
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**(1) CONTINUING CONNECTED TRANSACTIONS —
THE RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER
AGREEMENT, THE ENTERING INTO OF THE 2023 MASTER LEASING
AGREEMENT AND THE 2023 MASTER SERVICES AGREEMENT,
(2) PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME
AND
(3) NOTICE OF EGM**

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

BALLAS
C A P I T A L
A subsidiary of Crosby

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Circular.

A letter from the Independent Board Committee containing its recommendations in respect of the renewal of the Master Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps, to the Independent Shareholders is set out on pages 37 to 38 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 39 to 58 of this Circular.

A notice convening the EGM to be held with a combination of an in-room meeting at Meeting Room N101A, Level 1, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (Expo Drive Entrance) and an online virtual meeting via electronic facilities on Monday, 26 June 2023 at 11:00 a.m. is set out on pages 77 to 80 of this Circular. Whether or not you are able to attend the meeting physically or online, please submit your proxy appointment electronically or complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer agent of the Company at Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed (i.e. on or before 11:00 a.m. on Saturday, 24 June 2023) 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 (whether physically or by means of electronic facilities) at the meeting or any adjournment thereof should you so wish and in such event, the proxy form shall deemed to be revoked.

Hong Kong, 2 June 2023

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GUIDANCE NOTES FOR THE EGM

HYBRID MEETING

The Company will conduct the EGM as a hybrid meeting. Shareholders have the option to attend the EGM online in addition to the traditional physical attendance at the EGM. Shareholders participating in the EGM online using the Tricor e-Meeting System will be deemed present at, and will be counted towards the quorum of, the EGM and they will be able to **participate and view** a live broadcast, **submit questions** and **cast votes** on the resolutions in real time through the Tricor e-Meeting System. The live broadcast option can broaden the reach of the EGM to Shareholders who do not wish to attend physically or for other overseas Shareholders who are unable to attend in person physically.

The Tricor e-Meeting System will be open for registered Shareholders and non-registered Shareholders (see below for login details and arrangements) to log in from 10:30 a.m. on 26 June 2023 (i.e. approximately 30 minutes prior to the commencement of the EGM). Please refer to the User Guide for e-Meeting available at <https://spot-meeting.tricor.hk/#/825> in relation to the procedures on online meeting.

For the beneficial owners whose Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited would like to attend the EGM in person physically or online, they should consult directly with their banks or brokers or custodians (as the case may be) for necessary arrangement.

For corporate Shareholders who wish to (1) appoint proxy electronically to attend and vote at the EGM on their behalf or (2) appoint the corporate representative to attend the EGM and to vote online, please contact the Company's branch share registrar and transfer agent in Hong Kong, Tricor Investor Services Limited, hotline at (852) 2975 0928 by 5:00 p.m., 20 June 2023 for the necessary arrangements (including the activation of the password).

Any Shareholder or its proxy or (in the case of a member being a corporation) its duly authorised representative seeking to attend and participate at the EGM and vote online shall be responsible for maintaining adequate facilities to enable them to do so. The inability of any such person to access, or continue to access, the Tricor e-Meeting System during the EGM despite adequate electronic facilities having been made available by the Company, shall not affect the validity of the meeting or the resolutions passed, or any business conducted at the meeting or any action taken pursuant to such business provided that a quorum is present throughout the meeting.

Login details for registered Shareholders

Details regarding the EGM arrangements including login details to access the Tricor e-Meeting System are included in the Company's notification letter to registered Shareholders together with this Circular.

If the proxy (except when the chairman of the EGM is appointed as proxy) wishes to attend the EGM and vote online, the registered Shareholder appointing the proxy must provide a valid email address of the proxy to the Company's branch share registrar and transfer agent in Hong Kong, Tricor Investor Services Limited, by calling its hotline at (852) 2975 0928 by 5:00 p.m. on 20 June 2023 for the necessary arrangements. If no email

GUIDANCE NOTES FOR THE EGM

address is provided, the proxy cannot attend the EGM and vote online. The email address so provided will be used by Tricor Investor Services Limited for providing the login details for attending and voting at the EGM via Tricor e-Meeting System. If the proxy has not received the login details by email by 5:00 p.m. on 24 June 2023, the relevant registered Shareholder should contact Tricor Investor Services Limited, hotline at (852) 2975 0928 for the necessary arrangements.

Login details for non-registered Shareholders

Non-registered Shareholders who wish to attend and vote at the EGM using the Tricor e-Meeting System should (1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (together, “**Intermediary**”) to appoint themselves as proxy or corporate representative to attend the EGM and (2) provide their e-mail address to their Intermediary before the time limit required by the relevant Intermediary. Details regarding the EGM arrangements including login details to access the Tricor e-Meeting System will be sent by the Company’s branch share registrar and transfer agent in Hong Kong, Tricor Investor Services Limited, to the e-mail addresses of the non-registered Shareholders provided by the Intermediary. Without the login details, non-registered Shareholders will not be able to participate and vote using the Tricor e-Meeting System. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

Registered and non-registered Shareholders should note that only one device is allowed per login. Please keep the login details in safe custody for use at the EGM and do not disclose them to anyone else.

Neither the Company nor Tricor Investor Services Limited assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for attendance, voting or otherwise. The submission of the vote through the Tricor e-Meeting System using the login details provided to the registered and non-registered Shareholders will be conclusive evidence that such votes were validly cast by each registered and non-registered Shareholder. The Company, its agents and Tricor Investor Services Limited take no responsibility for all or any loss or other consequence caused by or resulting from any unauthorised use of the login details.

VOTING BY PROXY IN ADVANCE OF THE EGM

Shareholders are encouraged to submit their completed proxy forms well in advance of the EGM. **Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person (whether physically or by means of electronic facilities) at the EGM or any adjournment thereof should they so wish.**

Submission of proxy forms for registered Shareholders

A form of proxy for use at the EGM is enclosed with this circular. The proxy form is also available on the websites of the Company (www.nwds.com.hk) and the Stock Exchange (www.hkexnews.hk).

GUIDANCE NOTES FOR THE EGM

The deadline for physical submission of the completed proxy forms is Saturday, 24 June 2023 at 11:00 a.m.. Completed proxy form must be returned to the Company's branch share registrar and transfer agent in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

In addition to the physical submission of the proxy form, the Shareholders have the option to submit their proxy appointment electronically through the Tricor e-Meeting System from 2 June 2023 up to 11:00 a.m. on 24 June 2023. Details regarding the submission of proxy forms electronically including login details to access the Tricor e-Meeting System are included in the Company's notification letter to registered Shareholders together with this circular.

If your proxy (except when the chairman of the EGM is appointed as proxy) wishes to attend the EGM and vote online, you must provide a valid email address of your proxy to the Company's branch share registrar and transfer agent in Hong Kong, Tricor Investor Services Limited, by calling its hotline at (852) 2975 0928 by 5:00 p.m. on 20 June 2023 for the necessary arrangements. If no email address is provided, your proxy cannot attend the EGM and vote online. The email address so provided will be used by Tricor Investor Services Limited for providing the login details for attending and voting at the EGM via Tricor e-Meeting System. If your proxy has not received the login details by email by 5:00 p.m. on 24 June 2023, you should contact Tricor Investor Services Limited, hotline at (852) 2975 0928 for the necessary arrangements.

Submission of proxy forms for non-registered Shareholders

Non-registered Shareholders should contact their Intermediary as soon as possible to assist them in the appointment of proxy.

DEFINITIONS

In this Circular, the following expressions have the meanings set out below unless the context otherwise requires:

“2014 Master Leasing Agreement”	the agreement in relation to the Leasing Transactions entered into between the Company and NWD on 11 April 2014
“2017 Master Services Agreement”	the agreement in relation to the Services Transactions entered into between the Company and Mr. Doo on 10 April 2017
“2023 Master Agreement(s)”	the 2023 Master Leasing Agreement and the 2023 Master Services Agreement
“2023 Master Leasing Agreement”	the agreement in relation to the Leasing Transactions entered into between the Company and NWD on 28 April 2023
“2023 Master Services Agreement”	the agreement in relation to the Services Transactions entered into between the Company and Mr. Doo on 28 April 2023
“Acceptance Period”	has the meaning ascribed to it in Appendix II of this Circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Annual Cap(s)”	the New Concessionaire Annual Caps, the New Leasing Annual Caps and/or the New Services Annual Caps (as the case may be)
“Auditors”	the auditors of the Company as appointed from time to time
“Board”	the board of Directors
“Circular”	this circular, including the Appendix I and Appendix II hereto
“Cleaning and Landscaping Services”	cleaning services including general cleaning, office and facility cleaning, recycling and environmental services, waste management and disposal, external wall and window cleaning, pest control and clinical waste management rendered at commercial buildings, residential building, public transportations and other public institutions and facilities and related services, landscaping and plant maintenance, the supply of plants and related services
“Company”	New World Department Store China Limited (新世界百貨中國有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 825), and is a subsidiary of NWD as at the Latest Practicable Date

DEFINITIONS

“Concessionaire Renewal Date”	1 July 2023, 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/or 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
“Contracting Services”	provision of services as main contractors, contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services, electrical systems and system design and consultancy, computer aided drafting services and related services
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a substantial shareholder of NWD as at the Latest Practicable Date
“CTFJ”	Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1929)
“CTFJ Group”	CTFJ and its subsidiaries from time to time
“Date of Grant”	the date on which an Option is deemed to have been granted pursuant to the New Share Option Scheme

DEFINITIONS

“Dealing Day”	a day on which the Shares are traded on the Stock Exchange for a minimum of three hours and an official closing price is provided by the Stock Exchange
“Definitive Agreement(s)”	the Definitive Concessionaire Agreement(s), the Definitive Leasing Agreement(s) and/or the Definitive Services Agreement(s) (as the case may be)
“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 2023 Master Leasing Agreement
“Definitive Services Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the Services Group from time to time in relation to any of the Services Transactions at any time during the term of the 2023 Master Services Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held with a combination of an in-room meeting at Meeting Room N101A, Level 1, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (Expo Drive Entrance) and an online virtual meeting via electronic facilities on Monday, 26 June 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, approving, among other things, the renewal of the Master Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder, the related Annual Caps and the New Share Option Scheme
“EGM CCT Matters”	the renewal of the Master Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps

DEFINITIONS

“Eligible Participant(s)”	any Director (including any executive Director, non-executive Director or independent non-executive Director) and employee (whether full time or part time) of the Company or any of its holding companies, subsidiaries, fellow subsidiaries, associated companies or member of the Group
“Exercise Price”	the price per Share payable on the exercise of an Option as determined by the Directors which must be at least the higher of: (i) the closing price of the Share as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant, which must be a Dealing Day; (ii) the average closing price of the Share as stated in the Stock Exchange’s daily quotations sheets for the five dealing days immediately preceding the Date of Grant pursuant to the New Share Option Scheme or (where applicable) such price as from time to time adjusted pursuant to the New Share Option Scheme; and (iii) the nominal value of the Share
“Fixed Lease Payments”	a fixed dollar amount of periodic rental fee in respect of a Definitive Leasing Agreement
“GDP”	gross domestic product
“Grantee”	any Eligible Participant who accepts the offer of the grant of an Option in accordance with the rules of the New Share Option Scheme or (where the context so permits) a person entitled to such Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries from time to time
“HKFRS 16”	the Hong Kong Financial Reporting Standard 16 issued by the Hong Kong Institute of Certified Public Accountants, which sets out the principles for the recognition, measurement, presentation and disclosure of leases
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter, Mr. Yu Chun-fai and Ms. Ho Pui-yun, Gloria
“Independent Financial Adviser”	Ballas Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

DEFINITIONS

“Independent Shareholders”	the Shareholders, other than CTFJ and its associates (in relation to matters regarding the renewal of the Master Concessionaire Counter Agreement), NWD and its associates (in relation to matters regarding the entering into of the 2023 Master Leasing Agreement) or Mr. Doo and his associates (in relation to matters regarding the entering into of the 2023 Master Services Agreement), who do not have any material interest in the EGM CCT Matters to be considered at the EGM
“Latest Practicable Date”	29 May 2023, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
“Leasing Effective Date”	1 July 2023, which is conditional upon the 2023 Master Leasing Agreement becoming unconditional as set out in the subparagraph headed “Conditionality” under the paragraph headed “The 2023 Master Leasing Agreement” in this Circular
“Leasing Transactions”	all existing and/or future transactions between members of the Group and members of the NWD Group in respect of the leasing of premises and/or the provision of related services (as the case may be) by members of the Group to members of the NWD Group, and vice versa, as contemplated under the 2023 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, details of which were disclosed in the joint announcements of the Company, NWD and CTFJ dated 22 March 2012 and 11 April 2014 and subsequently automatically renewed thrice for three successive periods, each of three years, commencing from 1 July 2014
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“Mr. Doo”	Mr. Doo Wai-hoi, William, an associate of Dr. Cheng Chi-kong, Adrian (a Director) by virtue of being the uncle of Dr. Cheng Chi-kong, Adrian

DEFINITIONS

“New Concessionaire Annual Caps”	the annual cap amounts payable by the CTFJ Group to the Group in respect of the Concessionaire Transactions for each of the three years ending 30 June 2026 as set out under the paragraph headed “Renewal of the Master Concessionaire Counter Agreement — Historical figures and the New Concessionaire Annual Caps”
“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 2026 as set out under the paragraph headed “The 2023 Master Leasing Agreement — The New Leasing Annual Caps”
“New Services Annual Caps”	the annual cap amounts payable by the Group to the Services Group, and vice versa, in respect of the Services Transactions for each of the three financial years ending 30 June 2026 as set out under the paragraph headed “The 2023 Master Services Agreement — The New Services Annual Caps”
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company, the principal terms of which are set out in Appendix II to this Circular
“Notice”	the notice of the EGM as set out in this Circular
“NWD”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 17) and is the holding company of the Company as at the Latest Practicable Date
“NWD Group”	NWD, its subsidiaries (other than the Group) and/or jointly-controlled entities from time to time
“Option(s)”	option(s) to subscribe for Shares on terms determined by the Directors pursuant to the New Share Option Scheme
“Option Holder”	a person holding an Option
“Option Period”	the period that an Option may be exercised as specified by the Directors (or in the New Share Option Scheme) for the whole or parcel(s) of Shares subject to the Option, which shall not be more than ten years from the Date of Grant
“PRC”	the People’s Republic of China, for the purpose of this Circular only, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Property Management and Rental Services”	property management, property sales and letting agency services, pre-marketing consultancy services, technical services, provision of car parking management, rental and licensing of the rights to use properties, including without limitation, spare spaces, office spaces and car parking spaces, and related services
“Related Entity Participants”	any of the Company’s holding companies, fellow subsidiaries, associated companies of the Group (i.e. Eligible Participants of the New Share Option Scheme, excluding any Director (including any executive Director, non-executive Director or independent non-executive Director), employee (whether full time or part time) of the Company and member of the Group)
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the Contracting Services, the Cleaning and Landscaping Services, the Property Management and Rental Services, and such other types of services as members of the Services Group and members of the Group may agree upon from time to time in writing
“Scheme Limit”	10% of the issued share capital of the Company as at the date of the adoption of the New Share Option Scheme
“Services Effective Date”	1 July 2023, which is conditional upon the 2023 Master Services Agreement becoming unconditional as set out in the subparagraph headed “Conditionality” under the paragraph headed “The 2023 Master Services Agreement” in this Circular
“Services Group”	(1) Mr. Doo and his immediate family members (as defined under the Listing Rules) and (2) any company in the equity capital of which Mr. Doo and/or his immediate family member(s) (as defined under the Listing Rules) (individually or together) is/are or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary
“Services Transactions”	all existing and/or future transactions between members of the Group and members of the Services Group regarding the provision of Services by members of the Services Group to members of the Group, and vice versa, as contemplated under the 2023 Master Services Agreement

