



27 June 2017

To the NWDSC Offer Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION BY WAY OF
VOLUNTARY CONDITIONAL CASH OFFER
BY UBS AG HONG KONG BRANCH ON BEHALF OF
NEW WORLD DEVELOPMENT COMPANY LIMITED TO
ACQUIRE ALL THE ISSUED SHARES OF
NEW WORLD DEPARTMENT STORE CHINA LIMITED
(OTHER THAN THOSE ALREADY HELD BY
NEW WORLD DEVELOPMENT COMPANY LIMITED)**

1. INTRODUCTION

Reference is made to the Joint Announcement whereby the Offeror Board and the NWDSC Board jointly announced that UBS, on behalf of the Offeror, intended to make a voluntary conditional cash offer to acquire all Offer Shares.

This letter sets out, amongst other things, details of the terms of the Offer, the reasons for and benefits of the Offer, the intention of the Offeror regarding the NWDSC Group and information on the Offeror. Further details of the terms of the Offer are set out in “Appendix I — Further Terms of the Offer” to the Composite Document of which this letter forms part, and in the accompanying Form of Acceptance. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

The NWDSC Offer Shareholders are strongly advised to consider carefully the information contained in the “Letter from the NWDSC Board” on pages 21 to 25, the “Letter from the NWDSC Independent Board Committee” on pages 26 and 27 and the “Letter from the NWDSC Independent Financial Adviser” on pages 28 to 51, the accompanying Form of Acceptance and the appendices which form part of the Composite Document.

2. THE OFFER

The Offer is being made by UBS on behalf of the Offeror in compliance with the Takeovers Code on the basis set out below.

Offer:

For each Offer Share HK\$2.00 in cash

The Offer is being extended to all NWDSC Shareholders (including the Offeror Concert Parties except the Offeror).

Comparisons of value

Closing prices of NWDSC Shares

The Offer Price of HK\$2.00 represents:

- (i) a premium of approximately 50.4% over the closing price of HK\$1.330 per NWDSC Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 51.3% over the average closing price of approximately HK\$1.322 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 51.9% over the average closing price of approximately HK\$1.317 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 60.7% over the average closing price of approximately HK\$1.244 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 61.6% over the average closing price of approximately HK\$1.237 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 60 trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 73.5% over the average closing price of approximately HK\$1.153 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day; and
- (vii) a premium of approximately 4.2% over the closing price of HK\$1.920 per NWDSC Share as quoted on the Stock Exchange on the Latest Practicable Date.

Net asset value per NWDSC Share

The Offer Price of HK\$2.00 represents:

- (i) a discount of approximately 43.0% to the audited consolidated net asset value per NWDSC Share of approximately HK\$3.507 as at 30 June 2016, based on the total number of issued NWDSC Shares as at 30 June 2016;
- (ii) a discount of approximately 41.1% to the unaudited consolidated net asset value per NWDSC Share of approximately HK\$3.396 as at 31 December 2016 based on the total number of issued NWDSC Shares as at 31 December 2016; and
- (iii) a discount of approximately 44.5% to the Adjusted NAV per NWDSC Share of approximately HK\$3.602 as at 31 December 2016, based on the total number of issued NWDSC Shares as at the Latest Practicable Date.

As shown in NWDSC's audited consolidated financial statements as at 30 June 2016 and unaudited condensed consolidated financial information as at 31 December 2016, a significant portion of NWDSC's assets consisted of property, plant and equipment, investment properties and land use rights. The value of these assets as stated in such consolidated financial statements and consolidated financial information may or may not reflect the current market value of these assets.

Your attention is drawn to property valuation report as set out in "Appendix III — Property Valuation Report" to the Composite Document from Jones Lang Lasalle pursuant to Rule 11 of the Takeovers Code providing an updated valuation of the properties of the NWDSC Group as at 31 May 2017.

Your attention is also drawn to the section headed "Property Interests" as set out in "Appendix II — Financial Information of the NWDSC Group" to the Composite Document which provides details of the Adjusted NAV, having taken into account, amongst other things, the revaluation surplus arising from valuation of the property interests and deferred taxes payable on the attributable revaluation surplus.

