
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your securities in New World Department Store China Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer. This Composite Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their 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 Composite Document and the accompanying Form of Acceptance.

The Offer is being made for the securities of a Cayman Islands company and while the Offer is subject to Hong Kong disclosure and procedural requirements, investors should be aware that these requirements are different from those of the US. The financial statements included herein have been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial statements of US companies.



COMPOSITE OFFER AND RESPONSE DOCUMENT

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)

Sole Financial Adviser to the Offeror



Independent Financial Adviser to the NWDSC Independent Board Committee



Unless the context otherwise requires, capitalised terms used in this Composite Document (including this cover page) have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A "Letter from UBS" containing, among other things, the details of the terms and conditions of the Offer are set out on pages 7 to 20 of this Composite Document. A "Letter from the NWDSC Board" is set out on pages 21 to 25 of this Composite Document. A "Letter from the NWDSC Independent Board Committee" containing its recommendations to the Independent NWDSC Shareholders in respect of the Offer is set out on pages 26 and 27 of this Composite Document. A "Letter from the NWDSC Independent Financial Adviser" containing its advice and recommendations to the NWDSC Independent Board Committee in respect of the Offer is set out on pages 28 to 51 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out in "Appendix I — Further Terms of the Offer" to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Tuesday, 18 July 2017 or such later time(s) and/or date(s) as the Offeror may determine and announce, in accordance with the Takeovers Code.

The NWDSC Offer Shareholders should be cautious of the forward looking statements contained in this Composite Document and observe any applicable legal, tax or regulatory requirements. See "Important Notices to all NWDSC Offer Shareholders" on pages ii and iii of this Composite Document and "Cautionary Note Regarding Forwarding Looking Statements" on page vi of this Composite Document.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the details in this regard which are contained in the section headed "Overseas NWDSC Offer Shareholders" in the "Letter from UBS" in this Composite Document before taking any action. It is the responsibility of any overseas NWDSC Offer Shareholders wishing to take any action in relation to the Offer to satisfy themselves as to the full observance and compliance of the laws and regulations of the relevant jurisdictions in connection therewith, including obtaining all governmental, exchange control or other consents which may be required and the compliance with all necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such overseas NWDSC Offer Shareholders in respect of the acceptance of the Offer (as applicable) in such jurisdiction. The overseas NWDSC Offer Shareholders are advised to seek professional advice on deciding whether to accept the Offer. The NWDSC Offer Shareholders should inform themselves of and observe any applicable legal, tax or regulatory requirements.

This Composite Document is issued jointly by the Offeror and NWDSC.

The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

27 June 2017

CONTENTS

	<i>Pages</i>
IMPORTANT NOTICES TO ALL NWDC OFFER SHAREHOLDERS	ii
EXPECTED TIMETABLE	iv
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS ...	vi
DEFINITIONS	1
LETTER FROM UBS	7
LETTER FROM THE NWDC BOARD	21
LETTER FROM THE NWDC INDEPENDENT BOARD COMMITTEE	26
LETTER FROM THE NWDC INDEPENDENT FINANCIAL ADVISER	28
APPENDIX I — FURTHER TERMS OF THE OFFER	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE NWDC GROUP	II-1
APPENDIX III — PROPERTY VALUATION REPORT	III-1
APPENDIX IV — GENERAL INFORMATION OF THE OFFEROR	IV-1
APPENDIX V — GENERAL INFORMATION OF NWDC	V-1

IMPORTANT NOTICES TO ALL NWDSC OFFER SHAREHOLDERS

The following information is important for all NWDSC Offer Shareholders:

You are urged to read the entire Composite Document, including the appendices, and the Form of Acceptance carefully.

- **Offer Price:** HK\$2.00 in cash per Offer Share.
- **How to accept the Offer:** Please return the duly completed and signed Form of Acceptance and the relevant documents to the Registrar.
- **Deadline for acceptance:** The Offer will close for acceptances at 4:00 p.m. on Tuesday, 18 July 2017 (the first Closing Date), unless otherwise revised or extended.

For details, please refer to “Appendix I — Further Terms of the Offer” to this Composite Document.

- **Settlement:** **Payments in cash will be made within seven (7) Business Days** following the later of: (i) the date on which the Offer becomes or is declared unconditional in all respects; and (ii) the date of receipt of your complete and valid acceptance in respect of the Offer.
- **Your prompt action is critical:** **The Offer will lapse** if valid acceptances from the NWDSC Offer Shareholders in respect of less than 90% of **the Offer Shares or less than 90% of the Disinterested NWDSC Shares** are received by 4:00 p.m. on Tuesday, 18 July 2017 (being the first Closing Date), unless otherwise revised or extended. You should therefore act promptly.

NEED HELP?

Please call the customer service hotline of the Registrar, Tricor Investor Services Limited, at +852 2980-1333 between 9:00 a.m. and 5:00 p.m. on Mondays to Fridays, excluding Hong Kong public holidays, if you have any enquiries concerning administrative matters, such as dates, documentation and procedures relating to the Offer.

The hotline cannot and will not provide advice on the merits of the Offer or give financial or legal advice. If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

IMPORTANT NOTICES TO ALL NWDSC OFFER SHAREHOLDERS

NOTICE TO US INVESTORS

The Offer will not be submitted to the review or registration procedures of any regulator outside Hong Kong and has not been approved or recommended by any governmental securities regulator in the US. The Offer is being made for the securities of a Cayman Islands company and is subject to Hong Kong disclosure and procedural requirements, which are different from those of the US. The financial information included in this Composite Document has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. The Offer will be made in the US pursuant to exemptions from some of the applicable US tender offer rules and otherwise in accordance with the requirements of the SFO. Accordingly, the Offer will be subject to disclosure and other procedural requirements of Hong Kong, including with respect to withdrawal rights, the timetable of the Offer, settlement procedures and the timing of payments that are different from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Offer by a US holder of the Offer Shares pursuant to the Offer may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Overseas NWDSC Offer Shareholders are urged to consult his/her independent professional adviser immediately regarding the applicable tax consequences of the Offer.

It may be difficult for US holders of the Offer Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the US, and some or all of their officers and directors may be residents of a country other than the US. US holders of the Offer Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

You should be aware that in accordance with the Takeovers Code, the Offeror, its affiliates and its advisers may bid for or purchase NWDSC Shares. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at <http://www.sfc.hk/>.

EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event that there is any change to the following timetable.

Event	Date and Time
Despatch date of this Composite Document and the accompanying Form of Acceptance	Tuesday, 27 June 2017
Opening date of the Offer	Tuesday, 27 June 2017
First Closing Date (<i>Note 1</i>).	Tuesday, 18 July 2017
Latest time for acceptance of the Offer on the first Closing Date (<i>Note 2</i>).	4:00 p.m. on Tuesday, 18 July 2017
Announcement of the result of the Offer as at the first Closing Date, on the website of the Stock Exchange	No later than 7:00 p.m. on Tuesday, 18 July 2017
Latest date for despatch of cheques for payment of the amounts due under the Offer in respect of valid acceptances received on or before 4:00 p.m. on the first Closing Date, assuming that the Offer becomes or is declared unconditional on the first Closing Date (<i>Note 3</i>).	Thursday, 27 July 2017
Latest time and date for acceptance of the Offer assuming that the Offer becomes or is declared unconditional in all respects on the first Closing Date (<i>Note 4</i>).	4:00 p.m. on Tuesday, 1 August 2017
Latest time and date by which the Offer can become or be declared unconditional as to acceptances (<i>Note 5</i>)	7:00 p.m. on Monday, 28 August 2017

Notes:

- (1) The Offer will close for acceptances at 4:00 p.m. on Tuesday, 18 July 2017 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine subject to compliance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). In the event that the Offer has not become unconditional on the first Closing Date, the Offeror will issue an announcement stating whether the Offer has lapsed or has been revised or extended to another Closing Date or until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offer is closed to the NWDSC Offer Shareholders who have not accepted the Offer.

EXPECTED TIMETABLE

- (2) If you wish to accept the Offer, you should ensure your duly completed and signed Form of Acceptance and the relevant documents arrive at the Registrar by no later than the prescribed time. If you choose to deliver the documents by post, you should consider the timing requirements for postage.

Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

All acceptances, instructions, authorisations and undertakings given by the NWDSC Offer Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

- (3) Payment of the consideration (after deducting the seller's ad valorem stamp duty) for the Offer Shares tendered for acceptance under the Offer will be posted by ordinary post to the NWDSC Offer Shareholders who accept the Offer at their own risk. Payment will be made as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date on which the Offer becomes or is declared unconditional in all respects; and (ii) the date of receipt of the complete and valid acceptance in respect of the Offer, being the date of receipt by the Registrar of all the relevant documents to render acceptance under the Offer complete and valid in accordance with the Takeovers Code, this Composite Document and the relevant accompanying Form of Acceptance.
- (4) Pursuant to Rule 15.3 of the Takeovers Code, the final Closing Date should be no less than fourteen (14) days after the date on which the Offer becomes or is declared unconditional in all respects.
- (5) In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Document is posted. Accordingly, unless the Offer has previously become or been declared unconditional as to acceptances or has been extended with the consent of the Executive, the Offer will lapse at 7:00 p.m. on Monday, 28 August 2017, being the next business day after the 60th day in accordance with Note 3 to the "Definitions" section in the Takeovers Code.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF THE OFFER AND/OR THE LATEST DATE FOR DESPATCH OF CHEQUES

If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning in force in Hong Kong:

- (1) at any time before 12:00 noon but no longer in force at or after 12:00 noon on the latest date for acceptance of the Offer and/or the latest date for despatch of cheques for the amounts due under the Offer in respect of valid acceptances (as the case may be), the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and/or the latest date for despatch of cheques will remain on the same Business Day; or
- (2) at any time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and/or the latest date for despatch of cheques for the amounts due under the Offer in respect of valid acceptances (as the case may be), the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day and/or the latest date for despatch of cheques will be rescheduled to the following Business Day.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document includes certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or NWDSC (as the case may be) and are naturally subject to uncertainty and changes in circumstances.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the Conditions, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror Group and/or the NWDSC Group operate or other countries which have an impact on the Offeror Group and/or the NWDSC Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror Group and/or the NWDSC Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror Group and/or the NWDSC Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror Group and/or the NWDSC Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror, NWDSC or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date. Subject to the requirement of applicable laws, rules and regulations, including the Takeovers Code, neither the Offeror nor NWDSC assumes any obligation to correct or update the forward-looking statements or opinions contained in this Composite Document.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed to it in the Takeovers Code;
“Adjusted NAV”	means adjusted unaudited consolidated net asset value of the NWDSC Group attributable to NWDSC Shareholders as at 31 December 2016 as set out in the section headed “VI. Property Interests” of “Appendix II — Financial Information of the NWDSC Group” to this Composite Document;
“associate(s)”	has the meaning ascribed to it in the Listing Rules or Takeovers Code (as the case may be);
“Business Day(s)”	means a day on which the Stock Exchange is open for the transaction of business;
“Cayman Islands Companies Law”	means the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“CCASS”	means the Central Clearing and Settlement System established and operated by HKSCC;
“Closing Date”	means Tuesday, 18 July 2017, being the first closing date of the Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive;
“Composite Document”	means this composite offer and response document dated 27 June 2017 in respect of the Offer jointly issued by the Offeror and NWDSC in accordance with the Takeovers Code, as may be revised or supplemented as appropriate;
“Condition(s)”	the condition(s) of the Offer, as set out under the section headed “Conditions of the Offer” in the “Letter from UBS” in this Composite Document;
“Disinterested NWDSC Shares”	means NWDSC Shares other than those which are owned by the Offeror or the Offeror Concert Parties;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Form of Acceptance”	means the form of acceptance and transfer of shares in respect of the Offer accompanying this Composite Document;
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong;
“HKSCC”	means Hong Kong Securities Clearing Company Limited;

DEFINITIONS

“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent NWDSC Shareholders”	means NWDSC Shareholders other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, the Independent NWDSC Shareholders include any member of the UBS Group which is: <ul style="list-style-type: none">(i) holding any NWDSC Shares for and on behalf of its non-discretionary investment clients where such clients (a) have control over whether or not to tender acceptances of the Offer and to give instructions to tender such acceptances, and (b) are not the Offeror and the Offeror Concert Parties; or(ii) exempt principal trader and/or exempt fund manager, in each case recognised by the Executive as such for the purposes of the Takeovers Code;
“Independent Property Valuer” or “Jones Lang LaSalle”	means Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent property valuer appointed by NWDSC;
“Joint Announcement”	means the joint announcement issued by the Offeror and NWDSC dated the Joint Announcement Date in relation to the Offer;
“Joint Announcement Date”	means the date of the Joint Announcement, being 6 June 2017;
“Last Trading Day”	means 2 June 2017, being the last trading day of NWDSC Shares prior to the issue of the Joint Announcement;
“Latest Practicable Date”	means Friday, 23 June 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“NWDSC”	means 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 issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 0825);
“NWDSC Board”	means the board of NWDSC Directors;

DEFINITIONS

“NWDSC Director(s)”	means the director(s) of NWDSC;
“NWDSC Group”	means collectively NWDSC and its subsidiaries;
“NWDSC Independent Board Committee”	means the independent board committee of NWDSC, comprising Mr. Cheong Ying-Chew, Henry, Mr. Chan Yiu-Tong, Ivan, Mr. Tong Hang-Chan, Peter and Mr. Yu Chun-Fai established by the NWDSC Board to make a recommendation to the Independent NWDSC Shareholders in respect of the Offer;
“NWDSC Independent Financial Adviser” or “Ballas”	means 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, the independent financial adviser to the NWDSC Independent Board Committee in connection with the Offer;
“NWDSC Offer Shareholders”	means registered holders for the time being of the Offer Shares;
“NWDSC Option(s)”	means the share option(s) relating to NWDSC Share(s) granted under the NWDSC Share Option Scheme;
“NWDSC Share(s)”	means ordinary share(s) of HK\$0.10 each in the issued share capital of NWDSC;
“NWDSC Share Option Scheme”	means the share option scheme adopted by NWDSC on 12 June 2007 and expired on 12 June 2017;
“NWDSC Shareholder(s)”	means registered holder(s) of NWDSC Share(s);
“Offer”	means the voluntary conditional cash offer by UBS on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in the Composite Document and the Form of Acceptance and any subsequent revision or extension of such offer;
“Offer Period”	has the meaning ascribed to it in the Takeovers Code and which commenced on 6 June 2017, being the Joint Announcement Date, and ending on the later of (i) 4:00 p.m. on the Closing Date; and (ii) the date when the Offer lapses;
“Offer Price”	means the price at which the Offer is being made, being HK\$2.00 per Offer Share;
“Offer Share(s)”	means NWDSC Share(s), other than those already held by the Offeror;

DEFINITIONS

“Offeror”	means New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 0017);
“Offeror Board”	means the board of directors of the Offeror;
“Offeror Concert Parties”	means parties acting in concert or presumed to be acting in concert with the Offeror in relation to NWDSC (except for members of the UBS Group which are exempt principal traders and/or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code) under the Takeovers Code;
“Offeror Group”	means collectively the Offeror and its subsidiaries;
“Offeror Share(s)”	means ordinary share(s) of the Offeror;
“PRC”	means the People’s Republic of China (for the purpose of this Composite Document, excluding Hong Kong, the Macau Special Administrative Region and Taiwan);
“Registrar”	means Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Hong Kong branch share registrar and transfer office of the NWDSC Shares;
“Relevant Period”	means the period from 6 December 2016, being the date six months before the Joint Announcement Date, up to and including the Latest Practicable Date;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“sq. m.”	means square metres;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it in the Listing Rules;
“Takeovers Code”	means The Codes on Takeovers and Mergers and Share Buy-backs published by the SFC and administered by the Executive;

DEFINITIONS

“UBS”	means UBS AG Hong Kong Branch, an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Offer;
“UBS Group”	means UBS and persons controlling, controlled by or under the same control as UBS;
“US”	means the United States of America;
“US\$”	means the United States dollars, the lawful currency of the US; and
“%”	means per cent.

1. Except as otherwise specified, all times and dates contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong times and dates.
2. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
3. Certain English translations of Chinese names or words or Chinese translations of English names or words in this Composite Document are included for information and identification purposes only and should not be regarded as the official English translation of such Chinese names or words or Chinese translation of such English names or words, respectively.
4. The singular includes the plural and vice versa, unless the context otherwise requires.
5. References to any appendix, paragraph and sub-paragraph are references to the appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them, respectively.
6. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
7. Reference to one gender is a reference to all or any genders.
8. The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.
9. In “Appendix II — Financial Information of the NWDSC Group” to this Composite Document, the translation of RMB amounts into Hong Kong dollars has been made:
 - (a) at the rate of RMB0.79 to HK\$1.00 in respect of the consolidated income statement of NWDSC for the year ended 30 June 2014;
 - (b) at the rate of RMB0.80 to HK\$1.00 in respect of the consolidated statement of financial position of NWDSC as at 30 June 2014;
 - (c) at the rate of RMB0.80 to HK\$1.00 in respect of the consolidated income statement of NWDSC for the year ended 30 June 2015;

DEFINITIONS

- (d) at the rate of RMB0.80 to HK\$1.00 in respect of the consolidated statement of financial position of NWDSC as at 30 June 2015;
- (e) at the rate of RMB0.83 to HK\$1.00 in respect of the consolidated income statement of NWDSC for the year ended 30 June 2016;
- (f) at the rate of RMB0.855 to HK\$1.00 in respect of the consolidated statement of financial position of NWDSC as at 30 June 2016;
- (g) at the rate of RMB0.87 to HK\$1.00 in respect of the condensed consolidated income statement of NWDSC for the six months ended 31 December 2016;
- (h) at the rate of RMB0.895 to HK\$1.00 in respect of the condensed consolidated statement of financial position of NWDSC as at 31 December 2016; and
- (i) at the rate of RMB0.88 to HK\$1.00 in respect of the market value of property interests attributable to the NWDSC Group as at 31 May 2017.



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 that UBS, on behalf of the Offeror, intended to make a voluntary conditional cash offer to acquire all Offer Shares.

This letter sets out, amongst other things, details of the terms of the Offer, the reasons for and benefits of the Offer, the intention of the Offeror regarding the NWDSC Group and information on the Offeror. Further details of the terms of the Offer are set out in “Appendix I — Further Terms of the Offer” to the Composite Document of which this letter forms part, and in the accompanying Form of Acceptance. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

The NWDSC Offer Shareholders are strongly advised to consider carefully the information contained in the “Letter from the NWDSC Board” on pages 21 to 25, the “Letter from the NWDSC Independent Board Committee” on pages 26 and 27 and the “Letter from the NWDSC Independent Financial Adviser” on pages 28 to 51, the accompanying Form of Acceptance and the appendices which form part of the Composite Document.

LETTER FROM UBS

2. THE OFFER

The Offer is being made by UBS on behalf of the Offeror in compliance with the Takeovers Code on the basis set out below.

Offer:

For each Offer Share HK\$2.00 in cash

The Offer is being extended to all NWDSC Shareholders (including the Offeror Concert Parties except the Offeror).

Comparisons of value

Closing prices of NWDSC Shares

The Offer Price of HK\$2.00 represents:

- (i) a premium of approximately 50.4% over the closing price of HK\$1.330 per NWDSC Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 51.3% over the average closing price of approximately HK\$1.322 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 51.9% over the average closing price of approximately HK\$1.317 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 60.7% over the average closing price of approximately HK\$1.244 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 61.6% over the average closing price of approximately HK\$1.237 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 60 trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 73.5% over the average closing price of approximately HK\$1.153 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day; and
- (vii) a premium of approximately 4.2% over the closing price of HK\$1.920 per NWDSC Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM UBS

Net asset value per NWDSC Share

The Offer Price of HK\$2.00 represents:

- (i) a discount of approximately 43.0% to the audited consolidated net asset value per NWDSC Share of approximately HK\$3.507 as at 30 June 2016, based on the total number of issued NWDSC Shares as at 30 June 2016;
- (ii) a discount of approximately 41.1% to the unaudited consolidated net asset value per NWDSC Share of approximately HK\$3.396 as at 31 December 2016 based on the total number of issued NWDSC Shares as at 31 December 2016; and
- (iii) a discount of approximately 44.5% to the Adjusted NAV per NWDSC Share of approximately HK\$3.602 as at 31 December 2016, based on the total number of issued NWDSC Shares as at the Latest Practicable Date.

As shown in NWDSC's audited consolidated financial statements as at 30 June 2016 and unaudited condensed consolidated financial information as at 31 December 2016, a significant portion of NWDSC's assets consisted of property, plant and equipment, investment properties and land use rights. The value of these assets as stated in such consolidated financial statements and consolidated financial information may or may not reflect the current market value of these assets.

Your attention is drawn to property valuation report as set out in "Appendix III — Property Valuation Report" to the Composite Document from Jones Lang Lasalle pursuant to Rule 11 of the Takeovers Code providing an updated valuation of the properties of the NWDSC Group as at 31 May 2017.

Your attention is also drawn to the section headed "Property Interests" as set out in "Appendix II — Financial Information of the NWDSC Group" to the Composite Document which provides details of the Adjusted NAV, having taken into account, amongst other things, the revaluation surplus arising from valuation of the property interests and deferred taxes payable on the attributable revaluation surplus.

Highest and Lowest Trading Prices

During the period beginning on 6 December 2016 (being six months preceding the commencement of the Offer Period) up to and including the Last Trading Day, the highest and lowest closing prices of the NWDSC Shares as quoted on the Stock Exchange were HK\$1.370 per NWDSC Share on 29 May 2017 and HK\$0.990 per NWDSC Share on 21 December 2016 respectively.

Value of the Offer

As at the Latest Practicable Date, there were 1,686,145,000 NWDSC Shares in issue, of which 1,218,900,000 NWDSC Shares, representing approximately 72.29% of the total number of issued NWDSC Shares, were held by the Offeror.

LETTER FROM UBS

Based on the Offer Price of HK\$2.00, the entire issued NWDSC Shares as at the Latest Practicable Date was valued at approximately HK\$3,372.3 million.

On the assumption that the Offer is accepted in full by the NWDSC Offer Shareholders and on the basis that there will be 467,245,000 Offer Shares, the value of the Offer is approximately HK\$934.5 million.

Confirmation of Financial Resources

The Offeror intends to finance the cash required for the Offer from its own cash reserves.

UBS, the sole financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy its maximum payment obligations upon full acceptances of the Offer.

Settlement of Consideration

Settlement of the consideration payable by the Offeror in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the later of (i) the date on which the Offer becomes or is declared unconditional in all respects; and (ii) the date of receipt of a complete and valid acceptance in respect of the Offer.

No fraction of a cent will be payable and the amount of cash consideration payable to a NWDSC Shareholder who accepts the Offer will be rounded up to the nearest cent.

3. CONDITIONS OF THE OFFER

The Offer is subject to the following Conditions:

- (i) valid acceptance of the Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may decide, subject to the rules of the Takeovers Code) in respect of such number of NWDSC Shares which would result in the Offeror holding at least 90% of the Offer Shares with the further proviso that, within that holding, the Offeror would also hold at least 90% of the Disinterested NWDSC Shares;
- (ii) no event having occurred which would (a) make the Offer or the acquisition of any of the Offer Shares void, unenforceable or illegal; or (b) prohibit the implementation of the Offer; or (c) would impose any additional material conditions or obligations with respect to the Offer;
- (iii) all necessary consents (including consents from the relevant lenders) in connection with the Offer and in connection with the withdrawal of listing of the NWDSC Shares from the Stock Exchange which may be required under any existing contractual obligations of NWDSC being obtained and remaining in effect;

LETTER FROM UBS

- (iv) no relevant government, governmental, quasi-government, statutory or regulatory body, court or agency in Hong Kong, the Cayman Islands or any other jurisdictions having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Offer or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Offer or its implementation in accordance with its terms); and
- (v) since the Joint Announcement Date, there having been no material adverse change in the business, assets, financial or trading positions or prospects or conditions (whether operational, legal or otherwise) of the NWDSC Group (to an extent which is material in the context of the NWDSC Group taken as a whole).

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above (other than Condition (i)). As at the Latest Practicable Date, none of the Conditions had been fulfilled. As at the Latest Practicable Date, the NWDSC Group has obtained all relevant consents required under Condition (iii) from certain financial institutions from which the NWDSC Group obtained loan financing for its business operations.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any or all of the Conditions (other than Condition (i)) so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. NWDSC Offer Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

WARNING

Shareholders, holders of securities and potential investors of the Offeror and NWDSC should note that the Offer is subject to the satisfaction and/or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders, holders of securities and potential investors of the Offeror and NWDSC should therefore exercise caution when dealing in the securities of the Offeror and NWDSC. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser(s).

4. POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

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 right 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.

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 on the Closing Date, 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 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 in such event, NWDSC Shares will remain listed on the Stock Exchange.

5. PUBLIC FLOAT

According to the Listing Rules, if, upon the close of the Offer, less than 25% of the issued NWDSC Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the NWDSC Shares or there are insufficient NWDSC Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the NWDSC Shares.

6. SHAREHOLDING STRUCTURE OF NWDSC AND THE OFFER

As at the Latest Practicable Date, the authorised share capital of NWDSC is HK\$1,000,000,000 divided into 10,000,000,000 NWDSC Shares, and the issued share capital of NWDSC is HK\$168,614,500 divided into 1,686,145,000 NWDSC Shares. Other than the NWDSC Shares, there is no other class of shares of NWDSC in issue.

LETTER FROM UBS

On the assumption that there is no change in the shareholding of NWDSC before the completion of the Offer, the table below sets out the shareholding structure of NWDSC as at the Latest Practicable Date and immediately upon the completion of the Offer assuming that the holders of at least 90% of the Disinterested NWDSC Shares tender their acceptances of the Offer and the remaining Offer Shares are compulsorily acquired by the Offeror:

NWDSC Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Offer (assuming that there is no change in shareholding of NWDSC)	
	Number of NWDSC Shares	Approximate % (Note 3)	Number of NWDSC Shares	Approximate %
The Offeror				
— NWDSC Shares held not subject to the Offer	1,218,900,000	72.29	1,686,145,000	100.00
The Offeror Concert Parties				
<i>NWDSC Shares held subject to the Offer (not forming part of the Disinterested NWDSC Shares):</i>				
— Ms. Ki Man-Fung, Leonie (Note 1)	20,000	0.00	—	—
— Ms. Cheng Chi-Man, Sonia (Note 2)	92,000	0.01	—	—
Aggregate number of NWDSC Shares held by the Offeror Concert Parties	<u>112,000</u>	<u>0.01</u>	<u>—</u>	<u>—</u>
Aggregate number of NWDSC Shares held by the Offeror and the Offeror Concert Parties	1,219,012,000	72.30	1,686,145,000	100.00
Independent NWDSC Shareholders	<u>467,133,000</u>	<u>27.70</u>	<u>—</u>	<u>—</u>
Total number of NWDSC Shares in issue	<u>1,686,145,000</u>	<u>100.00</u>	<u>1,686,145,000</u>	<u>100.00</u>
Total number of Offer Shares	<u>467,245,000</u>	<u>27.71</u>	<u>—</u>	<u>—</u>

Notes:

- Ms. Ki Man-Fung, Leonie, who is an executive director of the Offeror, is acting in concert with the Offeror in relation to NWDSC.
- Ms. Cheng Chi-Man, Sonia, who is an executive director of the Offeror, is acting in concert with the Offeror in relation to NWDSC.
- All percentages stated in the table above are approximations.

LETTER FROM UBS

Interests of the Offeror and the Offeror Concert Parties in NWDSC Shares

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties held 1,219,012,000 NWDSC Shares in aggregate, representing approximately 72.30% of the total number of issued NWDSC Shares.

Save as aforesaid, as at the Latest Practicable Date, the Offeror and the Offeror Concert Parties did not hold, control or have direction over any other NWDSC Shares or hold any convertible securities, warrants, options (including the NWDSC Options) or derivatives in respect of the NWDSC Shares.

7. OVERSEAS NWDSC OFFER SHAREHOLDERS

The making of the Offer to the overseas NWDSC Offer Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong and/or their ability to participate in the Offer may be subject to the laws of the relevant jurisdictions. Such overseas NWDSC Offer Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas NWDSC Offer Shareholders wishing to take any action in relation to the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance of the Offer by such overseas NWDSC Offer Shareholders will be deemed to constitute a representation and warranty from such persons to NWDSC, the Offeror, and their respective advisers, including UBS, that all applicable laws and regulatory requirements to which they may be subject have been fully complied with. If you are in doubt as to your position, you should consult your professional advisers.

Copies of this Composite Document and the accompanying Form of Acceptance must not be mailed or otherwise forwarded, distributed or sent into any non-Hong Kong jurisdiction where to do so would contravene applicable law or regulation, and persons receiving this Composite Document and the accompanying Form of Acceptance (including custodians, nominees and trustees) should observe these restrictions.

The Offeror had been advised that the Composite Document and the accompanying Form of Acceptance may be forwarded to NWDSC Shareholders or beneficial owners of NWDSC Shares in the US and will do so accordingly. Please refer to the section headed "Notice to US Investors" as set out in the "Important Notices to all NWDSC Offer Shareholders" on page iii in this Composite Document for details.

As at Latest Practicable Date, there are no NWDSC Shareholders whose registered address as recorded in the Registrar is outside Hong Kong, but the Offeror is aware that certain NWDSC Shareholders are holding NWDSC Shares as custodian or nominee on behalf of beneficial owners who are located in the US.

8. TAXATION AND INDEPENDENT ADVICE

As stated in the Joint Announcement, the NWDSC Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offer. It is emphasised that none of the Offeror, NWDSC or UBS, nor any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

9. FURTHER TERMS OF THE OFFER

Acceptance

Acceptance of the Offer by any person will constitute a warranty by such person or persons to the Offeror, NWDSC and UBS and their respective advisers that the Offer Shares sold by such person or persons to the Offeror are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

Hong Kong Stamp Duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant NWDSC Offer Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the stamp duty on behalf of accepting NWDSC Offer Shareholders in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Close of the Offer

The Offer is subject to the Conditions. If Condition (i) is not satisfied on or before the Closing Date, the Offer will lapse. If any other Conditions are not satisfied on or before the Closing Date, the Offer may lapse. The Offeror will issue an announcement stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects), by 7:00 p.m. on the Closing Date in accordance with the Takeovers Code. The latest time on which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

If all the Conditions are satisfied (or waived, as applicable), NWDSC Shareholders will be notified by way of an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

LETTER FROM UBS

Further terms of the Offer, including, among others, the procedures for acceptance and settlement, the acceptance period and taxation matters are set out in “Appendix I — Further Terms of the Offer” to the Composite Document and the accompanying Form of Acceptance.

10. INTENTIONS OF THE OFFEROR REGARDING THE NWDSC GROUP

The Offeror intends to continue the existing businesses of the NWDSC Group upon the completion of the Offer, and to develop deeper synergies with the overall NWDSC businesses, explore new development opportunities and implement long-term growth strategies. The Offeror may also from time to time, based on market situation, consider introducing significant changes to the existing operations of the NWDSC Group following the review of its strategic options relating to the business, structure and/or direction of the NWDSC Group. The Offeror may continue to explore the possibility of re-aligning or re-deploying the assets of the NWDSC Group and assess suitable opportunities to enhance the financial flexibility of the NWDSC Group. It is also the current intention of the Offeror that the employment of the existing employees of the NWDSC Group should be continued following the completion of the Offer except for changes which may occur in the ordinary course of business.

11. REASONS FOR, AND BENEFITS OF, THE OFFER

The Offeror Board believes that the Offer provides the following benefits to (i) the Independent NWDSC Shareholders; (ii) NWDSC; and (iii) the Offeror and the shareholders of the Offeror.