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the capital of the Company, or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction
“Shareholder(s)”	shareholders 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(ies)”	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
“Takeovers Code”	Code on Takeovers and Mergers, as amended from time to time
“Transactions”	the Concessionaire Transactions, the Leasing Transactions and/or the Services Transactions (as the case may be)
“Variable Lease and Service Payments”	a variable amount of payment linked to revenue generated from the leased property(ies) and/or related service fee in respect of a Definitive Leasing Agreement
“Vesting Period”	in relation to any Option Holder, the period commencing on the date on which the Option Holder accepts the Option granted to him and ending on the vesting date (both dates inclusive)
“%”	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 Chi-kong, Adrian SBS JP (Chairman)

Ms. Chiu Wai-han, Jenny

Executive Directors:

Mr. Cheung Fai-yet, Philip

(Joint Chief Executive Officer)

Ms. Xie Hui-fang, Mandy

(Joint Chief Executive Officer)

Independent non-executive Directors:

Mr. Cheong Ying-chew, Henry

Mr. Chan Yiu-tong, Ivan

Mr. Tong Hang-chan, Peter

Mr. Yu Chun-fai

Ms. Ho Pui-yun, Gloria

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

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

7th Floor

88 Hing Fat Street

Causeway Bay

Hong Kong

2 June 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS —
THE RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER
AGREEMENT, THE ENTERING INTO OF THE 2023 MASTER LEASING
AGREEMENT AND THE 2023 MASTER SERVICES AGREEMENT
AND**

(2) PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

INTRODUCTION

The Board refers to the announcements of the Company in relation to, among other things, (i) the renewal of the Master Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps dated 28 April 2023, (ii) the entering into of the 2023 Master Leasing Agreement, the Leasing Transactions and the New Leasing Annual Caps dated 28 April 2023, (iii) the entering into of the 2023 Master Services Agreement, the Services Transactions and the New Services Annual Caps dated 28 April 2023, and (iv) the proposed adoption of the New Share Option Scheme dated 28 April 2023.

LETTER FROM THE BOARD

The purposes of this Circular are, among other things: (i) to provide you with further details of the EGM CCT Matters; (ii) to provide you with further details of the New Share Option Scheme; (iii) 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 matter set out in (i); (iv) 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 Financial Adviser in relation to the matters set out in (i); and (v) to give you the notice of the EGM at which ordinary resolutions will be proposed to approve the matters set out in (i) and (ii).

1. 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 thrice for three successive periods, each of three years, commencing from 1 July 2014. As such, the Master Concessionaire Counter Agreement will expire on 30 June 2023. Subject to the compliance with 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 2023 for a further term of three years, i.e. up to and including 30 June 2026. There has been no change in the terms of the Master Concessionaire Counter Agreement since it was entered into on 22 March 2012.

LETTER FROM THE BOARD

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

Date

22 March 2012

Parties

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

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.

General terms of 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 on or 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 ordinary and usual course of business of the Company and CTFJ;
- (b) on normal commercial terms or better (as defined in the Listing Rules); 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 on terms no less favourable to the Group than those available to or from independent third parties in the following manner: a quote will be provided by the relevant member(s) of the Group; the relevant member(s) of the CTFJ Group may,

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through its operational and technical departments and based on the relevant policies and other quote(s) for similar arrangement(s) obtained from independent third parties in the market, either accept the quote and proceed with the concessionaire counter arrangement or reject the quote and decline to proceed further.

As a general principle, rentals of concessionaire counters to be renewed or leased will follow the prevailing market rates around the time of entering into or renewing the respective Definitive Concessionaire Agreements. The Group will obtain relevant market comparable from available sources and make comparison with the rental rates of concessionaire counters in similar locations, where appropriate.

Subject to the general principle disclosed above, the Group will take into account the following factors when determining the rentals to be paid by the CTFJ Group contemplated under the Master Concessionaire Counter Agreement: (i) attributes of the concessionaire counters; (ii) location of the concessionaire counters; (iii) size of the concessionaire counters; and (iv) rental rate of surrounding concessionaire counters with similar attributes, including those offered by independent third parties in the market on terms no less favourable to the Group (if any).

Duration

The Master Concessionaire Counter Agreement shall continue to be effective up to and including 30 June 2026. 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.

Payment terms

The terms in relation to the time and method of payment will be stated in the relevant Definitive Concessionaire Agreements and will be no less favourable to the Group than terms available to and/or from independent third parties.

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Historical figures and the New Concessionaire Annual Caps

The historical aggregate transaction amounts paid by the CTFJ Group to the Group under the Master Concessionaire Counter Agreement for each of the two years ended 30 June 2021 and 2022 and the six months ended 31 December 2022, as well as the existing annual caps and the utilisation rates of the existing annual caps under the Master Concessionaire Counter Agreement for each of the two years ended 30 June 2021, 2022 and the year ending 30 June 2023 are set out below:

	Financial year ended 30 June 2021 (RMB)	Financial year ended 30 June 2022 (RMB)	Six months ended 31 December 2022 (RMB)
Historical aggregate transaction amounts (approximately)	46,947,000	39,529,000	14,322,000
	Financial year ended 30 June 2021 (RMB)	Financial year ended 30 June 2022 (RMB)	Financial year ending 30 June 2023 (RMB)
Existing annual caps	90,000,000	96,000,000	102,000,000
Utilisation rates of the existing annual caps (approximately)	52.1%	41.1%	14.0% ^{Note}

Note: The utilisation rate for the financial year ending 30 June 2023 is calculated based on (i) the historical aggregate transaction value for the six months ended 31 December 2022 divided by (ii) the existing annual cap for the financial year ending 30 June 2023.

The New Concessionaire Annual Caps for each of the three financial years ending 30 June 2024, 2025 and 2026 are RMB89.0 million, RMB95.0 million and RMB100.0 million, 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, having taken into consideration (i) the expected gradual recovery of the market from the COVID-19 pandemic, (ii) the increase in the GDP of the PRC, retail sales of consumer goods and retail sales of gold, silver and jewellery in the PRC for the first quarter of the year of 2023 (which have increased by approximately 4.5%, 4.9% and 13.6%, respectively, when compared to the relevant period in the year of 2022) and (iii) the retail expansion strategy of CTFJ Group to further expand its business in the PRC, in particular to Tier

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III and below cities and towns, as disclosed in its 2022 annual report, along with (iv) 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.

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

The Group and CTFJ Group may maintain the current concessionaire counter agreements and may from time to time consider entering into new concessionaire counter agreements. In order to systematically organise all Definitive Concessionaire Agreements between the Group and CTFJ Group for the purpose of Chapter 14A of the Listing Rules, the Company and CTFJ decided to enter into the Master Concessionaire Counter Agreement. The Directors believe that it is in the interest of the Group to renew the Master Concessionaire Counter Agreement so that the Group may regulate the current and future Definitive Concessionaire Agreements with CTFJ Group under a common framework agreement.

The 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 commercial terms or better (as defined in the Listing Rules) 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.

2. THE 2023 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, and vice versa, in accordance with the 2014 Master Leasing Agreement and certain of the leasing agreements have not expired as at the Leasing Effective Date. The Group and the NWD Group wish to continue the leasing agreements and may from time to time enter into new leasing agreements for the leasing of premises and/or the provision of related services by the Group to the NWD Group, and vice versa. The 2014 Master Leasing Agreement is for a term of three years commencing from 1 July 2014, which was subsequently automatically renewed for two successive periods, each of three years commencing from 1 July 2017. As such, the 2014 Master Leasing Agreement will expire on 30 June 2023. On 28 April 2023, the Company and NWD entered into the 2023 Master Leasing Agreement and agreed to terminate the 2014 Master Leasing Agreement upon the 2023 Master Leasing Agreement becoming effective on the Leasing Effective Date.

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The principal terms of the 2023 Master Leasing Agreement are set out below:

Date

28 April 2023

Parties

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

General terms of 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 2023 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 on or after the Leasing Effective Date) will be treated as Definitive Leasing Agreements made pursuant to the 2023 Master Leasing Agreement as from the Leasing Effective Date.

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

- (a) in the ordinary and usual course of business of the Company and NWD;
- (b) on normal commercial terms or better (as defined in the Listing Rules); and
- (c) in compliance with all applicable provisions of the Listing Rules (including the New Leasing Annual Caps), the applicable laws, the 2023 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 lessor, the lessor will provide the lessee with a quote with reference to at least two market comparative quote(s) for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or two comparable transactions with independent third parties; and

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- (b) for lessee, the lessee will obtain at least two market comparative quote(s) for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or review two comparable transactions with independent third parties before deciding whether to accept the quote and proceed further.

Conditionality

The 2023 Master Leasing Agreement is conditional upon the approval by the Independent Shareholders of the entering into of the 2023 Master Leasing Agreement, the Leasing Transactions and the New Leasing Annual Caps at the EGM.

Duration

The 2023 Master Leasing Agreement shall continue to be effective up to and including 30 June 2026. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the 2023 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 2023 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 2023 Master Leasing Agreement.

Payment terms

The terms in relation to the time and method of payment will be stated in the relevant Definitive Leasing Agreements and will be no less favourable to the Group than terms available to and/or from independent third parties.

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Historical figures

The historical aggregate transaction amounts in relation to the Leasing Transactions (i) for fixed lease payments payable by the Group as lessee; and (ii) for variable lease payments payable by the Group as lessee for each of the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022, as well as the existing annual caps and utilisation rates of the existing annual caps for each of the two financial years ended 30 June 2021 and 2022 and the financial year ending 30 June 2023 are set out below:

	Financial year ended 30 June 2021 (RMB)	Financial year ended 30 June 2022 (RMB)	Six months ended 31 December 2022 (RMB)
(i) Fixed lease payments payable by the Group as lessee			
Historical aggregate transaction amounts (<i>approximately</i>)	34,133,000	62,519,000	6,763,000
(ii) Variable lease payments payable by the Group as lessee			
Historical aggregate transaction amounts (<i>approximately</i>)	125,886,000	102,084,000	40,495,000

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	Financial year ended 30 June 2021 (RMB)	Financial year ended 30 June 2022 (RMB)	Financial year ending 30 June 2023 (RMB)
(i) Fixed lease payments payable by the Group as lessee			
Existing annual caps	406,000,000	428,000,000	450,000,000
Utilisation rates of the existing annual caps (approximately)	8.4%	14.6%	1.5% ^{Note}
(ii) Variable lease payments payable by the Group as lessee			
Existing annual caps	300,000,000	330,000,000	360,000,000
Utilisation rates of the existing annual caps (approximately)	42.0%	30.9%	11.2% ^{Note}

Note: The utilisation rate for the financial year ending 30 June 2023 is calculated based on (i) the historical aggregate transaction amount for the six months ended 31 December 2022 divided by (ii) the existing annual cap for the financial year ending 30 June 2023.

There were no transaction amounts in relation to the Leasing Transactions for the Group as lessor for each of the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022.

The New Leasing Annual Caps

The rental fees and/or related service fees payable by the Group as lessee under the Leasing Transactions comprises the Fixed Lease Payments and the Variable Lease and Service Payments.

In line with the Group's expansion strategies, the Company expects that the Group will in the next three years, under favourable market conditions and with the appropriate opportunity, enter into a Definitive Leasing Agreement to open one additional Store each year, on terms and conditions similar to the existing Definitive Leasing Agreements. The Group also estimates that the prevailing market rates of comparable property(ies) will be relatively constant over the next three years, and the rental fees and/or related service fees payable by the Group under the new Definitive Leasing Agreement(s) are expected to follow the same trend.

Having considered the historical transaction amounts and taking into account the factors mentioned above, the increase in the GDP of the PRC, the growth rate of the leasing and business services sector of the PRC and the retail sales in the PRC for the first quarter of the year of 2023 (which have increased by approximately 4.5%, 6.0%

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and 5.8% respectively, when compared to the relevant period in the year of 2022), the business activity index of the leasing and business services sector in March 2023 (which was higher than 60.0%), and the expected gradual recovery of the market from the COVID-19 pandemic, the proposed annual caps for the Fixed Lease Payments and the Variable Lease and Service Payments payable by the Group as lessee under the Leasing Transactions for each of the three financial years ending 30 June 2026 are set out below:

	For the financial year ending 30 June		
	2024	2025	2026
	(RMB)	(RMB)	(RMB)
Fixed Lease Payments	534,000,000	523,000,000	436,000,000
Variable Lease and Service Payments	121,000,000	153,000,000	162,000,000

Pursuant to HKFRS 16, the Fixed Lease Payments payable by the Group as lessee under the Leasing Transactions will be recognised as right-of-use assets. The proposed annual caps for the Fixed Lease Payments are set on the total value of the right-of-use assets relating to the Definitive Leasing Agreements expected to be entered into by the Group in each year, which are calculated with reference to the aggregate of the total Fixed Lease Payments under the full lease term of each Definitive Leasing Agreement newly entered into each year, discounted by the Company's incremental borrowing rate.

