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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, bank manager, solicitor, professional accountant or other professional adviser.

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

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**CONTINUING CONNECTED TRANSACTIONS
RENEWALS OF THE MASTER LEASING AGREEMENT
AND
THE MASTER CONCESSIONAIRE COUNTER AGREEMENT**

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



A letter from the Independent Board Committee containing its recommendations in respect of the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps to the Independent Shareholders is set out on pages 17 to 18 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 19 to 34 of this circular.

A notice convening an extraordinary general meeting of New World Department Store China Limited to be held at Meeting Room N201A, Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (Expo Drive Entrance) on Thursday, 25 May 2017 at 12:15 p.m. is set out on pages 41 to 43 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 agent of the Company in Hong Kong at Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, 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, 8 May 2017

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DEFINITIONS

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

“associate”	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, and is a subsidiary of NWD as at the Latest Practicable Date
“Concessionaire Effective Date”	24 April 2012
“Concessionaire Renewal Date”	1 July 2017, which is conditional upon the renewal of the Master Concessionaire Counter Agreement becoming unconditional as set out in the sub-paragraph headed “Conditionality” under the paragraph headed “Renewal of 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(s)”	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 Latest Practicable Date
“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 Group”	CTFJ and its subsidiaries from time to time

DEFINITIONS

“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 N201A, Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (Expo Drive Entrance) on Thursday, 25 May 2017 at 12:15 p.m. for the purpose of considering and, if thought fit, approving, among other things, the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps
“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 “SPDBI”	SPDB International Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	in respect of the resolutions related to the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the Shareholders other than NWD and its associates; and in respect of the resolutions related to the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps, the Shareholders

DEFINITIONS

“Latest Practicable Date”	4 May 2017, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Leasing Renewal Date”	1 July 2017, which is conditional upon the renewal of the Master Leasing Agreement becoming unconditional as set out in the subparagraph headed “Conditionality” under the paragraph headed “Renewal of 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, and vice versa, 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 and was subsequently automatically renewed for a successive period of three years commencing from 1 July 2014, details of which were disclosed in the joint announcements of the Company, NWD and CTFJ dated 22 March 2012 and 11 April 2014, respectively
“Master Leasing Agreement”	the agreement in relation to the Leasing Transactions entered into between the Company and NWD on 11 April 2014
“New Concessionaire Annual Caps”	the annual cap amounts payable by the CTFJ Group to the Group (as subsidiaries of NWD) in respect of the Concessionaire Transactions for each of the three years ending 30 June 2020
“New Leasing Annual Caps”	the annual cap amounts payable by the Group to the NWD Group, and vice versa, in respect of the Leasing Transactions for each of the three financial years ending 30 June 2020
“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 the Company as at the Latest Practicable Date
“NWD Group”	NWD and its subsidiaries (other than the Group) from time to time

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“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 622 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
Ms. Ngan Man Ying, Lynda

Executive Directors:

Dr. Cheng Chi Kong, Adrian
Mr. Cheung Fai Yet, Philip

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

8 May 2017

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWALS OF THE MASTER LEASING AGREEMENT
AND
THE MASTER CONCESSIONAIRE COUNTER AGREEMENT**

1. INTRODUCTION

The Board refers to the announcements of the Company both dated 8 April 2017 in relation to, among other things, the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps.

The purposes of this circular are, among other things: (i) to provide you with further details of the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New 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 and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the Independent

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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. RENEWAL OF 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 the relevant members of the Group from the relevant members of the NWD Group in accordance with the Master Leasing Agreement and certain of the leasing agreements have not expired as at the Leasing Renewal 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, and vice versa. The Master Leasing Agreement will expire on 30 June 2017 and will be automatically renewed for a successive period of three years thereafter subject to compliance with certain conditions, including the Listing Rules.

The principal terms of the Master Leasing Agreement are set out below:

Date

11 April 2014

Parties

- (1) the Company; and
- (2) NWD

General terms for the Leasing Transactions

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

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

- a) in the usual and ordinary course of business of the Company and NWD;

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

The consideration for each Definitive Leasing Agreement will be determined in the following manner:

- (a) For new rental services, the lessee will approach the lessor for on-site visit for the available property, and the lessee will verbally request for a quote if it wishes to proceed with the lease.
- (b) For both new and renewed rental services, a quote will be provided by lessor in form of standard lease agreement.
- (c) In cases where the Group is the lessee, it may, through its operational and technical departments, consider either to accept the quote which is either better than or equal to the currently available market comparative quotes obtained by the Group as lessee for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least two public quotation of the real estate agencies, and proceed with the lease or reject the quote and decline to proceed further.
- (d) In cases where the Group is the lessor, it will provide to the lessee a quote which is either better than or equal to the currently available market comparative quotes from the Group as lessor for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least two public quotation of the real estate agencies. The lessee may consider either to accept the quote and proceed with the lease or reject the quote and decline to proceed further.

Conditionality

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

Duration

The Master Leasing Agreement shall continue to be effective up to and including 30 June 2020. 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 waiver obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically

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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 New Leasing Annual Caps

The aggregate transaction amounts under the Master Leasing Agreement for the Company for each of the two financial years ended 30 June 2016 and the six months ended 31 December 2016 were approximately RMB315,398,000, RMB275,604,000 and RMB127,700,000, respectively.

The New Leasing Annual Caps for each of the three financial years ending 30 June 2020 are RMB355,660,000, RMB373,178,000 and RMB384,374,000, respectively, and have been determined based on historical transaction amounts under the Master Leasing Agreement, the terms of the leases and the expected addition of one to two new Stores annually, subject to the then market condition and economic factors.

