Agreement have not expired and the Sales Transactions are expected to continue in the future; (iv) the Shopping Vouchers stimulate the spending of customers in the Stores; and (v) the issue of the Joint Name Vouchers is one of the marketing plan to attract the customers to spend in the Stores, we concur with the view of the Directors that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the entering into of the Master Sales Agreement is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Master Sales Agreement

Date: 11 April 2014

Parties: The Company, NWD and CTFJ

General terms for the Transactions: Relevant members of the Group may from time to time enter into Definitive Sales Agreement(s) with relevant members of the NWD Group, relevant members of the CTFJ Group and/or relevant N/C JCE(s) in relation to any Sales Transactions upon, and subject to, the terms and conditions in compliance with the Master Sales Agreement as may be agreed between relevant members of the Group, relevant members of the NWD Group, relevant members of the CTFJ Group and/or relevant N/C JCE(s). All existing agreements between relevant members of the Group, relevant members of the NWD Group, relevant members of the CTFJ Group and/or relevant N/C JCE(s) in respect of the Sales Transactions (to the extent which covers the Sales Transactions after the Sales Effective Date) will be treated as Definitive Sales Agreements made pursuant to the Master Sales Agreement as from the Sales Effective Date. The Former Master Sales Agreement shall be terminated immediately upon Master Sales Agreement becoming effective on the Sales Effective Date.

With effect from the Sales Effective Date, the Sales Transactions shall be conducted:

- (a) in the usual and ordinary course of business of the Company, NWD and CTFJ, as the case may be;
- (b) on normal commercial terms; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Sales Annual Caps), the applicable laws, the Master Sales Agreement and the relevant Definitive Sales Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Duration: The Master Sales Agreement shall commence on the Sales Effective Date, and shall continue up to and including 30 June 2017, unless terminated earlier in accordance with the Master Sales Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the Master Sales Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Master Sales Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Sales Agreement.

The term of the Former Master Sales Agreement commenced from 22 March 2012 and it shall be terminated on 30 June 2014 upon the Master Sales Agreement becoming effective on the Sales Effective Date.

We also noted from the Board Letter that the consideration for each Definitive Sales Agreement will be determined in the following manner (“**Quotation Procedures For Sales**”):

- (i) In respect of the Joint Name Vouchers issued by the CTFJ Group and/or the Group to be sold to the customers at the floor space where the CTFJ Group operates its business in the Stores, the Joint Name Vouchers Commissions charged by the Group will depend on the location of Stores and quantities.
- (ii) In respect of the Prepaid Shopping Cards issued by the Group to be sold to the NWD Group, the CTFJ Group or independent third parties, the Group will charge on the face value of the Prepaid Shopping Cards, with or without Discount up to 2%, depending on the location of Stores and quantities.
- (iii) In respect of the Shopping Vouchers issued by the NWD Group to be given to its customers for use in the Stores, the Group will charge on the face value of the Shopping Vouchers, with or without Discount, depending on the location of Stores and quantities.
- (iv) In respect of purchase of goods by the Group, the Group will assess the quote given by the vendor to ensure that it is better (to the Group) than or equal to at least two market comparables obtained from independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) In respect of sale of goods from the Group, the Group will provide a quote, which is better (to the Group) than or equal to at least two market comparables given to independent third parties, to the purchaser.
- (vi) The management of the Group will, together with the technical department, determine the consideration and terms of the transactions under each Definitive Sales Agreement, and will generally review such terms annually to ensure compliance thereof and determine whether adjustments shall be made to ensure that such terms are either better (to the Group) than or equal to those offered by the Group to, or obtained by the Group from, independent third parties.

In assessing the fairness and reasonableness of the terms of the Master Sales Agreement, we have obtained and reviewed not less than two sample sets of the agreements entered into between the Group with the NWD Group, the CTFJ Group and N/C JCEs and with other independent third parties of the Company in relation to each of the Shopping Vouchers, the Prepaid Shopping Cards and the Joint Name Vouchers respectively. We noted that the terms of the Sales Transactions are no less favorable to the Group than those available to or from (as appropriate) the independent third parties of the Company.