Pursuant to HKFRS 16, the Variable Lease and Service Payments payable by the Group as lessee under the Leasing Transactions will be recognised as expenses incurred by the Group. The proposed annual caps for the Variable Lease and Service Payments are set on the total Variable Lease and Service Payments expected to be payable by the Group each year under the Leasing Transactions, with reference to the projected revenue generated from the leased property(ies) under the Leasing Transactions and the terms of the relevant Definitive Leasing Agreement.

Given that there were no transaction amounts in relation to the Leasing Transactions for the Group as lessor for each of the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022, the Group has only provided the proposed annual caps for the transaction amounts payable by the Group as lessee under the Leasing Transactions for each of the three financial years ending 30 June 2026 as set out above. The Company will closely monitor the aggregate transaction amounts in relation to the Leasing Transactions for the Group as lessor for each of the three financial years ending 30 June 2026 to ensure compliance with the reporting, announcement, annual review, independent shareholders' approval and circular requirements, if applicable, under Chapter 14A of the Listing Rules.

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Reasons for and benefits of entering into the 2023 Master Leasing Agreement

Given that the relevant Stores have been operating at the premises owned by the NWD Group (save and except for certain of the premises which are for use as the office and car parks of the Group) for a number of years and the cost to be incurred and the adverse impact on the operation of the Stores in the event of their relocation will be substantial, the Directors believe that maintaining the lease agreements with the NWD Group will ensure the Group's stability in using the relevant premises. The Directors also believe that it is in the interests of the Company to enter into the 2023 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 consider that the entering into of the 2023 Master Leasing Agreement have been negotiated on an arm's length basis, are fair and reasonable, on normal commercial terms or better (as defined in the Listing Rules) 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. THE 2023 MASTER SERVICES AGREEMENT

Background

The relevant members of the Group had in the past entered into certain services agreements in relation to the Service Transactions with the relevant members of the Services Group in accordance with the 2017 Master Services Agreement and certain of the services agreements have not expired as at the Services Effective Date. The Group and the Services Group wish to continue the services agreements and may from time to time enter into new services agreements in respect of the Service Transactions. The 2017 Master Services Agreement is for a term of three years commencing from 1 July 2017, which was subsequently automatically renewed for a successive period of three years commencing from 1 July 2020. As such, the 2017 Master Services Agreement will expire on 30 June 2023. On 28 April 2023, Mr. Doo and the Company entered into the 2023 Master Services Agreement and agreed to terminate the 2017 Master Services Agreement upon the 2023 Master Services Agreement becoming effective on the Services Effective Date.

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The principal terms of the 2023 Master Services Agreement are set out below:

Date

28 April 2023

Parties

- (1) the Company; and
- (2) Mr. Doo

General terms for the Services Transactions

The relevant members of the Group and the relevant members of the Services Group may from time to time enter into Definitive Services Agreement(s) in relation to any Services Transactions upon, and subject to, the terms and conditions in compliance with the 2023 Master Services Agreement as may be agreed between the relevant members of the Group and the relevant members of the Services Group. All existing agreements between the relevant members of the Group and the relevant members of the Services Group in respect of the Services Transactions (to the extent which covers the Service Transactions on or after the Services Effective Date) will be treated as Definitive Services Agreements made pursuant to the 2023 Master Services Agreement as from the Services Effective Date.

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

- (a) in the ordinary and usual course of business of the Company and the Services Group;
- (b) on normal commercial terms or better (as defined in the Listing Rules) and based on the prevailing market rates; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the New Services Annual Caps), the applicable laws, the 2023 Master Services Agreement and the relevant Definitive Services Agreements.

The consideration for each Definitive Services Agreements will be determined in the following manners: (i) in respect of the Contracting Services: through tender from all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount and is equal to or better than those offers of independent third parties and recommended by the operational and technical departments in accordance with the relevant policies taking into account of the independent professional advice; or (ii) in respect of the other Services: a quote will be provided by the selling party; the purchasing party may, through its operational and

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technical departments, consider either to accept the quote and proceed with the purchase or reject the quote and decline to proceed further, based on other quote(s) for similar service(s) obtained from independent third parties in the market.

Conditionality

The 2023 Master Services Agreement is conditional upon the approval by the Independent Shareholders of the entering into of the 2023 Master Services Agreement, the Services Transactions and the New Services Annual Caps at the EGM.

Duration

The 2023 Master Services Agreement shall continue to be effective up to and including 30 June 2026. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the 2023 Master Services 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 2023 Master Services 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 2023 Master Services Agreement.

Payment terms

The terms in relation to the time and method of payment will be stated in the relevant Definitive Services Agreements and will be no less favourable to the Group than terms available to and/or from independent third parties.

Historical figures

The historical aggregate transaction amounts in relation to the Services Transactions for the Company for each of the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022, as well as the existing annual caps and utilisation rates of the existing annual caps for each of the two financial years ended 30 June 2021 and 2022 and the financial year ending 30 June 2023 are set out below:

	Financial year ended 30 June 2021 (RMB)	Financial year ended 30 June 2022 (RMB)	Six months ended 31 December 2022 (RMB)
Historical aggregate transaction amounts (approximately)	432,000	347,000	136,000

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	Financial year ended 30 June 2021 (RMB)	Financial year ended 30 June 2022 (RMB)	Financial year ending 30 June 2023 (RMB)
Existing annual caps	21,000,000	69,000,000	57,000,000
Utilisation rates of the existing annual caps (<i>approximately</i>)	2.1%	0.5%	0.2% ^{Note}

Note: The utilisation rate for the financial year ending 30 June 2023 is calculated based on (i) the historical aggregate transaction value for the six months ended 31 December 2022 divided by (ii) the existing annual cap for the financial year ending 30 June 2023.

The New Services Annual Caps

The New Services Annual Caps for each of the three financial years ending 30 June 2026 are set out below:

	For the financial year ending 30 June		
	2024 (RMB)	2025 (RMB)	2026 (RMB)
Amounts payable by the Group to the Services Group, and vice versa, in respect of the Services Transactions	71,000,000	130,000,000	80,000,000

Each of the New Services Annual Caps has been determined by reference to:

- (a) the historical annual or annualised amounts in respect of that category of the Services provided by the relevant members of the Services Group to the relevant members of the Group during the past financial years; and
- (b) the projected annual or annualised amounts in respect of that category of Services to be provided by the relevant members of the Services Group to the relevant members of the Group, and vice versa, in the next three financial years.

The above-mentioned projected figures are determined based on (i) the relevant historical transaction amounts, (ii) the increase in the GDP of the PRC, the retail sales in the PRC and the growth rate of the service sector of the PRC for the first quarter of the year of 2023 (which have increased by approximately 4.5%, 5.8%, and 5.4%, respectively, when compared to the relevant period in the year of 2022), (iii) the estimated significant increase in the demand of the Group for electrical and mechanical engineering works and related services for the three financial years ending 30 June 2026 due to the expected maintenance schedule of various power systems, machineries and fixtures of the Group, such as store lighting, air-conditioning and escalators (in

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particular, there were no transaction amounts relating to the provision of electrical and mechanical engineering works and related services by the Services Group to the Group during the financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022), (iv) the anticipated maximum number of electrical and mechanical engineering works projects of the Group that will be opened for tender (and for which the Services Group is eligible for submitting a tender) assuming a 100% tender success rate for the Services Group, (v) the expected gradual recovery of the market from the COVID-19 pandemic and (vi) future expansion plans of the Stores and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Services Group and/or the Group.

Reasons for and benefits of entering into the 2023 Master Services Agreement

The transactions contemplated under the 2023 Master Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the Service Group. The 2023 Master Services Agreement is intended to streamline the continuing connected transactions between members of the Services Group and members of the Group. It provides a single basis on which the Company will comply with the reporting, announcement, annual review and independent shareholders' approval requirements, if applicable, in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the agreements in respect of the provision of the Services Transactions. The Directors also believe that it is in the interests of the Company to enter into the 2023 Master Services Agreement so that the Group may regulate the existing and future services agreements with the Services Group under a common framework agreement. The Definitive Services Agreements will be agreed on an arm's length basis, on normal commercial terms or better (as defined in the Listing Rules) or on terms no less favourable than terms available to or from independent third parties.

The Directors consider that the terms of the 2023 Master Services Agreement have been negotiated on an arm's length basis, are fair and reasonable, on normal commercial terms or better (as defined in the Listing Rules) and in the ordinary and usual course of the business of the Group, and are in the interests of the Group and the Shareholders as a whole, and that the New Services Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

4. INTERNAL CONTROL PROCEDURES

To ensure that the Master Concessionaire Counter Agreement, the 2023 Master Agreements and the Transactions adhere to normal commercial terms or better (as defined in the Listing Rules) and the amounts of the Transactions do not exceed the related New Annual Caps, the Group (as the case may be) has implemented the following internal control procedures:

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- (1) **Definitive Agreement review and assessment:** Prior to entering into any Definitive Agreement under the scope of the Master Concessionaire Counter Agreement and the 2023 Master Agreements, the relevant personnel of the Group will review and assess the terms of the relevant Definitive Agreements to ensure that they are consistent with the principles and provisions set out in the Master Concessionaire Counter Agreement and the 2023 Master Agreements. The pricing policies and other terms of the Definitive Agreements will be determined by the relevant personnel of the Group with reference to at least two quotations (if applicable), on normal commercial terms or better (as defined in the Listing Rules), negotiated on an arm's length basis and on basis similar to that with independent third parties.
- (2) **Transaction monitoring and reporting:** The finance departments of the Group will consistently record and monitor the transaction amounts to ensure that the applicable New Annual Caps are not exceeded. Periodic reports, including lists of continuing connected transactions conducted during the reporting period and utilisation of the relevant New Annual Caps will be submitted to the audit committee of the Company for review.
- (3) **Biannual review by internal audit function:** The group audit and management services departments of the Group will perform an biannual review of the internal controls for the continuing connected transactions for the preceding financial year.
- (4) **Annual review by external auditors and independent non-executive directors:** The external auditor of the Company along with the independent non-executive Directors will perform annual review of the continuing connected transactions for the preceding financial year in accordance with the Listing Rules.
- (5) **(in respect of the 2023 Master Services Agreement only) Tendering process and quotations:** In regard to participation in/inviting tenders or provision of/inviting quotations for the Contracting Services, members of the Group are required to follow the internal tender guidelines and make reference to at least two quotations (if applicable). These measures/procedures aim to ensure that the tender or quotation price and the terms of the tender or quotation to be offered by the Group, and vice versa, are fair, reasonable and comparable to those offered by or to independent third parties.

5. INFORMATION RELATING TO THE GROUP, THE NWD GROUP, MR. DOO, THE SERVICES GROUP AND THE CTFJ GROUP

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

To the best knowledge of the Directors, NWD Group is principally engaged in property development, property investment and investment in and/or operation of roads, construction, insurance, hotels and other strategic businesses.

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Mr. Doo is the uncle of Dr. Cheng Chi-kong, Adrian (a Director).

To the best knowledge of the Directors, the Services Group is principally engaged in the provision of services including (i) property investment and development, property leasing, property and facility management; (ii) security, guarding and event servicing services; (iii) cleaning; (iv) landscaping; (v) provision of environmental management services, mechanical and electrical engineering services; (vi) trading of building materials; and (vii) insurance consultancy and brokerage.

To the best knowledge of the Directors, the CTFJ Group is one of the largest jewellers in the world with an extensive retail network in China, Japan, Korea, Southeast Asia and the United States, in addition to its e-commerce business. The CTFJ Group is principally engaged in the business of manufacturing and selling of jewellery products, including gem-set, platinum and k-gold jewellery and gold jewellery and products, as well as the distribution of various watch brands.

6. LISTING RULES IMPLICATIONS

The Renewal of the Master Concessionaire Counter Agreement

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 NWD and also considered to be a connected person of the Company and the relevant Concessionaire Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since all the amounts and certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the New Concessionaire Annual Caps exceed HK\$10,000,000 and are more than 5%, the renewal of the Master Concessionaire Counter Agreement and the New Concessionaire Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under chapter 14A of the Listing Rules.

The 2023 Master Leasing Agreement

As at the Latest Practicable Date, NWD is a substantial shareholder of the Company and hence a connected person of the Company. The Leasing Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) and all the amounts of the New Leasing Annual Caps are more than 5% and exceed HK\$10,000,000, the entering into of the 2023 Master Leasing Agreement and the New Leasing Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

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The 2023 Master Services Agreement

Mr. Doo, by being the uncle of Dr. Cheng Chi-kong, Adrian, is an associate of Dr. Cheng Chi-kong, Adrian (a Director) and hence Mr. Doo and the Services Group are connected persons of the Company. The Services Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) and all the amounts of the New Services Annual Caps are more than 5% and exceed HK\$10,000,000, the entering into of the 2023 Master Services Agreement and the New Services Annual Caps are subject to the reporting, announcement, annual review 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 Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps, and to advise the Independent Shareholders as to whether the renewal of the Master Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder and the related 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.

7. APPROVAL BY THE BOARD

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 Chi-kong, Adrian is a common director of the Company, NWD and CTFJ. Ms. Chiu Wai-han, Jenny is a common director of the Company and NWD. Dr. Cheng Chi-kong, Adrian and Ms. Chiu Wai-han, Jenny who were present at the meeting of the Board voluntarily abstained from voting on the relevant board resolutions.

The 2023 Master Leasing Agreement

None of the Directors has a material interest in the entering into of the 2023 Master Leasing Agreement. Dr. Cheng Chi-kong, Adrian and Ms. Chiu Wai-han, Jenny are common directors of the Company and NWD. Dr. Cheng Chi-kong, Adrian and Ms. Chiu Wai-han, Jenny who were present at the meeting of the Board have voluntarily abstained from voting on the relevant board resolutions.

LETTER FROM THE BOARD

The 2023 Master Services Agreement

None of the Directors has a material interest in the entering into of the 2023 Master Services Agreement. Mr. Doo is an associate of Dr. Cheng Chi-kong, Adrian (a Director). Dr. Cheng Chi-kong, Adrian who was present at the meeting of the Board has voluntarily abstained from voting on the relevant board resolutions.

8. PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

The Company previously adopted a share option scheme in 2007 and such scheme expired in accordance with its terms on 12 June 2017. The Board is pleased to propose to the Shareholders to approve and adopt the New Share Option Scheme so that Options may be granted to the Eligible Participants pursuant to the terms thereof.

The effectiveness of the New Share Option Scheme is subject to:

- (i) the approval of the Shareholders by ordinary resolution in a general meeting; and
- (ii) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares which may fall to be issued and allotted by the Company pursuant to the exercise of the Options in accordance with the terms and conditions of the New Share Option Scheme.