For Independent NWDSC Shareholders

(a) Offer Price represents an opportunity for Independent NWDSC Shareholders to monetise their investment at an attractive premium in view of industry headwinds and execution risks

The Offer provides an opportunity for the holders of the Offer Shares to dispose of their NWDSC Shares and receive cash at a price significantly above the prevailing market price in light of the challenging operating environment and the risks in implementing any strategic transformation.

The Offer Price, being HK\$2.00 per Offer Share, represents a premium of approximately 50.4% over the closing price per NWDSC Share of HK\$1.330 as quoted on the Stock Exchange on the Last Trading Day. It also represents a premium of approximately 60.7% and 73.5% over the average closing price of approximately HK\$1.244 and approximately HK\$1.153 per NWDSC Share on the Stock Exchange for 30 and 180 consecutive trading days up to and including the Last Trading Day, respectively.

During the one-year period ended on and including the Last Trading Day, the lowest and highest closing prices per NWDSC Share on the Stock Exchange were HK\$0.990 and HK\$1.370, respectively, with a simple average closing price of

LETTER FROM UBS

approximately HK\$1.120. The Offer Price represents a premium of approximately 78.6% to the simple average closing price and a premium of approximately 46.0% to the highest closing price in the above period.

The Offer Price represents a discount of approximately 41.1% to the unaudited consolidated net asset value per NWDSC Share of approximately HK\$3.396 as at 31 December 2016 (based on the consolidated net asset value of NWDSC attributable to NWDSC Shareholders of approximately HK\$5,726 million divided by the number of NWDSC Shares in issue as at 31 December 2016). However, given the historical trading of NWDSC Shares have typically been at even larger discounts, the Offer Price on a relative basis is at an attractive valuation.

The Offer Price was determined after taking into account, among other things, the trading prices of NWDSC Shares, the trading multiples of comparable companies and with reference to other privatisation transactions in Hong Kong in recent years.

The low liquidity of the NWDSC Shares also makes it difficult for the holders of the Offer Shares to execute substantial on-market disposals without adversely affecting the price of the NWDSC Shares. The Offer is intended to provide the holders of the Offer Shares with an opportunity to realise their investment in NWDSC for cash at an attractive premium without having to suffer any illiquidity discount.

(b) The Independent NWDSC Shareholders unlikely to receive comparable or better offer from other third party

NWDSC is an integral part of the Offeror Group and the Offeror has maintained majority voting control in NWDSC since NWDSC's initial public offering in 2007. As such, the directors of the Offeror are of the view that it is highly unlikely that another third party will seek to acquire the Offer Shares at a price comparable to or better than the Offer.

For NWDSC

The China retailing space has experienced unprecedented challenges in recent years, particularly from the rapidly growing e-Commerce platforms, as well as the influx of large format shopping malls, which revolutionised the shopping habits of Chinese consumers significantly. Traditional brick-and-mortar retailers such as department stores therefore have suffered a significant reduction of foot traffic as a result of intensified competition.

In light of this industry's headwind, necessary changes will be needed in order for NWDSC to bolster long-term competitiveness. In order to facilitate a shift in strategy towards longer term growth, short-term growth profile will inevitably be affected. The Offeror believes that NWDSC will benefit from the available flexibilities a non-listed company has, including access to additional growth capital from the Offeror without exposure to market volatility. Following the implementation of the Offer, the Offeror and the NWDSC can make timely strategic decisions focused on long-term benefits,

and not be distracted or pressurised to deliver short and medium term performance. Administrative, compliance and other listing-related costs and expenses can also be eliminated after privatisation.

Meanwhile the low liquidity in the trading of its NWDSC Shares also resulted in the current listing platform no longer being sufficient to serve as a source of funding for the NWDSC's business and growth. After the privatisation, NWDSC will be able to fund its projects with more flexibility through a centralised platform under the Offeror Group.

For the Offeror and the holders of the Offeror Shares

a) Consolidating the real estate portfolio into one flagship

Having NWDSC as a wholly owned subsidiary would provide the Offeror with the ability to formulate more holistic investment strategies for the Offeror Group as a whole and allow the Offeror to deploy its resources directly across Hong Kong and the PRC in suitable opportunities and in a more flexible manner. With a larger balance sheet, and its expertise in property and other sectors, the Offeror can be beneficial in securing new investments for the Offeror Group in the PRC property market, including by way of land acquisitions and collaboration with business partners in the PRC.

b) Enhance overall operational efficiency

With NWDSC becoming a wholly owned subsidiary under the Offeror, it will help improve operational efficiency and achieve economies of scale through resources sharing and connecting different units through a centralised platform. Better functional coordination and the sharing of expertise can be facilitated internally. Through the Offer, the Offeror will be able to drive improved performance and strategic development of the Offeror Group in line with future growth plans.

c) More advantageous financing and coordinated internal treasury management

Given the larger asset size and equity base of the Offeror compared to NWDSC, the Offeror expects it can secure financing on more favourable terms than NWDSC. If NWDSC becomes a wholly owned unlisted subsidiary of the Offeror, this will provide enhanced flexibility for the central management of the Offeror Group's treasury functions and thereby the ability to secure the lowest possible funding costs across the Offeror Group's businesses including those in the PRC.

d) Streamlined corporate and management structure and enhanced sharing of expertise

A streamlined management structure for the Offeror and NWDSC can be achieved after privatisation, which will help enhance corporate efficiency and create synergies.

12. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability, the issued shares of which have been listed on the Main Board of the Stock Exchange since November 1972 with the stock code 0017.

The Offeror Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology. As at the Latest Practicable Date, the Offeror was owned as to approximately 44.2% by Chow Tai Fook Enterprises Limited and its subsidiaries which are in turn ultimately and indirectly controlled by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited.

13. INFORMATION ON NWDSC

NWDSC is a company incorporated in the Cayman Islands with limited liability, the issued shares of which have been listed on the Main Board of the Stock Exchange since July 2007 with the stock code 0825.

The NWDSC Group is engaged in department store and other related businesses, and property investment operations in the PRC. NWDSC is one of the largest owners and operators of department stores in the PRC. As at the Latest Practicable Date, the NWDSC Group operates 40 department stores and two shopping malls, with a total GFA of approximately 1,646,880 sq.m.. Located in three operating regions, namely Northern China, Eastern China and Central Western China, the stores covered 22 major cities in the PRC, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao, Yantai and Yibin with 37 self-owned stores and five managed stores. In September 2016, NWDSC opened a managed store, Yibin New World Department Store, with a total GFA of approximately 27,000 sq.m. in Yibin, Sichuan Province. The store is a trendy lifestyle store where customers can enjoy shopping, recreation and entertainment under one roof. Furthermore, NWDSC has also developed the business of two private labels, (Love • Original • Life) Concept Shop ("LOL Concept Shops") and n+ Natural Taste Plus, to provide sophisticated, quality-seeking customers with a premium and personalised selection of merchandise. As at the Latest Practicable Date, NWDSC operates 11 LOL Concept Shops in total. As the high-end bakery brand of the NWDSC Group, n+ Natural Taste Plus made its presence in two stores in Shanghai and had been well-received by consumers.

14. GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

LETTER FROM UBS

To ensure equality of treatment of all NWDSC Offer Shareholders, those NWDSC Offer Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

The attention of the NWDSC Offer Shareholders in the US is drawn to the section headed “Notice to US Investors” as set out in the “Important Notices to all NWDSC Offer Shareholders” on page iii in this Composite Document.

All documents and cheques for payment to the NWDSC Offer Shareholders will be sent to them by ordinary post at their own risk to their addresses appeared in the register of members of NWDSC or, in the case of joint NWDSC Offer Shareholders, to the NWDSC Offer Shareholder whose name appears first in the register of members of NWDSC, as applicable. None of the Offeror, NWDSC, UBS nor any of their respective directors or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

15. ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the NWDSC Board”, the “Letter from the NWDSC Independent Board Committee”, the “Letter from NWDSC Independent Financial Adviser”, the accompanying Form of Acceptance and the additional information set out in the appendices which form part of the Composite Document.

Yours faithfully,
For and on behalf of
UBS AG Hong Kong Branch

John Lee **Samson Lo**
Managing Director *Managing Director*

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: 0825)

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 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

LETTER FROM THE NWDSC BOARD

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 is being extended to all NWDSC Shareholders (including the Offeror Concert 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.

LETTER FROM THE NWDSC BOARD

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 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.

LETTER FROM THE NWDSC BOARD

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.

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.

LETTER FROM THE NWDSC BOARD

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.

By order of the Board of
New World Department Store China Limited
Cheng Chi-Kong, Adrian
Executive Director



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: 0825)

27 June 2017

To the Independent NWDSC 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)**

INTRODUCTION

We refer to the Composite Document dated 27 June 2017 (the “Composite Document”) jointly issued by the Offeror and NWDSC of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Composite Document.

We have been appointed by the NWDSC Board to form the NWDSC Independent Board Committee to make recommendations to you as to whether, in our opinion, the terms and conditions of the Offer are fair and reasonable so far as the Independent NWDSC Shareholders are concerned and as to acceptance of the Offer.

We, being the members of the NWDSC Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent NWDSC Shareholders. 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 has been appointed, with our approval, as the NWDSC Independent Financial Adviser to advise and make recommendations to us as to the terms and conditions of the Offer and as to acceptance of the Offer. The details of its advice and recommendations and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the NWDSC Independent Financial Adviser” set out in the Composite Document.

LETTER FROM THE NWDSC INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the “Letter from UBS”, the “Letter from the NWDSC Board” and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance.

RECOMMENDATIONS

Having taken into account the advice and recommendations of the NWDSC Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the “ Letter from the NWDSC Independent Financial Adviser”, we concur with the view of the NWDSC Independent Financial Adviser and consider that the terms of the Offer are fair and reasonable so far as the Independent NWDSC Shareholders are concerned, and recommend the Independent NWDSC Shareholders to accept the Offer.

Notwithstanding our recommendations, the Independent NWDSC Shareholders are strongly advised that their decision to realise or to hold their investment in NWDSC depends on their own individual circumstances and investment objectives. If in any doubt, the Independent NWDSC Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
The Independent Board Committee
New World Department Store China Limited

**Mr. Cheong Ying-
Chew, Henry**

**Mr. Chan Yiu-Tong,
Ivan**

**Mr. Tong Hang-
Chan, Peter**

Mr. Yu Chun-Fai

Independent Non-executive Directors

BALLAS
C A P I T A L

Unit 1802, 18/F,
1 Duddell Street, Central
Hong Kong

27 June 2017

To the NWDSC Independent Board Committee

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 HELD BY
NEW WORLD DEVELOPMENT COMPANY LIMITED)**

INTRODUCTION

We refer to our engagement as the NWDSC Independent Financial Adviser to the NWDSC Independent Board Committee in respect of the Offer, details of which are set out in this composite offer and response document jointly issued by the Offeror and NWDSC (the “**Composite Document**”) dated 27 June 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

As set out in this Composite Document, UBS, on behalf of the Offeror, is making a voluntary conditional cash offer to acquire all of the Offer Shares. The Offer Price is HK\$2.00 for each Offer Share. As at the Joint Announcement Date and as at the Latest Practicable Date, no NWDSC Option has been granted or was outstanding under the NWDSC Share Option Scheme.

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 right 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. If the Offer Shares validly tendered for acceptance under the Offer

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

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 Shares will remain listed on the Stock Exchange.

INDEPENDENCE DECLARATION

Ballas Capital Limited is not aware of any relationships or interests between Ballas Capital Limited and NWDSC or any other parties that could be reasonably regarded as a hindrance to its independence to act as the NWDSC Independent Financial Adviser to the NWDSC Independent Board Committee in respect of the Offer.

NWDSC INDEPENDENT BOARD COMMITTEE

The NWDSC Independent Board Committee, comprising all independent non-executive NWDSC Directors, namely Mr. Cheong Ying-Chew, Henry, Mr. Chan Yiu-Tong, Ivan, Mr. Tong Hang-Chan, Peter and Mr. Yu Chun-Fai, has been established to make recommendation to the Independent NWDSC Shareholders as to whether the terms and conditions of the Offer are fair and reasonable and as to acceptance of the Offer. Pursuant to Rule 2.8 of the Takeovers Code, members of the NWDSC Independent Board Committee are all non-executive 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 director of NWDSC, 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.

We are appointed as the NWDSC Independent Financial Adviser to advise the NWDSC Independent Board Committee as to (i) whether the Offer is on normal commercial terms and is fair and reasonable so far as the Independent NWDSC Shareholders are concerned; and (ii) whether the Offer should be accepted. The appointment of the NWDSC Independent Financial Adviser has been approved by the NWDSC Independent Board Committee.

As at the Latest Practicable Date, we were independent from and not connected with NWDSC, the Offeror, their respective substantial shareholders and any party acting, or presumed to be acting, in concert with any of them, and accordingly, are qualified to give independent advice to the NWDSC Independent Board Committee regarding the Offer. Apart from the normal advisory fee payable to us in connection with our appointment as the NWDSC Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from NWDSC or the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have relied upon the information, facts and representations contained in this Composite Document and those supplied or made available to us by NWDSC, the NWDSC Directors and the representatives of NWDSC for which they are solely and wholly responsible, and to their information and knowledge, were true, accurate and complete in all respects at the time they were given or made and continue to be true, accurate and valid as at the Latest Practicable Date and can be relied upon. We have assumed that all statements and information supplied, and the opinions and representations made or provided to us by the NWDSC Directors and the representatives of NWDSC and those contained in this Composite Document have been reasonably made after due and careful enquiry.

As stated in Appendix V to this Composite Document, the NWDSC Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror Group but excluding the NWDSC Group for this purpose), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

As stated in Appendix IV to this Composite Document, the directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the NWDSC Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the NWDSC Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on accuracy of the information contained in this Composite Document and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by NWDSC, the NWDSC Directors and the representatives of NWDSC or to believe that material information has been withheld or omitted from the information provided to us or referred to in the available documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business or affairs or future prospects of NWDSC, the Offeror or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Offer and benefits of the Offer to NWDSC and the Independent NWDSC Shareholders

On 6 June 2017, the Offeror Board and the NWDSC Board jointly announced that UBS, on behalf of the Offeror, intended to make a voluntary conditional cash offer to acquire all of the Offer Shares. As at the Joint Announcement Date and as at the Latest Practicable Date, no NWDSC Option has been granted or is outstanding under the NWDSC Share Option Scheme. The Offer Price is HK\$2.00 in cash for each Offer Share, and the Offer is being extended to all NWDSC Shareholders except for the Offeror. As at the Latest Practicable Date, the Offeror held approximately 72.29% of the total number of issued NWDSC Shares.

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 right 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. 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 Shares will remain listed on the Stock Exchange.

As disclosed in the letter from UBS of this Composite Document (the “**Letter from UBS**”), as the PRC retailing space has experienced unprecedented challenges in recent years, particularly from the rapidly growing e-Commerce platforms, traditional brick-and-mortar retailers such as the NWDSC Group has suffered a significant reduction of foot traffic as a result of intensified competition. In light of this industry’s headwind, necessary changes will be needed in order for NWDSC to bolster long-term competitiveness. Following the implementation of the Offer and the potential privatisation, the Offeror and NWDSC can make more timely strategic decisions as NWDSC becomes a private company, while not being distracted or pressurised to deliver short and medium term performance as a publicly listed company. Furthermore, after the privatisation, NWDSC will have significantly less listing-related and compliance costs, and will also be able to fund its projects with more flexibility through a centralised platform under the Offeror Group. As for the benefits to the Independent NWDSC Shareholders, the Offer Price represents an opportunity for them to monetise their investments at an attractive premium to the historical trading price per NWDSC Share in view of the aforementioned industry headwinds

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

and uncertainties. Furthermore, NWDSC has always been an integral part of the Offeror Group and the directors of the Offeror are of the view that it is unlikely that another independent third party will acquire the Offer Shares at a more attractive price.

2. Information on the NWDSC Group

2.1 Principal businesses of the NWDSC Group

The NWDSC Group is principally engaged in the operation of department store and other related businesses, and property investment operations in the PRC. NWDSC is one of the largest owners and operators of department stores in the PRC. For the two years ended 30 June 2015 and 2016, and the six months ended 31 December 2016, the NWDSC Group's income was mainly derived from commission income from concessionaire sales, sales of goods for direct sales and rental income from tenants.

2.2 Historical financial performance of the NWDSC Group

The unaudited consolidated financial results of NWDSC Group which were extracted from the interim report of NWDSC for the six months ended 31 December 2016 (“1HFY2017 Interim Report”) and the audited consolidated financial results of the NWDSC Group which were extracted from the annual report of NWDSC for the year ended 30 June 2016 (“FY2016 Annual Report”) are summarised as follows:

	For the six months ended		For the year ended	
	31 December		30 June	
	2015	2016	2015	2016
	(“1HFY2016”)	(“1HFY2017”)	(“FY2015”)	(“FY2016”)
	(unaudited)	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
— Commission income from concessionaire sales	1,060,105	890,069	2,441,660	1,977,219
— Sales of goods — direct sales	514,739	551,030	895,410	1,002,932
— Management and consultancy fees	34,683	7,784	53,565	40,288
— Rental income	324,763	332,568	638,716	639,457
Total revenue	<u>1,934,290</u>	<u>1,781,451</u>	<u>4,029,351</u>	<u>3,659,896</u>
Operating profit	137,658	156,190	230,862	209,700
Profit before income tax	156,351	159,482	256,893	238,779
Income tax expense	(96,541)	(67,024)	(187,152)	(193,381)
Profit for the year/period	59,810	92,458	69,741	45,398
Attributable to:				
— NWDSC Shareholders	59,810	92,782	69,741	45,643
— Non-controlling interests	—	(324)	—	(245)

Comparison of historical results between years/periods

FY2015 vs FY2016

As shown in the table above, revenue from sales of goods for direct sales and commission income from concessionaire sales has been the main source of income, which represented approximately 82.8% and 81.4% of the NWDSC Group's revenue in FY2015 and FY2016, respectively.

For FY2016, the NWDSC Group recorded revenue of approximately HK\$3,659.9 million, representing a decrease of approximately 9.2% as compared to that of approximately HK\$4,029.4 million in FY2015.

The commission income from concessionaire sales of the NWDSC Group for FY2016 was approximately HK\$1,977.2 million, which represented a decrease of approximately 19.0% as compared to that of approximately HK\$2,441.7 million in FY2015. As noted from the FY2016 Annual Report, such decrease was mainly attributable to the (i) decrease in gross revenue from concessionaire sales; and (ii) decrease in commission income rate. The decrease in commission income rate was due to proportionate increase in sales of gold and jewelry as well as sportswear which had lower margins.

The sales of goods for direct sales of the NWDSC Group for FY2016 was approximately HK\$1,002.9 million, which represented an increase of approximately 12.0% as compared to that of approximately HK\$895.4 million in FY2015. As noted from the FY2016 Annual Report, such increase was mainly due to the inclusion of the distribution business of high-end fashion brands since January 2015.

The management and consultancy fees of the NWDSC Group for FY2016 was approximately HK\$40.3 million, which represented a decrease of 24.8% as compared to that of approximately HK\$53.6 million in FY2015. As noted from the FY2016 Annual Report, such decrease was primarily due to drop in the NWDSC Group's recognition of fees for the provision of consultancy services for new projects in FY2016.

The rental income of the NWDSC Group for FY2016 was approximately HK\$639.5 million, which represented a slightly increase of approximately 0.1% as compared to that of approximately HK\$638.7 million in FY2015. As noted from the FY2016 Annual Report, such increase was mainly due to the expanded rentable area and improved tenant mix, which was partially offset by the reduced rentable area as a result of the closure of Wuhan New World Department Store — Qiaokou Branch Store and Beijing Shishang New World Department Store in November 2014 and December 2015 respectively and the downsizing of Shenyang New World Department Store — Jianqiao Road Branch Store in March 2015.

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

For FY2016, the NWDSC Group recorded approximately HK\$209.7 million in operating profit, which represented a decrease of approximately 9.2% as compared to that of approximately HK\$230.9 million in FY2015.

For FY2016, the NWDSC Group recorded approximately HK\$45.6 million in profit attributable to NWDSC Shareholders, which represented a decrease of approximately 34.6% as compared to that of approximately HK\$69.7 million in FY2015. Such decrease was mainly due to the decrease in commission income from concessionaire sales during the year as explained above.

1HFY2016 vs 1HFY2017

Similar to FY2015 and FY2016, the NWDSC Group's revenue from sales of goods for direct sales and commission income from concessionaire sales has remained to be the main source of income, which represented approximately 81.4% and 80.9% of the NWDSC Group's revenue in 1HFY2016 and 1HFY2017, respectively.

For 1HFY2017, the NWDSC Group recorded revenue of approximately HK\$1,781.5 million, representing a decrease of approximately 7.9% as compared to that of approximately HK\$1,934.3 million in 1HFY2016.

The commission income from concessionaire sales of the NWDSC Group for 1HFY2017 was approximately HK\$890.1 million, which represented a decrease of approximately 16.0% as compared to that of approximately HK\$1,060.1 million in 1HFY2016. As noted from the 1HFY2017 Interim Report, such decrease was mainly attributable to the decrease in gross revenue from concessionaire sales.

The sales of goods for direct sales of the NWDSC Group for 1HFY2017 was approximately HK\$551.0 million, which represented an increase of approximately 7.1% as compared to that of approximately HK\$514.7 million in 1HFY2016.

The management and consultancy fees of the NWDSC Group for 1HFY2017 was approximately HK\$7.8 million, which represented a decrease of 77.6% as compared to that of approximately HK\$34.7 million in 1HFY2016. As noted from the 1HFY2017 Interim Report, such decrease was primarily due to drop in the NWDSC Group's recognition of fees for the provision of consultancy services for new projects for the six months ended 31 December 2016.

The rental income of the NWDSC Group for 1HFY2017 was approximately HK\$332.6 million, which represented a slightly increase of approximately 2.4% as compared to that of approximately HK\$324.8 million in 1HFY2016. As noted from the 1HFY2017 Interim Report, such increase was mainly due to the expanded rentable area and improved tenant mix for

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

the six months ended 31 December 2016, which was partially offset by the reduced rentable area as a result of the closure of Beijing Shishang New World Department Store and Ningbo New World Trendy Department Store in December 2015 and June 2016 respectively.

For 1HFY2017, the NWDSC Group recorded approximately HK\$156.2 million in operating profit, which represented an increase of approximately 13.5% as compared to that of approximately HK\$137.7 million in 1HFY2016.

For 1HFY2017, the NWDSC Group recorded approximately HK\$92.8 million in profit attributable to NWDSC Shareholders, which represented an increase of approximately 55.1% as compared to that of approximately HK\$59.8 million in 1HFY2016. Such increase in profit, despite a decrease in revenue during the period, was mainly due to lowered operating expenses and tax expenses during 1HFY2017 as compared to 1HFY2016.

2.3 Financial position of the NWDSC Group

Set out below is the summary of the unaudited consolidated assets and liabilities of the NWDSC Group as at 31 December 2016, details of which are set out in NWDSC's 1HFY2017 Interim Report for the period:

	As at 31 December 2016 (unaudited) HK\$'000	% of total assets
Non-current Assets		
— Property, plant and equipment	1,321,686	11.1%
— Investment properties	4,381,642	36.8%
— Land use rights	620,975	5.2%
— Intangible assets	1,670,494	14.0%
— Interests in associated companies	890	0.0%
— Other non-current assets	601,063	5.0%
— Prepayments, deposits and other receivables	296,679	2.5%
— Financial asset at fair value through other comprehensive income	17,702	0.1%
— Financial asset at fair value through profit or loss	8,694	0.1%
— Deferred income tax assets	141,218	1.2%
	<u>9,061,043</u>	<u>76.0%</u>

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2016 (unaudited) <i>HK\$'000</i>	% of total assets
Current Assets		
— Inventories	229,272	1.9%
— Debtors	152,168	1.3%
— Prepayments, deposits and other receivables	595,496	5.0%
— Amounts due from fellow subsidiaries	8,102	0.1%
— Amounts due from related companies	1	0.0%
— Financial asset at fair value through profit or loss	1,170	0.0%
— Fixed deposits	21,108	0.2%
— Cash and cash equivalents	<u>1,856,475</u>	<u>15.5%</u>
	<u>2,863,792</u>	<u>24.0%</u>
Total assets	<u>11,924,835</u>	<u>100.0%</u>
		% of total liabilities
Current Liabilities		
— Creditors	2,280,236	36.8%
— Accruals and other payables	1,254,070	20.2%
— Amounts due to fellow subsidiaries	4,353	0.1%
— Amounts due to related companies	38,829	0.6%
— Amounts due to associated companies	398	0.0%
— Obligation under finance leases	16	0.0%
— Borrowings	938,054	15.2%
— Tax payable	<u>94,375</u>	<u>1.5%</u>
	<u>4,610,331</u>	<u>74.4%</u>

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2016 (unaudited) <i>HK\$'000</i>	% of total liabilities
Non-current Liabilities		
— Accruals and other payables	492,443	7.9%
— Obligation under finance leases	39	0.0%
— Borrowings	290,503	4.7%
— Deferred income tax liabilities	<u>805,553</u>	<u>13.0%</u>
	<u>1,588,538</u>	<u>25.6%</u>
Total liabilities	<u>6,198,869</u>	<u>100.0%</u>
Net assets	<u>5,725,966</u>	
Equity		
— Shareholders' funds	5,726,018	
— Non-controlling interests	<u>(52)</u>	
	<u>5,725,966</u>	

As at 31 December 2016, the NWDSC Group's total assets amounted to approximately HK\$11,924.8 million, mainly comprising (i) investment properties of approximately 36.8%; (ii) cash and cash equivalents of approximately 15.5%; (iii) intangible assets of approximately 14.0%; and (iv) property, plant and equipment of approximately 11.1%. Investment properties are mainly related to the NWDSC Group's property investment operation in the PRC, while owner-occupation/operation properties for the department store operation are included in the NWDSC Group's land use rights and property, plant and equipment. Intangible assets primarily comprise of goodwill relating to previous business combinations.

As at 31 December 2016, the NWDSC Group's total liabilities amounted to approximately HK\$6,198.9 million, mainly comprising (i) creditors of approximately 36.8%; (ii) accruals and other payables of approximately 28.1%; (iii) borrowings of approximately 19.9%; and (iv) deferred income tax liabilities of approximately 13.0%.

As at 31 December 2016, the NWDSC Group recorded net assets attributable to NWDSC Shareholders of approximately HK\$5,726.0 million.

2.4 Valuation of the NWDSC Group's property interests and adjusted net tangible asset value

In respect of the NWDSC Group's property interests which are recognised as assets in the 1HFY2017 Interim Report, which comprise investment properties, land use rights, buildings and leasehold improvements, and prepayment for a property contracted to be acquired (collectively, the "**Property Interests**"), the valuation of the Property Interests conducted by Jones Lang LaSalle as at 31 May 2017 are set out in the property valuation report contained in Appendix III to this Composite Document (the "**Property Valuation Report**").

Based on our discussion with Jones Lang LaSalle, we note that in performing the valuation of the Property Interests, Jones Lang LaSalle has adopted the income approach by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market. We have been advised by Jones Lang LaSalle that given the particulars of the Property Interests, the above valuation methodologies represent widely accepted methodologies in arriving at the property valuation. Furthermore, we have also discussed with Jones Lang LaSalle to understand the assumptions which they have taken into consideration when performing the valuation of the Property Interests (details of the assumptions are set out in the Property Valuation Report). Jones Lang LaSalle also advised that the valuation of the Property Interests was carried out in accordance with all requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules; Rule 11 of the Takeovers Code; the RICS Valuation-Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council. Based on the above, we believe that the above valuation approach adopted by Jones Lang LaSalle in performing the valuation of the Property Interests and the assumptions taken into consideration by Jones Lang LaSalle are appropriate.

For the purpose of our analysis on the Offer and to assess the fairness and reasonableness of the Offer Price, in addition to using other important metrics such as historical share price, trading liquidity and multiples of comparable companies/transactions, details of which are elaborated in sections below, we have also used the NWDSC Group's adjusted unaudited consolidated net tangible asset value attributable to NWDSC Shareholders as at 31 December 2016 (the "**Adjusted NTAV**") by adjusting for (i) the total market valuation of properties as per the Property Valuation Report subtract the sum of (a) the NWDSC Group's Property Interests as at 31 December 2016; and (b) outstanding payment for a property contracted to be acquired by the NWDSC Group; (ii) the estimated deferred income tax to be paid on the revaluation surplus; and (iii) the intangible

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

assets as at 31 December 2016. For the avoidance of doubt, we did not take into account intangible assets in our analysis as the NWDSC Group's intangible assets mostly comprise goodwill arisen from previous business combinations. In addition, as advised by NWDSC, there were no material disposal of properties between 31 December 2016 (i.e. the date of the latest interim report) and 31 May 2017 (i.e. the date of the Property Valuation Report).

The Adjusted NTAV is calculated by:

	<i>HK\$'000</i>
The NWDSC Group's unaudited consolidated net asset value attributable to NWDSC Shareholders as at 31 December 2016	5,726,018
Plus: total market valuation of properties as per the Property Valuation Report (using an exchange rate of RMB0.88 for every HK\$1, the total market valuation in HK\$ equals to RMB5,936,399,000/0.88 = HK\$6,745,907,955)	6,745,908
Subtract: the sum of (a) NWDSC Group's Property Interests as at 31 December 2016; and (b) outstanding payment for a property contracted to be acquired by the NWDSC Group (i.e. property no. 9 in the Property Valuation Report)	(6,283,072) ^{Note}
Subtract: estimated deferred income tax to be paid on the revaluation surplus (using the PRC corporate income tax rate of 25%, the deferred income tax to be paid on the revaluation surplus is estimated to be 0.25* (6,745,908 – 6,283,072) = 115,709)	<u>(115,709)</u>
The Adjusted NAV	6,073,145
Subtract: the NWDSC Group's intangible assets as at 31 December 2016	<u>(1,670,494)</u>
The Adjusted NTAV	<u>4,402,651</u>

Note: This represents the NWDSC Group's Property Interests as at 31 December 2016 of approximately HK\$6,223,178,000 plus approximately HK\$59,894,000, being the outstanding payment for a property contracted to be acquired by the NWDSC Group. The outstanding payment is being added on to ensure consistency as the Property Valuation Report takes into account 100% of the property interests on a property contracted to be acquired by the NWDSC Group.

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

The Adjusted NTAV per NWDSC Share is therefore approximately HK\$2.611 (based on 1,686,145,000 NWDSC Shares in issue as at the Latest Practicable Date), and the Offer Price of HK\$2.00 per Offer Share represents a discount of approximately 23.4% to the Adjusted NTAV per NWDSC Share.

3. Future prospects and outlook of the NWDSC Group

As stated in the Letter from UBS, following the close of the Offer, the Offeror intends to continue the existing businesses of the NWDSC Group upon completion of the Offer, and to develop deeper synergies with the overall NWDSC businesses, explore new development opportunities and implement long-term growth strategies. The Offeror may also from time to time, based on market situation, consider introducing significant changes to the existing operations of the NWDSC Group following the review of its strategic options relating to the business, structure and/or direction of the NWDSC Group. The Offeror may continue to explore the possibility of re-aligning or re-deploying the assets of the NWDSC Group and assess suitable opportunities to enhance the financial flexibility of the NWDSC Group. It is also the current intention of the Offeror that the employment of the existing employees of the NWDSC Group should be continued following the completion of the Offer except for changes which may occur in the ordinary course of business.

4. Principal terms of the Offer

UBS, on behalf of the Offeror, will make the Offer in accordance with the Takeovers Code on the following basis:

Offer:

For each Offer Share **HK\$2.00 in cash**

The Offer is being extended to all NWDSC Shareholders except for the Offeror. As at the Joint Announcement Date and the Latest Practicable Date, no NWDSC Option has been granted or is outstanding under the NWDSC Share Option Scheme.