We have also interviewed with the management of the Company in relation to the consideration for each Definitive Sales Agreement and we have been briefed about the procedures of arriving the quotes for the sales transactions under the Former Master Sales Agreement. We have reviewed relevant internal control policies and the objectives of the policies, among others, are to evaluate and review of the Quotation Procedures For Sales. We are given to understand from the management of the Company that the internal control policies and the pricing mechanism in the Quotation Procedures For Sales are followed by the operational and technical departments of the Group for entering the sales transactions under the Former Master Sales Agreement and senior management of the Company would review the work done by relevant staff to ensure that all the internal control policies and Quotation Procedures For Sales are properly performed by responsible staff and the comparative quotes obtained by the Group represent the market rates with reference to the public quotations of independent third parties. The decision for whether accepting or rejecting the quotes will be made by the senior management of the Company upon the above mentioned procedures. We are given to understand from the Company that the Company performs internal control assessment from time to time. We have obtained the latest internal control assessment approved and signed by the senior management of the operational and technical departments of the Group and we are given to understand that such assessment ensured that the connected transactions entered by the Company were under normal commercial terms,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in the ordinary and usual course of business, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Having considered that (i) the internal control policies adopted by the Company; (ii) the quotes will be compared to the market comparative quotes and also compared against sufficient numbers i.e. at least two public quotations of independent third parties; and (iii) the work done in relation to the Quotation Procedures For Sales will be reviewed by the senior management of the Company to ensure that the Quotation Procedures For Sales are properly complied with, we are of the view that the internal control polices and Quotation Procedures For Sales are sufficient to ensure that the quotation will be comparable to the market rates.

Given that (i) relevant internal control polices and Quotation Procedures For Sales have been in place for the sales transactions as a set of guideline for the Company to follow; (ii) internal control assessment is performed by the Company from time to time to ensure the compliance of the internal control polices; and (iii) the terms of the Sales Transactions are no less favorable to the Group than those available to or from (as appropriate) the independent third parties of the Company, we are of the view that the terms of the Master Sales Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Sales Annual Caps

The Sales Annual Caps have been determined based on historical transaction amounts under the Former Master Sales Agreement, the expected values of the Prepaid Shopping Cards to be purchased by the NWD Group and the CTFJ Group, the Shopping Vouchers to be provided by the NWD Group and the Joint Name Vouchers to be purchased by the customers by reference to the estimated marketing expenses to be incurred by the NWD Group and the CTFJ Group for purchase of the Prepaid Shopping Cards, issue of the Shopping Vouchers and sale of the Joint Name Vouchers respectively as part of the marketing plan for the sale of their products, the expected values of the goods to be purchased by the Group from the NWD Group and/or N/C JCEs, the expected values of the goods to be purchased by N/C JCEs from the Group, with a buffer of approximately 25% which include (i) the prevailing market conditions; and (ii) the estimated expansion of existing and future projects of members of the NWD Group, the Group and the CTFJ Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted from the Board Letter, the Sales Transactions will be conducted in the following manners:

(i) Sales from the Group

Sales will be from the Group to the NWD Group, and consideration will be paid by the NWD Group to the Group, in relation to the Shopping Vouchers and Prepaid Shopping Cards issued to the NWD Group (with or without Discounts). As further noted from the Board Letter, the Discount is an amount to be deducted from the value to be settled by the relevant members of the NWD Group in respect of the purchases of the Prepaid Shopping Cards by the relevant members of the NWD Group or any other means acceptable to the Group as payment for purchases of goods at the Stores, being 2% of such value.

Sales will be from the Group to the CTFJ Group, and consideration will be paid by the CTFJ Group to the Group, in relation to the Prepaid Shopping Cards issued to the CTFJ Group.

Sales will be from the Group to N/C JCEs, and consideration will be paid by N/C JCE to the Group, in relation to the sale of goods from the Group to N/C JCEs.

(ii) Sales to the Group

Sales will be from the NWD Group to the Group, and consideration will be paid by the Group to the NWD Group, in relation to the sale of goods from the NWD Group to the Group.

Sales will be from the CTFJ Group to the Group, and consideration will be paid by the Group to the CTFJ Group, in relation to the Joint Name Vouchers (with Joint Name Vouchers Commissions) and sale of goods from the CTFJ Group to the Group.

Sales will be from N/C JCEs to the Group, and consideration will be paid by the Group to N/C JCE, in relation to the sale of goods from N/C JCEs to the Group.