The surge in the New Leasing Annual Caps as compared with their relevant historical transaction amounts is mainly due to the following:

- (a) the favourable government policies in the PRC and the emergence of the middle class will strengthen the PRC's consumption market, and hence, it is the Company's plan to continue to expand both self-owned and managed stores in light of the tremendous future opportunities;
- (b) the Company managed one more store and the total gross floor area of the self-owned stores and managed stores operated by the Company has increased by approximately 2.0% from 30 June 2016 to 31 December 2016, with relatively stable rental incomes; and
- (c) the gross domestic products in the PRC and the retail sales of consumer goods in the PRC have increased by approximately 6.7% and 10.4% from 2015 to 2016, respectively.

For the reasons aforesaid, the Company considers that there will be an increase in the transaction amounts under the Master Leasing Agreement for each of the three financial years ending 30 June 2020 when comparing with the historical transaction amounts.

Reasons for and benefits of the renewal of 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

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also believe that it is in the interests of the Company to renew 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.

The Directors (including the independent non-executive Directors) consider that the renewal of the Master Leasing Agreement have been negotiated on an arm's length basis, are fair and reasonable, on normal commercial terms and within the ordinary and usual course of business of the Group, and are in the interests of the Group and the Shareholders as a whole, and that the New Leasing Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

3. RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER AGREEMENT

Background

On 22 March 2012, the Company and CTFJ entered into the Master Concessionaire Counter Agreement in relation to the Concessionaire Transactions, which was subsequently automatically renewed for a successive period of three years commencing from 1 July 2014. As such, the Master Concessionaire Counter Agreement will expire on 30 June 2017. Subject to the compliance of the Listing Rules by the Company and CTFJ, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years from the Concessionaire Renewal Date.

Members of the Group had in the past entered into, and are 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 under the 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. The Company and CTFJ agreed to renew the Master Concessionaire Counter Agreement upon the expiry of its renewal term on 30 June 2017 for a further term of three years, i.e. up to and including 30 June 2020. There has been no change in the terms of the Master Concessionaire Counter Agreement since it was entered into on 22 March 2012.

The principal terms of the Master Concessionaire Counter Agreement are set out below:

Date

22 March 2012

Parties

(1) the Company; and

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(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 upon, and subject to, the terms and conditions in compliance with the Master Concessionaire Counter Agreement as may be agreed between the relevant members of the Group and the CTFJ Group. All the then 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 Renewal Date) will be treated as Definitive Concessionaire Agreements made pursuant to the Master Concessionaire Counter Agreement as from the Concessionaire Renewal Date.

With effect from the Concessionaire Renewal 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 New Concessionaire Annual Caps), the applicable laws, the Master Concessionaire Counter Agreement and the relevant Definitive Concessionaire Agreement.

The consideration for each Definitive Concessionaire Agreement will be determined in the following manner: a quote, which is either better (to the Group) than or equal to at least two other quotes for the concessionaire counters given to the independent third parties by the Group, will be provided by the relevant member of the Group. Such quote will be determined with reference to the location, usable space, available facilities, quality and rental period of the concessionaire counters; the relevant member of the CTFJ Group may, through its operational and technical departments, either accept the quote and proceed with the concessionaire arrangement or reject the quote and decline to proceed further, based on the relevant policies and other quote(s) for similar arrangement(s) obtained from independent third parties in the market. The management of the Group will determine the consideration and terms of the transactions under each Definitive Concessionaire Agreement, and will generally review such terms annually to determine whether adjustments shall be made.

Conditionality

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

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Duration

The Master Concessionaire Counter Agreement commenced on the Concessionaire Effective Date, renewed for a successive period of three years commencing from 1 July 2014 and will expire on 30 June 2017. 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 terminated earlier in accordance with the Master Concessionaire Counter Agreement.

Subject to the approval of the Independent Shareholders of the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps at the EGM, the Master Concessionaire Counter Agreement will be automatically renewed on 1 July 2017 for three years ending 30 June 2020.

Historical figures and the New Concessionaire Annual Caps

The aggregate transaction amounts payable by the CTFJ Group to the Group under the Master Concessionaire Counter Agreement for each of the two years ended 30 June 2015 and 2016 and the six months ended 31 December 2016 were approximately RMB81,843,000, RMB63,201,000 and RMB30,084,000, respectively.

The New Concessionaire Annual Caps for each of the three years ending 30 June 2018, 2019 and 2020 are RMB129,551,000, RMB135,912,000 and RMB159,902,000, respectively.

The New Concessionaire Annual Caps have been determined based on the terms of the existing concessionaire counter agreements, the historical transaction amounts under the 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.

The transaction amount payable under the Master Concessionaire Counter Agreement is calculated based on the sales amounts of the concessionaire counters operated by the CTFJ Group multiplied by a concessionaire commission rate as determined by the Group with reference to, among others, at least two market comparative commission rates offered by the Group to similar jewellery retailers or concessionaires with similar brand popularity as the CTFJ Group at the Stores and taking into account the brand popularity of the CTFJ Group comparing with other brands that are operating in the Stores and the recent market trend of the retail sales of gold, silver and jewellery market in the PRC which the CTFJ Group is engaged in. The senior management of the Company will review and approve the work done by various

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departments in relation to the quotations and decide on the quote offered to the CTFJ Group to ensure that such quote to the CTFJ Group will not be less favourable to the Group than the quote available to comparable independent third parties. Internal control assessment will be conducted by the Company from time to time to ensure that all the internal control policies and the quotation procedures for concessionaires are properly adhered to when determining the quote (including the concessionaire commission rate) offered to the CTFJ Group.