4.1 *The Offer Price*

The Offer Price of HK\$2.00 per Offer Share represents:

- (i) a premium of approximately 4.2% over the closing price of HK\$1.920 per NWDSC Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 50.4% over the closing price of HK\$1.330 per NWDSC Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

- (iii) a premium of approximately 51.3% over the average closing price of approximately HK\$1.322 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 51.9% over the average closing price of approximately HK\$1.317 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 60.7% over the average closing price of approximately HK\$1.244 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 61.6% over the average closing price of approximately HK\$1.237 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 60 trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 73.5% over the average closing price of approximately HK\$1.153 per NWDSC Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 41.1% to the unaudited consolidated net asset value attributable to NWDSC Shareholders per NWDSC Share of approximately HK\$3.396 per NWDSC Share (based on the number of issued NWDSC Shares as at the Latest Practicable Date) as at 31 December 2016;
- (ix) a discount of approximately 23.4% to the Adjusted NTAV per NWDSC Share of approximately HK\$2.611 per NWDSC Share (based on the number of issued NWDSC Shares as at the Latest Practicable Date) as at 31 December 2016, the date to which the latest unaudited interim results of the NWDSC Group were made up;
- (x) a discount of approximately 44.5% to the Adjusted NAV per NWDSC Share of approximately HK\$3.602 per NWDSC Share (based on the number of issued NWDSC Shares as at the Latest Practicable Date) as at 31 December 2016, the date to which the latest unaudited interim results of the NWDSC Group were made up; and
- (xi) a discount of approximately 43.0% to the audited consolidated net asset value attributable to NWDSC Shareholders per NWDSC Share of approximately HK\$3.507 per NWDSC Share (based on the number of

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

issue NWDSC Shares as at the Latest Practicable Date) as at 30 June 2016, the date to which the latest audited financial results of the NWDSC Group were made up.

5. Historical performance of the NWDSC Shares

5.1 Share price performance of the NWDSC Shares

The following chart sets out the historical trading price performance of the NWDSC Shares during the period (i) from 5 June 2016 (i.e. 12 months before the trading halt of the NWDSC Shares on 5 June 2017) up to 6 June 2017 (the “**Review Period**”); and (ii) from 7 June 2017 up to and including the Latest Practicable Date (the “**Post Announcement Period**”):



Source: website of the Stock Exchange

Note 1: NWDSC issued the annual results announcement for the year ended 30 June 2016 on 20 September 2016.

Note 2: NWDSC issued the interim results announcement for the six months ended 31 December 2016 on 21 February 2017.

Note 3: NWDSC issued two announcements in relation to certain continuing connected transactions on 10 April 2017.

Note 4: NWDSC issued an announcement regarding the termination of existing continuing connected transactions with an indirect subsidiary of New World Development Company Limited on 2 May 2017.

Note 5: NWDSC issued the announcement in relation to the halt of trading of the NWDSC Shares pending the release of inside information relating to the Offer on 5 June 2017.

Note 6: NWDSC issued the announcement in relation to the Offer (the “**Offer Announcement**”) on 6 June 2017.

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the NWDSC Shares and the Offer. The chart above represents the daily movement in the closing prices of the NWDSC Shares against the Offer Price during the Review Period and the Post Announcement Period.

During the Review Period, we note that the historical closing prices of the NWDSC Shares were at a range between HK\$0.99 and HK\$1.93. Prior to the Offer Announcement, the price of the NWDSC Shares were always below the Offer Price, at a range between HK\$0.99 and HK\$1.37. Following the Offer Announcement, the price of the NWDSC Shares rose from HK\$1.33 to HK\$1.90 on 7 June 2017. We consider the significant price fluctuations following the publication of the Offer Announcement to be attributable to the fact that the Offer Price is being set at HK\$2.00 per Offer Share. After the publication of the Offer Announcement, the historical closing prices of the NWDSC Shares were at a range between HK\$1.90 and HK\$1.93 during the Post Announcement Period.

In view of the fluctuation in the share price of NWDSC, Independent NWDSC Shareholders who wish to realise their investment in the NWDSC Group are reminded that they should carefully and closely monitor the market price of NWDSC during the Offer Period and consider selling their NWDSC Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sale of such NWDSC Shares in the open market would exceed the net amount receivable under the Offer.

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

5.2 Liquidity of the NWDSC Shares

A table showing the average daily volume of the NWDSC Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued NWDSC Shares and total number of issued NWDSC Shares held by public NWDSC Shareholders (as defined in the Listing Rules) respectively during the Review Period is as follows:

	Total monthly trading volume <i>(number of shares)</i>	Number of trading days during the month <i>(days)</i>	Average daily trading volume <i>(number of shares)</i>	Percentage of average daily trading volume to total number of shares in issue as at the Latest Practicable Date <i>(%)</i> <i>(Note 3)</i>	Percentage of average daily trading volume to total number of shares held by public NWDSC Shareholders as at the Latest Practicable Date <i>(%)</i> <i>(Note 4)</i>
2016					
June <i>(Note 1)</i>	13,379,554	18	743,309	0.04%	0.16%
July	35,763,385	20	1,788,169	0.11%	0.38%
August	17,338,000	22	788,091	0.05%	0.17%
September	64,555,033	21	3,074,049	0.18%	0.66%
October	59,997,685	19	3,157,773	0.19%	0.68%
November	22,430,148	22	1,019,552	0.06%	0.22%
December	16,769,316	20	838,466	0.05%	0.18%
2017					
January	31,993,838	19	1,683,886	0.10%	0.36%
February	41,026,466	20	2,051,323	0.12%	0.44%
March	32,310,099	23	1,404,787	0.08%	0.30%
April	9,918,149	17	583,421	0.03%	0.12%
May	58,238,853	20	2,911,943	0.17%	0.62%
June <i>(Note 2)</i>	183,173,307	15	12,211,554	0.72%	2.61%
— Period before the Offer					
Announcement	9,497,142	2	4,748,571	0.28%	1.02%
— Post-Announcement Period	173,676,165	13	13,359,705	0.79%	2.86%

Source: website of the Stock Exchange

Notes:

1. The Review Period commenced from 5 June 2016.
2. Trading in NWDSC Shares was suspended from 5 June 2017 to 6 June 2017.
3. Based on 1,686,145,000 NWDSC Shares in issue as at the Latest Practicable Date.

4. Based on 467,133,000 NWDSC Shares held by the public NWDSC Shareholders as at the Latest Practicable Date.

We note that the average daily trading volume of the NWDSC Shares was less than 1% of the NWDSC Shares held by public NWDSC Shareholders, and therefore, had been thin in general during the period before the Offer Announcement. The average daily trading volume of the NWDSC Shares (including both public and non-public trading) per month during the Review Period was ranging from approximately 0.03% in April 2017 to approximately 0.72% in June 2017 of the total number of issued NWDSC Shares as at the Latest Practicable Date. For illustration purpose, the average daily trading volume of the NWDSC Shares (including both public and non-public trading) per month during the Review Period was ranging from approximately 0.12% in April 2017 to 2.61% in June 2017 of the total number of issued NWDSC Shares held by public NWDSC Shareholders as at the Latest Practicable Date.

Comparing with the relatively higher volume activities during the Post Announcement Period as compared to the Review Period, the average daily trading volume of NWDSC Shares during the Review Period was generally thin. The average daily trading volume from 6 June 2017 i.e. the Joint Announcement Date onwards up to the Latest Practicable Date was approximately 0.79% of the total number of NWDSC Shares in issue.

Given the generally low trading volume of the NWDSC Shares during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the NWDSC Shares for the Independent NWDSC Shareholders to dispose of a significant number of the NWDSC Shares in the open market without depressing the NWDSC Share price. Accordingly, the market trading price of the NWDSC Shares may not necessarily reflect the proceeds that the Independent NWDSC Shareholders can receive by the disposal of their NWDSC Shares in the open market. Therefore, we are of the view that the Offer represents an opportunity for the Independent NWDSC Shareholders, particularly for those who hold a large volume of the NWDSC Shares, to dispose of part or all of their NWDSC Shares at the Offer Price if they so wish to.

6. Comparison with comparable companies and privatisation precedents

6.1 Comparison with market comparables

The NWDSC Group is principally engaged in the operation of department stores and other related businesses in the PRC. In assessing the fairness and reasonableness of the Offer Price, we have adopted the price-to-earnings approach which has been considered as a suitable approach for analysing companies that have a track record of generating profits. Given that the NWDSC Group was profitable in each of FY2015 and FY2016, we consider that the price-to-earnings ratio is a suitable method to evaluate the fairness of the Offer Price. Apart from the price-to-earnings ratio, we have also considered the price-to-book approach in

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

assessing the fairness and reasonableness of the Offer Price in relation to the Adjusted NTAV of the NWDSC Group, which amounted to approximately HK\$4,402.7 million as at 31 December 2016.

We have conducted research on comparable companies which (i) are listed on the Stock Exchange; (ii) are principally engaged in the operation and management of department stores in the PRC (which at least 50% of the total revenue is attributable to such business based on the latest published results announcement); and (iii) profit making. When determining the above, we have taken into account the principal business of the NWDSC Group and the NWDSC Group's revenue contribution from department stores and other related businesses that accounted for more than 90% of the NWDSC Group's revenue for each of FY2015 and FY2016. Based on the relevant criteria above, we have identified 6 comparable companies (the "**Comparables**") with details set out below. We consider that the Comparables represent the exhaustive list of comparable companies under the relevant criteria above.

Company name	Stock code	Principal business	Market capitalisation <i>HKS'million</i> <i>(Note 1)</i>	Net profit attributable to owners of the company <i>HKS'million</i> <i>(Note 2)</i>	Net assets attributable to owners of the company <i>HKS'million</i> <i>(Note 2)</i>	P/E Ratio <i>(approximately times)</i> <i>(Note 3)</i>	P/B Ratio <i>(approximately times)</i> <i>(Note 4)</i>
Golden Eagle Retail Group Ltd. (" Golden Eagle ")	3308	Development and operation of department store chain	17,991.2	469.7	5,787.7	38.3	3.1
Lifestyle China Group Limited	2136	Operation of department stores and supermarket business	4,566.3	323.6	9,787.1	14.1	0.5
Maoye International Holdings Limited (" Maoye ")	848	Operation and management of department stores	4,163.7	53.3	11,656.2	78.1	0.4
Parkson Retail Group Ltd.	3368	Operation and management of department stores	3,345.9	169.3	5,516.5	19.8	0.6
Shirble Department Store Holdings China Ltd	312	Operations and management of department stores	1,160.2	69.6	1,542.1	16.7	0.8
Jihua Stores Holdings Ltd.	602	Operation and management of retail stores	456.5	47.5	680.3	9.6	0.7
		Average				29.4	1.0
		Median				18.2	0.6
		Maximum				78.1	3.1
		Minimum				9.6	0.4
			Hypothetical Offer Value <i>HKS'million</i>	NWDSC Illustrative December 2016 Profit <i>HKS'million</i>	Adjusted NTAV of the NWDSC Group <i>HKS'million</i>	Implied P/E Ratio of the Offer <i>(approximately times)</i>	Implied P/B Ratio of the Offer <i>(approximately times)</i>
		Implied multiple of the Offer	3,372.3 <i>(Note 5)</i>	78.6 <i>(Note 5)</i>	4,402.7	42.9 <i>(Note 5)</i>	0.8 <i>(Note 6)</i>

Source: Bloomberg and website of the Stock Exchange

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) Data regarding the market capitalisations are sourced from Bloomberg as at 23 June 2017, being the Latest Practicable Date.
- (2) The respective net profit attributable to owners of the company and the net assets attributable to owners of the company of the Comparables are based on their latest published results announcements.
- (3) The price-to-earnings ratios of the Comparables are calculated by dividing their market capitalisations as at the Latest Practicable Date by their net profit attributable to owners of the company based on their latest published results announcement.
- (4) The price-to-book ratios of the Comparables are calculated by dividing their market capitalisations as at the Latest Practicable Date by their net assets attributable to owners of the company based on their latest published results announcement after excluding goodwill from the net asset value in order to be comparable to our adjustments made to the NWDSC Group's net asset value.
- (5) The implied price-to-earnings ratio (the "**Implied P/E Ratio**") of the Offer is calculated by dividing the hypothetical value of the offer of (the "**Hypothetical Offer Value**") approximately HK\$3,372.3 million (being the hypothetical value of the offer for acquiring 100% of the total number of issued NWDSC Shares, based on the 1,686,145,000 NWDSC Shares in issue multiplied by the Offer Price of HK\$2.00) by the illustrative profit after tax of the NWDSC Group attributable to NWDSC Shareholders for the twelve months ended 31 December 2016 of approximately HK\$78.6 million (the "**NWDSC Illustrative Dec 2016 Profit**"), which is calculated based on the sum of (i) the profit after tax of the NWDSC Group attributable to NWDSC Shareholders for the six months ended 31 December 2016 of approximately HK\$92.8 million, according to the interim results announcement of NWDSC for the six months ended 31 December 2016; and (ii) the illustrative loss after tax of the NWDSC Group attributable to NWDSC Shareholders for the six months ended 30 June 2016 of approximately HK\$14.2 million (which is based on the profit after tax of the NWDSC Group attributable to NWDSC Shareholders for the year ended 30 June 2016 of approximately HK\$45.6 million according to the annual results announcement of NWDSC for the year ended 30 June 2016, minus the profit after tax of the NWDSC Group attributable to NWDSC Shareholders for the six months ended 31 December 2015 of approximately HK\$59.8 million according to the interim results announcement of NWDSC for the six months ended 31 December 2015). In view of the year end of the Comparables all being December and the profit attributable to shareholders of the Comparables used for calculating their respective price-to-earning ratios being for the year ended 31 December 2016, the NWDSC Illustrative Dec 2016 Profit is adopted for calculating the Implied P/E Ratio for a more accurate comparison.
- (6) The implied price-to-book ratio (the "**Implied P/B Ratio**") of the Offer is calculated by dividing the hypothetical value of the offer of approximately HK\$3,372.4 million (being the hypothetical value of the offer for acquiring 100% of the total number of issued NWDSC Shares, based on the 1,686,145,000 NWDSC Shares in issue multiplied by the Offer Price of HK\$2.00) by the Adjusted NTAV of the NWDSC Group as at 31 December 2016 of approximately HK\$4,402.7 million.
- (7) Century Ginwa Retail Holdings Limited ("**Century Ginwa**") is excluded from the Comparables given the circumstance that Century Ginwa changed its financial year end date from 31 December to 31 March, and hence Century Ginwa's latest published earnings was for the fifteen months ended 31 March 2016 as disclosed in its annual

report for the fifteen months ended 31 March 2016. It is noted that Century Ginwa recorded loss attributable to shareholders according to its latest published interim results announcement for the six months ended 30 September 2016.

- (8) For the purpose of this table, the translation of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.15 for the purpose of illustration only.

With reference to the above table, we note that the price-to-earnings ratio of the Comparables range from approximately 9.6 times to 78.1 times, with an average of approximately 29.4 times. We note that the relatively high average of the price-to-earnings ratio of the Comparables is due to the substantial decrease in net profit attributable to owners of Golden Eagle and Maoye of approximately 50.5% and 84.5%, respectively, for their latest financial year ends, which led to Golden Eagle and Maoye recording price-to-earning ratios of approximately 40.8 times and 79.0 times, respectively. The median of the price-to-earnings ratio of the Comparables is approximately 18.2 times.

With reference to the table above, the price-to-book ratio of the Comparables ranged from approximately 0.4 times to approximately 3.1 times, with an average of approximately 1.0 times. We note that the relatively high average of the price-to-book ratios of the Comparables is due to Golden Eagle, which recorded relatively higher price-to-book ratio of approximately 3.1 times. Except for Golden Eagle, we consider that the generally low price-to-book ratios of the Comparables and the implied price-to-book ratio of NWDSC, both being below 1.0 times, is mainly due to the significant contribution of property interests held by the Comparables and NWDSC to their respective total assets. The median of the price-to-book ratios of the Comparables is approximately 0.6 times.

Since the Implied P/E Ratio of the Offer of approximately 42.9 times is well above the average of the price-to-earning ratios of the Comparables of approximately 29.4 times, and the Implied P/B Ratio of the Offer of approximately 0.8 times, despite being slightly below the average of approximately 1.0 times, is still within range and slightly higher than the median of the price-to-book ratios of the Comparables of approximately 0.6 times, we consider that the value of the Offer is fair and reasonable so far as NWDSC and the Shareholders are concerned.

6.2 Comparison with privatisation precedents

For the purpose of assessing the share price premium represented by the Offer Price, we have also compared the Offer to privatisation proposals listed on the Stock Exchange announced since 1 June 2014, being approximately 3 years before the date of the Announcement, and up to the Latest Practicable Date, excluding privatisation proposals which were not approved (the “**Privatisation Precedents**”), which represents an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange’s website satisfying the above criteria. To minimize the possible distortion due to different market sentiment for each of the Privatisation Precedents, a 3-year period has been adopted for the

LETTER FROM THE NWDC INDEPENDENT FINANCIAL ADVISER

selection criteria. The table below illustrates the premiums over the last trading day, the respective 30 days, 90 days, 120 days and 180 days average share prices at which such privatisation proposals have been priced:

Date of initial announcement	Stock code	Company	Premium of offer/cancellation price over the share price of the relevant company prior to announcement of privatisation proposal				
			Last trading day	30 days share price average	90 days share price average	120 days share price average	180 days share price average
20-Mar-17	283	Goldin Properties Holdings Limited	36.8%	33.9%	36.3%	39.7%	49.5%
10-Jan-17	1833	Intime Retail (Group) Company Limited	42.3%	51.8%	52.6%	54.1%	53.7%
23-Sep-16	3668	Chinalco Mining Corporation International	32.4%	34.1%	36.9%	51.5%	62.7%
8-Jul-16	1438	Nirvana Asia Ltd	22.4%	36.3%	36.6%	36.7%	35.9%
17-Jun-16	1768	Barcell Limited	44.3%	132.0%	138.5%	162.0%	159.9%
12-Jun-16	2618	TCL Communication Technology Holdings Limited	34.6%	47.2%	45.1%	39.1%	36.4%
29-May-16	477	Aupu Group Holding Company Limited	24.9%	29.7%	29.4%	27.6%	28.4%
24-May-16	1968	Peak Sport Products Co., Limited	10.6%	15.7%	21.1%	27.3%	22.7%
30 Mar-16	3699	Dalian Wanda Commercial Properties Co., Ltd	3.0%	24.1%	37.5%	25.4%	18.2%
4-Feb-16	3386	Dongpeng Holdings Company Limited	31.8%	47.1%	52.1%	50.1%	35.6%
6-Jan-16	917	New World China Land Limited	25.6%	40.8%	45.7%	57.7%	57.0%
20-Oct-15	1025	Wumart Stores, Inc	90.2%	68.8%	48.5%	18.8%	15.4%
13-Aug-15	350	Jingwei Textile Machinery Company Limited	8.1%	18.9%	8.9%	11.1%	18.3%
27-May-15	2266	Dorsett Hospitality International Limited	32.4%	41.7%	44.0%	39.7%	34.3%
26-Feb-15	1390	Econtext Asia Limited	41.0%	60.4%	64.1%	55.0%	48.5%
11-Dec-14	2626	Hunan Nonferrous Metals Corporation Limited	68.7%	55.8%	50.0%	64.4%	70.2%
		Highest	90.2%	132.0%	138.5%	162.0%	159.9%
		Lowest	3.0%	15.7%	8.9%	11.1%	15.4%
		Average	34.3%	46.1%	46.7%	47.5%	46.7%
		Median	32.4%	41.3%	44.6%	39.7%	36.2%
		The Offer Price	50.4%	60.7%	64.8%	70.8%	73.5%

Source: Bloomberg and website of the Stock Exchange

As indicated above, the means of premiums of the Privatisation Precedents over the last trading day share price, 30 days, 90 days, 120 days and 180 days share price averages were approximately 34.3%, 46.1%, 46.7%, 47.5% and 46.7%, respectively. We note that the premiums represented by the Offer Price over the closing price per NWDC Share on the Last Trading Day, the 30 days, 90 days, 120 days and 180 days share price averages are all above the corresponding means of premiums of the Privatisation Precedents, which is considered favourable.

CONCLUSION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Offer Price is at a premium to the historical prices of the NWDSC Shares throughout the entire Review Period prior to the release of the Offer Announcement;
- (ii) the Offer Price represents a premium of approximately 50.4% over the closing price of approximately HK\$1.330 per NWDSC Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) the Offer Price represents a premium of approximately 73.5% over the average closing price of approximately HK\$1.153 per NWDSC Share as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day;
- (iv) the Implied P/E Ratio of approximately 42.9 times is well above the average and median of the price-to-earnings ratios of the Comparables of approximately 29.4 times and 18.2 times, respectively;
- (v) the Implied P/B Ratio of approximately 0.8 times, despite being slightly lower than the average of approximately 1.0 times, is within range of the price-to-book ratios of the Comparables and slightly higher than the median of the price-to-book ratios of the Comparables of approximately 0.6 times;
- (vi) the premiums represented by the Offer Price over the closing price per NWDSC Share on the Last Trading Day, the 30 days, 90 days, 120 days and 180 days share price averages are all above the corresponding means of premiums of the Privatisation Precedents;
- (vii) trading volume of the Shares was generally thin during the Review Period and the Share Offer provides an opportunity for the Independent NWDSC Shareholders to realise their investment at the Offer Price without exerting a downward impact on the NWDSC Share price; and
- (viii) the sustainability of the relatively higher price and trading volume of the NWDSC Shares after the Offer Announcement is uncertain and may not continue in the absence of the Offer;

we are of the view that the terms of the Offer, are fair and reasonable so far as the Independent NWDSC Shareholders are concerned. Accordingly, we advise the NWDSC Independent Board Committee to recommend to the Independent NWDSC Shareholders to accept the Offer.

LETTER FROM THE NWDSC INDEPENDENT FINANCIAL ADVISER

Nevertheless, Independent NWDSC Shareholders who wish to realise all or part of their investment in the NWDSC Shares should monitor the NWDSC Share price performance during the Offer Period. In the event that the market price of the NWDSC Share exceeds the Offer Price and the net proceeds from the sale of NWDSC Shares in the open market after deducting all related costs exceed the amount receivable from the Offer, Independent NWDSC Shareholders should consider selling their NWDSC Shares in the open market rather than accepting the Offer. In any event, Independent NWDSC Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the NWDSC Shares will be sustainable during and after the period for the acceptance of the Offer. Independent NWDSC Shareholders should also note that the Offer is conditional upon certain conditions being satisfied or waived, including the Offeror having received valid acceptances of the Offer Shares which would result in the Offeror holding at least 90% of the Offer Shares with the further proviso that, within that holding, the Offeror would also hold at least 90% of the Disinterested NWDSC Shares. Accordingly, the Offer may or may not become unconditional.

As set out in the Letter from UBS, if the Offeror acquires not less than 90% of the Offer Shares and not less than 90% of the Disinterested Shares, it intends to exercise the right under the Cayman Islands Companies Law and pursuant to Rule 2.11 of the Takeovers Code to compulsorily acquire all those Shares not acquired by the Offeror under the Offer. On completion of the compulsory acquisition process (if the compulsory acquisition right is exercised), NWDSC will be beneficially and ultimately owned as to 100% by 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.

Independent NWDSC Shareholders should read carefully the procedures for accepting the Offer with details set out in this Composite Document.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Heidi Cheng **Aaron Ko**
Managing Director *Assistant Director*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004 and Mr. Aaron Ko of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity since 2010. Ms. Heidi Cheng and Mr. Aaron Ko of Ballas Capital Limited have over 20 and 7 years of experience in the corporate finance industry, respectively.

1. PROCEDURES FOR ACCEPTANCE

To accept the Offer, you should duly complete and sign the relevant accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in your name, and you wish to accept the Offer in respect of your Offer Shares (whether in full or in part), you must deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Offer, by post or by hand, to the Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "New World Department Store China Limited — Offer" on the envelope so as to reach the Registrar as soon as possible but in any event by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Offer Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Offer with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares to the Registrar; or
 - (ii) arrange for the Offer Shares to be registered in your name by NWDSC through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Offer to the Registrar; or
 - (iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian

bank to authorise HKSCC Nominees Limited to accept the Acceptance on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged a transfer of any of your Offer Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of those Offer Shares, you should nevertheless duly complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s), if any, duly signed by yourself and/or other document(s) of title (as the case may be). Such action will constitute an irrevocable authority to the Offeror and/or UBS and/or their respective agent(s) to collect from NWDSC or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of any of your Offer Shares, the Form of Acceptance should nevertheless be duly completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares, you should also write to the Registrar for a form of letter of indemnity which, when completed and signed in accordance with the instructions given, should be provided to the Registrar.

- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar on or before the latest time for acceptance of the Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Offer and, if that/those share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other document(s) (e.g. a duly stamped transfer of the relevant NWDSC Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or
 - (ii) from a registered NWDSC Offer Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered NWDSC Offer Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty payable by the NWDSC Offer Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is the higher (rounded up to the nearest of HK\$1.00), will be deducted from the amount payable by the Offeror to the relevant NWDSC Offer Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the NWDSC Offer Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.
- (h) If the Offer is invalid, withdrawn or lapses, the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post at your own risk the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares tendered for acceptance together with the duly cancelled Form of Acceptance to the relevant NWDSC Offer Shareholder(s).

- (i) No acknowledgement of receipt of any Form of Acceptance and/or share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares tendered for acceptance will be given.

2. SETTLEMENT UNDER THE OFFER

Subject to the Offer becoming or being declared unconditional in all respects and provided that a duly completed Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount due to each of the NWDSC Offer Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Offer will be despatched to such NWDSC Offer Shareholder by ordinary post at his own risk as soon as possible but in any event within seven (7) Business Days following the later of (i) the date on which the Offer becomes or is declared unconditional in all respects; and (ii) the date of receipt of a duly completed Form of Acceptance together with all of the relevant document(s) by the Registrar to render such acceptance under the Offer valid.

Settlement of the consideration to which any NWDSC Offer Shareholder is entitled to under the Offer will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such NWDSC Offer Shareholder.

No fraction of a cent will be payable and the amount of cash consideration payable to a NWDSC Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer is revised or extended with the consent of the Executive in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon and in this Composite Document by 4:00 p.m. on the Closing Date.

If the Offer is revised or extended, the Offeror will issue an announcement in relation to any revision or extension of the Offer, which announcement will state either the next Closing Date or, a statement that the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given, before the Offer is closed, to those NWDSC Offer Shareholders who have not accepted the Offer. If, in the course of the Offer, the Offeror revises the terms of the Offer, all the NWDSC Offer Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. A revised offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date as so extended.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all the NWDSC Offer Shareholders, those NWDSC Offer Shareholders who hold Offer Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended, expired or has become or been declared unconditional (whether as to acceptances or in all respects). The announcement will state the following:

- (a) the total number of Offer Shares and rights over the Offer Shares for which acceptances of the Offer have been received;
- (b) the total number of NWDSC Shares and rights over the NWDSC Shares held, controlled or directed by the Offeror before the Offer Period;
- (c) the total number of Offer Shares and rights over the Offer Shares acquired or agreed to be acquired during the Offer Period by the Offeror; and
- (d) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in NWDSC which the Offeror and any of the Offeror Concert Parties have borrowed or lent, save for any borrowed NWDSC Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of issued share capital, and the percentages of voting rights, represented by these numbers of Offer Shares.

In computing the total number of Offer Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the conditions set out in this Appendix I, and which have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. RIGHT OF WITHDRAWAL

The Offer is conditional upon the fulfilment of the Conditions set out in the “Letter from UBS” in this Composite Document. Acceptances of the Offer tendered by the NWDSC Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in this paragraph and the paragraph below. Note that Rule 17 of the Takeovers Code provides that an acceptor of the Offer shall be entitled to withdraw his acceptance after twenty-one (21) days from the first Closing Date (being Tuesday, 8 August 2017) if the Offer has not by then become unconditional as to acceptances and up to the earlier of such time as the Offer becomes or is declared unconditional as to acceptances and 4:00 p.m. on the 60th day from the date of despatch of this Composite Document (being Monday, 28 August 2017 (or the date beyond which the Offeror has stated that the Offer will not be extended, if applicable)).

Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with the requirements set out in the section headed “5. Announcements” above, the Executive may require that the NWDSC Offer Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that section are met.

7. HONG KONG STAMP DUTY

Seller’s ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher (rounded up to the nearest HK\$1.00), will be deducted from the amount payable to the relevant NWDSC Offer Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the accepting NWDSC Offer Shareholders in connection with the acceptance of the Offer and the transfer of the Offer Shares.

8. GENERAL

- (a) All communications, notices, Form of Acceptance, the relevant share certificate(s), transfer receipt(s) and/or documentary evidence of authority (and/or any satisfactory indemnity or indemnities required in respect thereof) if delivered by or sent to or from the NWDSC Offer Shareholders or their designated agents by post, shall be posted at their own risk, and none of the Offeror, NWDSC, UBS and any of their respective directors, the Registrar and other parties involved in the Offer and any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.

- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror, UBS or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Subject to the Offer becoming or being declared unconditional in all respects, acceptance of the Offer by any person will be deemed to constitute a representation and warranty by such person or persons to:
 - (i) the Offeror, NWDSC and UBS, that the Offer Shares sold by such person or persons to the Offeror are free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and any other third party rights of any nature and together with all rights attached to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date; and
 - (ii) the Offeror, NWDSC and their respective advisers, including UBS, that if such NWDSC Offer Shareholder accepting the Offer is a citizen, resident or national of a jurisdiction outside Hong Kong, he/she has observed and is permitted under all applicable laws and regulations to which such overseas NWDSC Offer Shareholder is subject to receive and accept the Offer and any revision thereof, and that he/she has obtained all requisite governmental, exchange control or other consents and made all registrations or filings required in compliance with all necessary formalities and regulatory or legal requirements, and has paid all issue, transfer or other taxes or other required payments payable by him/her in connection with such acceptance, surrender and/or cancellation in any jurisdiction, and that he/she has not taken or omitted to take any action which will or may result in the Offeror, NWDSC or their respective advisers, including UBS, or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer or his/her acceptance thereof and such acceptance, surrender and/or cancellation shall be valid and binding in accordance with all applicable laws and regulations.

- (g) Under the terms of the Offer, the NWDSC Offer Shares will be acquired with all rights attached thereto as at the Closing Date or which subsequently become attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the Closing Date and free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and any other third party rights.
- (h) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (i) In making their decisions with regard to the Offer, the NWDSC Offer Shareholders should rely on their own examination of the Offeror, the NWDSC Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance shall not be construed as any legal or business advice on the part of NWDSC, the Offeror and/or UBS. The NWDSC Offer Shareholders should consult their own professional advisers for professional advice.

I. FINANCIAL SUMMARY

The following summary financial information (i) for each of the years ended 30 June 2014 and 2015 is extracted from the published audited consolidated financial statements as set forth in the annual report of NWDSC for the year ended 30 June 2015 dated 23 September 2015 (pages 80 to 145), (ii) for the year ended 30 June 2016 is extracted from the published audited consolidated financial statements as set forth in the annual report of NWDSC for the year ended 30 June 2016 dated 20 September 2016 (pages 74 to 139), and (iii) for the six months ended 31 December 2016 is extracted from the published unaudited condensed consolidated financial information as set forth in the interim report of NWDSC for the six months ended 31 December 2016 dated 21 February 2017 (pages 17 to 44).

The auditor of NWDSC did not issue any qualified opinion on the consolidated financial statements of NWDSC for each of the years ended 30 June 2014, 2015 and 2016. No exceptional item because of its size, nature or incidence was required to be disclosed in the consolidated financial statements of NWDSC for each of the years ended 30 June 2014, 2015 and 2016, and in the condensed consolidated financial information of NWDSC for the six months ended 31 December 2016.

In this appendix, references to “the Company” and “the Group” shall mean NWDSC and the NWDSC Group respectively.

Summary Consolidated Income Statements

	Year ended 30 June			Six months ended
	2014	2015	2016	31 December
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Revenue	4,136,206	4,029,351	3,659,896	1,781,451
Other income	136,140	168,589	170,424	76,426
Other (losses)/gains, net	(8,442)	(176,422)	(25,164)	1,025
Changes in fair value of investment properties	16,834	766	(25,437)	(10,471)
Purchases of and changes in inventories, net	(671,074)	(719,380)	(756,036)	(397,842)
Employee benefit expense	(661,424)	(747,285)	(633,223)	(312,397)
Depreciation and amortisation	(321,212)	(344,248)	(300,730)	(131,187)
Operating lease rental expense	(1,118,450)	(1,191,665)	(1,163,895)	(534,782)
Other operating expenses, net	(831,369)	(788,844)	(716,135)	(316,033)
Operating profit	<u>677,209</u>	<u>230,862</u>	<u>209,700</u>	<u>156,190</u>
Finance income	66,386	74,850	67,240	10,050
Finance costs	(31,035)	(48,819)	(38,031)	(7,037)
Finance income, net	<u>35,351</u>	<u>26,031</u>	<u>29,209</u>	<u>3,013</u>
Share of result of associated companies	712,560	256,893	238,909	159,203
	—	—	(130)	279
Profit before income tax	712,560	256,893	238,779	159,482
Income tax expense	(192,035)	(187,152)	(193,381)	(67,024)
Profit for the year/period	<u>520,525</u>	<u>69,741</u>	<u>45,398</u>	<u>92,458</u>
Attributable to:				
Shareholders of the Company	520,525	69,741	45,643	92,782
Non-controlling interests	—	—	(245)	(324)
	<u>520,525</u>	<u>69,741</u>	<u>45,398</u>	<u>92,458</u>
Dividends	<u>596,896</u>	<u>133,206</u>	—	—
Dividends per share (expressed in HK\$ per share)	<u>0.354</u>	<u>0.079</u>	—	—
Earnings per share for profit attributable to shareholders of the Company during the year/period (expressed in HK\$ per share)				
— Basic and diluted	<u>0.31</u>	<u>0.04</u>	<u>0.03</u>	<u>0.05</u>

Summary Consolidated Statements of Financial Position

	As at 30 June 2016			As at
	2014	2015	2016	31 December
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Assets				
Non-current assets				
Property, plant and equipment	2,171,857	1,794,395	1,482,758	1,321,686
Investment properties	4,339,656	4,717,926	4,567,522	4,381,642
Land use rights	899,678	803,474	671,759	620,975
Intangible assets	1,867,241	1,869,132	1,748,725	1,670,494
Interests in associated companies	—	—	361	890
Other non-current assets	305,111	314,707	616,336	601,063
Prepayments, deposits and other receivables	442,200	395,627	332,816	296,679
Financial asset at fair value through other comprehensive income	—	—	—	17,702
Available-for-sale financial asset	—	—	35,893	—
Financial asset at fair value through profit or loss	—	—	9,040	8,694
Deferred income tax assets	179,656	162,571	150,866	141,218
	<u>10,205,399</u>	<u>10,057,832</u>	<u>9,616,076</u>	<u>9,061,043</u>
Current assets				
Inventories	160,617	230,412	231,117	229,272
Debtors	105,101	98,206	114,183	152,168
Prepayments, deposits and other receivables	678,126	637,139	542,733	595,496
Amounts due from fellow subsidiaries	2,161	27,207	2,842	8,102
Amounts due from related companies	24	365	2,210	1
Financial asset at fair value through profit or loss	—	—	—	1,170
Fixed deposits	630,574	26,806	39,269	21,108
Cash and cash equivalents	896,538	2,089,111	1,163,409	1,856,475
	<u>2,473,141</u>	<u>3,109,246</u>	<u>2,095,763</u>	<u>2,863,792</u>
Total assets	<u>12,678,540</u>	<u>13,167,078</u>	<u>11,711,839</u>	<u>11,924,835</u>
Equity and liabilities				
Equity				
Share capital	168,615	168,615	168,615	168,615
Reserves	6,247,928	6,124,022	5,744,224	5,557,403
Shareholders' funds	6,416,543	6,292,637	5,912,839	5,726,018
Non-controlling interests	—	—	(4)	(52)
Total equity	<u>6,416,543</u>	<u>6,292,637</u>	<u>5,912,835</u>	<u>5,725,966</u>

	As at 30 June 2016			As at
	2014	2015	2016	31 December
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Liabilities				
Non-current liabilities				
Accruals and other payables	608,723	601,043	527,499	492,443
Obligation under finance leases	—	62	47	39
Borrowings	696,844	1,578,056	385,965	290,503
Deferred income tax liabilities	852,224	876,775	856,502	805,553
	<u>2,157,791</u>	<u>3,055,936</u>	<u>1,770,013</u>	<u>1,588,538</u>
Current liabilities				
Creditors	2,258,495	2,028,801	1,950,241	2,280,236
Accruals and other payables	1,701,314	1,554,543	1,363,069	1,254,070
Amounts due to fellow subsidiaries	24,911	4,086	6,735	4,353
Amounts due to related companies	30,809	12,356	12,163	38,829
Amounts due to associated companies	—	—	477	398
Obligation under finance leases	—	16	16	16
Borrowings	—	128,970	609,687	938,054
Tax payable	88,677	89,733	86,603	94,375
	<u>4,104,206</u>	<u>3,818,505</u>	<u>4,028,991</u>	<u>4,610,331</u>
Total liabilities	<u>6,261,997</u>	<u>6,874,441</u>	<u>5,799,004</u>	<u>6,198,869</u>
Total equity and liabilities	<u>12,678,540</u>	<u>13,167,078</u>	<u>11,711,839</u>	<u>11,924,835</u>

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Set out below is financial information of the NWDSC Group as extracted from the published audited consolidated financial statements as set forth in the annual report of NWDSC for the year ended 30 June 2016.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	5	3,659,896	4,029,351
Other income	6	170,424	168,589
Other losses, net	7	(25,164)	(176,422)
Changes in fair value of investment properties		(25,437)	766
Purchases of and changes in inventories, net		(756,036)	(719,380)
Employee benefit expense	10	(633,223)	(747,285)
Depreciation and amortisation		(300,730)	(344,248)
Operating lease rental expense		(1,163,895)	(1,191,665)
Other operating expenses, net	8	(716,135)	(788,844)
Operating profit		209,700	230,862
Finance income		67,240	74,850
Finance costs		(38,031)	(48,819)
Finance income, net	9	29,209	26,031
Share of result of an associated company		238,909	256,893
		(130)	–
Profit before income tax		238,779	256,893
Income tax expense	12	(193,381)	(187,152)
Profit for the year		45,398	69,741
Attributable to:			
Shareholders of the Company		45,643	69,741
Non-controlling interests		(245)	–
		45,398	69,741
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in HK\$ per share)			
– Basic and diluted	14	0.03	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	45,398	69,741
<hr style="border-top: 1px dashed black;"/>		
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	20,113	29,750
– Deferred income tax thereof	(5,028)	(7,437)
	15,085	22,313
<hr style="border-top: 1px dashed black;"/>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Release of exchange reserve upon liquidation of a subsidiary	–	(10,097)
Fair value changes of available-for-sale financial asset	(4,399)	–
Translation differences	(405,776)	(1,839)
	(410,175)	(11,936)
<hr style="border-top: 1px dashed black;"/>		
Other comprehensive income for the year, net of tax	(395,090)	10,377
<hr style="border-top: 1px dashed black;"/>		
Total comprehensive income for the year	(349,692)	80,118
<hr style="border-top: 1px solid black;"/>		
Attributable to:		
Shareholders of the Company	(349,454)	80,118
Non-controlling interests	(238)	–
	(349,692)	80,118
<hr style="border-top: 1px solid black;"/>		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	15	1,482,758	1,794,395
Investment properties	16	4,567,522	4,717,926
Land use rights	17	671,759	803,474
Intangible assets	18	1,748,725	1,869,132
Interests in associated companies	19	361	–
Other non-current assets	20	616,336	314,707
Prepayments, deposits and other receivables	21	332,816	395,627
Available-for-sale financial asset	22	35,893	–
Financial asset at fair value through profit or loss	23	9,040	–
Deferred income tax assets	33	150,866	162,571
		9,616,076	10,057,832
Current assets			
Inventories	24	231,117	230,412
Debtors	25	114,183	98,206
Prepayments, deposits and other receivables	21	542,733	637,139
Amounts due from fellow subsidiaries	26	2,842	27,207
Amounts due from related companies	26	2,210	365
Fixed deposits	27	39,269	26,806
Cash and cash equivalents	28	1,163,409	2,089,111
		2,095,763	3,109,246
Total assets		11,711,839	13,167,078
Equity and liabilities			
Equity			
Share capital	29	168,615	168,615
Reserves	30	5,744,224	6,124,022
Shareholders' funds		5,912,839	6,292,637
Non-controlling interests		(4)	–
Total equity		5,912,835	6,292,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
Liabilities			
Non-current liabilities			
Accruals and other payables	34	527,499	601,043
Obligation under finance leases	31	47	62
Borrowings	32	385,965	1,578,056
Deferred income tax liabilities	33	856,502	876,775
		1,770,013	3,055,936
Current liabilities			
Creditors, accruals and other payables	34	3,313,310	3,583,344
Amounts due to fellow subsidiaries	26	6,735	4,086
Amounts due to related companies	26	12,163	12,356
Amount due to an associated company	26	477	–
Obligation under finance leases	31	16	16
Borrowings	32	609,687	128,970
Tax payable		86,603	89,733
		4,028,991	3,818,505
Total liabilities		5,799,004	6,874,441
Total equity and liabilities		11,711,839	13,167,078

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to shareholders of the Company										
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Statutory reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Shareholders' funds	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2015	168,615	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,292,637	-	6,292,637
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	45,643	45,643	(245)	45,398
Other comprehensive income											
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	-	-	20,113	-	-	-	-	-	20,113	-	20,113
- Deferred income tax thereof	-	-	(5,028)	-	-	-	-	-	(5,028)	-	(5,028)
Fair value changes of available-for-sale financial asset	-	-	-	-	-	(4,399)	-	-	(4,399)	-	(4,399)
Translation differences	-	-	-	-	-	-	(405,776)	-	(405,776)	7	(405,769)
Total comprehensive income for the year ended 30 June 2016	-	-	15,085	-	-	(4,399)	(405,776)	45,643	(349,447)	(238)	(349,685)
Transactions with owners											
Final dividend relating to the year ended 30 June 2015	-	(30,351)	-	-	-	-	-	-	(30,351)	-	(30,351)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	234	234
Transfer to statutory reserve	-	-	-	-	29,836	-	-	(29,836)	-	-	-
Total transactions with owners	-	(30,351)	-	-	29,836	-	-	(29,836)	(30,351)	234	(30,117)
At 30 June 2016	168,615	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,912,839	(4)	5,912,835

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 July 2014	168,615	2,061,021	86,736	391,588	344,381	-	629,406	2,734,796	6,416,543	-	6,416,543
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	69,741	69,741	-	69,741
Other comprehensive income											
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	-	-	29,750	-	-	-	-	-	29,750	-	29,750
- Deferred income tax thereof	-	-	(7,437)	-	-	-	-	-	(7,437)	-	(7,437)
Release of exchange reserve upon liquidation of a subsidiary	-	-	-	-	-	-	(10,097)	-	(10,097)	-	(10,097)
Translation differences	-	-	-	-	-	-	(1,839)	-	(1,839)	-	(1,839)
Total comprehensive income for the year ended 30 June 2015	-	-	22,313	-	-	-	(11,936)	69,741	80,118	-	80,118
Transactions with owners											
Final dividend relating to the year ended 30 June 2014	-	(101,169)	-	-	-	-	-	-	(101,169)	-	(101,169)
Interim dividend relating to the period ended 31 December 2014	-	(102,855)	-	-	-	-	-	-	(102,855)	-	(102,855)
Transfer to statutory reserve	-	-	-	-	15,007	-	-	(15,007)	-	-	-
Total transactions with owners	-	(204,024)	-	-	15,007	-	-	(15,007)	(204,024)	-	(204,024)
At 30 June 2015	168,615	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,292,637	-	6,292,637

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities		
Profit before income tax	238,779	256,893
Adjustments for:		
– Finance income	(67,240)	(74,850)
– Finance costs	38,031	48,819
– Amortisation of operating rights	290	133
– Amortisation of land use rights	26,285	28,276
– Depreciation of property, plant and equipment	274,155	315,839
– Changes in fair value of investment properties	25,437	(766)
– Loss on disposal of property, plant and equipment	4,330	63,372
– Impairment loss on property, plant and equipment	30,146	123,147
– Gain on liquidation of a subsidiary	–	(10,097)
– (Reversal of inventory write-down, net)/inventory write-down	(2)	7,013
– Provision for doubtful debts, net	2,187	12,152
– Fair value gain on financial asset at fair value through profit or loss	(9,312)	–
– Share of result of an associated company	130	–
– Net foreign exchange difference	48,123	–
Operating profit before working capital changes	611,339	769,931
Changes in:		
Inventories	(15,992)	4,712
Debtors	(25,163)	12,408
Prepayments, deposits and other receivables	58,916	113,762
Creditors, accruals and other payables	(145,530)	(477,686)
Amounts due from/(to) fellow subsidiaries	29,209	(27,699)
Amounts due from/(to) related companies	159	(30,137)
Cash generated from operations	512,938	365,291
Mainland China tax paid	(153,576)	(159,263)
Net cash from operating activities	359,362	206,028

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiaries	36	–	16,935
Additions to investment properties		(46,709)	(15,274)
Additions to property, plant and equipment		(155,279)	(309,794)
Net proceeds on disposal of property, plant and equipment		13,997	234
(Increase)/decrease in fixed deposits		(14,188)	603,768
Interest received		74,692	74,850
Purchase of available-for-sale financial asset		(39,466)	–
Additions to other non-current assets		(308,222)	–
Net cash (used in)/from investing activities		(475,175)	370,719
Cash flows from financing activities			
Drawdown of bank borrowings		338,428	1,003,947
Repayment of bank borrowings		(992,565)	(130,034)
Finance costs paid		(43,871)	(52,119)
Dividends paid		(30,351)	(204,024)
Net cash (used in)/from financing activities		(728,359)	617,770
Net (decrease)/increase in cash and cash equivalents		(844,172)	1,194,517
Cash and cash equivalents at beginning of the year		2,089,111	896,538
Effect of foreign exchange rate changes		(81,530)	(1,944)
Cash and cash equivalents at end of the year	28	1,163,409	2,089,111

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

New World Department Store China Limited (the “Company”) was incorporated in the Cayman Islands on 25 January 2007 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the “Group”) are engaged in department store and other related businesses, and property investment operations in Mainland China.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 July 2007.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 September 2016.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Company for the year ended 30 June 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial asset and financial asset at fair value through profit or loss, which have been measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

At 30 June 2016, the Group’s current liabilities exceeded its current assets by HK\$1,933,228,000 (2015: HK\$709,259,000). Taking into account the cash flows from operating activities, ability to generate additional financing and its asset backing, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

There are no standards, amendments to standards or interpretations that are effective for the first time for the year ended 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The following new or revised standards and amendments to existing standards are mandatory for the accounting periods beginning on or after 1 July 2016 which the Group has not early adopted:

Effective for the year ending 30 June 2017:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

Effective for the year ending 30 June 2018 or after:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes

Effective date to be determined:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group is in the process of making an assessment of the impact of these new or revised standards and amendments to existing standards on its result of operation and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset acquired or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(i) Consolidation (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.8).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests is the equity in a subsidiary which is not attributable, directly or indirectly, to a parent.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.3 Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interest in an associated company is accounted for using the equity method of accounting. Under the equity method, the interest is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of result in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the interest in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to 'share of result of an associated company' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associated company. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of the associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors of the Company that makes strategic decisions.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 to 40 years
Plant and machinery	5 years
Motor vehicles	5 years
Leasehold improvements	Shorter of remaining lease term or useful life of 2 to 15 years
Furniture and fixtures	3 to 5 years
Office equipment	2 to 5 years
Computer	2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Assets under construction represents buildings or leasehold improvements on which construction work has not been completed and plant and machinery, furniture and fixtures, office equipment and computer pending installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, assets under construction is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for assets until they are ready and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other losses, net' in the consolidated income statement.

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Investment properties (continued)

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if the fair value of the property at the date of transfer which results in a reversal of the previous impairment loss, the write-back is recognised in the consolidated income statement.

2.7 Land use rights

All lands in Mainland China are state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods using the straight-line method.

2.8 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Operating rights

Operating right primarily resulted from the acquisition of right to operate distribution and retailing of fashion apparels and accessories business. Separately acquired operating rights are shown at historical cost. Operating rights acquired in a business combination are recognised at fair value at the acquisition date. Operating rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of operating rights over their estimated useful lives.

2.9 Impairment of investments in subsidiaries, interests in associated companies and non-financial assets

Intangible assets that have an indefinite useful life, for example goodwill, or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognised in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.9 Impairment of investments in subsidiaries, interests in associated companies and non-financial assets (continued)

Impairment testing of the investments in subsidiaries or interests in associated companies is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or an associated company in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Investments

The Group classifies its investments in the categories of financial asset at fair value through profit or loss, loans and receivables, and available-for-sale financial asset. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments are acquired.

(i) Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss is financial asset held for trading and that designated as at fair value through profit or loss at inception under certain circumstances. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Asset in the category is classified as current asset when it is expected to be settled within twelve months after the end of the reporting period; otherwise, it is classified as non-current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable and are included in current assets, except for those with maturities more than twelve months after the end of the reporting period, which are classified as non-current assets.

(iii) Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated in this category or not classified in any of the other categories. It is included in non-current asset unless management intends to dispose of the investment within twelve months after the end of the reporting period.

Gains and losses arising from changes in the fair value of the financial asset at fair value through profit or loss are included in the consolidated income statement in the financial period in which they arise. Changes in the fair value of available-for-sale financial asset are recognised in other comprehensive income. When available-for-sale financial asset is sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from financial asset. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in the consolidated income statement; translation differences on non-monetary financial assets are recognised in other comprehensive income.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets classified as loans and receivables. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.10 Investments (continued)

Available-for-sale financial asset and financial asset at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The fair value of listed investment is based on quoted bid prices at the end of the reporting period. If the market for a financial asset is not active and for unlisted financial asset, the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.11 Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement, is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Inventories

Inventories comprise finished goods and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.18 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Borrowings costs (continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associated company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that sufficient future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.20 Employee benefits

(i) **Employee leave entitlements**

Employee entitlements to annual leaves are recognised when they accrue to employees. Provisions are made for the estimated liability for annual leaves as a result of services rendered by employees up to the end of the reporting period.

(ii) **Pension obligations**

The Group makes contributions to defined contribution retirement schemes under the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme Ordinance in Hong Kong, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by payments from employees and by the Group. The Group's contributions to the defined contribution retirement schemes are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

The Group also contributes to employee retirement schemes established by municipal governments in Mainland China. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

(iii) **Bonus plans**

Provisions for bonus plan due wholly within twelve months after the end of the reporting period are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- (a) when the Group can no longer withdraw the offer of those benefits; and
- (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after elimination of sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

Revenue from direct sales of goods is recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction. Such fees are included in 'other operating expenses, net'.

Revenue from management and consultancy fees is recognised when management and advisory services are rendered.

Rental income is recognised on a straight-line accrual basis over the terms of lease agreements.

Interest income is recognised on a time proportion basis using effective interest method.

Dividend income is recognised when the right to receive payment is established.

Payments received in advance that are related to sales of goods not yet delivered are deferred in the consolidated statement of financial position. Revenue is recognised when goods are delivered to the customers. After expiry of prepaid stored value cards, the corresponding receipts in advance are normally recognised as income based on the Group's previous experience in forfeiture of prepaid stored value cards by customers.

2.23 Government grants

Government grants are recognised at their fair values where there is a reasonable assurance that grant will be received and all attaching conditions will be complied with.

2.24 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in HK\$, the Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement or capitalised as cost of qualifying assets, as applicable (Note 2.18).

Translation differences on financial assets and liabilities held at fair value through profit or loss is reported as part of the fair value gain or loss. Translation difference on non-monetary available-for-sale financial asset is included in equity.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.24 Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessee or received from the lessor) are recognised as income or expense in the consolidated income statement on a straight-line basis over the periods of the lease.

The Group leases certain equipment. Leases of equipment where the Group has substantially retained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk, interest rate risk and price risk.

(a) Foreign exchange risk

The Group is mainly exposed to foreign exchange risk arising from RMB against HK\$, United States dollar ("USD") and Euro ("EUR"). This foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the functional currencies of the Company and each of the subsidiaries. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange risk during the year.

At 30 June 2016, if RMB had strengthened/weakened by 5% (2015: 5%) against the HK\$, EUR and USD with all other variables held constant, profit before income tax and capitalisation of borrowing costs for the year would have been approximately HK\$22,255,000 (2015: HK\$76,742,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK\$-denominated, EUR-denominated and USD-denominated bank balances, other receivable and payable, borrowings and balances with group companies of the Group's entities of which functional currency is RMB.

At 30 June 2016, if HK\$ had strengthened/weakened by 5% (2015: 5%) against the RMB and EUR with all other variables held constant, profit before income tax and capitalisation of borrowing costs for the year would have been approximately HK\$2,536,000 (2015: HK\$2,399,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated and EUR-denominated bank balances, other receivable and payable, borrowings and balances with group companies of the Group's entities of which functional currency is HK\$. Under the Linked Exchange Rate System in Hong Kong, HK\$ is pegged to USD.

Foreign exchange risk as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by Mainland China government.

(b) Credit risk

The credit risk of the Group mainly arises from debtors, deposits, other receivables, amounts due from fellow subsidiaries and related companies, fixed deposits and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2016, all the bank deposits are deposited in high credit-rated financial institutions without significant credit risk.

Retail sales are usually paid in cash or by major credit/debit cards. At the reporting date, management considers the Group does not have a significant concentration of credit risk. No single customer accounted for more than 3% (2015: 3%) of the Group's total revenue during the year.

For debtors related to rental income, other receivables and amounts due from fellow subsidiaries and related companies, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and financing cash flows.

At 30 June 2016, the Group's current liabilities exceeded its current assets by HK\$1,933,228,000 (2015: HK\$709,259,000). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and to fulfil its liabilities and commitments as and when they fall due.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amounts HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	Over 1 year but within 5 years HK\$'000
At 30 June 2016				
Creditors, accruals and other payables	2,758,428	2,758,428	2,758,428	–
Amounts due to fellow subsidiaries	6,735	6,735	6,735	–
Amounts due to related companies	12,163	12,163	12,163	–
Amount due to an associated company	477	477	477	–
Obligation under finance leases	63	63	16	47
Borrowings	995,652	1,073,737	645,488	428,249
At 30 June 2015				
Creditors, accruals and other payables	2,885,393	2,885,393	2,885,393	–
Amounts due to fellow subsidiaries	4,086	4,086	4,086	–
Amounts due to related companies	12,356	12,356	12,356	–
Obligation under finance leases	78	78	16	62
Borrowings	1,707,026	1,871,261	184,464	1,686,797

(d) Interest rate risk

Except for the fixed deposits and short-term bank deposits as at 30 June 2016 of HK\$39,269,000 and HK\$599,977,000 (2015: HK\$26,806,000 and HK\$1,783,198,000) respectively, which are held at interest rates of ranging from 0.20% to 4.25% (2015: 1.35% to 5.30%) per annum, the Group has no significant interest-bearing assets. The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates of HK\$995,652,000 (2015: HK\$1,707,026,000) expose the Group to cash flow interest rate risk which is partially offset by cash at bank held at variable rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. At the reporting date, management does not anticipate significant impact resulted from the changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk (continued)

At 30 June 2016, if interest rates on fixed deposits, short-term bank deposits and bank borrowings subject to variable rate had been 100 (2015: 100) basis points higher/lower with all other variables held constant, the Group's profit before income tax and capitalisation of borrowings cost for the year would have been approximately HK\$3,602,000 lower/higher (2015: HK\$1,030,000 higher/lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

(e) Price risk

The Group is exposed to equity securities price risk arising from the listed equity investments held by the Group. Gains and losses arising from changes in the fair value of available-for-sale financial assets are dealt with in equity. The performance of the Group's listed equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

At 30 June 2016, if the price of listed equity investments in available-for-sale financial assets had been 50% higher/lower with all other variables held constant, the Group's investment revaluation reserve would have been approximately HK\$17,947,000 (2015: HK\$Nil) higher/lower, without taking into consideration the tax and impairment effects. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next twelve months.

3.2 Capital risk management

The Group's objectives on managing capital are to finance its operations with its owned capital and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

With regard to the maintenance and enhancement of capital structure, the Group regularly reviews and manages its capital structure and makes adjustments to it taking into consideration of changes in economic and market conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected investment opportunities.

The Group's strategy was to maintain a capital base competitive to industry's average to support the operations and development of its business.

The Group is in net cash position as at 30 June 2016 and 2015, taking into accounts its borrowings, cash and cash equivalents and fixed deposits.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The carrying amounts of the financial instruments of the Group are as follows:

- (i) Listed instrument is stated at market price. The quoted market price used for financial asset held by the Group is the bid price at the end of the reporting period. It is included in level 1.
- (ii) Unlisted instrument is stated at fair value which is estimated using valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2016:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial asset	35,893	-	-	35,893
Financial asset at fair value through profit or loss	-	-	9,040	9,040
	35,893	-	9,040	44,933

The Group had no financial assets that are measured at fair value as at 30 June 2015.

There were no significant transfer of financial assets between level 1 and level 2 fair value hierarchy classification and changes in valuation techniques during the year.

The following table presents the changes in level 3 financial instrument for the year ended 30 June 2016:

	Financial asset at fair value through profit or loss HK\$'000
At 1 July 2015	-
Fair value gain recognised in the consolidated income statement	9,312
Translation difference	(272)
At 30 June 2016	9,040

The Group prepares and updates detailed forecasts on the business on a semi-annual basis as part of its normal operating processes. These forecasts use external market forecasts, management's evaluation of the revenue, costs and expected margins, based on past experiences, and are subject to detailed review at entity and group level.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The key unobservable assumptions used in the valuation include the projected cumulative loss under the indemnification clause in connection with the acquisition of a subsidiary and discount rate.

The projected cumulative loss is based on financial estimates of the subsidiary. The average gross margin of direct sales used to estimate the fair value is 53.6%. The higher the projected cumulative loss is, the higher the fair value will be.

The discount rate used to compute the fair value is 34.7%. The lower the discount rate is, the higher the fair value will be.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives and impairment of property, plant and equipment

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives that the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its recoverable amount which is its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by independent valuers based on a market value assessment. The valuers have relied on the capitalisation of income approach. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

At 30 June 2016, if the market value of investment properties had been 8% (2015: 8%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been approximately HK\$365,402,000 (2015: HK\$377,434,000) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(d) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(e) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on fair value less cost of disposal calculations (Note 18). These calculations require the use of estimates which are subject to change of economic environment in future.

(f) Recognition of deferred income tax assets

Deferred income tax assets recognised on unused tax losses of The People's Republic of China ("PRC") subsidiaries and other deductible temporary differences involve business assumptions and projections in determining the estimated future taxable profits available against which tax losses and other deductible temporary differences can be utilised before they expire, if applicable. Where the final tax outcome of these profits different from the amounts that were initially recorded, such differences will impact the deferred income tax assets in the period in which such determination is made.

At 30 June 2016, if the estimated future taxable profits had been 10% (2015: 10%) lower with all other variables held constant, there is no significant adverse impact to the deferred income tax assets recognised on unused tax losses and other deductible temporary differences of the Group.

5 REVENUE AND SEGMENT INFORMATION

	2016 HK\$'000	2015 HK\$'000
Commission income from concessionaire sales	1,977,219	2,441,660
Sales of goods – direct sales	1,002,932	895,410
Management and consultancy fees	40,288	53,565
Rental income	639,457	638,716
	3,659,896	4,029,351

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (continued)

The income from concessionaire sales is analysed as follows:

	2016 HK\$'000	2015 HK\$'000
Gross revenue from concessionaire sales	11,223,896	13,502,152
Commission income from concessionaire sales	1,977,219	2,441,660

The chief operating decision-maker ("CODM") has been identified as executive Directors. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers that the Group has department store and other related businesses, and property investment business. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of net other losses, changes in fair value of investment properties and unallocated corporate expenses. In addition, net finance income and share of result of an associated company are not allocated to segments. The measurement of segment assets excludes interests in associated companies, deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

Revenue is primarily generated in Mainland China and all significant operating assets of the Group are in Mainland China.

	Department store and other related businesses HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
For the year ended 30 June 2016			
Segment revenue	3,494,906	164,990	3,659,896
Segment results	158,725	108,687	267,412
Other losses, net	(25,164)	-	(25,164)
Changes in fair value of investment properties	-	(25,437)	(25,437)
Unallocated corporate expenses			(7,111)
Operating profit			209,700
Finance income			67,240
Finance costs			(38,031)
Finance income, net			29,209
Share of result of an associated company			238,909 (130)
Profit before income tax			238,779
Income tax expense			(193,381)
Profit for the year			45,398

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store and other related businesses HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
For the year ended 30 June 2015			
Segment revenue	3,870,350	159,001	4,029,351
Segment results	337,432	75,627	413,059
Other losses, net	(176,422)	–	(176,422)
Changes in fair value of investment properties	–	766	766
Unallocated corporate expenses			(6,541)
Operating profit			230,862
Finance income			74,850
Finance costs			(48,819)
Finance income, net			26,031
Profit before income tax			256,893
Income tax expense			(187,152)
Profit for the year			69,741
	Department store and other related businesses HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
As at 30 June 2016			
Segment assets	6,108,770	5,450,310	11,559,080
Interests in associated companies	361	–	361
Deferred income tax assets	150,866	–	150,866
Unallocated corporate assets:			
Cash and cash equivalents			1,300
Others			232
Total assets			11,711,839
For the year ended 30 June 2016			
Additions to non-current assets (Note)	477,937	47,158	525,095
Depreciation and amortisation	298,639	2,091	300,730
Impairment loss on property, plant and equipment	30,146	–	30,146

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store and other related businesses HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
As at 30 June 2015			
Segment assets	7,174,905	5,823,887	12,998,792
Deferred income tax assets	162,571	–	162,571
Unallocated corporate assets:			
Cash and cash equivalents			5,485
Others			230
Total assets			13,167,078
For the year ended 30 June 2015			
Additions to non-current assets (Note)	387,273	56,167	443,440
Depreciation and amortisation	342,697	1,551	344,248
Impairment loss on property, plant and equipment	123,147	–	123,147

Note:

Additions to non-current assets represent additions to non-current assets other than financial instruments and deferred income tax assets.

6 OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Government grants	24,827	21,036
Income from suppliers	76,228	83,217
Compensation for termination of lease (Note 37(a)(vii))	15,667	26,410
Sundries	53,702	37,926
	170,424	168,589

NOTES TO THE FINANCIAL STATEMENTS

7 OTHER LOSSES, NET

	2016 HK\$'000	2015 HK\$'000
Fair value gain on financial asset at fair value through profit or loss	9,312	–
Gain on liquidation of a subsidiary	–	10,097
Loss on disposal of property, plant and equipment (Note (i))	(4,330)	(63,372)
Impairment loss on property, plant and equipment (Note (ii))	(30,146)	(123,147)
	(25,164)	(176,422)

Notes:

- (i) During the year ended 30 June 2015, loss on disposal of property, plant and equipment of approximately HK\$4,432,000 was derived taking into account the compensation amount from the termination of lease (Note 37(a)(vii)).
- (ii) The impairment provision was made to reflect management's latest plan for mainly one department store (2015: two department stores) in light of the latest market environment and the management's assessment on the business prospect thereof.

