

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

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

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New World Department Store China Limited
新世界百貨中國有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0825)

**REVISION OF CAPS FOR MASTER LEASING AGREEMENT
AND
CONCESSIONAIRE COUNTER ARRANGEMENTS
IN RESPECT OF 2008 AND 2009**

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



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

A notice convening the EGM (as defined in this circular) to be held at Four Seasons Suites 6–8, Level 2, Renaissance Kowloon Hotel, Hong Kong, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 29 April 2008 at 10:00 a.m. is set out on pages 27 to 28 of this circular. Whether or not you are 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 office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meetings should you so wish.

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DEFINITIONS

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

“associates”	has the meaning ascribed to it in 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
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Concessionaire Counter Arrangements”	including various concessionaire counter agreements entered into between the Group and CTF Jewellery or any of its subsidiaries
“CTF”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability and a substantial shareholder of NWD
“CTF Jewellery”	Chow Tai Fook Jewellery Company Limited (周大福珠寶金行有限公司), a company incorporated in Hong Kong and an associate of CTF
“Dao Heng”	Dao Heng Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions and the Revised Caps
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Transactions, the Supplemental Agreement and the Revised Caps
“EGM Notice”	the notice convening the EGM as set out on pages 27 to 28 of this circular
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. CHEONG Ying-chew, Henry, Mr. CHAN Yiu-tong, Ivan, Mr. TONG Hang-chan, Peter and Mr. YU Chun-fai, Henry

DEFINITIONS

“Independent Shareholders”	Shareholders other than NWD, CTF and their respective associates
“Latest Practicable Date”	3 April 2008, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Listing”	listing of the shares of the Company on the main board of the Stock Exchange on 12 July 2007
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Leasing Agreement”	the master leasing agreement dated 22 June 2007 between the Company and NWD
“NWD”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong whose shares are listed on the main board of the Stock Exchange
“NWD Group”	NWD and its subsidiaries (excluding the Group)
“Original Concessionaire Annual Cap(s)”	the original annual cap(s) for the Concessionaire Counter Arrangements as set out in the Prospectus
“Original Leasing Annual Cap(s)”	the original annual cap(s) for the Master Leasing Agreement as set out in the Prospectus
“PRC”	The People’s Republic of China
“Prospectus”	the prospectus of the Company dated 28 June 2007
“Revised Caps”	the Revised Concessionaire Annual Caps and the Revised Leasing Annual Caps
“Revised Concessionaire Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules, means for each of the two years ending 30 June 2008 and 2009, RMB24.6 million and RMB53.1 million in respect of the aggregate sums payable by CTF Jewellery or its subsidiaries to the Group under the Concessionaire Counter Arrangements

DEFINITIONS

“Revised Leasing Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules, means for each of the two years ending 30 June 2008 and 2009, RMB135.7 million and RMB212.0 million in respect of the aggregate rental and management fees payable by the Group to the NWD Group in connection with the premises leased and to be leased by the Group under the Master Leasing Agreement as amended and supplemented by the Supplemental Agreement
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	shares in the share capital of the Company, with a par value of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning ascribed to it under the Companies Ordinance
“substantial shareholder”	shall have the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental letter entered into between the Company and NWD on 19 March 2008, supplemental to the Master Leasing Agreement
“Transactions”	(i) the transactions contemplated under the Master Leasing Agreement as amended and supplemented by the Supplemental Agreement; and (ii) the transactions contemplated under the Concessionaire Counter Arrangements
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

Unless otherwise specified in this circular, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ at the rate of HK\$1=RMB0.9224. No representation is made that any amounts in HK\$ or RMB can be or could have been converted at the relevant dates at the above rate or any other rates at all.



New World Department Store China Limited
新世界百貨中國有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0825)

Non-executive Directors:

Dr. CHENG Kar-shun, Henry
Mr. AU Tak-cheong

Executive Directors:

Mr. CHENG Chi-kong, Adrian
Mr. CHEUNG Fai-yet, Philip
Mr. LIN Tsai-tan, David
Mr. WONG Kwok-kan, Kenneth
Ms. NGAN Man-ying, Lynda

Independent non-executive Directors:

Mr. CHEONG Ying-chew, Henry
Mr. CHAN Yiu-tong, Ivan
Mr. TONG Hang-chan, Peter
Mr. YU Chun-fai, Henry

Registered Office:

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

*Principal place of business
in Hong Kong*

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

9 April 2008

To the Shareholders

Dear Sir or Madam,

**REVISION OF CAPS FOR MASTER LEASING AGREEMENT AND
CONCESSIONAIRE COUNTER ARRANGEMENTS
IN RESPECT OF 2008 AND 2009**

1. INTRODUCTION

The Board refers to the joint announcement of the Company and NWD dated 19 March 2008 in relation to the proposed revision to the annual caps for the Master Leasing Agreement and the Concessionaire Counter Arrangements in respect of years 2008 and 2009.