The Directors expect that the concessionaire commission rate will remain stable and the surge in the New Concessionaire Annual Caps as compared with their relevant historical transaction amounts is mainly due to the following:

- (a) the commission income from concessionaire sales is one of the major sources of income of the Group while the amounts payable by the CTFJ Group depends largely on the commission income derived from the concessionaire counters operated by the CTFJ Group, which is directly related to the number of its concessionaire counters and the sales performance of these counters. Despite a drop in sales growth and sales volume of CTFJ's jewellery business for the year ended 31 March 2016, considering the relatively stable fundamentals, continuous favourable government policies in the PRC and the ever-growing middle-class which will strengthen the PRC's consumption market and the recent positive outlook on the retail sales of gold, silver and jewellery in the PRC, the Company considers that there will be a sustainable growth in the PRC's economy;
- (b) as CTFJ is the leading jeweller in the PRC, Hong Kong and Macau with extensive worldwide network and has become the largest jeweller listed in Hong Kong by market capitalisation, it is expected that CTFJ can benefit from the strengthened PRC's consumer market and the positive trend of the retail sales of gold, silver and jewellery, the sales performance of the concessionaire counters operated by the CTFJ Group will thereby improve and new concessionaire counters will be demanded by the CTFJ Group.

For the reasons aforesaid, the Company considers that there will be an increase in amounts payable by the CTFJ Group under the Master Concessionaire Counter Agreement for each of the three years ending 30 June 2018, 2019 and 2020 when comparing with the historical transaction amounts.

Reasons for and benefits of the renewal of the Master Concessionaire Counter Agreement

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 (including the independent non-executive Directors) consider that the renewal of the Master Concessionaire Counter Agreement of which its terms had been negotiated on an arm's length basis, are fair and reasonable, on normal

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commercial terms and within the ordinary and usual course of business of the Group and are in the interests of the Group and the Shareholders as a whole and that the New 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 store and other related business and property investment operations in the PRC.

To the best knowledge of the Directors, the principal businesses of the NWD Group include property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology.

To the best knowledge of the Directors, the CTFJ Group is one of the largest jewellers in Hong Kong, Macau and the Mainland China by market share with an extensive retail network of over 2,300 points of sale spanning more than 500 cities in Greater China, Singapore, Malaysia, South Korea and the United States. The CTFJ Group is principally engaged in the business of manufacturing and selling mass luxury and high-end luxury jewellery products, including gem-set products, gold products and platinum/karat gold products, and distributing watches of various brands.

5. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 a connected person of the Company and the relevant Leasing Transactions and the Concessionaire Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the highest of the amounts and all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the New Leasing Annual Caps is more than 5% and exceeds HK\$10,000,000; and (ii) the highest of the amounts and all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the New Concessionaire Annual Caps is more than 5% and exceeds HK\$10,000,000, the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, and the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

The Independent Board Committee has been established to consider the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps, and to advise the Independent Shareholders as to whether the renewal of the Master Leasing Agreement, the Leasing Transactions, the

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New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New 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

The renewal of the Master Leasing Agreement

None of the Directors has a material interest in the renewal of the Master Leasing Agreement. Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian and Mr. Au Tak Cheong are common directors of the Company and NWD. Other than Dr. Cheng Kar Shun, Henry, Dr. Cheng Chi Kong, Adrian and Mr. Au Tak Cheong, none of the Directors is required to abstain from voting on the relevant board resolutions.

Dr. Cheng Chi Kong, Adrian and Mr. Au Tak Cheong who were present at the meeting of the board of the Company have abstained from voting on the relevant board resolutions. Dr. Cheng Kar Shun, Henry was not present at the meeting of the board of the Company and accordingly did not vote on the relevant board resolutions.

The renewal of the Master Concessionaire Counter Agreement

None of the Directors has a material interest in the renewal of the Master Concessionaire Counter Agreement. Dr. Cheng Kar Shun, Henry and Dr. Cheng Chi Kong, Adrian are common directors of the Company, NWD and CTFJ and Mr. Au Tak Cheong is a common director of the Company and NWD. Dr. Cheng Chi Kong, Adrian and Mr. Au Tak Cheong who were present at the meeting of the board of the Company voluntarily abstained from voting on the relevant board resolutions. Dr. Cheng Kar Shun, Henry was not present at the meeting of the board of the Company and accordingly did not vote on the relevant board resolutions.

7. EXTRAORDINARY GENERAL MEETING

Set out on pages 41 to 43 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps. At the EGM, the votes of the Independent Shareholders in relation to the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps will be taken by poll.

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 renewal of the Master Leasing Agreement, the Leasing Transactions and the New Leasing Annual Caps. No Shareholders are required to abstain from voting in respect of the

LETTER FROM THE BOARD

resolutions to be proposed at the EGM to approve the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New 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 agent of the Company in Hong Kong at Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, 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.

The register of members of the Company will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 May 2017.

8. RECOMMENDATIONS

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 19 to 34 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps, and taken into account the advice of the Independent Financial Adviser, considers that the renewal of the Master Leasing Agreement and the renewal of the Master Concessionaire Counter Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms, 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.

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 renewal of the Master Leasing Agreement and the renewal of the Master Concessionaire Counter Agreement are

LETTER FROM THE BOARD

in the ordinary and usual course of business of the Group, on normal commercial terms, 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 Directors also recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New 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)

8 May 2017

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWALS OF THE MASTER LEASING AGREEMENT
AND
THE MASTER CONCESSIONAIRE COUNTER AGREEMENT**

We refer to the circular of the Company dated 8 May 2017 (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 renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

SPDB International Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps and whether the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps are in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. 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 19 to 34 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 16 of the Circular and the general information set out in the appendix to the Circular. Having considered the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement,

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the Concessionaire Transactions and the New Concessionaire Annual Caps, and taken into account the advice of the Independent Financial Adviser, we consider that the renewal of the Master Leasing Agreement and the renewal of the Master Concessionaire Counter Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the renewal of the Master Leasing Agreement, the Leasing Transactions, the New Leasing Annual Caps, the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New 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 text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this Circular.