8 OTHER OPERATING EXPENSES, NET

	2016 HK\$'000	2015 HK\$'000
Water and electricity	129,058	159,052
Selling, promotion, advertising and related expenses	165,887	250,956
Cleaning, repairs and maintenance	91,730	102,062
Auditors' remuneration		
– Audit services	7,080	6,540
– Non-audit services (Note (i))	1,141	1,524
Net exchange losses/(gains) (Note (ii))	62,446	(9,798)
Other tax expenses	169,974	201,996
Provision for doubtful debts, net	2,187	12,152
Others	86,632	64,360
	716,135	788,844

Notes:

- (i) The amount excluded professional fees capitalised to property, plant and equipment of HK\$1,182,000 (2015: HK\$1,313,000).
- (ii) The amount excluded exchange losses arising from foreign currency borrowings capitalised to other non-current assets of HK\$3,140,000 (2015: HK\$Nil), which represented the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies.

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE INCOME, NET

	2016 HK\$'000	2015 HK\$'000
Interest income on bank deposits	67,240	74,850
Interest on bank loans	(48,543)	(58,415)
Less: Amount capitalised (Note)	10,512	9,596
	(38,031)	(48,819)
	29,209	26,031

Note:

To the extent funds are borrowed generally and used for the purpose of financing the qualifying assets, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation, including the effect of capitalisation of exchange difference (Note 8), is 3.9% (2015: 3.5%) for the year.

10 EMPLOYEE BENEFIT EXPENSE

	2016 HK\$'000	2015 HK\$'000
Wages, salaries and other benefits	569,291	659,979
Retirement benefit costs – defined contribution plans	63,932	87,306
	633,223	747,285

Employee benefit expense includes Directors' emoluments (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of Directors for the year ended 30 June 2016 is set out below:

Name of Directors	As Director (Note (i)) HK\$'000	As management (Note (ii)) HK\$'000	Total HK\$'000
Non-executive Directors			
Dr. Cheng Kar-shun, Henry	100	-	100
Mr. Au Tak-cheong	100	-	100
Ms. Ngan Man-ying, Lynda	100	-	100
Executive Directors			
Dr. Cheng Chi-kong, Adrian	150	-	150
Mr. Cheung Fai-yet, Philip	150	4,946	5,096
Independent non-executive Directors			
Mr. Cheong Ying-chew, Henry	200	-	200
Mr. Chan Yiu-tong, Ivan	200	-	200
Mr. Tong Hang-chan, Peter	200	-	200
Mr. Yu Chun-fai	200	-	200
	1,400	4,946	6,346

NOTES TO THE FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

Certain of the comparative information of Directors' emoluments for the year ended 30 June 2015 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

Name of Directors	As Director (Note (i)) HK\$'000	As management (Note (ii)) HK\$'000	Total HK\$'000
Non-executive Directors			
Dr. Cheng Kar-shun, Henry	100	–	100
Mr. Au Tak-cheong	100	–	100
Ms. Ngan Man-ying, Lynda	100	–	100
Executive Directors			
Dr. Cheng Chi-kong, Adrian	150	–	150
Mr. Cheung Fai-yet, Philip	150	4,946	5,096
Mr. Wong Kwok-kan, Kenneth (Note (iii))	63	1,193	1,256
Independent non-executive Directors			
Mr. Cheong Ying-chew, Henry	200	–	200
Mr. Chan Yiu-tong, Ivan	200	–	200
Mr. Tong Hang-chan, Peter	200	–	200
Mr. Yu Chun-fai	200	–	200
	1,463	6,139	7,602

Notes:

- (i) The amounts represented directors' fees paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiary undertakings.
- (ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, discretionary bonus, employer's contributions to retirement benefit schemes, housing allowance, other allowances and other benefits in kind.
- (iii) Mr. Wong Kwok-kan, Kenneth resigned as an executive Director with effect from 1 December 2014.
- (iv) No Director waived or agreed to waive any emoluments during the years ended 30 June 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes one (2015: one) Director for the year ended 30 June 2016, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2015: four) individuals during the year are as follows:

	2016	2015
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	6,800	6,959
Discretionary bonus	965	1,374
Retirement benefit costs – defined contribution plans	223	326
	7,988	8,659

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
HK\$1,500,001 – HK\$2,000,000	3	2
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	–	1
	4	4

12 INCOME TAX EXPENSE

The amounts of taxation charged to the consolidated income statement represent:

	2016	2015
	HK\$'000	HK\$'000
Current income tax		
– Mainland China taxation	159,277	161,637
– Under/(over)-provision in prior years	108	(2,571)
Deferred income tax (Note 33)		
– Undistributed retained earnings	1,819	(6,962)
– Other temporary differences	32,177	35,048
	193,381	187,152

NOTES TO THE FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE (continued)

Taxation has been provided at the tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the years ended 30 June 2016 and 2015.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2015: 25%).

The taxation of the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average tax rates prevailing in the territories in which the Group operates, as follows:

	2016 HK\$'000	2015 HK\$'000
Profit before income tax and share of result of an associated company	238,909	256,893
Tax calculated at applicable tax rate	59,727	64,223
Expenses not deductible for taxation purpose	39,597	55,000
Income not subject to taxation	(12,829)	(20,055)
Effect of income charged on deemed basis	(195)	(294)
Reversal of previously recognised tax losses	27,981	–
Tax losses not recognised	77,821	103,577
Utilisation of previously unrecognised tax losses	(5,716)	(5,766)
Under/(over)-provision in prior years	108	(2,571)
PRC withholding income taxes	6,887	(6,962)
Income tax expense	193,381	187,152
	2016	2015
Weighted average domestic applicable tax rates	25%	25%

13 DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Interim dividend paid of HK\$Nil (2015: HK\$0.061) per share	–	102,855
Final dividend proposed of HK\$Nil (2015: HK\$0.018) per share	–	30,351
	–	133,206

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2016 (2015: HK\$0.018 per share).

NOTES TO THE
FINANCIAL STATEMENTS**14 EARNINGS PER SHARE****(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to shareholders of the Company (HK\$'000)	45,643	69,741
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK\$ per share)	0.03	0.04

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the years ended 30 June 2016 and 2015, there was no dilutive potential ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer HK\$'000	Assets under construction HK\$'000	Total HK\$'000
Cost									
At 1 July 2015	738,302	59,463	11,382	2,584,061	40,899	14,533	243,366	74,799	3,766,805
Translation differences	(49,845)	(4,117)	(771)	(181,446)	(2,891)	(1,083)	(17,764)	(4,811)	(262,728)
Additions	-	1,849	1,187	114,772	1,037	439	38,344	15,715	173,343
Disposals	-	(6)	(976)	(62,501)	(1,389)	(491)	(9,316)	-	(74,679)
Reclassification	-	-	-	54,627	-	-	-	(54,627)	-
Transfer to investment properties	(59,640)	-	-	(17,592)	-	-	-	-	(77,232)
At 30 June 2016	628,817	57,189	10,822	2,491,921	37,656	13,398	254,630	31,076	3,525,509
Accumulated depreciation and impairment									
At 1 July 2015	106,120	54,548	8,230	1,605,009	25,479	10,715	162,309	-	1,972,410
Translation differences	(9,783)	(3,847)	(614)	(125,993)	(2,050)	(879)	(13,656)	-	(156,822)
Charge for the year	20,706	1,587	1,556	211,205	4,712	1,413	32,976	-	274,155
Written back on disposals	-	(6)	(976)	(44,570)	(1,320)	(432)	(9,048)	-	(56,352)
Impairment	-	-	-	30,146	-	-	-	-	30,146
Transfer to investment properties	(17,899)	-	-	(2,887)	-	-	-	-	(20,786)
At 30 June 2016	99,144	52,282	8,196	1,672,910	26,821	10,817	172,581	-	2,042,751
Net book amount									
At 30 June 2016	529,673	4,907	2,626	819,011	10,835	2,581	82,049	31,076	1,482,758

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer HK\$'000	Assets under construction HK\$'000	Total HK\$'000
Cost									
At 1 July 2014	898,170	56,767	10,792	2,527,839	35,070	14,411	216,108	81,999	3,841,156
Translation differences	(39)	-	-	(117)	(3)	-	(10)	-	(169)
Additions	-	3,401	612	220,843	5,874	1,496	31,785	49,621	313,632
Disposals	-	(1,210)	(22)	(173,061)	(1,143)	(1,374)	(8,487)	-	(185,297)
Reclassification	-	505	-	55,652	1	-	663	(56,821)	-
Transfer to investment properties	(172,690)	-	-	(66,666)	-	-	-	-	(239,356)
Acquisition of a subsidiary (Note 36)	12,861	-	-	19,571	1,100	-	3,307	-	36,839
At 30 June 2015	738,302	59,463	11,382	2,584,061	40,899	14,533	243,366	74,799	3,766,805
Accumulated depreciation and impairment									
At 1 July 2014	105,745	54,479	6,307	1,333,989	20,491	10,027	138,261	-	1,669,299
Translation differences	(33)	-	-	(96)	-	-	-	-	(129)
Charge for the year	20,395	1,243	1,828	253,141	5,810	1,996	31,426	-	315,839
Written back on disposals	-	(1,186)	(22)	(85,618)	(1,091)	(1,321)	(7,623)	-	(96,861)
Impairment	-	12	117	122,491	269	13	245	-	123,147
Transfer to investment properties	(19,987)	-	-	(18,898)	-	-	-	-	(38,885)
At 30 June 2015	106,120	54,548	8,230	1,605,009	25,479	10,715	162,309	-	1,972,410
Net book amount									
At 30 June 2015	632,182	4,915	3,152	979,052	15,420	3,818	81,057	74,799	1,794,395

As at 30 June 2016, a building with a carrying value of approximately HK\$Nil (2015: HK\$10,215,000) is pledged to secure bank borrowings of the Group (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Computer includes the following amounts where the Group is a lessee under a finance lease:

	2016 HK\$'000	2015 HK\$'000
Capitalised finance leases		
Cost	78	78
Less: amortisation	(15)	–
Carrying amount	63	78

The Group leases the computer under non-cancellable finance lease agreement. The lease term is 5 years and ownership of the asset lies within the Group.

Impairment tests for property, plant and equipment

Property, plant and equipment is allocated to the Group's CGUs identified. For the purpose of impairment test, the recoverable amount of CGUs is determined based on value in use calculations, which uses cash flow projections based on financial estimates covering a period over the lease term, and a post-tax discount rate.

For each of the CGUs with significant amount of property, plant and equipment, the key assumptions on discount rates used in the value in use calculations as at 30 June 2016 and 2015 are based on management's best estimates.

The discount rate of 12.7% (2015: 13.6%) is post-tax and reflect specific risks relating to the relevant businesses.

During the year ended 30 June 2016, impairment loss of HK\$30,146,000 (2015: HK\$123,147,000) was recognised.

If the annual gross sales revenue had been 3% (2015: 3%) lower than management's current estimates, the gross margin had been 1% (2015: 1%) lower than management's current estimates and the discount rate had been 1% (2015: 1%) higher than management's current estimates, there is no significant adverse impact to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	4,717,926	4,339,656
Translation differences	(302,748)	(119)
Additions	46,709	15,274
Transfer from property, plant and equipment	56,532	188,455
Transfer from land use rights	74,540	134,325
Acquisition of a subsidiary (Note 36)	–	39,569
Changes in fair value (charged)/credited to consolidated income statement	(25,437)	766
At end of the year	4,567,522	4,717,926

Amounts transferred from property, plant and equipment and land use rights to investment properties are as follows:

	2016 HK\$'000	2015 HK\$'000
Net book value at the date of transfer of:		
– Property, plant and equipment (Note 15)	56,446	200,471
– Land use rights (Note 17)	54,513	92,559
Revaluation gain recognised in other comprehensive income	20,113	29,750
	131,072	322,780
Representing fair value of investment properties transferred from:		
– Property, plant and equipment	56,532	188,455
– Land use rights	74,540	134,325
	131,072	322,780

Amounts recognised in the consolidated income statement for investment properties are as follows:

	2016 HK\$'000	2015 HK\$'000
Rental income	164,990	147,751
Direct operating expenses from properties that generated rental income	(56,086)	(63,462)
	108,904	84,289

As at 30 June 2016, investment properties with carrying value of approximately HK\$1,784,795,000 (2015: HK\$1,922,500,000) is pledged to secure bank borrowings of the Group (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (continued)

Valuation processes of the Group

Investment properties have been revalued as at 30 June 2016 and 30 June 2015 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and BMI Appraisals Limited, independent professional valuers. The fair value of the investment properties was determined based on, amongst other thing, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The Group's finance team review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least twice a year.

At each reporting period, the finance team:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

Fair value measurements using significant unobservable inputs

The fair value measurement of the Group's investment properties is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

There were no transfers between levels 1, 2 and 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The valuations are derived using the income capitalisation approach. This approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (continued)

Information about fair value measurements using significant unobservable inputs:

As at 30 June 2016

Valuation technique	Range of significant unobservable inputs	
	Rental rates	Capitalisation rate
Income capitalisation approach	HK\$2.7 to HK\$13.3 per sq.m. per day	4.5% to 7.5%

As at 30 June 2015

Valuation technique	Range of significant unobservable inputs	
	Rental rates	Capitalisation rate
Income capitalisation approach	HK\$4.1 to HK\$11.2 per sq.m. per day	4.8% to 7.5%

For rental rate, the higher the rental rate is, the higher the fair value will be. For capitalisation rate, the lower the capitalisation rate is, the higher the fair value will be.

17 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	803,474	899,678
Translation differences	(50,917)	(62)
Transfer to investment properties	(54,513)	(92,559)
Acquisition of a subsidiary (Note 36)	–	24,693
Amortisation	(26,285)	(28,276)
At end of the year	671,759	803,474

As at 30 June 2016, land use rights with a carrying value of approximately HK\$Nil (2015: HK\$19,745,000) is pledged to secure bank borrowings of the Group (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	Goodwill HK\$'000	Operating rights HK\$'000	Total HK\$'000
Cost			
At 1 July 2015	1,868,570	695	1,869,265
Translation differences	(120,114)	(20)	(120,134)
At 30 June 2016	1,748,456	675	1,749,131
Accumulated amortisation			
At 1 July 2015	–	133	133
Translation differences	–	(17)	(17)
Amortisation	–	290	290
At 30 June 2016	–	406	406
Net book amount At 30 June 2016	1,748,456	269	1,748,725
Cost			
At 1 July 2014	1,867,241	–	1,867,241
Translation differences	–	(1)	(1)
Acquisition of a subsidiary (Note 36)	1,329	696	2,025
At 30 June 2015	1,868,570	695	1,869,265
Accumulated amortisation			
At 1 July 2014	–	–	–
Amortisation	–	133	133
At 30 June 2015	–	133	133
Net book amount At 30 June 2015	1,868,570	562	1,869,132

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified. The following is a summary of goodwill allocation for each CGU with significant amount of goodwill:

	2016 HK\$'000	2015 HK\$'000
Shanghai Wujiaochang Branch Store	507,834	542,747
Shanghai Shaanxi Road Branch Store	250,704	267,940
Beijing Store	242,710	259,396
Wuhan Store	177,477	189,679

For the purpose of impairment test, the recoverable amount of each CGUs is determined based on fair value less costs of disposal calculations. The fair value less costs of disposal is measured using discounted cash flow projections or fair values of the underlying assets and liabilities. The cash flow projections are based on financial estimates covering a five-year period and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The fair value estimation is included in level 3 fair value hierarchy.

No impairment loss on goodwill was recognised for the years ended 30 June 2016 and 2015.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the cash flow projections, namely average commission income rates from concessionaire sales ranging from 14.6% to 23.0% (2015: from 15.8% to 24.5%), are determined by considering both internal and external factors relating to the businesses of each CGUs; the long term growth rate of 5% (2015: 5%) is consistent with the forecast of the businesses and the discount rate of 12.7% (2015: 13.6%) is post-tax and reflects specific risks relating to the relevant businesses.

If the annual gross sales revenue had been 3% (2015: 3%) lower than management's current estimates, the gross margin had been 1% (2015: 1%) lower than management's current estimates, the discount rate had been 1% (2015: 1%) higher than management's current estimates and the long term growth rate had been 3% (2015: 3%) lower than management's current estimates, there is no significant adverse impact to the consolidated financial statements.

19 INTERESTS IN ASSOCIATED COMPANIES

	2016 HK\$'000	2015 HK\$'000
The Group's share of net assets, unlisted	361	–

There is no associated company that is individually material to the Group. The Group's share of result of an associated company is as follows:

	2016 HK\$'000	2015 HK\$'000
For the year ended 30 June		
Loss for the year	(130)	–

The Group's share of revenue, results, assets and liabilities of the associated companies are as follows:

	2016 HK\$'000	2015 HK\$'000
Revenue	210	–
Loss for the year	(162)	(277)

NOTES TO THE FINANCIAL STATEMENTS

19 INTERESTS IN ASSOCIATED COMPANIES (continued)

	2016 HK\$'000	2015 HK\$'000
Non-current assets	1,645	1,604
Current assets	823	505
Current liabilities	(11,769)	(12,402)
Net liabilities	(9,301)	(10,293)

The Group has not recognised losses amounting to approximately HK\$32,000 (2015: HK\$277,000) for Taizhou New World Department Store Co., Ltd. for the year ended 30 June 2016. The accumulated losses not recognised were approximately HK\$9,940,000 (2015: HK\$9,908,000).

Details of the associated companies are as follows:

Name	Place of establishment	Principal activity	Registered capital	Attributable interest (%)
Shanghai Xinqi Catering Management Co., Ltd. (Note)	Mainland China	Catering	RMB850,000	49
Taizhou New World Department Store Co., Ltd.	Mainland China	Inactive	RMB8,000,000	25

Note:

The associated company was incorporated during the year ended 30 June 2016.

20 OTHER NON-CURRENT ASSETS

Balances as at 30 June 2016 and 2015 represented the following transaction:

On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Shenyang New World Hotel Co., Ltd. ("SYNWH"), a wholly-owned subsidiary of New World China Land Limited ("NWCL") and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH agreed to cooperate in a property redevelopment project in Shenyang City. Shenyang Trendy agreed to surrender to the local government authority the land and building where Shenyang New World Department Store – Nanjing Street Branch Store was situated for a compensation of RMB250,012,000 and to make contribution of RMB527,060,000 (subject to further adjustments) to SYNWH for the related costs of demolition of the existing building and design, construction and payment of any relevant land grant premium of certain portion of the redeveloped building. As at 30 June 2016, the balance in connection to this transaction and the costs capitalised was approximately HK\$616,336,000 (2015: HK\$314,707,000).

NOTES TO THE FINANCIAL STATEMENTS

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Prepaid rent and rental deposits	455,339	561,131
Other tax recoverable	162,794	192,023
Prepaid expenses	57,714	66,870
Management fee receivables	1,725	309
Deposits placed for issuance of stored value cards	849	1,229
Others	197,128	211,204
	875,549	1,032,766
Less: long-term prepayments, deposits and other receivables	(332,816)	(395,627)
	542,733	637,139

The carrying amounts of prepayments, deposits and other receivables approximate their fair values. The balances are mainly denominated in RMB.

The other receivables is neither past due nor impaired and has been assessed by the default history of the counterparties default rates. The existing counterparties do not have default in the past.

22 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2016 HK\$'000	2015 HK\$'000
Listed securities, at fair value		
Equity securities – Korea	35,893	–

The available-for-sale financial asset is denominated in Korean Won.

The fair value of equity securities is based on their bid prices in an active market at the end of reporting period.

23 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$'000	2015 HK\$'000
Indemnification in connection with the acquisition of a subsidiary	9,040	–

The financial asset at fair value through profit or loss is denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

24 INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Finished goods	231,117	230,412

The cost of inventories recognised as expense and included in 'purchases of and changes in inventories, net' amounted to HK\$756,036,000 (2015: HK\$719,380,000), which included reversal of inventory write-down, net of approximately HK\$2,000 (2015: inventory write-down, net of approximately HK\$7,013,000).

25 DEBTORS

	2016 HK\$'000	2015 HK\$'000
Debtors	132,521	121,524
Less: provision for doubtful debts	(18,338)	(23,318)
Debtors, net	114,183	98,206

The Group grants credit terms within 30 days in majority.

Ageing analysis of the debtors, net, based on the invoice dates, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within period for		
0-30 days	69,384	69,423
31-60 days	16,709	6,198
61-90 days	3,736	2,697
Over 90 days	24,354	19,888
	114,183	98,206

As at 30 June 2016, debtors of approximately HK\$69,384,000 (2015: HK\$69,423,000) were fully performing.

Debtors of approximately HK\$44,799,000 (2015: HK\$28,783,000) were past due but not impaired. The total amount includes approximately HK\$16,709,000 (2015: HK\$6,198,000) of less than 30 days past due, approximately HK\$3,736,000 (2015: HK\$2,697,000) of 31-60 days past due and approximately HK\$24,354,000 (2015: HK\$19,888,000) of over 60 days past due. These relate to companies for whom there is no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

25 DEBTORS (continued)

Debtors of approximately HK\$18,338,000 (2015: HK\$23,318,000) were impaired. It was assessed that the receivables is expected to be irrecoverable. The ageing of these receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
Within period for		
0-30 days	27	520
31-60 days	22	442
61-90 days	20	436
Over 90 days	18,269	21,920
	18,338	23,318

Movements on the Group's provision for doubtful debts of debtors are as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	23,318	11,166
Translation differences	(1,564)	–
Provision for doubtful debts	2,525	12,152
Reversal of provision for doubtful debt	(338)	–
Amount written off	(5,603)	–
At end of the year	18,338	23,318

Debtors included amounts due from fellow subsidiaries of approximately HK\$Nil (2015: HK\$9,804,000), which were unsecured, interest free and repayable on demand.

The carrying amounts of debtors approximate their fair values. The debtors are primarily denominated in RMB. The credit quality of debtors neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates.

The maximum exposure to credit risk at the reporting date is the fair value of debtors mentioned above. The Group does not hold any collateral as security. The relevant receivables can be partly set off by the rental deposits.

26 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES, RELATED COMPANIES AND AN ASSOCIATED COMPANY

As at 30 June 2016, the balances are unsecured, interest free, repayable on demand and denominated in RMB.

As at 30 June 2015, except for the amount due from a fellow subsidiary of approximately HK\$24,004,000, which was repayable in accordance with the termination agreement (Note 37(a)(vii)), the remaining balances with fellow subsidiaries and related companies were unsecured, interest free, repayable on demand and denominated in Renminbi.

The carrying amounts of amounts due from/(to) fellow subsidiaries, related companies and an associated company approximate their fair values.

The related companies represent the investee companies of the ultimate holding company of the Group, Chow Tai Fook Jewellery Group Limited and its subsidiaries ("CTFJ Group"), joint venture(s) jointly controlled by Chow Tai Fook Enterprises Limited, a substantial shareholder of New World Development Company Limited ("NWD"), and NWCL ("N/C JVs") and members of the companies controlled by Mr. Doo Wai-hoi ("Mr. Doo"), an associate of certain Directors.

NOTES TO THE FINANCIAL STATEMENTS

27 FIXED DEPOSITS

Fixed deposits are denominated in RMB.

The interest rates on fixed bank deposits were ranging from 1.55% to 4.25% (2015: 3.00% to 4.25%) per annum. These deposits have maturities ranging from 182 to 366 days (2015: 94 to 365 days).

28 CASH AND CASH EQUIVALENTS

	2016 HK\$'000	2015 HK\$'000
Short-term bank deposits	599,977	1,783,198
Cash at bank and in hand	563,432	305,913
	1,163,409	2,089,111

Cash and cash equivalents are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
HK\$	56,769	43,966
RMB	1,102,746	2,044,914
Others	3,894	231
	1,163,409	2,089,111

The interest rates on short-term bank deposits were ranging from 0.20% to 3.50% (2015: 1.35% to 5.30%) per annum, these deposits have maturities ranging from 7 to 92 days (2015: 2 to 92 days).

The Group's cash and cash equivalents are deposited with banks in Hong Kong and Mainland China. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Renminbi is currently not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by Mainland China government.

NOTES TO THE FINANCIAL STATEMENTS

29 SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each, issued and fully paid: At 1 July 2014, 30 June 2015 and 2016	1,686,145	168,615

30 RESERVES

	Attributable to shareholders of the Company							Total HK\$'000
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000 (Note)	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
At 1 July 2015	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,124,022
Profit for the year	-	-	-	-	-	-	45,643	45,643
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties, net of tax	-	15,085	-	-	-	-	-	15,085
Fair value changes of available-for-sale financial asset	-	-	-	-	(4,399)	-	-	(4,399)
Translation differences	-	-	-	-	-	(405,776)	-	(405,776)
Final dividend relating to the year ended 30 June 2015	(30,351)	-	-	-	-	-	-	(30,351)
Transfer to statutory reserve	-	-	-	29,836	-	-	(29,836)	-
At 30 June 2016	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,744,224

NOTES TO THE FINANCIAL STATEMENTS

30 RESERVES (continued)

	Attributable to shareholders of the Company							Total HK\$'000
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000 (Note)	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
At 1 July 2014	2,061,021	86,736	391,588	344,381	-	629,406	2,734,796	6,247,928
Profit for the year	-	-	-	-	-	-	69,741	69,741
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties, net of tax	-	22,313	-	-	-	-	-	22,313
Release of exchange reserve upon liquidation of a subsidiary	-	-	-	-	-	(10,097)	-	(10,097)
Translation differences	-	-	-	-	-	(1,839)	-	(1,839)
Final dividend relating to the year ended 30 June 2014	(101,169)	-	-	-	-	-	-	(101,169)
Interim dividend relating to the period ended 31 December 2014	(102,855)	-	-	-	-	-	-	(102,855)
Transfer to statutory reserve	-	-	-	15,007	-	-	(15,007)	-
At 30 June 2015	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,124,022

Note:

Upon conversion of the Group's PRC subsidiaries into wholly-owned foreign enterprises in 2007 and pursuant to the relevant PRC Law and articles of association of the subsidiaries of the Company established in the PRC, they are required to appropriate 10% of their statutory net profit to the enterprise expansion fund. The enterprise expansion fund can only be used to increase capital of group companies or to expand their production operation upon approval by the relevant authority.

31 OBLIGATION UNDER FINANCE LEASES

As at 30 June 2016 and 2015, the Group has leased a computer under finance lease, with a lease term of five years. None of the lease includes contingent rentals. Finance lease liabilities are effectively secured by the underlying asset as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

	2016 HK\$'000	2015 HK\$'000
Gross and present value of finance lease liabilities		
– minimum lease payments		
No later than 1 year	16	16
Later than 1 year and no later than 5 years	47	62
	63	78

As at 30 June 2016 and 2015, the finance lease of the Group carries an insignificant amount of future finance charges.

NOTES TO THE FINANCIAL STATEMENTS

32 BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Non-current		
Secured bank loans	385,965	500,000
Unsecured bank loans	-	1,078,056
	385,965	1,578,056
Current		
Secured bank loans	23,392	24,257
Unsecured bank loans	586,295	104,713
	609,687	128,970
	995,652	1,707,026

The effective interest rates of borrowings are analysed as follows:

	2016	2015
HK\$	2.07%	2.03%
RMB	4.68%	5.90%
USD	2.97%	3.71%
Others	2.80%	3.24%

The carrying amounts of the borrowings are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
HK\$	483,052	1,129,856
RMB	414,954	507,948
USD	20,368	16,847
Others	77,278	52,375
	995,652	1,707,026

The bank loans are repayable as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	609,687	128,970
In the second year	81,871	1,165,556
In the third to fifth year	304,094	412,500
	995,652	1,707,026

NOTES TO THE FINANCIAL STATEMENTS

32 BORROWINGS (continued)

The bank loans of approximately HK\$995,652,000 (2015: HK\$1,707,026,000) are wholly repayable within five years.

The contractual repricing dates or maturity dates (whichever is earlier) of the interest-bearing borrowings are as follows:

	2016 HK\$'000	2015 HK\$'000
Within six months	586,295	1,207,026
In the seventh month to one year	409,357	500,000
	995,652	1,707,026

As at 30 June 2016, the bank borrowings of approximately HK\$409,357,000 (2015: HK\$524,257,000) was secured by a property, land use rights and investment properties of approximately HK\$Nil (2015: HK\$10,215,000), HK\$Nil (2015: HK\$19,745,000) and HK\$1,784,795,000 (2015: HK\$1,922,500,000) respectively.

As at 30 June 2016, the Group has undrawn borrowing facilities of approximately HK\$119,249,000 (2015: HK\$40,574,000), which carry interest at floating rates and are expiring within one year.

33 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	2016 HK\$'000	2015 HK\$'000
Deferred income tax assets	150,866	162,571
Deferred income tax liabilities	(856,502)	(876,775)
	(705,636)	(714,204)

The movement of net deferred income tax liabilities account is as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	(714,204)	(672,568)
Translation differences	47,592	316
Acquisition of a subsidiary (Note 36)	-	(6,429)
Taxation charged directly to equity	(5,028)	(7,437)
Charged to consolidated income statement (Note 12)	(33,996)	(28,086)
At end of the year	(705,636)	(714,204)

NOTES TO THE FINANCIAL STATEMENTS

33 DEFERRED INCOME TAX (continued)

The movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Deferred income tax assets:

	Tax losses HK\$'000	Accrued expenses HK\$'000	Pre-operating expenses HK\$'000	Tax depreciation HK\$'000	Total HK\$'000
At 1 July 2014	117,721	185,794	4,139	7,767	315,421
(Charged)/credited to consolidated income statement	(9,174)	(13,297)	2,839	(6,350)	(25,982)
At 30 June 2015	108,547	172,497	6,978	1,417	289,439
Translation differences (Charged)/credited to consolidated income statement	(5,434)	(10,524)	(493)	(79)	(16,530)
	(33,066)	(13,206)	1,511	(224)	(44,985)
At 30 June 2016	70,047	148,767	7,996	1,114	227,924

Deferred income tax liabilities:

	Tax depreciation HK\$'000	Fair value adjustment on business combination HK\$'000	Revaluation of properties HK\$'000	Undistributed profits of subsidiaries HK\$'000	Others HK\$'000	Total HK\$'000
At 1 July 2014	248,874	657,311	56,554	6,875	18,375	987,989
Translation differences	(22)	(148)	(232)	86	-	(316)
Recognised in equity	-	-	7,437	-	-	7,437
Acquisition of a subsidiary	405	5,696	-	328	-	6,429
Charged/(credited) to consolidated income statement	10,729	(4,237)	192	(6,962)	2,382	2,104
At 30 June 2015	259,986	658,622	63,951	327	20,757	1,003,643
Translation differences	(16,561)	(42,282)	(3,998)	(53)	(1,228)	(64,122)
Recognised in equity	-	-	5,028	-	-	5,028
Charged/(credited) to consolidated income statement	(5,685)	(1,495)	(5,143)	1,819	(485)	(10,989)
At 30 June 2016	237,740	614,845	59,838	2,093	19,044	933,560

NOTES TO THE FINANCIAL STATEMENTS

33 DEFERRED INCOME TAX (continued)

Pursuant to the Corporate Income Tax Law with effect from 1 January 2008, withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in Mainland China. The requirement applies to earnings accumulated after 31 December 2007.

As at 30 June 2016, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred income tax liabilities have not been recognised totaled approximately HK\$178,694,000 (2015: HK\$174,938,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$356,702,000 (2015: HK\$292,234,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK\$1,426,809,000 (2015: HK\$1,168,936,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years or indefinitely.

34 CREDITORS, ACCRUALS AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Creditors	1,950,241	2,028,801
Accruals and other payables	1,890,568	2,155,586
	3,840,809	4,184,387
Less: long-term accruals and other payables	(527,499)	(601,043)
	3,313,310	3,583,344

The Group normally receives credit terms of 60 to 90 days. The ageing analysis of the creditors, based on the invoice dates, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within period for		
0-30 days	764,708	914,025
31-60 days	687,984	567,276
61-90 days	148,757	147,174
Over 90 days	348,792	400,326
	1,950,241	2,028,801

Creditors included amounts due to related companies of approximately HK\$78,162,000 (2015: HK\$59,452,000) which were unsecured, interest free and repayable within 90 days.

NOTES TO THE FINANCIAL STATEMENTS

34 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

The carrying amounts of the creditors, accruals and other payables are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
RMB	3,772,407	4,135,145
HK\$	27,758	21,605
USD	8,700	7,647
Others	31,944	19,990
	3,840,809	4,184,387

Nature of accruals and other payables are as follows:

	2016 HK\$'000	2015 HK\$'000
Rental accruals	663,601	723,591
Deposits from concessionaire suppliers	371,008	365,446
Interest payable	1,241	2,344
Payables for capital expenditures	38,707	48,445
Accruals for staff costs	86,594	102,408
Valued-added taxes and other taxes payables	92,195	96,041
Utilities payables	17,785	23,808
Receipts in advance	367,504	487,253
Others	251,933	306,250
	1,890,568	2,155,586

The carrying amounts of creditors, accruals and other payables approximate their fair values.

35 COMMITMENTS

(a) Capital commitments

Capital commitments in respect of investment properties, property, plant and equipment and land use rights of the Group at the end of the reporting period are as follows:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for	116,225	474,364

NOTES TO THE FINANCIAL STATEMENTS

35 COMMITMENTS (continued)

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	814,558	886,552
In the second to fifth year	3,146,125	3,162,523
After the fifth year	3,536,553	5,184,252
	7,497,236	9,233,327

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales less the basic rentals of the respective leases, as it is not possible to determine in advance the amount of such additional rentals.

(c) Operating lease receivable

The future minimum payments receivable by the Group under non-cancellable leases are as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	480,779	456,475
In the second to fifth year	1,023,305	949,170
After the fifth year	161,410	244,822
	1,665,494	1,650,467

36 BUSINESS COMBINATION

Acquisition of Well Metro Group Limited

In January 2015, Techwise Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties to acquire the entire equity interest in Well Metro Group Limited for a gross consideration of HK\$1,000,000. Well Metro Group Limited is incorporated in the British Virgin Islands with limited liability and engaged in the distribution and retailing of fashion apparels and accessories in the PRC. The acquisition was completed on 16 January 2015.

The acquired business contributed revenue of approximately HK\$145,337,000 and net loss of approximately HK\$9,973,000 to the Group for the period from 16 January 2015 to 30 June 2015. If the acquisition had occurred on 1 July 2014, the Group's revenue for the year ended 30 June 2015 would have been approximately HK\$4,218,071,000; profit for the year ended 30 June 2015 would have been approximately HK\$11,034,000. These amounts had been calculated using the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

36 BUSINESS COMBINATION (continued)

Acquisition of Well Metro Group Limited (continued)

Detail of net liabilities acquired and goodwill were as follows:

	HK\$'000
Purchase consideration – Cash	1,000
Fair value of net liabilities acquired – shown as below	329
Goodwill	1,329

The assets and liabilities arising from the acquisition were as follows:

	HK\$'000
Property, plant and equipment	36,839
Investment property	39,569
Land use rights	24,693
Intangible assets	696
Inventories	81,520
Debtors	17,665
Prepayment, deposits and other receivables	23,190
Cash and cash equivalents	17,935
Deferred income tax liabilities	(6,429)
Borrowings	(129,995)
Obligation under finance leases	(38)
Creditors, accruals and other payables	(104,691)
Tax payable	(1,283)
Net liabilities acquired	(329)

Analysis of the net cash inflow from the acquisition:

Purchase consideration settled in cash	(1,000)
Cash and cash equivalents in a subsidiary acquired	17,935
Net cash inflow from acquisition of a subsidiary	16,935

Goodwill can be attributable to the anticipated profitability of the acquired business.

NOTES TO THE FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

	Note	2016 HK\$'000	2015 HK\$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	(55,085)	(79,571)
Building management expenses	(ii)	(20,605)	(30,593)
Reimbursement of shopping vouchers	(iii)	–	21,557
Sales of goods, prepaid shopping cards and vouchers	(iv)	2,858	5,483
Purchase of goods	(v)	(49)	(6)
Payments for purchase of building and land use rights	(vi)	(308,322)	–
Compensation for termination of lease and the refurbishment and enhancement work	(vii)	30,120	50,414
Related companies			
Commission income from concessionaires sales	(viii)	76,146	102,304
Operating lease rental expenses	(i)	(228,894)	(255,413)
Building management expenses	(ii)	(27,469)	(28,670)
Sales of goods, prepaid shopping cards and vouchers	(iv)	579	9,560
Purchase of goods	(v)	(3)	(9)
Rebates on prepaid shopping cards and vouchers	(ix)	204	228
Purchase of leasehold improvement	(x)	(1,529)	(43,724)
Rental income	(xi)	178	185
Other service fee expenses	(xii)	(14)	(10)

Notes:

- (i) The operating lease rental expenses are charged in accordance with respective tenancy agreements and reported in accordance with accounting policy of operating leases as disclosed in Note 2.25.
- (ii) The building management expenses are charged at fixed monthly amounts in accordance with respective contracts.
- (iii) The reimbursement of shopping vouchers is charged in accordance with respective agreements with NWD and its subsidiaries ("NWD Group") (except the Group), the CTFJ Group and the N/C JVs.
- (iv) This represents the amounts received in respect of the use of the shopping vouchers, the prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchase of goods and settlement of the relevant value by the NWD Group (except the Group), the CTFJ Group and the N/C JVs.
- (v) This represents the amount paid in respect of the sale of goods by the NWD Group (except the Group), the CTFJ Group and the N/C JVs.
- (vi) This represents installment paid for the purchase of building and land use right as described in Note 20.
- (vii) This represents the aggregate amounts of compensation received from wholly-owned subsidiaries of NWCL in accordance with termination agreements dated 11 December 2015 and dated 28 November 2014 in connection with the early termination of the leases of the stores in Beijing and Wuhan City respectively, compensating the Group for the related payments and the refurbishment and enhancement work made to the properties of approximately HK\$30,120,000 and HK\$50,414,000 for the stores in Beijing and Wuhan City respectively.

NOTES TO THE FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

- (viii) The income is charged in accordance with concessionaire counter agreements with the CTFJ Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.
- (ix) This represents rebates offered by the CTFJ Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and the CTFJ Group.
- (x) This represents the purchase of leasehold improvement in respect of certain department stores. Such fees were charged in accordance with the terms of respective contracts.
- (xi) The income is charged in accordance with rental agreements with members of the companies controlled by Mr. Doo.
- (xii) This represents other services provided by members of the companies controlled by Mr. Doo.

(b) Related party balances

The details for balances with related parties are disclosed in Notes 26 and 34 to the consolidated financial statements.

(c) Key management compensation

All Directors are considered as key management and their emoluments have been disclosed in Note 11(a) to the financial statements. The emoluments payable to other key management are as follows:

	2016	2015
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	12,853	13,958
Discretionary bonus	1,092	958
Retirement benefit costs – defined contribution plans	473	664
	14,418	15,580

NOTES TO THE FINANCIAL STATEMENTS

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
Assets		
Non-current assets		
Investments in subsidiaries	2,062,170	2,203,955
Current assets		
Prepayments and deposits	232	230
Amounts due from subsidiaries	2,059,849	2,179,607
Cash and cash equivalents	1,300	5,485
	2,061,381	2,185,322
Total assets	4,123,551	4,389,277
Equity and liabilities		
Equity		
Share capital	168,615	168,615
Reserves (Note)	2,551,896	2,698,077
Total equity	2,720,511	2,866,692
Liabilities		
Current liabilities		
Accruals and other payables	7,668	7,977
Amounts due to subsidiaries	1,395,372	1,514,608
Total liabilities	1,403,040	1,522,585
Total equity and liabilities	4,123,551	4,389,277

NOTES TO THE FINANCIAL STATEMENTS

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2015	1,856,997	73,486	734,218	33,376	2,698,077
Profit for the year	–	–	–	69,362	69,362
Translation differences	–	–	(185,192)	–	(185,192)
Final dividend relating to the year ended 30 June 2015	(30,351)	–	–	–	(30,351)
At 30 June 2016	1,826,646	73,486	549,026	102,738	2,551,896
At 1 July 2014	2,061,021	73,486	730,892	93,955	2,959,354
Loss for the year	–	–	–	(60,579)	(60,579)
Translation differences	–	–	3,326	–	3,326
Final dividend relating to the year ended 30 June 2014	(101,169)	–	–	–	(101,169)
Interim dividend relating to the period ended 31 December 2014	(102,855)	–	–	–	(102,855)
At 30 June 2015	1,856,997	73,486	734,218	33,376	2,698,077

39 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2016 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held	
				directly	indirectly
China Sincere Limited	The British Virgin Islands	Financing/Hong Kong	US\$1	100	–
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK\$410,045,794	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/ Hong Kong	HK\$2	100	–
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB16,000,000	100	–
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–

NOTES TO THE FINANCIAL STATEMENTS

39 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held	
				directly	indirectly
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/ Mainland China	US\$150,000,000	100	–
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	100	–
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US\$5,000,000	100	–
Wuhan New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB80,000,000	100	–
Anshan New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB25,000,000	–	100
Beijing New World Liying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000	–	100
Beijing New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK\$60,000,000	–	100
Beijing New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB25,000,000	–	100
Beijing Yixi New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB65,000,000	–	100
Changsha New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB60,000,000	–	100
Chengdu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB70,000,000	–	100

NOTES TO THE FINANCIAL STATEMENTS

39 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held	
				directly	indirectly
Chongqing New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB100,000,000	–	100
Harbin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB126,000,000	–	100
Lanzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Mianyang New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB14,000,000	–	100
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/ Mainland China	US\$5,000,000	–	100
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	Mainland China	Property investment and shopping mall operation/ Mainland China	US\$40,000,000	–	100
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB240,000,000	–	100
Shanghai New World Huiyan Department Store Co., Ltd.	Mainland China	Property investment and shopping mall operation/ Mainland China	RMB85,000,000	–	100

NOTES TO THE FINANCIAL STATEMENTS

39 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held	
				directly	indirectly
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB93,970,000	-	100
Shanghai New World Huizi Department Store Ltd.	Mainland China	Department store operation/ Mainland China	RMB5,000,000	-	100
Shanghai New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	-	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK\$100,000,000	-	100
Shanghai Nplus Catering Management Co., Ltd.	Mainland China	Catering/ Mainland China	RMB16,000,000	-	100
Shenyang New World Department Store Ltd.	Mainland China	Property investment and department store operation/ Mainland China	RMB30,000,000	-	100
Shenyang Trendy Property Company Limited	Mainland China	Property investment/ Mainland China	RMB27,880,000	-	100
Silver Grow Investment Limited	Hong Kong	Investment holding/ Hong Kong	HK\$1	-	100
Tianjin New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	-	100
Wuhan New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB75,000,000	-	100
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and Department store operation/ Mainland China	US\$15,630,000	-	100

NOTES TO THE FINANCIAL STATEMENTS

39 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held	
				directly	indirectly
Wuhan New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	–	100
Xi'an New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	–	100
Yancheng New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK\$95,000,000	–	100
Yantai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB80,000,000	–	100
Yunnan New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB10,000,000	–	100
Zhengzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	–	100
Scienward Fashion and Luxury (Shanghai) Co., Ltd.	Mainland China	Fashion retailing and trading/ Mainland China	US\$6,460,000	–	100
Scienward Fashion and Luxury Limited	Hong Kong	Investment holding and fashion trading/ Hong Kong	HK\$10,000	–	100
Scienward Sports and Casual Limited	Hong Kong	Provision of management services/Hong Kong	HK\$100	–	100
Shanghai Luxba Trading Ltd.	Mainland China	Properties investment and fashion trading/ Mainland China	US\$7,150,000	–	100
Well Metro Group Limited	The British Virgin Islands	Investment holding/ Hong Kong	US\$14,000	–	100

40 ULTIMATE HOLDING COMPANY

The Directors regard NWD, a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, as being the ultimate holding company of the Company.

III. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Set out below is the financial information of the NWDSC Group as extracted from the published unaudited condensed consolidated financial information as set forth in the interim report of NWDSC for the six months ended 31 December 2016.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2016

		Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Revenue	6	1,781,451	1,934,290
Other income	7	76,426	86,673
Other gains, net	8	1,025	7,477
Changes in fair value of investment properties		(10,471)	(5,676)
Purchases of and changes in inventories, net		(397,842)	(390,247)
Employee benefit expense	9	(312,397)	(323,849)
Depreciation and amortisation		(131,187)	(155,570)
Operating lease rental expense		(534,782)	(603,207)
Other operating expenses, net	10	(316,033)	(412,233)
Operating profit		156,190	137,658
Finance income		10,050	41,833
Finance costs		(7,037)	(23,140)
Finance income, net	11	3,013	18,693
Share of result of associated companies		159,203	156,351
		279	–
Profit before income tax		159,482	156,351
Income tax expense	12	(67,024)	(96,541)
Profit for the period		92,458	59,810
Attributable to:			
Shareholders of the Company		92,782	59,810
Non-controlling interests		(324)	–
		92,458	59,810
Earnings per share for profit attributable to shareholders of the Company during the period (expressed in HK\$ per share)			
– Basic and diluted	14	0.05	0.04

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Profit for the period	92,458	59,810
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Fair value loss on financial asset at fair value through other comprehensive income	(16,591)	–
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	1,775	–
– Deferred income tax thereof	(444)	–
	(15,260)	–
<i>Items that may be reclassified subsequently to profit and loss</i>		
Fair value loss on available-for-sale financial asset	–	(7,267)
Translation differences	(264,343)	(261,525)
	(264,343)	(268,792)
Other comprehensive income for the period, net of tax	(279,603)	(268,792)
Total comprehensive income for the period	(187,145)	(208,982)
Attributable to:		
Shareholders of the Company	(186,823)	(208,982)
Non-controlling interests	(322)	–
	(187,145)	(208,982)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		1,321,686	1,482,758
Investment properties	16	4,381,642	4,567,522
Land use rights		620,975	671,759
Intangible assets		1,670,494	1,748,725
Interests in associated companies		890	361
Other non-current assets	17	601,063	616,336
Prepayments, deposits and other receivables		296,679	332,816
Financial asset at fair value through other comprehensive income	18	17,702	–
Available-for-sale financial asset	18	–	35,893
Financial asset at fair value through profit or loss	19	8,694	9,040
Deferred income tax assets		141,218	150,866
		9,061,043	9,616,076
Current assets			
Inventories		229,272	231,117
Debtors	20	152,168	114,183
Prepayments, deposits and other receivables		595,496	542,733
Amounts due from fellow subsidiaries	21	8,102	2,842
Amounts due from related companies	21	1	2,210
Financial asset at fair value through profit or loss	19	1,170	–
Fixed deposits		21,108	39,269
Cash and cash equivalents		1,856,475	1,163,409
		2,863,792	2,095,763
Total assets		11,924,835	11,711,839
Equity and liabilities			
Equity			
Share capital	22	168,615	168,615
Reserves	23	5,557,403	5,744,224
Shareholders' funds		5,726,018	5,912,839
Non-controlling interests		(52)	(4)
Total equity		5,725,966	5,912,835

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Liabilities			
Non-current liabilities			
Accruals and other payables		492,443	527,499
Obligation under finance leases		39	47
Borrowings	24	290,503	385,965
Deferred income tax liabilities		805,553	856,502
		1,588,538	1,770,013
Current liabilities			
Creditors	25	2,280,236	1,950,241
Accruals and other payables		1,254,070	1,363,069
Amounts due to fellow subsidiaries	21	4,353	6,735
Amounts due to related companies	21	38,829	12,163
Amounts due to associated companies		398	477
Obligation under finance leases		16	16
Borrowings	24	938,054	609,687
Tax payable		94,375	86,603
		4,610,331	4,028,991
Total liabilities		6,198,869	5,799,004
Total equity and liabilities		11,924,835	11,711,839

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2015	168,615	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,292,637	-	6,292,637
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	59,810	59,810	-	59,810
Other comprehensive income											
Fair value loss on available-for-sale financial asset	-	-	-	-	-	(7,267)	-	-	(7,267)	-	(7,267)
Translation differences	-	-	-	-	-	-	(261,525)	-	(261,525)	-	(261,525)
Total comprehensive income for the period ended 31 December 2015	-	-	-	-	-	(7,267)	(261,525)	59,810	(208,982)	-	(208,982)
Transactions with owners											
Final dividend relating to the year ended 30 June 2015	-	(30,351)	-	-	-	-	-	-	(30,351)	-	(30,351)
Transfer to statutory reserve	-	-	-	-	15,691	-	-	(15,691)	-	-	-
Total transactions with owners	-	(30,351)	-	-	15,691	-	-	(15,691)	(30,351)	-	(30,351)
At 31 December 2015 - Unaudited	168,615	1,826,646	109,049	391,588	375,079	(7,267)	355,945	2,833,649	6,053,304	-	6,053,304
	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2016	168,615	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,912,839	(4)	5,912,835
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	92,782	92,782	(324)	92,458
Other comprehensive income											
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	-	-	1,775	-	-	-	-	-	1,775	-	1,775
- Deferred income tax thereof	-	-	(444)	-	-	-	-	-	(444)	-	(444)
Fair value loss on financial asset at fair value through other comprehensive income	-	-	-	-	-	(16,591)	-	-	(16,591)	-	(16,591)
Translation differences	-	-	-	-	-	-	(264,343)	-	(264,343)	2	(264,341)
Total comprehensive income for the period ended 31 December 2016	-	-	1,331	-	-	(16,591)	(264,343)	92,782	(186,821)	(322)	(187,143)
Transactions with owners											
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	274	274
Transfer to statutory reserve	-	-	-	-	10,885	-	-	(10,885)	-	-	-
Total transactions with owners	-	-	-	-	10,885	-	-	(10,885)	-	274	274
At 31 December 2016 - Unaudited	168,615	1,826,646	125,465	391,588	400,109	(20,990)	(52,649)	2,887,234	5,726,018	(52)	5,725,966

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Cash flows from operating activities		
Net cash from operating activities	548,534	819,478
Cash flows from investing activities		
Additions to investment properties	(3,907)	(8,336)
Additions to property, plant and equipment	(49,469)	(94,324)
Interest received	14,386	51,701
Decrease in fixed deposits	16,406	8,622
Proceeds from disposal of property, plant and equipment	1,564	13,234
Purchase of available-for-sale financial asset	-	(39,466)
Net cash used in investing activities	(21,020)	(68,569)
Cash flows from financing activities		
Drawdown of bank borrowings	404,384	164,382
Repayment of bank borrowings	(176,363)	(516,861)
Finance costs paid	(16,480)	(25,223)
Dividends paid	-	(30,351)
Net cash from/(used in) financing activities	211,541	(408,053)
Net increase in cash and cash equivalents	739,055	342,856
Cash and cash equivalents at 1 July	1,163,409	2,089,111
Effect of foreign exchange rate changes	(45,989)	(85,868)
Cash and cash equivalents at 31 December	1,856,475	2,346,099

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

New World Department Store China Limited (the “Company”) was incorporated in the Cayman Islands on 25 January 2007 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the “Group”) are engaged in department store and other related businesses, and property investment operations in Mainland China.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 July 2007.

This condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the board of directors on 21 February 2017.

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 31 December 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

At 31 December 2016, the Group’s current liabilities exceeded its current assets by HK\$1,746,539,000 (30 June 2016: HK\$1,933,228,000). Taking into account the cash flows from operating activities, ability to generate additional financing and its asset backing, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the condensed consolidated financial information.

3 ACCOUNTING POLICES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2016, as described in those annual financial statements, except for the adoption of new or revised standards and amendments to existing standards effective for the financial period beginning on 1 July 2016 and the early adoption of HKFRS 9 (2014) “Financial Instruments”.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 New and amended standards adopted by the Group

For the six months ended 31 December 2016, the Group has adopted the following new or revised standards and amendments to existing standards which are mandatory for the accounting period beginning on 1 July 2016:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The adoption of the above new or revised standards and amendments to existing standards does not have any significant effect on the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICES (continued)

3.2 Changes in accounting policies

The Company has elected to early adopt HKFRS 9 (2014) “Financial Instruments” because this new accounting standard provides more reliable and relevant information for users to assess the operating performance of the Group. As allowed in the transitional provisions in HKFRS 9 (2014), comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 9 (2014). HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 “Financial Instruments: Disclosures”.

The new accounting policies applied from 1 July 2016 are as follows:

Investments and other financial assets

(a) Classification

Debts instruments

HKFRS 9 has three financial asset classification categories for investments in debt instruments:

- those to be measured at amortised cost;
- those to be measured subsequently at fair value through other comprehensive income (“FVOCI”); and
- those to be measured subsequently at fair value through profit or loss (“FVPL”).

Classification depends on the entity’s business model for managing the debt instruments and the debt instruments’ contractual cash flow characteristics.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as at FVOCI only if both of the following criteria are met:

- the objective of the Group’s business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and
- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

All the debts instruments of the Group are classified as at amortised cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICES (continued)

3.2 Changes in accounting policies (continued)

Investments and other financial assets (continued)

(a) Classification (continued)

Equity instruments

Investment in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at fair value through profit and loss.

For equity instruments which are not held for trading, the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

Indemnification in connection with the acquisition of a subsidiary and forward currency contract are classified as fair value through profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments classified as fair value through other comprehensive income

The Group subsequently measures all equity instruments at fair value. Since the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Equity investments that are elected by the Group's management to be classified as FVOCI are not subject to impairment. Dividends from such instruments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Financial assets at fair value through profit or loss

Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as net other gains as applicable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICES (continued)

3.2 Changes in accounting policies (continued)

Investments and other financial assets (continued)

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instrument assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty.

Amounts due from fellow subsidiaries and related companies, fixed deposits and cash and cash equivalents placed in high credit-rated financial institutions are considered to be of low credit risk. Thus the impairment provision recognised during the period was limited to 12 months expected losses.

For debtors related to retail sales, which are usually paid in cash or by major credit/debit cards, management considers the Group does not have a significant concentration of credit risk. Thus, the impairment provision recognised during the period was equal to lifetime expected losses.

For debtors related to rental income, they do not contain a significant financing component and the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. Thus, the impairment provision recognised during the period was equal to the lifetime expected loss provision.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICES (continued)

3.2 Changes in accounting policies (continued)

The impact of the adoption of HKFRS 9 is shown as follows:

(a) Classification and measurement of financial assets and liabilities

At the date of initial application of HKFRS 9 (1 July 2016), the Company's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets and liabilities into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Measurement category		Carrying amounts reclassified HK\$'000
	Original (HKAS 39)	New (HKFRS 9)	
Non-current financial assets			
Deposits and other receivables	Loans and receivables	Amortised cost	234,229
Equity securities	Available-for-sale financial asset	FVOCI	35,893
Indemnification in connection with the acquisition of a subsidiary	FVPL	FVPL	9,040
Current financial assets			
Debtors	Loans and receivables	Amortised cost	114,183
Deposits and other receivables	Loans and receivables	Amortised cost	361,333
Amounts due from fellow subsidiaries	Loans and receivables	Amortised cost	2,842
Amounts due from related companies	Loans and receivables	Amortised cost	2,210
Fixed deposits	Loans and receivables	Amortised cost	39,269
Cash and cash equivalents	Loans and receivables	Amortised cost	1,163,409
Non-current financial liabilities			
Borrowings	Amortised cost	Amortised cost	385,965
Current financial liabilities			
Creditors	Amortised cost	Amortised cost	1,950,241
Other payables	Amortised cost	Amortised cost	1,173,886
Amounts due to fellow subsidiaries	Amortised cost	Amortised cost	6,735
Amounts due to related companies	Amortised cost	Amortised cost	12,163
Amounts due to associated companies	Amortised cost	Amortised cost	477
Borrowings	Amortised cost	Amortised cost	609,687

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICES (continued)

3.2 Changes in accounting policies (continued)

(b) Impairment of financial assets

Financial assets were subject to the new expected credit loss model prescribed by HKFRS 9. The Company was required to revise its impairment methodology under HKFRS 9 for each class of assets.

For financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 July 2016, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for doubtful debts account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

For debtors, the Company applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all debtors. The management performed a detailed assessment of expected credit losses on the date of initial application of HKFRS9. There was no impact of the change in impairment methodology on the Group's equity.

4 ESTIMATES

The preparation of condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 June 2016.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

This interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 30 June 2016.

There have been no changes in the risk management policies since the last financial year end except for the new credit risk modelling prescribed by HKFRS 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the financial instruments of the Group are as follows:

- (i) Listed instrument is stated at market price. The quoted market price used for financial asset held by the Group is the bid price at the end of the reporting period. It is included in level 1.
- (ii) Unlisted instrument is stated at fair value which is estimated using valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2016:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial asset at fair value through other comprehensive income	17,702	–	–	17,702
Financial assets at fair value through profit or loss	–	1,170	8,694	9,864
	17,702	1,170	8,694	27,566

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2016:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial asset	35,893	–	–	35,893
Financial asset at fair value through profit or loss	–	–	9,040	9,040
	35,893	–	9,040	44,933

There were no significant transfers of financial assets between level 1, level 2 and level 3 fair value hierarchy classification. There were no changes in valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Valuation techniques used to derive level 2 fair value

Level 2 financial instrument comprises a forward currency contract. This forward currency contract has been fair valued using forward exchange rates that are quoted in an active market.

5.4 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial instrument for the six months ended 31 December 2016 and 2015:

	Indemnification in connection with the acquisition of a subsidiary HK\$'000
At 1 July 2015	–
Fair value gain recognised in the profit or loss	9,256
At 31 December 2015	9,256
At 1 July 2016	9,040
Translation difference	(346)
At 31 December 2016	8,694

5.5 Group's valuation processes

The Group prepares and updates detailed forecasts on the business on a semi-annual basis as part of its normal operating processes. These forecasts use external market forecasts, management's evaluation of the revenue, costs and expected margins, based on past experiences, and are subject to detailed review at entity and group level.

The key unobservable assumptions used in the valuation include the projected cumulative loss under the indemnification clause in connection with the acquisition of a subsidiary and the discount rate.

The projected cumulative loss is based on financial estimates of the subsidiary. The average gross margin of direct sales used to estimate the fair value is 56.7% (30 June 2016: 53.6%). The higher the projected cumulative loss is, the higher the fair value will be.

The discount rate used to compute the fair value is 29.3% (30 June 2016: 34.7%). The lower the discount rate is, the higher the fair value will be.

5.6 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Debtors, prepayments, deposits and other receivables
- Fixed deposits and cash and cash equivalents
- Creditors, accruals and other payables
- Amounts due from/to fellow subsidiaries, related companies and associated companies
- Borrowings

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Commission income from concessionaire sales	890,069	1,060,105
Sales of goods – direct sales	551,030	514,739
Rental income	332,568	324,763
Management and consultancy fees	7,784	34,683
	1,781,451	1,934,290

The income from concessionaire sales is analysed as follows:

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Gross revenue from concessionaire sales	5,222,033	5,986,284
Commission income from concessionaire sales	890,069	1,060,105

The chief operating decision-maker (“CODM”) has been identified as executive Directors and chief executive officer of the Company. The CODM reviews the Group’s internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers that the Group has department store and other related businesses, and property investment business. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of net other gains, changes in fair value of investment properties and unallocated corporate expenses. In addition, net finance income and share of result of associated companies are not allocated to segments. The measurement of segment assets excludes interests in associated companies, deferred income tax assets and unallocated corporate assets. There is no intersegment sales.

Revenue is primarily generated in Mainland China and all significant operating assets of the Group are in Mainland China.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (continued)

	Department store and other related businesses HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Six months ended 31 December 2016			
Segment revenue	1,693,735	87,716	1,781,451
Segment results	101,163	67,988	169,151
Other gains, net	1,149	(124)	1,025
Changes in fair value of investment properties	-	(10,471)	(10,471)
Unallocated corporate expenses			(3,515)
Operating profit			156,190
Finance income			10,050
Finance costs			(7,037)
Finance income, net			3,013
Share of result of associated companies			159,203 279
Profit before income tax			159,482
Income tax expense			(67,024)
Profit for the period			92,458
Six months ended 31 December 2015			
Segment revenue	1,852,845	81,445	1,934,290
Segment results	89,822	50,826	140,648
Other gains, net	7,477	-	7,477
Changes in fair value of investment properties	-	(5,676)	(5,676)
Unallocated corporate expenses			(4,791)
Operating profit			137,658
Finance income			41,833
Finance costs			(23,140)
Finance income, net			18,693
Profit before income tax			156,351
Income tax expense			(96,541)
Profit for the period			59,810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (continued)

	Department store and other related businesses HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
As at 31 December 2016			
Segment assets	7,044,780	4,725,215	11,769,995
Interests in associated companies	890	–	890
Deferred income tax assets	135,152	–	135,152
Unallocated corporate assets:			
Cash and cash equivalents			12,461
Others			271
Total assets			<u>11,918,769</u>
Six months ended 31 December 2016			
Additions to non-current assets (Note)	61,808	3,962	65,770
Depreciation and amortisation	130,344	843	131,187
As at 30 June 2016			
Segment assets	6,108,770	5,450,310	11,559,080
Interests in associated companies	361	–	361
Deferred income tax assets	150,866	–	150,866
Unallocated corporate assets:			
Cash and cash equivalents			1,300
Others			232
Total assets			<u>11,711,839</u>
Six months ended 31 December 2015			
Additions to non-current assets (Note)	97,214	8,688	105,902
Depreciation and amortisation	154,484	1,086	155,570

Note:

Additions to non-current assets represented additions to non-current assets other than financial instruments, deferred income tax assets and interests in associated companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 OTHER INCOME

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Government grants	11,970	14,139
Income from suppliers	32,755	41,520
Compensation for termination of lease (Note 27(a)(iv))	–	15,859
Sundries	31,701	15,155
	76,426	86,673

8 OTHER GAINS, NET

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Fair value gain on financial assets at fair value through profit or loss	1,204	9,256
Loss on disposal of property, plant and equipment	(179)	(1,779)
	1,025	7,477

9 EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Wages, salaries and other benefits	282,727	290,424
Retirement benefit costs – defined contribution plans	29,670	33,425
	312,397	323,849

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 OTHER OPERATING EXPENSES, NET

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Water and electricity	54,791	75,156
Selling, promotion, advertising and related expenses	76,761	95,948
Cleaning, repairs and maintenance	41,060	48,107
Auditor's remuneration		
– Audit service	3,000	3,338
– Non-audit service	913	1,074
Net exchange losses (Note)	18,515	53,143
Other tax expenses	81,494	96,842
Others	39,499	38,625
	316,033	412,233

Note:

The amounts excluded exchange losses arising from foreign currency borrowings capitalised to other non-current assets of HK\$1,015,000 (2015: HK\$Nil), which represented the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies.

11 FINANCE INCOME, NET

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Interest income on bank deposits	10,050	41,833
Interest on bank loans	(18,647)	(27,429)
Less: amount capitalised (Note)	11,610	4,289
	(7,037)	(23,140)
	3,013	18,693

Note:

To the extent funds are borrowed generally and used for the purpose of financing the qualifying assets, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation, including the effect of capitalisation of exchange difference (Note 10), is 2.1% (2015: 3.3%) for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 INCOME TAX EXPENSE

The amounts of taxation charged to the condensed consolidated income statement represent:

	Unaudited Six months ended 31 December	Unaudited
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
– Mainland China taxation	76,169	80,635
– Under-provision in prior years	1,375	71
Deferred income tax		
– Undistributed retained earnings	(353)	–
– Other temporary differences	(10,167)	15,835
	67,024	96,541

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the six months ended 31 December 2016 and 2015.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2015: 25%).

