
LETTER FROM THE NWDSC BOARD



新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

Non-executive directors:

Dr. Cheng Kar-Shun, Henry

Mr. Au Tak-Cheong

Ms. Ngan Man-Ying, Lynda

Executive directors:

Dr. Cheng Chi-Kong, Adrian

Mr. Cheung Fai-Yet, Philip

Independent non-executive directors:

Mr. Cheong Ying-Chew, Henry

Mr. Chan Yiu-Tong, Ivan

Mr. Tong Hang-Chan, Peter

Mr. Yu Chun-Fai

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

7th Floor, 88 Hing Fat Street

Causeway Bay, Hong Kong

27 June 2017

To the NWDSC Offer Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION BY WAY OF
VOLUNTARY CONDITIONAL CASH OFFER
BY UBS AG HONG KONG BRANCH ON BEHALF OF
NEW WORLD DEVELOPMENT COMPANY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
NEW WORLD DEPARTMENT STORE CHINA LIMITED
(OTHER THAN THOSE ALREADY HELD BY
NEW WORLD DEVELOPMENT COMPANY LIMITED)**

1. INTRODUCTION

Reference is made to the Joint Announcement whereby the Offeror Board and the NWDSC Board jointly announced on 6 June 2017 that UBS, on behalf of the Offeror, intended to make a voluntary conditional cash offer to acquire all of the Offer Shares.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) information relating to the NWDSC Group, the Offeror and

LETTER FROM THE NWDSC BOARD

the Offer; (ii) a letter from UBS containing, among other things, details of the Offer; (iii) a letter from the NWDSC Independent Board Committee containing its recommendations to the Independent NWDSC Shareholders in relation to the Offer; and (iv) a letter from the NWDSC Independent Financial Adviser containing its advice and recommendations to the NWDSC Independent Board Committee in relation to the Offer.

2. NWDSC INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The NWDSC Board has established the NWDSC Independent Board Committee, comprising four independent non-executive NWDSC Directors, being Mr. Cheong Ying-Chew, Henry, Mr. Chan Yiu-Tong, Ivan, Mr. Tong Hang-Chan, Peter and Mr. Yu Chun-Fai, to make a recommendation to the Independent NWDSC Shareholders as to whether the Offer is, or is not, fair and reasonable and as to its acceptance.

Pursuant to Rule 2.8 of the Takeovers Code, members of the NWDSC Independent Board Committee are all non-executive NWDSC Directors who have no direct or indirect interest in the Offer. Dr. Cheng Kar-Shun, Henry and Mr. Au Tak-Cheong, who are non-executive NWDSC Directors, are also directors of the Offeror. Ms. Ngan Man-Ying, Lynda, being the remaining non-executive NWDSC Director, is also an employee of the Offeror. As such, they are not considered independent for the purpose of advising the Independent NWDSC Shareholders in respect of the Offer and therefore not members of the NWDSC Independent Board Committee.

Ballas Capital Limited, with the approval of the NWDSC Independent Board Committee, has been appointed as the NWDSC Independent Financial Adviser to advise the NWDSC Independent Board Committee in connection with the Offer.

3. THE OFFER

As disclosed in the “Letter from UBS” in this Composite Document, UBS, on behalf of the Offeror, is making the Offer on the following basis:

Offer:

For each Offer Share HK\$2.00 in cash

The Offer will be extended to all NWDSC Shareholders (including the Offeror Concert

LETTER FROM THE NWDSC BOARD

Parties) except the Offeror.

Further details of the Offer can be found in the “Letter from UBS” and “Appendix I—Further Terms of the Offer” to this Composite Document and the accompanying Form of Acceptance, which together set out the terms and conditions of the Offer and certain related information.

4. CONDITIONS OF THE OFFER

Your attention is drawn to the section headed “Conditions of the Offer” in the “Letter from UBS” in this Composite Document which sets out the Conditions of the Offer.

5. POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

The NWDSC Board notes that, subject to compliance with the relevant requirements under section 88 of the Cayman Islands Companies Law, if the Offeror, before the close of the Offer, has received valid acceptances in respect of not less than 90% of the Offer Shares and not less than 90% of the Disinterested NWDSC Shares, the Offeror intends to privatise NWDSC by exercising its right to compulsorily acquire those Offer Shares not acquired by the Offeror under the Offer. If the Offeror exercises such rights and completes the compulsory acquisition, NWDSC will become a direct wholly owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the NWDSC Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Pursuant to Rule 15.6 of the Takeovers Code, as the Offeror has stated in this Composite Document its intention to avail itself of its powers of compulsory acquisition, the Offer may not remain open for acceptance for more than four months from the date of this Composite Document, unless the Offeror has, by that time, become entitled to exercise such power of compulsory acquisition, in which event it must do so without delay.

If the level of acceptances of the Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the NWDSC Shares will be suspended from the Closing Date up to the withdrawal of listing of the NWDSC Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Whilst it is the intention of the Offeror to privatise NWDSC, the Offeror’s ability to exercise rights of compulsory acquisition in respect of the Offer Shares is dependent on the

LETTER FROM THE NWDSC BOARD

level of acceptances of the Offer reaching the prescribed level under the Cayman Islands Companies Law and on the requirements of Rule 2.11 of the Takeovers Code being satisfied.

If the Offer Shares validly tendered for acceptance under the Offer are less than 90% of the Offer Shares or less than 90% of the Disinterested NWDSC Shares, the Offer will not become unconditional and will lapse and NWDSC will remain listed on the Stock Exchange.

6. INTENTIONS OF THE OFFEROR REGARDING THE NWDSC GROUP

Your attention is drawn to the section headed “Intentions of the Offeror regarding the NWDSC Group” in the “Letter from UBS” in this Composite Document which sets out the intentions of the Offeror regarding the NWDSC Group. The NWDSC Board has noted such intentions.

7. REASONS FOR, AND BENEFITS OF, THE OFFER

Your attention is drawn to the section headed “Reasons for, and Benefits of, the Offer” in the “Letter from UBS” in this Composite Document which sets out the reasons for, and benefits of the Offer to the Independent NWDSC Shareholders, NWDSC, the Offeror and the shareholders of the Offeror.

8. INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from UBS” in the Composite Document for information on the Offeror.

9. INFORMATION ON NWDSC

Your attention is drawn to the section headed “Information on NWDSC” in the “Letter from UBS” in this Composite Document for information on NWDSC.

Your attention is also drawn to the financial information of the NWDSC Group set out in “Appendix II — Financial Information of the NWDSC Group, the property valuations of the NWDSC Group set out in “Appendix III — Property Valuation Report” and the general information of NWDSC set out in “Appendix V — General Information of NWDSC” to this Composite Document.

LETTER FROM THE NWDSC BOARD

10. ADDITIONAL INFORMATION

You are advised to read the “Letter from UBS”, “Appendix I — Further Terms of the Offer” to this Composite Document and the accompanying Form of Acceptance for information relating to the Offer and the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

11. RECOMMENDATIONS

The executive NWDSC Director who is not required to abstain from voting believes that the terms of the Offer are fair and reasonable and in the interests of the NWDSC Offer Shareholders as a whole.

Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian and Mr. Au Tak-Cheong are also directors of the Offeror. Each of them has abstained from voting in respect of the board resolutions of NWDSC in relation to the Offer.

The NWDSC Independent Financial Adviser has advised the NWDSC Independent Board Committee that it considers the terms of the Offer to be fair and reasonable so far as the Independent NWDSC Shareholders are concerned, and accordingly it recommends the NWDSC Independent Board Committee to recommend the Independent NWDSC Shareholders to accept the Offer.

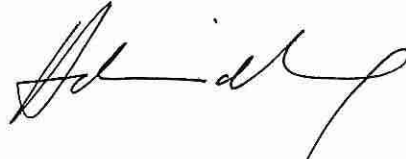
The NWDSC Independent Board Committee, having been so advised, considers the terms of the Offer to be fair and reasonable so far as the Independent NWDSC Shareholders are concerned, and accordingly, recommends the Independent NWDSC Shareholders to accept the Offer.

The full text of the letter from the NWDSC Independent Board Committee addressed to Independent NWDSC Shareholders is set out on pages 26 to 27 of this Composite Document. The full text of the letter from the NWDSC Independent Financial Adviser addressed to the NWDSC Independent Board Committee is set out on pages 28 to 51 of this Composite Document. You are advised to read both letters and the other information contained in this Composite Document carefully before taking any action in respect of the Offer.

The NWDSC Offer Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer.

LETTER FROM THE NWDSC BOARD

By order of the Board of
New World Department Store China Limited



Cheng Chi-Kong, Adrian
Executive Director