The aggregate transaction amounts payable by (i) the NWD Group to the Group; (ii) the CTFJ Group to the Group; and (iii) N/C JCEs to the Group under the Former Master Sales Agreement for the two years ended 30 June 2013 and the six months ended 31 December 2013 were approximately RMB23.8 million, RMB46.3 million and RMB26.0 million, respectively. All the aggregate transaction amounts payable by (i) the Group to the NWD Group; (ii) the Group to the CTFJ Group; and (iii) the Group to N/C JCEs under the Former Master Sales Agreement for the two years ended 30 June 2013 and the six months ended 31 December 2013 were nil.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Sales Annual Caps in respect of the sales to the NWD Group, the CTFJ Group and N/C JCEs from the Group for each of the three years ending 30 June 2017 are RMB132.0 million, RMB149.0 million and RMB192.0 million, respectively. The Sales Annual Caps in respect of the sales from the NWD Group, the CTFJ Group and N/C JCEs to the Group for each of the three years ending 30 June 2017 are RMB10.0 million, RMB10.0 million and RMB10.0 million, respectively.

The Sales Annual Cap for the year ending 30 June 2016 represents an increase of approximately 12.9% as compared with that for the year ending 30 June 2015 while the NWDS Sales Annual Cap for the year ending 30 June 2017 represents an increase of approximately 28.9% as compared with that for the year ending 30 June 2016.

We noted the Company's marketing plan to expand the floor area and number of Stores and the issue of the Shopping Vouchers and sale of the Joint Name Vouchers respectively for the sale of their product.

As further advised by the Company, the Group will continue to work with strategic partners from different sectors to bring customers with more diverse and creative promotional activities, which will help to expand customer bases and create a win-win situation for the Group and each of its strategic partners. Specifically, as mentioned in the AR2013, the Group plans to deepen cooperation with affiliated companies including, but not limited to, NWCL and CTFJ, to introduce more exclusive promotions and activities to maximize the synergies with the Group.

In addition, as stated in the AR2013, in year 2013, consumption accounted for approximately 45.2% of GDP growth in the PRC and the Group believes that domestic consumption has become the main driver of economic growth in the PRC and modern urbanization will unleash the consumption potential in the PRC providing strong support to the long-term development of the retail industry. Hence, the Group is prudent but optimistic about the future development of the domestic retail industry. The Group intends to grasp the opportunities brought by the economic development and the emergence of the middle class in the PRC through providing quality merchandises and services to a wider group of customers and expanding store networks to increase market shares in the retail industry for the coming years.

Sales of goods for direct sales accounted approximately 19.4% and approximately 20.2% of the total revenue of the Group for the year ended 30 June 2012 and 30 June 2013 respectively. As set out in the AR2013, the Group's sales of goods for direct sales have increased from approximately HK\$676.2 million for the financial year ended 30 June 2012 to approximately HK\$809.6 million for the financial year ended 30 June 2013, representing an annual growth of approximately 19.7%. It is

the Group's expansion strategies (i) to actively seek for potential projects in first-tier and second-tier cities; and (ii) to extend its presence and increase its focus to the surrounding high-potential markets in the third-tier and fourth-tier cities, to further strengthen the Group's regional competitive advantages and sustain its future development. Moreover, the Group aims to continue to increase the number of self-owned stores and expand the total gross floor area of its self-owned stores to about 2 million sq. m. by the financial year ending 30 June 2016. As advised by the Company, the Group is also seeking to enlarge its operating area in the self-owned stores through store expansion to provide customers with a more comfortable and spacious shopping environment.

We have researched on Bloomberg that the consumer price index in the PRC illustrated a steady upward-moving trend in the recent three years of approximately 2.65%, approximately 2.63% and approximately 2.7% respectively. Bloomberg also anticipated the PRC will experience a year on year growth of approximately 3.2% and approximately 3.1% in 2015 and 2016 respectively.

Having considered (i) the historical transactions amount under the Former Master Sales Agreement; (ii) the sales performance of the Group for the year ended 30 June 2013; (iii) the expected increase in the number of existing and future projects of members of the Group, the NWD Group and the CTFJ Group; (iv) the operation and expansion strategies of the Group to increase its number of self-owned stores and managed stores; and (v) the upward-moving trend of commodity prices in the PRC, we concur with the view of the Directors that the entering into of the Master Sales Agreement is in the interests of the Company and the Shareholders as a whole.

