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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 or registered institution in securities, 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 to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**MAJOR TRANSACTION
IN RELATION TO
THE SUPPLEMENTAL LEASE AGREEMENT**

Unless the context otherwise requires, capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 8 of this circular.

The transaction being the subject matter of this circular has been approved by written Shareholder's approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	New World Department Store China Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Lease Agreement”	the existing lease agreement dated 22 April 2005 entered into between NWDS China (as the tenant) and the Landlord in respect of the Leased Premises, as amended and supplemented by the Novation Agreement and the Second Novation Agreement
“Group”	the Company and its subsidiaries
“HKFRS 16”	the Hong Kong Financial Reporting Standard 16 issued by the Hong Kong Institute of Certified Public Accountants, which sets out the principles for the recognition, measurement, presentation and disclosure of leases
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Landlord”	Shanghai Wanda Commercial Plaza Property Co., Ltd.* (上海萬達商業廣場置業有限公司), a company established in the PRC and the landlord of the Leased Premises
“Latest Practicable Date”	18 June 2021, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Leased Premises”	the department store building located in Shanghai Wanda Commercial Plaza, No. 1 Songhu Road, Yangpu District, Shanghai, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Novation Agreement”	the agreement dated 15 September 2006 entered into among NWDS China, Shanghai Huizi and the Landlord regarding the novation of all of NWDS China’s rights and obligations under the Existing Lease Agreement to Shanghai Huizi
“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 (Stock Code: 0017), and is the holding company of the Company as at the Latest Practicable Date
“NWDS China”	New World Department Store (China) Co., Ltd.* (新世界百貨(中國)有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China and, for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Novation Agreement”	the agreement dated 26 January 2021 entered into among NWDS China, Shanghai Huizi and the Landlord regarding the novation of all of Shanghai Huizi’s rights and obligations under the Existing Lease Agreement (as amended and supplemented by the Novation Agreement) to NWDS China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the shares of the Company
“Shanghai Huizi”	Shanghai New World Huizi Department Store Co., Ltd.* (上海匯姿百貨有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“sq m”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

DEFINITIONS

“Supplemental Lease Agreement” the supplemental agreement to the Existing Lease Agreement entered into between NWDS China and the Landlord on 1 June 2021

“%” per cent.

* *for identification purpose only*

Unless otherwise specified in this circular, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ at the rate of HK\$1=RMB0.834. 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 Chi-kong, Adrian (*Chairman*)

Ms. Chiu Wai-han, Jenny

Executive Directors:

Mr. Cheung Fai-yet, Philip (*Joint Chief Executive Officer*)

Ms. Xie Hui-fang, Mandy (*Joint Chief Executive Officer*)

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:*

7th Floor, 88 Hing Fat Street

Causeway Bay

Hong Kong

23 June 2021

To: the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE SUPPLEMENTAL LEASE AGREEMENT

1. INTRODUCTION

Reference is made to the announcement of the Company dated 1 June 2021 in relation to, among others, the Supplemental Lease Agreement.

The purpose of this circular is to provide you with, among other things, further information regarding the Supplemental Lease Agreement and other information as required under the Listing Rules.

2. THE SUPPLEMENTAL LEASE AGREEMENT

Background

On 1 June 2021, NWDS China (a wholly-owned subsidiary of the Company) as the tenant and the Landlord entered into the Supplemental Lease Agreement in respect of the Leased Premises for a term of fifteen (15) years commencing from 23 December 2021 and expiring on 22 December 2036. The Leased Premises have been leased by the Group since

LETTER FROM THE BOARD

2005 under the Existing Lease Agreement for operating the department store business of the Group. As the Existing Lease Agreement will expire on 22 December 2021, NWDS China and the Landlord have entered into the Supplemental Lease Agreement to extend and modify the terms of the Existing Lease Agreement.