The purpose of the New Share Option Scheme is designed primarily as a means of rewarding performance, providing incentive, motivation or reward to the Eligible Participant(s) for optimising their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity and allowing the Eligible Participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.

The New Share Option Scheme provides that the Company may specify the Eligible Participant to whom Options shall be granted, the Vesting Period, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. Notwithstanding that, unless the Directors otherwise determine and state in the terms of offer for the grant of the Options pursuant to the New Share Option Scheme, no performance target may be required, the Company will consider all relevant matters in carefully selecting the Eligible Participants to whom grants will be made and in determining the number of Options to be granted to such Eligible Participants. The Board believes that it is in the best interests of the Company to retain flexibility to impose appropriate conditions in light of the particular circumstances of each grant, which would be a more meaningful reward for the Eligible Participants' contribution or potential contribution. The Board also considers that it is not practicable to expressly set out a generic set of performance targets in the New Share Option Scheme as each Grantee will play different roles and contribute in different ways to the Group. For the avoidance of doubt, Eligible Participants will not be granted Options pursuant to the New Share Option Scheme solely based on their past performance or contribution to the Group. Therefore, the Board

LETTER FROM THE BOARD

believes that the authority and flexibility given to the Board under the New Share Option Scheme, including, *inter alia*, selection of the Eligible Participants and determination of the Vesting Period, the Exercise Price and performance targets (if any) on a case-by-case basis, will serve to protect the value of the Company as well as to achieve the purpose of the New Share Option Scheme, which is to motivate and reward the Eligible Participant(s) as well as to foster a sense of corporate identity and allowing the Eligible Participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.

The Directors (including the independent non-executive Directors) consider that it is beneficial to include the Related Entity Participants as part of the Eligible Participants, since a sustainable and stable relationship with them is essential to the business development of the Group, and that the grant of Options to these Related Entity Participants will align their interest with the Group's, incentivising them to provide better services to, create more opportunities for and/or contribute to the success of the Group in the long run. Despite that these Related Entity Participants may not be directly employed by the members of the Group, the Related Entity Participants are nonetheless valuable human resources to the Group given their involvement in business projects of the Group from time to time. For some Related Entity Participants in which the Group has significant interest, their growth and development would contribute to the financial performance of the Group. The Company can incentivise the Related Entity Participants with the grant of Options in order to strength their loyalty with the Group, and to in turn facilitate a higher degree of collaboration and closer business relationships and ties between the Related Entity Participants and the Group. The Directors (including the independent non-executive Directors) therefore consider that the inclusion of the Related Entity Participants as part of the Eligible Participants is in line with the business needs of the Group and the purpose of the New Share Option Scheme and is in the long term interests of the Company and the Shareholders.

For the Vesting Period, whilst there is a general rule under the New Share Option Scheme that the Vesting Period in respect of any Option granted to any Eligible Participant shall not be less than 12 months from the date of acceptance of the Offer, the rule of the New Share Option Scheme has nonetheless retained flexibility to reward exceptional performers with exceptional circumstances where there may be shorter Vesting Periods as further set out in paragraph 6 of Appendix II. The Directors (including the independent non-executive Directors) consider that a shorter vesting period is in line with the market practice and is appropriate and aligns with the purpose of the New Share Option Scheme.

Based on 1,686,145,000 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the date of the EGM, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the New Share Option Scheme is 168,614,500 Shares (the "**Scheme Limit**"), being 10% of the ordinary share capital of the Company in issue as at the date of the adoption of the New Share Option Scheme. Subject to the conditions to the New Share Option Scheme being satisfied, the Board will have the right to grant to the Eligible Participants options to subscribe for Shares up to the Scheme Limit unless approval from the Shareholders in general meeting has been obtained to refresh the Scheme Limit such that the total number of the Shares in respect of which

LETTER FROM THE BOARD

options and awards that may be granted by the Board under the New Share Option Scheme and any other schemes of the Company shall not exceed 10% of the total number of the Shares in issue as at the date of approval of the refreshed limit.

As at the Latest Practicable Date, no Options under the New Share Option Scheme have been granted and thus the Company considers that it would not be appropriate to disclose in this Circular the value of the Options that may be granted under the New Share Option Scheme as if they have been granted as at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably ascertained at this stage. It would not be meaningful and may even be misleading to Shareholders if the value of the Options is calculated based on a set of speculative assumptions. However, the Company will disclose the value of any Options granted under the New Share Option Scheme during a financial year or a particular period in its annual report and interim report.

Considering the purpose of the New Share Option Scheme, the terms of the New Share Option Scheme (in particular that the terms are consistent with those prescribed under Chapter 17 of the Listing Rules), and that relevant matters will be considered by the Company in carefully selecting the Eligible Participants to whom grants will be made and in determining the number of Options to be granted to such Eligible Participants, the Board is of the view that any grant of Options to the selected Eligible Participants would be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolution approving the adoption of the New Share Option Scheme at the EGM.

No Director is a trustee of the New Share Option Scheme or has a direct or indirect interest in the trustees of the New Share Option Scheme, if any.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix II to this Circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same.

An ordinary resolution will be proposed at the EGM for the adoption of the New Share Option Scheme. An application will be made to the Stock Exchange for the approval of the listing of, and the permission to deal in, the Shares which may fall to be allotted and issued pursuant to the exercise of any Option under the New Share Option Scheme.

Document on display

A copy of the New Share Option Scheme will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nwds.com.hk) for display for a period of not less than fourteen (14) days before the date of the EGM and on the date of the EGM. The rules of the New Share Option Scheme will also be made available for inspection at the EGM.

LETTER FROM THE BOARD

Recommendation

The Directors (including the independent non-executive Directors) consider that the adoption of the New Share Option Scheme are in the best interest of the Company and Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions as set out in the Notice to approve the adoption of the New Share Option Scheme.

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 Company. 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 nor deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

9. EXTRAORDINARY GENERAL MEETING

Set out on pages 77 to 80 of this Circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve the EGM CCT Matters (namely the renewal of the Master Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder, the related Annual Caps) and the proposed adoption of the New Share Option Scheme. At the EGM, the votes of the Independent Shareholders in relation to the renewal of the Master Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps and votes of the Shareholders in relation to the proposed adoption of the New Share Option Scheme will be taken by poll.

In accordance with the Listing Rules, any Shareholder and its associates with material interests in the EGM CCT Matters must abstain from voting on the resolutions to approve the EGM CCT Matters at the EGM.

In view of the interests of CTFJ in the Concessionaire Transactions, CTFJ 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 Concessionaire Counter Agreement, the Concessionaire Transactions and the New Concessionaire Annual Caps.

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 entering into of the 2023 Master Leasing Agreement, the Leasing Transactions and the New Leasing Annual Caps.

LETTER FROM THE BOARD

In view of the interests of Mr. Doo in the Services Transactions, Mr. Doo and its associates will abstain from voting in respect of the resolutions to be proposed at the EGM to approve the entering into of the 2023 Master Services Agreement, the Services Transactions and the New Services Annual Caps.

As at the Latest Practicable Date, no Shareholders are required to abstain from voting in respect of the resolution to be proposed at the EGM to approve the proposed adoption of the New Share Option Scheme.

A proxy form for use at the EGM is enclosed herein. The proxy form is also available on the websites of the Company (www.nwds.com.hk) and the Stock Exchange (www.hkexnews.hk).

Whether or not you are able to attend the EGM physically or online, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer agent of the Company, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed (i.e. on or before 11:00 a.m. on Saturday, 24 June 2023 for holding the EGM or any adjournment thereof).

In addition to the physical submission of the proxy form, the Shareholders have the option to submit their proxy appointment electronically through the Tricor e-Meeting System. Please refer to “Guidance Notes for the EGM” set out on pages 1 to 3 of this Circular.

Completion and return of the proxy form will not preclude you from attending and voting in person (whether physically or by means of electronic facilities) at the EGM or any adjournment thereof should you so wish and in such event, the proxy form shall be deemed to be revoked.

10. RECOMMENDATIONS

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 37 to 38 of this Circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 39 to 58 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 Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps, and taken into account the advice of the Independent Financial Adviser, considers that the renewal of the Master Concessionaire

LETTER FROM THE BOARD

Counter Agreement and the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms or better (as defined in the Listing Rules), 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 to approve the EGM CCT Matters.

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 Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms or better (as defined in the Listing Rules), 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 as set out in the Notice to approve the EGM CCT Matters.

In addition, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the New Share Option Scheme are fair and reasonable and the adoption of the New Share Option Scheme is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution as set out in the Notice to approve the adoption of the New Share Option Scheme.

11. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in Appendix I and Appendix II to this Circular.

Yours faithfully,
For and on behalf of the board of
NEW WORLD DEPARTMENT STORE CHINA LIMITED
Cheng Chi-kong, Adrian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Circular.



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)

2 June 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

THE RENEWAL OF THE MASTER CONCESSIONAIRE COUNTER AGREEMENT, THE ENTERING INTO OF THE 2023 MASTER LEASING AGREEMENT AND THE 2023 MASTER SERVICES AGREEMENT

We refer to the circular of the Company dated 2 June 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

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 Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the 2023 Master Services Agreement, the Transactions contemplated thereunder and the related Annual Caps (the “**EGM CCT Matters**”) are in the ordinary and usual course of business of the Group, on normal commercial terms or better (as defined in the Listing Rules), 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.

Ballas 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 EGM CCT Matters, and whether the EGM CCT Matters are in the ordinary and usual course of business of the Group, on normal commercial terms or better (as defined in the Listing Rules), 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 39 to 58 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is also drawn to the letter from the Board set out on pages 12 to 36 of the Circular and the general information set out in Appendix I to the Circular. Having considered the EGM CCT Matters and the advice of the Independent Financial Adviser, we consider that the EGM CCT Matters are in the ordinary and usual course of business of the Group, on normal commercial terms or better (as defined in the Listing Rules), fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the EGM CCT Matters.

Yours faithfully
Mr. Cheong Ying-chew, Henry
Mr. Chan Yiu-tong, Ivan
Mr. Tong Hang-chan, Peter
Mr. Yu Chun-fai
Ms. Ho Pui-yun, Gloria
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.

BALLAS

C A P I T A L

A subsidiary of Crosby

5/F, Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

2 June 2023

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement (the “**Engagement**”) as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Concessionaire Counter Agreement, the 2023 Master Leasing Agreement and the 2023 Master Services Agreement (collectively, the “**Agreements**”) and the New NWDS Concessionaire Annual Caps, the New Leasing Annual Caps and the New Services Annual Caps (collectively, the “**New Annual Caps**”). Details of the terms of the Agreements and the New Annual Caps are contained in the circular of New World Department Store China Limited (“**NWDS**”) dated 2 June 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 22 March 2012, NWDS and CTFJ entered into the Master Concessionaire Counter Agreement in relation to the Concessionaire Transactions, which was subsequently automatically renewed thrice for three successive periods, each of three years, commencing from 1 July 2014. As such, the Master Concessionaire Counter Agreement will expire on 30 June 2023. Subject to the compliance with the Listing Rules by NWDS and CTFJ, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years from the Concessionaire Renewal Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 11 April 2014, NWDS and NWD entered into the 2014 Master Leasing Agreement in respect of the Leasing Transactions. The 2014 Master Leasing Agreement is for a term of three years commencing from 1 July 2014, which was subsequently automatically renewed for two successive periods, each of three years commencing from 1 July 2017. As such, the 2014 Master Leasing Agreement will expire on 30 June 2023. On 28 April 2023, NWDS and NWD entered into the 2023 Master Leasing Agreement and agreed to terminate the 2014 Master Leasing Agreement upon the 2023 Master Leasing Agreement becoming effective on the Leasing Effective Date.

On 10 April 2017, Mr. Doo and NWDS entered into the 2017 Master Services Agreement in relation to the Services Transactions. The 2017 Master Services Agreement is for a term of three years commencing from 1 July 2017, which was subsequently automatically renewed for a successive period of three years commencing from 1 July 2020. As such, the 2017 Master Services Agreement will expire on 30 June 2023. On 28 April 2023, Mr. Doo and NWDS entered into the 2023 Master Services Agreement and agreed to terminate the 2017 Master Services Agreement upon the 2023 Master Services Agreement becoming effective on the Services Effective Date.

As stated in the Letter from the Board, (i) NWD is a substantial shareholder of NWDS and hence a connected person of NWDS; (ii) CTFJ is a fellow subsidiary of CTFE which is a substantial shareholder of NWD and hence CTFJ is a connected person of NWD and also considered to be a connected person of NWDS; and (iii) Mr. Doo is an associate of Dr. Cheng Chi-kong, Adrian (a Director) and hence Mr. Doo and the Services Group are connected persons of NWDS. As such, the Concessionaire Transactions, the Leasing Transactions and the Services Transactions constitute continuing connected transactions of NWDS under Chapter 14A of the Listing Rules.

Since the amounts and certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of each of the New NWDS Concessionaire Annual Caps, the New Leasing Annual Caps and the New Services Annual Caps are more than 5% and exceed HK\$10,000,000, the renewal of the Master Concessionaire Counter Agreement, the entering into of the 2023 Master Leasing Agreement and the entering into of the 2023 Master Services Agreement together with the New Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules for NWDS.

The Independent Board Committee, comprising Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter, Mr. Yu Chun-fai, and Ms. Ho Pui-yun, Gloria, has been established to advise the Independent Shareholders as to whether the renewal/entering into of the Agreements are in the ordinary and usual course of business of NWDS and its subsidiaries (the “**NWDS Group**”) and the terms thereof are on normal commercial terms or better (as defined in the Listing Rules), and the transactions contemplated under the Agreements (the “**Transactions**”) and the New Annual Caps are fair and reasonable in so far as NWDS and the Independent Shareholders are concerned and in the interests of NWDS and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of NWDS.

The Directors have confirmed in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the executive Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of NWDS. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendations. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the NWDS Group or any of its respective subsidiaries or associates.