13 DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2016 (2015: HK\$Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 31 December 2016	Unaudited 2015
Profit attributable to shareholders of the Company (HK\$'000)	92,458	59,810
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK\$ per share)	0.05	0.04

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the six months ended 31 December 2016 and 2015, there was no dilutive potential ordinary share.

15 CAPITAL EXPENDITURE

For the six months ended 31 December 2016, the Group has additions of property, plant and equipment, an investment property and other non-current assets of approximately HK\$49,156,000, HK\$3,907,000 and HK\$12,625,000 (2015: HK\$98,586,000, HK\$8,336,000 and HK\$4,289,000) respectively. The Group has disposed of property, plant and equipment with net book amount of approximately HK\$16,297,000 (2015: HK\$15,882,000).

16 INVESTMENT PROPERTIES

As at 31 December 2016, the investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and BMI Appraisals Limited, independent professional valuers. Valuations were based on market value assessment, where appropriate, by reference to the income approach.

As at 31 December 2016, an investment property of approximately HK\$1,708,380,000 (30 June 2016: HK\$1,784,795,000) is pledged to secure certain bank borrowings of the Group (Note 24).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 OTHER NON-CURRENT ASSETS

Balance as at 31 December 2016 and 30 June 2016 represented the following transaction:

On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Shenyang New World Xin Hui Properties Co., Ltd. (previously known as Shenyang New World Hotel Co., Ltd.) ("SYNWXH"), a wholly-owned subsidiary of New World Development Company Limited ("NWD") and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWXH agreed to cooperate in a property redevelopment project in Shenyang City. Shenyang Trendy agreed to surrender to the local government authority the land and building where Shenyang New World Department Store – Nanjing Street Branch Store was situated for a compensation of RMB250,012,000 and to make contribution of RMB527,060,000 (subject to further adjustments) to SYNWXH for the related costs of demolition of the existing building and design, construction and payment of any relevant land grant premium of certain portion of the redeveloped building. As at 31 December 2016, the balance in connection to this transaction and the costs capitalised was approximately HK\$601,063,000 (30 June 2016: HK\$616,336,000).

18 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE FINANCIAL ASSET

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2016	2016
	HK\$'000	HK\$'000
Listed securities, at fair value		
Equity securities – Korea		
– Financial asset at fair value through other comprehensive income	17,702	–
– Available-for-sale financial asset	–	35,893
	17,702	35,893

The financial asset is denominated in Korean Won.

The fair value of equity securities is based on their bid prices in an active market at the end of reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Indemnification in connection with the acquisition of a subsidiary	8,694	9,040
Forward currency contract	1,170	–
	9,864	9,040

The indemnification in connection with the acquisition of a subsidiary is denominated in Renminbi (“RMB”).

The forward currency contract was entered with creditworthy banks with no recent history of default.

20 DEBTORS

	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Debtors	159,287	132,521
Less: loss allowance provision	(7,119)	(18,338)
Debtors, net	152,168	114,183

The Group grants credit terms within 30 days in majority.

Ageing analysis of the debtors, based on the invoice dates, is as follows:

	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Within period for		
0 – 30 days	115,079	69,384
31 – 60 days	14,105	16,709
61 – 90 days	1,526	3,736
Over 90 days	21,458	24,354
Debtors, net	152,168	114,183

The debtors are primarily denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES, RELATED COMPANIES AND ASSOCIATED COMPANIES

As at 31 December 2016 and 30 June 2016, the balances are unsecured, interest free, repayable on demand and denominated in RMB.

The related companies represent the joint ventures of NWD, Chow Tai Fook Jewellery Group Limited and its subsidiaries ("CTFJ Group") and members of the companies controlled by Mr. Doo Wai-hoi ("Mr. Doo"), an associate of certain Directors.

22 SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each, issued and fully paid:		
At 30 June 2016 (audited) and 31 December 2016 (unaudited)	1,686,145	168,615

23 RESERVES

	Attributable to shareholders of the Company							
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory Reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2015	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,124,022
Profit for the period	-	-	-	-	-	-	59,810	59,810
Fair value loss on available-for-sale financial asset	-	-	-	-	(7,267)	-	-	(7,267)
Translation differences	-	-	-	-	-	(261,525)	-	(261,525)
Final dividend relating to the year ended 30 June 2015	(30,351)	-	-	-	-	-	-	(30,351)
Transfer to statutory reserve	-	-	-	15,691	-	-	(15,691)	-
At 31 December 2015 – Unaudited	1,826,646	109,049	391,588	375,079	(7,267)	355,945	2,833,649	5,884,689

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 RESERVES (continued)

	Attributable to shareholders of the Company							
	Share premium	Property revaluation reserve	Capital reserve	Statutory Reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2016	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,744,224
Profit for the period	-	-	-	-	-	-	92,782	92,782
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	-	1,775	-	-	-	-	-	1,775
– Deferred income tax thereof	-	(444)	-	-	-	-	-	(444)
Fair value loss on financial asset at fair value through other comprehensive income	-	-	-	-	(16,591)	-	-	(16,591)
Translation differences	-	-	-	-	-	(264,343)	-	(264,343)
Transfer to statutory reserve	-	-	-	10,885	-	-	(10,885)	-
At 31 December 2016 – Unaudited	1,826,646	125,465	391,588	400,109	(20,990)	(52,649)	2,887,234	5,557,403

24 BORROWINGS

	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Non-current		
Secured bank loans	290,503	385,965
Unsecured bank loans	-	-
	290,503	385,965
Current		
Secured bank loans	55,866	23,392
Unsecured bank loans	882,188	586,295
	938,054	609,687
	1,228,557	995,652

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 BORROWINGS (continued)

The effective interest rates of borrowings are analysed as follows:

	Unaudited As at 31 December 2016	Audited As at 30 June 2016
HK\$	1.23%	2.07%
RMB	4.64%	4.68%
United States dollars	2.93%	2.97%
Euro	2.79%	2.80%
Others	3.50%	–

The carrying amounts of the borrowings are denominated in the following currencies:

	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
HK\$	766,794	483,052
RMB	346,369	414,954
United States dollars	10,438	20,368
Euro	104,918	77,278
Others	38	–
	1,228,557	995,652

The bank loans are repayable as follows:

	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Within one year	938,054	609,687
In the second year	78,212	81,871
In the third to fifth year	212,291	304,094
	1,228,557	995,652

As at 31 December 2016, the bank borrowings of approximately HK\$346,369,000 (30 June 2016: HK\$409,357,000) was secured by an investment property of approximately HK\$1,708,380,000 (30 June 2016: HK\$1,784,795,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 CREDITORS

The Group normally receives credit terms of 60 to 90 days. The creditors are primarily denominated in RMB.

The ageing analysis of the creditors based on the invoice dates, is as follows:

	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Within period for		
0-30 days	1,429,157	764,708
31-60 days	454,425	687,984
61-90 days	155,371	148,757
Over 90 days	241,283	348,792
	2,280,236	1,950,241

Creditors included amounts due to related companies of approximately HK\$97,406,000 (30 June 2016: HK\$78,162,000) which were unsecured, interest free and repayable within 90 days.

26 CAPITAL COMMITMENTS

Capital commitments in respect of investment properties, property, plant and equipment and land use rights of the Group at the end of the reporting period are as follows:

	Unaudited As at 31 December 2016 HK\$'000	Audited As at 30 June 2016 HK\$'000
Contracted but not provided for	93,166	116,225

27 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to those disclosed elsewhere in this condensed consolidated financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the period:

	Note	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	(23,608)	(29,666)
Building management expenses	(ii)	(7,369)	(12,889)
Sale of goods, prepaid shopping cards and vouchers	(iii)	1,078	1,145
Compensation for termination of lease and the refurbishment and enhancement work	(iv)	–	30,488

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

27 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

	Note	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Related companies			
Operating lease rental expenses	(i)	(103,279)	(125,071)
Building management expenses	(ii)	(12,525)	(14,053)
Sale of goods, prepaid shopping cards and vouchers	(iii)	161	587
Commission income from concessionaires sales	(v)	34,580	42,972
Rebates on prepaid shopping cards and vouchers	(vi)	90	106
Rental income	(vii)	77	90
Other service fee expenses	(viii)	–	(4)

Notes:

- (i) The operating lease rental expenses are charged in accordance with respective tenancy agreements.
- (ii) The building management expenses are charged at fixed monthly amounts in accordance with respective contracts.
- (iii) This represents the amounts received in respect of the use of the shopping vouchers, prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchase of goods and settlement of the relevant value by the subsidiaries and joint ventures of NWD (except the Group), and the CTFJ Group.
- (iv) This represents the aggregate amount of compensation received from a wholly-owned subsidiary of NWD in accordance with a termination agreement dated 11 December 2015 in connection with the early termination of the lease of a store in Beijing, compensating the Group for the related payments and the refurbishment and enhancement work made to the property of approximately HK\$30,488,000.
- (v) The commission income is charged in accordance with concessionaire counter agreements with the CTFJ Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.
- (vi) This represents rebates offered by the CTFJ Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and the CTFJ Group.
- (vii) The rental income is charged in accordance with rental agreements with members of the companies controlled by Mr. Doo.
- (viii) This represents other services provided by members of the companies controlled by Mr. Doo.

(b) Related party balances

The details for balances with related parties are disclosed in Notes 21 and 25 to this condensed consolidated financial information.

(c) Key management compensation

	Unaudited Six months ended 31 December 2016 HK\$'000	Unaudited 2015 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	11,621	8,879
Discretionary bonus	1,753	656
Retirement benefit costs – defined contribution plans	381	504
	13,755	10,039

28 ULTIMATE HOLDING COMPANY

The Directors regard NWD, a company incorporated in Hong Kong, as being the ultimate holding company of the Group.

IV. INDEBTEDNESS STATEMENT

As at the close of business on 31 May 2017, being the Latest Practicable Date for ascertaining information for inclusion in this indebtedness statement, the NWDSC Group had outstanding borrowings of approximately HK\$1,753,329,000, details of which are set out as follows:

	<i>HK\$'000</i>
Bank loans	
Secured	352,273
Unsecured	901,056
Loans from ultimate holding company, unsecured	<u>500,000</u>
	<u><u>1,753,329</u></u>

As at the close of business on 31 May 2017, bank loans of the NWDSC Group of approximately HK\$352,273,000 was secured by an investment property.

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 May 2017, the NWDSC Group on a consolidated basis did not have any material debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing or acceptances or hire purchase commitments.

Save as disclosed above and apart from intra-group guarantees, as at the close of business on 31 May 2017, the NWDSC Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

V. MATERIAL CHANGES

The NWDSC Directors confirm that, up to the Latest Practicable Date, they are not aware of any material change in the financial or trading position or outlook of the NWDSC Group since 30 June 2016, the date to which the latest published audited consolidated financial statements of NWDSC were made up.

VI. PROPERTY INTERESTS

The valuation of property interests of the NWDSC Group as at 31 May 2017 have been conducted by Jones Lang LaSalle, the independent professional valuer appointed by NWDSC. The market value of the aforesaid property interests attributable to the NWDSC Group as at 31 May 2017 was approximately HK\$6,745,908,000 (RMB5,936,399,000). Further details of the aforementioned property interests and the corresponding property valuation report prepared by Jones Lang LaSalle are set out in “Appendix III — Property Valuation Report” to this Composite Document.

By taking into account the effect of revaluation surplus arising from the valuation of all the above property interests, set out below is the calculation of the adjusted unaudited consolidated net asset value of the NWDSC Group attributable to NWDSC Shareholders as at 31 December 2016:

	<i>HK\$'000</i>
Unaudited consolidated net asset value of the NWDSC Group attributable to NWDSC Shareholders as at 31 December 2016 (<i>Note 1</i>)	5,726,018
<i>Adjustments:</i>	
— Revaluation surplus arising from valuation of the property interests (including property interests held for investment and owner-occupation/operation, and properties contracted to be acquired) attributable to the NWDSC Group as at 31 May 2017 (<i>Note 2</i>)	462,836
— Deferred income tax on attributable revaluation surplus (<i>Note 3</i>)	<u>(115,709)</u>
Adjusted NAV	<u><u>6,073,145</u></u>
Adjusted NAV per NWDSC Share (<i>Note 4</i>)	<u><u>HK\$3.602</u></u>

Notes:

1. The amount is extracted from the unaudited condensed consolidated statement of financial position as at 31 December 2016 of section III of this Appendix II to this Composite Document.
2. The revaluation surplus represents the excess of market value of the property interests as at 31 May 2017 over their corresponding book value as at 31 December 2016 (after adjusting for 10% outstanding balance payment of the total purchase price on a property contracted to be acquired).
3. Deferred income tax on revaluation surplus is estimated on the basis that surplus on all categories of property interests shall be subject to corporate income tax.
4. The Adjusted NAV per NWDSC Share is arrived at on the basis of 1,686,145,000 Shares in issue as at the Latest Practicable Date.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2017 of the property interests held by the NWDSC Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

27 June 2017

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

Dear Sirs,

On 6 June 2017, the board of directors of New World Development Company Limited (the "Offeror") and the board of directors of New World Department Store China Limited (the "Company" or "NWDSC") jointly announced that UBS AG Hong Kong Branch, on behalf of the Offeror, intends to make a voluntary conditional cash offer to acquire all of the issued shares of NWDSC (other than those already held by the Offeror).

In accordance with your instructions to value the property interests held by the Company and its subsidiaries (hereinafter together referred to as the "NWDSC Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 May 2017 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

We have adopted the income approach in our valuation by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market. This approach rests on the wide acceptance of the

market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation-Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the NWDSC Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and other official plans relating to the property interests in PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the NWDSC Group's PRC legal advisers ("PRC legal advisers") — AllBright Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in

the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in 22 May 2017 by Miss Kathryn Han, Miss Neomi Zhai, Mr. Tony Zhai and Miss Joanna Chen. Miss Kathryn Han is a member of RICS, she is also a China Certified Real Estate Appraisers and China Qualified Land Valuers. And the other staffs have more than 2 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the NWDSC Group. We have also sought confirmation from the NWDSC Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached below for your attention.

Pursuant to the relevant rules and regulations of tax laws in the PRC, the potential tax liabilities which would arise if the property interests of the Company specified in this report were to be sold mainly include value added tax (5% of the capital gains for properties purchased before 30 April 2016; 11% of the transaction amount for properties purchased after 30 April 2016), land appreciation tax (30% to 60% of appreciated amount), income tax (25% of the capital gains after deducting the potential tax fee in effecting the sales), stamp duty (0.05% of the transaction amount) and withholding tax at 10% if the net proceeds (minus taxes and statutory contributions) are repatriated outside the PRC as dividends (reduced to 5% if the Hong Kong-PRC double tax arrangement applies). As advised by the NWDSC Group, they have no intention to sell the properties as those properties are mainly occupied for the operation of department store and property investment. Therefore, the possibility of incurrence of such tax liabilities is very small.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Gilbert C H Chan

MHKIS, MRICS, RPS(GP)

Director

Notes: Gilbert C H Chan is a Chartered Surveyor who has 24 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

No.	Property	Group I		Group II		Group III		Total
		Property interests held for investment by the NWDSC Group in the PRC		Property interests held for owner-occupation/operation by the NWDSC Group in the PRC		Properties contracted to be acquired by the NWDSC Group in the PRC		
		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		
		RMB	RMB	RMB	RMB	RMB	RMB	RMB
1.	A portion of Basement Level 1, Levels 1 to 4, a portion of Level 3 for retail use and a portion on Level 3 (Room 301) for office use located at No. 138 Dongma Road, Nankai District, Tianjin, the PRC	104,245,000	N.A.	161,550,000	N.A.	N.A.	N.A.	265,795,000
2.	A portion of Levels 1 to 7 of two 26-storey office towers erected on a podium arcade located at No. 3 Jinqiao Road, Dadong District, Shenyang City, Liaoning Province, the PRC	357,561,000	N.A.	N.A.	4,122,000	N.A.	N.A.	361,683,000
3.	A portion of Basement Level 1 and Levels 1 to 4 of a 26-storey commercial/residential complex located at No. 57 Zijingshan Road, Guancheng District, Zhengzhou City, Henan Province, the PRC	240,583,000	N.A.	204,026,000	44,008,000	N.A.	N.A.	488,617,000
	Subtotal:	<u>702,389,000</u>	<u>N.A.</u>	<u>365,576,000</u>	<u>48,130,000</u>	<u>N.A.</u>	<u>N.A.</u>	<u>1,116,095,000</u>

No.	Property	Group I		Group II		Group III		Total
		Property interests held for investment by the NWDSC Group in the PRC		Property interests held for owner-occupation/operation by the NWDSC Group in the PRC		Properties contracted to be acquired by the NWDSC Group in the PRC		
		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		
		RMB	RMB	RMB	RMB	RMB	RMB	
4.	Levels 1 to 6 of a commercial complex located at Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379 and 1383 North Shaanxi Road, the Ground Level located at No. 175 Changshou Road, the Ground Level located at No. 179 Changshou Road, Levels 1 to 4 located at No.155 Changshou Road, Level 5 located at No. 157 Changshou Road and Level 6 located at No.159 Changshou Road, Putuo District, Shanghai, the PRC	1,531,000,000	N.A.	N.A.	N.A.	N.A.	N.A.	1,531,000,000
5.	One commercial complex located at No. 762 Tianshan Road, Changning District Shanghai, the PRC	1,553,000,000	N.A.	N.A.	N.A.	N.A.	N.A.	1,553,000,000
6.	Basement Level 1 and Levels 1 to 5 of a commercial complex and a portion of Basement Level 1 and Levels 1 to 6 of a commercial complex located at Nos. 566 and 568 Jianshe Avenue, Jiangnan District, Wuhan City, Hubei Province, the PRC	119,899,000	N.A.	515,164,000	N.A.	N.A.	N.A.	635,063,000
	Subtotal:	<u>3,203,899,000</u>	<u>N.A.</u>	<u>515,164,000</u>	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>	<u>3,719,063,000</u>

No.	Property	Group I		Group II		Group III		Total
		Property interests held for investment by the NWDSC Group in the PRC		Property interests held for owner-occupation/operation by the NWDSC Group in the PRC		Properties contracted to be acquired by the NWDSC Group in the PRC		
		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		Market value for reference (for properties without proper title in existing state as at 31 May 2017)		
		RMB	RMB	RMB	RMB	RMB	RMB	
7.	Room 101 on Level 1 and Levels 2 to 5 and No. 41 carpark in Basement Level 1 of No. 268–290 carpark of a commercial complex located at No. 270 Wusong Road, Hongkou District, Shanghai, the PRC	32,313,000	N.A.	39,928,000	N.A.	N.A.	N.A.	72,241,000
8.	A portion of Basement Level 1 and Levels 1 to 5 of a commercial complex located at No. 12 Nanjing South Street, Heping District, Shenyang City, Liaoning Province, the PRC	N.A.	N.A.	464,000,000	N.A.	N.A.	N.A.	464,000,000
9.	A portion of Basement Levels 1 to 4 and Levels 1 to 6 of a construction in progress of a commercial complex located at No. 2 Nanjing South Street, Heping District, Shenyang City, Liaoning Province, the PRC	N.A.	N.A.	N.A.	N.A.	N.A.	565,000,000	565,000,000
	Subtotal:	<u>32,313,000</u>	<u>N.A.</u>	<u>503,928,000</u>	<u>N.A.</u>	<u>N.A.</u>	<u>565,000,000</u>	<u>1,101,241,000</u>
	Grand total:	<u>3,938,601,000</u>	<u>N.A.</u>	<u>1,384,668,000</u>	<u>48,130,000</u>	<u>N.A.</u>	<u>565,000,000</u>	<u>5,936,399,000</u>

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value	Market value	Total
				in existing state as at 31 May 2017 RMB	for reference (for properties without proper title as at 31 May 2017 RMB)	
1.	A portion of Basement Level 1, Levels 1 to 4, a portion of Level 3 for retail use and a portion on Level 3 (Room 301) for office use located at No. 138 of Dongma Road, Nankai District, Tianjin, the PRC	The property comprises a portion of Basement Level 1, Levels 1 to 4, a portion of Level 3 of a 7-storey commercial building which was completed in about 1997 for retail use (the "Tianjin New World Department Store Property"), and a portion on Level 3 (Room 301) which is held for office purpose (the "Tianjin New World Department Store — Office Property"). The total gross floor area of the retail property and the office property is approximately 12,857.64 sq.m. and 1,378.25 sq.m. respectively. The land use rights of the property have been granted for a term expiring on 20 July 2045 for other commercial and service use.	As at the valuation date, the investment portion of the property is leased out for rental purposes and the owner-occupation/operation portion is for retail purposes. The property is operated/occupied by Tianjin New World.	265,795,000 (Please refer to Note 5 for details)	N.A.	265,795,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Fang Di Zheng Jin Zi Di No. 104031315894 dated 14 August 2013, the Tianjin New World Department Store Property with a total gross floor area of approximately 12,857.64 sq.m. is owned by Topsilver Limited ("Topsilver", a wholly owned subsidiary of the NWDSC Group). The relevant land use rights of the property with an apportioned site area of approximately 2,551 sq.m. have been granted to Topsilver for a term expiring on 20 July 2045 for other commercial and service use. Pursuant to a Real Estate Title Certificate — Fang Di Zheng Jin Zi Di No.104031315893 dated 14 August 2013, the Tianjin New World Department Store — Office Property with a total gross floor area of approximately 1,378.25 sq.m. is owned by Topsilver. The relevant land use rights of the property with an apportioned site area of approximately 273.4 sq.m have been granted to Topsilver for a term expiring on 20 July 2045 for other commercial and service use. As advised by the NWDSC Group, the area breakdown of owner occupation/operation portion and investment portion as at 31 May 2017 are as follow:

Total Gross Floor Area (sq.m.)	Owner-Occupation/ Operation Portion (sq.m.)	Investment Portion (sq.m.)
14,235.89	8,204.48	6,031.41

2. Pursuant to a Letter of Authorization entered into between Topsilver and Tianjin New World Department Store Co., Ltd. (“Tianjin New World”, a fellow subsidiary of Topsilver and a wholly owned subsidiary of the NWDSC Group), Tianjin New World is fully authorized to operate the property, including the finalize of lease agreement conditions, signing lease agreement with third party, collecting the rentals and conducting all relevant legal affairs.
3. We have been provided with a legal opinion regarding the property interest by the NWDSC Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Topsilver legally owns the land use rights and the building ownership of the Tianjin New World Department Store Property and the Tianjin New World Department Store — Office Property. It is entitled to transfer, lease or otherwise dispose of the properties pursuant to PRC laws; and
 - b. There is no mortgage or court seizure over the Tianjin New World Department Store Property or the Tianjin New World Department Store — Office Property.
4. In the course of valuation, reference has been made to Ground level evidence/asking rent of similar retail developments in the locality which are in the region of RMB20 to RMB27 per sq.m./per day. The assumed market yield is 7% which is in line with the market yield of this property sector in the region of 6% to 8%.
5. The notional apportionment for value between different groups of property interests as at 31 May 2017 are as follows:

Group I (RMB)	Group II (RMB)	Group III (RMB)	Total (RMB)
104,245,000	161,550,000	N.A.	265,795,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value for reference (for properties without proper title certificate)		Total RMB
				Market value in existing state as at 31 May 2017 RMB	Market value as at 31 May 2017 RMB	
2.	A portion of Levels 1 to 7 of two 26-storey office towers erected on a podium arcade located at No. 3 Jinqiao Road, Dadong District, Shenyang City, Liaoning Province, the PRC	The property comprises a portion of Levels 1 to 7 of two 26-storey office towers completed in about 2010, erected on a podium arcade with site area of approximately 4,372.78 sq.m. (excluding a 2-storey basement) (the “Shenyang New World Department Store — Jinqiao Road Branch Store Property”). The property has a total gross floor area of approximately 34,087.23 sq.m. The land use rights of the property have been granted for a term expiring on 28 April 2046 for commercial use.	As at the valuation date, part of the property is leased out for rental purposes. The remaining part is vacant.	357,561,000 (Please refer to Note 5 for details)	4,122,000 (Please refer to Notes 4 and 5 for details)	361,683,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Shen Yang Da Dong Guo Yong (2010) Di No. DD02864 dated 19 September 2010, the land use rights of the property with a site area of approximately 4,372.78 sq.m. have been granted to Shenyang New World Department Store Ltd. (“Shenyang New World”, a wholly owned subsidiary of the NWDSC Group) for a term expiring on 28 April 2046 for commercial use.
- Pursuant to a Building Ownership Certificate — Shen Fang Quan Zheng Zhong Xin Zi Di No. N060220916 dated 8 September 2010, a building with total gross floor area of approximately 34,087.23 sq.m. is owned by Shenyang New World.
- According to the Carpark Use Right Transfer Agreement entered into between Shenyang Fengrui Property Company Limited as transferor and Shenyang New World as transferee on 17 November 2008, Shenyang New World is entitled to use 68 car parking spaces located in the basement 1 of the property until the expiry of the term of the underlying state-owned land use right of the car parking spaces. The total purchase price under this transfer agreement in the amount of RMB5,440,000 has been paid by Shenyang New World.

4. As at the date of valuation, the carpark has not been assigned to the NWDSC Group and thus the title of the property has not been vested in the NWDSC Group. Therefore we have attributed no commercial value to the carpark. However, for reference purpose, we are of the opinion that the market value of the property as at the date of valuation would be RMB4,122,000, on condition that the property is completed (assuming), the relevant title certificates have been obtained by the NWDSC Group and the NWDSC Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

5. The notional apportionment for value between different groups of property interests as at 31 May 2017 are as follows:

Group I (RMB)	Group II (RMB)	Group III (RMB)	Total (RMB)
357,561,000	4,122,000	N.A.	361,683,000

6. We have been provided with a legal opinion regarding the property interest by the NWDSC Group's PRC legal advisers, which contains, *inter alia*, the following:

- a. Shenyang New World legally owns the Shenyang New World Department Store — Jinqiao Road Branch Store Property. It is entitled to transfer, lease or otherwise dispose of the property pursuant to PRC laws; and
- b. There is no mortgage or court seizure over the Shenyang New World Department Store — Jinqiao Road Branch Store Property.

7. In the course of valuation, reference has been made to Ground level evidence/asking rent of similar retail developments in the locality which are in the region of RMB8.2 to RMB10 per sq.m./per day. The assumed market yield is 5.5% which is in line with the market yield of this property sector in the region of 5.0% to 6.5%.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value for reference (for properties without proper title certificate)		Total
				Market value in existing state as at 31 May 2017 RMB	Market value as at 31 May 2017 RMB	
3.	A portion of Basement Level 1 and Levels 1 to 4 of a 26-storey commercial/residential complex located at No. 57 Zijingshan Road, Guancheng District, Zhengzhou City, Henan Province, the PRC	The property comprises a portion of Basement Level 1 and Levels 1 to 4 of a 26-storey (excluding 2-storey basement) commercial/residential complex (the “Zhengzhou New World Department Store Property”) completed in about 2009. The property has a total gross floor area of approximately 35,311.21 sq.m. The land use rights of the property have been granted for a term expiring on 19 April 2046 for commercial and service use.	As at the valuation date, the investment portion is leased out for rental purposes and the owner-occupation/operation portion is for retail purposes. The property is operated/occupied by Zhengzhou New World.	444,609,000 (Please refer to Note 7 for details)	44,008,000 (Please refer to Notes 4 and 7 for details)	488,617,000

Notes:

- Pursuant to 4 State-owned Land Use Rights Certificates — Zheng Guo Yong (2010) Di Nos. 14098, 14099, 14100 and 14102 all dated 7 July 2010, the land use rights of the property with a total site area of approximately 5,083.9 sq.m. have been granted to Wuhan New World Department Store Co., Ltd. (“Wuhan New World”, a wholly owned subsidiary of the NWDC Group) for a term expiring on 19 April 2046 for commercial and service use.
- Pursuant to 4 Building Ownership Certificates — Zheng Fang Quan Zheng Di Nos. 1001037826, 1001037827, 1001037828 and 1001037830 all dated 23 April 2010, the property with a total gross floor area of approximately 35,311.21 sq.m. is owned by Wuhan New World. As advised by the NWDC Group, the area breakdown of owner occupation/operation portion and investment portion as at 31 May 2017 are as follow:

Total Gross Floor Area (sq.m.)	Owner-Occupation/ Operation Portion (sq.m.)	Investment Portion (sq.m.)
35,311.21	15,339.36	19,971.85

3. According to the lease contract entered into between Henan Yuhong Property Company Limited as lessor and Zhengzhou New World Department Store Co., Ltd. (“Zhengzhou New World”, a fellow subsidiary of Wuhan New World and a wholly owned subsidiary of the NWDSC Group) as lessee on 23 December 2010, Zhengzhou New World is entitled to use the carpark with a site area of 12,180 sq.m. in the basement 1 located at Nos. 57, 59, 61 and 63 Zijingshan Road, Guancheng District, Zhengzhou, Henan Province, PRC (with approximately 350 individual car parking spaces) for a term of 20 years which shall be automatically extended until 19 April 2046 upon expiry of the 20-year term. The total rental under this lease in the amount of RMB45,000,000 has been paid by Zhengzhou New World.
4. As at the date of valuation, the property has not been assigned to the NWDSC Group and thus the title of the property has not been vested in the NWDSC Group. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the date of valuation would be RMB44,008,000, on condition that the property is completed (assuming), the relevant title certificates have been obtained by the NWDSC Group and the NWDSC Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.
5. We have been provided with a legal opinion regarding the property interest by the NWDSC Group’s PRC legal advisers, which contains, *inter alia*, the following:
- a. Wuhan New World legally owns the Zhengzhou New World Department Store Property. It is entitled to transfer, lease or otherwise dispose of the property pursuant to PRC laws; and
 - b. There is no mortgage or court seizure over the Zhengzhou New World Department Store Property.
6. In the course of valuation, reference has been made to Ground level evidence/asking rent of similar retail developments in the locality which are in the region of RMB6.7 to RMB7.7 per sq.m./per day. The assumed market yield is 6.0% which is in line with the market yield of this property sector in the region of 5.0% to 6.5%.
7. The notional apportionment for value between different groups of property interests as at 31 May 2017 are as follows:

Group I (RMB)	Group II (RMB)	Group III (RMB)	Total (RMB)
240,583,000	248,034,000	N.A.	488,617,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value for reference (for properties without proper title certificate)		Total RMB
				Market value in existing state as at 31 May 2017 RMB	Market value as at 31 May 2017 RMB	
4.	Levels 1 to 6 of a commercial complex located at Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379 and 1383 North Shaanxi Road, the Ground Level located at No. 175 Changshou Road, the Ground Level located at No. 179 Changshou Road, Levels 1 to 4 located at No.155 Changshou Road, Level 5 located at No. 157 Changshou Road and Level 6 located at No.159 Changshou Road, Putuo District, Shanghai, the PRC	<p>The property comprises a 6-storey shopping mall of a composite development completed in various stages between 2000 and 2006 and fully renovated in 2008, erected on a land with site area of approximately 11,757 sq.m. (the “Hong Kong New World Department Store — Shanghai Shaanxi Road Branch Store Property”).</p> <p>The property has a total gross floor area of approximately 41,090.20 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 21 March 2045 for a combination of commercial and residential use (situated at Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379 and 1383 North Shaanxi Road) and for commercial use (situated at Nos. 175, 179, 155, 157 and 159 Changshou Road) respectively.</p>	As at the valuation date, the property is mainly leased out for rental purposes.	1,531,000,000	N.A.	1,531,000,000

Notes:

- Pursuant to 5 Shanghai Certificates of Real Estate Ownership Hu Fang Di Pu Zi 2007 Di Nos. 017207, 023487, 023488, 023261 and 022186 dated 14 June 2007, 1 August 2007, 1 August 2007, 25 July 2007 and 24 July 2007, the property with a total gross floor area of approximately 41,090.20 sq.m. is owned by Peak Moral High Commercial Development (Shanghai) Co.,Ltd. (“Peak Moral High”, a wholly owned subsidiary of the NWDSC Group) The relevant land use rights have been granted to Peak Moral High for

a term expiring on 21 March 2045 for a combination of commercial and residential use (situated at Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379 and 1383 North Shaanxi Road) and for commercial use (situated at Nos. 175, 179, 155, 157 and 159 Changshou Road) respectively.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. Peak Moral High legally owns the Hong Kong New World Department Store — Shanghai Shaanxi Road Branch Store Property. It is entitled to transfer, lease or otherwise dispose of the property pursuant to PRC laws subjected to the mortgages set forth below;

b. Pursuant to a series of mortgage contracts and relevant agreements, the land use rights of land and the construction works of the property are subject to mortgages in favor of various third parties listing in the following table:

No.	Location of the Building	GFA	Particulars of Mortgages	
1	Levels 1 to 6 of Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379, 1383 North Shaanxi Road	14,045.81	Mortgagee:	The Putuo Branch of Industrial and Commercial Bank of China
			Registration No.:	PU200907022941
			Amount of the maximum debt:	RMB200,000,000.00
			Term of the debt:	from 25 August 2009 to 25 August 2019
2	Ground level of No. 175 Changshou Road	484.56	Mortgagee:	The Putuo Branch of Industrial and Commercial Bank of China
			Registration No.:	PU200907022909
3	Ground level of No. 179 Changshou Road	247.85	Amount of the maximum debt:	RMB20,000,000.00
			Term of the debt:	from 25 August 2009 to 25 August 2019
4	Levels 1 to 3 of No. 155 Changshou Road	Level 1: 3,424.79 Level 2: 4,165.46 Level 3: 4,752.43 Total: 12,342.68	Mortgagee:	The Putuo Branch of Industrial and Commercial Bank of China
			Registration No.:	PU200907022944
			Amount of the maximum debt:	RMB230,000,000.00
			Term of the debt:	from 25 August 2009 to 25 August 2019
5	Levels 4 of No. 155 Changshou Road, level 5 of No. 157 Changshou Road, and level 6 of No. 159 Changshou Road	Level 4: 4823.26 Level 5: 4754.85 Level 6: 4391.19 Total: 13,969.3	Mortgagee:	The Putuo Branch of Industrial and Commercial Bank of China
			Registration No.:	PU200907022943
			Amount of the maximum debt:	RMB140,000,000.00
			Term of the debt:	from 25 August 2009 to 25 August 2019

c. There is no court seizure over the Hong Kong New World Department Store — Shanghai Shaanxi Road Branch Store Property.

3. In the course of valuation, reference has been made to rental evidence/asking rent of Ground level of similar retail developments in the locality which are in the region of RMB14.00 to RMB21.00 per sq.m./per day. The assumed market yield is 5% which is in line with the market yield of this property sector in the region of 4.5% to 5.5%.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value for reference (for properties without proper title certificate)		Total RMB
				Market value in existing state as at 31 May 2017 RMB	Market value as at 31 May 2017 RMB	
5.	One commercial complex located at No. 762 Tianshan Road, Changning District Shanghai, the PRC	<p>The property comprises a 6-storey commercial building with 3-storey basement completed in 2003, erected on a land with site area of approximately 11,458 sq.m. (the “Hong Kong New World Department Store — Shanghai Tianshan Road Branch Store Property”)</p> <p>The property has a total gross floor area of approximately 43,016.13 sq.m.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 2 March 2053 for composite use (commercial and office usage).</p>	As at the valuation date, the property is mainly leased out for rental purposes.	1,553,000,000	N.A.	1,553,000,000

Notes:

1. Pursuant to a Shanghai Certificate of Real Estate Ownership Hu Fang Di Chang Zi 2008 Di No. 015791 dated 24 November 2008, the property with a total gross floor area of approximately 43,016.13 sq.m. is owned by Shanghai New World Huiyan Department Store Co., Ltd. (“Shanghai Huiyan”, formerly known as Shanghai Hongxin Properties Company Limited, a wholly owned subsidiary of the NWDSC Group), the relevant land use rights have been granted to Shanghai Huiyan for a term expiring on 2 March 2053 for composite use (commercial and office usage).
2. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shanghai Huiyan legally owns the Hong Kong New World Department Store — Shanghai Tianshan Road Branch Store Property. It is entitled to transfer, lease or otherwise dispose of the property pursuant to PRC laws; and
 - b. There is no mortgage or court seizure over the Hong Kong New World Department Store — Shanghai Tianshan Road Branch Store Property.

3. In the course of valuation, reference has been made to rental evidence/asking rent of Ground level of similar retail developments in the locality which are in the region of RMB19.00 to RMB25.00 per sq.m./per day. The assumed market yield is 5% which is in line with the market yield of this property sector in the region of 4.5% to 5.5%.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value for reference (for properties without proper title certificate)		Total
				Market value in existing state as at 31 May 2017 RMB	Market value as at 31 May 2017 RMB	
6.	Basement Level 1 and Levels 1 to 5 of a commercial complex and a portion of Basement Level 1 and Levels 1 to 6 of a commercial complex located at Nos. 566 and 568 Jianshe Avenue, Jiangnan District, Wuhan City, Hubei Province, the PRC	<p>The property comprises Basement Level 1 and Levels 1 to 5 of a commercial complex and a portion of Basement Level 1 and Levels 1 to 6 of commercial complex, which have been structurally connected and operated as a department store (the "Wuhan New World Department Store Property").</p> <p>The property has a total gross floor area of approximately 42,227.75 sq.m..</p> <p>The property is erected on two adjacent sites with a total apportioned site area of approximately 2,909.75 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 6 November 2042 for commercial and service use.</p>	As at the valuation date, the investment portion is leased out for rental purposes and the owner-occupation/operation portion is for retail purposes.	635,063,000 (Please refer to Note 8 for details)	N.A.	635,063,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2009) Di No. 292, dated on 19 May 2009, the land use rights of Basement Level 1 and Levels 1 to 5 of Wuhan New World Department Store Co., Ltd. ("Wuhan New World", a wholly owned subsidiary of the NWDSC Group) with a site area of approximately 2,037.82 sq.m. have been granted to Wuhan New World for a term expiring on 6 November 2042 for commercial and services use.
- Pursuant to 7 State-owned Land Use Rights Certificates — Jiang Guo Yong (Shang 2009) Di Nos. 159096, 159097, 159098, 159099, 159100, 159101 and 159102 all dated on 2 March 2009, the land use rights of the portion of Basement Level 1 and Levels 1 to 6 of Wuhan New World Trade Tower I with a site area of approximately 871.93 sq.m. have been granted to Wuhan New World for a term expiring on 6 November 2042 for commercial and services use.

3. Pursuant to a Building Ownership Certificate — Wu Fang Quan Zheng Shi Zi Di No. 2008021862 dated 18 November 2008, Basement Level 1 and Levels 1 to 5 of Wuhan New World Department Store with a total gross floor area of approximately 11,431.46 sq.m. is owned by Wuhan New World.
4. Pursuant to 7 Building Ownership Certificates — Wu Fang Quan Zheng Shi Zi Di Nos. 2008021870, 2008021863, 2008021865, 2008021866, 2008021869, 2008021867 and 2008021868 all dated 18 November 2008, the portion of Basement Level 1 and Levels 1 to 6 of Wuhan New World Trade Tower I with a total gross floor area of approximately 30,796.29 sq.m. is owned by Wuhan New World.
5. As advised by the NWDSC Group, the area breakdown of owner occupation/operation portion and investment portion as at 31 May 2017 are as follow:

Total Gross Floor Area (sq.m.)	Owner-Occupation/ Operation Portion (sq.m.)	Investment Portion (sq.m.)
42,227.75	28,275.87	13,951.88

6. We have been provided with a legal opinion regarding the property interest by the NWDSC Group's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Wuhan New World legally owns the Wuhan New World Department Store Property. It is entitled to transfer, lease or otherwise dispose of the property pursuant to PRC laws; and
 - b. There is no mortgage or court seizure over the Wuhan New World Department Store Property.
7. In the course of valuation, reference has been made to Ground level evidence/asking rent of similar retail developments in the locality which are in the region of RMB10 to RMB13.3 per sq.m./per day. The assumed market yield is 6% which is in line with the market yield of this property sector in the region of 5% to 6%.
8. The notional apportionment for value between different groups of property interests as at 31 May 2017 are as follows:

Group I (RMB)	Group II (RMB)	Group III (RMB)	Total (RMB)
119,899,000	515,164,000	N.A.	635,063,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value for reference (for properties without proper title certificate)		Total RMB
				Market value in existing state as at 31 May 2017 RMB	Market value as at 31 May 2017 RMB	
7.	Room 101 on Level 1 and Levels 2 to 5 and No. 41 carpark in Basement Level 1 of No. 268-290 carpark of a commercial complex located at No. 270 Wusong Road, Hongkou District, Shanghai, the PRC	The property comprises an office unit on Level 1 and Levels 2 to 5 and a carpark in Basement Level 1 of an 8-storey commercial complex completed in 2006, erected on a site with site area of approximately 21,305 sq.m. (the "Shanghai Wusong Road Property"). The total gross floor area of the property is approximately 2,422.77 sq.m. The land use rights of the property have been granted for a term expiring on 9 April 2052 for composite use.	As at the valuation date, the investment portion is leased out for rental purposes and the owner-occupation/operation portion is for office and showroom purposes.	72,241,000 (Please refer to Note 5 for details)	N.A.	72,241,000

Notes:

- Pursuant to 5 Shanghai Real Estate Ownership Certificates, Hu Fang Di Hong Zi (2012) Di Nos. 010583, 010584, 010585, 010586 and 010587 dated 7 November 2012, the property with a total gross floor area of approximately 2,422.77 sq.m. is owned by Shanghai Luxba Trading Ltd. ("Shanghai Luxba", a wholly owned subsidiary of the NWDSC Group) for a term expiring on 9 April 2052 for composite use.
- As advised by the NWDSC Group, the area breakdown of owner occupation/operation portion and investment portion as at 31 May 2017 are as follow:

Total Gross Floor Area (sq.m.)	Owner-Occupation/ Operation Portion (sq.m.)	Investment Portion (sq.m.)
2,422.77	1,362.43	1,060.34

- We have been provided with a legal opinion regarding the property interest by the NWDSC Group's PRC legal advisers, which contains, *inter alia*, the following:
 - Shanghai Luxba legally owns the Shanghai Wusong Road Property. It is entitled to transfer, lease or otherwise dispose of the property pursuant to PRC laws; and

- b. There is no mortgage or court seizure over the Shanghai Wusong Road Property.
4. In the course of valuation, reference has been made to rental evidence/asking rent of similar office developments in the locality which are in the region of RMB3.80 to RMB5.50 per sq.m./per day. The assumed market yield is 5% which is in line with the market yield of this property sector in the region of 4.5% to 5.5%.
5. The notional apportionment for value between different groups of property interests as at 31 May 2017 are as follows:

Group I <i>(RMB)</i>	Group II <i>(RMB)</i>	Group III <i>(RMB)</i>	Total <i>(RMB)</i>
32,313,000	39,928,000	N.A.	72,241,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value for reference (for properties without proper title certificate)		Total
				Market value in existing state as at 31 May 2017 RMB	Market value as at 31 May 2017 RMB	
8.	A portion of Basement Level 1 and Levels 1 to 5 of a commercial complex located at No. 12 Nanjing South Street, Heping District, Shenyang City, Liaoning Province, the PRC	The property comprises a portion of Basement Level 1 and Levels 1 to 5 of a 38-storey commercial residential building erected on a podium arcade with site area of approximately 2,231.23 sq.m. (the "Shenyang New World Department Store — Nanjing Street Branch Store (Phase I) Property"). The property has a total gross floor area of approximately 23,028.50 sq.m. The land use rights of the property have been granted for a term expiring on 28 June 2049 for commercial use.	As at the valuation date, the property is vacant.	464,000,000	N.A	464,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Shen Yang Guo Yong (2016) Di No. HP00232 dated 30 March 2016, the land use rights of the property with a site area of approximately 2,231.23 sq.m. have been granted to Shenyang New World for a term expiring on 28 June 2049 for commercial use.
2. Pursuant to a Building Ownership Certificate — Shen Fang Quan Zheng Zhong Xin Zi Di No. N060652457, the property with a total gross floor area of approximately 23,028.50 sq.m. is owned by Shenyang New World.
3. We have been provided with a legal opinion regarding the property interest by the NWDSC Group's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenyang New World legally owns the Shenyang New World Department Store — Nanjing Street Branch Store (Phase I) Property. It is entitled to transfer, lease or otherwise dispose of the property pursuant to PRC laws; and
 - b. There is no mortgage or court seizure over the Shenyang New World Department Store — Nanjing Street Branch Store (Phase I) Property.

4. In the course of valuation, reference has been made to Ground level evidence/asking rent of similar retail developments in the locality which are in the region of RMB10 to RMB15 per sq.m./per day. The assumed market yield is 5% which is in line with the market yield of this property sector in the region of 4.5% to 5.5%.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value for reference (for properties without proper title certificate)		Total
				Market value in existing state as at 31 May 2017 RMB	Market value as at 31 May 2017 RMB	
9.	A portion of Basement Levels 1 to 4 and Levels 1 to 6 of a construction in progress of a commercial complex located at No. 2 Nanjing South Street, Heping District, Shenyang City, Liaoning Province, the PRC	The property comprises a portion of Basement Levels 1 to 4 and Levels 1 to 6 of a 38-storey commercial residential building erected on a podium arcade with site area of approximately 7,667.20 sq.m. (the “Shenyang New World Department Store — Nanjing Street Branch Store (Phase II) Property”). The property is under development as at the valuation date. As advised by the NWDSC Group, the development is scheduled to be completed in 2018. The property has a total gross floor area of approximately 26,353.00 sq.m. The land use rights of the property have been granted for a term expiring on 29 June 2053 for commercial and service use.	As at the valuation date, the property is under construction and contracted to be acquired by the NWDSC Group on completion basis. (Please refer to Note 3)	N.A	565,000,000 (Please refer to Note 2)	565,000,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Shen Yang Guo Yong (2013) Di No. 0053 dated 13 August 2013, the land use rights of the property with a site area of approximately 7,667.20 sq.m. have been granted to Shenyang New World Xin Hui Properties Co., Ltd. (“Shenyang New World Xin Hui”, formerly known as Shenyang New World Hotel Co., Ltd.), a fellow subsidiary of the Company, for a term expiring on 29 June 2053 for commercial and service use.

2. As at the date of valuation, the property has not been assigned to the NWDSC Group and thus the title of the property has not been vested in the NWDSC Group. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the date of valuation would be RMB565,000,000, on condition that the property is completed (assuming), the relevant title certificates have been obtained by the NWDSC Group and the NWDSC Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. According to an agreement entered into by Shenyang New World Xin Hui and Shenyang Trendy Property Company Limited ("Shenyang Trendy") on 8 February 2013 (the "Agreement"), Shenyang Trendy is entitled to purchase from Shenyang New World Xin Hui a portion of Basement Levels 1 to 4 and Levels 1 to 6 of the Shenyang New World Department Store — Nanjing Street Branch Store (Phase II) Property with a construction area of 26,353 sq.m.. Shenyang Trendy has paid RMB474,354,000 to Shenyang New World Xin Hui which accounts for 90% of the total purchase price in the amount of RMB527,060,000; and
 - b. There is an existing mortgage over the Shenyang New World Department Store — Nanjing Street Branch Store (Phase II) Property created by Shenyang New World Xin Hui in favor of the Bank of East Asia (China) Co., Ltd., Shenyang Branch as the mortgagee. This mortgage was registered on 11 January 2016 to secure a debt with an amount of RMB550,000,000 (the "Debt"). The performance period of the Debt is from 17 December 2015 to 17 December 2019.
4. Shenyang Trendy is a wholly owned subsidiary of the NWDSC Group.
5. As advised by the NWDSC Group, the total purchase price in the amount of RMB527,060,000 is subject to further adjustments;
6. In the course of valuation, reference has been made to Ground level evidence/asking rent of similar retail developments in the locality which are in the region of RMB10 to RMB15 per sq.m./per day. The assumed market yield is 5% which is in line with the market yield of this property sector in the region of 4.5% to 5.5%.

1. RESPONSIBILITY STATEMENT

The issue of this Composite Document has been approved by the directors of the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the NWDSC Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the NWDSC Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS IN NWDSC'S SECURITIES

For the purpose of paragraphs 2 and 3 in this Appendix IV, "interested" has the same meaning as ascribed to that term in Part XV of the SFO.

As at the Latest Practicable Date, save as disclosed in the section headed "Shareholding Structure of NWDSC and the Offer" in the "Letter from UBS" in this Composite Document:

- (a) the Offeror did not own any NWDSC Shares, NWDSC Options or convertible securities, warrants, options or derivatives in respect of NWDSC Shares;
- (b) no director of the Offeror was interested in any NWDSC Shares, NWDSC Options or convertible securities, warrants, options or derivatives in respect of NWDSC Shares; and
- (c) no Offeror Concert Party owned or controlled any NWDSC Shares, NWDSC Options or convertible securities, warrants, options or derivatives in respect of NWDSC Shares.

3. DEALINGS IN NWDSC'S SECURITIES

During the Relevant Period, the Offeror, the directors of the Offeror and the Offeror Concert Parties had not dealt for value in any NWDSC Shares, NWDSC Options or convertible securities, warrants, options or derivatives in respect of NWDSC Shares.

4. ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date,

- (a) none of the NWDSC Directors had been or will be given any benefit as compensation for loss of office or otherwise in connection with the Offer;
- (b) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any Offeror Concert Parties and any of the NWDSC Directors, recent NWDSC Directors, NWDSC Shareholders or recent NWDSC Shareholders having any connection with or was dependent upon the outcome of the Offer;

- (c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had been entered into between the Offeror or any Offeror Concert Parties and any other person;
- (d) no person had irrevocably committed themselves to the Offeror or any Offer Concert Parties to accept or reject the Offer;
- (e) there were no NWDSC Shares, NWDSC Options or convertible securities, warrants, options or derivatives in respect of NWDSC Shares which the Offeror or any Offeror Concert Parties had borrowed or lent, save for borrowed securities (if any) which have been either on-lent or sold;
- (f) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition to the Offer; and
- (g) the Offeror had no intention to transfer, charge or pledge any NWDSC Shares acquired pursuant to the Offer to any other persons and had no agreement, arrangement or understanding with any third party to do so.

5. MISCELLANEOUS

- (a) The Offeror is a company incorporated in Hong Kong with limited liability on 29 May 1970. The registered office of the Offeror is at 30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong. The ultimate controlling shareholders of the Offeror are Cheng Yu Tung Family (Holdings) Limited ("CYTF") and Cheng Yu Tung Family (Holdings II) Limited ("CYTFII"). The directors of both CYTF and CYTFII are Dr. Cheng Kar-Shun, Henry, Mrs. Sun Cheng Lai-Ha, Cecilia, Mrs. Doo Cheng Sau-Ha, Amy and Mr. Cheng Kar-Shing, Peter. The registered offices of CYTF and CYTFII are both located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

- (b) The directors of the Offeror are:

Executive directors:

Dr. Cheng Kar-Shun, Henry *GBS*
Dr. Cheng Chi-Kong, Adrian *JP*
Ms. Ki Man-Fung, Leonie *GBS JP*
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Au Tak-Cheong

Non-executive directors:

Mr. Doo Wai-Hoi, William *JP*
Mr. Cheng Kar-Shing, Peter
Mr. Chen Guanzhan

Independent non-executive directors:

Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson *JP*
Mr. Cha Mou-Zing, Victor (Alternate director to Mr. Cha Mou-Sing, Payson)
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John *BBS JP*
Mr. Liang Cheung-Biu, Thomas

- (c) UBS is making the Offer for and on behalf of the Offeror and is the financial adviser to the Offeror relating to the Offer. The registered office of UBS is at 52/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the NWDSC Group.

The information contained in this Composite Document relating to the NWDSC Group has been supplied by NWDSC. The NWDSC Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror Group but excluding the NWDSC Group for this purpose), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF NWDSC

As at the Latest Practicable Date:

- (a) the authorised share capital of NWDSC was HK\$1,000,000,000 divided into 10,000,000,000 NWDSC Shares;
- (b) the issued share capital of NWDSC was HK\$168,614,500 divided into 1,686,145,000 NWDSC Shares;
- (c) all of the NWDSC Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting;
- (d) no NWDSC Option has been granted or is outstanding under the NWDSC Share Option Scheme;
- (e) there are no options, derivatives, warrants or other securities convertible or exchangeable into NWDSC Shares.

NWDSC has not issued any NWDSC Shares since 30 June 2016 (being the date on which the latest published audited financial statements of the NWDSC Group were made up).

3. MARKET PRICES

The table below sets out the closing price of the NWDSC Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	Closing price for each NWDSC Share (HK\$)
30 December 2016	1.00
27 January 2017	1.12
28 February 2017	1.20
31 March 2017	1.24
28 April 2017	1.17
31 May 2017	1.30
2 June 2017 (Last Trading Day)	1.33
23 June 2017 (Latest Practicable Date)	1.92

During the Relevant Period, the highest closing market price of NWDSC Shares as quoted on the Stock Exchange was HK\$1.93 per NWDSC Share on 19 June 2017 and 20 June 2017, and the lowest closing market price of NWDSC Shares as quoted on the Stock Exchange was HK\$0.99 per NWDSC Share on 21 December 2016.

4. DISCLOSURE OF INTERESTS

For the purpose of this paragraph, “interested” and “interests” have the same meanings as ascribed to those terms in Part XV of the SFO.

Long position in underlying shares — share options

As at the Latest Practicable Date, certain NWDSC Directors had personal interests in share options (the “Offeror Options”) to subscribe for the Offeror Shares under the share option scheme of the Offeror, and are accordingly regarded as interested in the underlying Offeror Shares, the particulars of which are as follows:

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

Notes:

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

Confirmations

Except as disclosed in this section headed “Disclosure of Interests” in this Appendix V, as at the Latest Practicable Date:

- (a) neither NWDSC nor any of the NWDSC Directors was interested in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of the Offeror Shares;
- (b) none of the NWDSC Directors was interested in any NWDSC Shares or any convertible securities, warrants, options or derivatives in respect of the NWDSC Shares;
- (c) no subsidiary of NWDSC, or any pension fund of NWDSC or of any other member of the NWDSC Group or any adviser to NWDSC as specified in class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders) owned or controlled any NWDSC Shares or any convertible securities, warrants, options or derivatives in respect of the NWDSC Shares;
- (d) neither NWDSC nor any person who is its associate by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (e) none of the non-exempt discretionary fund managers and principal traders connected with NWDSC owned or controlled any NWDSC Shares or any convertible securities, warrants, options or derivatives in respect of the NWDSC Shares; and
- (f) neither NWDSC nor any of the NWDSC Directors had borrowed or lent any NWDSC Shares or any convertible securities, warrants, options or derivatives in respect of the NWDSC Shares.

None of the NWDSC Directors had any beneficial shareholdings in the NWDSC Shares and therefore they are not required to indicate their intention to accept or reject the Offer.

5. DEALINGS IN OFFEROR SHARES AND NWDSC SHARES

During the Relevant Period, the following NWDSC Director had dealt for value in the Offeror Options, the particulars of which are as follows:

Name	Date of grant	Exercisable period	Number of Offeror Options	Number of Offeror Shares under the Offeror Options	Exercise price per Offeror Option (HK\$)	Date of exercise of Offeror Options	Total exercise price paid (HK\$)
Mr. Au Tak-Cheong	10 June 2016	1	330,000	330,000	7.540	23 February 2017	2,488,200

Notes:

1. Divided into 4 tranches, exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019, respectively to 9 June 2020.
2. The cash consideration paid by the Director for grant of the share options is HK\$10.00.

During the Relevant Period, the following NWDSC Director had dealt for value in the Offeror Shares, the particulars of which are as follows:

Name	Date	Purchase/sale	Number of Offeror Shares	Average price per Offeror Shares (HK\$)	Highest price per Offeror Shares (HK\$)
Mr. Au Tak-Cheong	23 February 2017	Sale	330,000	10.12	10.12

Confirmations

During the Relevant Period, except as disclosed in this section headed “Dealings in Offeror Shares and NWDSC Shares”:

- (a) neither NWDSC nor any NWDSC Director had dealt for value in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of the Offeror Shares; and
- (b) none of the NWDSC Directors had dealt for value in any NWDSC Shares or any convertible securities, warrants, options or derivatives in respect of the NWDSC Shares.

During the Offer Period and up to the Latest Practicable Date, except as disclosed in this section headed “Dealings in Offeror Shares and NWDSC Shares”:

- (a) no subsidiary of NWDSC, or any pension fund of NWDSC or of any other member of the NWDSC Group or any adviser to NWDSC as specified in class (2) of the definition of “associate” under the Takeovers Code (but

excluding exempt principal traders) had dealt for value in any NWDSC Shares or any convertible securities, warrants, options or derivatives in respect of the NWDSC Shares; and

- (b) none of the non-exempt discretionary fund managers and principal traders connected with NWDSC had dealt for value in any NWDSC Shares or any convertible securities, warrants, options or derivatives in respect of the NWDSC Shares.

6. NWDSC DIRECTORS' SERVICE CONTRACTS

Save as disclosed in this section headed "NWDSC Directors' Service Contracts", as at the Latest Practicable Date, none of the NWDSC Directors had entered into any service contracts with NWDSC or any of its subsidiaries or associated companies (i) which are fixed term contracts with more than 12 months to run irrespective of notice period, (ii) which has been entered into or amended within six months before the commencement of the Offer Period, or (iii) which are continuous contracts with a notice period of 12 months or more.

Name	Date of the service contract	Effective date of appointment	Expiry date of appointment	Annual remuneration for the financial year ending 30 June 2017 (HK'000)
Dr. Cheng Kar-Shun, Henry	14 June 2016	1 July 2016	30 June 2019	100 (Note 2, 3)
Mr. Au Tak-Cheong	14 June 2016	1 July 2016	30 June 2019	100 (Note 2, 3)
Mr. Cheong Ying-Chew, Henry	14 June 2016	1 July 2016	30 June 2019	200 (Note 2, 3)
Mr. Chan Yiu-Tong, Ivan	14 June 2016	1 July 2016	30 June 2019	200 (Note 2, 3)
Mr. Tong Hang-Chan, Peter	14 June 2016	1 July 2016	30 June 2019	200 (Note 2, 3)
Mr. Yu Chun-Fai	14 June 2016	1 July 2016	30 June 2019	200 (Note 2, 3)

Notes:

- The service contracts of Dr. Cheng Chi-Kong, Adrian, Mr. Cheung Fai-Yet, Philip, who are executive directors of NWDSC, and Ms. Ngan Man-Ying, Lynda, who is a non-executive director of NWDSC, entered into with NWDSC on 23 June 2014 effective from 1 July 2014 and expiring on 30 June 2017 have not been included in the above table since as at the Latest Practicable Date, such service contracts were not contracts (i) which were fixed term contracts with more than 12 months to run irrespective of notice period, (ii) which had been entered into or amended within six months before the commencement of the Offer Period, or (iii) which were continuous contracts with a notice period of 12 months or more. However, it is expected that each of these three service contracts will be renewed for a further term of three years effective from 1 July 2017 to 30 June 2020 on terms which are the same as their respective current terms. The annual remuneration of Dr. Cheng Chi-Kong, Adrian, Mr. Cheung Fai-Yet, Philip and Ms. Ngan Man-Ying, Lynda as a NWDSC Director for the financial year ending 30 June 2017 is HK\$150,000, HK\$150,000 and HK\$100,000, respectively.

2. The service contracts of all the NWDSC Directors do not contain any variable amount of remuneration but provide that the directors are entitled to fixed directors' fee, subject to such change as may be approved by the remuneration committee of the NWDSC Board, the NWDSC Board and the shareholders from time to time, payable in arrears.
3. The service contract of this NWDSC Director also provides that he/she shall be reimbursed with reasonable expenses incurred.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the NWDSC Group were engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the NWDSC Directors to be pending or threatened by or against any member of the NWDSC Group.

8. MATERIAL CONTRACTS

The NWDSC Group has not entered into any material contract (not being contracts entered into in the ordinary course of business) after the date of two years before the Joint Announcement Date and up to and including the Latest Practicable Date.

9. QUALIFICATIONS OF EXPERTS

The following are the qualifications of each of the experts who have been named in this Composite Document or who have given their opinion or advice, which is contained in this Composite Document:

Name	Qualification
UBS AG Hong Kong Branch	an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
Ballas Capital Limited	an institution licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	independent professional valuer
AllBright Law Offices	PRC legal adviser

10. CONSENTS

Each of the experts named in the section headed “Qualifications of Experts” above has given and has not withdrawn its written consents to the issue of this Composite Document with the inclusion therein of the opinions, reports and/or letters and/or the references to its name and/or opinions, reports and/or letters in the form and context in which they respectively appear.

11. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the NWDSC Directors had been or will be given any benefit as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any NWDSC Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any of the NWDSC Directors has a material personal interest.
- (d) The registered office of NWDSC is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of NWDSC in Hong Kong is 7th floor, 88 Hing Fat Street, Causeway Bay, Hong Kong.
- (e) The principal share registrar of NWDSC is SMP Partners (Cayman) Limited at 3rd Floor, Royal Bank House, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office of NWDSC is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (g) As at the Latest Practicable Date, the NWDSC Board comprised (a) three non-executive directors namely, Dr. Cheng Kar-Shun, Henry, Mr. Au Tak-Cheong and Ms. Ngan Man-Ying, Lynda; (b) two executive directors, namely Dr. Cheng Chi-Kong, Adrian and Mr. Cheung Fai-Yet, Philip; and (c) four independent non-executive directors, namely Mr. Cheong Ying-Chew, Henry, Mr. Chan Yiu-Tong, Ivan, Mr. Tong Hang-Chan, Peter and Mr. Yu Chun-Fai.
- (h) The company secretary of NWDSC is Miss Wu Yuk-Kwai, Catherine, who is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (i) The principal place of business of Ballas Capital Limited is Unit 1802, 18/F, 1 Duddell Street, Central, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) the office of NWDSC located at 7th floor, 88 Hing Fat Street, Causeway Bay, Hong Kong from 9:30 a.m. to 5:30 p.m., Mondays to Fridays (except public holidays); (ii) on the website of NWDSC at www.nwds.com.hk; and (iii) the website of the SFC at www.sfc.hk from the date of this Composite Document until the earlier of: (i) the Closing Date; and (ii) the date on which the Offer is withdrawn or lapse:

- (a) the memorandum and articles of association of NWDSC;
- (b) the articles of association of the Offeror;
- (c) the annual reports of NWDSC for each of the years ended 30 June 2015 and 2016;
- (d) the interim report of NWDSC for the six months ended 31 December 2016;
- (e) the “Letter from UBS”, the text of which is set out on pages 7 to 20 of this Composite Document;
- (f) the “Letter from the NWDSC Board”, the text of which is set out on pages 21 to 25 of this Composite Document;
- (g) the “Letter from the NWDSC Independent Board Committee”, the text of which is set out on pages 26 and 27 of this Composite Document;
- (h) the “Letter from the NWDSC Independent Financial Adviser”, the text of which is set out on pages 28 to 51 of this Composite Document;
- (i) NWDSC Directors’ service contracts referred to the section headed “NWDSC Directors’ Service Contracts” in this Appendix V to this Composite Document;
- (j) the written consents referred to in the section headed “Consents” in this Appendix V to this Composite Document; and
- (k) English and Chinese versions of the property valuation report of the NWDSC Group (including the valuation certificates) prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which is set out in “Appendix III — Property Valuation Report” to this Composite Document.