The principal terms of the Supplemental Lease Agreement are set out below:

- Date** : 1 June 2021
- Tenant** : NWDS China
- Landlord** : Shanghai Wanda Commercial Plaza Property Co., Ltd.* (上海萬達商業廣場置業有限公司)
- Leased Premises** : The department store building located in Shanghai Wanda Commercial Plaza, No. 1 Songhu Road, Yangpu District, Shanghai, the PRC
- Gross floor area** : Approximately 44,078.75 sq m
- Term** : Fifteen (15) years commencing from 23 December 2021 and expiring on 22 December 2036 (the “**Term**”)
- Rental** : The monthly rental is calculated at RMB133.36 per sq m, amounting to an annual rent of RMB70,540,105.2 for the first three years of the Term, with an increment of 5% for every subsequent three years.
- The amount of rental payable was determined after arm’s length negotiations between NWDS China and the Landlord taking into consideration the prevailing market rental rate for comparable premises in the vicinity of the Leased Premises and the existing rental under the Existing Lease Agreement, which is calculated at RMB123.3 per sq m, amounting to an annual rent of RMB65,218,918.5 for the last year of the term thereof.
- Payment terms** : The rent shall be payable monthly in accordance with the terms of the Existing Lease Agreement.
- Other material terms** : (a) Without the prior consent of the Landlord, NWDS China may not sub-lease more than 20% of the total gross floor area of the Leased Premises under the Supplemental Lease Agreement; and

LETTER FROM THE BOARD

(b) NWDS China shall be entitled to the exclusive use and occupation of the exterior walls of the Leased Premises during the Term for displaying signboards and advertisements.

Other fees : NWDS China shall pay to the Landlord an annual fee of RMB1,285,000 for the exclusive use and occupation of the exterior walls of the Leased Premises.

The value of the right-of-use asset recognised by the Group under the Supplemental Lease Agreement amounted to approximately RMB723,097,000 (equivalent to approximately HK\$867,023,000) in accordance with HKFRS 16. Incremental borrowing rate of 5.5% is applied to compute the present value of the right-of-use asset recognised by the Group under the Supplemental Lease Agreement.

3. INFORMATION RELATING TO THE GROUP

The Group is principally engaged in department store and property investment operations in the PRC.

4. INFORMATION RELATING TO THE LANDLORD

The Landlord is a company established in the PRC principally engaged in property leasing and management. It is a wholly-owned subsidiary of Dalian Wanda Commercial Management Group Co., Ltd.* (大連萬達商業管理集團股份有限公司), which is a commercial properties holding, managing and operating enterprise established in the PRC, and is the platform for commercial property investments and operations of Dalian Wanda Group Co., Ltd.* (大連萬達集團股份有限公司) (“**Dalian Wanda Group**”).

Dalian Wanda Group is a large multinational conglomerate established in the PRC that operates in the core industries of commercial management, cultural industry, real estate and investment. Dalian Wanda Group is controlled by its founder, Mr. Wang Jianlin.

To the best knowledge and belief of the Directors having made all reasonable enquiries, the Landlord and its ultimate owner(s) are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules).

5. REASONS AND BENEFITS FOR ENTERING INTO THE SUPPLEMENTAL LEASE AGREEMENT

NWDS China is the existing tenant of the Leased Premises under the Existing Lease Agreement and the Group has been operating department store business at the Leased Premises since 2005. As the Existing Lease Agreement will expire on 22 December 2021, the Directors believe that maintaining the lease at the Leased Premises will ensure the stability and continuity of the Group’s operation of its department store business in the Leased Premises.

LETTER FROM THE BOARD

The Directors are of the view that the terms of the Supplemental Lease Agreement are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole.

6. FINANCIAL EFFECTS OF THE TRANSACTION CONTEMPLATED UNDER THE SUPPLEMENTAL LEASE AGREEMENT

Pursuant to HKFRS 16, the lease payments payable by the Group under the Supplemental Lease Agreement will be recognised as right-of-use asset and lease liability amounting to approximately RMB723,097,000 (equivalent to approximately HK\$867,023,000) in its consolidated statement of financial position. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The lease liability is recognised at the present value of the lease payments payable over the lease term, discounted using the incremental borrowing rate.

Regarding the impact on the consolidated income statement, the Group will incur an annual depreciation expense of the right-of-use asset over the useful life on a straight line-basis amounting to approximately RMB48,206,000 (equivalent to approximately HK\$57,801,000) and an interest expense on the lease liability will be charged amounting to approximately RMB40,379,000 (equivalent to approximately HK\$48,416,000) for the first year.

7. IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) calculated based on the value of the right-of-use asset recognised by the Group under the Supplemental Lease Agreement are more than 25%, the transaction contemplated under the Supplemental Lease Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholders or any of their respective associates has any material interest in the Supplemental Lease Agreement and none of the Shareholders is required to abstain from voting in favour of the resolution approving the entering into of the Supplemental Lease Agreement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Supplemental Lease Agreement. The Company has obtained written approval from NWD, which directly and indirectly holds an aggregate of 1,264,400,000 Shares (representing approximately 74.99% of the total issued share capital of the Company as at the Latest Practicable Date) in respect of the Supplemental Lease Agreement. As such, the Company is exempted from convening a general meeting to approve the Supplemental Lease Agreement and the transaction contemplated thereunder.

LETTER FROM THE BOARD

8. RECOMMENDATION

The Directors (including all of the independent non-executive Directors) consider that the terms of the Supplemental Lease Agreement are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole. Had a general meeting been convened for approval of the Supplemental Lease Agreement, the Directors (including the independent non-executive Directors) would recommended the Shareholders to vote in favor of the Supplemental Lease Agreement.

9. 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 the Board
New World Department Store China Limited
Dr. Cheng Chi-kong, Adrian
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 30 June 2018, 2019 and 2020 and the six months ended 31 December 2020 are disclosed in the following documents which are published on both the websites of the Stock Exchange and the Company. Please refer to the hyperlinks as stated below:

annual report of the Company for the year ended 30 June 2018

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1018/ltn20181018396.pdf>

(page 66 to 139)

annual report of the Company for the year ended 30 June 2019

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1017/ltn20191017067.pdf>

(page 54 to 124)

annual report of the Company for the year ended 30 June 2020

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1023/2020102300958.pdf>

(page 64 to 146)

interim report of the Company for the six months ended 31 December 2020

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0325/2021032500759.pdf>

(page 14 to 42)

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2021, being the latest practicable date for ascertaining information for inclusion in this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$1,412,105,000, details of which are set out as follows:

	<i>HK\$'000</i>
Unsecured bank loans	699,105
Loans from ultimate holding company, unsecured	<u>713,000</u>
	<u><u>1,412,105</u></u>

Lease liabilities

As at 30 April 2021, the Group had lease liabilities with outstanding principal amount of approximately HK\$4,239,026,000.

Contingent liabilities

In respect of certain department stores closed by the Group in the previous years, the Group has contingent liabilities arising from the potential claims from the landlords of the premises for compensation in connection with the early termination of the leases. However the compensation amounts in respect of the potential claims arising from these closed department stores, if any, and timing of payment could not be reliably estimated at the current stage, and the final outcome of which is subject to actions of the landlords, negotiation and/or result of legal proceeding. The Group has taken necessary measures to address the potential exposure. The aggregate monthly rental expense for these closed department stores was approximately HK\$9,000,000 prior to the closure.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the close of business on 30 April 2021, the Group did not have any material debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing or acceptances or hire purchases commitments or outstanding mortgages or charges or other material contingent liabilities or guarantees.

3. WORKING CAPITAL STATEMENT

Taking into account the Supplemental Lease Agreement and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

References are made to the profit warning announcement dated 5 February 2021, the interim results announcement for the six months ended 31 December 2020 dated 25 February 2021 regarding the performance of the Group for the six months ended 31 December 2020 and the related information included therein. The Group has recorded a loss attributable to the Shareholders of approximately HK\$203.9 million for the six months ended 31 December 2020, as compared to a profit attributable to the Shareholders of approximately HK\$142.4 million for the corresponding period in 2019, primarily due to the recognition of HK\$194.3 million of impairment loss on goodwill and HK\$151.8 million of impairment loss on property, plant and equipment and right-of-use assets for mainly six department stores in the PRC in light of the latest market environment and the management's assessment on the business prospect thereof. Save as disclosed in the publications above, 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 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. PROSPECT OF THE GROUP

As COVID-19 continued to spread rampantly around the globe, countries worked actively to confine the pandemic and strived to reinvigorate their economies. Work and production resumed in some countries when the outbreak slightly calmed down. As heavyweight relief measures took effect, the global economy began to head back up after hitting rock bottom. However, the pandemic situation has been highly volatile, and the number of confirmed cases resurged in some countries. As nations took time to recuperate from the pandemic's impact and trauma on their employment, production and consumption, the global economy had lost much steam in its recovery amidst a long list of challenges.