INDEPENDENCE DECLARATION

Within two years prior to the Engagement, Ballas Capital Limited (“**Ballas Capital**”) has been/was engaged as (i) the independent financial adviser of NWS Holdings Limited (“**NWS**”) in respect of the continuing connected transactions as set out in the announcement of NWS dated 31 August 2021; (ii) the independent financial adviser of NWD in respect of the continuing connected transactions as set out in the announcements of NWD dated 28 April 2023 and a connected transaction which is exempt from circular and shareholders’ approval requirements as set out in the announcement of NWD dated 28 April 2023; and (iii) the independent financial adviser of NWS in respect of the continuing connected transactions as set out in the announcement of NWS dated 28 April 2023; (the “**Other Engagements**”). Other than the professional fees received under the Engagement which were negotiated between NWDS and Ballas Capital on an arm’s length basis, Ballas Capital has not received any other professional fees from NWDS within two years prior to the Engagement.

As the Other Engagements were for the role of an independent financial adviser, the Other Engagements would not affect the independence of Ballas Capital for acting as the independent financial adviser to NWDS in respect of the Agreements and the New Annual Caps. As at the Latest Practicable Date, we are not aware of any relationships or interests between Ballas Capital and NWDS or any other parties that could be reasonably regarded as a hindrance to Ballas Capital’s independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the New Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice, we have considered the following principal factors and reasons:

1. Background and reasons for renewal/entering into of the Agreements

Information on the NWDS Group and the connected persons

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

The NWD Group is principally engaged in property development, property investment and investment in and/or operation of roads, construction, insurance, hotels and other strategic businesses.

To the best knowledge of the NWDS Directors and NWD Directors, the CTFJ Group is one of the largest jewellers in the world with an extensive retail network in China, Japan, Korea, Southeast Asia and the United States, in addition to its e-commerce business. The CTFJ Group is principally engaged in the business of manufacturing and selling of jewellery products, including gem-set, platinum and k-gold jewellery, and gold jewellery and products, as well as the distribution of various watch brands.

Mr. Doo is the uncle of Dr. Cheng Chi-kong, Adrian (a Director of NWDS). The Services Group is principally engaged in the provision of services including (i) property investment and development, property leasing, property and facility management; (ii) security, guarding and event servicing services; (iii) cleaning; (iv) landscaping; (v) provision of environmental management services, mechanical and electrical engineering services; (vi) trading of building materials; and (vii) insurance consultancy and brokerage.

The Master Concessionaire Counter Agreement

Members of the NWDS 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 NWDS Group or at which the NWDS Group operates its business under the Master Concessionaire Counter Agreement. The NWDS 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. NWDS and CTFJ agreed to renew the Master Concessionaire Counter Agreement upon the expiry of its renewal term on 30 June 2023 for a further term of three years, i.e. up to and including 30 June 2026. There has been no change in the terms of the Master Concessionaire Counter Agreement since it was entered into on 22 March 2012.

Given the above, in particular the nature of the transactions as contemplated under the Master Concessionaire Counter Agreement, the principal business of the NWDS Group as stated above and our analysis on the major terms of the said agreement (as elaborated below), we concur with the view of the management of NWDS that the renewal of the Master Concessionaire Counter Agreement falls within the ordinary and usual course of business of the NWDS Group and is in the interests of NWDS and the Shareholders as a whole.

The 2023 Master Leasing Agreement

Members of the NWDS 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 NWDS Group from the relevant members of the NWD Group, and vice versa, in accordance with the 2014 Master Leasing Agreement and certain of the leasing agreements have not expired as at the Leasing Effective Date. The NWDS 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 and/or the provision of related services by the NWDS Group to the NWD Group, and vice versa. The 2014 Master Leasing Agreement will expire on 30 June 2023. On 28 April 2023, NWDS and NWD entered into the 2023 Master Leasing Agreement and agreed to terminate the 2014 Master Leasing Agreement upon the 2023 Master Leasing Agreement becoming effective on the Leasing Effective Date.

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 NWDS 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 NWDS Group's stability in using the relevant premises. The Directors also believe that it is in the interests of NWDS to enter into the 2023 Master Leasing Agreement so that the NWDS Group may regulate the existing and future leasing agreements with the NWD Group under a common framework agreement.

Given the above, in particular the nature of the transactions as contemplated under the 2023 Master Leasing Agreement, the principal business of the NWDS Group as stated above and our analysis on the major terms of the said agreement (as elaborated below), we concur with the view of the management of NWDS that the entering into of the 2023 Master Leasing Agreement falls within the ordinary and usual course of business of the NWDS Group and is in the interests of NWDS and the Shareholders as a whole.

The 2023 Master Services Agreement

The relevant members of the NWDS Group had in the past entered into certain services agreements in relation to the Service Transactions with the relevant members of the Services Group in accordance with the 2017 Master Services Agreement and certain of the services agreements have not expired as at the Services Effective Date. The NWDS Group and the Services Group wish to continue the services agreements and may from time to time enter into new services agreements in respect of the Service Transactions. The 2017 Master Services Agreement is for a term of three years commencing from 1 July 2017, which was subsequently automatically renewed for a successive period of three years commencing from 1 July 2020. As such, the 2017 Master Services Agreement will expire on 30 June 2023. On 28 April 2023, Mr. Doo and NWDS entered into the 2023 Master Services Agreement and agreed to terminate the 2017 Master Services Agreement upon the 2023 Master Services Agreement becoming effective on the Services Effective Date.

The transactions contemplated under the 2023 Master Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the NWDS Group and the Service Group. The 2023 Master Services Agreement is intended to streamline the continuing connected transactions between members of the Services Group and members of the NWDS Group. It provides a single basis on which NWDS will comply with the reporting, announcement, annual review and independent shareholders' approval requirements, if applicable, in compliance with the Listing Rules and thereby reduce the administrative burden and costs on NWDS to comply with such requirements in relation to the execution or renewal of the agreements in respect of the provision of the Services Transactions. The Directors also believe that it is in the interests of NWDS to enter into the 2023 Master Services Agreement so that the NWDS Group may regulate the existing and future services agreements with the Services Group under a common framework agreement. The Definitive Services Agreements will be agreed on an arm's length basis, on normal commercial terms or better (as defined in the Listing Rules) or on terms no less favourable than terms available to or from independent third parties.

Given the above, in particular the nature of the transactions as contemplated under the 2023 Master Services Agreement, the principal business of the NWDS Group as stated above and our analysis on the major terms of the said agreement (as elaborated below), we concur with the view of the management of NWDS that the entering into of the 2023 Master Services Agreement falls within the ordinary and usual course of business of the NWDS Group and is in the interests of NWDS and the Shareholders as a whole.

2. Major terms of the Agreements

The Master Concessionaire Counter Agreement

As disclosed in the Letter from the Board, with effect from the Concessionaire Renewal Date, the Concessionaire Transactions shall be conducted:

- (a) in the ordinary and usual course of business of NWDS and CTFJ;
- (b) on normal commercial terms or better (as defined in the Listing Rules); 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.

We have discussed with the management of NWDS and noted that the consideration for each Definitive Concessionaire Agreement will be determined on terms no less favourable to the NWDS Group than those available to or from independent third parties with reference to the location, usable space, available facilities, quality and rental period of the concessionaire counters. The NWDS Group will provide a quote to the CTFJ Group which is equivalent to or no less favourable to the NWDS Group than at least two quotations offered by the NWDS Group to independent third parties for the concessionaire counters. The management of the NWDS Group will determine the consideration and terms of the transactions under each Definitive Concessionaire Agreement, and will generally review such terms on renewal to determine whether adjustments shall be made. As disclosed in the Letter from the Board, the relevant member(s) of the CTFJ Group may, through its operational and technical departments and based on the relevant policies and other quote(s) for similar arrangement(s) obtained from independent third parties in the market, either accept the quote and proceed with the concessionaire counter arrangement or reject the quote and decline to proceed further.

As a general principle, rentals of concessionaire counters to be renewed or leased will follow the prevailing market rates around the time of entering into or renewing the respective Definitive Concessionaire Agreements. The NWDS Group will obtain relevant market comparable from available sources and make comparison with the rental rates of concessionaire counters in similar locations, where appropriate.

Subject to the general principle disclosed above, the NWDS Group will take into account the following factors when determining the rentals to be paid by the CTFJ Group contemplated under the Master Concessionaire Counter Agreement: (i) attributes of the concessionaire counters; (ii) location of the concessionaire counters; (iii) size of the concessionaire counters; and (iv) rental rate of

surrounding concessionaire counters with similar attributes, including those offered by independent third parties in the market on terms no less favourable to the NWDS Group (if any).

We have obtained from NWDS and reviewed the transaction documents of the top 3 transactions in terms of transaction amounts for each of the two financial years ended 30 June 2021 (“**FY2021**”) and 2022 (“**FY2022**”) and the six months ended 31 December 2022 (the “**HY2023**”) relating to the NWDS Group’s historical Concessionaire Transactions for FY2021, FY2022 and HY2023 (together, the “**Review Period**”) and those with independent third parties concessionaires which are jewellers. Based on our review, we noted that the relevant terms offered by the NWDS Group to CTFJ Group are comparable to those available to the third party concessionaires. As such, we concur with the view of the management of the NWDS Group that there was a market reference to determine the pricing terms offered by the NWDS Group to the CTFJ Group being fair and reasonable to the NWDS Group and on normal commercial terms or better (as defined in the Listing Rules). We consider that the selected samples are fair and representative for the purpose of our assessment, given that they represented the largest transactions, which are selected by us independently from the full transaction list, in relation to the Concessionaire Transactions during the Review Period.

Given the above, we concur with the view of the Directors that the terms of the Master Concessionaire Counter Agreement are on normal commercial terms or better (as defined in the Listing Rules), fair and reasonable so far as NWDS and the Independent Shareholders are concerned and in the interests of NWDS and the Shareholders as a whole.

The 2023 Master Leasing Agreement

As disclosed in the Letter from the Board, with effect from the Leasing Effective Date, the Leasing Transactions shall be conducted:

- (a) in the ordinary and usual course of business of NWDS and NWD;
- (b) on normal commercial terms or better (as defined in the Listing Rules);
and
- (c) in compliance with all applicable provisions of the Listing Rules (including the New Leasing Annual Caps), the applicable laws, the 2023 Master Leasing Agreement and the relevant Definitive Leasing Agreement.

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As disclosed in the Letter from the Board, the consideration for each Definitive Leasing Agreement will be determined in the following manner (the “**Quotation Procedures for Leasing**”):

- (a) for lessor, the lessor will provide the lessee with a quote with reference to at least two market comparative quote(s) for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or two comparable transactions with independent third parties; and
- (b) for lessee, the lessee will obtain at least two market comparative quote(s) for similar property(ies) (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period) and/or review two comparable transactions with independent third parties before deciding whether to accept the quote and proceed further.

Based on the information provided by NWDS, there has been no Leasing Transactions where the NWDS Group acted as lessor during the Review Period.

We have obtained from NWDS and reviewed the Definitive Lease Agreements of the largest transaction in terms of transaction amounts for Variable Lease and Service Payments and Fixed Lease Payments respectively for each of FY2021, FY2022 and HY2023 relating to the NWDS Group’s historical Leasing Transactions for the Review Period and market information on rental rates of comparable properties in proximity. Based on our review, we noted that the relevant terms offered to the NWDS Group by the NWD Group are comparable to the market rates.

Given the above, we concur with the view of the Directors that the terms of the 2023 Master Leasing Agreement are on normal commercial terms or better (as defined in the Listing Rules), fair and reasonable so far as NWDS and the Independent Shareholders are concerned and in the interests of NWDS and the Shareholders as a whole.

The 2023 Master Services Agreement

As stated in the Letter from the Board, with effect from the Services Effective Date, the Services Transactions shall be conducted:

- (a) in the ordinary and usual course of business of NWDS and the Services Group;
- (b) on normal commercial terms or better (as defined in the Listing Rules) and based on the prevailing market rates; and

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- (c) in compliance with all applicable provisions of the Listing Rules (including the New Services Annual Caps), the applicable laws, the 2023 Master Services Agreement and the relevant Definitive Services Agreements.

As stated in the Letter from the Board, the consideration for each Definitive Services Agreements will be determined in the following manners: (i) in respect of the Contracting Services: through tender from all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount and is equal to or better than those offers of independent third parties and recommended by the operational and technical departments in accordance with the relevant policies taking into account of the independent professional advice; or (ii) in respect of the other Services: a quote will be provided by the selling party; the purchasing party may, through its operational and technical departments, consider either to accept the quote and proceed with the purchase or reject the quote and decline to proceed further, based on other quote(s) for similar service(s) obtained from independent third parties in the market.

Based on the information provided by NWDS, the historical amount of Services Transaction during the review period was insignificant with an aggregate amount of less than RMB1 million. We have obtained and reviewed the relevant transaction documents for a Definitive Services Agreement entered into during the Review Period and the relevant Services Transaction is expected to commence during the term of the 2023 Master Services Agreement and noted that the NWDS Group has appointed an independent consultant to compare the proposed fees charged by the Services Group with the market rates. We noted that the NWDS Group reduced the proposed fees of the Services Group to level of the market rates if the proposed fees are higher than the market rates. Such procedure ensured that the terms offered by the Services Group to the NWDS Group are no less favourable to the NWDS Group than the market rates.

Taking into account the above, we consider that the 2023 Master Service Agreement are on normal commercial terms or better (as defined in the Listing Rules), fair and reasonable so far as NWDS and the Independent Shareholders are concerned and in the interests of NWDS and the Shareholders as a whole.

3. The New Annual Caps

The New NWDS Concessionaire Annual Caps

The tables below sets out (i) the respective historical transaction amounts of the Concessionaire Transactions for FY2021, FY2022 and HY2023; (ii) the existing annual caps under the Master Concessionaire Counter Agreement; (iii) the utilization rates of the existing annual caps under the Master Concessionaire Counter Agreement; and (iv) the New NWDS Concessionaire Annual Caps for the transactions contemplated under the Master Concessionaire Counter Agreement during its renewed term (i.e. three years ending 30 June 2026, namely “FY2024”, “FY2025” and “FY2026” respectively):

	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts (approximately)	46,947	39,529	14,322 ⁽¹⁾
Existing annual caps	90,000	96,000	102,000
Utilisation rates of the existing annual caps (approximately)	52.1%	41.1%	14.0% ^(Note)
	FY2024	FY2025	FY2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
New NWDS Concessionaire Annual caps	89,000	95,000	100,000

Notes: The utilisation rate for FY2023 is calculated based on (i) the historical aggregate transaction value for HY2023 divided by (ii) the existing annual cap for FY2023.

As disclosed in the Letter from the Board, 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 having taken into consideration (i) the expected gradual recovery of the market from the COVID-19 pandemic, (ii) the increase in the GDP of the PRC, retail sales of consumer goods and retail sales of gold, silver and jewellery in the PRC for the first quarter of the year of 2023 (which have increased by approximately 4.5%, 4.9% and 13.6%, respectively, when compared to the relevant period in the year of 2022) and (iii) the retail expansion strategy of the CTFJ Group to further expand its business in the PRC, in particular to Tier III and below cities and towns, as disclosed in its 2022 annual report, along with (iv) the additional floor space and the number of new concessionaire counters which members of the CTFJ Group might enter into with members of the NWDS Group.

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We have reviewed the breakdown of the New NWDS Concessionaire Annual Caps and discussed with the management of NWDS and noted that New NWDS Concessionaire Annual Caps mainly represented the sum of the expected fees to be received by the NWDS Group for each of the existing Definitive Concessionaire Agreements for each of FY2024, FY2025 and FY2026, and a buffer of 20% to cater for any market and price fluctuations and/or unexpected increase in demand for the Concessionaire Transactions such as the additional floor space and new concessionaire counters which members of the CTFJ Group might require from members of the NWDS Group.

As illustrated in the above table, the actual transaction amount for FY2022 and the annualised transaction amount for FY2023 were lower than that for FY2021, which decrease was mainly attributable to the impact of COVID-19 since early 2020. We noted from the announcement of NWDS dated 4 May 2020 in relation to the Concessionaire Transactions that the historical amount for the years ended 30 June 2018 (“**FY2018**”) and 30 June 2019 (“**FY2019**”), being the financial years before the outbreak of COVID-19, was RMB65.6 million and RMB64.4 million respectively. We noted that the annual cap of the fees to be received by the NWDS Group for the existing Definitive Concessionaire Agreements for FY2024 represented an increase of approximately 58.1% of the actual transaction amount for FY2021 plus a buffer of 20% to cater for business growth such as additional floor space and new concessionaire counters which the CTFJ Group might require. On the other hand, the New NWDS Concessionaire Annual Caps for FY2024 represented an increase of approximately 35.7% and 38.2% to the historical amount for FY2018 and FY2019 respectively. The New NWDS Concessionaire Annual Caps are projected to grow by approximately 6.7% and 5.3% in FY2025 and FY2026 respectively. In this respect, we noted from the interim report of NWDS for HY2023 that with the implementation of new epidemic prevention and control policies by the PRC Government at the end of 2022, consumer spending has been showing signs of recovery and local governments in the country launched various initiatives to stimulate consumption and development, in a bid to boost economic vitality and reinject growth driver, which gradually lifted consumer confidence and foot traffic in return. Furthermore, in February 2023, the PRC has fully re-opened all of its borders with Hong Kong and Macau, and in March 2023, the PRC has resumed issuing visas to foreign tourists for the first time since the COVID pandemic broke out three years ago. We concur with the view of the management of NWDS that the retail market of PRC will improve in view of the relaxation of the COVID restrictions. We have conducted an independent research (the “**Research**”) on the range of the buffer built in the annual caps of continuing connected transactions of companies listed on the Stock Exchange as extracted from their respective latest circulars published in the past six months and note that the buffer percentage ranges from nil to 25%. Given that the 20% buffer proposed by NWDS falls within the range, we are of the view that the buffer adopted is reasonable.

Given the above, we are of the view that the basis for determining the New NWDS Concessionaire Annual Caps are fair and reasonable.

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The 2023 Master Leasing Agreement

The management of NWDS advised that the Leasing Transactions for the NWDS Group as lessor for each of the two financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022 constituted de minimis transactions for the purpose of Chapter 14A of the Listing Rules.

The tables below sets out (i) the respective historical transaction amounts of the Leasing Transactions with the NWDS Group as lessor for FY2021, FY2022 and HY2023; (ii) the existing annual caps for FY2021, FY2022 and FY2023; (iii) the respective utilization rates of the existing annual caps; and (iv) the New Leasing Annual Caps for the transactions contemplated under the 2023 Master Leasing Agreement during its renewed term (i.e. FY2024, FY2025 and FY2026 respectively):

	FY2021	FY2022	HY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed lease payments			
Historical aggregate transaction amounts (approximately)	34,133	62,519	6,763
Existing annual caps	406,000	428,000	450,000
Utilisation rates of the existing annual caps (approximately)	8.4%	14.6%	1.5% <i>(Note)</i>
Variable lease payments and Service Payments			
Historical aggregate transaction amounts (approximately)	125,886	102,084	40,495
Existing annual caps	300,000	330,000	360,000
Utilisation rates of the existing annual caps (approximately)	42.0%	30.9%	11.2% <i>(Note)</i>
	FY2024	FY2025	FY2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual caps — Fixed Lease Payments	534,000	523,000	436,000
Annual caps — Variable lease payments and Service Payments	121,000	153,000	162,000

Notes: The utilisation rate for FY2023 is calculated based on (i) the historical aggregate transaction amount for HY2023 divided by (ii) the existing annual cap for FY2023.

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As disclosed in the Letter from the Board, the proposed annual caps for the Fixed Lease Payments and the Variable Lease and Service Payments payable by the NWDS Group as lessee under the Leasing Transactions, are set having considered the historical transaction amounts and taking into account the factors mentioned in the Letter from the Board (in particular, the expansion strategies of the NWDS Group; the market conditions, including the increase in the GDP of the PRC, the growth rate of the leasing and business services sector of the PRC and the retail sales in the PRC for the first quarter of the year of 2023 (which have increased by approximately 4.5%, 6.0% and 5.8% respectively, when compared to the relevant period in the year of 2022), the business activity index of the leasing and business sector in March 2023 (which was higher than 60.0%), and the expected gradual recovery of the market from the COVID-19 pandemic and the prevailing market rates of comparable property(ies) over the next three years). As further disclosed in the Letter from the Board, in line with the NWDS Group's expansion strategies, NWDS expects that the NWDS Group will in the next three years, under favourable market conditions and with the appropriate opportunity, enter into a Definitive Leasing Agreement to open one additional Store each year, on terms and conditions similar to the existing Definitive Leasing Agreements.

Fixed Lease Payments

Pursuant to HKFRS 16, the Fixed Lease Payments payable by the NWDS Group as lessee under the Leasing Transactions will be recognised as right-of-use assets. The proposed annual caps for the Fixed Lease Payments are set on the total value of the right-of-use assets relating to the Definitive Leasing Agreements expected to be entered into by the NWDS Group in each year, which are calculated with reference to the aggregate of the total Fixed Lease Payments under the full lease term of each Definitive Leasing Agreement newly entered into each year, discounted by NWDS's incremental borrowing rate.

We have reviewed the relevant breakdown of the Fixed Lease Payments in the New Leasing Caps and noted that in calculating the expected Fixed Lease Payments, the management of NWDS has also taken into account the expenses that may be incurred in relation to the leased premises for the opening of an additional Store each year from FY2024 to FY2026. We noted from the relevant breakdown that both the periodic rental fee and the aforesaid related expenses contributed to the increase of the annual cap of the expected Fixed Lease Payments for FY2024, FY2025 and FY2026. As advised by the management of NWDS, the annual cap of the Fixed Lease Payments for each of FY2024, FY2025 and FY2026 are estimated based on the latest preliminary assessment of the management of NWDS in relation to the total value of the rights-of-use assets relating to the Definitive Leasing Agreements expected to be entered into by NWDS Group each year.

Based on our review set out above, we consider that the basis for determining the Fixed Lease Payments of the New Leasing Annual Caps are fair and reasonable.

Variable Lease and Service Payments

Pursuant to HKFRS 16, the Variable Lease and Service Payments payable by the NWDS Group as lessee under the Leasing Transactions will be recognised as expenses incurred by the NWDS Group. The proposed annual caps for the Variable Lease and Service Payments are set on the total Variable Lease and Service Payments expected to be payable by the NWDS Group each year under the Leasing Transactions, with reference to the projected revenue generated from the leased property(ies) under the Leasing Transactions and the terms of the relevant Definitive Leasing Agreement.

We have reviewed the breakdown of the New Leasing Annual Caps and discussed with the management of NWDS and noted that New Leasing Annual Caps mainly represented the sum of the expected Variable Lease and Service Payments payable by the NWDS Group as lessee for each of the existing Definitive Leasing Agreements for each of FY2024, FY2025 and FY2026, and a buffer of 20% to cater for any new Definitive Leasing Agreement to be entered into by the NWDS Group.

We noted that the annual cap amount of the Variable Lease and Service Payments for FY2024 are lower than that of FY2021 (being the year with highest transaction amount during the Review Period). The annual cap amount of the Variable Lease and Service Payments are projected to grow by approximately 26.4% and 5.9% in FY2025 and FY2026, respectively. As the Variable Lease and Service Payments depends on the revenue generated from the Stores, the management of NWDS expected the Variable Lease and Service Payments to increase as the retail market in the PRC recovers. In particular, the management of NWDS expected that the market rebound would be in FY2024 and FY2025, followed by organic growth in FY2026. Therefore, the management of NWDS had set a higher growth rate for the annual cap of the Variable Lease and Service Payments for FY2025 and a lower growth rate for the annual cap of the Variable Lease and Service Payments for FY2026, which we consider to be fair and reasonable.

As mentioned above, we noted from the interim report of NWDS for HY2023 that the consumer spending has been showing signs of recovery at the end of 2022 with the implementation of new epidemic prevention and control policies by the PRC. It is also expected that the reopening of borders of PRC can boost the recovery of the retailing industry and the consumers' confidence in the PRC.

Furthermore, as mentioned above, given that the 20% buffer proposed by NWDS falls within the range of buffer adopted by other listed companies based on our Research, we are of the view that the buffer adopted is reasonable.

Given the above, we are of the view that the basis for determining the Variable Lease and Service Payments of the New Leasing Annual Caps is fair and reasonable.

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The 2023 Master Services Agreement

The tables below sets out (i) the respective historical transaction amounts of the Services Transactions for FY2021, FY2022 and HY2023; (ii) the existing annual caps for FY2021, FY2022 and FY2023; (iii) the utilization rates of the existing annual caps in relation to the Services Transactions for NWDS; and (iv) the New Services Annual Caps for the transactions contemplated under the 2023 Master Services Agreement during its term (i.e. FY2024, FY2025 and FY2026 respectively):

	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts (approximately)	432	347	136
Existing annual caps	21,000	69,000	57,000
Utilisation rate of the existing annual caps (approximately)	2.1%	0.5%	0.2% ^(Note)
	FY2024	FY2025	FY2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
New Services Annual caps	71,000	130,000	80,000

Notes: The utilisation rate for FY2023 is calculated based on (i) the historical aggregate transaction value for HY2023 divided by (ii) the existing annual cap for FY2023.

As disclosed in the Letter from the Board, each of the New Services Annual Caps has been determined by reference to:

- (a) the historical annual or annualised amounts in respect of that category of the Services provided by the relevant members of the Services Group to the relevant members of the NWDS Group during the past financial years; and
- (b) the projected annual or annualised amounts in respect of that category of Services to be provided by the relevant members of the Services Group to the relevant members of the NWDS Group, and vice versa, in the next three financial years.

The above-mentioned projected figures are determined based on (i) the relevant historical transaction amounts; (ii) the increase in the GDP of the PRC, the retail sales in the PRC and the growth rate of the service sector of the PRC for the first quarter of the year of 2023 (which have increased by approximately 4.5%, 5.8%, and 5.4%, respectively, when compared to the relevant period in the year of 2022); (iii) the estimated significant increase in the demand of the NWDS Group

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for electrical and mechanical engineering works and related services for the three financial years ending 30 June 2026 due to the expected maintenance schedule of various power systems, machineries and fixtures of the NWDS Group, such as store lighting, air-conditioning and escalators (in particular, there were no transaction amounts relating to the provision of electrical and mechanical engineering works and related services by the Services Group to the NWDS Group during the financial years ended 30 June 2021 and 2022 and the six months ended 31 December 2022); (iv) the anticipated maximum number of electrical and mechanical engineering works projects of the NWDS Group that will be opened for tender (and for which the Services Group is eligible for submitting a tender) assuming a 100% tender success rate for the Services Group; (v) the expected gradual recovery of the market from the COVID-19 pandemic; and (vi) future expansion plans of the Stores and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Services Group and/or the NWDS Group.

We have reviewed the breakdown of the New Services Annual Caps and discussed with the management of NWDS and noted that the New Services Annual Caps mainly comprised (a) the expected fees in accordance with the completion progress of the existing projects; (b) the expected fees to be incurred from the potential electrical & mechanical engineering services which may be provided by the Services Group for the renovation projects of various stores of the NWDS Group; and (c) a buffer of 20%. We understand from the management of the NWDS that the expected services fees for ongoing projects are estimated based on the latest progress and schedule of the electrical & mechanical engineering works for those projects and the expected fees for the potential projects are based on the NWDS internal assessment and budget.

We noted that the New Services Annual Caps for FY2024, FY2025 and FY2026 represented a significant increase as compared to the historical transaction amount during the Review Period. We understand that this is due to the increase in budget for renovation and refurbishment of the stores amid the expected recovery of retail market in the PRC from the impact of COVID-19 and being supported by the relaxation of COVID-19 related measures. As advised by the management of NWDS, it is expected that there will be several stores to be renovated in each of FY2024, FY2025 and FY2026 (and such renovations mainly require electrical and mechanical engineering works and related services) due to scheduled maintenance of power systems, machineries, and fixtures, including store lighting, air-conditioning, and escalators.

Furthermore, as mentioned above, given that the 20% buffer proposed by NWDS falls within the range of buffer adopted by other listed companies based on our Research, we are of the view that the buffer adopted is reasonable.

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Given the above, we are of the view that the basis for determining the New Services Annual Caps are fair and reasonable.

4. Internal Control Procedures

As disclosed in the Letter from the Board, to ensure that the Master Concessionaire Counter Agreement, the 2023 Master Agreements and the Transactions adhere to normal commercial terms or better (as defined in the Listing Rules) and the amounts of the Transactions do not exceed the related New Annual Caps, the NWDS Group (as the case may be) has implemented the following internal control procedures:

- (1) **Definitive Agreement review and assessment:** Prior to entering into any Definitive Agreement under the scope of the Master Concessionaire Counter Agreement and the 2023 Master Agreements, the relevant personnel of the NWDS Group will review and assess the terms of the relevant Definitive Agreements to ensure that they are consistent with the principles and provisions set out in the Master Concessionaire Counter Agreement and the 2023 Master Agreements. The pricing policies and other terms of the Definitive Agreements will be determined by the relevant personnel of the NWDS Group with reference to at least two quotations (if applicable), on normal commercial terms or better (as defined in the Listing Rules), negotiated on an arm's length basis and on basis similar to that with independent third parties.
- (2) **Transaction monitoring and reporting:** The finance departments of the NWDS Group will consistently record and monitor the transaction amounts to ensure that the applicable New Annual Caps are not exceeded. Periodic reports, including lists of continuing connected transactions conducted during the reporting period and utilisation of the relevant New Annual Caps will be submitted to the audit committee of NWDS for review.
- (3) **Biannual review by internal audit function:** The group audit and management services departments of the NWDS Group will perform a biannual review of the internal controls for the continuing connected transactions for the preceding financial year.
- (4) **Annual review by external auditors and independent non-executive directors:** The external auditor of NWDS along with the independent non-executive Directors will perform annual review of the continuing connected transactions for the preceding financial year in accordance with the Listing Rules.
- (5) (in respect of the 2023 Master Services Agreement only) **Tendering process and quotations:** In regard to participation in/inviting tenders or provision of/inviting quotations for the Contracting Services, members of the NWDS Group are required to follow the internal tender guidelines and make reference to at least two quotations (if applicable). These

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measures/procedures aim to ensure that the tender or quotation price and the terms of the tender or quotation to be offered by the NWDS Group, and vice versa, are fair, reasonable and comparable to those offered by or to independent third parties.

We consider that the above internal control measures together with the requirements set out below under the paragraph headed “5. Requirements by the Listing Rules regarding the transactions contemplated under the Agreements” are sufficient to ensure that the transactions contemplated under the Agreements will be conducted on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

5. Requirements by the Listing Rules regarding the transactions contemplated under the Agreements

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Agreements are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the transactions contemplated under the Agreements and confirm in the annual report that the transactions have been entered into:
 - in the ordinary and usual course of business of NWDS;
 - on normal commercial terms or better (as defined in the Listing Rules); and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) each year the auditors of NWDS must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of NWDS’s annual report) confirming that the transactions contemplated under the Agreements:
 - have received the approval of the Board;
 - are, in all material respects, in accordance with the pricing policies of NWDS if the transactions involve provision of goods or services by NWDS;
 - have been entered into, in all material respects, in accordance with the relevant agreement governing the continuing connected transactions; and
 - have not exceeded the New Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) NWDS must allow, and ensure that the relevant counterparty to the Agreements allow, NWDS' auditors sufficient access to their records for the purpose of reporting on the transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and
- (d) NWDS must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of NWDS cannot confirm the matters set out in paragraphs (a) and/or (b) above respectively.

In light of the reporting requirements attached to the Agreements, in particular, (i) the restriction of the value of the relevant transactions by way of the New Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of NWDS on the terms of the Agreements and the New Annual Caps not being exceeded, we are of the view that appropriate measures are in place to govern the conduct of the Agreements and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that:

- (a) the renewal/entering into of the Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the NWDS Group and the terms thereof are normal commercial terms or better (as defined in the Listing Rules) and fair and reasonable;
- (b) the renewal/entering into of the Agreements and the transactions contemplated thereunder are in the interests of NWDS and the Shareholders as a whole; and
- (c) the New Annual Caps are fair and reasonable and in the interests of NWDS and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Agreements and the New Annual Caps in relation thereto.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Heidi Cheng **Cathy Leung**
Managing Director *Director*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2004, and Ms. Cathy Leung of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.

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 Company. 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 herein or this Circular misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at 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 were as follows:

(a) Long positions in shares

	Capacity	Nature of Interest	Number of shares held	Total	Approximate percentage to the total issued shares of the relevant company as at the Latest Practicable Date (direct or indirect)
The Company					
(Ordinary shares of HK\$0.10 each)					
Ms. Xie Hui-fang, Mandy	Beneficial owner	Personal interest	177,000	177,000	0.01%
New World Development Company Limited					
(Ordinary shares)					
Dr. Cheng Chi-kong, Adrian	Beneficial owner	Personal interest	2,559,118	2,559,118	0.10%
Ms. Chiu Wai-han, Jenny	Beneficial owner	Personal interest	29,899	29,899	0.00%

(b) Long positions in underlying shares — share options**(i) NWS Holdings Limited**

Name	Date of grant	Exercisable period (Notes)	Number of share options outstanding as at the Latest Practicable Date	Exercise price per share HK\$
Dr. Cheng Chi-kong, Adrian	25 July 2022	(1)	5,495,000	7.830

Notes:

- (1) Divided into 4 tranches exercisable from 25 August 2022, 25 July 2023, 25 July 2024 and 25 July 2025 respectively to 24 July 2032.
- (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 at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or 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.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

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

	Capacity	Nature of interest	Number of Shares held	Total	Approximate percentage to the total issued shares of the relevant company as at the Latest Practicable Date (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99%
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99%
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99%
Chow Tai Fook (Holding) Limited ("CTFH") ⁽⁴⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99%
CTFE ⁽⁵⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99%
NWD	Controlled corporation	Corporate interest	45,500,000	1,264,400,000	74.99%
	Beneficial owner	—	1,218,900,000		

Notes:

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

Save as disclosed above, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, 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.

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 2022, 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. DIRECTOR'S INTERESTS IN ASSETS

Dr. Cheng Chi-kong, Adrian is a member of the Cheng's family which holds interests in CYTFH and CYTFH-II which in turn indirectly control CTFE. CTFE is the controlling shareholder of NWD. NWD is a substantial Shareholder. The Group had entered into lease agreements regarding rental of properties between members of the NWD Group and members of the Group since 30 June 2022. The aggregate amount of such transactions is covered under the 2014 Master Leasing Agreement and the 2023 Master Leasing Agreement, subject to the passing of an ordinary resolution at the EGM by the Independent Shareholders to approve the 2023 Master Leasing Agreement, the Transactions contemplated thereunder and the related Annual Caps.

As of the Latest Practicable Date, save as disclosed in this Circular, 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 2022, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' INTERESTS IN CONTRACTS

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

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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 Chi-kong, Adrian	CTFH CTFE NWD
Ms. Chiu Wai-han, Jenny	NWD

10. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualifications of the expert who has been named in this Circular:

Name	Qualification
Ballas 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

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

As of the Latest Practicable Date, Ballas Capital Limited did not have any direct or indirect interest in any assets which had since 30 June 2022 (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, Ballas Capital Limited was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

The English text of this Circular and the enclosed proxy form shall prevail over the Chinese text in the event of any inconsistency.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nwds.com.hk) for display for a period of not less than fourteen (14) days before the date of the EGM and on the date of the EGM:

- (a) the 2023 Master Leasing Agreement;
- (b) the 2023 Master Services Agreement;
- (c) the Master Concessionaire Counter Agreement;
- (d) the New Share Option Scheme;
- (e) the letter of recommendations 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” in this Circular;

- (f) the letter of advice from Ballas Capital Limited 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” in this Circular; and
- (g) the written consent of Ballas Capital Limited referred to in the paragraph headed “10. Qualification and Consent of Expert” in this appendix.

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved at the EGM.

1. PURPOSE

The purpose of the New Share Option Scheme is designed primarily as a means of rewarding performance, providing incentive, motivation or reward to the Eligible Participant(s) for optimising their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity and allowing the Eligible Participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.

2. ELIGIBLE PARTICIPANTS

Any director (including any executive director, non-executive director or independent non-executive director) and employee (whether full time or part time) of the Company or any of its holding companies, subsidiaries, fellow subsidiaries, associated companies or members of the Group.

3. SCHEME MANDATE LIMIT

Based on 1,686,145,000 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the date of the EGM, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the New Share Option Scheme is 168,614,500 Shares (the “**Scheme Limit**”), being 10% of the ordinary share capital of the Company in issue as at the date of the adoption of the New Share Option Scheme.

The Company may seek approval by the Shareholders in general meeting for “refreshing” the Scheme Limit in accordance with the relevant requirements of the Listing Rules. Any “refreshment” within any three-year period must be approved by Shareholders subject to that:

- (i) any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
- (ii) the Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules.

The above requirements do not apply if the “refreshment” is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit (as

a percentage of the total number of Shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit immediately before the issue of securities (rounded to the nearest whole Share). However, the total number of Shares which may be issued in respect of all options and awards to be granted under the New Share Option Scheme and any other schemes of the Company under the limit as “refreshed” must not exceed 10% of the ordinary share capital of the Company in issue as at the date of approval of the “refreshed” limit. The Company shall send a circular to the Shareholders containing the information required under rule 17.03C(2) of the Listing Rules.

The Company may seek separate approval by the Shareholders in general meeting granting Options beyond the 10% Limit provided the Options in excess of the limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing the information required under rule 17.03C(3) of the Listing Rule and the relevant approval must be obtained in the manner prescribed by the Listing Rules.

4. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

Where any grant of Options to an Eligible Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Participant pursuant to the New Share Option Scheme or any other schemes of the Company (excluding any options and awards lapsed in accordance with the terms of the New Share Option Scheme or any other schemes of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the ordinary share capital of the Company in issue, such grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his/her close associates (or associates if the Eligible Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders containing the information required under the Listing Rules.

5. EXERCISE PERIOD

Subject to the vesting period as set out below, a Share Option may be exercised in accordance with the terms of the New Share Option Scheme during the Option Period (being not more than ten years from the Date of Grant) as specified and notified by the Directors to the grantee for the whole or such parcel(s) of the Shares subject to the Share Option at the time of making an offer.

6. VESTING PERIOD

Save for the following circumstances, the share options must be held for at least 12 months after the Date of Grant before it is vested and exercisable by the grantee:

For Eligible Participants who are the director(s) and employee(s) of the Company and its subsidiaries, a shorter vesting period of less than 12 months may be adopted under any of the circumstances below:

- (a) Grants of “make-whole” options to new joiners to replace the share option or awards they forfeited when leaving the previous employers;
- (b) Grants of options to a participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (c) Grants of options that are made in batches during a year for administrative and compliance reasons, including options that should have been granted earlier but had to wait for the subsequent batch, in which case the vesting period may be adjusted to take into account of the time from which the options which have been granted if not for such administrative or compliance requirements. In the event of any other administrative or compliance requirement which gives rise to a shorter vesting period of the options granted to any Eligible Participant, the Company will make further announcement as and when appropriate;
- (d) Grants of options with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months; or
- (e) Grants of options with a total vesting and holding period of more than 12 months.

7. PERFORMANCE TARGETS

Unless the Directors otherwise determine and state in the terms of offer for the grant of the Options pursuant to the New Share Option Scheme, no performance target is required to be achieved before any Option can be granted to or exercised by the Grantee. The Board believes that it is in the best interests of the Company to retain flexibility to impose appropriate conditions in light of the particular circumstances of each grant, which would be a more meaningful reward for the Eligible Participants’ contribution or potential contribution. The Board also considers that it is not practicable to expressly set out a generic set of performance targets in the New Share Option Scheme as each Grantee will play different roles and contribute in different ways to the Group. Therefore, the Board believes that the authority and flexibility given to the Board under the New Share Option Scheme, including, *inter alia*, determination of the performance targets (if any) on a case-by-case basis, will serve to protect the value of the Company as well as to achieve the purpose of the New Share Option Scheme, which is to motivate and reward the Eligible Participant(s) as well as to foster a sense of corporate identity and allowing the Eligible Participants to enjoy the results of the Company attained through their relationship, efforts

and/or contribution. In the event that performance targets are attached to the grant of the Options pursuant to the New Share Option Scheme, the Company will make an announcement as and when appropriate pursuant to Rule 17.06B(8) of the Listing Rules.

8. PROCEDURES FOR ACCEPTANCE OF OPTIONS

An offer of the grant of an Option shall be made to an Eligible Participant by letter in such form as the Directors may from time to time determine and shall be open for acceptance in writing received by the company secretary of the Company or the Directors at the principal place of business of the Company for the time being in Hong Kong for a period of 14 days from the offer date (the “**Acceptance Period**”). An Option shall be deemed to have been granted and accepted on the offer date provided that acceptance is received by the Company within the Acceptance Period together with a remittance in favour of the Company of HK\$10 by way of consideration for the grant thereof are received by the Company within the Acceptance Period. Any offers of the grant of Options not accepted within the Acceptance Period shall lapse.

9. EXERCISE PRICE

The price per Share payable on the exercise of a Share Option as determined by the Directors which must be at least the higher of: (i) the closing price of the Share as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant, which must be a Dealing Day; and (ii) the average closing price of the Share as stated in the Stock Exchange’s daily quotations sheets for the five dealing days immediately preceding the Date of Grant or (where applicable) such price as from time to time adjusted pursuant to the New Share Option Scheme; and (iii) the nominal value of the Share.

10. RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company and the Companies Act of the Cayman Islands (as amended from time to time for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date the name of the Option Holder is registered in the register of members of the Company, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer, and other rights including those arising on a liquidation of the Company and rights in respect of any dividend or other distribution paid or made after the date when the name of the Option Holder is entered into the register of members of the Company other than any dividend or distribution to be paid or made if the record date therefor shall be before the date the name of the Option Holder is registered in the register of members.

Provided always that when the date of exercise of the Option falls on a date upon when the register of members is closed then the exercise of the Option shall become effective on the first business date in Hong Kong on which the register of members of the Company is re-opened.

11. DURATION AND ADMINISTRATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme shall be valid and effective for a period of ten years commencing from the date of its adoption, unless otherwise terminated by way of a resolution of the Shareholders in general meeting.

After expiry or termination of the New Share Option Scheme, no further share options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Share Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Share Options (to the extent not already exercised) granted prior to such expiration or termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

The New Share Option Scheme shall be subject to the administration of the Directors whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as other provided in the New Share Option Scheme) shall be final, conclusive and binding on all parties.

Subject to compliance with the requirements of the Listing Rules and the provisions of the New Share Option Scheme and the Companies Act of the Cayman Islands (as amended from time to time), the Directors shall have the right in their absolute discretion to:

- (i) interpret and construe the provisions of the New Share Option Scheme;
- (ii) determine the persons who will be granted Options under the New Share Option Scheme, the number of Shares to be issued under the Option and the Exercise Price;
- (iii) make such appropriate and equitable adjustments to the terms of Options granted under the New Share Option Scheme as it deems necessary; and
- (iv) make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the New Share Option Scheme.

The Directors may also provide restrictions on the exercise of an Option during the period an Option may be exercised.