(C) Renewal of the Master Concessionaire Counter Agreement

Background and reasons for the renewal of the Master Concessionaire Counter Agreement

On 22 March 2012, NWDS and CTFJ entered into the Master Concessionaire Counter Agreement in relation to the Concessionaire Transactions. Subject to the compliance of the Listing Rules by the Company and CTFJ, the Master Concessionaire Counter Agreement will be automatically renewed for three years from the Concessionaire Renewal Date.

As set out in the Board Letter, members of the Group had in the past and is expected from time to time to enter into concessionaire arrangements or rental agreements with members of the CTFJ Group in relation to retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business under the Master Concessionaire Counter Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group and the CTFJ Group wish to continue the concessionaire arrangements or rental agreements and may from time to time enter into new concessionaire arrangements or rental agreements in relation to the Concessionaire Transactions. Accordingly, the Company and CTFJ agree to renew the Master Concessionaire Counter Agreement. The Directors believe that including CTFJ as one of the concessionaire counters in the Stores enhances the Company's brand and product mix and raises the image and profile of such Stores.

Having considered that (i) it is the Group's operational strategy to optimize the merchandise mix; (ii) the terms of the Master Concessionaire Counter Agreement have been negotiated on an arm's length basis; and (iii) the reputation of CTFJ within the PRC which can incur positive impact for the product mix of the Stores and hence raise the image and profile of the Group, we concur with the view of the Directors that the renewal of the Master Concessionaire Counter Agreement is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Master Concessionaire Counter Agreement

Date: 22 March 2012

Parties: CTFJ and the Company

General terms for the Transactions: Members of the Group and the CTFJ Group may from time to time enter into Definitive Concessionaire Agreement(s) in relation to any Concessionaire Transactions upon, and subject to, the terms and conditions in compliance with the Master Concessionaire Counter Agreement as may be agreed between the relevant members of the Group and the CTFJ Group. All the then existing agreements between the relevant members of the Group and the CTFJ Group in respect of the Concessionaire Transactions (to the extent which covers the Concessionaire Transactions after the Concessionaire Effective Date) were treated as Definitive Concessionaire Agreements made pursuant to the Master Concessionaire Counter Agreement as from the Concessionaire Effective Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With effect from the Concessionaire Effective Date, the Concessionaire Transactions have been conducted:

- (a) in the usual and ordinary course of business of the Company and CTFJ;
- (b) on normal commercial terms; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the Concessionaire Annual Caps), the applicable laws, the Master Concessionaire Counter Agreement and the relevant Definitive Concessionaire Agreement.

Duration:

The Master Concessionaire Counter Agreement commenced on the Concessionaire Effective Date, and shall continue up to and including 30 June 2014. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Concessionaire Counter Agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Concessionaire Counter Agreement. Subject to the approval of the Independent Shareholders of the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps at the EGM, the Master Concessionaire Counter Agreement will be automatically renewed on 1 July 2014 for three years ending 30 June 2017.

We also noted from the Board Letter that the consideration for each Definitive Concessionaire Agreement will be determined in the following manner (“**Quotation Procedures For Concessionaires**”): a quote, which is either better (to the Group) than or equal to at least two other quotes for the concessionaire counters given to the independent third parties by the Group, will be provided by the relevant member of the Group. Such quote will be determined with reference to the location, usable space, available facilities, quality and rental period of the concessionaire counters; the relevant member

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the CTFJ Group may, through its operational and technical departments, either accept the quote and proceed with the concessionaire arrangement or reject the quote and decline to proceed further, based on the relevant policies and other quote(s) for similar arrangement(s) obtained from independent third parties in the market. The management of the Group will determine the consideration and terms of the transactions under each Definitive Concessionaire Agreement, and will generally review such terms annually to determine whether adjustments shall be made.