In the face of grave circumstances, China has effectively controlled the spread of the coronavirus. Benefitting from this alongside the support of macro-economic policies, the country has seen a quarter-to-quarter rebound in its major economic indicators in its manufacturing and service sectors, investment and consumption. In 2020, China's Gross Domestic Product expanded by 2.3% year-on-year to RMB101.6 trillion; it became the first country to report positive economic growth. Investment, in particular, regained upward momentum as a result of faster recovery in infrastructure and real estates. This proved to be critical in promoting recovery in the mainland's economy. Growth in nationwide residents' income was basically synchronised with economic growth. While consumer confidence is moderately restored, consumers tend to be more prudent with their spending during the current pandemic. Total retail sales of consumer goods dropped 3.9% year-on-year, indicating a stronger force is needed to drive consumption demand.

Looking ahead, the COVID-19 situation in different countries and the external environment remain highly uncertain. The basis for China's economic recovery is yet to be called solid. As policies to stabilise employment, expand domestic demand and promote consumption continue to be effective in China, the Group hopes to see an extension of the upward trend in the mainland's consumption market. In future, the Group will deepen its multi-platform online setup, promote digitised upgrade and transformation, and accelerate its online-offline integration. At the same time, it will consolidate its multi-category business operations and strengthen its community-focused department stores, supermarkets and convenience stores with complementing services so as to create even better experience and value for its consumers. The Group shall uphold its prudent and pragmatic attitude as it pursues long-term and steady growth.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its opinion of rental value of the property interest to be leased by the Company or its subsidiaries as at 1 June 2021.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

23 June 2021

The Board of Directors
New World Department Store China Limited
7th Floor,
88 Hing Fat Street,
Causeway Bay,
Hong Kong

Dear Sirs,

Re: Portions of Shanghai Wanda Commercial Plaza with a total gross floor area (“GFA”) of 44,078.75 sq m located at No.1 Songhu Road, Yangpu District, Shanghai, in the People’s Republic of China (the “PRC”) (“the Property”)

INSTRUCTIONS, PURPOSE AND VALUATION DATE

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**” or “**we**”) is delighted to be appointed by **New World Department Store China Limited** (the “**Company**”) to provide an opinion of the market rent of the Property to be leased by the Company or its subsidiaries. We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary to provide the Company with our opinion of the market rent of the Property as at 1 June 2021 (the “**valuation date**”) for regulatory circular purpose.

BASIS OF VALUATION

Our valuation of the Property represents its market rent which in accordance with HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors (“**HKIS**”) is defined as “the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION ASSUMPTIONS

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 tenancy. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its rental value.

Our rental opinion is carried out on the assumptions that the monthly rental is exclusive of value-added tax (“VAT”), building management fees and utilities charges.

Our valuation excludes an estimated rental inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the letting, or any element of value available only to a specific lessor or lessee.

Our valuation has been made on the assumption that the lessor leases or lets the Property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the market rent of the Property.

Unless otherwise stated, our valuation of the Property is on a 100% interest basis.

METHOD OF VALUATION

We have adopted the Market Comparison Method in our valuation by making reference to comparable lease transactions as available in the market. We have analyzed of recent market rental evidences of similar properties to compare with the Property under assessment. Each comparable is analyzed on the basis of its unit rent; each attribute of the comparable is then compared with the Property and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the Property. Considering the use, district, quality, building age and size of the Property, we finally identified three comparables in Shanghai, which are Shanghai Xuhui comparable (“**Comparable A**”), Shanghai Minhang comparable (“**Comparable B**”) and Shanghai Changning comparable (“**Comparable C**”). If the comparable was superior to the Property, downward adjustment was made. If inferior, upward adjustment was made. All comparables adopted unit rent of RMB per sq m per month for analysis. The major factors of comparison used to value the Property include use, district (include location, environment, transportation, accessibility), the quality of the properties (like decoration standard, visibility, etc.), building age, size, lease commencement date, etc.