As disclosed in the Prospectus, prior to the Listing, the Group entered into respectively (i) the Master Leasing Agreement with NWD; and (ii) the Concessionaire Counter Arrangements with CTF Jewellery. The Transactions contemplated under the Master Leasing Agreement and the Concessionaire Counter Arrangements respectively constituted non-exempt continuing connected transactions of the Company after the Listing, subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Stock Exchange granted the Company a waiver on 4

LETTER FROM THE BOARD

June 2007 from strict compliance with the announcement and independent shareholders' approval requirements in relation to the Master Leasing Agreement and the Concessionaire Counter Arrangements.

The anticipated annual aggregate of the amounts of the transactions under the Master Leasing Agreement and the Concessionaire Counter Arrangements are expected to exceed the Original Leasing Annual Caps and the Original Concessionaire Annual Caps respectively. The Directors propose to revise the Original Leasing Annual Caps and the Original Concessionaire Annual Caps.

The purposes of this circular are: (i) to provide you with further information regarding the Transactions and the Revised Caps; (ii) to set out the letter of advice from Dao Heng to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Transactions and the Revised Caps; (iii) to set out the recommendation and opinion of the Independent Board Committee after taking into consideration of the advice of Dao Heng in relation to the terms of the Transactions and the Revised Caps; and (iv) to give you notice of the EGM to consider and if thought fit, to approve the resolutions relating to the Transactions and the Revised Caps at the EGM.

2. THE MASTER LEASING AGREEMENT

Background

As disclosed in the Prospectus, prior to the Listing, the Company and NWD entered into the Master Leasing Agreement on 22 June 2007. Pursuant to the Master Leasing Agreement, the Group agreed to continue to lease and may from time to time lease new premises from the NWD Group in accordance with the respective terms of the relevant leasing agreements.

Revision of Annual Caps

For the period from 1 July 2007 to 31 December 2007, the aggregate rental payment to the NWD Group under the Master Leasing Agreement amounted to approximately HK\$57,896,000, representing approximately 40.2% of the Original Leasing Annual Cap for the year ending 30 June 2008. The Directors confirm that the Original Leasing Annual Cap was not exceeded as at 31 January 2008.

LETTER FROM THE BOARD

In view of the above, the corresponding projected aggregate amount of the transactions contemplated under the Master Leasing Agreement for each of the two years ending 30 June 2008 and 2009 are likely to exceed the respective Original Leasing Annual Caps. Accordingly, the Company entered into the Supplemental Agreement with NWD on 19 March 2008 to revise the annual caps for the transactions under the Master Leasing Agreement for each of the two years ending 30 June 2008 and 2009 as follows:

	2006/07	2007/08	2008/09
Original Leasing Annual Caps	HK\$106.7 million	HK\$144.1 million	HK\$149.3 million
Actual amounts incurred	HK\$102,382,000	HK\$57,896,000 (for the period from 1/7/2007 to 31/12/2007)	—
Revised Leasing Annual Caps	—	RMB135.7 million (equivalent to approximately HK\$147.1 million)	RMB212.0 million (equivalent to approximately HK\$229.8 million)

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

The Revised Leasing Annual Caps are estimated by the Directors with reference to (i) the unaudited amount of the transactions under the Master Leasing Agreement for the four months from 1 July 2007 to 31 October 2007; and (ii) the assumption that there will be an annual increase of approximately 56% in 2009. The assumption of the annual increase in the Revised Leasing Annual Caps is based on (i) the expected growth in the number of new department stores of the Group; and (ii) the anticipated appreciation in RMB.

3. CONCESSIONAIRE COUNTER ARRANGEMENTS

Background

As disclosed in the Prospectus, prior to the Listing, the Group entered into the Concessionaire Counter Arrangements with CTF Jewellery or its subsidiaries pursuant to which members of the Group provide floor space in its department stores to CTF Jewellery or its subsidiaries to exhibit and sell jewellery.