The administration and operation of the Scheme shall be subject to the compliance with the requirements under the Listing Rules and laws and regulations that are applicable to the Company and/or the New Share Option Scheme.

12. LAPSE OF OPTIONS**(a) Expiry of Option Period**

An Option shall lapse and cease to be exercisable (to the extent not already exercised) on expiry of the Option Period as specified by the Directors under the grant.

(b) Expiry of Acceptance Period

Any offers of the grant of Options not accepted within the Acceptance Period shall lapse.

(c) On cessation of being an Eligible Employee

If an Option Holder, being an Eligible Employee, ceases to be an Eligible Employee under any of the following circumstances:

(i) On ill-health, disability, death or retirement of an Eligible Employee (all evidenced to the satisfaction of the Directors)

In the event that the employment of an Eligible Employee is terminated by reason of ill-health, disability (all evidenced to the satisfaction of the Directors), death or retirement in accordance with the retirement policy of the relevant member of the Group or as adopted by the Company from time to time (if any), he or (as the case may be) his personal representative(s) may exercise all his Options (to the extent which has become exercisable and not already exercised) within a period being the earlier of six months after the termination of employment or the expiration of the relevant Option Period. Any Option not so exercised shall lapse and determine at the end of the said period;

(ii) On voluntary termination by an Eligible Participant

In the event that the employment of an Eligible Employee is terminated by him voluntarily for reasons other than ill-health, disability, death or retirement in accordance with the retirement policy of the relevant member of the Group or as adopted by the Company from time to time (if any), all his Options shall lapse and determine on the 30th day following the date of such termination of employment;

(iii) On cessation of an Eligible Employee's employing company being a member of the Group

In the event that the Eligible Employee's employing company ceases to be a member of the Group, (a) Options granted to such Eligible Employee, to the extent vested at the time his employing company ceases to be a member of the Group, shall be exercisable within a period being the earlier of six months after his employing company ceases to be a member of the Group or the expiration of the relevant Option Period; and (b) Options granted to such Eligible Employee, to the extent not vested at the time of his employing company ceases to be a member of the Group, shall lapse upon his employing company ceasing to be a member of the Group;

(iv) Termination for cause

In the event that the employment of an Eligible Employee is terminated by reason of the Eligible Employee's misconduct justifying summary dismissal (i.e. termination without notice or payment in lieu of notice), all outstanding Options granted to such Eligible Employee shall lapse upon the termination of employment;

(v) Termination other than for cause

In the event that the Eligible Employee ceases to be an Eligible Employee or whose employment is terminated, for any reason other than for the circumstances provided in Rules 10.2(i) to (iv) above, (a) Options granted to such Eligible Employee, to the extent vested at the time of termination of employment, shall lapse on the earlier of the 30th day after the termination of employment or the expiration of the relevant Option Period; and (b) Options granted to such Eligible Employee, to the extent not vested at the time of termination of employment, shall lapse upon the termination of employment, provided that in any of the above cases, the Directors may in their absolute discretion otherwise determine and/or may impose such conditions or limitations as the Directors may reasonably consider appropriate.

(d) On breach of contract or insolvency for other Eligible Participants

In relation to an Option Holder not being an Eligible Employee, all Options held by such Option Holder (to the extent not already exercised) shall forthwith lapse if the Directors shall at any time in their absolute discretion determine that (i) such Option Holder or his associate has committed any breach of any contract entered into between such Option Holder or his associate on the one part and any member of the Group on the other part or that such Option Holder has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; and (ii) all Options held by that Option Holder shall lapse. A resolution of the Directors to the effect that any event herein stated leading to the lapse of Options has occurred shall be conclusive.

(e) On takeover offers

If, in consequence of any general offer made to the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, any person shall have obtained control (as defined in the Takeovers Code or applicable laws) of the Company, then the Directors shall as soon as practicable thereafter notify every Option Holder accordingly and each Option Holder shall be entitled at any time within the period of six months after such control has been obtained to exercise any Option in whole or in part, and to the extent that it has not been so exercised, any Option shall upon the expiry of such period cease and determine provided that if, during such period, such

person becomes entitled to exercise rights of compulsory acquisition of Shares pursuant to section 88(1) of the Companies Act of the Cayman Islands (as amended from time to time) or any applicable laws or regulations and gives notice in writing to any holders of Shares that he intends to exercise such rights, the Options shall, subject to Rule 10.4, be and remain exercisable until 14 days from the date of such notice and, to the extent that they have not been exercised, shall thereupon cease and determine or such person could provide for cancellation of all Options and payment of an appropriate see-through price as determined based on the Takeovers Code and applicable laws and by reference to the Exercise Price and the offer price under such general offer.

(f) On voluntary winding-up of the Company

If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company (other than for amalgamation or reconstruction), the Company shall on the same date or soon after it despatches such notice to each member of the Company give notice thereof to all Option Holders (together with a notice of the existence of the relevant provisions in the New Share Option Scheme) and thereupon, each Option Holder (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his outstanding Options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Option Holders(s) credited as fully paid, provided that all Options to the extent unexercised prior to the commencement of the voluntary winding-up of the Company shall, upon the commencement of such winding-up, lapse and be null and void.

(g) On a scheme of arrangement

If under section 86 of the Companies Act of the Cayman Islands (as amended from time to time) a scheme of arrangement is proposed between the Company and its members, the Company shall give notice thereof to all Option Holders on the same date as it despatches the notice which is sent to each member of the Company convening the meeting to consider the scheme of arrangement, and thereupon each Option Holder (or where permitted his personal representatives) may forthwith and until the expiry of 14 days from such date be entitled to exercise his Option, but the exercise of an Option as aforesaid shall be conditional upon the scheme of arrangement being sanctioned by the Court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised under this Rule. The Shares issued pursuant to the exercise of Options may be subject to such a scheme of arrangement or the Company may thereafter require each Option Holder to transfer or otherwise deal with the Shares issued as a result of the exercise of

Options in these circumstances so as to place the Option Holder in the same position as nearly as may be as would have been the case had such Shares been subject to such scheme of arrangement.

(h) On insolvency

If an order of court is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

Notwithstanding the events referred to in (e) to (f) above and subject to the Company's articles of association, all applicable laws, regulations, codes and rules, including but not limited to the Takeovers Code and Listing Rules, and the New Share Option Scheme, the Company may at its discretion extend the exercisable period of Options in the event of (e) to (f) above.

13. ADJUSTMENTS ON ALTERNATION OF SHARE CAPITAL

(a) Adjustment of Option entitlement

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such appropriate adjustments (if any) shall be made in:

- (i) the Exercise Price; and/or
- (ii) the number of Option so far as unexercised,

in such manner as the Directors (having received a confirmation in writing from the Auditors or an independent financial adviser to the Company (as the case may be), acting as experts and not as arbitrators, that in their opinion the adjustments proposed are fair and reasonable and satisfy the requirements set out in the Listing Rules and the note thereto), except in the case of a capitalisation issue where no such confirmation from the Auditors or an independent financial adviser to the Company (as the case may be) shall be required unless otherwise expressly required by the Directors) may deem appropriate provided always that:

- (1) no increase shall be made in the aggregate subscription price relating to any Option;
- (2) the proportion of the issued share capital of the Company to which an Option Holder is entitled after any adjustment (rounded to the nearest whole Share) shall remain materially the same as that to which he was previously entitled prior to such adjustment;

- (3) no adjustments shall be made which will enable a Share to be issued at less than its nominal value;
- (4) any adjustment so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange;
- (5) no adjustments shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party; and
- (6) no adjustments to the exercise price or number of shares should be made to the advantage of the Eligible Participants without specific prior Shareholders' approval.

(b) Notice of adjustment

Notice of any such adjustment shall be given to the Option Holders by the Company, which may, but need not, call in Option certificates for endorsement or replacement. The costs of the Auditors or the independent financial adviser to the Company (as the case may be) shall be borne by the Company.

14. CANCELLATION AND RE-GRANT OF OPTIONS

Options granted but not exercised may be cancelled if the Eligible Participant so agrees and new Options may only be made to the same Eligible Participant with available unissued Options (excluding the cancelled Options) within the limit approved by Shareholders.

The Directors may also, at any time in their absolute discretion, cancel any Option granted but not exercised. Where the Directors cancel any Options and make an offer of the grant of new Options to the same Option Holder, the offer may only be made with available unissued Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in the New Share Option Scheme. In other words, any cancelled Options will be regarded as utilised for the purpose of calculating the relevant limits.

15. TERMINATION OF NEW SHARE OPTION SCHEME

The Company by resolution in general meeting may terminate the New Share Option Scheme at any time, and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

16. RESTRICTION ON TRANSFER OF OPTIONS

An Option shall be personal to the Option Holder and shall not be assignable nor transferable (unless a waiver has been obtained from the Stock Exchange in accordance with the Listing Rules), and no Option holder shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any party over or in relation to any Option or attempt to do so). Any breach of the foregoing shall entitle the Company to cancel any outstanding Option, or any part thereof, granted to such Option holder.

17. AMENDMENTS TO THE NEW SHARE OPTION SCHEME WITHOUT THE APPROVAL OF THE SHAREHOLDERS

Any alterations to the terms and conditions of the Scheme which are of a material nature or any alterations to the provisions relating to the matters contained in rule 17.03 of the Listing Rules to the advantage of the Eligible Participants shall be approved by the Shareholders in general meeting. Subject to the aforesaid, the Directors may from time to time in their absolute discretion waive or amend such of the rules of the New Share Option Scheme as they deem desirable by resolution of the Directors.

18. CLAWBACK MECHANISM

Save as otherwise determined and stated by the Directors in the terms of offer for the grant of the Options pursuant to the New Share Option Scheme, the grant of the Options is not subject to any clawback mechanism to recover or withhold the remuneration (which may include any options or awards granted) to any Eligible Participants in the event of serious misconduct, a material misstatement in the Company's financial statements or other circumstances. The Board considers that it may not be appropriate to prescribe such clawback mechanism particularly when the purpose of the New Share Option Scheme is to reward the Eligible Participant(s) for optimising their performance or making contribution to the Group and to foster a sense of corporate identity and allowing the Eligible Participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution. In the event that the grant of the Options pursuant to the New Share Option Scheme is subject to any clawback mechanism to recover or withhold the remuneration (which may include any options or awards granted), the Company will make an announcement as and when appropriate pursuant to Rule 17.06B(8) of the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING



新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of the shareholders of New World Department Store China Limited (the “**Company**”) will be held with a combination of an in-room meeting at Meeting Room N101A, Level 1, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (Expo Drive Entrance) and an online virtual meeting via electronic facilities on Monday, 26 June 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing each of the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the renewal of the Master Concessionaire Counter Agreement (as defined and described in the circular of the Company dated 2 June 2023 (the “**Circular**”), a copy of the Circular marked “**A**” together with a copy of the Master Concessionaire Counter Agreement marked “**B**” are tabled before the Meeting and initialed 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;
- (b) the New Concessionaire Counter 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 2026 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 authorised 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.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. **“THAT:**

- (a) the entering into of the 2023 Master Leasing Agreement (as defined and described in the Circular, a copy of the Circular marked “A” together with a copy of the 2023 Master Leasing Agreement marked “C” 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 2023 Master Leasing Agreement for each of the three years ending 30 June 2026 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 authorised 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 entering into of the 2023 Master Leasing Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

3. **“THAT:**

- (a) the entering into of the 2023 Master Services Agreement (as defined and described in the Circular, a copy of the Circular marked “A” together with a copy of the 2023 Master Services Agreement marked “D” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the Services Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the New Services Annual Caps as defined and described in the Circular in respect of the consideration payable under the 2023 Master Services Agreement for each of the three years ending 30 June 2026 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 authorised 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 entering into of the 2023 Master Services Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. “THAT

Subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and permission to deal in any shares of the Company (the “**Shares**”) to be issued pursuant to the exercise of any options which may be granted under the new share option scheme of the Company (the “**New Share Option Scheme**”) (a copy of which is produced to this meeting marked “**E**” and initialled by the chairman of the Meeting for the purpose of identification), the rules of the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation to grant option and to allot, issue and deal with Shares pursuant to the exercise of any option granted thereunder.”

By order of the board of
NEW WORLD DEPARTMENT STORE CHINA LIMITED
Wu Yuk-kwai, Catherine
Company Secretary

Hong Kong, 2 June 2023

Notes:

1. The Meeting will be a hybrid meeting. Shareholders of the Company (“**Shareholders**”) have the option to attend the Meeting online in addition to the traditional physical attendance at the Meeting. Shareholders participating in the Meeting online using the Tricor e-Meeting System will be deemed present at, and will be counted towards the quorum of, the Meeting and they will be able to view a live broadcast, submit questions and cast votes on the resolutions in real time through the Tricor e-Meeting System. For details of the electronic facilities for attendance and participation by electronic means at the Meeting, please refer to the circular of the Company dated 2 June 2023.
2. The register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to attend and voting at the Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer agent of the Company in Hong Kong, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 19 June 2023.
3. Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy does not need to be a Shareholder.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. Where there are joint registered holders of any share, any one of such joint holders 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.
5. A proxy form for use at the Meeting is enclosed.
6. 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 Hong Kong branch share registrar and transfer agent of the Company at Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed (i.e. on or before 11:00 a.m. on 24 June 2023) for holding the Meeting or any adjournment thereof.
7. In addition to the physical submission of the proxy form, the Shareholders have the option to submit their proxy appointment electronically through the Tricor e-Meeting System from 2 June 2023 up to 11:00 a.m. on 24 June 2023. Please refer to the circular of the Company dated 2 June 2023 for details.
8. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person (whether physically or by means of electronic facilities) at the Meeting or any adjournment thereof and in such event, the proxy form shall be deemed to be revoked.
9. If tropical cyclone warning signal no. 8 or above is in force in Hong Kong at any time between 7:00 a.m. to 11:00 a.m. on Monday, 26 June 2023, the Meeting will be postponed and further announcement for details of alternative meeting arrangements will be published on the websites of the Company and the Stock Exchange respectively to notify Shareholders of the date, time and location of the rescheduled meeting.
10. The ordinary resolutions as set out above will be determined by way of a poll.
11. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
12. As at the date of this notice, the non-executive directors of the Company are Dr. Cheng Chi-kong, Adrian and Ms. Chiu Wai-han, Jenny; the executive directors of the Company are Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy; 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, Mr. Yu Chun-fai and Ms. Ho Pui-yun, Gloria.