

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in **NEW WORLD DEPARTMENT STORE CHINA LIMITED**, you should at once hand this circular and the enclosed 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: 825)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

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



A letter from the Independent Board Committee (as defined in this circular) containing its recommendations in respect of the transaction under the Agreement (as defined in this circular) to the Independent Shareholders (as defined in this circular) is set out on page 11 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 12 to 17 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 Monday, 30 June 2008 at 10:00 am is set out on pages 29 to 30 of this circular. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, 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 meeting should you so wish.

Hong Kong, 23 May 2008

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## DEFINITIONS

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

“Agreement”	an agreement dated 5 May 2008 entered into among the Vendor, the Purchaser and Billion Glory relating to the sale and purchase of the Sale Share and the Shareholder’s Loan
“associates”	has the meaning ascribed to it under the Listing Rules
“Billion Glory”	Billion Glory Group Limited, a limited liability company incorporated in the BVI in August 2007, which is wholly owned by the Vendor
“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“Company”	New World Department Store China Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Transaction under the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Dao Heng” or “Independent Financial Adviser”	Dao Heng Securities Limited, a licensed corporation permitted to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO, an independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all independent non-executive directors of the Company

## DEFINITIONS

“Independent Shareholders”	Shareholders other than NWD and its associates
“Independent Valuer”	Jones Lang LaSalle Sallmanns Limited, a firm of professional valuers independent from the Company and its associates
“Latest Practicable Date”	means 19 May 2008, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	1 August 2008 or such later date as the parties to the Agreement may agree in writing
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“NWCL Group”	NWCL and its subsidiaries
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange, and is the controlling shareholder of NWCL and the Company
“PRC”	The People’s Republic of China
“Property”	the property located on the 1st to 4th Floor at 2 Nanjingnan Street, Heping District, Shenyang, Liaoning Province, PRC and at which Shenyang New World Department Store – Nanjing Street Branch Store (瀋陽新世界百貨 – 南京街店) is located
“Purchaser”	Viewtop International Limited, a limited liability company incorporated in the BVI, which is a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	the one ordinary share of US\$1.00 each in the share capital of Billion Glory beneficially owned by the Vendor, representing the entire issued share capital of Billion Glory
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	holder(s) of the Shares of the Company

## DEFINITIONS

“Shareholder’s Loan”	the outstanding shareholder’s loan of Billion Glory owed to the Vendor in the total amount of HK\$174,501,516 as of 31 December 2007
“Shares”	shares in the share capital of the Company, with a par value of HK\$0.10 each
“Shenyang New World”	Shenyang New World Department Store Co., Ltd. (瀋陽新世界百貨有限公司), a wholly-foreign-owned enterprise incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, and operates its department store business in the name of Shenyang New World Department Store – Nanjing Street Branch Store (瀋陽新世界百貨 – 南京街店)
“Shenyang New World Hotel”	Shenyang New World Hotel Co., Ltd (瀋陽新世界酒店有限公司), a wholly-foreign-owned enterprise incorporated in the PRC and an indirect wholly-owned subsidiary of NWCL, and is the owner of certain parts of the building at which the Property and Shenyang New World Department Store – Nanjing Street Branch Store (瀋陽新世界百貨 – 南京街店) are located
“Shenyang Trendy”	Shenyang Trendy Property Company Limited (瀋陽時尚物業有限公司), a wholly-foreign-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of Billion Glory
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the proposed acquisition of the Sale Share, being one ordinary share in Billion Glory representing its entire issued share capital, and the Shareholder’s Loan, by the Purchaser from the Vendor
“Vendor”	New World Development (China) Limited, a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of NWCL
“%”	per cent

## LETTER FROM THE BOARD



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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

*Non-executive Directors:*

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

*Executive Directors:*

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

*Independent non-executive Directors:*

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

*Registered office:*

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

*Principal place of business  
in Hong Kong:*

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

23 May 2008

*To the Shareholders*

Dear Sir and Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

The Board announced that on 5 May 2008, the Purchaser entered into the Agreement with the Vendor whereby the Purchaser agreed to acquire from the Vendor the Sale Share and the Shareholder's Loan for an aggregate consideration of HK\$270,000,000.