Pursuant to the concessionaire counter agreements, commissions and basic usage costs are payable by CTF Jewellery or its subsidiaries to members of the Group for the use of the concessionaire counters. Such commissions are calculated by a pre-determined percentage of sales made for each type of the products sold at the concessionaire counter and the gross sales figures of concessionaire counter, while the basic usage costs comprise the general promotional contributions and other fixed charges.

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Revision of Annual Caps

According to the management accounts of the Group for the period from 1 July 2007 to 31 December 2007, the aggregate sums with respect to the concessionaire counter agreements paid by CTF Jewellery or its subsidiaries to the Group amounted to approximately HK\$8,845,000, representing approximately 48.6% of the Original Concessionaire Annual Cap for the year ending 30 June 2008. The Directors confirm that the Original Concessionaire Annual Cap was not exceeded as at 31 January 2008.

In view of the above, the corresponding projected aggregate amount of the transactions contemplated under the Concessionaire Counter Arrangements for each of the two years ending 30 June 2008 and 2009 are likely to exceed the respective Original Concessionaire Annual Caps. Accordingly, the Directors propose to revise the annual caps for the Concessionaire Counter Arrangements for each of the two years ending 30 June 2008 and 2009 as follows:

	2006/07	2007/08	2008/09
Original Concessionaire Annual Cap	HK\$12.5 million	HK\$18.2 million	HK\$26.2 million
Actual amounts incurred	HK\$12,375,000	HK\$8,845,000 (for the period from 1/7/2007 to 31/12/2007)	—
Revised Concessionaire Annual Cap	—	RMB24.6 million (equivalent to approximately HK\$26.67 million)	RMB53.1 million (equivalent to approximately HK\$57.57 million)

The Revised Concessionaire Annual Caps are estimated by the Directors with reference to (i) the unaudited amount of the transactions under the Concessionaire Counter Arrangements for the six months from 1 July 2007 to 31 December 2007; and (ii) the assumption that there will be an annual increase of approximately 116% in 2009. The assumption in the annual increase in the Revised Concessionaire Annual Caps is based on (i) the growth in sales of concessionaire counters in the department stores of the Group; (ii) the anticipated appreciation in RMB; (iii) the additional contribution of sales of concessionaire counters in the acquired department stores; and (iv) the expected growth in the number of concessionaire counters in the department stores of the Group.

4. REASONS FOR AND BENEFITS OF REVISING CAPS AND LISTING RULES REQUIREMENTS

The Original Leasing Annual Caps are expected to be exceeded as a result of (i) the fast appreciation of RMB; (ii) the expansion in the number of stores; and (iii) the expansion in the turnover of stores as a turnover rent might be charged by the NWD Group in some of the leases. The Original Concessionaire Annual Caps are expected to be exceeded as a result of the fast appreciation of RMB and expansion in the number of stores and turnover of concessionaire counters. The Directors believe

LETTER FROM THE BOARD

that the entering into of the Master Leasing Agreement and the Supplemental Agreement may help the Group to regulate the existing and future lease agreements under a common framework agreement. The Directors also believe that including CTF Jewellery as one of the concessionaire counters in the stores of the Group enhances the Group's brand and product mix and raises the image and profile of the stores of the Group.

Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules. As more than one of the applicable percentage ratios in respect of the Revised Caps is more than 2.5%, the Transactions and the Revised Caps are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules. Accordingly, the Company will seek approval from the Independent Shareholders of the Transactions and the Revised Caps by way of poll at the EGM.

Dr. CHENG Kar-shun, Henry and Mr. CHENG Chi-kong, Adrian are common directors of NWD and the Company. The Directors (including the independent non-executive Directors) consider that the terms of the Transactions have been negotiated on an arm's length basis and on normal commercial terms, and the terms thereof and the Revised Caps are fair and reasonable and are in the best interests of the Group and the Shareholders as a whole. The Board recommends that the Independent Shareholders should vote in favour of the resolutions as set out in the EGM Notice.

5. INFORMATION ON THE PARTIES

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

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

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

6. PROCEDURES FOR DEMANDING A POLL

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

- (a) by the chairman of the meeting;
- (b) by at least three members present in person or by proxy entitled to vote at the meeting;
- (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting;
- (d) by any member or members present in person or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

LETTER FROM THE BOARD

- (e) if required by the Listing Rules, by any Director or Directors who individually or collectively hold proxies in respect of Shares representing five per cent or more of the total voting rights at the meeting.