We have also interviewed with the management of the Company in relation to the consideration for each Definitive Concessionaire Agreement and we have been briefed about the procedures of arriving the quotes for the former concessionaire transactions under the Master Concessionaire Counter Agreement. We have reviewed relevant internal control policies and the objectives of the policies, among others, are to evaluate and review the implementation of the Quotation Procedures For Concessionaires. We are given to understand from the management of the Company that the internal control policies and the pricing mechanism in the Quotation Procedures For Concessionaires are followed by the operational and technical departments of the Group for entering the former concessionaire transactions under the Master Concessionaire Counter Agreement and senior management of the Company would review the work done by relevant staff to ensure that all the internal control policies and Quotation Procedures For Concessionaires are properly performed by responsible staff. The decision for whether accepting or rejecting the quotes will be made by the senior management of the Company upon the above mentioned procedures. We are given to understand from the Company that the Company performs internal control assessment from time to time. We have obtained and reviewed the latest internal control assessment approved and signed by the senior management of the operational and technical departments of the Group and we noted that the above mentioned procedures have been properly complied.

In assessing the fairness and reasonableness of the terms of the Master Concessionaire Counter Agreement, we have obtained and reviewed not less than two sample sets of the concessionaire counter agreements entered into by the Company with the CTFJ Group and with other concessionaires who are independent third parties of the Company of which the counters are comparable in scale. We noted that the relevant terms offered by the Group to CTFJ Group are comparable to those available to the third party concessionaires.

Having considered that (i) the internal control policies adopted by the Company; (ii) the quotes will be compared to the market comparative quotes and also compared against sufficient numbers i.e. at least two public quotations of independent third parties; and (iii) the work done in relation to the Quotation Procedures For Concessionaires will be reviewed by the senior management of the Company to ensure that the Quotation Procedures For Concessionaires are properly complied with, we are of the view that the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

internal control polices and Quotation Procedures For Concessionaires are sufficient to ensure that the quotation will be comparable to the market rates.

Given that (i) relevant internal control polices and Quotation Procedures For Concessionaires have been in place for the concessionaire transactions as a set of guideline for the Company to follow; (ii) internal control assessment is performed by the Company from time to time to ensure the compliance of the internal control polices; and (iii) the relevant terms offered by the Group to CTFJ Group are comparable to those available to the third party concessionaires, we are of the view that the terms of the Master Concessionaire Counter Agreement are on normal commercial terms and the renewal of the Master Concessionaire Counter Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Concessionaire Annual Caps

The Concessionaire Annual Caps for each of the three years ending 30 June 2017 are RMB205,000,000, RMB265,000,000 and RMB345,000,000, respectively.

As noted from the Board Letter, the Concessionaire Annual Caps have been determined based on the terms of the existing concessionaire counter agreements, the historical transaction amounts under the Master Concessionaire Counter Agreement, the expected increase of points of sales totaled 2,077, with an increase by approximately 13.1% from last financial year of CTFJ, along with the additional floor space and the number of new concessionaire counters which members of the CTFJ Group might enter into with members of the Group, with reference to the CTFJ Group's strategy to expand its retail network and geographical footprint across the PRC by, among others, increasing the number of its points of sales.

The Concessionaire Annual Cap for the year ending 30 June 2016 represents an increase of approximately 29.27% as compared with that for the year ending 30 June 2015 while the Concessionaire Annual Cap for the year ending 30 June 2017 represents an increase of approximately 30.19% as compared with that for the year ending 30 June 2016.

As further noted from the Board Letter, the aggregate transaction amounts payable by the CTFJ Group to the Group (as subsidiaries of NWD) under the Master Concessionaire Counter Agreement for each of the two years ended 30 June 2013 and the six months ended 31 December 2013 were approximately RMB91.3 million, approximately RMB104.86 million and approximately RMB50.0 million, respectively. The transaction amount for the year ended 30 June 2013 represented an increase of approximately 14.8% as compared with that for the year ended 30 June 2012.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company, transaction amounts under the Former Master Concessionaire Counter Agreement amounted to approximately RMB50.1 million for the six months ended 31 December 2013 represented an decrease of approximately 1.4% as compared to the transaction amounts under the Former Master Concessionaire Counter Agreement for the same period in the previous year which amounted to approximately RMB50.8 million.

As noted from the AR2013, commission income from concessionaire sales is one of the major sources of income of the Group which accounted for approximately 65.8% of the total revenue of the Group for the year ended 30 June 2013. Gross revenue from concessionaire sales increased from approximately HK\$13,010.0 million for the financial year ended 30 June 2012 to approximately HK\$14,895.5 million for the financial year ended 30 June 2013, representing an annual increase of approximately 14.5%.