The principal asset of Billion Glory is Shenyang Trendy, which is the owner of the Property. The Directors believe that the Transaction will further enhance the Group's strategy of expanding its department stores network in the PRC.

Upon Completion, Billion Glory and Shenyang Trendy will become wholly-owned subsidiaries of the Group, and Billion Glory will owe the Shareholder's Loan to the Purchaser.

## LETTER FROM THE BOARD

### THE AGREEMENT

**Date:** 5 May 2008

**Parties:**

- (i) Purchaser: Viewtop International Limited
- (ii) Vendor: New World Development (China) Limited
- (iii) Company: Billion Glory Group Limited

### Subject matter to be acquired

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

Upon Completion, Billion Glory and Shenyang Trendy will become wholly-owned subsidiaries of the Group, and Billion Glory will owe the Shareholder's Loan to the Purchaser.

### Information on Billion Glory, Shenyang Trendy and the Property

Billion Glory was incorporated in the BVI in August 2007 and is an investment holding company which owns 100% legal and beneficial interests in Shenyang Trendy, which is the owner of the Property. The unaudited net asset value of Billion Glory, including the Shareholder's Loan, as at 31 December 2007 was HK\$225,507,492. The unaudited net profits before and after tax and extraordinary items attributable to Shenyang Trendy for the year ended 30 June 2007 prepared in accordance with the Hong Kong Financial Reporting Standards were HK\$39,155,443 and HK\$41,044,443, respectively, and that for the year ended 30 June 2006 were HK\$83,006,825 and HK\$59,748,171, respectively.

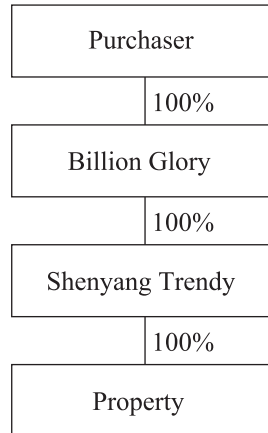
Set out below is the structure of Billion Glory immediately before and after the Completion:

*Immediately before the Completion*



## LETTER FROM THE BOARD

*Immediately after the Completion*



The Property is a commercial complex in the downtown of Shenyang in Liaoning province, PRC, comprising retail shop premises with a total gross floor area of approximately 13,889.55 square meters.

Shenyang Trendy is the sole legal and beneficial owner of the Property. The valuation letter and certificate are included in Appendix I to this circular.

### **Consideration**

The consideration of HK\$270,000,000 for the sale and purchase of the Sale Share and the Shareholder's Loan was agreed between the parties based on arm's length negotiations by reference to the unaudited net asset value of Billion Glory and the final draft of the valuation report of the Independent Valuer. As set out below, the Agreement is conditional on the receipt by the Purchaser of the formal valuation report. The consideration will be satisfied in whole and in cash by the Purchaser on Completion. The Transaction will be funded by the Group's internal resources.

### **Conditions of the Agreement**

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

- (i) the Vendor having performed all of the covenants and agreements required to be performed by it under the Agreement on or prior to Completion;
- (ii) all approvals and consents of third parties (including the Stock Exchange) which are necessary for the entering into and the implementation of the Agreement and all transactions contemplated under the Agreement having been obtained;
- (iii) the receipt by the Purchaser of a valuation report in respect of the Property prepared by a firm of independent valuers acceptable to the Purchaser;



## **LETTER FROM THE BOARD**

- (iv) the receipt by the Purchaser of a copy of the agreement duly signed and executed by Shenyang New World Hotel and Shenyang New World regarding the use of certain ancillary facilities in relation to the Property by Shenyang New World;
- (v) during the period from the date of the Agreement to Completion, there not having occurred any material adverse effect on, or there not being in existence on Completion any material adverse change in, the financial position, operating performance and all other aspects of Billion Glory and Shenyang Trendy; and
- (vi) the approval of the Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM by resolution passed in accordance with the requirements of the Listing Rules.