7. EXTRAORDINARY GENERAL MEETING

Set out on pages 27 to 28 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve, among other things, the Transactions and the Revised Caps.

NWD, the controlling shareholder of the Company, is interested in approximately 72.29% of the entire issued share capital of the Company as at the Latest Practicable Date. CTF Jewellery is an associate of CTF, which in turn is a substantial shareholder of NWD. Hence both NWD and CTF Jewellery are connected persons of the Company under the Listing Rules.

In view of NWD's interest in the Master Leasing Agreement and the Supplemental Agreement and CTF Jewellery's interest in the Concessionaire Counter Arrangements, NWD, CTF Jewellery and their respective associates (including CTF) will abstain from voting in relation to the resolutions to approve the Transactions and the Revised Caps.

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

8. ACTION TO BE TAKEN

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

9. RECOMMENDATION

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

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



New World Department Store China Limited **新世界百貨中國有限公司**

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0825)

9 April 2008

To the Independent Shareholders

Dear Sir or Madam,

REVISION OF CAPS FOR MASTER LEASING AGREEMENT AND CONCESSIONAIRE COUNTER ARRANGEMENTS IN RESPECT OF 2008 AND 2009

We refer to the circular of the Company dated 9 April 2008 (the “Circular”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

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

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

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

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

Yours faithfully,
CHEONG Ying-chew, Henry
CHAN Yiu-tong, Ivan
TONG Hang-chan, Peter
YU Chun-fai, Henry
Independent Board Committee

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



道亨證券有限公司
DaoHengSecurities Ltd.
A Member of the Guoco Group

9 April 2008

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

Dear Sirs,

**REVISION OF CAPS FOR MASTER LEASING AGREEMENT AND
CONCESSIONAIRE COUNTER ARRANGEMENTS
IN RESPECT OF 2008 AND 2009**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions and the Revised Caps thereto are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Transactions are set out in the letter from the Board in the circular of the Company dated 9 April 2008 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as those defined in the Circular unless the context otherwise requires.

Prior to the Listing, the Company entered into the Master Leasing Agreement with NWD pursuant to which the Group agreed to continue to lease certain premises, and may from time to time lease new premises from the NWD Group, in accordance with the respective terms of the relevant leasing agreements. The Group had also entered into the Concessionaire Counter Arrangements with CTF Jewellery or its subsidiaries pursuant to which members of the Group agreed to provide floor space in its department stores to CTF Jewellery or its subsidiaries to exhibit and sell jewellery.

The Directors anticipated that the Original Leasing Annual Caps as set out in the Master Leasing Agreement and the Original Concessionaire Annual Caps for each of the two years ending 30 June 2008 and 2009 respectively are likely to be exceeded. Accordingly, the Directors propose to revise the respective annual caps for each of the two years ending 30 June 2008 and 2009. Since the highest of all applicable percentage ratios (as defined under the Listing Rules) of the Revised Caps amounts are above 2.5%, the Transactions and the Revised Caps are subject to the reporting, announcement and Independent Shareholders’ approval requirements under the requirements of Chapter 14A of the Listing Rules.

The Company is a subsidiary of NWD while CTF Jewellery is an associate of CTF, which is in turn a substantial shareholder of NWD. By virtue of the relationships between NWD, CTF Jewellery and the Company, NWD and CTF Jewellery are connected persons of the Company pursuant to Rule 14A.11

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Listing Rules and the Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. NWD and its associates (including CTF and CTF Jewellery) will abstain from voting on the relevant resolutions at the EGM.

The Independent Board Committee comprising the independent non-executive Directors, Mr. CHEONG Ying-chew, Henry, Mr. CHAN Yiu-tong, Ivan, Mr. TONG Hang-chan, Peter and Mr. YU Chun-fai, Henry, has been established to advise the Independent Shareholders as to whether the Transactions and the Revised Caps thereto are on normal commercial terms, in the ordinary and usual course of business and in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

BASIS OF OUR OPINION

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

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Transactions and the Revised Caps are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the following principal factors and reasons:

1. The Master Leasing Agreement and the Supplemental Agreement

a. *Background*

The Company is an owner and operator of department stores and is operating 31 department stores in the PRC and Hong Kong as at the Latest Practicable Date. Out of these 31 department stores, the Group owns and operates 18 stores while the remaining 13 stores are managed by the Group but are owned by independent third parties and the Group's connected persons.