We are given to understand that the commission income derived from the concessionaire counters operated by the CTFJ Group is directly related to the number of its concessionaire counters and the sales performance of these counters. As advised by the Company, the Directors expect that the performance of the concessionaire counters operated by the CTFJ Group will improve under the recent growth trend of jewellery retail sales in the PRC and the selling prices of the jewellery products are expected to increase due to the recent appreciations of the commodity prices of certain precious metals relates to jewellery products.

As noted in the Board Letter, CTFJ is one of the largest jewellers in Hong Kong, Macau and the PRC by market share with a heritage of over 80 years. The CTFJ Group is a leading jeweller in the Mainland of China, Hong Kong and Macau with an extensive retail network of over 2,000 points of sale in more than 400 cities in Greater China, Singapore and Malaysia. Its principal products are mass luxury jewellery and high-end luxury jewellery products including gem-set jewellery, gold product and platinum and karat gold product; and watch. According to CTFJ AR2013, CTFJ is the leading jeweller in the PRC, Hong Kong and Macau and has become the world largest pure-play jeweler by market capitalization. Further noted from the CTFJ AR2013, CTFJ Group intends to continue to deploy various distribution channels such as strategically partnering with department stores, shopping malls and online platforms to enhance market penetrations, raising brand image in the luxury jewellery market and solidifying reputation by broadening the existing customer coverage through enhancing customers' loyalty programme.

As announced by CTFJ, it has long been the strategy of CTFJ to expand its retail network and geographical footprint across the PRC and at the end of March 2014, the number of point of sales ("POS") totaled at 2,077, with an increase of 241 POS or approximately 13.1% from the last financial year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have researched from the website of the National Bureau of Statistics of China that the retail sales of gold, silver and jewellery in the PRC experienced a year on year growth of approximately 16.0% and approximately 25.8% in the year of 2012 and 2013, respectively.

Having considered (i) the historical transactions amount under the Master Concessionaire Counter Agreement; (ii) commission income from concessionaire sales is one of the major sources of income of the Group; (iii) the anticipated increase in the number of concessionaire counters to be operated by the CTFJ Group; (iv) CTFJ is one of the largest jewellers in Hong Kong, Macau and the PRC by market share; and (v) the upward-moving trend of commodity prices as mentioned in the previous section and the recent growth of retail sales of consumer goods with reference to the retail gold, silver and jewellery retail market in the PRC, we are of the view that bases adopted to determine the Concessionaire Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Leasing Transactions, the Sales Transactions and the Concessionaire Transactions are conducted in the ordinary and usual course of business of the Group and the terms and conditions of the (i) Master Leasing Agreement including the Leasing Annual Caps; (ii) the Master Sales Agreement including the Sales Annual Caps; and (iii) the Master Concessionaire Counter Agreement including the Concessionaire 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 for approving the Master Leasing Agreement including the Leasing Annual Caps, the Master Sales Agreement including the Sales Annual Caps, the renewal of the Master Concessionaire Counter Agreement including the Concessionaire Annual Caps and the transactions contemplated thereunder respectively.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As of the Latest Practicable Date, the interests and short positions of the Directors and 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) as recorded in the register required to be kept by the Company under Section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

(a) Long positions in shares

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
NWCL					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	29,985,826	151,983,526	1.75
	Interest of spouse	Family interest	4,387,500		
	Controlled corporation	Corporate interest	117,610,200 ⁽¹⁾		
NWD					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	Interest of spouse	Family interest	600,000	600,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	18,349,571	30,349,571	0.82
	Controlled corporation	Corporate interest	12,000,000 ⁽¹⁾		

Note:

(1) 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) NWCL*

Name	Date of grant	Exercisable period (Notes)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	18 January 2011	(1)	2,077,922	3.036
Mr. Cheng Chi-kong, Adrian	18 January 2011	(2)	935,066	3.036
Ms. Ngan Man-ying, Lynda	18 January 2011	(1)	1,038,961	3.036

Notes:

- (1) Divided into 5 tranches, exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.
- (2) Divided into 3 tranches, exercisable from 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.
- (3) The cash consideration paid by each Director for each grant of the share options is HK\$10.00.