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

### **Completion**

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

### **REASONS FOR THE TRANSACTION**

The Company is principally engaged in the department store business and has emphasized the development of its department store business in the PRC. The Transaction will further enhance the Company's influence in the PRC as well as consolidate its status of becoming a dominant department store operator in the flourishing retail market in the PRC. The Directors believe that the Transaction will further enhance the Group's department store business. The Transaction will provide an opportunity for the Company to increase its interests in department store business in the north-eastern part of the PRC. Accordingly, the Directors believe that it is now an opportune time to proceed with the Transaction which, upon Completion, will further enhance the Group's strategy of expanding its department store network in the PRC.

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

## **LETTER FROM THE BOARD**

### **FINANCIAL EFFECTS OF THE TRANSACTION**

Upon Completion, Billion Glory and Shenyang Trendy will become wholly-owned subsidiaries of the Group, and Billion Glory will owe the Shareholder's Loan to the Purchaser. The Company's earnings, assets and liabilities will increase as a result of consolidation of the financial statements of Billion Glory and Shenyang Trendy. The Directors are of the view that the Transaction will have no immediate material financial effect on the Company.

### **INFORMATION RELATING TO THE GROUP**

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

### **INFORMATION RELATING TO THE NWCL GROUP**

The NWCL Group is principally engaged in the property development, property investment and property related business in the PRC.

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

The Purchaser and the Vendor are both indirect subsidiaries of NWD, who is interested in approximately 72.29% and 70% of the entire share capital of the Company and NWCL, respectively. Accordingly under the Listing Rules, the Vendor is a connected person of the Company, and the Transaction constitutes a connected transaction of the Company.

As more than one of the applicable percentage ratios in respect of the Transaction is more than 2.5% for the Company, the Transaction is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The EGM will be convened by the Company at which resolution will be proposed to seek approval of, among other things, the Agreement. At such meeting, the votes of the Independent Shareholders in relation to the Agreement will be taken by poll on which NWD and its associates and any Shareholders who have material interests in the Agreement will abstain from voting. The Independent Board Committee has been constituted to advise the Independent Shareholders relating to the Agreement. An independent financial adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. In addition, based on the applicable percentage ratios, the Transaction also constitutes a discloseable transaction of the Company under Rule 14.08 of the Listing Rules.

### **PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS**

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

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

## **LETTER FROM THE BOARD**

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

### **EXTRAORDINARY GENERAL MEETING**

Set out on pages 29 to 30 of this circular is the notice convening the EGM at which an ordinary resolution will be proposed to approve, among other things, the Agreement and the transactions contemplated thereunder.

NWD, being the controlling Shareholder, beneficially owning approximately 72.29% of the entire issued share capital of the Company as at the Latest Practicable Date, and its associates and any Shareholders who have material interests in the Agreement will abstain from voting on the resolution approving, among other things, the Agreement and the transactions contemplated thereunder to be proposed at the EGM.

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

### **ACTION TO BE TAKEN**

A proxy form for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 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 should they so wish.

## LETTER FROM THE BOARD

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular which contains its recommendation to the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Agreement and the transactions contemplated thereunder are on normal commercial terms in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Board recommends that the Independent Shareholders should vote in favour of the resolution as set out in the EGM notice.

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

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: 825)**

23 May 2008

*To the Independent Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to the circular of the Company dated 23 May 2008 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

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

Dao Heng has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 12 to 17 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 4 to 10 of the Circular and the general information set out in the appendix.

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

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Dao Heng in respect of the transactions contemplated under the Agreement, which has been prepared for the purpose of inclusion in this circular.*



道亨證券有限公司

**DaoHeng**Securities Ltd.

A Member of the Guoco Group

23 May 2008

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

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF INTERESTS IN BILLION GLORY GROUP LIMITED**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement as to whether the terms of the transactions contemplated under the Agreement are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Transaction are set out in the letter from the Board in the circular of the Company dated 23 May 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.

On 5 May 2008, the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, a wholly-owned subsidiary of NWCL, pursuant to which the Purchaser conditionally agreed to acquire the entire issued share capital of Billion Glory (the “Sale Share”) and the Shareholder’s Loan at an aggregate consideration of HK\$270,000,000 (the “Consideration”). Upon completion of the Transaction, Billion Glory and Shenyang Trendy (together the “Billion Glory Group”) will become wholly-owned subsidiaries of the Group, and Billion Glory will owe the Shareholder’s Loan to the Purchaser.

