

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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DISCLOSEABLE AND CONNECTED TRANSACTION

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

VEDA | CAPITAL
智 略 資 本

A letter from the Independent Board Committee containing its recommendations in respect of the Framework Agreement to the Independent Shareholders is set out on page 12 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 18 of this circular.

A notice convening an extraordinary general meeting of New World Department Store China Limited to be held at Meeting Room N101A (New Wing), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 23 November 2010 at 11:00 am is set out on pages 33 to 34 of this circular. Whether or not you are able to attend the meeting, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Hong Kong, 25 October 2010

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DEFINITIONS

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

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor under the Framework Agreement
“Actual Area”	the floor area of the Building as stipulated on 房屋所有權證 (Building Ownership Certificate) in respect of the Building to be issued in the name of the Purchaser
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Building”	certain exclusive and common-use areas of Lower Ground Level 1 to Upper Ground Level 5 of the Project; and certain exclusive-use portion of the equipment and facility room of Lower Ground Level 2 to Lower Ground Level 3 and that of Upper Ground Level 6 of the Project for the exclusive use of the Purchaser
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Property in the sum of RMB456,534,000 subject to adjustments as set out in the Framework Agreement
“Contracted Area”	the floor area of the Building as agreed by the parties in the SP Agreement in accordance with the area as stipulated on the 商品房預售許可證 (Permit For The Pre-sale of Commercial Housing)
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at Meeting Room N101A (New Wing), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 23 November 2010 at 11:00 am for the purposes of considering and, if thought fit, approving the Framework Agreement and the transaction contemplated thereunder
“Framework Agreement”	房屋買賣框架合同 (Framework Agreement for Sale and Purchase of Property) entered into between the Vendor and the Purchaser dated 4 October 2010 pursuant to which, inter alia, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Property
“Group”	the Company and/or its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation for carrying out type 6 (advising on corporate finance) regulated activities under the SFO
“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
“Land”	the parcel of land located at 中國遼寧省瀋陽市南寧南街東地塊 (east land lot of Nanning South Street, Shenyang City, Liaoning Province, the PRC) (State-owned Land Use Right Certificate Number: Shenyang Guoyong (2009) No. 0164)

DEFINITIONS

“Latest Practicable Date”	20 October 2010, 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
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“NWCL Group”	NWCL and/or its subsidiaries from time to time
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange, and is the controlling shareholder of NWCL and the Company
“PRC”	the People’s Republic of China
“Project”	the building, temporarily known as 瀋陽新世界商業中心一期 (Shenyang New World Commercial Centre Phase I), to be developed by the Vendor on the Land
“Projected Area”	the estimated buildable floor area of the Building as set out in the Framework Agreement, being approximately 25,363 square metres
“Property”	represents (i) the building ownership right and the land use right of the Building; (ii) the right of use of certain outer wall area of Upper Ground Levels 1 to 5 of the Project, certain exclusive areas (such as facility rooms) on the accessible podium of Upper Ground Level 6 of the Project, and the relevant outdoor areas of the Project as prescribed in the Framework Agreement; and (iii) the right of use of the equipment and facilities and the electrical and mechanical systems to be exclusively used by the Purchaser as confirmed by the Vendor and Purchaser, and the right of use of the common areas and common equipment and facilities as prescribed in the Framework Agreement

DEFINITIONS

“Purchaser”	瀋陽新世界百貨有限公司 (Shenyang New World Department Store Ltd.), an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	the ordinary share(s) in the issued share capital of the Company with a par value of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Shares
“SP Agreement”	商品房買賣合同 (Agreement for Sale and Purchase of Commercial Housing), together with any agreement supplemental thereto, to be entered into between the Vendor and the Purchaser in respect of the Acquisition pursuant to the Framework Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance, Chapter 32 of the Law of Hong Kong
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Vendor”	瀋陽新世界酒店有限公司 (Shenyang New World Hotel Co., Ltd.), an indirect wholly-owned subsidiary of NWCL
“%”	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 RMB0.88 = HK\$1.00. No representation is made that any amounts in HK\$ or RMB can be or could have been converted at the relevant dates at the above rate or any other rates at all.

LETTER FROM THE BOARD



新世界百貨中國有限公司
New World Department Store China Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 825)

Non-executive Directors:

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

Executive Directors:

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

Independent non-executive Directors:

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

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

Room 1604-08, 16/F
New World Tower 1
18 Queen's Road Central
Hong Kong

25 October 2010

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

(1) INTRODUCTION

The Board refers to the announcement of the Company dated 4 October 2010 in relation to the Framework Agreement.

The purposes of this circular are, among other things: (i) to provide you with further details of the Framework Agreement; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement; (iii) to set out the recommendations and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the Independent Financial Adviser in relation to the Framework Agreement; and (iv) to give you the notice of the EGM at which an ordinary resolution will be proposed to approve the Framework Agreement.