(ii) NWD

Name	Date of grant	Exercisable period (Notes)	Number of share options held ⁽³⁾	Exercise price per share HK\$ ⁽³⁾
Dr. Cheng Kar-shun, Henry	19 March 2012	(1)	10,638,838	9.184
Mr. Cheng Chi-kong, Adrian	19 March 2012	(1)	3,723,592	9.184
Mr. Au Tak-cheong	19 March 2012 22 January 2014	(1) (2)	2,340,763 531,147	9.184 9.790

Notes:

- (1) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.
- (2) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (3) The rights issue as announced by NWD on 13 March 2014 which became unconditional on 24 April 2014 constituted an event giving rise to adjustments to the number of outstanding share options and the exercise prices in accordance with the share option scheme adopted on 24 November 2006 and amended on 13 March 2012. The exercise price per share of the share options was adjusted from HK\$9.756 to HK\$9.184, and HK\$10.400 to HK\$9.790.
- (4) The cash consideration paid by each Director for grant of the share options is HK\$10.00.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors were aware, as of the Latest Practicable Date, the following persons (not being Directors or the chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook (Holding) Limited ("CTFH") ⁽⁴⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
CTFE ⁽⁵⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
NWD	Beneficial owner	-	1,218,900,000	1,218,900,000	72.29
GMT Capital Corp	Controlled corporation	Corporate interest	85,117,000	85,117,000	5.05

Notes:

- (1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.
- (2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.
- (3) CTFC holds 78.58% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.

- (4) CTFH holds 100% direct interest in CTFE and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFE.
- (5) CTFE together with its subsidiaries have interest in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by NWD.

4. MATERIAL ADVERSE CHANGE

As of 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 2013, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

As of 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.

6. DIRECTORS' INTERESTS IN ASSETS

As of 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 2013, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' INTERESTS IN CONTRACTS

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

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the Latest Practicable Date, the following Director 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	Lifestyle International Holdings Limited and its subsidiaries	Department store operation	Director

Save as disclosed above, as of 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.

9. EXPERT AND CONSENTS

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

Name	Qualification
Veda Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Veda Capital 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 of the Latest Practicable Date, Veda Capital did not have any direct or indirect interest in any assets which had since 30 June 2013 (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 of the Latest Practicable Date, Veda Capital 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.

10. GENERAL

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

11. 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 head office and principal place of business of the Company in Hong Kong at 7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Former Master Leasing Agreement;
- (b) the Master Leasing Agreement;
- (c) the Former Master Sales Agreement;
- (d) the Master Sales Agreement; and
- (e) the Master Concessionaire Counter Agreement.

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 S226-7, Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Monday, 23 June 2014 at 11:00 a.m. 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 Leasing Agreement (as defined and described in the circular of the Company dated 8 May 2014 (the “**Circular**”), a copy of the Circular marked “**A**” together with a copy of the Master Leasing Agreement marked “**B**” are tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the Leasing Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Leasing 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 2017 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 Leasing Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

NOTICE OF EGM

2. "THAT:

- (a) the Master Sales Agreement (as defined and described in the circular of the Company dated 8 May 2014 (the "**Circular**"), a copy of the Circular marked "**A**" together with a copy of the Master Sales Agreement marked "**C**" are tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the Sales Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Sales Annual Caps as defined and described in the Circular in respect of the consideration payable under the Master Sales Agreement for each of the three years ending 30 June 2017 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 Sales Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto."

3. "THAT:

- (a) the renewal of the Master Concessionaire Counter Agreement (as defined and described in the Circular of the Company dated 8 May 2014 (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 initialled by the chairman of the Meeting for identification purpose) and the Concessionaire Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Concessionaire 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 2017 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 renewal of the Master Concessionaire Counter Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

By order of the board of
New World Department Store China Limited
Wu Yuk-kwai, Catherine
Company Secretary

Hong Kong, 8 May 2014

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 agent of the Company in Hong Kong at Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, 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) In the event of any inconsistency, the English language text of this notice shall prevail over the Chinese language text.
- (7) As at the date of this notice, the non-executive directors of the Company are Dr. Cheng Kar-shun, Henry, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda; the executive directors of the Company are Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip and Mr. Wong Kwok-kan, Kenneth; 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.