We have adjusted comparables’ differences in terms of the factors mentioned above. Regarding use factor, all three comparables are shopping center, which are similar to the Property, no adjustment made on this factor. In terms of district, Comparable C suits a better district near city center, which is superior to the Property, therefore, we have adjusted downward. For the quality of the properties, all comparables and the Properties are well decorated with good visibility, no

adjustment was required. In terms of building age, the commencement date of the Property was in December 2006, and the commencement date for comparables A, B and C were September 2019, December 2019 and August 2013 respectively. We have adjusted downwards to reflect such building age difference. No adjustments made on size as the comparables are similar to the Property. The lease commencement date of the three comparables started before the lease renewal date of the Property and we made upward adjustment accordingly regarding lease commencement date factor.

We have placed same weight (1/3) on the three comparables.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure and all other relevant matters. Dimensions and measurements are based on the copies of documents collected from the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view and we have no reason to suspect that any material information has been withheld.

DOCUMENT AND TITLE INVESTIGATION

We have been shown copies of Real Estate Title Certificate and Tenancy Agreement relating to the property interest and have made relevant enquiries. However, we have not examined the original documents and assumed that the copies of these documents obtained are consistent with their originals and the lease is valid and effective under the applicable laws.

AREA MEASUREMENT

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 documents and official site plans handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

SITE INSPECTION

The site inspection was carried out on 26 May 2021 by Ms. Siyang Kou, who has 3 years' experience in property valuation in the PRC.

CURRENCY

All monetary figures stated in this report are in Renminbi (RMB).

COMMENTARY ON THE IMPACT OF COVID-19 ON VALUATION

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on the 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market.

We enclose herewith a valuation report for your attention.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Gilbert Chan C. H.

MRICS, MHKIS, RPS (GP)

Senior Director

Gilbert C.H. Chan is a Chartered Surveyor who has 28 years' experience in the valuation of properties in Hong Kong and 27 years of property valuation experience in the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 1 June 2021
<p>Portions of Shanghai Wanda Commercial Plaza, No. 1 Songhu Road, Yangpu District, Shanghai, The PRC</p>	<p>The Property comprises portions of basement 1 and basement 2, ground floors 1 to 7 and roof area. The Property has a gross floor area (“GFA”) of approximately 44,078.75 sq m</p> <p>The Property is subject to a lease agreement dated 22 April 2005 of 15 years due to expire on 22 December 2021. The landlord and the Company or its subsidiaries as the tenant have entered into a supplemental lease agreement on 1 June 2021 to extend the lease for another 15 years upon expiry.</p> <p>The land use rights of the Property have been granted for a term expiring on 12 January 2053 for commercial and office use.</p>	<p>As at the valuation date, the Property was leased to the tenant as Hong Kong New World Department Store — Shanghai Wujiaochang Branch Store.</p>	<p>RMB6,100,000 (SIX MILLION AND ONE HUNDRED THOUSAND) per month, excluding VAT, building management fees and utilities charges.</p>

Notes:

1. Pursuant to a Real Estate Title Certificate — Hu (2018) Yang Zi Bu Dong Chan Quan Di No. 005378, the land use rights have been granted to Shanghai Wanda Commercial Plaza Property Co., Ltd. (上海萬達商業廣場置業有限公司, the “**Landlord**”) for a term expiring on 12 January 2053 for commercial and office use.
2. We have considered three rental comparables as available in the market and made appropriate adjustments to reflect the differences between the Property and the comparables in different aspects including but not limited to use, district (include location, environment, transportation, accessibility), the quality of the properties (like decoration standard, visibility, etc.), building age, size, lease commencement date, etc.

Assuming the lease renewal of the Property is freely disposable and transferable, the capitalized value of the market rent under this 15-year tenancy would be approximately RMB800,000,000. The adopted capitalization rate is estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalization rate adopted is reasonable and in line with the market norm having regard to the analyzed yields of transactions of the relevant use type.

3. Pursuant to the supplemental lease agreement on 1 June 2021, the Landlord leased the Property with a gross floor area of approximately 44,078.75 sq m to the tenant. The lease term extended 15 years commencing from 23 December 2021 and expiring on 22 December 2036 (the “**Lease Term**”). The monthly rental is calculated at RMB133.36 per sq m (inclusive of 5% VAT), for the first three years of the Lease Term, with an increment of 5% for every subsequent three years. Besides the monthly rental, the tenant shall pay an annual fee of RMB1.285 million for the exclusive use and occupation of the external walls of the Property.
4. Our rental opinion is carried out on the assumptions that the Property is to be leased for a term of 15 years and the monthly rental is exclusive of VAT, building management fees and utilities charges. In addition, the Property is to be leased with basic commercial decoration (including plaster ceiling, painted wall and carpeted flooring).