Highest and Lowest Trading Prices

During the period beginning on 6 December 2016 (being six months preceding the commencement of the Offer Period) up to and including the Last Trading Day, the highest and lowest closing prices of the NWDSC Shares as quoted on the Stock Exchange were HK\$1.370 per NWDSC Share on 29 May 2017 and HK\$0.990 per NWDSC Share on 21 December 2016 respectively.

Value of the Offer

As at the Latest Practicable Date, there were 1,686,145,000 NWDSC Shares in issue, of which 1,218,900,000 NWDSC Shares, representing approximately 72.29% of the total number of issued NWDSC Shares, were held by the Offeror.

Based on the Offer Price of HK\$2.00, the entire issued NWDSC Shares as at the Latest Practicable Date was valued at approximately HK\$3,372.3 million.

On the assumption that the Offer is accepted in full by the NWDSC Offer Shareholders and on the basis that there will be 467,245,000 Offer Shares, the value of the Offer is approximately HK\$934.5 million.

Confirmation of Financial Resources

The Offeror intends to finance the cash required for the Offer from its own cash reserves.

UBS, the sole financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy its maximum payment obligations upon full acceptances of the Offer.

Settlement of Consideration

Settlement of the consideration payable by the Offeror in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven

(7) Business Days of the later of (i) the date on which the Offer becomes or is declared unconditional in all respects; and (ii) the date of receipt of a complete and valid acceptance in respect of the Offer.

No fraction of a cent will be payable and the amount of cash consideration payable to a NWDSC Shareholder who accepts the Offer will be rounded up to the nearest cent.

3. CONDITIONS OF THE OFFER

The Offer is subject to the following Conditions:

- (i) valid acceptance of the Offer having been received (and not, where permitted, withdrawn) by 4 : 00 p.m. on the Closing Date (or such later time or date as the Offeror may decide, subject to the rules of the Takeovers Code) in respect of such number of NWDSC Shares which would result in the Offeror holding at least 90% of the Offer Shares with the further proviso that, within that holding, the Offeror would also hold at least 90% of the Disinterested NWDSC Shares;
- (ii) no event having occurred which would (a) make the Offer or the acquisition of any of the Offer Shares void, unenforceable or illegal; or (b) prohibit the implementation of the Offer; or (c) would impose any additional material conditions or obligations with respect to the Offer;
- (iii) all necessary consents (including consents from the relevant lenders) in connection with the Offer and in connection with the withdrawal of listing of the NWDSC Shares from the Stock Exchange which may be required under any existing contractual obligations of NWDSC being obtained and remaining in effect;

- (iv) no relevant government, governmental, quasi-government, statutory or regulatory body, court or agency in Hong Kong, the Cayman Islands or any other jurisdictions having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Offer or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Offer or its implementation in accordance with its terms); and
- (v) since the Joint Announcement Date, there having been no material adverse change in the business, assets, financial or trading positions or prospects or conditions (whether operational, legal or otherwise) of the NWDSC Group (to an extent which is material in the context of the NWDSC Group taken as a whole).

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above (other than Condition (i)). As at the Latest Practicable Date, none of the Conditions had been fulfilled. As at the Latest Practicable Date, the NWDSC Group has obtained all relevant consents required under Condition (iii) from certain financial institutions from which the NWDSC Group obtained loan financing for its business operations.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any or all of the Conditions (other than Condition (i)) so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. NWDSC Offer Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

WARNING

Shareholders, holders of securities and potential investors of the Offeror and NWDSC should note that the Offer is subject to the satisfaction and/or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders, holders of securities and potential investors of the Offeror and NWDSC should therefore exercise caution when dealing in the securities of the Offeror and NWDSC. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser(s).

4. POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

Subject to compliance with the relevant requirements under section 88 of the Cayman Islands Companies Law, if the Offeror, before the close of the Offer, has received valid acceptances in respect of not less than 90% of the Offer Shares and not less than 90% of the Disinterested NWDSC Shares, the Offeror intends to privatise NWDSC by exercising its right to compulsorily acquire those Offer Shares not acquired by the Offeror under the Offer. If the Offeror exercises such right and completes the compulsory acquisition, NWDSC will become a direct wholly owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the NWDSC Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

If the level of acceptances of the Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied on the Closing Date, dealings in the NWDSC Shares will be suspended from the Closing Date up to the withdrawal of listing of the NWDSC Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Whilst it is the intention of the Offeror to privatise NWDSC, the Offeror's ability to exercise rights of compulsory acquisition in respect of the Offer Shares is dependent on the level of acceptances of the Offer reaching the prescribed level under the Cayman Islands Companies Law and on the requirements of Rule 2.11 of the Takeovers Code being satisfied.

If the Offer Shares validly tendered for acceptance under the Offer are less than 90% of the Offer Shares or less than 90% of the Disinterested NWDSC Shares, the Offer will not become unconditional and will lapse and in such event, NWDSC Shares will remain listed on the Stock Exchange.

5. PUBLIC FLOAT

According to the Listing Rules, if, upon the close of the Offer, less than 25% of the issued NWDSC Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the NWDSC Shares or there are insufficient NWDSC Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the NWDSC Shares.

6. SHAREHOLDING STRUCTURE OF NWDSC AND THE OFFER

As at the Latest Practicable Date, the authorised share capital of NWDSC is HK\$1,000,000,000 divided into 10,000,000,000 NWDSC Shares, and the issued share capital of NWDSC is HK\$168,614,500 divided into 1,686,145,000 NWDSC Shares. Other than the NWDSC Shares, there is no other class of shares of NWDSC in issue.

On the assumption that there is no change in the shareholding of NWDSC before the completion of the Offer, the table below sets out the shareholding structure of NWDSC as at the Latest Practicable Date and immediately upon the completion of the Offer assuming that the holders of at least 90% of the Disinterested NWDSC Shares tender their acceptances of the Offer and the remaining Offer Shares are compulsorily acquired by the Offeror:

NWDSC Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Offer (assuming that there is no change in shareholding of NWDSC)	
	Number of NWDSC Shares	Approximate % (Note 3)	Number of NWDSC Shares	Approximate %
The Offeror				
— NWDSC Shares held not subject to the Offer	1,218,900,000	72.29	1,686,145,000	100.00
The Offeror Concert Parties				
NWDSC Shares held subject to the Offer (not forming part of the Disinterested NWDSC Shares):				
— Ms. Ki Man-Fung, Leonie (Note 1)	20,000	0.00	—	—
— Ms. Cheng Chi-Man, Sonia (Note 2)	92,000	0.01	—	—
Aggregate number of NWDSC Shares held by the Offeror Concert Parties	<u>112,000</u>	<u>0.01</u>	<u>—</u>	<u>—</u>
Aggregate number of NWDSC Shares held by the Offeror and the Offeror Concert Parties	1,219,012,000	72.30	1,686,145,000	100.00
Independent NWDSC Shareholders	<u>467,133,000</u>	<u>27.70</u>	<u>—</u>	<u>—</u>
Total number of NWDSC Shares in issue	<u>1,686,145,000</u>	<u>100.00</u>	<u>1,686,145,000</u>	<u>100.00</u>
Total number of Offer Shares	<u>467,245,000</u>	<u>27.71</u>	<u>—</u>	<u>—</u>

Notes:

1. Ms. Ki Man-Fung, Leonie, who is an executive director of the Offeror, is acting in concert with the Offeror in relation to NWDSC.
2. Ms. Cheng Chi-Man, Sonia, who is an executive director of the Offeror, is acting in concert with the Offeror in relation to NWDSC.
3. All percentages stated in the table above are approximations.

Interests of the Offeror and the Offeror Concert Parties in NWDSC Shares

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties held 1,219,012,000 NWDSC Shares in aggregate, representing approximately 72.30% of the total number of issued NWDSC Shares.