The Transaction constitutes a discloseable transaction of the Company under Rule 14.08 of the Listing Rules. As at the Latest Practicable Date, the Purchaser and the Vendor are indirect subsidiaries of NWD, who is interested in approximately 72.29% and 70% of the entire share capital of the Company and NWCL, respectively. As such, the Vendor is a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. Accordingly, the Transaction also constitutes a connected transaction of the Company and is subject to approval of the Independent Shareholders at the EGM to be held by the Company. NWD and its associates are required to abstain from voting on the relevant resolution in relation to the Transaction.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### **BASIS OF OUR OPINION**

We are not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Transaction. 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 Transaction, we have relied on the information supplied, representations made and opinions expressed by the Company, its Directors, advisers and representatives, for which they are solely responsible. We have assumed that all such information and representations were true, accurate and complete at the time they were made and continue to be so at the date of this letter. We have also assumed that all statements of belief, opinion and intention of the Directors, the Company's advisers and representatives produced to us were reasonably made after due and careful inquiry. We have been advised by the Company that no material facts, the omission of which would make any statement or opinion contained in this letter to be misleading, have been omitted from the information provided by the Company to us.

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

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

#### **I. Background to and reasons for the Transaction**

##### *a. Background information of the Group*

The Company is an owner and operator of department stores and is operating 32 department stores in various regions in the PRC and Hong Kong as at the Latest Practicable Date. Northeastern China region, which includes Shenyang, Harbin and Dalian, was the largest geographical segment of business of the Group which contributed approximately 30.1% of total revenue of the Group for the six-month period ended 31 December 2007.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group owns and operates 19 stores while the remaining 13 stores are managed by the Group but are owned by independent third parties and the Group's connected persons. Out of the 19 self-owned stores, the Group owns the land use rights and buildings of 4 stores while the retail premises of the remaining self-owned stores are leased from the respective landlords.

b. *Background information of Billion Glory and the Property*

Billion Glory is an investment holding company holding 100% legal and beneficial interests of Shenyang Trendy, which is the sole owner of the Property. The Property is a commercial complex in the downtown of Shenyang in Liaoning Province, the PRC, comprising retail shops premises with a total gross floor area of approximately 13,889.55 square meters. It is currently leased by the Group as a department store.

The Property is the principal asset of Billion Glory and Shenyang Trendy and the principal income of Billion Glory Group is derived from the leasing of the Property. As at 31 December 2007, the unaudited net asset value of Billion Glory Group, including the Shareholder's Loan, was approximately HK\$225.5 million.

The unaudited financial information of Shenyang Trendy (prepared in accordance with the Hong Kong Financial Reporting Standards) for the two financial years ended 30 June 2007 is summarised as follows:

	<b>For the year ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>unaudited</i>	<i>unaudited</i>
Net profits before tax and extraordinary items	39,155	83,007
Net profits after tax and extraordinary items	41,044	59,748

c. *Reasons of the Transaction*

The Group has emphasised the development of its department store business in the PRC and is looking for potential markets for further expansion through organic growth and acquisitions. Stores in prime locations as well as the leased properties at existing stores are considered by the Directors as the Group's acquisition targets.

Locating prime locations with convenient transport facilities and heavy pedestrian traffic for the Group's department store operations has long been identified by the Directors as a key strategy for the Group's future business expansions. Upon completion of the Transaction, the Group will own the Property which will secure the Group to continue to operate its department store at a favourable downtown area. Accordingly, the Directors consider that the Transaction will facilitate and enhance the Group's strategies of expanding its department store network in the PRC and will further enhance the Group's influence in the PRC as well as consolidate its status of becoming a dominant department store operator in the flourishing retail market in the PRC.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) it is one of the Group's business strategies to expand its business through acquisitions of properties currently leased by the Group as department stores; and (ii) the Transaction will enable the Group to secure its department store locating in prime area in Shenyang, we concur with the view of the Directors that the Transaction is in the interest of the Group and the Shareholders as a whole.

### II. Consideration for the Transaction

#### *The Consideration and payment method*

Pursuant to the Agreement, the Purchaser agreed to acquire from the Vendor the Sale Share and the Shareholder's Loan at the total consideration of HK\$270,000,000 which will be settled in whole and in cash on Completion.