Suites 3207–3212
One Pacific Place
88 Queensway
Hong Kong

8 May 2017

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
(I) RENEWAL OF THE MASTER LEASING AGREEMENT;
AND
(II) RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER
AGREEMENT**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Master Leasing Agreement including the New Leasing Annual Caps and the renewal of the Master Concessionaire Counter Agreement including the New Concessionaire Annual Caps and the transactions contemplated thereunder respectively, details of which are set out in the circular to the Shareholders dated 8 May 2017 (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 11 April 2014, the Company and NWD entered into the Master Leasing Agreement in respect of the Leasing Transactions. The Master Leasing Agreement is for a term of three years commencing from 1 July 2014 and expiring on 30 June 2017. Subject to the compliance of the Listing Rules by the Company, the Master Leasing Agreement will be automatically renewed for a successive period of three years from the Leasing Renewal Date. The Company and NWD agreed to renew the Master Leasing Agreement upon the expiry of its initial term on 30 June 2017 for a further term of three years, i.e., up to 30 June 2020.

On 22 March 2012, the Company and CTFJ entered into the Master Concessionaire Counter Agreement in relation to the Concessionaire Transactions, which was subsequently automatically renewed for a successive period of three years commencing from 1 July 2014. As such, the Master Concessionaire Counter Agreement will expire on 30 June 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject to the compliance of the Listing Rules by the Company and CTFJ, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years from the Concessionaire Renewal Date.

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

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

As the highest of the amounts and all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the New Concessionaire Annual Caps are more than 5% and exceeds HK\$10,000,000 so far as the Company is concerned, the renewal of the Master Concessionaire Counter Agreement and the New Concessionaire Annual Caps are 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 renewal of Master Leasing Agreement, the Leasing Transactions and the New Leasing Annual Caps.

The Independent Board Committee has been established to consider the renewal of Master Leasing Agreement including the New Leasing Annual Caps and the renewal of the Master Concessionaire Counter Agreement including the New Concessionaire Annual Caps and the transactions contemplated thereunder respectively; and to advise the Independent Shareholders as to whether the renewal of Master Leasing Agreement including the New Leasing Annual Caps and the renewal of the Master Concessionaire Counter Agreement including the New Concessionaire Annual Caps and the transactions contemplated thereunder respectively 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 that, 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(A) Renewal of the Master Leasing Agreement

Background and reasons for the renewal of the Master Leasing Agreement

On 11 April 2014, the Company and NWD entered into the Master Leasing Agreement in respect of the Leasing Transactions. The Master Leasing Agreement is for a term of three years commencing from 1 July 2014 and expiring on 30 June 2017. Subject to the compliance of the Listing Rules by the Company, the Master Leasing Agreement will be automatically renewed for a successive period of three years from the Leasing Renewal Date.

As set out in the Board Letter, 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 the relevant members of the Group from the relevant members of the NWD Group in accordance with the Master Leasing Agreement and certain of the leasing agreements have not expired as at the Leasing Renewal 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, and vice versa. Accordingly, the Company and NWD agree to renew the Master Leasing Agreement.

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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 renew 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) certain of the leasing agreements under the Master Leasing Agreement have not expired and the Leasing Transactions are expected to continue in the future; (ii) 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; and (iii) the renewal of the Master Leasing Agreement have been negotiated on an arm's length basis, we concur with the view of the Directors that the renewal of the Master Leasing Agreement is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Master Leasing Agreement

Date: 11 April 2014

Parties: NWD and the Company

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

With effect from the Leasing Renewal 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 New Leasing Annual Caps), the applicable laws, the Master Leasing Agreement and the relevant Definitive Leasing Agreement.

We noted from the Board Letter that the consideration for each Definitive Leasing Agreement will be determined in the following manner (collectively, the “**Quotation Procedures For Leasing**”):

- (a) For new rental services, the lessee will approach the lessor for on-site visit for the available property, and the lessee will verbally request for a quote if it wishes to proceed with the lease.
- (b) For both new and renewed rental services, a quote will be provided by lessor in form of standard lease agreement.
- (c) In cases where the Group is the lessee, it may, through its operational and technical departments, consider either to accept the quote which is either better than or equal to the currently available market comparative quotes obtained by the Group as lessee for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least two public quotation of the real estate agencies, and proceed with the lease or reject the quote and decline to proceed further.

- (d) In cases where the Group is the lessor, it will provide to the lessee a quote which is either better than or equal to the currently available market comparative quotes from the Group as lessor for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), which are also compared against at least two public quotation of the real estate agencies. The lessee may consider either to accept the quote and proceed with the lease or reject the quote and decline to proceed further.