As advised by the Directors, expanding the sales network through organic growth and extending the existing department stores are the key strategies for the Group's future development. The Directors realised the importance for locating suitable sites in order to achieve the Group's expansion plan and are, from time to time, looking for prime locations with convenient transport facilities and heavy pedestrian traffic for new department stores through various sources including the Group's connected persons.

As at the Latest Practicable Date, the Group has entered into leasing agreements with the NWD Group to lease certain premises in a number of cities in the PRC (including Harbin, Shenyang, Tianjin and Wuhan) and Hong Kong for the Group's business operations as department stores and/or offices purposes.

b. *Principal terms of the Supplemental Agreement*

For the 6-month period from 1 July 2007 to 31 December 2007, the Group has recorded an aggregate of approximately HK\$57,896,000 as the rental and management expenses payable to the NWD Group, representing approximately 40.2% of the Original Leasing Annual Cap for the year ending 30 June 2008. In view of the historical transactions and the future development of the Group, the Directors expect the Original Leasing Annual Caps for the two years ending 30 June 2008 and 2009 will be exceeded. On 19 March 2008, the Group entered into the Supplemental Agreement with NWD pursuant to which the Group and NWD agrees to revise the annual caps for the transactions contemplated under the Master Leasing Agreement while other terms of the Master Leasing Agreement remain unchanged and effective.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

c. *The Revised Leasing Annual Caps*

According to the Supplemental Agreement, the Directors propose the annual caps for the two years ending 30 June 2008 and 2009 to be revised as follows:

	For the year ending 30 June	
	2008	2009
Original Leasing Annual Caps	HK\$144.1 million	HK\$149.3 million
Revised Leasing Annual Caps	RMB135.7 million (equivalent to approximately HK\$147.1 million)	RMB212.0 million (equivalent to approximately HK\$229.8 million)

As advised by the Directors, the Revised Leasing Annual Caps are determined based on the rental and the management fees of (i) the existing department stores as set out in the respective leasing agreements; and (ii) the expected additional premises to be leased from the NWD Group.

Based on our discussions with the Directors, we understand that turnover rent might be charged by the NWD Group in some of the leases. In the opinion of the Directors, the Group experienced a strong retail sales growth recently which is better than they originally expected. As a result, the Directors expect the rental expenses for those department stores will be increased accordingly for the two years ending 30 June 2008 and 2009 respectively.

We noted from the Directors that the Group is planning to increase its sales network by leasing further premises from the NWD Group and to expand one of the existing department store by leasing additional floor areas in the second half of the financial year ending 30 June 2008 and/or the first half of the financial year ending 30 June 2009. Such leases, if materialise, will expect to increase the Group's rental expenses payable to the NWD Group.

Taking into account (i) the potential increase in rental expenses of a department store of the Group; and (ii) the future expansion plan of the Group, we are of the view that the bases for determining the Revised Leasing Annual Caps for the two years ending 30 June 2008 and 2009 are fair and reasonable so far as the Independent Shareholders are concerned.

2. The Concessionaire Counter Arrangements

a. Background

The Group's revenue mainly comprises of (i) commission income from concessionaire sales; (ii) direct sales of goods; (iii) management fee income receivable for the provision of management services to certain department stores not owned by the Group; and (iv) rental income. For the six months ended 31 December 2007, commission income from concessionaire sales amounted to approximately HK\$443.5 million, representing approximately 66.9% of total revenue of the Group.

CTF Jewellery is principally engaged in retailing of jewellery in Hong Kong and the PRC. As disclosed in the Prospectus, CTF Jewellery, together with its subsidiaries, was one of the Group's top five concessionaires in each of the years ended 30 June 2004, 2005 and 2006 and the six months ended 31 December 2006.

Prior to the Listing, the Group entered into the Concessionaire Counter Arrangements with CTF Jewellery or its subsidiaries for the provision of floor spaces at the Group's department stores to CTF Jewellery or its subsidiaries to exhibit and sell jewellery. Pursuant to the Concessionaire Counter Arrangements, the Group charges the relevant concessionaires commissions and basic usage costs. Such commissions are calculated by a pre-determined percentage of sales made for each type of products sold at the concessionaire counters and the gross sales generated at the concessionaire counters, while the basic usage costs comprise the general promotional contributions and other fixed charges.