#### *Bases of determination*

The Consideration was agreed between the parties based on arm's length negotiations by reference to the valuation of the Property as appraised by the Independent Valuer and the unaudited net asset value of Billion Glory Group and the Shareholder's Loan.

##### a. *Valuation of the Property*

The Property was valued at RMB250 million as at 31 March 2008 according to the valuation report prepared by the Independent Valuer dated 23 May 2008 (the "Valuation Report"). We note that the appraised value is comparable to the carrying value of the Property as recorded in the unaudited management account of Billion Glory Group as at 31 December 2007.

As stated in the Valuation Report, the Property was valued through the investment method by capitalising the net rental of the Property derived from the existing tenancy with due allowance for the reversionary income of the tenancy to the current market rental at a rate determined by the Independent Valuer. We understand that the valuation was conducted in compliance with all the requirements contained in Chapter 5 and Practice Note 12 to the Listing Rules and the relevant valuation standards published by professional organisations. Accordingly, we consider that it is reasonable to take the view that the valuation is fair and reasonable.

##### b. *Unaudited net asset value of Billion Glory Group*

The unaudited net asset value of Billion Glory Group, including the Shareholder's Loan, amounted to approximately HK\$225.5 million as at 31 December 2007. As advised by the Directors, the Consideration is determined based on the unaudited management account of Billion Glory Group after taking into account a number of factors including (i) the reasons of entering into the Transaction as stated above; (ii) the rental of the Property under the lease term of the existing tenancy agreement; and (iii) the recent appreciation of the land price in Shenyang.

As explained above, acquisition of properties at prime locations is one of the key strategies of the Group for its future development. Shenyang New World Department Store — Nanjing Street Branch Store (the "Department Store") has commenced its operation at the Property since November 1995 and is the first department store operated by the Group in the Northeastern China

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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district. The Directors considered that the Department Store has well-established its own brand name and reputations after over a decade's operation in Shenyang. As such, the Directors believe that the Group will be benefited from the Transaction to enable the Department Store to continue its operation at the same location in the long run.

We are given to understand that the Group has entered into a tenancy agreement on 17 May 2006 to lease the Property for a term expiring on 30 April 2009 with an option to renew every 3 years until 30 April 2027 (the "Tenancy Agreement"). Pursuant to the Tenancy Agreement, the rental is charged at an initial annual basic rent of RMB18 million with an annual increment of 3% or the annual turnover rent of 5% of after-tax annual business incomes, whichever is higher. As advised by the Directors, given the recent favourable market conditions in retail sector, the rental for the year ended 30 June 2007 of approximately RMB22 million was charged principally based on the annual turnover of the Department Store. The Directors are of the view that the Transaction will enable the Group to effectively control its operating expenses such that the Group will be no longer subject to the potential risk of escalating rental expenses due to future performances of the Department Store upon completion of the Transaction.

The Directors believe that it is an opportune time to proceed with the Transaction having considering the recent appreciation of land prices in Shenyang. According to the information published in the website of the Ministry of Land and Resources of the PRC, the recent average prices of land (for commercial use) in Shenyang are summarised as follows:

	<b>2005</b>	<b>2006</b>	<b>2008 (Up to the first quarter)</b>
	<i>RMB/square meter</i>	<i>RMB/square meter</i>	<i>RMB/square meter</i>
Average land price	1,787	1,982	2,133
Difference	—	+10.9%	+7.6%

We note that the land prices (for commercial use) in Shenyang is appreciating over the recent periods. Accordingly, we concur with the view of the Directors that the Transaction will enable the Group to lock the acquisition price at the current agreed level against any future possible appreciations of the Property.

