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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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**CONTINUING CONNECTED TRANSACTIONS
MASTER LEASING AGREEMENT
AND
MASTER CONCESSIONAIRE COUNTER AGREEMENT**

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

VEDA | CAPITAL
智略資本

A letter from the Independent Board Committee containing its recommendations in respect of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps to the Independent Shareholders is set out on pages 15 to 16 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 17 to 27 of this circular.

A notice convening an extraordinary general meeting of New World Department Store China Limited to be held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 24 April 2012 at 11:00 am is set out on pages 37 to 38 of this circular. If you are not able to attend the meeting, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer 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, 5 April 2012

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DEFINITIONS

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

“Board”	the board of Directors
“Company”	New World Department Store China Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and is a subsidiary of NWD as at the date of this circular
“Concessionaire Annual Caps”	the annual cap amounts payable by the CTFJ Group to the Group in respect of the Concessionaire Transactions for each of the three years ending 30 June 2014
“Concessionaire Effective Date”	the date on which the Master Concessionaire Counter Agreement becomes unconditional pursuant to the terms thereof and as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “3. The Master Concessionaire Counter Agreement” in this circular
“Concessionaire Transactions”	all existing and future transactions between members of the Group and members of the CTFJ Group arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited, a substantial shareholder of NWD and a fellow subsidiary of CTFJ as at the date of this circular
“CTFH”	Chow Tai Fook (Holding) Limited, a company incorporated in the British Virgin Islands, the holding company of CTFE and a substantial shareholder of CTFJ as at the date of this circular

DEFINITIONS

“CTFJ”	Chow Tai Fook Jewellery Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CTFJ Company”	Chow Tai Fook Jewellery Company Limited, an indirect wholly-owned subsidiary of CTFJ as at the date of this circular
“CTFJ Group”	CTFJ and its subsidiaries from time to time
“Definitive Concessionaire Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the CTFJ Group from time to time in relation to any of the Concessionaire Transactions at any time during the term of the Master Concessionaire Counter Agreement
“Definitive Leasing Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the NWD Group from time to time in relation to any of the Leasing Transactions at any time during the term of the Master Leasing Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 24 April 2012 at 11:00 am for the purpose of considering and, if thought fit, approving the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps
“Former Master Concessionaire Counter Agreement”	the master concessionaire counter agreement dated 22 May 2009 entered into between the Company and CTFJ Company, details of which were disclosed in the joint announcement of the Company and NWD dated 22 May 2009

DEFINITIONS

“Former Master Leasing Agreement”	the master leasing agreement dated 22 May 2009 entered into between the Company and NWD, as supplemented by the supplemental master leasing agreement dated 18 June 2010, details of which were disclosed in the joint announcement of the Company and NWD dated 22 May 2009 and the announcement of the Company dated 18 June 2010, respectively
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholders”	in respect of the resolutions related to the Master Leasing Agreement, the Leasing Transactions and the Leasing Annual Caps, Shareholders other than NWD and its associates; and in respect of the resolutions related to the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, all Shareholders
“Latest Practicable Date”	30 March 2012, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Leasing Annual Caps”	the annual cap amounts payable by the Group to the NWD Group in respect of the Leasing Transactions for each of the two financial years ending 30 June 2014

DEFINITIONS

“Leasing Effective Date”	1 July 2012, subject to the condition set out in the Master Leasing Agreement and as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “2. The Master Leasing Agreement” in this circular
“Leasing Transactions”	all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of premises by members of the Group from members of the NWD Group, as contemplated under the Master Leasing Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Master Concessionaire Counter Agreement”	the agreement in relation to the Concessionaire Transactions entered into between the Company and CTFJ on 22 March 2012
“Master Leasing Agreement”	the agreement in relation to the Leasing Transactions entered into between the Company and NWD on 22 March 2012
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and is a subsidiary of NWD as at the date of this circular
“NWCL Group”	NWCL and its subsidiaries from time to time
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and is the holding company of NWCL and the Company as at the date of this circular
“NWD Group”	NWD and its subsidiaries (other than the Group) from time to time
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stores”	the department stores owned by the Group from time to time
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD



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

Non-executive Directors:

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

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

Principal place of business in Hong Kong:

7th Floor, 88 Hing Fat Street
Causeway Bay, Hong Kong

5 April 2012

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MASTER LEASING AGREEMENT
AND
MASTER CONCESSIONAIRE COUNTER AGREEMENT**

1. INTRODUCTION

The Board refers to the announcement of the Company dated 22 March 2012 in relation to the Master Leasing Agreement, the Leasing Transactions and the Leasing Annual Caps and the joint announcement of the Company, NWD and CTFJ dated 22 March 2012 in relation to, among other things, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

The purposes of this circular are, among other things: (i) to provide you with further details of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the matters set out in (i); (iii) to set out the recommendation

LETTER FROM THE BOARD

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

2. THE MASTER LEASING AGREEMENT

Background

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

Date

22 March 2012

Parties

- (1) The Company
- (2) NWD

General terms for the Leasing Transactions

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

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

- (a) in the usual and ordinary course of business of the Company and NWD;
- (b) on normal commercial terms; and

LETTER FROM THE BOARD

- (c) in compliance with all applicable provisions of the Listing Rules (including the Leasing Annual Caps), the applicable laws, the Master Leasing Agreement and the relevant Definitive Leasing Agreement.

Conditionality

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

Duration

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

Historical figures and the Leasing Annual Caps

The aggregate transaction amounts under the Former Master Leasing Agreement for the Company for each of the two financial years ended 30 June 2011 and the six months ended 31 December 2011 were approximately RMB107,510,000, RMB284,853,000 and RMB159,887,000, respectively.

The Leasing Annual Caps for each of the two financial years ending 30 June 2014 are RMB549,133,000 and RMB554,069,000, respectively, and have been determined based on historical transaction amounts under the Former Master Leasing Agreement, the terms of the leases and the expected growth in the number of new Stores.

Reasons for and benefits of entering into the Master Leasing Agreement

Given that the relevant Stores have been operating at the premises owned by the NWD Group (save and except for certain of the premises which are for use as the office and car parks of the Group) for a number of years and the cost to be incurred and the adverse impact on the operation of the Stores in the event of their relocation will be substantial, the Directors believe that maintaining the lease agreements with the NWD Group will ensure the Group's stability in using the relevant premises. The Directors also believe that it is in the interests of the Company to enter into the Master Leasing Agreement so that the Group may regulate the existing and future leasing agreements with the NWD Group under a common framework agreement.

LETTER FROM THE BOARD

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

3. THE MASTER CONCESSIONAIRE COUNTER AGREEMENT

Background

Members of the Group had in the past and is expected from time to time to enter into concessionaire arrangements or rental agreements with members of the CTFJ Group in relation to retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business in accordance with the Former Master Concessionaire Counter Agreement. The Group and the CTFJ Group wish to continue the concessionaire arrangements or rental agreements and may from time to time enter into new concessionaire arrangements or rental agreements in relation to the Concessionaire Transactions. Accordingly, the Company and CTFJ (on behalf of CTFJ Company in respect of the termination of the Former Master Concessionaire Counter Agreement) agree to terminate the Former Master Concessionaire Counter Agreement and enter into the Master Concessionaire Counter Agreement.

Date

22 March 2012

Parties

- (1) The Company
- (2) CTFJ

General terms for the Concessionaire Transactions

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

LETTER FROM THE BOARD

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

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

Conditionality

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

Duration

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

Historical figures and the Concessionaire Annual Caps

The aggregate transaction amounts payable by the CTFJ Group to the Group under the Former Master Concessionaire Counter Agreement for each of the two years ended 30 June 2011 and the six months ended 31 December 2011 were approximately RMB16,115,000, RMB59,891,000 and RMB41,421,000, respectively.

The Concessionaire Annual Caps for each of the three years ending 30 June 2014 are RMB133,775,000, RMB214,853,000 and RMB305,150,000, respectively.

The Concessionaire Annual Caps have been determined based on the terms of the existing concessionaire counter agreements, the historical transaction amounts under the Former Master Concessionaire Counter Agreement, the expected increase of sales of each of the concessionaire counters of the CTFJ Group along with the additional floor space and the number of new concessionaire counters which members of the CTFJ Group might enter into with members of the Group.