LETTER FROM THE BOARD

(2) DISCLOSEABLE AND CONNECTED TRANSACTION

A. BACKGROUND

By the announcement dated 4 October 2010, the Company announced that on 4 October 2010, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Framework Agreement with the Vendor, an indirect wholly-owned subsidiary of NWCL, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Property for a consideration of RMB456,534,000, equivalent to approximately HK\$518,788,636 (subject to adjustments).

B. THE FRAMEWORK AGREEMENT

Date: 4 October 2010

Parties: (i) The Vendor; and
(ii) The Purchaser.

Subject matter

Subject to the terms of the Framework Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire the Property, which is part of the Project to be erected on the parcel of land located at 中國遼寧省瀋陽市南寧南街東地塊 (east land lot of Nanning South Street, Shenyang City, Liaoning Province, the PRC).

The estimated buildable floor area of the Building (which is part of the Property) shall be approximately 25,363 square metres. The designated use of the Building is commercial and the term of the land use right of the Land is from 14 August 2009 to 29 June 2049. As at the Latest Practicable Date, the Project is under construction by the Vendor. The original acquisition cost of the Land and the book value attributable to the portion of the Property was RMB30,400,000. According to the valuation prepared by an independent valuer, the appraised value of the Property as at 31 July 2010 was RMB456,000,000.

The Vendor will be responsible for the construction of the Project and has undertaken that the completion of the construction of the Building shall not be later than 31 August 2012 and the Vendor shall handover the completed Building to the Purchaser and obtained 建築工程竣工驗收備案表 (Constructions Works Completion Inspection Certificate) on or before 31 August 2012.

LETTER FROM THE BOARD

Consideration

The Consideration for the Acquisition is preliminarily determined at RMB456,534,000 (being the Projected Area multiplied by RMB18,000 per square metre) and is payable in cash by the Purchaser to the Vendor. The Consideration will be funded by the internal resources of the Purchaser.

Under the Framework Agreement, the Contracted Area will be determined by the parties upon signing of the SP Agreement in accordance with the area stipulated in the 商品房預售許可證 (Permit For The Pre-sale of Commercial Housing). The Consideration shall then be adjusted in accordance with the increase or decrease of the Contracted Area as compared with the Projected Area at the rate of RMB18,000 per square metre. In the event of any further deviation between the Contracted Area and the Actual Area, the Consideration will further be adjusted at the rate of RMB18,000 per square metre. It is estimated that the maximum consideration payable by the Purchaser is RMB486,000,000 based on this adjustment mechanism.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with the Purchaser's reference to the appraised value of the Property based on the valuation prepared by the Independent Valuer, a copy of the relevant valuation report is included in Appendix I to this circular, market price of other properties in the vicinity of the Land, economic factors and the potential of the Property.

Payment of Consideration

The Consideration is payable by the Purchaser to the Vendor in accordance with the following manner:

- (i) 10% of the Consideration, equivalent to RMB45,653,400, is payable by the Purchaser to the Vendor within 10 working days upon the signing of the Framework Agreement;
- (ii) 10% of the Consideration, equivalent to RMB45,653,400, is payable by the Purchaser to the Vendor within 10 working days upon the provision by the Vendor of 建設工程規劃許可證 (Construction Engineering Planning Permit), 建築工程施工許可證 (Construction Works Commencement Permit) and other construction related documents as prescribed in the Framework Agreement;
- (iii) 20% of the Consideration, equivalent to RMB91,306,800 (or such amount as to be adjusted based on the Contracted Area in accordance with the Framework Agreement), is payable by the Purchaser to the Vendor within 10 working days upon the receipt by the Vendor of 商品房預售許可證 (Permit For The Pre-sale of Commercial Housing) in respect of the Project and the SP Agreement was entered into by the parties and the registration of the SP Agreement has been completed;

LETTER FROM THE BOARD

- (iv) 40% of the Consideration, equivalent to RMB182,613,600 (or such amount as to be adjusted based on the Contracted Area in accordance with the Framework Agreement), is payable by the Purchaser to the Vendor within 10 working days upon the signing of a confirmation by the Purchaser acknowledging the completion of the construction of the main structure of the Building (which shall be completed on or before 31 May 2011 and the photos of such completed construction and the confirmation letter issued by the supervisor of the Project shall be provided by the Vendor);
- (v) 20% of the Consideration, equivalent to RMB91,306,800 (or such amount as to be adjusted based on the Contracted Area in accordance with the Framework Agreement), is payable by the Purchaser to the Vendor within 10 working days upon the handover of the Building in accordance with the Framework Agreement and the signing of 房屋交接確認書 (Confirmation On The Handover of The Building) by the Vendor and the Purchaser; and
- (vi) the balance of the Consideration, after taking into account the Actual Area and the adjustment mechanism set out in the section headed "Consideration", is payable by the Purchaser to the Vendor within 10 working days upon the issue of 房屋所有權證 (Building Ownership Certificate) and the 國有土地使用權證 (State-owned Land Use Right Certificate) in respect of the Building to the Purchaser in accordance with the Framework Agreement.