Having taken into account (i) the appraised value of the Property; (ii) the unaudited net asset value of Billion Glory Group and the Shareholder's Loan; (iii) the benefits of the Transaction; (iv) the recent rental for leasing the Property; and (v) the recent trend of land prices in Shenyang, we are of the view that the bases for determining the Consideration are fair and reasonable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### III. Possible financial impacts of the Transaction to the Group

#### a. *Net asset value*

Upon completion of the Transaction, Billion Glory and Shenyang Trendy will become wholly-owned subsidiaries of the Company. The assets and liabilities of the Billion Glory Group will be consolidated into the Group's financial statements afterwards. The Consideration over the fair value of the identifiable net asset value of the Billion Glory Group will be recorded as goodwill in the Group's financial statement. As a result, the Directors do not expect the Transaction will have any material adverse impact to the Group's net asset value immediately upon completion of the Transaction.

#### b. *Earnings*

Immediately upon completion of the Transaction, the rental expenses of the Group for leasing the Property will be saved. The Directors believe that the earnings of the Group will be enhanced as a result.

#### c. *Working Capital*

It is noted from the latest interim report published by the Company that the Group had cash and cash equivalent of approximately HK\$3,932 million as at 31 December 2007. With a view to facilitate the Transaction and future acquisitions of leased properties and other properties for the operation of department stores, as stated in the Company's announcement dated 5 May 2008, the Directors decided to revise the use of proceeds received by the Group from the Global Offering and to allocate approximately HK\$910 million of net proceeds for the said purposes. On these bases, the Directors are of the view that the settlement of the Consideration, which will be funded by the Group's internal resources, will not have a material negative effect to the working capital of the Group.

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

### RECOMMENDATIONS

Having considered the principal factors and reasons as referred above, we consider that the Transaction is in the ordinary and usual course of business of the Group and the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we are of the view that the Transaction is in the interest of the Company and the Shareholders as a whole. We therefore 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 to approve the Agreement and the transactions contemplated thereunder, to be proposed at the EGM.

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

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2008 of the Property held by Shenyang Trendy Property Company Limited.*



Jones Lang LaSalle Sallmanns Limited  
22nd Floor Siu On Centre  
188 Lockhart Road  
Wanchai Hong Kong  
tel +852 2169 6000 fax +852 2169 6001

23 May 2008

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

Dear Sirs,

**Re: Levels 1 to 4, Commercial portion of Shenyang New World Hotel Shopping Mall, No. 2 Nanjing Nan Street, Heping District, Shenyang City, Liaoning Province, the PRC.**

In accordance with your instructions to value the above property (the “Property”) of which Shenyang Trendy Property Company Limited (“Shenyang Trendy”) has interest in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as at 31 March 2008 (the “date of valuation”). Viewtop International Limited, a wholly-owned subsidiary of New World Department Store China Limited (the “Company”) (the Company and its subsidiaries hereinafter referred to as the “Group”), intends to acquire from New World Development (China) Limited (the “Vendor”) the entire issued share capital of Billion Glory Group Limited (“Billion Glory”) and the outstanding shareholder’s loan of Billion Glory owed to the Vendor. The principal asset of Billion Glory is Shenyang Trendy.

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

We have valued the Property by the investment method by taking into account the net rental income of the Property derived from the existing tenancy with due allowance for the reversionary income of the tenancy to the current market rental. These rentals have then been capitalised at an appropriate capitalisation rate.

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

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

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

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

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

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

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

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

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

Our valuation certificate is attached.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Sallmanns Limited**  
**Paul L. Brown**  
*B.Sc. FRICS FHKIS*  
*Director*