Duration:

The Master Leasing Agreement shall continue to be effective up to and including 30 June 2020. 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 waiver 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 three samples of the leasing agreements entered into by the Group with other landlords who are independent third parties of the Company, and compared with the leasing agreements entered into by the Group with the NWD Group of which the relevant premises are comparable in usable size and available facilities. We are given to understand from the Company that the leasing agreements under the Master Leasing Agreement involved five cities, and the three samples were from two cities with the highest annual revenue amounts in financial year ended 30 June 2016. Therefore we are of the view that the selection basis of the sample size is representable. We noted that the terms offered by the NWD Group are no less favorable than those offered by other landlords. We have also interviewed with the management of the Company in relation to the consideration for each Definitive Leasing Agreement and we have been briefed about the procedures of arriving the quotes for the leasing transactions under the Master Leasing Agreement. Additionally we are given to understand from the Company's management that the Quotation Procedures For Leasing are followed by, among others, district director office, administration and project department, business development department, legal

affairs department, finance department and CEO office of the Group for entering the leasing transactions under the Master Leasing Agreement and senior management of the Company would review the work done by relevant staff to ensure that all the internal control policies and the Quotation Procedures For Leasing are properly performed by responsible staff and the comparative quotes obtained by the Group represent the market rates with reference to the public researches regarding the property market in the PRC and public quotation of independent real estate agencies. The decision for whether accepting or rejecting the quotes will be made by the senior management of the Company upon the above mentioned procedures. We are given to understand from the Company that the Company performs internal control assessment from time to time. We have obtained and reviewed the latest internal control assessment approved and signed by, among others, the CEO of the Group and no deviation from the above mentioned procedures were noted.

Having considered that (i) the internal control assessment adopted by the Company; (ii) on-site visit for the property will be performed by the Company for new rental services; (iii) the quotes will be compared to the market comparative quotes and also compared against sufficient numbers i.e. at least two public quotation of the real estate agencies; and (iv) the work done in relation to the Quotation Procedures For Leasing will be reviewed by the senior management of the Company to ensure that the Quotation Procedures For Leasing are properly complied with, we are of the view that the internal control assessment and Quotation Procedures For Leasing are sufficient to ensure that the quotation will be comparable to the market rates.

Given that (i) The Quotation Procedures For Leasing have been in place for the leasing transactions as a set of guideline for the Company to follow; (ii) internal control assessment is performed by the Company from time to time; and (iii) the terms offered by the NWD Group are no less favorable than those offered by other landlords as observed from the samples obtained, 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.

New Leasing Annual Caps

As set out in the Board Letter, the New Leasing Annual Cap for each of the three financial years ending 30 June 2020 is RMB355,660,000, RMB373,178,000 and RMB384,374,000, respectively.

As advised by the Company, the New Leasing Annual Caps have been determined based on historical transaction amounts under the Master Leasing Agreement, the terms of the leases and the expected addition of one to two new Stores annually, subject to the then market condition and economic factors.

We noted that the annual cap for the year ended 30 June 2017 under the Master Leasing Agreement was RMB593,000,000 (the “**2017 Annual Cap**”). The New Leasing Annual Caps for the year ending 30 June 2018 represents a decrease

of approximately 40.0% as compared to the 2017 Annual Cap, while the New Leasing Annual Caps for the year ending 30 June 2019 represents an increase of approximately 4.9% as compared to the New Leasing Annual Caps for the year ending 30 June 2018, and the New Leasing Annual Cap for the year ending 30 June 2020 represents an increase of approximately 3.0% as compared to the New Leasing Annual Cap for the year ending 30 June 2019.

As set out in the Board Letter, the aggregate transaction amounts under the Master Leasing Agreement for the Company for each of the two financial years ended 30 June 2016 and the six months ended 31 December 2016 were approximately RMB315,398,000, RMB275,604,000 and RMB127,700,000, respectively. The historical transaction amount for the year ended 30 June 2016 represented a decrease of approximately 12.6% as compared with that for the financial year ended 30 June 2015.

As advised by the Company, the historical transaction amount for the six months ended 31 December 2016 of RMB127,700,000, represented a decrease of approximately 29.7% as compared to the historical transaction amount for the same period in the previous year which amounted to RMB181,679,000.

As noted from the annual report of the Company for the year ended 30 June 2016 (the “AR2016”), Consumption Upgrade is one of the important agendas in the “13th Five-Year Plan”, which envisions to unleash domestic consumption by improving the consumption environment, thus giving momentum to the overall economic growth. With the launch of the “two-child policy” and the new urbanization policy, added with favourable factors such as the emergence of the middle class, China’s consumption market will receive powerful support in the long run. To capture future opportunities, the Company will continue to implement its expansion strategies for both self-owned stores and managed stores. As of 31 December 2016, the Company operated and managed 37 self-owned stores and five managed stores, compared to 37 self-owned stores and four managed stores as of 30 June 2016. The total GFA of 1,646,880 sq.m. as of 31 December 2016 represented a slightly increase of 2.0% compared to the total GFA of about 1,614,180 sq.m. as of 30 June 2016.

Meanwhile, as noted from the AR2016, the rental income increased slightly by approximately 0.1% to approximately HK\$639.5 million for the financial year ended 30 June 2016 from approximately HK\$638.7 million for the financial year ended 30 June 2015, mainly due to expanded rentable area and improved tenant mix, which was partially offset by the reduced rentable area as a result of the closure or downsizing of certain stores. The operating lease rental expense decreased by approximately 2.3% to HK\$1,163.9 million for the financial year ended 30 June 2016 from approximately HK\$1,191.7 million for the financial year ended 30 June 2015 primarily due to the reduction of rental rates for certain leased properties and the closure of certain department stores.

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 (“GDP”) has increased by approximately 6.7% from the year 2015 to the year 2016 and the retail sales of consumer goods in the PRC has increased by approximately 10.4% from the year 2015 to the year 2016.

We have performed market research on the future growth rate of the retail rent, and we noted from a research report from CBRE based on publicly available source that the retail rent is in an upward trend and will increase by around 2% in Tier 1 cities, such as Beijing and Shanghai, in 2017. In view of the stable growth in GDP and the expected retail rent growth in Tier 1 cities, we are of the view that the increase in the New Leasing Annual Caps from the year 2018 to the year 2020 is reasonable.

Having considered (i) the historical transactions amount under the Master Leasing Agreement; (ii) the Consumption Upgrade and the new urbanization policy in China; (iii) the key business indicator and operation results of the Group with reference to the increasing total GFA and total number of stores as of 31 December 2016, the relatively stable rental incomes; and (iv) the growth in GDP and the recent growth of retail sales of consumer goods, we are of the view that the bases adopted to determine the New Leasing Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(B) Renewal of the Master Concessionaire Counter Agreement

Background and reasons for the renewal of the Master Concessionaire Counter Agreement

On 22 March 2012, the Company and CTFJ entered into the Master Concessionaire Counter Agreement in relation to the Concessionaire Transactions, which was subsequently automatically renewed for a successive period of three years commencing from 1 July 2014. As such, the Master Concessionaire Counter Agreement will expire on 30 June 2017. Subject to the compliance of the Listing Rules by the Company and CTFJ, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years from the Concessionaire Renewal Date.

As set out in the Board Letter, members of the Group had in the past entered into, and are 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 jewelry 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 under the Master Concessionaire Counter Agreement.

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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. The Master Concessionaire Counter Agreement was automatically renewed for a successive period of three years commencing from 1 July 2014 and will expire on 30 June 2017. Accordingly, the Company and CTFJ agree to renew the Master Concessionaire Counter Agreement upon the expiry of its renewal term on 30 June 2017 for a further term of three years, i.e. up to and including 30 June 2020. 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.

Having considered that (i) it is the Group's operational strategy to optimize the merchandise mix; (ii) the terms of the Master Concessionaire Counter Agreement have been negotiated on an arm's length basis; 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 renewal of the Master Concessionaire Counter Agreement is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Master Concessionaire Counter Agreement

Date: 22 March 2012

Parties: CTFJ and the Company

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 upon, and subject to, the terms and conditions in compliance with the Master Concessionaire Counter Agreement as may be agreed between the relevant members of the Group and the CTFJ Group. All the then 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 Renewal Date) will be treated as Definitive Concessionaire Agreements made pursuant to the Master Concessionaire Counter Agreement as from the Concessionaire Renewal Date.

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

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- (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 New Concessionaire Annual Caps), the applicable laws, the Master Concessionaire Counter Agreement and the relevant Definitive Concessionaire Agreement.

Duration:

The Master Concessionaire Counter Agreement commenced on the Concessionaire Effective Date, renewed for a successive period of three years commencing from 1 July 2014 and will expire on 30 June 2017. 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 terminated earlier in accordance with the Master Concessionaire Counter Agreement.

Subject to the approval of the Independent Shareholders of the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps at the EGM, the Master Concessionaire Counter Agreement will be automatically renewed on 1 July 2017 for three years ending 30 June 2020.

We noted from the Board Letter that the consideration for each Definitive Concessionaire Agreement will be determined in the following manner (“**Quotation Procedures For Concessionaires**”): a quote, which is either better (to the Group) than or equal to at least two other quotes for the concessionaire counters given to the independent third parties by the Group, will be provided by the relevant member of the Group. Such quote will be determined with reference to the location, usable space, available facilities, quality and rental period of the

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concessionaire counters; the relevant member of the CTFJ Group may, through its operational and technical departments, either accept the quote and proceed with the concessionaire arrangement or reject the quote and decline to proceed further, based on the relevant policies and other quote(s) for similar arrangement(s) obtained from independent third parties in the market. The management of the Group will determine the consideration and terms of the transactions under each Definitive Concessionaire Agreement, and will generally review such terms annually to determine whether adjustments shall be made.

In assessing the fairness and reasonableness of the terms of the Master Concessionaire Counter Agreement, we have obtained and reviewed three samples of the concessionaire counter agreements entered into by the Company with other concessionaires who are independent third parties of the Company, and compared with the concessionaire counter agreements entered into by the Company and the CTFJ Group of which the counters are comparable in scale. We are given to understand from the Company that the terms offered by the Group to similar jewellery retailers mainly depend on the popularity of their brand names and terms offered to comparative jewellery retailers instead of the location of the department store which only have little effects on the contract terms. As advised by the Company, the samples we selected have covered all comparable jewellery brands who have signed concessionaire counter agreement with the Company. Therefore we are of the view the selection basis of the sample size is representable. We noted that the relevant terms offered by the Group to CTFJ Group are comparable to those available to the third party concessionaires.

We have interviewed with the management of the Company in relation to the consideration for each Definitive Concessionaire Agreement and we have been briefed about the procedures of arriving the quotes for the former concessionaire transactions under the Master Concessionaire Counter Agreement. Additionally we are given to understand from the Company's management that the Quotation Procedures For Concessionaires are followed by, among others, store commercial department, store GM office, district commercial department, district GM office of the Group for entering the concessionaire transactions under the Master Concessionaire Agreement and senior management of the Company would review the work done by relevant staff to ensure that all the internal control policies and the Quotation Procedures For Concessionaires are properly performed by responsible staff. The decision for whether accepting or rejecting the quotes will be made by the senior management of the Company upon the above mentioned procedures. We are given to understand from the Company that the Company performs internal control assessment from time to time. We have obtained and reviewed the latest internal control assessment approved and signed by, among others, the CEO and no deviation from the above mentioned procedures were noted.