As at the Latest Practicable Date, the Group has entered into various concessionaire counter agreements with CTF Jewellery or its subsidiaries for concessionaire counters situated in various department stores of the Group located in Harbin, Shanghai, Shenyang, Wuhan, and Xiamen, etc.

b. The Revised Concessionaire Annual Caps

For the 6-month period from 1 July 2007 to 31 December 2007, the Group recorded revenue of approximately HK\$8,845,000 from transactions contemplated under the Concessionaire Counter Arrangements. Such sum represented approximately 48.6% of the Original Concessionaire Annual Cap for the year ending 30 June 2008. The Directors believe the Original Concessionaire Annual Caps are likely to be exceeded and hence propose to revise the annual caps for the two years ending 30 June 2008 and 2009 as follows:

	For the year ending 30 June	
	2008	2009
Original Concessionaire Annual Caps	HK\$18.2 million	HK\$26.2 million
Revised Concessionaire Annual Caps	RMB24.6 million (equivalent to approximately HK\$26.67 million)	RMB53.1 million (equivalent to approximately HK\$57.57 million)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In arriving the Revised Concessionaire Annual Caps, the Directors have considered a number of factors including (i) the potential growth of jewellery sales generated by CTF Jewellery or its subsidiaries; (ii) the recent appreciation of RMB; (iii) additional contribution from the relevant concessionaire counter upon the completion of the acquisition of the Wuhan New Eagle Development Co., Ltd. Wuhan New World Department Store (the “Wuhan Department Store”); and (iv) the expected increase in number of concessionaire counters with CTF Jewellery or its subsidiaries. The bases for determining the Revised Concessionaire Annual Caps are evaluated as follow:

(i) *Potential growth of jewellery sales*

Based on the experience of the Directors, the jewellery sales are highly correlated to the demand of jewellery products and the commodity prices of major materials of the jewellery products. According to the information sourced from the National Bureau of Statistics of China, the total retail and wholesale of jewellery related products in the PRC experienced a substantial growth of approximately 41.7% in 2007 as compared to that of 2006. The Directors anticipate that the Group will be benefited from receiving more commissions under the growing trend of jewellery retail sales in the PRC.

Set out below are the movements of commodity prices of certain precious metals used for the production of jewellery:

	As at 30 June 2006	As at 30 June 2007	As at 31 March 2008	% change as compared with previous period	
	<i>US\$/Ounce</i>	<i>US\$/Ounce</i>	<i>US\$/Ounce</i>	<i>2007 vs 2006</i>	<i>2008 vs 2007</i>
Gold	615.85	649.65	916.88	+5.5%	+41.1%
Platinum	1,227.50	1,272.50	1,996.00	+3.7%	+56.9%
Silver	11.10	12.42	17.24	+11.9%	+38.8%

Source: Bloomberg

It is noted that the prices of gold, platinum and silver have been significantly increased over the recent years, in particular during the period from 1 July 2007 to 31 March 2008. The selling prices of the jewellery products are expected to be boosted up due to such appreciations of the relevant commodity prices. As a result, the Directors believe more commissions will be received from CTF Jewellery or its subsidiaries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Recent appreciation of RMB*

The business of the Group is principally operated in the PRC. Most of the revenue of the Group is hence in terms of RMB. As it is the Group's practice to use HK\$ as the Group's reporting currency in its financial statements, any fluctuations on the exchange rate of RMB against HK\$ may affect the revenue of the Group.

Set out below are the recent movements of the exchange rate of RMB/HK\$:

	As at 30 June 2006	As at 30 June 2007	As at 31 March 2008
RMB/HK\$	0.9715	1.0278	1.1100
% change	—	+5.8%	+8.0%

Source: Bloomberg

We noted that RMB has been appreciating over HK\$ during the period from 30 June 2006 to 31 March 2008. With the current trend of appreciation of RMB, the Directors believe the Group will record a higher revenue (which is in terms of HK\$), including the concessionaire income receivable from CTF Jewellery or its subsidiaries, resulted from the appreciation of RMB.

(iii) *Additional contribution from the Wuhan Department Store*

The Group was the operator of the Wuhan Department Store, which was originally owned by NWD. On 17 December 2007, the Group announced to acquire, among others, the entire equity interest at the Wuhan Department Store. Following the completion of this acquisition, the commission income from concessionaire sales in the Wuhan Department Store (including those receivable from CTF Jewellery or its subsidiaries) will be consolidated into the Group's financial statements, resulting in expected increase of future transaction amounts arising from the Concessionaire Counter Arrangements. Contributions from concessionaires of the Wuhan Department Store to the Group are expected to be fully reflected in the Group's financial statements for the year ending 30 June 2009.

(iv) *Expected increase in number of concessionaire counters with CTF Jewellery or its subsidiaries*

As part of the business development plan of the Group, the Directors believe the sales network of the Group will be expanded through acquisition of stores currently under the Group's management and opening of new stores at different cities. With the increase in number of department stores in the future, the Directors expect to enter into additional concessionaire counter agreements with CTF Jewellery or its subsidiaries. Commission income arising from such new concessionaire counter agreements are expected to be reflected in the Group's financial statements for the year ending 30 June 2009.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the above factors, we consider that the bases adopted to determine the Revised Concessionaire Annual Caps for the two years ending 30 June 2008 and 2009 are fair and reasonable and the Transactions and the Revised Concessionaire Annual Caps are in the interests of the Group and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the above principal factors and reasons as mentioned above, in particular the background and reasons for the Transactions and the assumptions made in determining the Revised Caps, we consider that the Transactions and the Revised Caps are on normal commercial terms, in the ordinary course of business, and in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution in relation to the Revised Caps, to be proposed at the EGM.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

(I) Long position in shares

	Number of shares			Total	Approximate percentage of shareholding
	Beneficial interests	Family interests	Interests of controlled corporation		
<i>The Company</i>					
Mr. CHENG Chi-kong, Adrian	—	—	1,107,000 ⁽¹⁾	1,107,000	0.07
Mr. CHEUNG Fai-yet, Philip	660,000	—	—	660,000	0.04
<i>NWD</i>					
Dr. CHENG Kar-shun, Henry	—	300,000	—	300,000	0.01
<i>NWS Holdings Limited</i>					
Dr. CHENG Kar-shun, Henry	9,179,199	587,000	8,000,000 ⁽²⁾	17,766,199	0.88
<i>Mega Choice Holdings Limited</i>					
Dr. CHENG Kar-shun, Henry	—	—	3,710 ⁽³⁾	3,710	34.61
<i>New World China Land Limited</i>					
Dr. CHENG Kar-shun, Henry	12,500,000	1,950,000	52,271,200 ⁽²⁾	66,721,200	1.74
Mr. CHENG Chi-kong, Adrian	110,400	—	760,000 ⁽¹⁾	870,400	0.02
Ms. NGAN Man-ying, Lynda	100,000	—	—	100,000	negligible

Notes:

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

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

Name of Director	Date of grant	Exercisable period	Number of share options held	Exercise price per share HK\$
Dr. CHENG Kar-shun, Henry	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	1,000,000	8.660
Mr. AU Tak-cheong	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	250,000	8.660
Mr. CHENG Chi-kong, Adrian	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	500,000	8.660
Mr. CHEUNG Fai-yet, Philip	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	1,500,000	8.660
	25/3/2008	25/3/2009 to 24/3/2014 ⁽²⁾	500,000	8.440
Mr. LIN Tsai-tan, David	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	459,000	8.660
	25/3/2008	25/3/2009 to 24/3/2014 ⁽²⁾	230,000	8.440
Mr. WONG Kwok-kan, Kenneth	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	501,000	8.660
	25/3/2008	25/3/2009 to 24/3/2014 ⁽²⁾	250,000	8.440
Ms. NGAN Man-ying, Lynda	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	500,000	8.660
Mr. CHEONG Ying-chew, Henry	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	250,000	8.660

Name of Director	Date of grant	Exercisable period	Number of share options held	Exercise price per share HK\$
Mr. CHAN Yiu-tong, Ivan	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	250,000	8.660
Mr. TONG Hang-chan, Peter	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	250,000	8.660
Mr. Yu Chun-fai, Henry	27/11/2007	27/11/2008 to 26/11/2013 ⁽¹⁾	250,000	8.660

Notes:

- (1) The share options were divided into 5 tranches being exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) The share options were divided into 5 tranches being exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (3) The cash consideration paid by each director for each grant of the share option is HK\$1.00.

(ii) *NWD*

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

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

(iii) *New World China Land Limited*

Name of Director	Date of grant	Exercisable period	Number of share options held	Exercise price per share HK\$
Dr. CHENG Kar-shun, Henry	7/1/2008	8/2/2008 to 7/2/2011	2,000,000 ⁽¹⁾	6.972
Mr. CHENG Chi-kong, Adrian	25/7/2006	26/8/2006 to 25/8/2011	442,000 ⁽²⁾	2.865
	7/1/2008	8/2/2008 to 7/2/2011	1,500,000 ⁽¹⁾	6.972
Ms. NGAN Man-ying, Lynda	7/1/2008	8/2/2008 to 7/2/2011	1,000,000 ⁽¹⁾	6.972

Notes:

- (1) Divided into 3 tranches, exercisable from 8 February 2008, 8 February 2009 and 8 February 2010, respectively to 7 February 2011.
- (2) Divided into 5 tranches, exercisable from 26 August 2006, 26 August 2007, 26 August 2008, 26 August 2009 and 26 August 2010, respectively to 25 August 2011.

(iv) *NWS Holdings Limited*

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

Note: 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.

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

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

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

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (not being Directors) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who (other than a member of the Group) was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Number of Shares held			Approximate percentage of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited (“CYTFH”) ⁽¹⁾	—	1,218,900,000	1,218,900,000	72.29
Centennial Success Limited (“Centennial”) ⁽²⁾	—	1,218,900,000	1,218,900,000	72.29
CTF ⁽³⁾	—	1,218,900,000	1,218,900,000	72.29
NWD	1,218,900,000	—	1,218,900,000	72.29

Notes:

- (1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the Shares deemed to be interested by Centennial.
- (2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF.
- (3) CTF together with its subsidiaries hold an aggregate of approximately 37.02% interest in NWD and is accordingly deemed to have an interest in the Shares interested by NWD.

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

4. EXPERT AND CONSENT

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

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

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

As at the Latest Practicable Date, Dao Heng does not have any direct or indirect interest in any assets which have since 30 June 2007 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group.

Dao Heng is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

5. MATERIAL ADVERSE CHANGE

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

6. SERVICE CONTRACTS

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

7. COMPETING INTERESTS

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

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

<u>Name of Director</u>	<u>Name of entity</u>	<u>Description of business</u>	<u>Nature of interest of the Director in the entity</u>
Dr. CHENG Kar-shun, Henry	NWD	Department store operation	Director and shareholder
	Lifestyle International Holdings Ltd. group of companies	Department store operation	Director
Mr. CHENG Chi-kong, Adrian	NWD	Department store operation	Director

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays) at the principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Master Leasing Agreement;
- (b) the Supplemental Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (d) the letter issued by Dao Heng, the text of which is set out on pages 11 to 18 of this circular; and
- (e) the written consent of Dao Heng referred to in paragraph 4 in this appendix.

9. GENERAL

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



New World Department Store China Limited
新世界百貨中國有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0825)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of the shareholders of New World Department Store China Limited (the “Company”) will be held at Four Seasons Suites 6–8, Level 2, Renaissance Kowloon Hotel, Hong Kong, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 29 April 2008 at 10:00 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 and the Supplemental Agreement (both as defined in the circular of the Company dated 9 April 2008 (the “Circular”), a copy of which together with copies of the Master Leasing Agreement and Supplemental Agreement have been produced to the meeting and marked “A”, “B” and “C” respectively and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Revised Leasing Annual Caps (as defined in the Circular) be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such acts and things, to sign and execute all such documents, instruments and agreements and to take all such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Master Leasing Agreement and the Supplemental Agreement and all other matters incidental thereto.”

2. **“THAT:**

- (a) the transactions contemplated under the Concessionaire Counter Arrangements (as defined in the Circular, a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) during the two financial years ending 30 June 2009 and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Revised Concessionaire Annual Caps (as defined in the Circular) be and are hereby approved; and

NOTICE OF EGM

- (c) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such acts and things, to sign and execute all such documents, instruments and agreements and to take all such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Concessionaire Counter Arrangements and all other matters incidental thereto.”

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

Hong Kong, 9 April 2008

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) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
- (4) The Ordinary Resolutions as set out above will be determined by way of a poll.
- (5) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (6) As at the date of this notice, the non-executive directors of the Company are Dr. CHENG Kar-shun, Henry and Mr. AU Tak-cheong; the executive directors of the Company are Mr. CHENG Chi-kong, Adrian, Mr. CHEUNG Fai-yet, Philip, Mr. LIN Tsai-tan, David, Mr. WONG Kwok-kan, Kenneth and Ms. NGAN Man-ying, Lynda; and the independent non-executive directors of the Company are Mr. CHEONG Ying-chew, Henry, Mr. CHAN Yiu-tong, Ivan, Mr. TONG Hang-chan, Peter and Mr. YU Chun-fai, Henry.