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

## VALUATION CERTIFICATE

## PROPERTY INTEREST HELD FOR INVESTMENT BY SHENYANG TRENDY IN THE PRC AS AT 31 MARCH 2008

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 RMB
Levels 1 to 4 Commercial portion of Shenyang New World Hotel Shopping Mall No. 2 Nanjing Nan Street Heping District Shenyang City Liaoning Province The PRC	<p>The Property comprises levels 1 to 4 of the commercial portion of a 26-storey building completed in about 1988.</p> <p>The Property has a total gross floor area of approximately 13,889.55 sq.m.</p> <p>The Property is leased to Shenyang New World Department Store Co., Ltd. ("Shenyang New World") from Shenyang Trendy, a connected party, for a term of 3 years commencing from 1 May 2006 and expiring on 30 April 2009 with an option to renew every 3 years until 30 April 2027.</p> <p>The land use rights of the Property were granted for a term expiring on 25 July 2044 for commercial use.</p>	The Property is currently occupied by Shenyang New World as a department store.	250,000,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate — Shenyang Guo Yong (2008) Di No. 0081 dated 30 April 2008, the land use rights of a parcel of land with an apportioned land area of approximately 3,108.97 sq.m. were granted to Shenyang Trendy for a term expiring on 25 July 2044 for commercial use.
2. Pursuant to a Building Ownership Certificate — Shen Fang Quan Zheng Zhong Xin Zi Di No. N060038674 dated 11 April 2008, the Property with a gross floor area of approximately 13,889.55 sq.m. is held by Shenyang Trendy.
3. Pursuant to a Tenancy Agreement entered into between Shenyang Trendy, a connected party, and Shenyang New World, an indirect wholly-owned subsidiary of the Company, dated 17 May 2006, the Property, with a gross floor area of approximately 13,889.55 sq.m., is leased to Shenyang New World for a term of 3 years from 1 May 2006 and expiring on 30 April 2009 with an option to renew every 3 years until 30 April 2027. The initial annual base rent is RMB18,000,000 with an annual increment of 3% or the annual turnover rent of 5% of after-tax annual business incomes, whichever is higher. Shenyang New World has the right to sub-lease portions or the entire Property to a third party with the use of the Property restricted to department store and retail uses during the lease term, as long as the sub-leases comply with the relevant regulations and terms in the head tenancy agreement.
4. We have been provided with a legal opinion regarding the Property by the Group's PRC legal advisers, which contains, *inter alia*, the following:
  - (i) The building ownership rights and the land use rights of the Property are legally owned by Shenyang Trendy and protected by the PRC laws.
  - (ii) The building ownership rights and land use rights of the Property can be used, transferred, leased and mortgaged by Shenyang Trendy in accordance with the PRC laws.
  - (iii) The Property is not subject to sale, transfer, mortgage, resumption or any other third party interests.
  - (iv) The existing use of the Property complies with the prescribed user.
  - (v) The Tenancy Agreement stated in note 3 above is valid and enforceable.
  - (vi) There is no information showing that Shenyang New World has sub-leased any portion of the Property to any third party.

## 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 executives 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		
<b>The Company</b>					
Mr. Cheng Chi-kong, Adrian	—	—	1,107,000 <sup>(1)</sup>	1,107,000	0.07
Mr. Cheung Fai-yet, Philip	660,000	—	—	660,000	0.04
<b>NWD</b>					
Dr. Cheng Kar-shun, Henry	—	300,000	—	300,000	0.01
<b>NWS Holdings Limited</b>					
Dr. Cheng Kar-shun, Henry	9,179,199	587,000	8,000,000 <sup>(2)</sup>	17,766,199	0.88
<b>Mega Choice Holdings Limited</b>					
Dr. Cheng Kar-shun, Henry	—	—	3,710 <sup>(3)</sup>	3,710	34.61
<b>NWCL</b>					
Dr. Cheng Kar-shun, Henry	12,500,000	1,950,000	52,271,200 <sup>(2)</sup>	66,721,200	1.74
Mr. Cheng Chi-kong, Adrian	110,400	—	760,000 <sup>(1)</sup>	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 <sup>(1)</sup>	1,000,000	8.660
Mr. Au Tak-cheong	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	500,000	8.660
Mr. Cheung Fai-yet, Philip	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	1,500,000	8.660
	25/03/2008	25/3/2009 to 24/3/2014 <sup>(2)</sup>	500,000	8.440
Mr. Lin Tsai-tan, David	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	459,000	8.660
	25/03/2008	25/3/2009 to 24/3/2014 <sup>(2)</sup>	230,000	8.440
Mr. Wong Kwok-kan, Kenneth	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	501,000	8.660
	25/03/2008	25/3/2009 to 24/3/2014 <sup>(2)</sup>	250,000	8.440
Ms. Ngan Man-ying, Lynda	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	500,000	8.660
Mr. Cheong Ying-chew, Henry	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660
Mr. Tong Hang-chan, Peter	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660
Mr. Yu Chun-fai, Henry	27/11/2007	27/11/2008 to 26/11/2013 <sup>(1)</sup>	250,000	8.660

*Notes:*

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

(ii) *NWD*

Name of Director	Date of grant	Exercisable period <sup>(Note)</sup>	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 are divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011, respectively, to 18 March 2012.