Having considered that (i) the internal control assessment adopted by the Company; (ii) the quotes will be compared to the market comparative quotes and also compared against sufficient numbers i.e. at least two public quotations of

independent third parties; and (iii) the work done in relation to the Quotation Procedures For Concessionaires will be reviewed by the senior management of the Company to ensure that the Quotation Procedures For Concessionaires are properly complied with, we are of the view that the internal control assessment and Quotation Procedures For Concessionaires are sufficient to ensure that the quotation will be comparable to the market rates.

Given that (i) The Quotation Procedures For Concessionaires have been in place for the concessionaire transactions as a set of guideline for the Company to follow; (ii) internal control assessment is performed by the Company from time to time; and (iii) the relevant terms offered by the Group to CTFJ Group are comparable to those available to the third party concessionaires, we are of the view that the terms of the Master Concessionaire Counter Agreement are on normal commercial terms and the renewal of the Master Concessionaire Counter Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

New Concessionaire Annual Caps

The New Concessionaire Annual Caps for each of the three years ending 30 June 2020 are RMB129,551,000, RMB135,912,000 and RMB159,902,000, respectively.

As noted from the Board Letter, the New Concessionaire Annual Caps have been determined based on the terms of the existing concessionaire counter agreements, the historical transaction amounts under the 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.

We noted that the annual cap for the year ended 30 June 2017 under the Master Concessionaire Counter Agreement was RMB345,000,000 (the “**2017 Concessionaire Annual Cap**”). The New Concessionaire Annual Cap for the year ending 30 June 2018 represents a decrease of approximately 62.4% as compared with 2017 Concessionaire Annual Cap; while the New Concessionaire Annual Cap for the year ending 30 June 2019 represents an increase of approximately 4.9% as compared with that for the year ending 30 June 2018 and the New Concessionaire Annual Cap for the year ending 30 June 2020 represents an increase of approximately 17.7% as compared with that for the year ending 30 June 2019. As advised by the Company, it is expected that the concessionaire commission rates will remain stable and the increase in the New Concessionaire Annual Caps for the three years ending 30 June 2020 were mainly determined based on the expected increase in sales of the concessionaire counters and the expected increase in the sales floor area of the CTFJ Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As further noted from the Board Letter, the aggregate transaction amounts payable by the CTFJ Group to the Group (as subsidiaries of NWD) under the Master Concessionaire Counter Agreement for each of the two years ended 30 June 2016 and the six months ended 31 December 2016 were approximately RMB81,843,000, RMB63,201,000 and RMB30,084,000, respectively. The transaction amount for the year ended 30 June 2016 represented a decrease of approximately 22.8% as compared with that for the year ended 30 June 2015.

As advised by the Company, transaction amounts under the Master Concessionaire Counter Agreement amounted to approximately RMB30,084,000 for the six months ended 31 December 2016 represented a decrease of approximately 30.0% as compared to the transaction amounts under the Master Concessionaire Counter Agreement for the same period in the previous year which amounted to approximately RMB42,972,000.

As noted from the AR2016, commission income from concessionaire sales is one of the major sources of income of the Group which accounted for approximately 54.0% of the total revenue of the Group for the year ended 30 June 2016. Gross revenue from concessionaire sales decreased from approximately HK\$13,502.2 million for the year ended 30 June 2015 to approximately HK\$11,223.9 million for the year ended 30 June 2016, representing an annual decrease of approximately 16.9%.

We are given to understand that the commission income 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. According to the annual report of CTFJ for the year ended 31 March 2016 (the “**CTFJ AR2016**”), for the year ended 31 March 2016, the CTFJ Group’s revenue recorded a decrease of 12.0% to HK\$56,591.5 million, and the concessionaire fees of jewellery business in Mainland China recorded a decrease of 13.9% to HK\$1,787.8 million. In addition, the same store sales growth and same store sales volume growth of CTFJ’s jewellery business in Mainland China experienced a negative 10.3% and a negative 8.9%, respectively for the same period. However, taking into account the relatively stable fundamentals, continuous urbanization and the ever-growing middle-class in the region, we believe that Mainland China will stay the course on sustainable growth.

As noted in the Board Letter, 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 CTFJ Group is a leading jeweller in the Mainland of China, Hong Kong and Macau with an extensive retail network of over 2,300 points of sale in more than 500 cities in Greater China, Singapore, Malaysia, South Korea and the United States. Its principal products are mass luxury jewellery and high-end luxury jewellery products including gem-set jewellery, gold product and platinum and karat gold product; and watch. According to CTFJ AR2016, CTFJ is the leading jeweller in the PRC, Hong Kong and Macau and has become the largest jeweller listed in Hong Kong by market capitalization.

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Further noted from the CTFJ AR2016, at the end of March 2016, the number of point of sales (“POS”) totaled at 2,319, with an increase of 62 POS or approximately 2.7% from the last financial year. CTFJ’s net POS openings in FY2017 shall be similar to that of last year in Mainland China and CTFJ will be more selective and targeted in opening new POS and consolidate existing retail network. As CTFJ’s omni-channel retailing model develops, CTFJ no longer connecting with customers only through our physical stores, CTFJ Group intends to integrate online and offline resources to direct traffic to our distribution channels through an omni-channel strategy empowered by digital marketing.

We have researched 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 7.3% in 2015 and the retail sales of gold, silver and jewellery in 2016 was similar to the level of that in 2015. As CTFJ’s main business is jewellery retailing, the retail sales of gold, silver and jewellery in the PRC will be a strong indicator of their performance in the PRC, of which the transaction amounts of concessionaire agreement largely depends on. In view of the stable growth in GDP and the retail sales of gold silver and jewellery in the PRC for the year 2015 and 2016, we believe the growth trend will be sustainable and therefore the increase of the New Concessionaire Annual Caps from the year 2018 to the year 2020 is reasonable.