LETTER FROM THE BOARD

Reasons for and benefits of entering into the Master Concessionaire Counter Agreement

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

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

4. INFORMATION RELATING TO THE GROUP, THE NWD GROUP AND THE CTFJ GROUP

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

To the best knowledge of the Directors, the principal businesses of the NWD Group include property, infrastructure, hotel operation, department store operation, services, as well as telecommunications and technology.

To the best knowledge of the Directors, CTFJ is one of the largest jewellers in Hong Kong, Macau, the PRC by market share with an extensive retail network of over 1,500 points of sale. Its principal products are mass luxury and high-end luxury jewellery, including gem-set jewellery, platinum/karat gold products, gold products and watches.

5. LISTING RULES IMPLICATIONS

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

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

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

LETTER FROM THE BOARD

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

6. APPROVAL BY THE DIRECTORS

Master Leasing Agreement

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

It was stated in the prospectus of the Company dated 28 June 2007 that three of the Directors, Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian and Ms. Ngan Man-ying, Lynda (who are also the executive directors of NWCL, and Ms. Ngan Man-ying, Lynda holds directorships in certain companies controlled by the Company) will abstain from voting in the resolution(s) relating to transactions(s) between the Group and the NWCL Group. As the NWD Group includes members of the NWCL Group, 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. 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.

Master Concessionaire Counter Agreement

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

7. EXTRAORDINARY GENERAL MEETING

Set out on pages 37 to 38 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps. At the EGM, the votes of the Independent Shareholders in relation to the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps will be taken by poll.

LETTER FROM THE BOARD

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

A proxy form for use at the EGM is enclosed herein. If you are not able to attend the EGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer 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.

8. RECOMMENDATIONS

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 17 to 27 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the terms of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the terms of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, and taken into account the advice of the Independent Financial Adviser, considers that the Master Leasing Agreement and the Master Concessionaire Counter Agreement are on normal commercial terms, and that such agreements, the Leasing Transactions, the Leasing Annual Caps, the Concessionaire Transactions and the Concessionaire Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM as set out in the notice of the EGM.

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 Master Leasing Agreement and the Master Concessionaire Counter Agreement are on normal commercial terms, and that such agreements, the Leasing Transactions, the Leasing Annual Caps, the Concessionaire Transactions and the Concessionaire Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors also recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

9. FURTHER INFORMATION

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

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



新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

5 April 2012

To the Independent Shareholders

Dear Sir or Madam,

**THE MASTER LEASING AGREEMENT
AND
THE MASTER CONCESSIONAIRE COUNTER AGREEMENT**

We refer to the circular of the Company dated 5 April 2012 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 17 to 27 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 14 of the Circular and the general information set out in the appendix to the Circular.

Having considered the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, and taken into account the advice of the Independent Financial Adviser, we consider that the Master Leasing Agreement and the Master Concessionaire Counter Agreement are on normal commercial terms and that such agreements, the Leasing Transactions, the Leasing Annual Caps, the Concessionaire Transactions and the Concessionaire Annual Caps are fair and reasonable so far as the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, 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

5 April 2012

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS MASTER LEASING AGREEMENT AND MASTER CONCESSIONAIRE COUNTER AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps, details of which are set out in the circular to the Shareholders dated 5 April 2012 (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 22 March 2012, the Company and NWD entered into the Master Leasing Agreement in respect of the Leasing Transactions.

On 22 March 2012, the Company and CTFJ entered into the Master Concessionaire Counter Agreement in relation to the Concessionaire Transactions.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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

BASIS OF OUR OPINION

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(A) Master Leasing Agreement

Background and reasons for the Master Leasing Agreement

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

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

As noted from the Board Letter, members of the Group and the NWD Group had in the past entered into certain leasing agreements for the leasing of premises by members of the Group from members of the NWD Group in accordance with the Former Master Leasing Agreement and certain of the leasing agreements have not expired and will not expire as at the Leasing Effective Date. The Group and the NWD Group wish to continue the leasing agreements and may from time to time enter into new leasing agreements for leasing of premises by the Group from the NWD Group. Accordingly, the Company and NWD agree to terminate the Former Master Leasing Agreement and enter into the Master Leasing Agreement. Given that the relevant Stores have been operating at the premises owned by the NWD Group (save and except for certain of the premises which are for use as the office and car parks of the Group) for a number of years and the cost to be incurred and the adverse impact on the operation of the Stores in the event of their relocation will be substantial, the Directors believe that maintaining the lease agreements with the NWD Group will ensure the Group's stability in using the relevant premises. The Directors also believe that it is in the interests of the Company to enter into the Master Leasing Agreement so that the Group may regulate the existing and future leasing agreements with the NWD Group under a common framework agreement.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Principal terms of the Master Leasing Agreement

Date: 22 March 2012

Parties: The Company and NWD

General terms for the Leasing Transactions:

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

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Duration:

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

In assessing the fairness and reasonableness of the terms of the Master Leasing Agreement, we have obtained and reviewed, on sample basis, the terms of the leasing agreements entered into by the Group with the NWD Group and with other landlords who are independent third parties of the Company. We noted that the terms offered by the NWD Group are no less favourable than those offered by other landlords.

Given the above, we are of the view that the terms of the Master Leasing Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Leasing Annual Caps

As set out in the Board Letter, the Leasing Annual Caps for each of the two financial years ending 30 June 2014 are RMB549,133,000 and RMB554,069,000 respectively.

The Leasing Annual Caps have been determined based on historical transaction amounts under the Former Master Leasing Agreement, the terms of the leases and the expected growth in the number of new Stores.

As set out in the Board Letter, the aggregate transaction amounts under the Former Master Leasing Agreement for each of the two financial years ended 30 June 2011 and the six months ended 31 December 2011 were RMB107,510,000, RMB284,853,000 and RMB159,887,000, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the annual cap for the year ended 30 June 2012 under the Former Master Leasing Agreement was RMB544,198,000 (the “**2012 Annual Cap**”). The Leasing Annual Cap for the year ended 30 June 2013 represents a slight increase as compared to the 2012 Annual Cap while the Leasing Annual Cap for the year ended 30 June 2014 also represents a slight increase as compared to the Leasing Annual Cap for the year ended 30 June 2013.

As advised by the Company, the lease expense under the Former Master Leasing Agreement (the “**Lease Expense**”) amounted to RMB144,327,000 for the period ended 31 December 2011 represented an increase of approximately 31.14% as compared to the Lease Expense for the same period in the previous year which amounted to RMB110,055,000.

We noted from the annual report of the Company for the year ended 30 June 2011 (the “**AR2011**”), the revenue of the Group amounted to approximately HK\$2,749,485,000 for the year ended 30 June 2011, representing a growth of approximately 46.8% as compared to the year 2010.

We further noted from the AR2011 that during the financial year ended 30 June 2011, the Group opened 3 new self-owned stores and acquired 5 managed stores converting into self-owned stores to consolidate its business growth.

In addition, we are given to understand that the Group is optimistic about the future development of the domestic retail industry and believes that domestic retail sector will continue to exhibit steady growth and the Group plans to increase the market shares incrementally by adding new Stores in coming years.

We also noted from the website of the National Bureau of Statistics of China (www.stats.gov.cn) that the gross domestic products in the PRC has increased by approximately 9.2% from the year 2010 to the year 2011 and the retails sales of consumer goods in the PRC has increased by approximately 17.2% from the year 2010 to the year 2011.

Having considered (i) the historical transactions amount; (ii) the growth in the GDP of the PRC; (iii) the recent growth of retail sales of consumer goods; and (iv) the expansion strategy of the Group, we are of the view that the bases adopted to determine the Leasing Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(B) Master Concessionaire Counter Agreement

Background and reasons for the Master Concessionaire Counter Agreement

As noted from the Board Letter, members of the Group had in the past and is expected from time to time to enter into concessionaire arrangements or rental agreements with members of the CTFJ Group in relation to retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business in accordance with the Former Master Concessionaire Counter Agreement. The Group and the CTFJ Group wish to continue the concessionaire arrangements or rental agreements and may from time to time enter into new concessionaire arrangements or rental agreements in relation to the Concessionaire Transactions. Accordingly, the Company and CTFJ (on behalf of CTFJ Company in respect of the termination of the Former Master Concessionaire Counter Agreement) agree to terminate the Former Master Concessionaire Counter Agreement and enter into the Master Concessionaire Counter Agreement.

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

As noted from the AR 2011, commission from concessionaire sales is one of the major sources of income of the Group which accounted for approximately 70% of the total revenue of the Group for the year ended 30 June 2011.

As noted from the Board Letter, to the best knowledge of the Directors, CTFJ is one of the largest jewellers in Hong Kong, Macau and the PRC by market share with an extensive retail network of over 1,500 points of sale. Its principal products are mass luxury and high-end luxury jewellery including gem-set jewellery, platinum/kara gold products, gold products and watches. According to the CTFJ's prospectus dated 5 December 2011 (the "CTFJ Prospectus"), CTFJ is the leading jeweler by market share in the PRC as well as in the Hong Kong and Macau jewellery markets, with a market share of 12.6% and 20.1%, respectively, in 2010. CTFJ also aims to solidify their reputation by broadening the existing customer coverage through enhancing customers' loyalty programme.

Having considered that (i) commissions from concessionaire sales is the major source of income of the Group; (ii) it is the Group's operational strategy to optimize the merchandise mix; and (iii) the reputation of CTFJ within the PRC which can incur positive impact for the product mix of the Stores and hence raise the image and profile of the Group, we concur with the view of the Directors that the entering into of the Master Concessionaire Counter Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Principal terms of the Master Concessionaire Counter Agreement

Date: 22 March 2012

Parties: The Company and CTFJ

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

With effect from the Concessionaire Effective Date, the Concessionaire Transactions will be:

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

In assessing the fairness and reasonableness of the terms of the Master Concessionaire Counter Agreement, we have obtained and reviewed, on sample basis, the terms of the concessionaire counter agreements entered into by the Company with the CTFJ Group and with other concessionaires who are independent third parties of the Company. We noted that the relevant terms offered by the Group to CTFJ Group are comparable to those available to the third party concessionaires.

Given the above, we are of the view that the terms of the Master Concessionaire Counter Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Concessionaire Annual Caps

The Concessionaire Annual Caps for each of the three financial years ending 30 June 2014 are RMB133,775,000, RMB214,853,000 and RMB305,150,000, respectively.

As noted from the Board Letter, the Concessionaire Annual Caps have been determined based on the terms of the existing concessionaire counter agreements, the historical transaction amounts under the Former Master Concessionaire Counter Agreement, the expected increase of sales of each of the concessionaire counters of the CTFJ Group along with the additional floor space and the number of new concessionaire counters which members of the CTFJ Group might enter into with members of the Group.

As further noted from the Board Letter, the aggregate transaction amounts payable by the CTFJ Group to the Group under the Former Master Concessionaire Counter Agreement for each of the two financial years ended 30 June 2011 and the six months ended 31 December 2011 were RMB16,115,000, RMB59,891,000 and RMB41,421,000, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company, transaction amounts under the Former Master Concessionaire Counter Agreement amounted to RMB41,421,000 for the period ended 31 December 2011 represented an increase of approximately 321.63% as compared to the transaction amounts under the Former Master Concessionaire Counter Agreement for the same period in the previous year which amounted to RMB10,033,000.

We observed that the Concessionaire Annual Cap for the year ending 30 June 2012 (the “**2012 Concessionaire Annual Cap**”) represents an increase of approximately 24.01% as compared to the annual cap for the year ending 30 June 2012 under the Former Master Concessionaire Counter Agreement amounted to RMB107,878,000. The Concessionaire Annual Cap for the year ending 30 June 2013 (the “**2013 Concessionaire Annual Cap**”) represents an increase of approximately 60.61% as compared to the 2012 Concessionaire Annual Cap while the Concessionaire Annual Cap for the year ending 30 June 2014 represents an increase of approximately 42.03% as compared to the 2013 Concessionaire Annual Cap.

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

As noted from CTFJ Prospectus, subsequent to CTFJ’s listing on the Stock Exchange in late 2011, CTFJ will further expand the retail network and geographical footprint across the PRC, by targeting to reach over 2,000 jewellery points of sale, consisting of standalone stores and concessionaire counters by 2016.

We are also noted from the website of the National Bureau of Statistics of China that the retail sales of gold, silver and jewellery in the PRC experienced a year-on-year growth of approximately 42.1% in the year 2011. We also noted that the value of retail sales is expected to further increasing at a CAGR of 20.5% (*source: Forst & Sullivan Report*).

With reference to the Forst & Sullivan Report, over the period from 2007 to October 2011, the gold and platinum commodity prices and the polished diamond prices have achieved growth at a CARG of 23.79%, 6.67% and 9.98% approximately.

Having considered (i) the historical transactions amount; (ii) the anticipated increase in the number of concessionaire counters to be operated by the CTFJ Group; (iii) the recent growth of jewellery retails market in the PRC; and (iv) the upward-moving trend of commodity prices, we are of the view that the bases adopted to determine the Concessionaire Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Leasing Transactions and the Concessionaire Transactions are conducted in the ordinary and usual course of business of the Group and the terms and conditions of the Master Leasing Agreement including the Leasing Annual Caps and the Master Concessionaire Counter Agreement including the Concessionaire Annual Caps, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolutions for approving the Master Leasing Agreement, the Leasing Transactions, the Leasing Annual Caps, the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the Concessionaire Annual Caps.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As 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 held			Total	Approximate percentage of shareholding
	Personal interests	Family interests	Corporate interests		
The Company					
(Ordinary shares of HK\$0.10 each)					
Mr. Lin Tsai-tan, David	1,103,000	-	-	1,103,000	0.07
Mega Choice Holdings Limited					
(In liquidation)					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	-	-	420,585,070 ⁽¹⁾	420,585,070	34.61

	Number of shares held			Total	Approximate percentage of shareholding
	Personal interests	Family interests	Corporate interests		
NWCL					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	28,125,000	4,387,500	117,610,200 ⁽²⁾	150,122,700	1.74
Mr. Cheng Chi-kong, Adrian	371,194	-	-	371,194	0.00
NWD					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	-	450,000	-	450,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	13,768,798	-	12,000,000 ⁽²⁾	25,768,798	0.74

Notes:

1. These shares are beneficially owned by certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.
2. 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 November 2007	(1)	1,000,000	8.660
Mr. Au Tak-cheong	27 November 2007	(1)	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27 November 2007	(1)	500,000	8.660
Mr. Cheung Fai-yet, Philip	27 November 2007	(1)	1,500,000	8.660
	25 March 2008	(2)	500,000	8.440
Mr. Lin Tsai-tan, David	27 November 2007	(1)	459,000	8.660
	25 March 2008	(2)	230,000	8.440
Mr. Wong Kwok-kan, Kenneth	27 November 2007	(1)	501,000	8.660
	25 March 2008	(2)	250,000	8.440
Ms. Ngan Man-ying, Lynda	27 November 2007	(1)	500,000	8.660
Mr. Cheong Ying-chew, Henry	27 November 2007	(1)	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27 November 2007	(1)	250,000	8.660
Mr. Tong Hang-chan, Peter	27 November 2007	(1)	250,000	8.660
Mr. Yu Chun-fai	27 November 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) NWCL

Name	Date of grant	Exercisable period (Notes)	Number of share options held ⁽³⁾	Exercise price per share ⁽³⁾ HK\$
Dr. Cheng Kar-shun, Henry	29 December 2008	(1)	1,860,826	1.290
	18 January 2011	(2)	2,077,922	3.036
Mr. Cheng Chi-kong, Adrian	29 December 2008	(1)	350,425	1.290
	18 January 2011	(2)	1,558,442	3.036
Ms. Ngan Man-ying, Lynda	29 December 2008	(1)	527,234	1.290
	18 January 2011	(2)	1,038,961	3.036

Notes:

- Divided into 4 tranches, exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012, respectively, to 29 January 2013.
- Divided into 5 tranches, exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015, respectively, to 18 February 2016.
- The rights issue as announced by NWCL on 18 October 2011 which became unconditional on 22 December 2011 constituted an event giving rise to adjustments to the number of outstanding share options and the exercise prices in accordance with the share option scheme on 23 December 2011. The exercise price per share of the share option was adjusted from HK\$3.154 to HK\$3.036, and HK\$1.340 to HK\$1.290.
- The cash consideration paid by each Director for each grant of the share options is HK\$10.00.

(iii) NWD

Name	Date of grant	Exercisable period (Note)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	19 March 2012	(1)	10,000,000	9.770
Mr. Cheng Chi-kong, Adrian	19 March 2012	(1)	3,500,000	9.770
Mr. Au Tak-cheong	19 March 2012	(1)	2,500,000	9.770

Notes:

- Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015, respectively, to 18 March 2016.
- 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 ⁽²⁾	Exercise price per share ⁽²⁾ HK\$
Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	4,562,978	10.650

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) NWS Holdings Limited declared the final dividend for the year ended 30 June 2011 in scrip form (with cash option) which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$10.672 to HK\$10.650 on 29 December 2011.
- (3) 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 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 of the Company or underlying shares of the Company 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) 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:

	Number of shares held			Approximate percentage of shareholding (direct or indirect)
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ⁽¹⁾	-	1,218,900,000	1,218,900,000	72.29
Cheng Yu Tung Family (Holdings II) Limited ⁽²⁾	-	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Capital Limited ("CTF Capital") ⁽³⁾	-	1,218,900,000	1,218,900,000	72.29
CTFH ⁽⁴⁾	-	1,218,900,000	1,218,900,000	72.29
CTFE ⁽⁵⁾	-	1,218,900,000	1,218,900,000	72.29
NWD	1,218,900,000	-	1,218,900,000	72.29

Notes:

- Cheng Yu Tung Family (Holdings) Limited holds approximately 48.98% direct interest in CTF Capital and is accordingly deemed to have an interest in the shares of the Company held by or deemed to be held by CTF Capital.
- Cheng Yu Tung Family (Holdings II) Limited holds approximately 46.65% direct interest in CTF Capital and is accordingly deemed to have an interest in the shares of the Company held by or deemed to be held by CTF Capital.
- CTF Capital holds approximately 74.07% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company held by or deemed to be held by CTFH.
- CTFH holds 100% direct interest in CTFE and is accordingly deemed to have an interest in the shares of the Company held by or deemed to be held by CTFE.
- CTFE together with its subsidiaries hold an aggregate of approximately 42.11% interest in NWD and is accordingly deemed to have an interest in the shares of the Company held 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 of the Company or underlying shares of the Company 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) 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 2011, 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 2011, 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. and its subsidiaries	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. EXPERT AND CONSENTS

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

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

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

As at the Latest Practicable Date, Veda Capital did not have any direct or indirect interest in any assets which had since 30 June 2011 (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, Veda Capital was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. GENERAL

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays) at the head office and principal place of business of the Company in Hong Kong at 7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

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

NOTICE OF EGM



新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of the shareholders of New World Department Store China Limited (the “Company”) will be held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 24 April 2012 at 11:00 am for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT:

- (a) the Master Leasing Agreement (as defined and described in the circular of the Company dated 5 April 2012 (the “Circular”), a copy of the Circular marked “A” together with a copy of the Master Leasing Agreement marked “B” are tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the Leasing Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Leasing Annual Caps as defined and described in the Circular in respect of the consideration payable under the Master Leasing Agreement for each of the two years ending 30 June 2013 and 2014 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Leasing Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

2. “THAT:

- (a) the Master Concessionaire Counter Agreement (as defined and described in the circular of the Company dated 5 April 2012 (the “Circular”), a copy of the Circular marked “A” together with a copy of the Master Concessionaire Counter Agreement marked “C” are tabled before the Meeting and initialled by the chairman of the Meeting for

NOTICE OF EGM

identification purpose) and the Concessionaire Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;

- (b) the Concessionaire Annual Caps as defined and described in the Circular in respect of the consideration payable under the Master Concessionaire Counter Agreement for each of the three years ending 30 June 2012, 2013 and 2014 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Concessionaire Counter Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto."

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

Hong Kong, 5 April 2012

Notes:

- (1) Any member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.
- (3) A form of proxy for use at the Meeting is enclosed.
- (4) To be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the branch share registrar and transfer 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 resolutions as set out above will be determined by way of a poll.
- (6) In the event of any inconsistency, the English language text of this notice shall prevail over the Chinese language text.
- (7) As at the date of this notice, the non-executive directors of the Company are Dr. Cheng Kar-shun, Henry 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.