Condition of the Framework Agreement

The Framework Agreement is conditional upon the approval of the Framework Agreement by the Independent Shareholders.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board considers that the Framework Agreement is expected to further enhance the influence of the Group in the retail market in the PRC as well as to facilitate the Group to lay a solid foundation for a retail roadmap in the PRC. The Directors believe that the Framework Agreement will further enhance the business of the Group and enrich its revenue stream. The Framework Agreement will provide an opportunity for the Company to increase its interests in department store business in the northeastern part of the PRC. Accordingly, the Directors believe that it is now an opportune time to proceed with the Framework Agreement which, upon completion, will further enhance the strategy of "multiple presences in a single city" in order to increase its market share and enjoy economies of scale and synergy effect within the northeastern region of the PRC.

LETTER FROM THE BOARD

The terms of the Framework Agreement have been determined through arm's length negotiations between the parties and reflect normal commercial terms. Based on the above reasons, the Directors consider the Framework Agreement to be on normal commercial terms that are fair and reasonable as far as the Shareholders are concerned, and that the transaction contemplated under the Framework Agreement are in the interests of the Company and the Shareholders as a whole. The Directors are not aware of any disadvantage of the Framework Agreement.

As set out in the letter from the Independent Board Committee on page 12 of this circular, the independent non-executive Directors also consider that the Framework Agreement is on normal and commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(3) INFORMATION ON THE COMPANY, THE VENDOR, THE PURCHASER AND NWCL

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

The Vendor is principally engaged in the property investment, development and operation of hotels in the PRC.

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

NWCL is principally engaged in property development, property related investments as well as rental and hotel operation in the PRC.

(4) LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, NWD held an approximately 72.29% attributable interest in the Company. Since NWCL is a subsidiary of NWD, NWCL is a connected person of the Company and the transaction contemplated under the Framework Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 5%, the transaction under the Framework Agreement is subject to the reporting and announcement requirements and the Independent Shareholders' approval under the Listing Rules. In addition, based on the applicable percentage ratio, the transaction under the Framework Agreement also constitutes a discloseable transaction under Rule 14.08 of the Listing Rules.

NWD, its associates and any Shareholder who has a material interest in the Framework Agreement will abstain from voting on the resolution to approve the Framework Agreement at the EGM.

The Independent Board Committee has been established to consider the terms of the Framework Agreement, and to advise the Independent Shareholders as to whether the Framework Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

(5) EXTRAORDINARY GENERAL MEETING

Set out on pages 33 to 34 of this circular is the notice convening the EGM at which an ordinary resolution will be proposed to approve the Framework Agreement and the transaction contemplated thereunder. At the EGM, the votes of the Independent Shareholders in relation to the Framework Agreement will be taken by poll on which NWD, its associates and any Shareholders who have material interests in the Framework Agreement will abstain from voting on the resolution to approve the Framework Agreement at the EGM.

A proxy form for use at the EGM is enclosed herein. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

An announcement of the poll results of the EGM will be published by the Company.

(6) RECOMMENDATIONS

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on page 12 of this circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 13 to 18 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the terms of the Framework Agreement, and taken into account the advice of the Independent Financial Adviser, considers that the Framework Agreement is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM as set out in the EGM notice.

LETTER FROM THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors are of the view that the terms of the Framework Agreement, are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors also recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Framework Agreement. None of the Directors has a material interest in the Framework Agreement. However, it was stated in the prospectus of the Company dated 28 June 2007 that three of the Directors, Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda (also the executive directors of NWCL) will abstain from voting in the resolution(s) relating to transactions(s) between the Group and NWCL Group. Therefore, Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda have abstained from voting on the relevant board resolutions to approve the Framework Agreement at its board meeting. Other than Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda, none of the Directors is required to abstain from voting on the relevant board resolutions to approve the Framework Agreement at its board meeting.

(7) FURTHER INFORMATION

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

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



新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

25 October 2010

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 25 October 2010 (the “Circular”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Framework Agreement. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 13 to 18 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 11 of the Circular and the general information set out in the Appendix II.

Having considered the terms of the Framework Agreement, and taken into account the advice of the Independent Financial Adviser, we consider that the Framework Agreement is on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Framework Agreement.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3214, 32/F
COSCO Tower
183 Queen's Road Central
Hong Kong

25 October 2010

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, details of which are set out in the circular of New World Department Store China Limited (the "**Company**") to the Shareholders dated 25 October 2010 (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 October 2010, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Framework Agreement with the Vendor, an indirect wholly-owned subsidiary of NWCL, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Property for a consideration of RMB456,534,000, equivalent to approximately HK\$518,788,636 (subject to adjustments).

As NWD is a controlling shareholder of the Company and NWCL is a subsidiary of NWD, NWCL is a connected person of the Company and the transaction contemplated under the Framework Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 5%, the transaction under the Framework Agreement is subject to the reporting and announcement requirements and the Independent Shareholders' approval under the Listing Rules.

The Independent Board Committee comprising Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, has been established to advise the Independent Shareholders as to (i) whether the Framework Agreement is in ordinary usual course of business; (ii) whether the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the Framework Agreement is in the interests of the Company and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Independent Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Framework Agreement at the EGM.