Save as aforesaid, as at the Latest Practicable Date, the Offeror and the Offeror Concert Parties did not hold, control or have direction over any other NWDSC Shares or hold any convertible securities, warrants, options (including the NWDSC Options) or derivatives in respect of the NWDSC Shares.

7. OVERSEAS NWDSC OFFER SHAREHOLDERS

The making of the Offer to the overseas NWDSC Offer Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong and/or their ability to participate in the Offer may be subject to the laws of the relevant jurisdictions. Such overseas NWDSC Offer Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas NWDSC Offer Shareholders wishing to take any action in relation to the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance of the Offer by such overseas NWDSC Offer Shareholders will be deemed to constitute a representation and warranty from such persons to NWDSC, the Offeror, and their respective advisers, including UBS, that all applicable laws and regulatory requirements to which they may be subject have been fully complied with. If you are in doubt as to your position, you should consult your professional advisers.

Copies of this Composite Document and the accompanying Form of Acceptance must not be mailed or otherwise forwarded, distributed or sent into any non-Hong Kong jurisdiction where to do so would contravene applicable law or regulation, and persons receiving this Composite Document and the accompanying Form of Acceptance (including custodians, nominees and trustees) should observe these restrictions.

The Offeror had been advised that the Composite Document and the accompanying Form of Acceptance may be forwarded to NWDSC Shareholders or beneficial owners of NWDSC Shares in the US and will do so accordingly. Please refer to the section headed “Notice to US Investors” as set out in the “Important Notices to all NWDSC Offer Shareholders” on page iii in this Composite Document for details.

As at Latest Practicable Date, there are no NWDSC Shareholders whose registered address as recorded in the Registrar is outside Hong Kong, but the Offeror is aware that certain NWDSC Shareholders are holding NWDSC Shares as custodian or nominee on behalf of beneficial owners who are located in the US.

8. TAXATION AND INDEPENDENT ADVICE

As stated in the Joint Announcement, the NWDSC Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offer. It is emphasised that none of the Offeror, NWDSC or UBS, nor any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

9. FURTHER TERMS OF THE OFFER

Acceptance

Acceptance of the Offer by any person will constitute a warranty by such person or persons to the Offeror, NWDSC and UBS and their respective advisers that the Offer Shares sold by such person or persons to the Offeror are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

Hong Kong Stamp Duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant NWDSC Offer Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the stamp duty on behalf of accepting NWDSC Offer Shareholders in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Close of the Offer

The Offer is subject to the Conditions. If Condition (i) is not satisfied on or before the Closing Date, the Offer will lapse. If any other Conditions are not satisfied on or before the Closing Date, the Offer may lapse. The Offeror will issue an announcement stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects), by 7 : 00 p.m. on the Closing Date in accordance with the Takeovers Code. The latest time on which the Offeror can declare the Offer unconditional as to acceptances is 7 : 00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

If all the Conditions are satisfied (or waived, as applicable), NWDSC Shareholders will be notified by way of an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

Further terms of the Offer, including, among others, the procedures for acceptance and settlement, the acceptance period and taxation matters are set out in “Appendix I — Further Terms of the Offer” to the Composite Document and the accompanying Form of Acceptance.

10. INTENTIONS OF THE OFFEROR REGARDING THE NWDSC GROUP

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

11. REASONS FOR, AND BENEFITS OF, THE OFFER

The Offeror Board believes that the Offer provides the following benefits to (i) the Independent NWDSC Shareholders; (ii) NWDSC; and (iii) the Offeror and the shareholders of the Offeror.

For Independent NWDSC Shareholders

(a) Offer Price represents an opportunity for Independent NWDSC Shareholders to monetise their investment at an attractive premium in view of industry headwinds and execution risks

The Offer provides an opportunity for the holders of the Offer Shares to dispose of their NWDSC Shares and receive cash at a price significantly above the prevailing market price in light of the challenging operating environment and the risks in implementing any strategic transformation.

The Offer Price, being HK\$2.00 per Offer Share, represents a premium of approximately 50.4% over the closing price per NWDSC Share of HK\$1.330 as quoted on the Stock Exchange on the Last Trading Day. It also represents a premium of approximately 60.7% and 73.5% over the average closing price of approximately HK\$1.244 and approximately HK\$1.153 per NWDSC Share on the Stock Exchange for 30 and 180 consecutive trading days up to and including the Last Trading Day, respectively.

During the one-year period ended on and including the Last Trading Day, the lowest and highest closing prices per NWDSC Share on the Stock Exchange were HK\$0.990 and HK\$1.370, respectively, with a simple average closing price of

approximately HK\$1.120. The Offer Price represents a premium of approximately 78.6% to the simple average closing price and a premium of approximately 46.0% to the highest closing price in the above period.

The Offer Price represents a discount of approximately 41.1% to the unaudited consolidated net asset value per NWDSC Share of approximately HK\$3.396 as at 31 December 2016 (based on the consolidated net asset value of NWDSC attributable to NWDSC Shareholders of approximately HK\$5,726 million divided by the number of NWDSC Shares in issue as at 31 December 2016). However, given the historical trading of NWDSC Shares have typically been at even larger discounts, the Offer Price on a relative basis is at an attractive valuation.

The Offer Price was determined after taking into account, among other things, the trading prices of NWDSC Shares, the trading multiples of comparable companies and with reference to other privatisation transactions in Hong Kong in recent years.

The low liquidity of the NWDSC Shares also makes it difficult for the holders of the Offer Shares to execute substantial on-market disposals without adversely affecting the price of the NWDSC Shares. The Offer is intended to provide the holders of the Offer Shares with an opportunity to realise their investment in NWDSC for cash at an attractive premium without having to suffer any illiquidity discount.

(b) The Independent NWDSC Shareholders unlikely to receive comparable or better offer from other third party

NWDSC is an integral part of the Offeror Group and the Offeror has maintained majority voting control in NWDSC since NWDSC's initial public offering in 2007. As such, the directors of the Offeror are of the view that it is highly unlikely that another third party will seek to acquire the Offer Shares at a price comparable to or better than the Offer.

For NWDSC

The China retailing space has experienced unprecedented challenges in recent years, particularly from the rapidly growing e-Commerce platforms, as well as the influx of large format shopping malls, which revolutionised the shopping habits of Chinese consumers significantly. Traditional brick-and-mortar retailers such as department stores therefore have suffered a significant reduction of foot traffic as a result of intensified competition.

In light of this industry's headwind, necessary changes will be needed in order for NWDSC to bolster long-term competitiveness. In order to facilitate a shift in strategy towards longer term growth, short-term growth profile will inevitably be affected. The Offeror believes that NWDSC will benefit from the available flexibilities a non-listed company has, including access to additional growth capital from the Offeror without exposure to market volatility. Following the implementation of the Offer, the Offeror and the NWDSC can make timely strategic decisions focused on long-term benefits.

and not be distracted or pressurised to deliver short and medium term performance. Administrative, compliance and other listing-related costs and expenses can also be eliminated after privatisation.

Meanwhile the low liquidity in the trading of its NWDSC Shares also resulted in the current listing platform no longer being sufficient to serve as a source of funding for the NWDSC's business and growth. After the privatisation, NWDSC will be able to fund its projects with more flexibility through a centralised platform under the Offeror Group.

For the Offeror and the holders of the Offeror Shares

a) Consolidating the real estate portfolio into one flagship

Having NWDSC as a wholly owned subsidiary would provide the Offeror with the ability to formulate more holistic investment strategies for the Offeror Group as a whole and allow the Offeror to deploy its resources directly across Hong Kong and the PRC in suitable opportunities and in a more flexible manner. With a larger balance sheet, and its expertise in property and other sectors, the Offeror can be beneficial in securing new investments for the Offeror Group in the PRC property market, including by way of land acquisitions and collaboration with business partners in the PRC.

b) Enhance overall operational efficiency

With NWDSC becoming a wholly owned subsidiary under the Offeror, it will help improve operational efficiency and achieve economies of scale through resources sharing and connecting different units through a centralised platform. Better functional coordination and the sharing of expertise can be facilitated internally. Through the Offer, the Offeror will be able to drive improved performance and strategic development of the Offeror Group in line with future growth plans.

c) More advantageous financing and coordinated internal treasury management

Given the larger asset size and equity base of the Offeror compared to NWDSC, the Offeror expects it can secure financing on more favourable terms than NWDSC. If NWDSC becomes a wholly owned unlisted subsidiary of the Offeror, this will provide enhanced flexibility for the central management of the Offeror Group's treasury functions and thereby the ability to secure the lowest possible funding costs across the Offeror Group's businesses including those in the PRC.

d) Streamlined corporate and management structure and enhanced sharing of expertise

A streamlined management structure for the Offeror and NWDSC can be achieved after privatisation, which will help enhance corporate efficiency and create synergies.

12. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability, the issued shares of which have been listed on the Main Board of the Stock Exchange since November 1972 with the stock code 0017.

The Offeror Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology. As at the Latest Practicable Date, the Offeror was owned as to approximately 44.2% by Chow Tai Fook Enterprises Limited and its subsidiaries which are in turn ultimately and indirectly controlled by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited.

13. INFORMATION ON NWDSC

NWDSC is a company incorporated in the Cayman Islands with limited liability, the issued shares of which have been listed on the Main Board of the Stock Exchange since July 2007 with the stock code 0825.

The NWDSC Group is engaged in department store and other related businesses, and property investment operations in the PRC. NWDSC is one of the largest owners and operators of department stores in the PRC. As at the Latest Practicable Date, the NWDSC Group operates 40 department stores and two shopping malls, with a total GFA of approximately 1,646,880 sq.m.. Located in three operating regions, namely Northern China, Eastern China and Central Western China, the stores covered 22 major cities in the PRC, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao, Yantai and Yibin with 37 self-owned stores and five managed stores. In September 2016, NWDSC opened a managed store, Yibin New World Department Store, with a total GFA of approximately 27,000 sq.m. in Yibin, Sichuan Province. The store is a trendy lifestyle store where customers can enjoy shopping, recreation and entertainment under one roof. Furthermore, NWDSC has also developed the business of two private labels, (Love · Original · Life) Concept Shop ("LOL Concept Shops") and n+ Natural Taste Plus, to provide sophisticated, quality-seeking customers with a premium and personalised selection of merchandise. As at the Latest Practicable Date, NWDSC operates 11 LOL Concept Shops in total. As the high-end bakery brand of the NWDSC Group, n+ Natural Taste Plus made its presence in two stores in Shanghai and had been well-received by consumers.

14. GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all NWDSC Offer Shareholders, those NWDSC Offer Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

The attention of the NWDSC Offer Shareholders in the US is drawn to the section headed "Notice to US Investors" as set out in the "Important Notices to all NWDSC Offer Shareholders" on page iii in this Composite Document.

All documents and cheques for payment to the NWDSC Offer Shareholders will be sent to them by ordinary post at their own risk to their addresses appeared in the register of members of NWDSC or, in the case of joint NWDSC Offer Shareholders, to the NWDSC Offer Shareholder whose name appears first in the register of members of NWDSC, as applicable. None of the Offeror, NWDSC, UBS nor any of their respective directors or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

15. ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the NWDSC Board", the "Letter from the NWDSC Independent Board Committee", the "Letter from NWDSC Independent Financial Adviser", the accompanying Form of Acceptance and the additional information set out in the appendices which form part of the Composite Document.

Yours faithfully,
For and on behalf of
UBS AG Hong Kong Branch

A handwritten signature in black ink, appearing to read 'John Lee', written over a horizontal line.

Name: John Lee
Title: Managing Director

A handwritten signature in black ink, appearing to read 'Samson Lo', written over a horizontal line.

Name: Samson Lo
Title: Managing Director