Having considered (i) the historical transactions amount under the Master Concessionaire Counter Agreement; (ii) commission income from concessionaire sales is one of the major sources of income of the Group; (iii) the historical concession fees incurred by the CTFJ Group; (iv) CTFJ is one of the largest jewellers in Hong Kong, Macau and the PRC by market share; and (v) the expected sustainable growth of economy in Mainland China and the recent trend of retail sales of gold, silver and jewellery in the PRC, we are of the view that bases adopted to determine the New Concessionaire Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

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 (i) Master Leasing Agreement including the New Leasing Annual Caps; and (ii) the Master Concessionaire Counter Agreement including the New 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the relevant resolutions for approving the renewal of Master Leasing Agreement including the New Leasing Annual Caps, and the renewal of the Master Concessionaire Counter Agreement including the New Concessionaire Annual Caps and the transactions contemplated thereunder respectively.

Yours faithfully,
For and on behalf of
SPDB International Capital Limited
Mabel Lam
Managing Director

Note: Ms. Mabel Lam is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of SPDB International Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in corporate finance industry.

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)
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar Shun, Henry	Beneficial owner	Personal interest	18,349,571	30,349,571	0.79
	Controlled Corporation	Corporate interest	12,000,000 ⁽¹⁾		

Note:

- (1) 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) NWD*

Name	Date of grant	Exercisable period (Notes)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar Shun, Henry	10 June 2016	(3)	10,675,637	7.540
Dr. Cheng Chi Kong, Adrian	9 March 2016 10 June 2016	(2) (3)	4,500,000 3,736,471	7.200 7.540
Mr. Au Tak Cheong	22 January 2014 10 June 2016	(1) (3)	532,982 1,016,693	9.756 7.540

Notes:

- (1) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (2) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019, respectively to 8 March 2020.
- (3) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (4) The cash consideration paid by each Director for grant of the share options is HK\$10.00.

(ii) NWS Holdings Limited

Name	Date of grant	Exercisable period (Note)	Number of share options held	Exercise price per share HK\$
Dr. Cheng Kar Shun, Henry	9 March 2015	(1)	7,417,691	14.126

Notes:

- (1) 60% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) The cash consideration paid by the above Director 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:

Name	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	1,218,900,000	1,218,900,000	72.29
Cheng Yu Tung Family (Holdings II) Limited (“CYTFH-II”) ⁽²⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Capital Limited (“CTFC”) ⁽³⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook (Holding) Limited (“CTFH”) ⁽⁴⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
CTFE ⁽⁵⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
NWD	Beneficial owner	—	1,218,900,000	1,218,900,000	72.29

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. MATERIAL ADVERSE CHANGE

As of 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 2016, being the date to which the latest published audited financial statements of the Group were made up.

5. 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.

6. 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 2016, 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 of the Latest Practicable Date which is significant in relation to the business of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the Latest Practicable Date, none of the Directors, and their respective close associates has 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.

9. 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 Kar Shun, Henry	Cheng Yu Tung Family (Holdings) Limited
Dr. Cheng Kar Shun, Henry	Cheng Yu Tung Family (Holdings II) Limited
Dr. Cheng Kar Shun, Henry	Chow Tai Fook Capital Limited
Dr. Cheng Kar Shun, Henry Dr. Cheng Chi Kong, Adrian	Chow Tai Fook (Holding) Limited
Dr. Cheng Kar Shun, Henry Dr. Cheng Chi Kong, Adrian	Chow Tai Fook Jewellery Group Limited
Dr. Cheng Kar Shun, Henry Dr. Cheng Chi Kong, Adrian	CTFE
Dr. Cheng Kar Shun, Henry Dr. Cheng Chi Kong, Adrian Mr. Au Tak Cheong	NWD

10. EXPERT AND CONSENT

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

Name	Qualification
SPDB International Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance)) regulated activities under the SFO

SPDBI 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 of the Latest Practicable Date, SPDBI did not have any direct or indirect interest in any assets which had since 30 June 2016 (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, SPDBI 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. GENERAL

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

12. 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 Master Leasing Agreement;
- (b) the Master Concessionaire Counter Agreement;
- (c) the written consent as referred to under the paragraph headed “Expert and consent” in this appendix;
- (d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (e) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular; and
- (f) this circular.

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 N201A, Level 2, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (Expo Drive Entrance) on Thursday, 25 May 2017 at 12:15 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the renewal of the Master Leasing Agreement (as defined and described in the circular of the Company dated 8 May 2017 (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 initialed 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 New 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 three years ending 30 June 2020 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 renewal of the Master Leasing Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

2. “**THAT:**

- (a) the renewal of the Master Concessionaire Counter Agreement (as defined and described in the Circular of the Company dated 8 May 2017 (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 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;

NOTICE OF EGM

- (b) the New 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 2020 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 renewal of 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, 8 May 2017

NOTICE OF EGM

Notes:

- (1) Any member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.
- (3) A form of proxy for use at the Meeting is enclosed.
- (4) To be valid, the 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 agent of the Company in Hong Kong at Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, 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 register of members of the Company will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 May 2017.
- (6) The ordinary resolutions as set out above will be determined by way of a poll.
- (7) In the event of any inconsistency, the English language text of this notice shall prevail over the Chinese language text.
- (8) As at the date of this notice, the non-executive directors of the Company are Dr. Cheng Kar Shun, Henry, Mr. Au Tak Cheong and Ms. Ngan Man Ying, Lynda; the executive directors of the Company are Dr. Cheng Chi Kong, Adrian and Mr. Cheung Fai Yet, Philip; 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.