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 of the Latest Practicable Date, the interests and short positions of the Directors and 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) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as follows:

(a) Long positions in Shares

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
The Company (Ordinary shares of HK\$0.10 each)					
Ms. Xie Hui-fang, Mandy	Beneficial owner	Personal interest	177,000	177,000	0.01
NWD (Ordinary shares)					
Dr. Cheng Chi-kong, Adrian	Beneficial owner	Personal interest	2,059,118	2,059,118	0.08
Ms. Chiu Wai-han, Jenny	Beneficial owner	Personal interest	29,899	29,899	0.00

(b) Long positions in underlying shares — share options

NWD	Date of grant	Exercisable period <i>(Note)</i>	Number of share options held	Exercise price per share <i>HK\$</i>
Dr. Cheng Chi-kong, Adrian	3 July 2017	(1)	500,000	40.144
Ms. Chiu Wai-han, Jenny	6 July 2018	(2)	75,000	44.160

Notes:

- (1) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
- (2) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.
- (3) The cash consideration paid by each of the above Directors for each grant of the share options is HK\$10.00.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors were aware, as of the Latest Practicable Date, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited (“CYTFH”) ⁽¹⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Cheng Yu Tung Family (Holdings II) Limited (“CYTFH-II”) ⁽²⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Capital Limited (“CTFC”) ⁽³⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook (Holding) Limited (“CTFH”) ⁽⁴⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Enterprises Limited (“CTFE”) ⁽⁵⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
NWD	Controlled corporation	Corporate interest	45,500,000	1,264,400,000	74.99
	Beneficial owner	—	1,218,900,000		

Notes:

- (1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.
- (2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.
- (3) CTFC holds 81.03% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.
- (4) CTFH holds 100% direct interest in CTFE and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFE.
- (5) CTFE together with its subsidiaries have interest in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by NWD.

4. DIRECTORS' INTERESTS IN ASSETS

As of 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 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the date of this circular, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As of 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 determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

7. COMPETING BUSINESS OF DIRECTORS AND ASSOCIATES

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

Name of Director	Name of entity	Description of business	Nature of interest of the Director in the entity
Dr. Cheng Chi-kong, Adrian	NWD	Property investment	Director
	Cheung Hung Development (Holdings) Limited	Property investment	Director
	CTFE group of companies	Property investment	Director
Ms. Chiu Wai-han, Jenny	NWD	Property investment	Director

8. COMMON DIRECTORS

As at the Latest Practicable Date, the following Directors were also directors of the companies which had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of common director	Name of company
Dr. Cheng Chi-kong, Adrian	CTFH
Dr. Cheng Chi-kong, Adrian	CTFE
Dr. Cheng Chi-kong, Adrian Ms. Chiu Wai-han, Jenny	NWD

9. LITIGATION

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

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given its advice and recommendation which is contained in this circular:

Name	Qualification
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

The Independent Property Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As of the Latest Practicable Date, the Independent Property Valuer did not have any direct or indirect interest in any assets which had since 30 June 2020 (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 of the Latest Practicable Date, the Independent Property Valuer 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.

11. MATERIAL CONTRACTS

The Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding and including the Latest Practicable Date.

12. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands;
- (b) The head office and principal place of business of the Company in Hong Kong is at 7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong;

- (c) The branch share registrar and transfer agent of the Company in Hong Kong is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong;
- (d) The company secretary of the Company is Miss Wu Yuk-kwai, Catherine, a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

13. 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 for a period of 14 days from the date of this circular (both days inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the Supplemental Lease Agreement;
- (c) the annual report of the Company for the year ended 30 June 2018;
- (d) the annual report of the Company for the year ended 30 June 2019;
- (e) the annual report of the Company for the year ended 30 June 2020;
- (f) the valuation report prepared by the Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix II to this circular;
- (g) the written consent referred to in the paragraph headed "10. Expert and Consent" in this Appendix; and
- (h) this circular.