BASIS OF OUR OPINION

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

We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Company and its subsidiaries (the “Group”), nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, we have taken into consideration the following principal factors and reasons:

1. Information on the Property

The Property represents (i) the building ownership right and the land use right of the Building; (ii) the right of use of certain outer wall area of Upper Ground Levels 1 to 5 of the Project, certain exclusive areas (such as facility rooms) on the accessible podium of Upper Ground Level 6 of the Project, and the relevant outdoor areas of the Project as prescribed in the Framework Agreement; and (iii) the right of use of the equipment and facilities and the electrical and mechanical systems to be exclusively used by the Purchaser as confirmed by the Vendor and Purchaser, and the right of use of the common areas and common equipment and facilities as prescribed in the Framework Agreement, to be erected on the parcel of land located at 中國遼寧省瀋陽市南寧南街東地塊 (east land lot of Nanning South Street, Shenyang City, Liaoning Province, the PRC). The estimated buildable floor area of the Building (which is part of the Property) shall be approximately 25,363 square metres. The designated use of the Building is commercial and the term of the land use right of the Land is from 14 August 2009 to 29 June 2049. As at the Latest Practicable Date, the Project is under construction by the Vendor. The original acquisition cost of the Land and the book value attributable to the portion of the Property was RMB30,400,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Vendor will be responsible for the construction of the Project and has undertaken that the completion of the construction of the Building shall not be later than 31 August 2012 and the Vendor shall handover the completed Building to the Purchaser and obtained 建築工程竣工驗收備案表 (Constructions Works Completion Inspection Certificate) on or before 31 August 2012. As advised by the Company, upon completion of the construction, the Building is intended to be used for department store operation.

2. Financial information of the Group

According to the Group's annual report for the year ended 30 June 2009 (the "AR 2009"), the revenue of the Group was approximately HK\$1,721,246,000 for the year ended 30 June 2009, which represented an increase of approximately 15.6% as compared to the revenue for the year ended 30 June 2008 of approximately HK\$1,489,345,000. As set out in AR 2009, the growth in revenue was primarily contributed from all sources of revenue including commission income from concessionaire sales, sales of good for direct sales, management fees and rental income, which increased by approximately 14.4%, approximately 21.9% and approximately 11.4% and approximately 21.8% respectively from the previous financial year. The profit attributable to Shareholders was approximately HK\$547,309,000 for the year ended 30 June 2009, representing an increase of approximately 14.8% as compared to the profit attributable to Shareholders for the year ended 30 June 2008 of approximately HK\$476,575,000.

According to the Group's annual results announcement 2009/2010 dated 4 October 2010 (the "2009/2010 Results Announcement"), the revenue of the Group was approximately HK\$1,872,905,000 for the year ended 30 June 2010, representing an increase of approximately 8.8% as compared to the revenue for the year ended 30 June 2009 of approximately HK\$1,721,246,000. As set out in the 2009/2010 Results Announcement, the growth in revenue was primarily contributed from commission income from concessionaire sales, sales of goods for direct sales and rental income, which increased by approximately 2.9%, approximately 45.2% and approximately 24.2% respectively from the previous financial year. The Group has recorded profit attributable to Shareholders of approximately HK\$577,607,000 for the year ended 30 June 2010, representing an increase of approximately 5.5% as compared to the profit attributable to Shareholders for the year ended 30 June 2009 of approximately HK\$547,309,000.

3. Background and reasons for the Acquisition

As set out in the letter from the Board, the Company is principally engaged in the operation of department stores in the PRC.

The Framework Agreement is expected to further enhance the Group's influence in the retail market in the PRC as well as to facilitate the Group to lay a solid foundation for a retail roadmap in the PRC. The Directors believe that the Framework Agreement will further enhance the business of the Group and enrich its revenue stream. The Framework Agreement will provide an opportunity for the Company to increase its interests in department store business in the northeastern part of the PRC. Accordingly, the Directors believe that it is now an opportune time to proceed with the Framework Agreement which, upon completion, will further enhance the strategy of "multiple presences in a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

single city” in order to increase market share and enjoy economies of scale and synergy effect within the northeastern region of the PRC.

We noted from the 2009/2010 Results Announcement that the Group will carry on with the expansion strategy of opening 2 to 3 self-owned stores per fiscal year, amounting to about 100,000-120,000 square metres in total. In locating new self-owned stores, the Group will focus strictly on prime locations in cities with good development potential. The criterion on site selection concentrates mainly on prime commercial circles and gradually expands into community circles. Shanghai Chengshan Branch Store opened in April 2010 and Beijing New World Qianzi Department Store opened in Shunyi district of Beijing in September 2010 are two examples of entering community zone. In addition, the Group will evaluate figures such as GDP per capita, total retail sales of consumer goods and per capita disposable income in determining the opportune moment for entering into appropriate department store market. Shenyang New World Department Store - Jianqiao Road Branch Store and Zhengzhou New World Department Store which will commence operation in 2011, are new footholds in second-tier cities. Apart from exploring other outstanding development opportunities in existing cities, such as Beijing, Sichuan, Harbin and Liaoning Province, the Group will seek for the right occasions to expand into new cities, like Xian in Shaanxi, Taiyuan in Shanxi and Guangzhou in Guangdong.

Having considered (i) the Framework Agreement enables the Group to expand its department store business network and is aligned with its expansion strategy as set out in the 2009/2010 Results Announcement; (ii) the department store business to be carried out in the Building upon completion of the construction would enhance the revenue stream of the Company; and (iii) the Framework Agreement would allow the Company to increase its market share in the department store business in the PRC, we concur with the view of the Directors that the Framework Agreement is in the interests of the Company and the Independent Shareholders as a whole.

4. Consideration for the Acquisition

The Consideration for the Acquisition is preliminarily determined at RMB456,534,000 (being the Projected Area multiplied by RMB18,000 per square metre (the “Unit Price”) and is payable in cash by the Purchaser to the Vendor. The Consideration will be funded by the internal resources of the Purchaser.

Under the Framework Agreement, the Contracted Area will be determined by the parties upon signing of the SP Agreement in accordance with the area stipulated in the 商品房預售許可證 (Permit For The Pre-sale of Commercial Housing). The Consideration shall then be adjusted in accordance with the increase or decrease of the Contracted Area as compared with the Projected Area at the rate of RMB18,000 per square metre. In the event of any further deviation between the Contracted Area and the Actual Area, the Consideration will further be adjusted at the rate of RMB18,000 per square metre. It is estimated that the maximum consideration payable by the Purchaser is RMB486,000,000 based on this adjustment mechanism.

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The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with the Purchaser's reference to the appraisal value of the Property based on the valuation prepared by an independent valuer. As set out in Appendix I to the Circular, the valuation of the Property interest was RMB456,000,000 (the "Valuation") as at 31 July 2010.

We have reviewed the Valuation and observed that the valuation of Property interest represents the gross development value (which is defined as "the market value of the Property assuming it has been completed, has obtained all necessary consents, is vacant and available for sale in the market") of the Property at estimated time of completion and the Valuation has been carried out under direct comparison approach. We also noted that the Valuation has been prepared in accordance with the Listing Rules, the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council. In light of the above and pursuant to Rule 13.80(2) under the Listing Rules, there is no reason for us to believe any of the information in the valuation report in respect of the Valuation as set out in Appendix I to the Circular is not true or omits a material fact, we are of the view that the Valuation has been reasonably prepared and are normal in nature without any unusual assumption and the basis of the Valuation is fair and reasonable. As such, we consider the Valuation is a fair reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration.

Based on the Valuation of RMB456,000,000 as at 31 July 2010 and the gross floor area of the Property of approximately 25,363 square metres, the valuation per square metre of the Property should be approximately RMB17,979. In light that (i) the Unit Price is almost the same as the valuation per square metre; and (ii) the Consideration would be adjusted in accordance with the increase or decrease of the Contracted Area as compared with the Projected Area at the rate of RMB18,000 per square metre, we consider the Consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Independent Shareholders are advised to refer to the valuation report contained in Appendix I to the Circular for details of the basis and assumptions of the Valuation.

5. Financial effect of the Acquisition

(i) Net asset value

As reported in the 2009/2010 Results Announcement, the audited net asset value of the Group as at 30 June 2010 was approximately HK\$4,769,193,000. As advised by the Company, there is no material change to the net assets of the Group upon completion of the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Earnings*

As advised by the Company, it is expected that the Acquisition would have a positive impact to the earnings of the department store business of the Group.

In light of the above, we consider the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, in particular, taking into account that:

- (i) the Framework Agreement enables the Group to expand its department store business network and is aligned with its expansion strategy as set out in the 2009/2010 Results Announcement;
- (ii) the department store business to be carried out in the Property upon completion of the construction would enhance the revenue stream of the Group;
- (iii) the Framework Agreement would allow the Group to increase its market share in the department store business in the PRC;
- (iv) the Unit Price is almost the same as the valuation per square metre of the Property; and
- (v) the Consideration would be adjusted in accordance with the increase or decrease of the Contracted Area as compared with the Projected Area at the rate of RMB18,000 per square metre.

We consider (i) the Framework Agreement is in ordinary usual course of the Company; (ii) the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Framework Agreement and the terms thereof are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Framework Agreement to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong
Chairman

Julisa Fong
Managing Director

The following is the text of a letter, 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 July 2010 of the Property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

25 October 2010

The Board of Directors
New World Department Store China Limited
Rm1604-8, 16/F
New World Tower 1
18 Queen's Road Central
Hong Kong

Dear Sirs,

Re: Commercial Portions of Lower Ground Level 1 to Upper Ground Levels 5 and portions of the equipment and facility room plus other right of use of certain areas of a proposed development (temporarily known Shenyang New World Commercial Centre Phase I) situated on a site located at Nanning South Street East Land Lot No. 011862501, Heping District, Shenyang City, Liaoning Province, The PRC ("the Property")

In accordance with your instructions to provide an opinion of the Gross Development Value upon completion of the Property to be acquired by Shenyang New World Department Store Ltd. an indirect wholly-owned subsidiary of New World Department Store China Limited (the "**Company**") hereinafter (together referred to as the "**Group**") 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 gross development value of the Property interest as at 31 July 2010 (the "**date of valuation**").

Our valuation of Property interest represents the Gross Development Value of the Property at estimated time of completion. Gross Development Value is defined as "the market value of the Property assuming it has been completed, has obtained all necessary consents, is vacant and available for sale in the market".

We would define the market value 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".

In valuing the Gross Development Values upon completion of the Property, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. We have valued the Property by direct comparison approach assuming sale of the properties with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

All development parameters have been provided by the Group. According to your specific instructions, we have assumed that the development proposals would be approved by relevant authorities and all required land premiums (if any), and construction costs have been fully paid.

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 requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; are the International Valuation Standards published by the International Valuation Standards Council.

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, proposal floor areas, proposal layout, statutory notices, easements and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, 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 encumbrance that might be attached to the Property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Laoning Tongfang Law Office, concerning the title of the Property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title 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, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defect. 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 arrive 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 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest to be acquired by the Company held for occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Gross Development Value Upon completion RMB
Commercial Portions of Lower Ground Level 1 to Upper Ground Levels 5 and portions of the equipment and facility room plus other right of use of certain areas (as described in note 1) of a proposed development (temporarily known as Shenyang New World Commercial Centre Phase I) situated on a site located at Nanning South Street East Lot No. 011862501 Heping District Shenyang City Liaoning Province The PRC	<p>The proposed development is a 38-storey (including 3 underground levels) commercial building to be erected on a site area of approximately 6,808.5 sq.m..</p> <p>The subject property will mainly comprise commercial portions of Lower Ground Level 1 to Upper Ground Level 5 plus ancillary areas and rights of use of certain portions on the podium of the proposed development (see note 1).</p> <p>Handover of the completed subject property is scheduled to be on or before 31 August 2012. Upon completion, the subject property will have a total gross floor area of approximately 25,363 sq.m.. The subject property is intended to form a department store.</p> <p>The relevant land use rights of the subject property have been granted for a term expiring on 29 June 2049 for commercial and service uses.</p>	The Property is under construction.	456,000,000 (see note 6)

Notes:

- The subject property comprises (i) the building ownership rights and the land use rights of certain exclusive and common-use areas of Lower Ground Level 1 to Upper Ground Level 5 of the proposed development; and certain exclusive use portion of the equipment and facility room of Lower Ground Level 2 to Lower Ground Level 3 and that of Upper Ground Level 6 of the proposed development for the exclusive use of the Purchaser (see note 2); (ii) the right of use of certain outer wall of Upper Ground Levels 1 to 5 of the proposed development, certain exclusive areas (such as facility rooms) on the accessible podium of Upper Ground Level 6 of the proposed development, and the relevant outdoor areas of the proposed development (as prescribed in the Framework Agreement (see note 2)); and (iii) the right of use of the equipment and facilities and the electrical and mechanical systems to be exclusively used by the Purchaser as confirmed by the Vendor and Purchaser (see note 2), and the right of use of the common areas and common equipment and facilities as prescribed in the Framework Agreement.
- Pursuant to a Framework Agreement for Sale and Purchase of Property (the "Framework Agreement") (房屋買賣框架合同) entered into between the Shenyang New World Hotel Co., Ltd. ("Shenyang New World Hotel") (瀋陽新世界酒店有限公司) (Vendor) and the Shenyang New World Department Store Ltd. ("Shenyang New World Department Store") (Purchaser) dated 4 October 2010, the Vendor agreed to sell and the Purchaser agreed to acquire the subject property with floor area of approximately 25,363 sq.m. at a consideration of RMB456,534,000 (being the floor area multiplied by RMB18,000 per sq.m.). The Vendor will be responsible for the construction of the proposed development and has undertaken that the

completion of the construction of the Property shall not be later than 31 August 2012 and the Vendor shall handover the completed Property to the Purchaser and obtain Construction Works Completion Inspection Certification (建築工程竣工驗收備案表) on or before 31 August 2012. Under the Framework Agreement, the Contracted Area will be determined by the parties upon signing of the Agreement for Sale and Purchase of Commercial Housing (“SP Agreement”) (商品房買賣合同) in accordance with the area stipulated in the Permit For The Pre-sale of Commercial Housing (商品房預售許可證). The Consideration shall then be adjusted in accordance with the increase or decrease of the Contracted Area as compared with the Actual Area at the rate of RMB18,000 per sq.m.. It is estimated that the maximum consideration payable by the Purchaser is RMB486,000,000 based on this adjustment mechanism. The Consideration is payable by the Purchaser to the Vendor in accordance with the following manner:

- a. 10% of the Consideration, equivalent to RMB45,653,400, is payable by the Purchaser to the Vendor within 10 working days upon the signing of the Framework Agreement;
 - b. 10% of the Consideration, equivalent to RMB45,653,400, is payable by the Purchaser to the Vendor within 10 working days upon the provision by the Vendor of Construction Engineering Planning Permit (建設工程規劃許可證), Construction Works Commencement Permit (建築工程施工許可證) and other construction related documents as prescribed in the Framework Agreement;
 - c. 20% of the Consideration, equivalent to RMB91,306,800 (or such amount as to be adjusted based on the Contracted Area in accordance with the Framework Agreement), is payable by the Purchaser to the Vendor within 10 working days upon the receipt by the Vendor of Permit for The Pre-sale of Commercial Housing (商品房預售許可證) in respect of the proposed development and SP Agreement was entered into by the parties and the registration of the SP Agreement has been completed;
 - d. 40% of the Consideration, equivalent to RMB182,613,600 (or such amount as to be adjusted based on the Contracted Area in accordance with the Framework Agreement), is payable by the Purchaser to the Vendor within 10 working days upon the signing of a confirmation by the Purchaser acknowledging the completion of the construction of the main structure of the Building (which shall be completed on or before 31 May 2011 and the photos of such completed construction and the confirmation letter issued by the supervisor of the proposed development shall be provided by the Vendor);
 - e. 20% of the Consideration, equivalent to RMB91,306,800 (or such amount as to be adjusted based on the Contracted Area in accordance with the Framework Agreement), is payable by the Purchaser to the Vendor within 10 working days upon the handover of the Building in accordance with the Framework Agreement and the signing of Confirmation On The Handover of The Building (房屋交接確認書) by the Vendor and the Purchaser; and
 - f. the balance of the Consideration, after taking into account the Actual Area and the adjustment mechanism set out in the section headed “Consideration”, is payable by the Purchaser to the Vendor within 10 working days upon the issue of Building Ownership Certificate (房屋所有權證) and the State-owned Land Use Right Certificate (國有土地使用權證) in respect of the Building to the Purchaser in accordance with the Framework Agreement.
3. Pursuant to a State-owned Land Use Rights Certificate — Shenyang Guo Yong (2009) Di No. 0164 dated 14 August 2009, the land use rights of a parcel of land area of approximately 6,808.5 sq.m. were granted to Shenyang New World Hotel for a term expiring on 29 June 2049 for commercial and service uses. The original acquisition cost of land attributable to the portion of the Property was RMB 30,400,000.
 4. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 210100200900121 dated 18 September 2009 by Shenyang City Planning and Land Resources Bureau, planning approval has been granted to Shenyang New World Hotel for commercial uses on the site of the proposed development with a planned developable site area of 6,808.5 sq.m., plot ratio of 10 and maximum site density of 60%.
 5. According to the Framework Agreement, the floor height of Lower Ground Level 1 will be of 5.3 m; Upper Ground Level 1 of 6.5 m and Upper Ground Levels 2 to 5 of 5.2 m. The Vendor guaranteed that the Purchaser will be provided 36 exclusive fixed car parks on Lower Ground Level 2 (during the business hours) and free to use all the car parks on the outdoor area from the day of handover of the Property. Further, the Purchaser has the right to display sign board at the outer wall of the Property.

6. We have assessed the Gross Development Value of the Property assuming it has been completed and ready for immediate sale as at the date of valuation and that all outstanding development costs have been fully paid and settled. We emphasise that at the date of this report the subject property has not been completed and is currently under construction.
7. For the reference purpose, our estimated capital value in existing state as at the date of valuation is RMB101,000,000.
8. We have been provided with a legal opinion regarding the Property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenyang New World Hotel is the sole owner of the Property with legal protection under the PRC laws;
 - b. Shenyang New World Hotel has right to occupy, use, mortgage, lease, transfer or otherwise dispose of the Property without the requirement of prior consent, approval and permission;
 - c. The land premium has been fully paid;
 - d. The Property is not subject to any mortgage or restrictions arising from other sequestration or rights dispute; and
 - e. There is no legal impediment to obtain Construction Engineering Planning Permit and Construction Works Commencement Permit for the construction of the proposed development.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO); or (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares

	Number of shares			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
The Company					
(Ordinary shares of HK\$0.10 each)					
Mr. Cheng Chi-kong, Adrian	—	—	1,107,000 ⁽¹⁾	1,107,000	0.07
Mega Choice Holdings Limited					
(In liquidation)					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	—	—	420,585,070 ⁽²⁾	420,585,070	34.61
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	18,750,000	2,925,000	78,406,800 ⁽³⁾	100,081,800	1.74
Ms. Ngan Man-ying, Lynda	100,000	—	—	100,000	0.00

	Number of shares			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
New World Development Company Limited (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	—	300,000	—	300,000	0.01
NWS Holdings Limited (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	9,179,199	—	8,000,000 ⁽³⁾	17,179,199	0.79

Notes:

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

(b) Long positions in underlying shares — share options*(i) The Company*

Name	Date of grant	Exercisable period (Notes)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	27/11/2007	(1)	1,000,000	8.660
Mr. Au Tak-cheong	27/11/2007	(1)	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27/11/2007	(1)	500,000	8.660
Mr. Cheung Fai-yet, Philip	27/11/2007 25/3/2008	(1) (2)	1,500,000 500,000	8.660 8.440
Mr. Lin Tsai-tan, David	27/11/2007 25/3/2008	(1) (2)	459,000 230,000	8.660 8.440
Mr. Wong Kwok-kan, Kenneth	27/11/2007 25/3/2008	(1) (2)	501,000 250,000	8.660 8.440
Ms. Ngan Man-ying, Lynda	27/11/2007	(1)	500,000	8.660
Mr. Cheong Ying-chew, Henry	27/11/2007	(1)	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27/11/2007	(1)	250,000	8.660
Mr. Tong Hang-chan, Peter	27/11/2007	(1)	250,000	8.660
Mr. Yu Chun-fai	27/11/2007	(1)	250,000	8.660

Notes:

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

(ii) New World China Land Limited

Name	Date of grant	Exercisable period (Notes)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	7/1/2008	(1)	2,238,806	6.228
	29/12/2008	(3)	1,791,045	1.340
Mr. Cheng Chi-kong, Adrian	25/7/2006	(2)	371,194	2.559
	7/1/2008	(1)	1,679,104	6.228
	29/12/2008	(3)	1,343,284	1.340
Ms. Ngan Man-ying, Lynda	7/1/2008	(1)	1,119,403	6.228
	29/12/2008	(3)	1,007,463	1.340

Notes:

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

(iii) New World Development Company Limited

Name	Date of grant	Exercisable period (Notes)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	19/3/2007	(1)	36,710,652	17.654
Mr. Cheng Chi-kong, Adrian	19/3/2007	(2)	502,885	17.654
Mr. Au Tak-cheong	19/3/2007	(2)	1,206,925	17.654

Notes:

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

(iv) NWS Holdings Limited

Name	Date of grant	Exercisable period (Note)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	21/8/2007	(1)	3,026,828	16.055

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or any of their associate had or deemed to have any interest or short position in the shares, underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors were aware, as at the Latest Practicable Date, the following persons (not being Directors or the chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO, or who (other than a member of the Group) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Number of Shares held			Approximate percentage of shareholding (direct or indirect)
	Beneficial interests	Corporate 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
Chow Tai Fook Enterprises Limited ("CTF") ⁽³⁾	-	1,218,900,000	1,218,900,000	72.29
New World Development Company Limited	1,218,900,000	-	1,218,900,000	72.29

Notes:

- (1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by Centennial.
- (2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTF.
- (3) CTF together with its subsidiaries hold an aggregate of approximately 40.03% interest in NWD and is accordingly deemed to have an interest in the shares of the Company interested by NWD.

Save as disclosed herein, the Directors are not aware of any person (not being Directors or the chief executive of the Company) who, as at the Latest Practicable Date, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group) was, 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. 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 2010, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

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

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 30 June 2010, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' INTERESTS IN CONTRACTS

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

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Name	Name of entity	Description of business	Nature of interest of the Director in the entity
Dr. Cheng Kar-shun, Henry	Lifestyle International Holdings Ltd. group of companies	Department store operation	Director

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

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

9. EXPERTS AND CONSENTS

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

Name	Qualification
Veda Capital	a licensed corporation for carrying out type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Sallmanns Limited	independent property valuer

Each of Veda Capital and Jones Lang LaSalle Sallmanns Limited 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, each of Veda Capital and Jones Lang LaSalle Sallmanns Limited did not have any direct or indirect interest in any assets which had since 30 June 2010 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, each of Veda Capital and Jones Lang LaSalle Sallmanns Limited was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. GENERAL

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays) at the head office and principal place of business of the Company in Hong Kong at Room 1604-08, 16/F, New World Tower 1, 18 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Memorandum of Association and Articles of Association of the Company;
- (b) the Framework Agreement;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 12 of this circular;
- (d) the letter issued by the Independent Financial Adviser dated 25 October 2010 setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement, the full text of which is set out on pages 13 to 18 of this circular;
- (e) the written consents from the experts referred to in paragraph headed "9. Experts and Consents" in this appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of the shareholders of New World Department Store China Limited (the “Company”) will be held at Meeting Room N101A (New Wing), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 23 November 2010 at 11:00 am for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the Framework Agreement (as defined and described in the circular of the Company dated 25 October 2010 (the “Circular”), a copy of the Circular marked “A” together with a copy of the Framework Agreement marked “B” are tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the transaction contemplated under the Framework Agreement and the implementation thereof be and are hereby approved, ratified and confirmed; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Framework Agreement and the transaction contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

By order of the Board
Wu Yuk-kwai, Catherine
Company Secretary

Hong Kong, 25 October 2010

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 proxy form for use at the Meeting is enclosed.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) To be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude members from attending and voting in person at the Meeting.
- (5) The ordinary 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 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.