(iii) *NWCL*

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 <sup>(1)</sup>	6.972
Mr. Cheng Chi-kong, Adrian	25/7/2006	26/8/2006 to 25/8/2011	442,000 <sup>(2)</sup>	2.865
	7/1/2008	8/2/2008 to 7/2/2011	1,500,000 <sup>(1)</sup>	6.972
Ms. Ngan Man-ying, Lynda	7/1/2008	8/2/2008 to 7/2/2011	1,000,000 <sup>(1)</sup>	6.972

*Notes:*

- (1) The share options are divided into 3 tranches exercisable from 8 February 2008, 8 February 2009 and 8 February 2010, respectively, to 7 February 2011.
- (2) The share options are 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 <sup>(Note)</sup>	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 executives of the Company had any interest or short position 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 INTERESTS 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company:

Name	Number of Shares held			Approximate percentage of shareholding
	Beneficial interest	Corporate interest	Total	
Cheng Yu Tung Family (Holdings) Limited (“CYTFH”) <sup>(1)</sup>	—	1,218,900,000	1,218,900,000	72.29
Centennial Success Limited (“Centennial”) <sup>(2)</sup>	—	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited (“CTF”) <sup>(3)</sup>	—	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 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 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### 4. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
Dao Heng	Licensed corporation permitted 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
Jones Lang LaSalle Sallmanns Limited	Professional valuers

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

As at the Latest Practicable Date, neither Dao Heng nor Jones Lang LaSalle Sallmanns Limited was beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which had since 30 June 2007 (being the date to 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 or which were proposed to be acquired or disposed of by or leased to any member of the Group.

## 5. MATERIAL ADVERSE CHANGE

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

## 6. SERVICE CONTRACTS

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

## 7. LITIGATION

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

## 8. COMPETING INTERESTS

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

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

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

## 9. MISCELLANEOUS

- (i) The company secretary and qualified accountant of the Company is Mr. Wong Kwok-kan, Kenneth. Mr. Wong is an associate member of The Hong Kong Institute of Certified Public Accountants.

- (ii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iii) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iv) The English text of this circular and the enclosed proxy form shall prevail over its Chinese text.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (i) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (ii) the letter from the Independent Financial Adviser, the text of which is set out on pages 12 to 17 of this circular;
- (iii) the valuation report, by Jones Lang LaSalle Sallmanns Limited, as referred to on pages 18 to 21 of this circular;
- (iv) the written consents referred to in paragraph 4 headed "Experts and consents" of this appendix; and
- (v) the Agreement.

## NOTICE OF EGM



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

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

**(Stock Code: 825)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of New World Department Store China Limited (the “Company”) will be held at Four Seasons, Suites 6–8, Level 2, Renaissance Kowloon Hotel, Hong Kong, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 30 June 2008 at 10:00 am for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the agreement (the “Agreement”) dated 5 May 2008 entered into among (i) New World Development (China) Limited; (ii) Viewtop International Limited; and (iii) Billion Glory Group Limited, a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which Viewtop International Limited, a wholly-owned subsidiary of the Company will acquire from New World Development (China) Limited one ordinary share of US\$1.00 each in the share capital of Billion Glory Group Limited and the shareholder’s loan in the total amount of HK\$174,501,516.00 as of 31 December 2007 owed by Billion Glory Group Limited to New World Development (China) Limited, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “Directors”) be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith; and
- (c) the Directors be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Agreement and to make such variation, amendment and waiver of any matter relating thereto or in connection therewith which in the opinion of the Directors is not of a material nature and is in the interests of the Company and the shareholders of the Company as a whole.”

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

Hong Kong, 23 May 2008

## NOTICE OF EGM

*Notes:*

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
- (5) The ordinary resolution as set out above will be determined by way of a poll.
- (6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (7) As at the date of this notice, the non-executive Directors are Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong; the executive Directors are Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Lin Tsai-tan, David, Mr. Wong Kwok-kan, Kenneth, and Ms. Ngan Man-ying, Lynda; and the independent non-executive Directors are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry.