新世界百貨中國有限公司
New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

時新尚個生性活

Enriching Lives Enhancing Character

Corporate Profile

New World Department Store: Quality Merchandise for Quality Living

New World Department Store China Limited is a Hong Kong listed company that is approximately 72%-owned by New World Development Company Limited. We were one of the first investors in the retail sector of the PRC. Today, we are widely recognized as a retailer of quality merchandise and a symbol of quality living.

Secured Strategic Foothold: Our Network

To establish ourselves as a leading department store operator in the PRC, we have been proactively expanding our store network across the country. As of 30 June 2012, we have secured strategic footholds in 18 major cities, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Taizhou, Zhengzhou and Mianyang. Our retail chain comprised 36 self-owned stores and 3 managed stores in the PRC with an aggregate gross floor area of approximately 1,387,670 square meters. We currently operate a large national network of 29 "New World" branded department stores and 10 "Ba Li Chun Tian" (巴黎春天) branded department stores in Shanghai.

Tapping into China's Growing Affluence: Our Target Market

Our goal is to develop our stores as Living Galleries for one-stop shopping and Fashion Galleries for themed shopping. "Living Gallery" targets people of all ages and both genders, 20%-30% of the store area is reserved for complementary services, such as supermarket, dining, fitness centre, spa centre, bank etc, satisfying needs from all walks of life. "Fashion Gallery" is positioned as "Trendy" with the elements of "Characters" and "Taste", emphasising "Mix & Match" by introducing exclusive brands and merchandises. Our revenue is mainly derived from four sources: commission income from concessionaire sales, sales of goods for direct sales and rental income in our self-owned stores, and management fees from our managed stores.

Organized for Top Efficiency: Our Organization Structure

In view of the organization structure, we adopt an efficient three-tier structure which comprises central management, regional management and local management. Operationwise, we group stores into different geographic regions that draw on a central pool of administrative support in human resources, finance and corporate communications.

Professionalism from Top to Bottom: Our People

As of 30 June 2012, we employed 6,783 people, with the majority being local recruits. Well trained and motivated, the whole staff is united under the leadership of a management team with experience of over one decade in pursuit of our vision and mission.

Contents

Mission

To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China.

Goal

To be China's most influential department store chain operator with the highest return on equity.

Conviction

- Serve customers with integrity, sense of responsibility and a win-win mindset;
- Develop with innovative, scientific and effective measures;
- Anticipate market changes with foresight, revolutionary move and flexibility;
- Enhance quality with prudence, efficacy and professionalism;
- Nurture talents with respect, care and trust.


SHOES

Milestones

2011

September

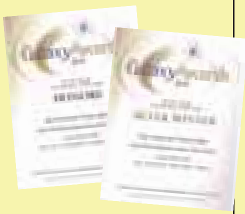
- All stores held "NWDS Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign", encouraging customers to donate moon cake boxes to NWDS to support waste recycling

- Organized the first-ever "Super Stars' Memorable Collections Exhibition", displaying over 100 precious items of international superstars at NWDS stores in 5 cities across China

October

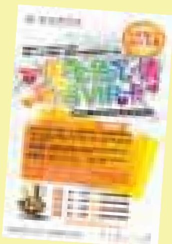
- Accredited as "Citation for Excellence in Mainland Marketing" for the Group's Rebranding Marketing Campaign in the HKMA/TVB Award for Marketing Excellence 2011

- FY2010 Annual Report won two awards in 2011 Galaxy Awards, namely Silver Award in the category of "Design: Annual Reports – Other Countries – Traditional" and Honors Award in the category of "Design: Covers – Annual Reports – Photography"



- Established the brand new "Crystal High Heels Club", the fourth VIP club of the Group to further strengthen VIP services

- Held the "7 Moods of a Week-NWDS VIP Card Design Competition" which invited customers to be the VIP Card designers



November

- Acquired the property and operating rights of Channel 1 Shopping Mall in Shanghai Putuo District with a GFA of about 42,000 sq.m. The store was renamed as Hong Kong New World Department Store-Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store") on 28 June 2012

- Acquired Lanzhou Store with a GFA of about 27,200 sq.m. and converted it from a managed store to a self-owned one, further strengthening the development edge of the Group in the North Western District

- Accredited as "Asia's 200 Best Under A Billion" by *Forbes* for the fourth consecutive year

- Awarded as the 2011 "Family-friendly Employer" by the Hong Kong Family Council, becoming a recognized organization in the Family-friendly Employers Award Scheme

December

- All stores organized the "Let's Donate a Tree to Save the Earth" waste paper recycling activity to raise customer awareness of environmental protection issues, aiming to reduce wastage and to preserve trees on Earth

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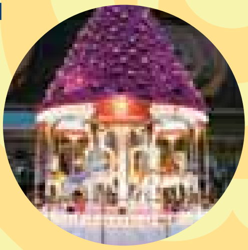
- Displayed a large scale "X'mas Merry-go-round" themed decoration and organized a series of celebrating activities in stores of 5 cities across China, celebrating Christmas with customers



- Positioned as a one-stop "Living Gallery" with a GFA of about 35,000 sq.m., Mianyang Store commenced operation to further extend our presence in the South Western District

2012

January

- Acquired Beijing Liying Store with a GFA of about 52,000 sq.m. to be a self-owned store, further strengthening NWDS' leading position in Beijing

- Displayed a large scale Chinese New Year themed decoration in 5 cities across China and launched a series of promotional activities named "New World Dragon Dance • Joyful Family"

February

- FY2011 Annual Report won Gold Award in the category of "Annual Reports – Overall Presentation: Department Store" in the 2011/12 Mercury Awards

- Received the "Caring Company" logo from the Hong Kong Council of Social Service, in recognition of the Group's commitment in caring for the community, the employees and the environment

March

- Held charity sale of the premiere tickets of movie "Son of the Stars" in Shanghai Pujian Branch Store to raise public awareness about the autistic children in China

- Launched the new VIP system and VIP website which offer new services including card-free bonus point earnings, online application, card renewal and bonus point tracking, etc.

April

- Phase II of Shenyang Jianqiao Road Branch Store commenced operation on 28 April. The expanded store doubled the original GFA of about 34,000 sq.m.to create a one-stop leisure and shopping hot spot in Shenyang City

- FY2011 Annual Report won Gold Award in 2012 Astrid Awards in the category of "Covers: Annual Reports – Photography"

June

- The Group's rebranding marketing campaign-"Forever Market Pioneer" won 2011-2012 China Outstanding Marketing Award co-organized by *The Economic Observer* and Hong Kong Management Association (HKMA)

July

- FY2011 Annual Report won Silver Award for "Overall Annual Report – Retail-Convenience & Department Store" and Honors Award for "Illustration – Retail-Convenience & Department Store" in 2012 International ARC Awards

- Became the main sponsor for MSF Day 2012 for the sixth consecutive year

Retail Network

39 Strategic footholds in 18 Major Cities

Harbin	1
Shenyang	3
Dalian	1
Anshan	1
Beijing	5
Tianjin	1
Lanzhou	1
Shanghai	10
Ningbo	2
Nanjing	1
Taizhou	1
Wuhan	6
Changsha	1
Zhengzhou	1
Chengdu	1
Chongqing	1
Kunming	1
Mianyang	1

Retail Network

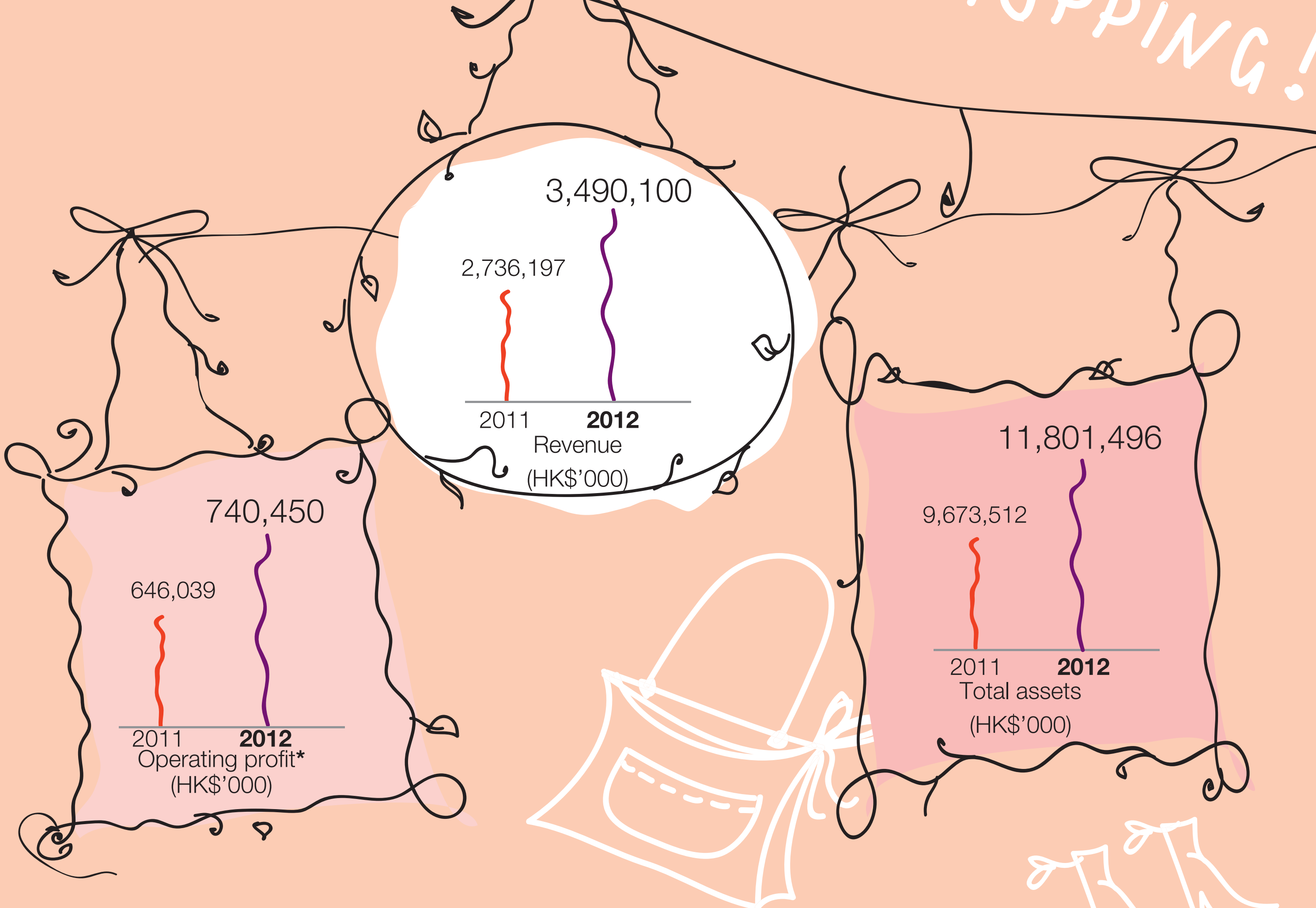
Financial Highlights

Profit for the year

HK$607,747 thousand

	2012 HK$'000	2011 HK$'000
Operating Result		
Revenue	3,490,100	2,736,197
Representing:		
Commission income from concessionaire sales	2,405,481	1,925,920
Sales of goods – direct sales	676,224	545,946
Management fees	19,177	57,068
Rental income	389,218	207,263
Operating profit	786,845	1,056,754
Operating profit excluding other gains, changes in fair value of investment properties and the related direct expenses on disposal of a certain portion of property and land use right at which Wuxi Store was situated	740,450	646,039
Profit for the year	607,747	855,588
Profit for the year excluding other gains, changes in fair value of investment properties, the related direct expenses and income tax expenses on disposal of a certain portion of property and land use right at which Wuxi Store was situated	561,352	507,425
	As at 30 June 2012 HK$'000	As at 30 June 2011 HK$'000
Financial Position		
Fixed deposits, cash and cash equivalents	3,621,018	4,153,037
Total assets	11,801,496	9,673,512
Total liabilities	5,828,428	4,101,084
Total equity	5,973,068	5,572,428

Financial Highlights



* Operating profit excluding other gains, changes in fair value of investment properties and the related direct expenses on disposal of a certain portion of property and land use right at which Wuxi Store was situated

	2012	2011
Financial Ratios		
Revenue growth	**27.6%**	46.1%
Commission income rate	**18.5%**	18.8%
Rental income growth	**87.7%**	66.9%
Total assets growth	**22.0%**	33.0%
	As at 30 June 2012	As at 30 June 2011
Current ratio (times)	**1.18**	1.46

Chairman's Statement

We have laid a good foundation for the Group's business development by implementing the rebranding program, improving operating efficiency and service quality, increasing merchandise categories, and launching innovative marketing compaigns.

During the year under review, the complex and ever-changing global economic condition has restricted China's economic development in many ways. The European sovereign debt crisis has weakened economic growth in developed countries and affected China's export trade. In the meantime, the slowing investment growth and the conservative consumer sentiment have slowed down the Mainland's economic growth and posed a major challenge to China's retail industry.

In face of the challenges, the Group is endeavouring to stand out from its competitors by adhering to the belief of "anticipate market changes with foresight, revolutionary move and flexibility". On the macro level, we have grasped the opportunity of retail development brought by the state policy of boosting domestic demands and stimulating consumption. At the corporate level, we have laid a good foundation for the Group's business development by implementing the rebranding program, improving operating efficiency and service quality, increasing merchandise categories, and launching innovative marketing campaigns. With our outstanding performances in profitability, corporate governance and development strategies, we were rated as "Asia's 200 Best Under A Billion" by *Forbes* in 2011 for the fourth consecutive year.

For the year ended 30 June 2012, the Group's revenue reached HK$3,490.1 million, an increase of 27.6% from the Previous Year. Profit for the year excluding other gains, changes in fair value of investment properties, the related direct expenses and income tax expenses on disposal of a certain portion of property and land use right at which Wuxi Store was situated, reached HK$561.3 million, an increase of 10.6% from the Previous Year. Earnings per share were HK$0.36, and the Board of Directors resolved to distribute a final dividend of HK8.2 cents per share.

In the aspect of business expansion, the Group established business presence in different parts of China during the year under review by opening new stores, expanding existing stores, acquiring managed stores and developing other potential projects. In November 2011, the Group acquired the property and operating rights of Shanghai Channel 1, increasing the number of NWDS stores in Shanghai to ten. Shanghai Channel 1 has been renamed as Shanghai Shaanxi Road Branch Store. In the same month, the Group converted Lanzhou Store to a self-owned one by acquisition, strengthening its development edge in the North Western District. After the acquisition of Beijing Liying Store in January 2012, all of our five department stores in Beijing became self-owned stores. As for new store, Mianyang Store positioned as a "one-stop" shopping "Living Gallery" was opened in December 2011, which is beneficial to our strategic development in the Central Western Region. In addition, Phase II of Shenyang Jianqiao Road Branch Store commenced operation in April 2012. As of 30 June 2012, the Group was running 36 self-owned department stores and

3 managed stores covering 18 major cities in China, with an aggregate GFA of approximately 1,387,670 sq.m.

Diversified and innovative market campaigns are our strategic focus to strengthen our competitive edge. Based on our good understanding of local consumers' preference, we incorporated "Non-stop Mega Sales", "Stamp Redemption Program" and "VIP Day" into NWDS's signature events. In 2012, we continue to organise events with the themes of "Speed Dating" and "Celebrity Activities" at all stores in support of the strategy of recruiting young consumers, and became a hot topic of the town successfully. In order to bring refreshing shopping experience to consumers, the Group has carried out a number of large-scale promotions in collaboration with different international partners. For example, at the "Super Stars' Memorable Collections Exhibition" in September 2011, we brought nearly 100 precious collections of Hollywood superstars to the Chinese audiences for the first time. Our promotional programs cooperated with Hong Kong Ocean Park and Wall Street Institute have provided diversified fun activities and special privileges to consumers, and expanded our customer base effectively.

The Group has attached great importance to the maintenance of VIP membership, and set up "Crystal High Heels Club" in addition to the existing three VIP clubs during the year under review to attract shoe lovers with a strong purchasing power. The slogan of "NWDS-Shopping Paradise for Shoe Lovers" has been wide spreaded through diversified club promotions and enhanced shoe portfolio. In March 2012, we launched a new VIP card with no consumption threshold along with the new VIP system, and held "7 Moods of a Week—NWDS VIP Card Design Competition". The above events have expanded our VIP membership and help recruiting of young VIPs.

Since the establishment of the Group, we have paid tremendous effort in fulfilling corporate social responsibility. During the year under review, on top of the three environmental protection campaigns covering all stores, namely "NWDS Green Rewards", "NWDS Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign" and the "Let's Donate a Tree to Save the Earth" waste paper recycling campaign, we became a main sponsor of "MSF Day" for the fifth consecutive year in order to give back to the society. In 2012, in support of the concept of sustainability advocated by our parent company New World Development, we established a new sustainability committee to enhance the effectiveness of measures in environmental protection, social welfare, employee benefits and development, corporate governance, and their related activities.

In addition, the Group re-adjusted the operating structure during the year under review to divide the whole country into three major operational regions – Northern China Region, South Eastern China Region and Central Western China Region which were further divided into nine operational districts to create a hierarchical operating pattern. The new operating structure will not only improve operating efficiency and achieve cost reduction effectively, but also enable us to further understand consumer needs and strengthen ties with local governments. In future, we will adhere to the positioning of "one-stop shopping department store" – "Living Gallery" and "thematic department store" – "Fashion Gallery" in the new regional operating structure, and

Anticipate market changes with foresight, revolutionary move and flexibility

revamp the image of all stores as soon as possible to bring the branding effect into play. In terms of business development, we will carry through the two major strategies of "multiple presences within a single city" and "radiation city", and set up a core development city in each region. Our expansion strategy will focus on extending from first-and second-tier cities to the second-and third-tier cities with development potential. It is expected that the total GFA of self-owned stores will be increased to over 2 million sq.m. by FY2016.

Despite the slowing economic growth in China during the year under review compared with the Previous Year, China's contribution to global economic growth is getting more significant, and China's economy is growing much faster than other major countries and regions. According to the data published by the Chinese government, China's total retail sales of consumer goods grew 14.4% year-on-year in the first half of 2012, showing a steady rise. We believe that the state policy of driving economic development with domestic consumption will remain a powerful impetus to the development of the retail industry. In future, we will closely monitor the economic condition, develop appropriate development strategies, exercise stringent cost control, and improve operating efficiency and customer loyalty in order to seek breakthroughs in the competitive department store industry.

Thanks to the continuous support from our shareholders, customers and partners, and the hard work of all employees, NWDS has developed into the current scale. I would like to express our heartfelt gratitude to all of you on behalf of the Board of Directors.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong, 25 September 2012

Insightful Positioning

Building up Leading Fashion and Living Style Department Store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Business Review

During the year under review, the Group's revenue increased by 27.6% from HK$2,736.2 million in FY2011 (or "the Previous Year") to HK$3,490.1 million in FY2012 (or "the Current Year"). Profit for the year excluding other gains, changes in fair value of investment properties, the related direct expenses and income tax expenses on disposal of a certain portion of property and land use right at which Wuxi Store was situated, increased by 10.6% from HK$507.4 million in the Previous Year to HK$561.3 million in the Current Year.

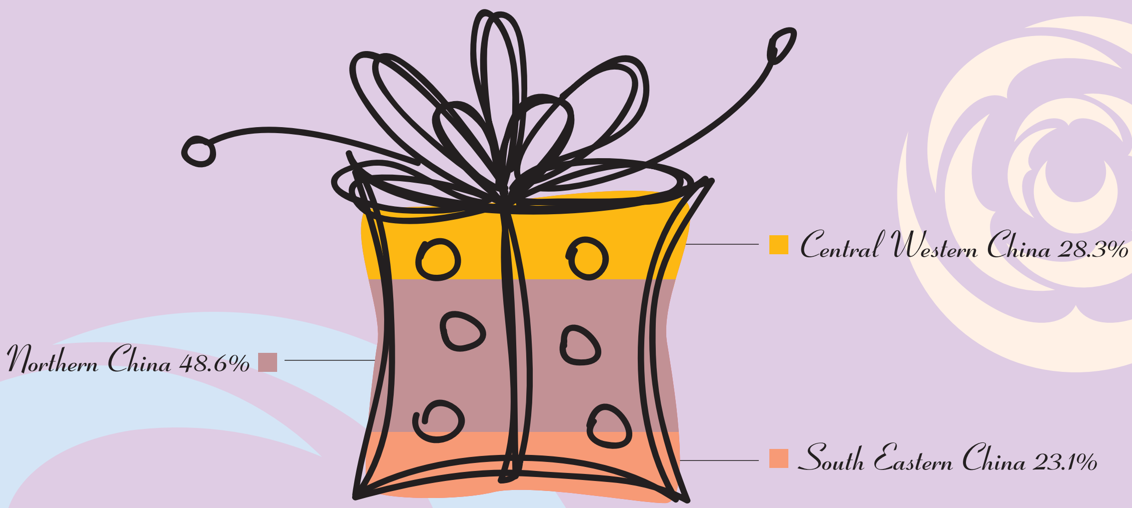
BUSINESS NETWORK

During the Current Year, the Group operated 39 department stores, with a total gross floor area ("GFA") of about 1,387,670 square meters ("sq.m.") and a total operating floor area ("OFA") of about 1,069,200 sq.m. Located in three operational regions, namely Northern China, South Eastern China and Central Western China, the stores covered 18 major cities in the PRC, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Taizhou, Zhengzhou and Mianyang, with 36 self-owned stores and 3 managed stores.

REVENUE CONTRIBUTION

By Region

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 48.6% of total revenue, followed by the Central Western China Region and the South Eastern China Region, accounting for 28.3% and 23.1% of total revenue respectively.



By Segment

Commission income from concessionaire sales was the main source of income, accounting for 68.9% of total revenue. Sales of goods from direct sales and rental income accounted for 19.4% and 11.1% respectively. Management fees accounted for 0.6%.

STORE NETWORK DEVELOPMENT

During the year under review, the Group opened a self-owned store, i.e., Mianyang New World Department Store ("Mianyang Store") in the namesake city and completed the expansion of a self-owned store Shenyang New World Department Store – Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store"). In addition, in November 2011, the Group successfully acquired the property and operating rights of Channel 1 Shopping Mall ("Shanghai Channel 1") in Shanghai Putuo District and renamed it as Hong Kong New World Department Store-Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store") in June 2012. Lanzhou New World Department Store ("Lanzhou Store") and Beijing New World Liying Department Store ("Beijing Liying Store") became our self-owned stores in November 2011 and January 2012 respectively, Therefore, as of June 30, 2012, the Group's total GFA was approximately 1,387,670 sq.m., up 8.8% from the Previous Year. And the total GFA of self-owned stores reached 1,279,970 sq.m., representing an increase of 17.6% from the Previous Year. The number of VIP members also grew 35% to approximately 2,880,000 from the Previous Year.

Northern China Region

Beijing Qianzi Store

Northern China Region		Population As of the End of 2011	Local Gross Domestic Product in 2011 (RMB)	Gross Domestic Product Per Capita in 2011 (RMB)	Per Capita Disposable Income in 2011 (RMB)	Total Retail Sales of Consumer Goods in 2011 (RMB)
Northern District	Beijing	20.19 million	1,600.04 billion	80,394	32,903	690.03 billion
	Tianjin	13.55 million	1,119.10 billion	86,496	26,921	339.51 billion
North Eastern District	Harbin	9.93 million	424.34 billion	42,700	20,031	207.04 billion
	Shenyang	7.23 million	591.49 billion	72,637	23,326	242.69 billion
	Dalian	5.89 million	615.01 billion	91,287	24,276	192.48 billion
	Anshan	3.52 million	242.01 billion	68,818	21,297	60.52 billion
North Western District	Lanzhou	3.62 million	136 billion	38,048	15,953	63.97 billion

Source:

Beijing: Beijing Municipal Statistics Bureau

Tianjin: Ministry of Commerce of the People's Republic of China Special Commissioner's Office in Tianjin

Harbin: Harbin Municipal People's Government

Shenyang: Government Portal of Shenyang, the PRC

Dalian: Dalian Municipal Statistics Bureau

Anshan: Anshan Municipal Statistics Bureau

Lanzhou: Lanzhou Municipal Statistics Bureau

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STRONGER PURCHASING POWER IN THE NORTH THANKS TO STATE POLICIES TO EXPAND DOMESTIC CONSUMPTION

The year 2012 lies in a critical year for China's economic transformation. In this second year of the "12th Five-Year Plan", the expansion of domestic consumption becomes the main driver for China's economic development. The economy in the Northern China Region realized a rapid growth in 2011, especially for second-tier cities in the North Eastern and North Western Districts. Three Northeastern Provinces had a GDP growth of 12.6% thanks to the state policies of revitalizing old industrial bases. Gansu Province continued to improve its transportation infrastructures and managed to attract more commercial investments. As a result, it recorded a GDP growth of 12.5%, the highest in 22 years, as compared with the national average of 9.2%, thus providing a powerful impetus to the Group's business development in the Northern China Region. First-tier cities such as Tianjin and Beijing, on the other hand, continued to leverage their leadership and competitive edge in economic development and radiate their influence to surrounding areas. As of June 30, 2012, the Group operated 13 stores in the Northern China Region, with Beijing and Shenyang as important footholds. Data from the National Bureau of Statistics shows that the overall economy in the Northern China Region maintained a rapid growth in the first half of 2012. The per capita disposable income reached RMB18,154 and RMB13,068 for Beijing and Shenyang respectively, with a year-on-year increase of 11.8% and 14%, indicating the strong purchasing power in the Northern China Region.

Beijing Living Store


Tianjin Store

The strong capita disposable income growth indicates the strong purchasing power in the Northern China Region


Dalian Store

Source:
National Development and Reform Commission, China.com.cn, and Chinanews.com


Shenyang Jianqiao Road Branch Store


Beijing Shishang Store

BUILDING FLAGSHIP STORES IN THE NORTH TO EXPAND REGIONAL INFLUENCE

To seize the opportunity of economic take-off in Northern China and to be in line with our expansion strategy, the Group expanded Phase II of Shenyang Jianqiao Road Branch Store during the year under review and it commenced operation on April 28, 2012, thus further enhancing NWDS' local influence. As the third outlet in Shenyang, Shenyang Jianqiao Road Branch Store is positioned as a "Living Gallery" targeting both genders and all ages, providing local residents with a "one-stop" shopping experience.

585,540
SQ.M.
Total GFA (Approx.)

Located at the prosperous Zhong Street business circle, Shenyang Jianqiao Road Branch Store has doubled its GFA to 68,000 sq.m. after the expansion. Comprising shopping, leisure, entertainment and catering facilities, it is also so far the biggest NWDS store in the North Eastern District. Shenyang Jianqiao Road Branch Store has introduced more than 600 popular brands in clothing and accessories, 30% of them being unique to Zhong Street business circle. Integrating operational elements of both a department store and a shopping mall, the store not only features popular clothing and accessories, but also offers a wide range of complementary facilities like food court, so that customers can enjoy all-round quality products and services at affordable price. The interior design of the store incorporated concepts and elements of environmental protection, nature and ecological landscapes, highlighting a chic, dynamic and personalized design style, so as to provide Shenyang residents with a brand new shopping experience.

Northern China Region	Date of Opening	Approx. Gross Floor Area (sq.m.)	Approx. Operating Floor Area (sq.m.)
LIVING GALLERY			
Harbin Store	November 1996	50,000	38,100
Tianjin Store	October 1997	57,000	42,100
Beijing Store	July 1998	93,000	69,700
Shenyang Zhonghua Road Branch Store	December 2005	44,000	34,100
Beijing Liying Store	September 2008	52,000	38,000
Beijing Qianzi Store	September 2010	40,000	32,200
Shenyang Jianqiao Road Branch Store	May 2011	68,000	52,900
FASHION GALLERY			
Shenyang Nanjing Street Branch Store	November 1995	13,890	10,800
Dalian Store*	November 2002	32,000	26,400
Lanzhou Store	September 2005	27,200	20,100
Beijing Trendy Store	March 2007	31,200	23,800
Anshan Store*	October 2007	37,250	34,400
Beijing Shishang Store	May 2010	40,000	32,600
	Total	585,540	455,200

* Rebranding still underway

GRADUAL COMPLETION OF REBRANDING TO DIFFERENTIATE NWDS BRAND

During the year under review, the Group had a total of 13 stores in the Northern China Region, including: six in the Northern District, i.e., Tianjin New World Department Store ("Tianjin Store"), Beijing New World Department Store ("Beijing Store"), Beijing New World Trendy Department Store (" Beijing Trendy Store"), Beijing Liying Store, Beijing Shishang New World Department Store ("Beijing Shishang Store") and Beijing New World Qianzi Department Store ("Beijing Qianzi Store"); six in the North Eastern District, i.e., Shenyang New World Department Store-Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store"), Shenyang New World Department Store-Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store"), Harbin New World Department Store ("Harbin Store"), Dalian New World Department Store ("Dalian Store"), Anshan New World Department Store ("Anshan Store") and Shenyang Jianqiao Road Branch Store; and one in the North Western District, i.e., Lanzhou Store. Other than Dalian Store being a managed store, all of the other 12 stores are self-owned.


Shenyang Nanjing Street Branch Store

During the year under review, rebranding programs have been completed for Beijing Trendy Store and Lanzhou Store, while related works for Anshan Store and Dalian Store are still underway and are expected to be completed by the end of 2012.

ONE-STOP "LIVING GALLERIES" BOOST FAMILY SPENDING IN THE NORTH

As "one-stop" shopping department stores, "Living Galleries" provide a great variety of products and services for medium and high-income individuals and families. With the completion of rebranding for all "Living Galleries" in the Northern China Region, the stores continue to refurbish their appearances, category partitions, decorations, and other hardware and software facilities, and optimize their product and service mix in a comprehensive manner to remain competitive and attractive, and to cater for various needs of both trend-conscious individuals and families. During the year under review, some "Living Galleries" in the Region expanded their operating area for cosmetics and apparels, and introduced numerous best-selling international and local brands, such as Uniqlo, Luk Fook, Laneige, KOSE, Olay, ZA etc. "Living Galleries" also expanded their operating area for menswear and enhanced their product portfolio to be in line with men's increasing consciousness on fashion, which is expected to dominate the future fashion development. The above changes aim to create the most comfortable and convenient shopping experience for both male and female customers. In view of the increasing amount of resources allocated to children in modern families, some "Living Galleries" set up children section to sell children's products and introduced famous children brands such as NIKE

"Living Galleries" continue to enhance their hardware and software facilities and optimize their product and service mix

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operating area for complementary services. Catering service is one of the biggest attractions of the "Living Galleries" in the Region. During the year under review, Shenyang Jianqiao Road Branch Store set up a food court of 1,500 sq.m. with 14 food stalls serving specialities in Cantonese, Sichuanese, Northeastern, Japanese and Korean style, so as to cater for the diversified tastes of diners. Tianjin Store became the first department store to introduce the large restaurant "Meizhou Dongpo" in view of the locals' reputation as gourmets. As a result, it managed to attract new customers and kept them in the stores for a longer time.

Kids, Good Baby and Piyo Piyo etc. Tianjin Store even opened a children's playground where is equipped with recreational facilities and flat-panel TVs which broadcast children's programmes around-the-clock, so that family members can enjoy themselves while shopping.

In addition to merchandise counters, "Living Galleries" also reserve 20%-30% of their

Catering service is one of the biggest attractions of the "Living Galleries" in the Region


Beijing Trendy Store

Lanzhou Store

"FASHION GALLERIES" SET TREND IN THE NORTH BY INTRODUCING INTERNATIONAL BRANDS

"Fashion Galleries" provide local consumers with glamorous and practical fashion products

Northern China has its unique fashion culture due to the influence brought by its neighbouring countries. With the brand image of "style" and "personality", the Group's "Fashion Galleries" provide local consumers with glamorous and practical fashion products. During the year under review, Beijing Trendy Store and Lanzhou Store completed their rebranding programs and unveiled their glamorous new looks as "Fashion Galleries". Lanzhou Store, in particular, revamped all its product categories and increased the number of counters from 185 to 230 and added several young fashion brands such as Saturday, Mio, Mikibana and G2000, thus further strengthening its status as one of the most unique department stores in the market it operates. During the year under review, "Fashion Galleries" in the Region also revamped their floor design, including operating area expansion and shopping routes refining, so that the stores could accommodate more brands and improve customer flow. They also successfully introduced renowned brands originated from both domestic and overseas markets, such as the Apple outlet in Beijing Trendy Store, so as to attract young and trend-conscious customers, and are conducive to attract brands at similar levels in the future. Dalian Store introduced a number of cosmetic brands such as Aqua Label, Urara, Pure & Mild, BOURJOIS and Tongrentang for beauty lovers. The new brands, together with sales promotion offered by the stores, greatly encourage customer spending and create a refreshing experience for customers in their every visit.

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CO-ORGANIZED THEMED ACTIVITIES DELIVER MAGNIFIED RESULTS IN THE NORTH

During the year under review, stores in the Region organized a number of marketing campaigns with the themes of sales promotion, entertainment, culture and charity, creating surprises to our customers. Beijing Store, for example, held "Non-stop Mega Sales" during the Christmas period of 2011 to give customers memorable shopping nights in best bargain. Beijing Shishang Store organized two "Speed Dating" activities each month, which successfully brought dozens of fashionable couples together, and became a heated topic in town. Beijing Trendy Store invited famous singer Jolin Tsai and Miss Universe China Zhang Zilin for "Celebrity Activities" and attracted a large crowd into the store, thus effectively boosting its popularity and fame. Besides, stores in the same city often co-organize large-scale sales promotion during important festivals to create greater noise and they were well-received by a wide range of enthusiastic consumers. These initiatives helped strengthen NWDS' influence and competitiveness in the Northern China Region.

Stores in the Northern China Region also actively promote cross-industry cooperation in order to provide customers with more and better deals. They also tap into the clientele of cross-industry partners to expand their customer base and attract more customers to the stores. For example, Dalian Store worked with the Bank of China for the "9th Anniversary Celebration" in October 2011, in which customers spending over a certain amount with credit cards could get fabulous prizes such as cash vouchers or iPad2 gadgets. Harbin Store co-organized an exclusive VIP activity called "Ping An Night" with Ping An Insurance in April 2012, offering the best discounts and concessions to Ping An customers, thus successfully increased customer traffic in store and broke the sales record of that month.


Harbin Store

"Speed Dating" activities successfully brought dozens of fashionable couples together, and became a heated topic in town

TAKE LEAD TO ENTER CAMPUS AND RECRUIT MORE YOUNG CUSTOMERS

Stores in the Northern China Region pay special attention to the development and maintenance of VIP membership, thus organized numerous featured activities during the year under review to enhance VIP members' sense of belonging and loyalty towards the Group. For example, Tianjin Store organized a "Lucky Cinderella-Try on the Glass Slippers" event for members from the newly established "Crystal High Heels Club". Lanzhou Store held a four-hour "Big-Stomach Lovers" contest at the store-front plaza and successfully created a heated ambience, attracting hundreds of passers-by to gather and watch. Shenyang Jianqiao Road Branch Store called on members from the "Perfect House Wife Club" and the "Smart Lady Club" to participate in the "Rice Dumplings Wrapping Competition" during the Dragon Boat Festival, creating a joyful atmosphere while providing a platform for them to exchange rice dumplings wrapping skills and knowledge.

In view of the increasing purchasing power of younger generation, stores in the Northern China Region actively explore and cultivate young customers. The five stores in Beijing, for instance, jointly organized the first "NWDS Campus Culture Festival" from April to June 2012, introducing the NWDS brand into campus. The event successfully achieved the three objectives of recruiting VIPs, exploring talents and enhancing NWDS brand image, further expanding the VIP membership base to younger generation.

Stores in the Northern China Region actively explore and cultivate young customers

During the year under review, stores in the Northern China Region organized a number of well-received VIP activities and offered exclusive shopping privileges, thus, improving store traffic and sales revenue. Therefore, the number of VIP members in the Northern China Region successfully increased by 30% to 1,332,000. The number of VIP club members even realized a year-on-year increase of more than 50% and reached 445,000. VIP sales accounted for 57% of the total sales in the Region.

I ♡ SHOPPING!

1,332,000
VIP Members (Approx.)


Beijing Store

WIDELY RECOGNIZED AS A LEADER IN THE DEPARTMENT STORE SECTOR IN THE REGION

During the year under review, stores in the Northern China Region strived to provide customers with a wide range of products and services, as well as to fully uphold on consumer protection, therefore, being widely recognized and honoured by numerous awards. Beijing Store, for example, was recognized by Gootrip as the "2011 Influential Brand of the Year", while Anshan Store was selected by *Liaoshen Evening News* as one of the "Ten Best Emerging Brands of the Year". Shenyang Zhonghua Road Branch Store was honoured by the Consumers' Association of Shenyang as a "2011 Trustworthy Services Enterprise", and also received the "2011 Shenyang Innovative Marketing Awards for Commercial Enterprise" from *Style Weekly*.


Anshan Store


Shenyang Zhonghua Road Branch Store

South Eastern China Region

Shanghai Shaanxi Road Branch Store

South Eastern China Region		Population As of the End of 2011	Local Gross Domestic Product in 2011 (RMB)	Gross Domestic Product Per Capita in 2011 (RMB)	Per Capita Disposable Income in 2011 (RMB)	Total Retail Sales of Consumer Goods in 2011 (RMB)
Shanghai District	Shanghai	23.47 million	1,919.57 billion	82,560	36,230	677.71 billion
Eastern District	Ningbo	5.76 million	601.05 billion	77,983	34,058	201.89 billion
	Nanjing	8.11 million	614.55 billion	75,785	32,200	267.03 billion
	Taizhou	5.87 million	279.49 billion	47,779	30,490	113.23 billion

Source:
Shanghai: Shanghai Municipal Statistics Bureau
NingBo: NingBo Municipal Statistics Bureau
Nanjing: China Statistics Information Website
Taizhou: Taizhou Municipal Statistics Bureau

STEADY ECONOMIC GROWTH CREATES ABUNDANT MARKET OPPORTUNITIES

In 2011, the sluggish external economic environment posed a challenge to China's economy development, especially to the export-oriented cities in the coastal areas.

1,259.9
Billion
Total Retail Sales of Consumer Goods in South Eastern China Region (RMB)

In spite of the uncertainties, the Yangtze River Delta Region managed to maintain its momentum and recovered a steady growth thanks to its solid economic foundation. In 2011, total retail sales of consumer goods were RMB1,193.1 billion and RMB1,584.2 billion for Zhejiang Province and Jiangsu Province respectively,


Shanghai Hongkou Branch Store

representing a year-on-year increase of about 17% for both provinces, which is at similar level of national growth. Despite the challenges in the market, opportunities are still plentiful. Thanks to the support and advocacy from the Chinese government, the banking industry plans to introduce interest-free instalment with credit card as a payment option to boost consumption in the country. In addition, China UnionPay is collaborating with Shanghai Municipal Commission of Commerce to launch a Shanghai

Source:
National Bureau of Statistics, China Jiangsu Network, Zhejiang Statistical Information Network, Shanghai Municipal Commission of Commerce.


Shanghai Baoshan Branch Store


Shanghai Changning Branch Store

Shopping-Themed Credit Card, so that consumers can enjoy concessions and discounts more conveniently. Thus it can boost consumption and bring a positive effect to our business. The economy in the Region had laid a good foundation for the Group to further develop its retail network in spite of challenges in the operating environment.

THOROUGH IMPLEMENTATION OF THE "MULTIPLE PRESENCES WITHIN A SINGLE CITY" STRATEGY TO EXPAND SALES NETWORK

The Group carried through its strategy of "multiple presences within a single city" and continued to expand its store network in the Region. In November 2011, the Group acquired Shanghai Channel 1 and renamed it as Hong Kong New World Deportment Store – Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store") in June 2012. Located in Changshou Road business district, Shanghai Shaanxi Road Branch Store lies in between several commercial areas, including the Buyecheng Business circle in the east, Caojiadu business circle in the west and is near to West Nanjing Road business circle in the south. The store is also adjacent to Shanghai Station, the largest railway hub in the city, with dozens of bus routes and subway lines connecting it with different urban areas.

396,830
SQ.M.
Total GFA (Approx.)

South Eastern China Region	Date of Opening	Approx. Gross Floor Area (sq.m.)	Approx. Operating Floor Area (sq.m.)
LIVING GALLERY			
Shanghai Qibao Branch Store	December 2005	36,550	29,800
Shanghai Wujiaochang Branch Store	December 2006	44,000	40,300
Shanghai Pujian Branch Store	September 2007	46,000	31,200
Shanghai Baoshan Branch Store	January 2010	39,000	36,100
Shanghai Chengshan Branch Store	April 2010	38,000	32,900
Shanghai Shaanxi Road Branch Store	November 2011	42,000	27,400
FASHION GALLERY			
Ningbo Store	April 1998	10,000	9,300
Shanghai Huaihai Branch Store	December 2001	22,500	17,000
Shanghai Xinning Branch Store	January 2002	21,000	16,200
Shanghai Hongkou Branch Store	October 2003	19,600	11,800
Shanghai Changning Branch Store	September 2004	6,680	6,000
Ningbo Trendy Store	November 2004	11,500	10,700
Nanjing Store*	November 2007	30,000	18,300
Taizhou Store	April 2009	30,000	15,500
	Total	396,830	302,500

* Rebranding still underway

I ♥ SHOPPING!

REBRANDING BUILDS NEW STORE IMAGE

During the year under review, the Group had a total of 14 stores in the South Eastern China Region, including: ten under the "Ba Li Chun Tian" brand in the Shanghai District, i.e., Hong Kong New World Department Store-Shanghai Huaihai Branch Store ("Shanghai Huaihai Branch Store"), Hong Kong New World Department Store-Shanghai Xinning Branch Store ("Shanghai Xinning Branch Store"), Hong Kong New World Department Store-Shanghai Hongkou Branch Store ("Shanghai Hongkou Branch Store"), Hong Kong New World Department Store-Shanghai Changning Branch Store ("Shanghai Changning Branch Store"), Hong Kong New World Department Store-Shanghai Qibao Branch Store ("Shanghai Qibao Branch Store"), Hong Kong New World Department Store – Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store"), Hong Kong New World Department Store-Shanghai Pujian Branch Store ("Shanghai Pujian Branch Store"), Hong Kong New World Department Store-Shanghai Baoshan Branch Store ("Shanghai Baoshan Branch Store"), Hong Kong New World Department Store-Shanghai Chengshan Branch Store ("Shanghai Chengshan Branch Store") and Shanghai Shaanxi Road Branch Store; and four department stores under the "New World" brand in the Eastern District, i.e., Ningbo New World Department Store

Featuring the "chic" style, the store not only emphasizes on fashion and character but also position itself as a "Living Gallery" for one-stop shopping. The store caters the needs of people from all walks of life in terms of Clothing, Dining, Living, Travelling and Entertainment in about 42,000 sq.m. of shopping space. The store not only targets at family consumers, but also fashion-conscious white-collar. The store features a wide range of merchandise, including international renowned brands, fashion, casual and sportswear, cosmetics and all kinds of daily necessities. The store introduces the most popular catering brands and other complementary facilities like children's playground, beauty and hair salon, and SPA centre so that customers can enjoy leisure and shopping in an integrated shopping destination.

("Ningbo Store") and Ningbo New World Trendy Department Store ("Ningbo Trendy Store"), Nanjing New World Department Store ("Nanjing Store") and Taizhou New World Department Store ("Taizhou Store").With the exception of Shanghai Wujiaochang Branch Store, all the other 13 stores are self-owned stores of the Group.

Rebranding of Nanjing Store is still underway during the year under review and is expected to be completed by the end of 2012. All other stores in the region have completed their rebranding program and commenced operation with their brand new images.

"ONE-STOP" HIGH-END DEPARTMENT STORES SET FASHION TREND AND SHAPE QUALITY LIFE

South Eastern China is one of the most affluent regions in China where east meets west and its demand for international brands is higher as a result of cultural influence from the West. Positioned as medium- to high-end department stores for everyday life, "Living Galleries" in the South Eastern China Region provide customers with quality products gathered from around the world, together with the services like complementary catering and entertainment to transform themselves to be the "one-stop" shopping hot spots that attract hundreds of domestic and international visitors. During the year under review, "Living Galleries" in the Region introduced a lot of high-end international brands, including SWAROVSKI, Tissot and LENSCRAFTERS etc, to further optimize the merchandise mix of their category killers such as jewellery, menswear and womenswear, accessories and cosmetics. Shanghai Pujian Branch Store and Shanghai Chengshan Branch Store introduced women's footwear brands like JOY&PEACE, CLARKS, JC, BELLE, Walker Shop to escalate the brand profile. "Living Galleries" in the Region also take care of family shopping and dining needs. Stores in the Region offer international cuisines to cater for the demands of quality food.

Positioned as medium- to high-end department stores for everyday life, "Living Galleries" in the South Eastern China Region provide customers with quality products from around the world

I ♡ SHOPPING!

During the year under review, Shanghai Baoshan Branch Store introduced Youjia Noodles, CURRY HOUSE CoCo ICHIBANYA and Yizun Steak, while Shanghai Chengshan Branch Store introduced Laotang Gongfang, Shixiangyuan and Curry Inn to the store. These catering brands suit for diversified tastes of customers and create new attractions for the "Living Galleries" in the Region.

Nanjing Store

Stores strive to sharply target a specific group of consumers according to their operating districts

FASHION GALLERIES' UPGRADES SET CONSUMER TREND

White-collar and fashion-conscious consumers in the South Eastern China Region have great demands on quality product. Therefore, during the year under review, some "Fashion Galleries" in the Region established exclusive area and expanded their operating area to accommodate more high-end brands. For example, Ningbo Store introduced WEEKEND BY MAX MARA while Nanjing Store added JACK & JONES, VERO MODA, and SELECTED etc, to improve their brand mix continuously to meet consumer needs. At the same time, stores strive to sharply target a specific group of consumers according to the districts where they operate. "Fashion Galleries" such as Ningbo Store and Shanghai Huaihai Branch Store focused on mature customers with greater purchasing power and feature high-end designer brands for women as category killer, and enhance their jewellery and exclusive brands portfolio. Other "Fashion Galleries" in the Region, such as Shanghai Xinning Branch Store, Shanghai Hongkou Branch Store and Nanjing Store, target at young customers. These stores expanded the operating area for womenswear sections, menswear, and footwear sections, added women's handbag brands and upgraded their product profile, in order to attract white-collar consumers in the neighbourhood.

MOST ANTICIPATED "NON-STOP MEGA SALES" LEAD TO SALES HIKE

Following the success of "Non-stop Mega Sales" in 2010, the Group continued this precedent success and extended the event period further to two to three days in various Shanghai stores in December 2011. During the event, customers were entitled to receive great gifts, including home appliances and the most sought for iPad2 after spending over a threshold. The event was extensively reported by online, printed and broadcasting media. Customers could also obtain shopping tips from the Group's mobile app. In just three days, over 1,300 gifts, including nearly 400 pieces of iPad2, were given away. During the event, stores across Shanghai recorded a year-on-year increase of nearly 70% in the total sales compared with the same period in 2010. Some stores even recorded total sales of more than double.

SHINING MOMENTS OF THE "SUPER STARS' MEMORABLE COLLECTIONS EXHIBITION"

During the year under review, the Group cooperated with US Julien's Auctions and Ponte 16 Resort, Macau to organize the "Super Stars' Memorable Collections Exhibition", displayed nearly 100 precious items of Hollywood superstars, with a total value of more than US$10 million, for the first time across five major cities in China, namely Beijing, Shanghai, Tianjin, Shenyang and

70%

Year-on-year increase (Approx.)
in Total Sales for Stores Across Shanghai during
Non-stop Mega Sales period


Shanghai Chengshan Branch Store

Harbin. New World Department Store thus became the first to a similar kind. To tie in with the event, nine stores in Shanghai partnered with a professional cosplay organization to organize "Celebrity Cosplay Show" to run celebrity cosplay catwalk shows in the store's window, providing families and fashion lovers with a unique leisure and shopping experience.


Shanghai Wujiaochang Branch Store

ENHANCE INTERACTIONS WITH VIP MEMBERS TO STRENGTHEN LOYALTY

During the year under review, stores in the Region organized a number of exclusive events for VIP members and VIP club members in order to strengthen their loyalty to the Group. Apart from the shopping discounts, the stores also organized a number of interactive activities to enhance VIP members' sense of involvement. Shanghai Chengshan Branch Store, for example, presented red banners to VIP members with spending during Lunar New Year, while Shanghai Wujiaochang Branch Store gave VIP members an opportunity to give DIY cakes to their sweethearts on the Valentine's Day. Such marvellous activities also included the "Rolling Easter Eggs" by members of the "Perfect House Wife Club" and their children aged 3-6 organized by Shanghai Qibao Branch Store. Events of "Rice Dumplings Wrapping Competition" as organized by Shanghai Chengshan Branch Store and Shanghai Shaanxi Road Branch Store for the Dragon Boat Festival,


Shanghai Xinning Branch Store

as well as "Kid Model" competition by Shanghai Xinning Branch Store and "Fun Crawling" competition by Shanghai Shaanxi Road Branch Store during Children's Day. All these activities attracted a large number of VIP members to participate and boosted both store traffic and sales successfully.

The increasing popularity of online and mobile platforms has become a vital part of consumers' everyday lives. In view of that, stores in the Region publicize and promote their activities by utilizing social entertainment websites, videos, mini-blogs and mobile platforms. Shanghai Huaihai Branch Store, for example, cooperated with the *VOGUE* magazine and the DDmap website to promote its new image; Shanghai Pujian Branch Store conducted the "Run Weibo: Happy Shopping in Summer" promotion together with Sina's mini-blog website. Stores in the Region also actively cooperated with banks. Ningbo Store and Ningbo Trendy Store, for example, cooperated with Bank of China to offer exclusive discounts to their employees and credit card customers; and cooperated with Bank of Ningbo to hold "Bonus Points for Gold Week" exclusively for the credit card customers of the Bank. During the year under review, the South Eastern China Region recorded a significant increase in both the number of VIP members and that of club members, by 43% to more than 640,000 persons for the former and by 37% to 265,000 for the latter. VIP sales accounted for 46% of total sales in the Region.

Shanghai Huaihai Branch Store

Ningbo Trendy Store

640,000

VIP Members (Approx.)

I ♥ SHOPPING!

AWARDS IN RECOGNITION OF OUTSTANDING MARKETING STRATEGIES

During the year under review, stores in the Region were recognized for their marketing strategies. For instance, Ningbo Store was honoured as an "Outstanding Enterprise" by the National Commercial Information Website. Shanghai Pujian Branch Store was recognized as a "2011 Leading Retail Enterprise" by the Economic Development Promotion Centre of the Administrative Committee of Shanghai Lujiazui Financial Trade Zone. Shanghai Qibao Branch Store was awarded the "Bronze Award for Caring and Supporting Entity in 2011 Poverty Alleviation and Disaster Relief Fundraising Project in China" by China Foundation for Poverty Alleviation.


Shanghai Qibao Branch Store

Ningbo Store


Taizhou Store

Shanghai Pujian Branch Store

Central Western China Region

Mianyang Store

Central Western China Region		Population As of the End of 2011	Local Gross Domestic Product in 2011 (RMB)	Gross Domestic Product Per Capita in 2011 (RMB)	Per Capita Disposable Income in 2011 (RMB)	Total Retail Sales of Consumer Goods in 2011 (RMB)
Central District	Wuhan	10.02 million	675.62 billion	63,387	23,738	295.90 billion
Central Southern District	Changsha	7.10 million	561.93 billion	79,530	26,541	212.59 billion
	Zhengzhou	8.86 million	491.27 billion	56,086	21,612	198.71 billion
South Western District	Chengdu	14.07 million	685.46 billion	48,755	23,932	286.13 billion
	Chongqing	29.19 million	1,001.11 billion	34,500	20,250	348.78 billion
	Kunming	6.49 million	250.96 billion	38,831	21,966	127.17 billion
	Mianyang	4.62 million	118.91 billion	25,738	17,998	49.42 billion

Source:
Wuhan: Wuhan Municipal Statistics Bureau
Changsha: Changsha Municipal Statistics Bureau
Zhengzhou: Zhengzhou Municipal Statistics Bureau
Chengdu: Chengdu Bureau of Statistics Internet
Chongqing: Statistical Information of Chongqing
Kunming: Kunming Municipal Statistics Bureau
Mianyang: Mianyang Municipal Statistics Bureau

I ♥ SHOPPING!

ROBUST RETAIL SECTOR AMIDST RAPID ECONOMIC GROWTH

The economic growth of Central Western China was faster than the overall economic growth of the country in 2011. The GDP growth rates of Hubei Province, Hunan Province, Henan Province, Sichuan Province and Yunnan Province were 13.8%, 12.8%, 11.6%, 15% and 13.7% respectively. All were higher than the national average of 9.2%. Provinces in Central Western China also recorded higher-than-average growths in the retail sales of consumer goods, all at approximately 18% or above. Thanks to the unveiling of a new round of "Western Development" policy in the country during the "12th Five-Year Plan", the economy in Central Western China maintained a good growth momentum during the first half of 2012. Chongqing, for example, recorded a GDP growth of 14% year-on-year and its total imports/exports value increased by 170% year-on-year. The GDP growths of Sichuan Province and Yunnan Province were also maintained at over 10%. With the thorough implementation of "localization" policy to stimulate consumer spending, Western Regions generally recorded faster growths in total retail sales of consumer goods during the first half of 2012. Retail sales growths of both Chongqing and Wuhan were at 15.9%, which were higher than the national average of 14.4%. Rapid growth of total retail sales in Central Western China is expected to sustain.


Wuhan Store


Changsha Trendy Plaza

Source: Hubei Provincial Statistics Bureau, Statistical Information of Hunan, the People's Government of Henan Province, Sichuan Provincial Statistics Bureau, www.ha.stats.gov.cn, Yunnan Provincial Statistics Bureau, Statistical Information of Chongqing, Statistical Information of Wuhan, National Bureau of Statistics, and chinawest.gov.cn.

15%
GDP growth of Sichuan Province

"RADIATION CITY" STRATEGY DRIVES NEW BUSINESS GROWTH

In line with the "radiation city" strategy, the Group opened Mianyang Store in the namesake city in December 2011, after building its presence in Chengdu and Chongqing to seize the opportunity of rapid development in second- and third-tier cities, as well as to leverage on the accelerated process of urbanization in Central Western China. Mianyang locates in the Northwestern part of Sichuan Province and is about 90 kilometres from the provincial capital of Chengdu. It has a population of about 5.4 million. Mianyang has well-established infrastructure and an excellent transportation network consisting of airport, railway and highway. With a GFA of about 35,000 sq.m., Mianyang Store is a five-storey department store positioned as a "Living Gallery". Five exclusive commodity zones, namely "Cosmetics", "Lady's Fashion", "Men's Fashion", "Children's Products" and "Delicacies Centre", are set up on different floors, targeting at middle- and middle-high income consumers aged 25-45 such as corporate executives, professionals, civil servants and freelancers. The store features a great variety of brands, in which 30% of them being exclusive brands. Dining facilities available include Chinese, Western and Hong Kong style restaurants. The store aims at becoming a popular hot spot for consumers in the city, integrating fashion, leisure and shopping elements under one roof.

REBRANDING TO CREATE UNIQUE DEPARTMENT STORES

The Group had a total of 12 stores in the Central Western China Region, including: six in the Central District, i.e., Wuhan New World Department Store ("Wuhan Store"), Wuhan New World Trendy Plaza ("Wuhan Trendy Plaza"), Wuhan New World Department Store-Wuchang Branch Store ("Wuhan Wuchang Branch Store"), Wuhan New World Department Store-Qiaokou Branch Store ("Wuhan Qiaokou Branch Store"), Wuhan New World Department Store-Xudong Branch Store ("Wuhan Xudong Branch Store"),

405,300
SQ.M.
Total GFA (Approx.)


Wuhan Trendy Plaza


Wuhan Wuchang Branch Store

Central Western China Region	Date of Opening	Approx. Gross Floor Area (sq.m.)	Approx. Operating Floor Area (sq.m.)
LIVING GALLERY			
Wuhan Store*	November 1994	42,000	25,500
Wuhan Qiaokou Branch Store*	September 2006	42,000	31,400
Wuhan Hanyang Branch Store	November 2008	53,000	46,000
Zhengzhou Store	April 2011	35,500	28,400
Mianyang Store	December 2011	35,000	30,600
FASHION GALLERY			
Wuhan Trendy Plaza*	December 2001	23,000	18,300
Kunming Store*	June 2004	12,600	9,600
Wuhan Wuchang Branch Store*	October 2005	24,000	18,100
Changsha Trendy Plaza*	September 2006	35,000	22,900
Chongqing Store*	September 2006	42,000	37,100
Chengdu Store	December 2006	29,500	18,800
Wuhan Xudong Branch Store*	January 2008	31,700	24,800
	Total	405,300	311,500

* Rebranding still underway

I ♡ SHOPPING!

and Wuhan New World Department Store-Hanyang Branch Store ("Wuhan Hanyang Branch Store"); two in the Central Southern District, i.e., Changsha New World Trendy Plaza ("Changsha Trendy Plaza") and Zhengzhou New World Department Store ("Zhengzhou Store"); and four in the South Western District, i.e., Chengdu New World Department Store ("Chengdu Store"), Chongqing New World Department Store ("Chongqing Store"), Kunming New World Department Store ("Kunming Store") and Mianyang Store. With the exception of Wuhan Xudong Branch Store as a managed store, all the other 11 stores in the Central Western China Region are self-owned stores of the Group.


Wuhan Hanyang Branch Store

Zhengzhou Store

During the year under review, rebranding program has been completed for Wuhan Hanyang Branch Store and Chengdu Store, while related tasks are still underway for Wuhan Store, Wuhan Qiaokou Branch Store, Wuhan Trendy Plaza, Wuhan Wuchang Branch Store, Wuhan Xudong Branch Store, Changsha Trendy Plaza, Kunming Store and Chongqing Store. All of these are expected to be completed by the end of 2012.


Kunming Store

CONTINUOUS IMAGE UPGRADE TO BECOME TRENDY FASHION GALLERIES

In view of the increasing purchasing power of young white-collars in the Central Western China Region, the Group has set up a number of "Fashion Galleries" in the Region. With a relatively young store age and the unique position as trendy department stores, "Fashion Galleries" offer a variety of delicate products to attract young and well-off customers. During the year under review, footwear

ONE-STOP POPULAR LEISURE HOT SPOTS FOR CONSUMERS AND STRENGTHENED PRODUCT MIX AT LIVING GALLERIES

With the rapid economic development in Central China, purchasing power of consumers in the Central Western China Region has increased significantly. Consumers have strong demand for medium- to high-end products. "Living Galleries" in the Region aims to position as department stores featuring refined products. The store provides tasteful individuals and family consumers in the Region with shopping, leisure, and catering "one-stop" shopping hot spots. During the year under review, "Living Galleries" in the Region introduced a lot of international boutique brands with good quality at reasonable price such as AUTASON, RENOMA, MAXOPTICAL and SAMSONITE etc. The stores also strengthened the portfolio of category killer such as women's merchandises, men's and women's footwear, and branded jewellery and accessories. Together with a diversified merchandise portfolio, the Group's leading position in the Region is further strengthened. Apart from the continuous efforts in enhancing the product mix, "Living Galleries" also focus on providing comprehensive complementary facilities, such as catering, household products, supermarkets and beauty salons, striving to be a desirable leisure and shopping destination for families. During the year under review, Zhengzhou Store introduced unique catering brands such as Starbucks, Qiandao Ramen and Chongqing Cygnet. Wuhan Hanyang Branch Store, also added a number of catering and entertainment facilities. All those new facilities successfully attracted more customers and extended their stay in the stores.

Apart from the continuous efforts in enhancing the product mix, "Living Galleries" also focus on providing comprehensive complementary facilities

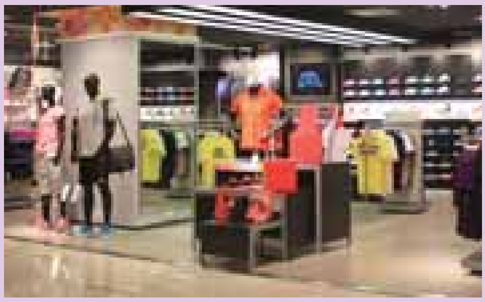
I ♡ SHOPPING!

was one of the major category killers in the Central Western China Region. Wuhan Wuchang Branch Store, Wuhan Xudong Branch Store, Changsha Trendy Plaza, Chongqing Store, and Kunming Store expanded their footwear counters, optimized the product mix and organized a number of promotional activities featuring footwear products to be distinguished as "NWDS-Shopping Paradise for Shoe Lovers". In addition, "Fashion Galleries" continued to strengthen the mix of category killers, such as menswear and womenswear and jewellery. During the year under review, Wuhan Trendy Plaza, Kunming Store, Chengdu Store, Wuhan Xudong Branch Store and Chongqing Store carried out merchandise revamps, including the expansion of operating areas for jewellery, menswear and womenswear, as well as introduction of a number of trendy brands in order to offer a refreshing experience to customers and to attract repeat purchases.

"Fashion Galleries" to be distinguished as "NWDS-Shopping Paradise for Shoe Lovers"

FEATURE CUTTING EDGE MARKETING CAMPAIGNS

During Christmas in 2011, Wuhan Qiaokou Branch Store displayed the decoration with the design theme of "Christmas Merry-go-round". During the festival, stores in the Region also organized similar festival promotions. Zhengzhou Store, for example, held the competition of "Looking for the Prom Queen and King", in which the best "Prom Queen" and "Prom King" were selected as the spokespersons in printed advertisements for the store in 2012.



In line with the Group's focus on enhancing the footwear business, stores in the Region launched various promotional activities under the theme of "NWDS-Shopping Paradise for Shoe Lovers". For example, in March 2012, Wuhan Xudong Branch Store started to organise the "Foot Care Day" at every third weekend of the month with an array of unique activities such as footwear exhibitions, new product release sales and celebrity activities; Changsha Trendy Plaza organized the talent show of "Perfect Legs" in March 2012, which attracted a great amount of media attention. Changsha Trendy Plaza revealed its new footwear products by means of catwalks and online voting together with large-scale sales promotion. As a result, a steady increase in sales of footwear products was recorded.

To attract young customers, stores in the Region also organized a number of "Celebrity Activities" and "Speed Dating" activities. In June 2012, for example, Wuhan Trendy Plaza invited popular singer, Hu Xia, for an autograph session for his new album in 2012 titled "Burning Point". Changsha Trendy Plaza held an eight-minute "Speed Dating" activity called "Love in New World" while Zhengzhou Store organized a large-scale high-end "Speed Dating" event called "Love in the City".

INNOVATIVE ACTIVITIES TO CREATE REFRESHING EXPERIENCE FOR VIP MEMBERS

To strengthen the loyalty of VIP members, stores in the Region organized promotional activities in different festivals, such as "Halloween Pumpkin Lamp DIY" by Wuhan Wuchang Branch Store in October 2011, "Sweet DIY Chocolate for Your Valentine" by Wuhan Trendy Plaza in February of the year, the event of "Quality time at Ocean Park" for members of the "Perfect House Wife Club" by Kunming Store on Mother's Day, as well as the one-month "Mother's Class" by Wuhan Xudong Branch Store during Mother's Day and Children's Day.

Apart from holiday promotions, stores in the Central Western China Region also provided distinguished experience for VIP members through exclusive activities. For example, Chengdu Store, organized a three-day "VIP Banquet" in November 2011 and April 2012 respectively, in addition to tailor-made sales promotion coorganized with New World China Land and Chow Tai Fook for NWDS' VIP members. Chongqing Store, cooperated with H. Brothers Media to organize movie viewing sessions and fans gatherings, which successfully drew the attention of young VIP members.

I ♡ SHOPPING!

Chengdu Store


Chongqing Store

During the year under review, VIP members grew by 36% to 902,000 in the Central Western China Region accounting for 51% of total sales of the Region. The number of VIP club members rose substantially by 41% to 474,000.

902,000
VIP Members (Approx.)

RAPID GROWTH WITH MULTIPLE AWARDS

Stores in the Region received a number of awards during the year under review, including the "2011 Outstanding Enterprise in Trade Facilitation of Jiangbei District" for Chongqing Store by the Government of Jiangbei District in the city, the "2011 Award for the Most Popular Trendy Department Store" for Chengdu Store, as well as the honour of "2011 Outstanding Emerging SMEs of Hongshan District" of Wuhan Xudong Branch Store by Hongshan Sub-branch of Wuhan Taxation Bureau. The Group was also recognized for its efforts in online promotions. Wuhan Qiaokou Branch Store, for example, won the "Award for the Most Enriching Mini-blog Content" in an event jointly organized by hb.sina.com.cn and weibo.com.


Wuhan Qiaokou Branch Store


Wuhan Xudong Branch Store


COSMETICS

Diversified Heartfelt Services

Creating One-stop Joyful Shopping Destination

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$3,490.1 million in FY2012 representing an increase of 27.6% from HK$2,736.2 million in FY2011. The growth was primarily contributed from commission from concessionaire sales, sales of goods for direct sales and rental income.

Gross sales revenue, comprising gross revenue from concessionaire sales, sales of goods for direct sales, management fees, rental income and other income increased by 27.0% to HK$14,207.2 million in FY2012 from HK$11,182.8 million in FY2011. Gross revenue from concessionaire sales increased to HK$13,010.0 million from HK$10,233.3 million in the Previous Year. Commission income rate was slightly declined from 18.8% in the Previous Year to 18.5% in the Current Year was primarily due to the lower commission rate recorded by newly opened stores and the sales growth for jewellery and gold products with lower commission rate. Sales of goods for direct sales was HK$676.2 million in FY2012 compared with HK$545.9 million in FY2011. Direct sales turnover mainly comprised of groceries, housewares and perishables (approximately 48.1%), cosmetic products (approximately 41.4%), accessories, handbags and underwears (approximately 4.9%), ladieswear and menswear (approximately 4.8%). Gross margin of direct sales was 15.5% compared to 17.8% in the Previous Year. The decrease was mainly due to the lower merchandise gross margin from the supermarkets of the newly acquired stores in the Current Year. In FY2012, ladieswear and accessories made up approximately 61.4% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 20.4% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest.

Management fees was HK$19.2 million in FY2012 showing a decrease from HK$57.1 million in FY2011. The decrease was primarily due to the conversion of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store, Lanzhou Store and Beijing Liying Store in August, October and December 2010, March, April, November 2011 and January 2012 respectively, as compared with several months contribution from Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store and a full-year contribution from Lanzhou Store and Beijing Liying Store in the Previous Year.

Rental income increased by 87.7% to HK$389.2 million in FY2012 mainly due to increased leasing area from firstly, recognising a full-year operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store acquired in August, October and December 2010, March and April 2011 respectively, and Beijing Qianzi Store, Zhengzhou Store and Shenyang Jianqiao Road Branch Store opened in September 2010, April and May 2011 respectively; secondly, the completed acquisition of Shanghai Shaanxi Road Branch Store in November 2011; thirdly, the conversion of Lanzhou Store and Beijing Liying Store from managed stores to self-owned stores in November 2011 and January 2012 respectively; and fourthly, the opening of newly self-owned Mianyang Store in December 2011.

Other Income

Other income of the Group was decreased from HK$139.2 million in FY2011 to HK$112.6 million in FY2012. The decrease was mainly due to the decrease of write-back of other payables in the course of operation in FY2012.

Other Gains, Net

Other gains, net of the Group was HK$34.3 million in the Current Year compared with HK$398.5 million in the Previous Year. The decrease was primarily because other gains in the Previous Year comprised a gain of HK$381.6 million on disposal of a certain portion of property and land use rights situated in Wuxi City.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Year was HK$12.1 million related to properties located in Shanghai city and Zhengzhou city.

Purchases of and Changes in Inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It increased by 27.3% to HK$571.2 million in FY2012 from HK$448.8 million in FY2011. The percentage of increase was approximately in line with the increase in sales of goods for direct sales.

Employee Benefit Expense

Employee benefit expense increased to HK$541.6 million in FY2012 from HK$411.3 million in FY2011. This increase was primarily due to the increase in wages and salaries, retirement benefit costs and other employee benefits as a result of recognising a full-year operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store, Beijing Qianzi Store, Zhengzhou Store, Shenyang Jianqiao Road Branch Store acquired or opened in FY2011, the newly acquired Lanzhou Store and

Shanghai Shaanxi Road Branch Store and Beijing Liying Store in November 2011 and January 2012 respectively, the newly opened Mianyang Store in December 2011 and the expansion of Shenyang Jianqiao Road Branch Store in April 2012.

Depreciation and Amortisation

Depreciation and amortisation expense increased from HK$282.3 million in FY2011 to HK$293.8 million in FY2012. This was primarily due to recognising a full-year operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store, Beijing Qianzi Store, Zhengzhou Store, Shenyang Jianqiao Road Branch Store acquired or opened in FY2011, the conversion of Lanzhou Store and Beijing Liying Store from managed stores to self-owned stores in November 2011 and January 2012 respectively, the newly opened Mianyang Store in December 2011 and the expansion of Shenyang Jianqiao Road Branch Store in April 2012.

Operating Lease Rental Expense

Operating lease rental expense increased to HK$863.1 million in FY2012 from HK$704.1 million in FY2011, primarily due to recognising a full-year operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store acquired in August, October and December 2010, March and April 2011 respectively and Beijing Qianzi Store opened in September 2010. In addition, the newly opened Mianyang Store in December 2011, the expansion of Shenyang Jianqiao Road Branch Store in April 2012, the conversion of Lanzhou Store in November 2011 and Beijing Liying Store from managed stores to self-owned stores in January 2012 also contributed to the increase of operating lease rental expense in the Current Year.

Other Operating Expenses, Net

Other operating expenses increased to HK$592.5 million in FY2012 from HK$391.3 million in FY2011. The increase in other operating expenses was a result of recognising a full-year operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store, Beijing Qianzi Store, Zhengzhou Store, Shenyang Jianqiao Road Branch Store acquired or opened in FY2011. Moreover, the increase was also due to the newly acquired Lanzhou Store and Shanghai Shaanxi Road Branch Store in November 2011 and Beijing Liying Store in January 2012, the newly opened Mianyang Store in December 2011 and the expansion of Shenyang Jianqiao Road Branch Store in April 2012.

Operating Profit

Operating profit was HK$786.8 million in FY2012 compared with HK$1,056.8 million of FY2011. Operating profit, excluding other gains, changes in fair value of investment properties and the related direct expenses on disposal of a certain portion of property and land use right at which Wuxi Store was situated in total of HK$46.4 million in FY2012 (FY2011: HK$410.8 million), increased by approximately 14.6% to HK$740.4 million from HK$646.0 million of the Previous Year.

Income Tax Expense

Income tax expense of the Group was HK$204.8 million in FY2012. In FY2011, income tax expense of HK$257.6 million included an income tax expense of HK$62.6 million on the disposal of a certain portion of property and land use rights at which Wuxi Store was situated. The effective tax rate of the Group in FY2012 was 25.2%.

Profit for the Year

As a result of the reasons mentioned above, profit for the year was HK$607.7 million compared with HK$855.6 million in the Previous Year. Profit for the year, excluding other gains, changes in fair value of investment properties, the related direct expenses and income tax expenses on disposal of a certain portion of property and land use right at which Wuxi Store was situated in total of HK$46.4 million in FY2012 (FY2011: HK$348.2 million), increased by 10.6% to HK$561.3 million from HK$507.4 million of the Previous Year.

Liquidity and Financial Resources

Cash and fixed deposits of the Group amounted to HK$3,621.0 million as at 30 June 2012 (30 June 2011: HK$4,153.0 million).

The Group's borrowings from banks as at 30 June 2012 was HK$1,007.7 million (30 June 2011: Nil) of which HK$682.9 million was secured by pledge of assets.

The capital commitment of the Group as at 30 June 2012 were HK$122.5 million, of which HK$119.8 million were contracted but not provided for in the statement of financial position. For the contractual payment of HK$119.8 million, approximately HK$101.2 million was related to the acquisition of building ownership right, land use right and right of use of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems for certain exclusive and common-use areas of a building, located in Shenyang City.

Pledge of Assets

As at 30 June 2012, investment properties of HK$1,792.7 million of the Group were pledged as securities for bank borrowings of HK$682.9 million.

Treasury Policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts to hedge its foreign exchange risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2012.

OUTLOOK

China's overall economic growth slowed down in 2012 due to the decelerated growth of both exports and investments. According to China's National Bureau of Statistics, total retail sales of consumer goods reached RMB9,822.2 billion for the first half of 2012, grew 14.4% year-on-year. On the other hand, the growth in the domestic retail sector was undermined because of the great impacts on the sales of home appliances, household items and other consumer goods resulting from the government's strengthened macro-economic control on the real estate industry. However, China has announced new policies to boost the domestic consumption in the "12th Five-Year Plan", and has started implementing a number of welfare initiatives since last year, such as lowering individual income taxes and reducing medical costs. All those measures have unleashed the purchasing power of urban residents and provided a strong support for the development of the domestic retail and department store industry.

Although the Chinese market is still likely to be affected by uncertainties such as economic slowdown and inflation, the fundamental policies of maintaining a rapid economic growth and continuously expanding domestic consumption remain unchanged. Moreover, the market expects more economic stimulus from the government in the second half of 2012, which will not only benefit the steady development of the domestic retail sector, but also lay a good foundation for the Group's expansion in second-and third-tier cities. Therefore, the Group is cautiously optimistic about the future business development.

STRATEGIES FOR FUTURE DEVELOPMENT

In view of the slowdown in macroeconomic growth during the year under review, the Group actively carried out innovations in operations, merchandise portfolio and marketing, so as to be well-prepared to stand out in the market. Those initiatives included expediting the implementation of rebranding, upgrading the facilities and decorations of stores, optimizing merchandise mix and services, organizing attractive marketing activities and strengthening VIP membership, which successfully enabled the Group to maintain a competitive edge in the industry. In future, the Group will continue the comprehensive development plan and implement the two expansion strategies of "multiple presences within a single city" and "radiation city", so as to accelerate the opening of new stores, to increase market shares and to reduce operational risks. Thus the Group is well-positioned to cement and maintain its leading position in the department store sector in China.

Operational Strategy

Optimization of Operating Structure and Flexible Deployment of Resources

During the year under review, the Group completed the re-adjustment of its operating structure, dividing its national network into 3 major operational regions with a total of 9 districts under them. The three operational regions include Northern China Region (with Northern District, North Eastern District and North Western District), South Eastern China Region (Shanghai District, Eastern District and Southern District) and Central Western China Region (Central District, Central Southern District and South Western District). The optimization of operating structure not only facilitates the deployment of resources and reduction of regional operating costs, but also helps accelerate localization in operation, so as to provide customers with more considerate products and services and to satisfy their various needs. In future, the Group will strive to implement the expansion strategy effectively under the refined operating structure.

Personalized "Living Galleries" and "Fashion Galleries" to Highlight the Brand Image

With the launch of the "rebranding program" in September 2009, the Group has categorized stores into "Fashion Galleries" as thematic department stores with a "trendy character", as well as "Living Galleries" as "one-stop" shopping department stores, thus successfully staying afloat in a highly competitive retail market. In future, the Group will continue to improve both its hardware and software facilities, including the upgrading of store decorations, the differentiated development of products and services, as well as the further strengthening of its brand image. Beijing Trendy Store, Lanzhou Store, Chengdu Store, Shanghai Xinning Branch Store, Shanghai Hongkou Branch Store, Shanghai Changning Branch Store, Shanghai Qibao Branch Store, Shanghai Wujiaochang Branch Store and Ningbo

Store completed their rebranding exercise during the year under review and are now operating with the brand new images. On the other hand, stores in Nanjing, Dalian, Anshan, Changsha, Chongqing, Kunming and five stores in Wuhan will continue their rebranding exercise according to the scheduled time frame, with the overall program expected to be completed by the end of 2012. As of 30 June 2012, about 67% of the total GFA needed to renovate has been completed.

Nurture Talents to Cope with the Group's Development Needs

In the aspect of nurturing management talents to realize the Group's long-term development plan, we carry through the belief of "Developing Talents with Respect, Care and Trust" in our human resources strategy. During the year under review, the Group implemented the "Core Talents Nurturing Plan", which included appraisal of management skills, rotation internships and other related contents, with the focus on training senior managers. The Group also worked with Shanghai Jiao Tong University to offer the "Certificate Programme of Further Studies in Retail Operation and Management" for middle-level managers, in order to nurture operational talents. In addition, the Group organized staff visits to famous department stores abroad on several occasions, so that the participants could learn from and have fruitful exchanges with their foreign counterparts in terms of advanced concepts and practices in merchandising, operations and services.

Merchandise Strategy

Stay on Top of Consumer Trends and Optimize Brand Portfolio

In the aspect of merchandise strategy, as a trend-setter in the department store industry, the Group keeps launching new products and services according to customer's tastes. Thanks to the "Market Brand List", "Presentation of New Products", "Supplier Development" and other relevant reports, the Group has a better understanding of market trends and brand developments. Also, the Group develops a powerful mix of competitive merchandises procured from both domestic and international markets. In addition, by virtue of its fashion sense and understanding of the consumer market, the Group established a subsidiary in 2011 to develop high-quality but affordable products of its own brand, so as to differentiate the categories and to provide customers with more product choices.

Build Interactive and Long-term Cooperation with Suppliers

In order to guarantee the quality of products and services and to lay a solid foundation for strategic cooperation with concessionaires and suppliers in future, during the year under review, the Group optimized the "Top 50/150 Brand Retainer Scheme" and the "Strategic Partnership Program", with the focus on the maintenance and cultivation of "category killers". The Group also set up new posts of brand manager to enhance the effectiveness of sales. Besides, the Group promoted its exchanges and communications with suppliers by establishing the "New World Net" platform as well as organizing various seminars and workshops, creating bilateral values and fostering closer cooperation in a long run.

Diversified Business Models to Secure Stable Revenue

The Group adopts diversified business models, including concessionaire sales, direct sales and lease, providing itself with a stable source of revenue. During the year under review, the Group developed partnership with a number of tenants, which successfully expanded the operating area and attracted new customers, thus making contribution to the Group's rental income.

Marketing Strategy

Boost Sales Revenue with Creative Marketing Campaigns together with Promotion Combo

In the aspect of marketing strategy, to further expand its clientele and to accelerate business growth, the Group focuses on "cross-industry cooperation", "signature events" and "topic-based activities for youths", so as to strengthen the Group's image as a thematic department store. To be specific, the Group carries on the "Four in One" marketing strategy in implementation. In other words, the Group integrates sales promotion, public relation, marketing and VIP club activities in planning, making those initiatives more topic-focused and more interesting, so as to attract young customers who are keen on surprises and to boost the number of visits and the amount of spending by existing customers.

Strengthen Cross-Industry Cooperation and Introduce Renowned International Activities

Through introducing popular programs from around the world in collaboration with famous enterprises in other sectors both domestically and internationally, the Group further expands the market by leveraging the clientele through cross-industry cooperation. For example, the Group worked with the Bank of Communications to issue co-branded credit cards, and co-organized promotional activities with financial institutions such as the Bank of Ningbo, the Bank of Communications, Ping An Bank and China UnionPay. Catering to the enthusiasm of English learning in China, the Group joined hands with Wall Street Institute to hold several lectures and to provide multiple concessions for VIP club members. And for the first time in its history, the Group organized the "Super Stars' Memorable Collections Exhibition" in September to October 2011 in cooperation with Ponte 16 Resort, Macau and Julien's Auctions, displaying over 100 precious items of international superstars at its stores. The marketing cooperation with Hong Kong Ocean Park in 2012 also received extensive public praise. All the said events, together with promotional activities during the same periods, attracted a large number of customers, boosting both store visits and sales revenue. In view of the precedent success, the Group will continue to actively promote cross-industry cooperation in future.

Nation-wide Signature Events Drive Store Traffic and Sales Revenue

It is an important marketing strategy of the Group to carry out NWDS signature events. To be specific, we launch innovative signature events on a regular basis during non-festival periods and combine them with diversified promotions so as to achieve sales targets. During the year under review, our stores organized a series of promotions and special offers filled with surprises and innovations, such as discount upgrades within time limits and excellent prizes upon required spending amounts, in line with the three themes of "Non-stop Mega Sales", "Stamp Redemption Program" and " VIP Day". Among them, the "Non-stop Mega Sales" activity, being the first of its kind in the industry, not only doubled and redoubled store traffic and sales revenue, but also successful drew a lot of media attention, thus establishing the Group's image as a "pioneer" in the industry.

Attract Well-off Youths and Recruit Younger VIPs

The Group also strengthens its efforts in organizing activities with interactive and fascinating topics so as to further attract well-off youths to become the Group's consumers as early as possible. In view of the wide enthusiasm of youths to find their other halves, the Group organized "Speed Dating" activities at Beijing Shishang Store, Changsha Trendy Plaza and Zhengzhou Store not long ago, successfully bringing dozens of young couples together. The Group also actively promotes "Celebrity Activities", in which well-known singers and performers are invited to the stores in order to enhance store popularity and attract customers.

In the aspect of VIP members, the Group strives to optimize its VIP membership in order to attract more young members as well as to enhance the contributions and loyalty of VIP members. During the year under review, the Group launched the NWDS VIP Card without spending threshold targeting young consumers. It also especially held the "7 Moods of a Week-NWDS VIP Card Design Competition", receiving more than 2,000 entries which were voted by nearly 600,000 persons both online and offline. The stores also worked together for campus recruitment. As of the fiscal year ended 30 June 2012, the Group has recruited over 68,000 new members of the NWDS VIP Card in campus.

Establish Crystal High Heels Club to Enrich VIP Activities

To enhance VIP member loyalty and a sense of belonging, the Group has especially set up several VIP clubs with tailor-made activities for the members. During the year under review, the Group added a new "Crystal High Heels Club" for shoe lovers, on top of the three existing clubs, i.e., the "Smart Lady Club" for white collars, the "Perfect House Wife Club" for mothers and the "Platinum VIP Club" exclusively for VIPs with the Platinum Card. With the establishment of the new club, the Group not only managed to diversify the forms of member activities, but also effectively increased the number of store visits and the amount of spending by organizing a series of shoes-related activities, such as "Shoes Grabbing Day" and "Foot Care Day".

Upgrade VIP System and Launch "NWDS VIP Website"

During the year under review, the Group upgraded its VIP system to introduce a number of convenient services, such as automatic card upgrade or downgrade, introduction of supplementary cards and card-free bonus point earnings. In addition, the Group launched the exclusive "NWDS VIP Website" in March 2012, so that VIP members can easily conduct card-related operation and inquiries online. As of 30 June 2012, the number of VIP members grew 35% to approximately 2,880,000 from the Previous Year.

Reinforce Collaboration with the Group's Affiliates to Maximize Resource Sharing

To increase the number of VIP members and to enhance resource sharing with the affiliates, the Group worked with New World China Land, Chow Tai Fook, K11, New World Hotel and other subsidiaries of the New World Group to hold a number of promotional activities, such as the "NWDS-CTF Wedding Carnival" at Shenyang Zhonghua Road Branch Store and the tour event of "Home-purchasing Benefits for VIP Members 2012" at 15 stores. The Group can share the benefits from members and achieve win-win results by attracting customers to stores and stimulating their spending via resources of the affiliates.

Launch Mobile Apps to Build a One-stop Interactive and Promotions Platform

The Group has always been using diversified social entertainment websites, videos, mini-blogs and mobile platforms extensively for promotional and marketing purposes. During the year under review, for example, stores in Shanghai launched a mobile app for "Non-stop

Mega Sales", so that customers could be kept posted on the latest sales information and special offers. The Group also plans to launch a NWDS comprehensive mobile app by the end of 2012, which will serve as a personalized platform for users to receive the latest shopping tips, trend developments and event information from our stores in a real-time manner, and to improve customer's shopping experience through online-offline interactions.

Expansion Strategy

Refined Expansion Strategies Enlarge NWDS Retail Roadmap

The Group develops comprehensive strategies for business expansion in an active and prudent manner, with appropriate adjustments according to the policy tendency of the government, economic development in respective regions and the operating conditions of the stores. Going forward, we expect the total GFA of our self-owned stores to exceed two million sq.m. in FY2016, riding on the state policies to further expand domestic consumption as well as the increasing purchasing power in second-and third-tier cities.

The Group will continue the two expansion strategies of "multiple presences within a single city" and "radiation city". On the one hand, the Group will look for potential projects in five major cities, namely Beijing, Shanghai, Wuhan, Shenyang and Chengdu as footholds, so as to enhance our competitive edge. On the other hand, we will gradually expand our business from core cities to surrounding second-and third-tier cities with great potential such as Changchun, Guiyang, Baotou, Leshan and Xiangyang.

As for the expansion methodology, the Group will continue to expand its business network in China in a multi-pronged manner, i.e., establishing new stores, acquiring existing managed stores and promising department stores, expanding existing stores, adding managed projects, etc. Upon prudent evaluation of market demand and development potential, the Group has initially confirmed expansion projects for the coming years, including the projects in Yancheng and Xi'an to open in FY2013, as well as those in Yantai, Hengyang and Shanghai to commence operation in FY2014 and FY2015. The related deployment and preparation tasks are already underway. The Group will set up a "Living Gallery" with a GFA of 54,000 sq.m. in Yancheng, the largest city in terms of area in Jiangsu Province, and another one with a GFA of 58,500 sq.m. in Xi'an, the capital and the wealthiest city in Shaanxi Province. The latter one will play a strategic role in the Group's expansion initiatives in North Western China. In order to expand its presence in the market, the Group will also establish a self-owned store with a GFA of 55,000 sq.m. in Yantai, the third largest city in Shandong Province. Based on the existing Changsha Trendy Plaza, the Group will open a new self-owned store with a GFA of 42,200 sq.m. in Hengyang, Hunan Province. In addition, the Shanghai 118 Store in Shanghai Putuo District is expected to commence operation in FY2015, with a GFA of 62,600 sq.m.

Seize Acquisition Opportunities for Rapid Expansion

In addition to new store opening, the Group will continue its close cooperation with local government agencies and industry organisations to identify and acquire department store projects with good potential, for rapid expansion of its market shares. During the year under review, the Group acquired Shanghai Channel 1 in Shanghai Putuo District, which was already renamed as Shanghai Shaanxi Road Branch Store, and also converted Lanzhou Store and Beijing Liying Store from managed projects to self-owned ones via acquisition.

Increase Operating Area with Store Expansions

The Group strives to expand its existing stores so as to provide consumers with a more comfortable shopping environment. During the year under review, Phase II of Shenyang Jianqiao Road Branch Store was completed with its total GFA doubled to 68,000 sq.m. It has become a hot spot for one-stop shopping thanks to its diversified products and services. The Group also plans to expand Shenyang Nanjing Street Branch Store into Phase II and it is expected to commence operation in FY2014.

Managed Projects Generate Stable Management Fees

In view of managed store business, the Group actively negotiates managed store projects with good potential, so as to speed up its expansion in both existing and emerging markets. The Group will open new managed stores in Ningbo, Yanjiao and Yantai in FY2013 and FY2014 respectively, with a total GFA of 138,000 sq.m. Managed projects not only help the Group further expand its business network, but also provide a stable source of management fees.

Corporate Citizenship

The Group has always been committed to giving back to the community. In line with the concept of sustainability initiated by our parent company New World Group, a new NWDS Sustainability Steering Committee was established in 2012, in order to have comprehensive improvement in the four aspects of environmental protection, social welfare, staff benefits and development, and corporate governance.

CHARITABLE ACTIVITIES

MSF Day 2012

On 7 July 2012, NWDS became the principal sponsor for "MSF Day" for the sixth consecutive year. NWDS together with New World Group appealed to all local and regional employees for donating their one day's salary to "MSF Day 2012", which is

equivalent to volunteering for MSF's worldwide medical aid work for one day. With the enthusiastic support from the employees, a total of HK$446,780 was raised this year, including HK$400,000 contributed by NWDS. This amount made NWDS the biggest institutional donor to the campaign for the sixth consecutive year and fully showcased the kindness and generosity of our employees.

Charity Ticket Selling for Premiere of "Son of the Stars"

In view of the rising number of autistic children in China, the Group actively responded to the "World Autism Awareness Day" on April 2. In March 2012, the Group specially organized a charity premiere ticket selling of an autism related movie entitled "Son of the Star" at Shanghai Pujian Branch Store. All the proceeds raised from the activity were donated to Shanghai Disabled Persons' Foundation for helping autistic children.

Caring for the Elderly

During the year under review, stores across regions initiated a number of activities to send their care for the elderly. For example, volunteers from Shenyang Zhonghua Road Branch Store visited local social welfare institutions in September 2011, distributing gifts to the senior citizens to celebrate the upcoming National Day. Wuhan Xudong Branch Store and Taizhou Store organized staff to visit local nursing home on Mother's Day and the Double Ninth Festival of 2011 respectively, offering daily necessities and healthcare products to the elderly. Additionally, employees of Ningbo Store celebrated the Mid-Autumn Festival with occupants at local elderly homes. Besides, Wuhan Wuchang Branch Store donated 30 computers from its office to a local senior's activity centre in June 2012, so that the elderly could have a chance to learn some computer skills.

Active Planning of Poverty Alleviation Projects

In February 2012, Beijing Qianzi Store collaborated with China Charities Aid Foundation for Children to organize a charity event and donated 1,000 quilt jackets to orphans in Daliangshan Region, so that the children could have a warm and happy winter. In the same month, Lanzhou Store held a charity bazaar in cooperation with a number of brands. The proceeds gathered from the sales of donated products and from employees' donations were used to buy stationeries for children in rural areas. In March 2012, Shenyang Zhonghua Road Branch Store organized a clothing donation activity, and called for VIP customers and employees to participate to provide actual support for the impoverished people in Western China.

Shenyang Nanjing Street Branch Store launched the “One Yuan per Month” donation campaign in order to help purchase daily necessities for children in local welfare institutions.

Love for the Disabled

In July 2011, Harbin Store organized a charitable event for a local disabled school, giving books to the teenage students. The store also provided volunteering services for young autistic patients on the Children’s Day 2012. On the “Disabled Day” in August 2011, Anshan Store specially made a donation to the local Disabled Persons’ Federation, so as to raise community awareness on the needs of the disables. And Beijing Qianzi Store launched a donation activity in December. For each spending by customers during the Thanksgiving period, the store would donate RMB1 to the local Disabled Persons’ Federation.

ENVIRONMENTAL ACTIVITIES

Nationwide Campaigns of Resource Recycling

During the year under review, the Group launched two nationwide environmental campaigns to promote resource recycling. The waste paper recycling campaign of “Let’s Donate a Tree to Save the Earth” was carried out from December 2011 to January 2012 across China. The stores transferred the waste paper collected from customers to recyclers for further processing, while the proceeds would be donated to charitable organizations afterwards.

The other initiatives, namely the “NWDS Green Mid-Autumn Festival –Moon Cake Box Recycling Campaign”, encouraged customers to hand in moon cake boxes to NWDS during the Mid-Autumn Festival in exchange for various shopping concessions. The event gained an enthusiastic support from customers, with more than 8,900 moon cake boxes collected in total, which were all transferred to recyclers for further processing.

Earth Hour

The Group once again is devoted to support to the “Earth Hour” campaign organized by the World Wide Fund for Nature (WWF). From 8:30 pm to 9:30 pm on 31 March 2012, the 39 stores of NWDS switched non-essential lights off for one hour, demonstrating the Group’s commitment to reducing carbon emissions and climate change.

Promotion of a Green Life

To enhance employees’ awareness on environmental protection and to advocate for a green working environment, the Group organized the “Let’s Go Green” planting competition at all stores and offices from November 2011 to June 2012. Employees were encouraged to upload photos of their growing plants to the Group’s mini-blog, so as to share their achievements with the public and to further promote the green message. In March 2012, Shenyang Zhonghua Road Branch Store encouraged customers to donate used batteries or money to charitable groups in exchange for small potted plants. In the same month, Beijing Liying Store and Changsha Trendy Plaza organized tree-planting activities respectively, mobilizing employees and customers to contribute to local green projects.

Concern about Water Conservation

The Group carried out a number of activities featuring water resources in order to raise the staff’s awareness about water conservation. For example, stores in Wuhan organized company visit to the city’s Water-saving Technology Museum and water preserving movie appreciation session and produced pictorials on the topic for circulation. Shanghai District also produced “Environmental Protection Lectures” on water conservation, which were available at all the local stores for staff’s reference.

Efforts to Reduce Food Waste

During the year under review, the Group carried out various activities to encourage the employees to reduce food waste, such as offering appropriate incentives, adjusting food portion and deploying supervisors to monitor food consumption. Shanghai Xinning Branch Store and Changning Branch Store, for example, held the "Love the Earth, No More Food Waste" activity from January to March 2012. Employees who could clear their plates were given a stamp for redeeming food prizes.

CARE FOR STAFF

Diversified Staff Training

Understanding that talents are especially important for corporate development, therefore the Group allocated a lot of resources in staff training. In September 2011, the Group organized for a study tour to Japan for 34 middle and senior managers, where the participants visited a number of famous department stores and broadened their horizon. In February 2012, the Group officially launched the "Project Xinpeng-NWDS Management Intern Cultivation 2012", a six-month internship and training programme for 100 management interns from

Beijing, Shenyang, Harbin, Shanghai, Wuhan and Chengdu. In addition, the Group launched the "Excellent NWDS Management Culture" programme in April 2012, with 14 trainers to promote the course, so as to enhance the management skills of middle and senior managers.

Acknowledgement of Outstanding Employees

During the year under review, the Group carried out a number of evaluation programmes to reward and acknowledge employees' contributions based on various aspects. In April 2012, the Group carried out selection of "Employees of the Year 2011", in which 75 outstanding staffs were elected and commended via three stages of public voting. Besides, the Group organized the "Commendation Meeting for Excellent Tutors 2011" in Zhuhai in June 2012, acknowledging the contributions of 57 tutors on improving operations efficiency and upgrading service image. There were also various contests for packaging personnel, cashiers, customer service representatives and other employees at stores from time to time, which effectively boosted the staff morale.

Advocate for Two-way Communication and Creative Thinking

In line with the new NWDS culture of "Borderless Communication with True Words; Endless Innovation with New Approaches", the Group organizes various activities to enhance communication and encourage creativity among employees. In August 2011, the Group carried out a competition to share and acknowledge excellent marketing programs, in which a lot of outstanding cases were selected. The event also inspired the employees' creative thinking by recognizing outstanding marketing cases and the communication and exchanges among candidates from different regions during the process. The Group also continued the "Creative Operation Concepts Reward Programme" during the year under review. The Group solicited proposals which embrace its five core values of "market", "customers", "quality", "development" and "talents" in five stages, promoting and sharing excellent ones. The Group also continued the "Managing Director's Mail Box", so that employees could voice out their ideas and concerns through this dedicated channel.

Emphasis on Employees' Physical and Mental Health and Staff Benefits Improvement

The Group carried out a great variety of recreational activities to provide employees with more relaxing options after work. Apart from swimming, badminton, bowling and other sports events, the stores in various regions also organized photography competitions, birthday parties, reading clubs, group travels and other social activities from time to time. Our stores also play an active role in catering for the employees needs through various means, such as giving away photography coupons on the International Family Day, distributing festival foods on special occasions, setting up staff libraries, providing body checks, etc., thus significantly enhancing the employees' sense of belonging.

GROUP HONOURS

With a dozen years of hard work and constant efforts in seeking breakthrough, the Group has obtained numerous rewards from governments and social institutions in recognition and appreciation of its efforts.

"Asia's 200 Best Under A Billion" by *Forbes* for the Fourth Consecutive Year

The Group was accredited as one of the "Asia's 200 Best Under A Billion" by *Forbes*, an internationally renowned magazine in November 2011. Editors of *Forbes* selected the 200 winners with outstanding performance on revenue and sales growth, return on shareholders' equity in the past 12 months and for at least three years out of 15,000 Asia-Pacific companies with annual sales between USD$5 million and USD$1 billion. The Group was given the honour for the fourth consecutive year in 2011, demonstrating its recognition by the international community in terms of profitability, market share, corporate governance and future development.

HKMA/TVB "Citation for Excellence in Mainland Marketing" 2011

In October 2011, the Group's rebranding marketing campaign won the "Citation for Excellence in Mainland Marketing" in the HKMA/TVB Award for Marketing Excellence 2011. The award, with its selection criteria covering the philosophy, objectives, strategies, originality, effectiveness and excellence of marketing programmes, is highly recognized within the industry. The honour recogInized the Group's innovation and efforts in brand building within the industry.

Award for China Marketing Excellence 2011 - 2012

In June 2012, the Group was honoured with the "Award for China Marketing Excellence 2011-2012" for its rebranding marketing campaign entitled "Forever Market Pioneer". The Award for China Marketing Excellence was launched in 2003 which was co-organized by the *Economic Observer*, a mainstream financial newspaper in Mainland China, and Hong Kong Management Association ("HKMA"). Celebrating its 10th anniversary this year and adopting the well-established selection mechanism from HKMA, the award aims to recognize outstanding marketing achievements of companies in China and to enhance the overall competence of the industry.

"Caring Company" for 2010/11

In February 2012, the Group was recognized by the Hong Kong Council of Social Services as one of the "Caring Companies" for 2010/11, being acknowledged and commended for its continuous efforts in practicing corporate social responsibility. In line with the giving back to the community spirit, NWDS is committed to promoting environmental protection and charitable activities, making contributions to the community.

商界展關懷 caringcompany 2010-12
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

"Family-Friendly Employer" Award

Thanks to its efforts in implementing family-friendly employment policies and measures, the Group was presented the "Family-Friendly Employer Award 2011" by the Hong Kong Family Council in November 2011, thus becoming a recognized enterprise of the Council's Award Scheme.

Multiple Awards for NWDS's FY2011 Annual Report

Contest	Category	Award
2011/12 Mercury Awards	Annual Reports: Overall Presentation – Department Store	Gold Award
2012 Astrid Awards	Covers: Annual Reports – Photography	Gold Award
2012 ARC Awards	Overall Annual Report:	Silver Award
	Retail – Convenience & Department Store	
	Illustration:	
	Retail – Convenience & Department Store	Honors Award
LACP 2011 Vision Awards	Annual Report: Retail Industry	Silver Award

Region	Department Store	Award
Northern China Region	Shenyang Nanjing Street Branch Store	2011 Consumer Satisfaction Entity
	Shenyang Zhonghua Road Branch Store	2011 Trustworthy Services Enterprise
		2011 Shenyang Innovative Marketing Awards for Commercial Enterprise
		Merit Award for Security Services
	Shenyang Jianqiao Road Branch Store	2011 Consumer Satisfaction Entity
	Harbin Store	2011 Advanced Entity in Social Security Management
	Dalian Store	2011 Grade AA Tax-Paying Enterprise
		2010 Grade A Labour Law Compliance Entity
		2011 Outstanding Enterprise of the Year for Two Stations
	Anshan Store	Ten Best Emerging Brands of the Year
		Liaoning Business Services Brand
		2011 Trustworthy Entity in Consumer Rights Protection
		Anshan Civilized Entity
	Beijing Store	2011 Influential Brand of the Year
		2011 Consumer Satisfaction Entity
		2011 Advanced Entity in Social Security Management of Outer Chongwen District
		Excellence Party Organizations of Outer Chongwen District
	Beijing Trendy Store	2011 Love and Caring Enterprise
		2011 Advanced Entity in Civil Society Promotion of Chaoyang District
	Beijing Liying Store	2011 Advanced Entity in Safety Production Management of Chaoyang District
		2011 Outstanding Enterprise in Consumption Promotion
	Beijing Qianzi Store	2011 Outstanding Enterprise in Tax Contribution
		2011 Trustworthy Services Entity
		12315-Green Channel in Consumer Disputes Resolution of Shunyi District

I ♥ SHOPPING!

Region	Department Store	Award
South Eastern China Region	Ningbo Store	Outstanding Enterprise
		2012 Top Notch Enterprise
		Ningbo 10th Trustworthy Enterprise
	Shanghai Xinning Branch Store/ Shanghai Changning Branch Store	Economic Development Contribution Award
	Shanghai Qibao Branch Store	Bronze Award for Caring and Supporting Entity in 2011 Poverty Alleviation and Disaster Relief Fundraising Project in China
	Shanghai Wujiaochang Branch Store	Caring and Supporting Entity in 2011 Poverty Alleviation and Disaster Relief Fundraising Project in China
	Shanghai Pujian Branch Store	2011 Leading Retail Enterprise
	Shanghai Chengshan Branch Store	Champion in the Second Quarter Security and Fire Comprehensive Examination of Liuli Region, Beicai Town, Pudong New District, Shanghai
	Taizhou Store	2011 Outstanding Enterprise in First Zhejiang Autumn Shopping Festival cum Credit Cards Joint Marketing Promotion
		2011 Taizhou Advanced Station in Consumer Rights Protection
Central Western China Region	Zhengzhou Store	Best Department Store with Trendy Shopping Environment
	Kunming Store	2011 Award for Union Task Completion
		Listed Enterprise in the Security Top List
	Chengdu Store	2011 Advanced Tax-paying Enterprise
		2011 Award for the Most Popular Trendy Department Store
	Chongqing Store	2011 Outstanding Enterprise in Trade Facilitation of Jiangbei District
	Mianyang Store	2011 Mianyang Consumer Satisfaction Entity
	Wuhan Store	2011 Advanced Tax-paying Enterprise
		2011 Advanced Entity in Trade Union Work
		Outstanding Participation Entity in Wuhan 17th Vocational Skills Contest – Commercial (Services) Sector
	Wuhan Trendy Plaza	Most Energetic Mini-blog Award
	Wuhan Wuchang Branch Store	2011 Advanced Entity in Trade Union Work
	Wuhan Qiaokou Branch Store	Excellent and Advanced Organizational Entity in Wuhan 4th "Creative Learning Organization, Knowledge-based Workers" Awards
		Civilized Entity
		Award for Most Enriching Mini-blog Content
	Wuhan Xudong Branch Store	2011 Outstanding Emerging SMEs of Hongshan District
		2011 Advanced Entity in Trade Union Work
	Wuhan Hanyang Branch Store	Civilized Entity

Directors' Profile

Dr. Cheng Kar-shun, Henry *GBS*

Aged 65,

has been the Chairman and a non-executive Director since June 2007. Dr. Cheng is also a director of a number of the subsidiaries of the Company. He is responsible for the overall planning, strategic development and major policy making of the Group. Dr. Cheng holds offices in various listed public companies, including being the chairman of New World Development Company Limited, the chairman and the managing director of New World China Land Limited, the chairman and a non-executive director of Newton Resources Ltd, the chairman and an executive director of Chow Tai Fook Jewellery Group Limited, NWS Holdings Limited and International Entertainment Corporation, and a non-executive director of Lifestyle International Holdings Limited and an independent non-executive director of HKR International Limited. He is also the chairman of New World Hotels (Holdings) Limited, a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited and Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) and Chow Tai Fook Enterprises Limited, all of which are substantial shareholders of the Company. Dr. Cheng was the chairman of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited). He acts as the chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Eleventh Chinese People's Political Consultative Conference of the People's Republic of China. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the father of Mr. Cheng Chi-kong, Adrian.

Mr. Cheng Chi-kong, Adrian

Aged 32,

has been an executive Director since June 2007. He is also the chairman of the Executive Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Cheng joined the Group in 2007 and is responsible for overseeing the corporate affairs of the Group. He is an executive director and joint general manager of New World Development Company Limited, an executive director of each of Chow Tai Fook Jewellery Group Limited, New World China Land Limited and International Entertainment Corporation and a non-executive director of Giordano International Limited. Mr. Cheng is also a director of Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) and Chow Tai Fook Enterprises Limited, both of which are substantial shareholders of the Company. He is also the chairman of New World Group Charity Foundation Limited. Mr. Cheng is the vice-chairman of All-China Youth Federation, a vice-chairman of The Youth Federation of the Central State-owned Enterprises, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, a consultant of the Beijing Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation and the honorary chairman of Fundraising Committee, Wu Zhi Qiao (Bridge to China) Charitable Foundation. Mr. Cheng has substantial experience in corporate finance and worked in a major international bank prior to joining New World Development Company Limited. He holds a Bachelor of Arts Degree (*Cum Laude*) from Harvard University. Mr. Cheng is the son of Dr. Cheng Kar-shun, Henry.

Mr. Cheung Fai-yet, Philip

Aged 57,

has been the Managing Director and an executive Director since June 2007. He is also a member of the Executive Committee and the Remuneration Committee and a director of a number of the subsidiaries of the Company. Mr. Cheung joined the Group in 1993 and has been responsible for the overall management of the Group. He had over 30 years of experience in the retail industry and possesses extensive experience in managing retailing stores in the PRC, Hong Kong and Taiwan. Prior to joining the Group, Mr. Cheung has held various senior management positions in large retail groups in Hong Kong and Taiwan including worked as a general manager in a large Japanese department store and as a general manager in the retail division of a UK based conglomerate in Hong Kong and as a general manager in a large pharmaceutical retail company in Taiwan.

Mr. Wong Kwok-kan, Kenneth

Aged 48,

has been a Director since January 2007 and designated as an executive Director since June 2007. He is also a member of the Executive Committee and the Remuneration Committee and a director of a number of the subsidiaries of the Company. Mr. Wong joined the Group in 1995 and has been the chief financial officer of the Group. He is responsible for the financial management and corporate finance matters of the Group. Mr. Wong has over 15 years experience in the retail industry in the PRC. Prior to joining the Group, Mr. Wong held a senior position in a large retail group in Hong Kong. He holds a Bachelor of Business Administration Degree from The Chinese University of Hong Kong, a Bachelor of Law Degree from Tsinghua University and a Master of Business Administration Degree from University of Strathclyde. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.

Ms. Ngan Man-ying, Lynda

Aged 46,

has been a Director since January 2007 and designated as an executive Director since June 2007. Ms. Ngan is a director of certain subsidiaries of the Company. She joined the Group in 2007 and is responsible for the financial planning and corporate governance of the Group. Ms. Ngan is also an executive director, the financial controller and the company secretary of New World China Land Limited. She has over 25 years of experience in auditing, accounting, business advisory and tax consultancy. Ms. Ngan has previously worked for an international accounting firm in Hong Kong and a tax consulting company in Australia. She possesses a Bachelor Degree in Business from University of Southern Queensland and is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom.

Mr. Au Tak-cheong

Aged 60,

has been a non-executive Director since June 2007 and is responsible for overseeing compliance of policy and procedures in relation to accounting matters of the Group. Mr. Au is also the chief financial officer of New World Development Company Limited. He possesses over 30 years of experience in the area of finance and accounting.

Mr. Cheong Ying-chew, Henry

Aged 64,
has been an independent non-executive Director since June 2007. He is also a member of the Audit Committee and the Remuneration Committee. Mr. Cheong has over 30 years experience in the securities industry. He has been a director of the Worldsec Group of companies which he founded in 1991 together with The Bank of Tokyo-Mitsubishi UFJ, Ltd. in Japan (formerly known as "The Mitsubishi Bank"). Mr. Cheong currently serves as an executive director and the deputy chairman of Worldsec Limited, a company listed on the London Stock Exchange. Prior to setting up the Worldsec Group in 1991, he was a director of James Capel (Far East) Limited for 5 years with overall responsibility of Far East sales. His earlier professional experience includes 11 years with Vickers da Costa Limited in Hong Kong, latterly as managing director. Mr. Cheong holds a Bachelor of Science (Mathematics) Degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) Degree from Imperial College, University of London.

Mr. Cheong is an independent non-executive director of each of Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, SPG Land (Holdings) Limited, TOM Group Limited, CNNC International Limited and Creative Energy Solutions Holdings Limited. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed on the Stock Exchange of Thailand. Mr. Cheong was an independent non-executive director of Excel Technology International Holdings Limited. Mr. Cheong is also a member of the Securities and Futures Appeals Tribunal, a member of the Advisory Committee of the Securities and Futures Commission and was previously a member of Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants.

Mr. Chan Yiu-tong, Ivan

Aged 58,
has been an independent non-executive Director since June 2007. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Chan has more than 20 years of audit and consulting experience with multinational and PRC corporations. He was the audit engagement partner for many of the B-share and H-share listings in the early 90s. In addition, Mr. Chan had been with a leading British merchant bank and an international accounting firm, specializing in mergers and acquisitions in the PRC. Mr. Chan graduated from the London School of Economics with a Bachelor of Science Degree in Economics.

Mr. Tong Hang-chan, Peter

Aged 67,

has been an independent non-executive Director since June 2007. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Tong is currently the managing director of Global Corporate Services Limited. He has more than 40 years of management experience with leading international retail chains and high-tech companies in Hong Kong and South East Asia, specializing in high-fashion and accessories brand management as well as in establishing sales and distribution networks through joint ventures and franchises. Mr. Tong was the chief operating officer of Mongolia Energy Corporation Limited (formerly known as "New World CyberBase Limited"), an executive director of Sa Sa International Holdings Limited, a vice president of Tiger Enterprises Limited and the president of Giordano Japan Limited (both subsidiaries of Giordano International Limited), the managing director of Longchamp Company Limited, an executive director of Dickson Development Company Limited, and the managing director of Christabel Trading Company Limited and Verwin Company Limited (both affiliates of The Swank Shop). Mr. Tong has been appointed as the chairman of Staff Panel, a vice-chairman of Scout Supply Services Committee and a member of executive committee of Scout Association of Hong Kong.

Mr. Yu Chun-fai

Aged 50,

has been an independent non-executive Director since June 2007. He is also the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. He has over 27 years of experience in the financial industry. Mr. Yu is also an independent non-executive director of China Gogreen Assets Investment Limited. He is the founder, and was the chairman and executive director of Oriental City Group Holdings Limited, a company listed on the Stock Exchange. Prior to establishing Oriental City Group, Mr. Yu worked for Morgan Stanley, AIG Asset Management (Asia) Ltd. and Allianz Dresdner Asset Management.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Directors" or "Board") of New World Department Store China Limited (the "Company"), together with its subsidiaries (the "Group"), recognises the importance of corporate governance practices to a listed company. The Company is committed to ensuring high standards of corporate governance in the interest of the shareholders (the "Shareholders") and stakeholders of the Company.

The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Code on the Corporate Governance Practices with effect until 31 March 2012 and the Corporate Governance Code with effect from 1 April 2012 (collectively the "Code") as contained and revised respectively in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). During the year ended 30 June 2012, the Company has applied and complied with all the code provisions set out in the Code except for the deviation from code provision A.6.7. in that a non-executive Director was unable to attend an extraordinary general meeting of the Company due to an important meeting overseas.

The Board will continually review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Upon the Company's specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company during the year ended 30 June 2012.

EMPLOYEES' SECURITIES TRANSACTIONS

The Code provision A.6.4 provides that there should be written guidelines on no less exacting terms than the Model Code for the relevant employees in respect of their dealing in the securities of the Company.

The Company has established guidelines for employees as required under the Code provision.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises two non-executive Directors, four executive Directors and four independent non-executive Directors. Their names, biographical details and respective relationships with other Directors are set out on pages 58 to 62 of this annual report.

The Board regulates the directions of the Group, monitors its overall performance and maintains effective supervision over the management running the Group through relevant committees of the Board in a sound and efficient manner. The Executive Committee and the management are delegated the authority and responsibilities by the Board for the routine management and operation of the Company.

The Board will have at least four meetings a year at approximately quarterly intervals and will meet at other times as and when required to review business strategies and financial and operating performance. The Board met four times during the year ended 30 June 2012.

All Directors are subject to retirement by rotation and re-election, if eligible, in accordance with the articles of association of the Company (the "Articles").

During the year, the Directors' attendance at the board meetings and general meetings is set out as follows:–

Name	Number of meetings attended/eligible to attend		
	Board Meetings	Annual General Meeting	Extraordinary General Meeting
Non-executive Directors			
Dr. Cheng Kar-shun, Henry *(Chairman)*	4/4	1/1	1/1
Mr. Au Tak-cheong	4/4	1/1	0/1
Executive Directors			
Mr. Cheng Chi-kong, Adrian	4/4	0/1	0/1
Mr. Cheung Fai-yet, Philip *(Managing Director)*	4/4	1/1	1/1
Mr. Lin Tsai-tan, David*	3/4	1/1	1/1
Mr. Wong Kwok-kan, Kenneth	4/4	1/1	1/1
Ms. Ngan Man-ying, Lynda	3/4	1/1	0/1
Independent Non-executive Directors			
Mr. Cheong Ying-chew, Henry	4/4	0/1	1/1
Mr. Chan Yiu-tong, Ivan	4/4	1/1	1/1
Mr. Tong Hang-chan, Peter	4/4	1/1	1/1
Mr. Yu Chun-fai	4/4	1/1	1/1

* Mr. Lin Tsai-tan, David resigned with effect from 1 August 2012.

The Roles of the Chairman and Managing Director

Dr. Cheng Kar-shun, Henry, chairman of the Company (the "Chairman"), is responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a constructive manner. While Mr. Cheung Fai-yet, Philip, managing Director of the Company (the "Managing Director"), is responsible for running the Group's business and the timely implementation of the approved strategies of the Group.

Non-executive Directors

Non-executive Directors (including the independent non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group. The non-executive Directors have been appointed for a specific term of services and are subject to retirement by rotation and re-election, if eligible, in accordance with the Articles.

During the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of sufficient number of independent non-executive Directors and is having independent non-executive Directors with relevant professional qualifications or accounting or relating financial management expertise. The Company has received annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Audit Committee

The audit committee of the Company (the "Audit Committee") has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises four independent non-executive Directors, namely Mr. Chan Yiu-tong, Ivan, Mr. Cheong Ying-chew, Henry, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai. Mr. Chan Yiu-tong, Ivan is the chairman of the Audit Committee and possesses financial management expertise. The Audit Committee meeting will be held at least twice a year.

The major duties and responsibilities of the Audit Committee include review of the effectiveness of the Group's financial reporting processes and internal control system. The duties of the Audit Committee also include review of the scope and nature of the audit carried out by the Company's auditors. The Audit Committee will meet with external auditor at least once a year to discuss any issues from the audit and any matters the external auditor may wish to raise.

During the year, the Audit Committee reviewed with auditor of the Company the audited financial statements for the year ended 30 June 2011 and the unaudited interim financial information for the six months ended 31 December 2011 as well as internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget with recommendations to the Board for approval. The Audit Committee also reviewed the financial statements for the year ended 30 June 2012 and internal audit report, including the effectiveness of the internal control system, with recommendation to the Board for approval. The Audit Committee met three times during the year ended 30 June 2012.

The corporate management services department of the Group (the "Corporate Management Services Department") has conducted audits of the Company and its subsidiaries. The Corporate Management Services Department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key businesses and operational risks are identified and managed. The work carried out by the Corporate Management Services Department will ensure the internal controls are carried out appropriately and functioning as intended. The Corporate Management Services Department shall report its findings and make recommendations to improve and to plan the internal control of the Group.

During the year, the Directors' attendance of the meetings of the Audit Committee is set out as follows:—

Name	Number of meetings of the Audit Committee attended/eligible to attend
Mr. Chan Yiu-tong, Ivan	3/3
Mr. Cheong Ying-chew, Henry	3/3
Mr. Tong Hang-chan, Peter	3/3
Mr. Yu Chun-fai	3/3

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises Mr. Cheng Chi-kong, Adrian, Mr. Tong Hang-chan, Peter, Mr. Cheung Fai-yet, Philip, Mr. Wong Kwok-kan, Kenneth, Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan and Mr. Yu Chun-fai. Mr. Tong Hang-chan, Peter is the chairman of the Remuneration Committee. The Remuneration Committee meeting will be held at least once a year.

The primary duties of the Remuneration Committee include review of and recommendations to the Board on the remuneration structure for Directors and the Group. During the year ended 30 June 2012, the Remuneration Committee met three times to review the remuneration policy for Directors and the Group, assessing performance of executive Directors and approving terms of executive Directors' service contracts. The Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive Directors and management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also to make recommendations to the Board on the remuneration of non-executive Directors and to ensure that no Directors of any of their associates are involved in deciding their own remuneration.

Details of the amount of emoluments of Directors for the year ended 30 June 2012 are set out in note 10 to the consolidated financial statements.

During the year, the Directors' attendance of the meetings of the Remuneration Committee is set out as follows:–

Name	Number of meetings of the Remuneration Committee attended/eligible to attend
Mr. Tong Hang-chan, Peter	3/3
Mr. Cheng Chi-kong, Adrian	2/3
Mr. Cheung Fai-yet, Philip	3/3
Mr. Wong Kwok-kan, Kenneth	1/1
Mr. Cheong Ying-chew, Henry	3/3
Mr. Chan Yiu-tong, Ivan	3/3
Mr. Yu Chun-fai	3/3

Executive Committee

The executive committee of the Company (the "Executive Committee") serves as an executive arm of the Board with authority and responsibility for delegating certain operating functions to the management to handle the day-to-day businesses of the Company, while reserving certain key matters including the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee comprises Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Chan Yuk-chuen, Pius and Mr. Wong Kwok-kan, Kenneth. Mr. Cheng Chi-kong, Adrian is the chairman of the Executive Committee. The Executive Committee meets regularly as when necessary.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") has been established on 1 April 2012 with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board, The Nomination Committee comprises Mr. Cheng Chi-kong, Adrian, Mr. Yu Chun-fai and Mr. Tong Hang-chan, Peter. Mr. Yu Chun-fai is the chairman of the Nomination Committee. The Nomination Committee meeting will be held at least once a year. The primary duties of the Nomination Committee include review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board, and to assess the independence of the independent non-executive Directors. The Nomination Committee is also to determine the policy and to adopt the nomination procedures and the process and criteria, such as experience and independence, to select and recommend candidates for directorship. During the period of the three months ended 30 June 2012, no meeting of the Nomination Committee has been held.

Corporate Governance functions

The Board is to perform the corporate governance duties with written terms of reference which include the applicable code provisions as set out in the Code. The Board has reviewed the compliance with the Code and disclosure of the Company in this Corporate Governance Report and determine the policy for corporate governance of the Company and duties performed by the Board.

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries and they may seek independent professional advice and consultation when necessary. To enhance proper and up-to-date understanding of the Company's operations and business, legal and other regulatory requirements and appropriate emphasis on the roles, functions and duties of Directors, the Company has arranged seminars and provide reading materials as professional development programs to the Directors. During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills. The Company has received training records of the Directors as below:

Name	Training records received by the Company
Non-executive Directors	
Dr. Cheng Kar-shun, Henry *(Chairman)*	✓
Mr. Au Tak-cheong	✓
Executive Directors	
Mr. Cheng Chi-kong, Adrian	✓
Mr. Cheung Fai-yet, Philip *(Managing Director)*	✓
Mr. Lin Tsai-tan, David*	✓
Mr. Wong Kwok-kan, Kenneth	✓
Ms. Ngan Man-ying, Lynda	✓
Independent Non-executive Directors	
Mr. Cheong Ying-chew, Henry	✓
Mr. Chan Yiu-tong, Ivan	✓
Mr. Tong Hang-chan, Peter	✓
Mr. Yu Chun-fai	✓

* Mr. Lin Tsai-tan, David resigned with effect from 1 August 2012.

Remuneration of Directors

To provide an opportunity for the Directors to participate in the equity of the Company as well as to motivate them to optimize their performance, all Directors have been granted share options to subscribe for shares of the Company under the Company's share option scheme adopted on 12 June 2007 (the "Scheme"). In addition, all Directors are covered by appropriate insurance on Directors' liabilities from their risk exposure arising from the management of the Group.

FINANCIAL REPORTING AND INTERNAL CONTROL

The annual and interim results of the Company were respectively published in a timely manner during the year. The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company to ensure that the accounts give a presentation in accordance with the applicable laws and accounting standards. The Directors consider that in preparing the accounts, the Group has made judgments that are reasonable and prudent, in accordance with the applicable accounting standards.

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on page 90 of this annual report.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness and procedures. The Board, through the Audit Committee, conducted regular reviews regarding internal control system of the Group. In the year under review, the Audit Committee and the Board had also reviewed the Group's internal control system to ensure that effective and reasonable measures were in place.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing financial statements of each financial period, giving a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 30 June 2012, the Directors had:

1. approved the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

2. selected and applied consistently appropriate accounting policies; and

3. prepared the financial statements on a going concern basis.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an employee of the Company and has day-to-day knowledge of the Company's affairs. During the year ended 30 June 2012, the Company Secretary has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

The chairman of the Board, the chairmen of the Board committees, members of the Board and external auditor will attend the annual general meeting of the Company at which the Directors will answer questions raised by the Shareholders on the performance of the Group. To ensure the general meetings are conducted in a fair and transparent manner, each of the resolutions considered at the general meetings held in the past year has been voted by poll and the branch share registrar and transfer office of the Company in Hong Kong was appointed as the scrutineers to count the votes and explain to the Shareholders at the meetings the procedures for voting by poll. The poll results and other corporate communications were posted on and can also be downloaded from the websites of the Company (www.nwds.com.hk) and the Stock Exchange (www.hkexnews.hk) respectively.

SHAREHOLDERS' RIGHTS

According to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and to put forward proposals specified in such requisition by the procedures below:

The Shareholder shall deposit a requisition in writing to require an extraordinary general meeting and to put forward proposals at the Company's head office at 7th Floor, 88

Hing Fat Street, Causeway Bay, Hong Kong (attention to: Company Secretary) or the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (attention to: Mr Ricky Lee).

The requisition must include the business to be transacted at the required extraordinary general meeting and must be signed by the Shareholder concerned. If the requisition is confirmed as proper and valid, an extraordinary general meeting shall be held within two months after the deposit of such requisition subject to the requirements of the relevant Articles and the Listing Rules. In case an extraordinary general meeting could not be convened upon the request, the Company will inform the Shareholder accordingly.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For enquiries to the Board, the Shareholder shall contact the Corporate Affairs Department at the head office of the Company at 7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong or by e-mail to nwdscad@nwds.com.hk. The Company will endeavour to respond to their queries in a timely manner.

INVESTOR RELATIONS

With excellent and effective management of investor relations during the year under review, the Group has largely reinforced the communications with current and potential investors, duly protected their legal rights and interests, as well as enhanced their understanding and recognition of New World Department Store, thus establishing a positive image in capital markets both in domestic and overseas capital markets.

The investor relations team of the Group is formed by senior management executives. Ever since the Group was listed on the main board of Hong Kong Stock Exchange in July 2007, the team has been contacting institutional investors and analysts actively both in domestic and overseas capital markets, mainly by means of one-on-one meetings, conference calls and store visits. A total of 219 meetings and store visits were organized for investors during the year under review. Every year, the Group hosts analyst briefings after its annual and interim results announcements to disclose information proactively to analysts and investment institutions. Research reports regarding the Group are also issued by prominent investment research institutions, including Deutsche Bank, HSBC, Barclays Capital, CLSA, CICC, RBS, Morgan Stanley, Goldman Sachs, DBS Vickers, Macquarie Securities, First Shanghai, Kim Eng Securities and Guosen Securities.

Upon the release of its annual and interim results, the Group also carries out overseas roadshows and visits major investment institutions. Apart from the roadshows in Singapore in October 2011 and March 2012, the New World Department Store management were also invited to a number of investor conferences hosted by major banks and securities companies, meeting with more than 130 investment institutions. The conferences are "RBS HK/China Access" in Hong Kong and "DBS Pulse of Asia Investor Conference" in Singapore in July 2011; "Deutsche Bank Access China Conference" in Beijing in January 2012; "Daiwa Investment Conference Tokyo 2012 " in Japan in March; "Deutsche Bank Access China Conference" in Singapore and "Macquarie Greater China Conference" in Hong Kong in May; and "J.P. Morgan China Conference" in Beijing in June.

To ensure the timely access to the Group's information by shareholders, an "Investors" section has been specially set up in the New World Department Store website of www.nwds.com.hk, providing the Group's latest announcements, circulars, press releases, financial reports and presentations. In addition, by means of interim and annual reports, notices, annual general meetings as well as real-time distribution of updates to e-News subscribers, the investor relations team helps investors have a deep understanding on the Group's business development strategies and latest operation details.

The Group attaches great importance to fair disclosure and corporate transparency. Therefore, the investor relations team of New World Department Store will continue the proactive communication with investors, so as to reinforce their confidence in the Group and to create an ideal financing environment for the Group in capital markets.

There is no significant change in the Company's constitutional documents during the year.

AUDITOR'S REMUNERATION

Fees for auditing services and non-auditing services amounted to approximately HK$5,000,000 (2011: approximately HK$4,395,000) and approximately HK$2,293,000 (2011: approximately HK$637,000) respectively were provided in the Group's consolidated income statement for the year ended 30 June 2012.

I ♡ SHOPPING!

Contents

FINANCIAL SECTION

Report of the Directors

The Board is pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in department store operation in the People's Republic of China (the "PRC"). The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 30 June 2012 are set out in the consolidated income statement on page 91 of this annual report.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK$0.082 per share (2011: HK$0.065 per share and a special dividend of HK$0.010 per share) for the year ended 30 June 2012 to Shareholders whose names appear in the register of members of the Company on 29 November 2012. It is expected that the proposed final dividend will be paid on or about 28 December 2012 subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on 20 November 2012.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital are set out in note 26 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out in note 27 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years of 2008 to 2012 are set out on page 150.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$155,000 (2011: approximately HK$167,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands.

DIRECTORS

The Directors during the year and up to the date of this report are:

Non-executive Directors

Dr. Cheng Kar-shun, Henry *(Chairman)*
Mr. Au Tak-cheong

Executive Directors

Mr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip *(Managing Director)*
Mr. Lin Tsai-tan, David*
Mr. Wong Kwok-kan, Kenneth
Ms. Ngan Man-ying, Lynda

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry
Mr. Chan Yiu-tong, Ivan
Mr. Tong Hang-chan, Peter
Mr. Yu Chun-fai

* Mr. Lin Tsai-tan, David resigned with effect from 1 August 2012.

In accordance with articles 87(1) and 87(2) of the Articles, Mr. Cheung Fai-yet, Philip, Mr. Wong Kwok-kan, Kenneth, Ms. Ngan Man-ying, Lynda and Mr. Chan Yiu-tong, Ivan will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The remaining current Directors continue in office.

AUDIT COMMITTEE

The Audit Committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 30 June 2012 and discussed those related matters with the management.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the "Connected Transactions" section below, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2012 or at any time during the year ended 30 June 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following Director had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules:

Business which were considered to compete or likely to compete with the business of the Group

Name	Name of entity	Description of business	Nature of interest of the Director in the entity
Dr. Cheng Kar-shun, Henry	Lifestyle International Holdings Limited and its subsidiaries	Department store operations	Director

DEED OF NON-COMPETITION

Under the deed of non-competition dated 22 June 2007 given by New World Development Company Limited ("NWD", or together with its subsidiaries, the "NWD Group") in favour of the Company (the "Deed"), details of which were stated in the prospectus of the Company dated 28 June 2007, NWD has undertaken not to engage or carry on (including through any associate, subsidiary, body corporate or other contractual arrangement) the following business(es) ("Restricted Business(es)") in the PRC:

(a) department stores;
(b) supermarkets;
(c) hypermarkets;
(d) convenience stores;
(e) specialty merchandise stores; and
(f) supercentres.

If there is any disagreement between the Company and NWD as to whether an activity of the NWD Group constitutes a Restricted Business, the matter shall be determined by the majority of the independent non-executive Directors whose decision shall be binding.

The independent non-executive Directors have reviewed the annual confirmation from NWD that NWD has not breached and has complied with the terms of the Deed.

CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions which are subject to disclosure requirement in the annual report under the Listing Rules:

A Master leasing agreement

On 22 May 2009, the Company and NWD entered into a master leasing agreement (the "Former Master Leasing Agreement"), for a term of three years from 1 July 2009 and subject to the annual caps not exceeding RMB154,479,000, RMB224,415,000 and RMB276,907,000 respectively, pursuant to which NWD agrees to, and to procure its subsidiaries to, lease the premises owned by members of the NWD Group from time to time (the "Premises") to the Group at the request of any member of the Group from time to time during the duration of the Former Master Leasing Agreement.

On 18 June 2010, the Company and NWD entered into a supplemental agreement (the "Supplemental Master Leasing Agreement") to revise annual cap amounts in respect of the Former Master Leasing Agreement to RMB471,846,000 and RMB544,198,000 for the two years from 1 July 2010 respectively.

On 22 March 2012, the Company and NWD entered into a master leasing agreement (the "Master Leasing Agreement"), for a term of two years ending 30 June 2014 and subject to the annual caps not exceeding RMB549,133,000 and RMB554,069,000 respectively, in relation to all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of Premises, by members of the Group from members of the NWD Group. The Former Master Leasing Agreement shall be terminated immediately upon the Master Leasing Agreement becoming effective.

The Directors believe that maintaining the lease agreements with the NWD Group will ensure the Group's stability in using the relevant Premises as the relevant stores owned by the Group from time to time (the "Stores") have been operating at their respective Premises for a number of years and the cost to be incurred and the adverse impact on the operation of the Stores in the event of their relocation will be substantial. The Directors further believe that it is in the interests of the Company to enter into the Former Master Leasing Agreement, the Supplemental Master Leasing Agreement and the Master Leasing Agreement, so that the Group may regulate the existing and future leasing agreements with the NWD Group under a common framework agreement.

The aggregate consideration under the Former Master Leasing Agreement, the Supplemental Master Leasing Agreement and the Master Leasing Agreement was approximately RMB328,330,000 (2011: approximately RMB284,853,000) during the year.

As NWD is a substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules, the transactions contemplated under the Former Master Leasing Agreement, the Supplemental Master Leasing Agreement and the Master Leasing Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

B Master concessionaire counter agreement

On 22 May 2009, the Company and Chow Tai Fook Jewellery Company Limited ("CTFJ Company" and its subsidiaries "CTFJ Company Group") entered into a master concessionaire counter agreement (the "Former Master Concessionaire Counter Agreement"), for a term of three years from 1 July 2009 and subject to the annual caps not exceeding RMB51,208,000, RMB74,734,000 and RMB107,878,000 respectively, pursuant to which the Company agreed to, and to procure its subsidiaries to, provide floor space in the Stores to members of the CTFJ Company Group from time to time for exhibiting and selling jewellery during the duration of the Former Master Concessionaire Counter Agreement.

On 22 March 2012, the Company and Chow Tai Fook Jewellery Group Limited ("CTFJ" and its subsidiaries "CTFJ Group") entered into a master concessionaire counter agreement (the "Master Concessionaire Counter Agreement"), for a term of three years ending 30 June 2014 and subject to the annual caps not exceeding RMB133,775,000, RMB214,853,000 and RMB305,150,000 respectively, in relation to all existing and future transactions between members of the Group and members of the CTFJ Group arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement. The Former Master Concessionaire Counter Agreement shall be terminated immediately upon the Master Concessionaire Counter Agreement becoming effective.

The Directors believe it is in our best interest to provide the above mentioned services to CTFJ Group and to enter into the Former Master Concessionaire Counter Agreement and Master Concessionaire Counter Agreement, so that the Group may regulate the existing and future concessionaire counter agreement(s) under a common framework agreement and including CTFJ as one of the concessionaire counters in the Stores enhances the Company's brand and product mix and raises the image and profile of the Stores.

The aggregate consideration under the Former Master Concessionaire Counter Agreement and Master Concessionaire Counter Agreement was approximately RMB91,294,000 (2011: approximately RMB59,891,000) during the year.

NWD is a substantial shareholder of the Company and hence a connected person of the Company. As CTFJ Company is an associate of Chow Tai Fook Enterprises Limited ("CTFE") which is a substantial shareholder of NWD, CTFJ Company is considered to be a connected person of the Company and the transactions contemplated under the Former Master Concessionaire Counter Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CTFJ is a fellow subsidiary of CTFE which is a substantial shareholder of NWD. CTFJ is therefore a connected person of NWD and also considered to be a connected person of the Company and the transactions contemplated under the Master Concessionaire Counter Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

C Master sales agreement

i. On 18 June 2010, the Company and NWD entered into a master sales agreement (the "Master Sales Agreement – Prepaid Shopping Cards"), for a term of two years from 1 July 2010 and subject to the annual caps not exceeding RMB4,500,000 and RMB5,000,000 respectively, pursuant to which the Company agrees to, and to procure other members of the Group to, sell the goods in the Stores by means of accepting the prepaid shopping cards issued by the Group to the NWD Group (except the Group) which may be presented at the Stores by the holders or by other means acceptable to the Company as payment for purchasing goods at the Stores from time to time during the duration of the Master Sales Agreement – Prepaid Shopping Cards on condition that the amounts payable to the Group in respect of the goods sold in the Stores are being settled by members of the NWD Group (except the Group).

On 22 March 2011, the Company, NWD and CTFJ Company entered into a master sales agreement (the "Former NWD Master Sales Agreement"), for the three-year period from 1 July 2010 and subject to the annual caps not exceeding RMB70,000,000, to terminate the Master Sales Agreement – Prepaid Shopping Cards and to provide a framework for the conduct of the particular occasion(s) of the sale of goods in the Stores by the Group by accepting various cash equivalent gift coupons, gift cards and stored value shopping cards issued by the NWD Group, various joint name cards and/or joint name vouchers issued by the CTFJ Company Group, prepaid shopping cards issued by the Group to the NWD Group and/or CTFJ Company Group or by any other means acceptable to the Company as payment for purchasing goods at the Stores and the relevant value represented by such coupons, cards and vouchers or by any other means acceptable to the Company will be settled by members of the NWD Group and/or member(s) of the CTFJ Company Group.

On 22 March 2012, the Company, NWD and CTFJ entered into a master sales agreement (the "NWD Master Sales Agreement"), for a term of three years ending 30 June 2014 and subject to the annual caps not exceeding RMB78,417,000, RMB82,058,000 and RMB95,680,000 respectively, in relation to all existing and future transactions between members of the Group, members of the NWD Group and/or members of the CTFJ Group 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 purchases of goods at the Stores and the settlement of the relevant value represented by such shopping vouchers (with the shopping vouchers commissions and rebates), the prepaid shopping cards (with the discounts, where applicable), the joint name vouchers (with the joint name vouchers commissions) or by any other means acceptable to the Group among relevant members of the Group, the NWD Group or the CTFJ Group, as contemplated under the NWD Master Sales Agreement. The Former NWD Master Sales Agreement shall be terminated immediately upon the NWD Master Sales Agreement becoming effective.

The aggregate consideration under the Former NWD Master Sales Agreement and the NWD Master Sales Agreement was approximately RMB23,810,000 (2011: approximately RMB6,210,000) during the year.

NWD is a substantial shareholder of the Company and hence a connected person of the Company. As CTFJ Company is an associate of CTFE which is a substantial shareholder of NWD, CTFJ Company is considered to be a connected person of the Company and the transactions contemplated under the Former Master Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CTFJ is a fellow subsidiary of CTFE which is a substantial shareholder of NWD. CTFJ is therefore a connected person of NWD and also considered to be a connected person of the Company and the transactions contemplated under the NWD Master Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

C Master sales agreement (continued)

ii. On 22 May 2009, the Company, New World China Land Limited ("NWCL", or together with its subsidiaries, the "NWCL Group") and CTFJ Company entered into a master sales agreement (the "First NWCL Master Sales Agreement"), for a term of three years from 1 July 2009 and subject to the annual caps not exceeding HK$3,500,000, pursuant to which the Company agrees to, and to procure its subsidiaries to, sell the goods in the Stores by means of accepting the various cash equivalent gift coupons, gift cards and stored value shopping cards of the NWCL Group which may be presented at the Stores, including the floor space where CTFJ Company Group operates its business, for purchasing goods at the Stores (the "NWCL Shopping Vouchers") from time to time during the duration of the First NWCL Master Sales Agreement on condition that the value represented by the NWCL Shopping Vouchers will subsequently be settled by members of the NWCL Group and members of CTFJ Company Group. The entering into of the First NWCL Master Sales Agreement would bring more customers to and enhance the sales of the Stores.

On 21 September 2009, the Company, NWCL and CTFJ Company entered into a supplemental agreement (the "Supplemental Master Sales Agreement") to amend the terms of the First NWCL Master Sales Agreement such that references to the arrangement for the amount being a percentage as agreed under the individual sales agreements to be entered into between members of the Group, members of the NWCL Group and members of the CTFJ Company Group, on the purchase amounts of customers by means of presenting the NWCL Shopping Vouchers for such purchases on the floor space where CTFJ Company Group operates its business at the Stores are deleted and that the value represented by the NWCL Shopping Vouchers will be settled by members of the NWCL Group instead of by members of the NWCL Group and members of the CTFJ Company Group as previously provided in the First NWCL Master Sales Agreement.

On 22 March 2011, the Company, NWCL and CTFJ Company entered into a master sales agreement (the "NWCL Master Sales Agreement"), for the three-year period from 1 July 2010 and subject to the annual caps not exceeding RMB50,000,000 respectively, to terminate the First NWCL Master Sales Agreement (as amended by the Supplemental Master Sales Agreement) and to provide a framework for the conduct of the particular occasion(s) of the sale of goods in the Stores by the Group by accepting the various cash equivalent gift coupons, gift cards and stored value shopping cards of the NWCL Group, the prepaid shopping cards issued or to be issued by the Group to NWCL Group which may be presented at the Stores or by any other means acceptable to the Company as payment for purchasing goods at the Stores and the relevant value represented by such coupons and cards, or by any other means acceptable to the Company will be settled by the members of the NWCL Group.

The consideration under the NWCL Master Sales Agreement was approximately RMB9,981,000 (2011: approximately RMB5,019,000) during the year.

NWD is a substantial shareholder of the Company and hence a connected person of the Company. As both the Company and NWCL are subsidiaries of NWD, and CTFJ Company is an associate of CTFE which is a substantial shareholder of NWD. NWD is a controlling shareholder of the Company and NWCL is a connected person of the Company whereas CTFJ Company is considered to be a connected person of the Company and the transactions contemplated under the First NWCL Master Sales Agreement (as amended by the Supplemental Master Sales Agreement) constitute continuing connected transactions of the Company under the Listing Rules.

CTFJ is a fellow subsidiary of CTFE which is a substantial shareholder of NWD. CTFJ is therefore a connected person of NWD and also considered to be a connected person of the Company and the transactions contemplated under the NWCL Master Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

D Master services agreement

i. On 16 May 2011, the Company and Mr. Doo Wai-hoi ("Mr. Doo") entered into a master services agreement (the "Existing Master Services Agreement"), for the three years ending 30 June 2014 and subject to the annual caps not exceeding RMB30,000,000, RMB20,000,000 and RMB20,000,000 respectively, pursuant to which Mr. Doo agreed to, and to procure his controlled companies (the "Services Group") to provide Services, as defined below, to members of the Group in accordance with the terms of the Existing Master Services Agreement and the particular terms and conditions of the relevant individual agreements in respect of the provision of any of the Services, as defined below, entered into between a member of the Service Group and a member of the Group pursuant to the NWSH Master Services Agreement, as defined below, and which subsist on the date of the completion of the Group B Disposal as set out in the circular of NWS Holdings Limited ("NWSH", or together with its subsidiaries, the "NWSH Group") dated 2 July 2010 in respect of the management buyout of certain subsidiaries of NWSH, details of which were set out in the joint announcement of NWD and NWSH dated 11 June 2010.

   The Directors believe that entering into the Existing Master Services Agreement could streamline and regulate the continuing connected transactions between the Services Group and the Group arising from the individual agreements in respect of the provision of any of the Services, as defined below, entered into between a member of the Services Group and a member of the Group pursuant to NWSH Master Services Agreement, as defined below, which will be subsisting, but not yet completed, on the date of completion of the Group B Disposal.

   The consideration under the Existing Master Services Agreement was approximately RMB7,933,000 (2011: nil) during the year.

ii. On 19 May 2011, the Company and Mr. Doo entered into another master services agreement (the "Master Services Agreement"), for the three years ending 30 June 2014 and subject to the annual caps not exceeding RMB45,600,000, RMB55,600,000 and RMB55,600,000 respectively, pursuant to which Mr. Doo agreed that members of the Services Group to provide contracting services, cleaning and landscaping services, property management services and such other types of services as the parties may agree upon from time to time in writing, to be provided by members of the Services Group to the relevant members of the Group during the term of the Master Services Agreement after the completion of the Group B Disposal.

   The Directors believe that entering into the Master Services Agreement could streamline and regulate the continuing connected transactions between members of the Group and members of the Services Group following the completion of the Group B Disposal.

   The consideration under the Master Services Agreement was approximately RMB236,000 (2011: nil) during the year.

   As Mr. Doo is an associate of certain Directors and hence a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Existing Master Services Agreement and the Master Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

D Master services agreement (continued)

iii. On 22 May 2009, the Company and NWSH entered into a master services agreement (the "NWSH Master Services Agreement"), for a term of three years from 1 July 2009 and subject to the annual caps not exceeding RMB141,998,000, RMB420,164,000 and RMB413,766,000 respectively, pursuant to which NWSH agreed to, and to procure its associates to, provide various electrical and mechanical services and such other types of services as may be agreed upon from time to time in writing by the Company and NWSH to the Group (collectively the "Services") for the Stores at the request of any member of the Group from time to time during the duration of the NWSH Master Services Agreement. The Directors believe that entering into the NWSH Master Services Agreement would enable the Group to regulate the provision of the Services by the NWSH Group to the Group under a common framework agreement.

As a result of the abovementioned Group B Disposal as set out in the circular of NWSH dated 2 July 2010 in respect of the management buyout of certain subsidiaries of NWSH and entering into the Existing Master Services Agreement, the consideration under the NWSH Master Services Agreement was nil (2011: approximately RMB11,151,000) during the year.

By virtue of the interest of NWD in NWSH as at the date of the NWSH Master Services Agreement, NWSH is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the NWSH Master Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

E Master management agreement

On 22 May 2009, the Company and NWD entered into a master management agreement (the "Master Management Agreement"), for a term of three years from 1 July 2009 and subject to the annual caps not exceeding RMB110,402,000, RMB126,962,000 and RMB146,006,000 respectively, pursuant to which the Company agreed to, and to procure its subsidiaries to, provide various management services and any other services in relation to the management of department store as the Company and NWD may agree from time to time to the NWD Group at the request of any member of the NWD Group from time to time during the duration of the Master Management Agreement. The Directors believe that the Master Management Agreement has served to protect the interests of the Group, to facilitate acquisition by the Group of the store owned by the NWD Group and to regulate the operations agreements under a common framework agreement.

As the subsidiaries of the Company completed the acquisition of all the NWD Group's equity interest in any of the joint venture or company that holds and owns Kunming New World Department Store, Wuhan New World Department Store, Ningbo New World Trendy Department Store and Beijing New World Shopping Mall respectively, the consideration under the Master Management Agreement was nil (2011:approximately RMB4,251,000) during the year.

As NWD is a substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules, the transactions contemplated under the Master Management Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

F Annual review of the continuing connected transactions

The independent non-executive Directors had reviewed the continuing connected transactions arising from (i) Master Leasing Agreement (paragraph A above); (ii) Master Concessionaire Counter Agreement (paragraph B above); (iii) Master Sales Agreement (paragraph Ci to Cii above); (iv) Master Services Agreement (paragraph Di to Diii above); and (v) Master Management Agreement (paragraph E above) during the year and confirmed that the transactions were:

i in the ordinary and usual course of business of the Company;
ii on normal commercial terms; and
iii in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, the significant related party transactions that did not constitute connected transactions made under the Listing Rules during the year were disclosed in note 36 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' interests in securities" below, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangement to enable the Directors or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long position in shares

	Number of shares held				Approximate
	Personal interests	Family interests	Corporate interests	Total	percentage of shareholding
The Company					
(Ordinary shares of HK$0.10 each)					
Mr. Lin Tsai-tan, David[3]	1,103,000	–	–	1,103,000	0.07
Mega Choice Holdings Limited					
(in liquidation)					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	–	420,585,070[1]	420,585,070	34.61
New World China Land Limited					
(Ordinary shares of HK$0.10 each)					
Dr. Cheng Kar-shun, Henry	28,125,000	4,387,500	117,610,200[2]	150,122,700	1.74
Mr. Cheng Chi-kong, Adrian	371,194	–	–	371,194	0.00
New World Development Company Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	450,000	–	450,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	13,768,798	–	12,000,000[2]	25,768,798	0.72

Notes:

(1) These shares are beneficially owned by certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.

(2) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.

(3) Mr. Lin Tsai-tan, David resigned with effect from 1 August 2012.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options

i *The Company*

Under the share option scheme of the Company, the undermentioned Directors have personal interests in share options to subscribe for shares of the Company. Certain details of the share options of the Company held by them during the year were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held: Balance as at 1 July 2011	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2012	Exercise price per share HK$
Dr. Cheng Kar-shun, Henry	27 November 2007	(1)	1,000,000	–	–	–	1,000,000	8.660
Mr. Au Tak-cheong	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheung Fai-yet, Philip	27 November 2007	(1)	1,500,000	–	–	–	1,500,000	8.660
	25 March 2008	(2)	500,000	–	–	–	500,000	8.440
Mr. Lin Tsai-tan, David	27 November 2007	(1&4)	459,000	–	–	–	459,000	8.660
	25 March 2008	(2&4)	230,000	–	–	–	230,000	8.440
Mr. Wong Kwok-kan, Kenneth	27 November 2007	(1)	501,000	–	–	–	501,000	8.660
	25 March 2008	(2)	250,000	–	–	–	250,000	8.440
Ms. Ngan Man-ying, Lynda	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheong Ying-chew, Henry	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Tong Hang-chan, Peter	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Yu Chun-fai	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
			6,690,000	–	–	–	6,690,000	

Notes:

(1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(2) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(3) The cash consideration paid by each Director for each grant of the share options is HK$1.00.

(4) Mr. Lin Tsai-tan, David resigned with effect from 1 August 2012, any unexercised share options held by him shall lapse with effect from 1 November 2012.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options (continued)

ii New World China Land Limited

Under the share option schemes of a fellow subsidiary, NWCL, the undermentioned Directors have personal interests in share options to subscribe for shares of NWCL. Certain details of the share options of NWCL held by them during the year were as follows:

			Number of share options held					Exercise
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2011	Adjusted during the year[5]	Exercised during the year	Lapsed during the year	Balance as at 30 June 2012	price per share[5] *HK$*
Dr. Cheng Kar-shun, Henry	29 December 2008	(1)	1,791,045	69,781	–	–	1,860,826	1.290
	18 January 2011	(2)	2,000,000	77,922	–	–	2,077,922	3.036
Mr. Cheng Chi-kong, Adrian	29 December 2008	(3)	337,284	13,141	–	–	350,425	1.290
	18 January 2011	(2)	1,500,000	58,442	–	–	1,558,442	3.036
Ms. Ngan Man-ying, Lynda	29 December 2008	(4)	507,463	19,771	(350,000)	–	177,234	1.290
	18 January 2011	(2)	1,000,000	38,961	–	–	1,038,961	3.036
			7,135,792	278,018	(350,000)	–	7,063,810	

Notes:

(1) Divided into 4 tranches, exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.

(2) Divided into 5 tranches, exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.

(3) Divided into 2 tranches, exercisable from 30 January 2011 and 30 January 2012 respectively to 29 January 2013.

(4) Divided into 3 tranches, exercisable from 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.

(5) The rights issue as announced by NWCL on 18 October 2011 which became unconditional on 22 December 2011 constituted an event giving rise to adjustments to the number of outstanding share options and the exercise prices in accordance with the share option scheme on 23 December 2011. The exercise price per share of the share options was adjusted from HK$3.154 to HK$3.036, and HK$1.340 to HK$1.290.

(6) The cash consideration paid by each Director for each grant of the share options is HK$10.00.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options (continued)

iii New World Development Company Limited

Under the share option scheme of the holding company, NWD, the undermentioned Directors have personal interests in share options to subscribe for shares of NWD. Certain details of the share options of NWD held by them during the year were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held: Balance as at 1 July 2011	Granted during the year	Adjusted during the year (4&5)	Exercised during the year	Lapsed during the year	Balance as at 30 June 2012	Exercise price per share (4&5) *HK$*
Dr. Cheng Kar-shun, Henry	19 March 2007	(1)	36,714,392	–	3,784,390	–	(40,498,782)	–	16.003
	19 March 2012	(3)	–	10,000,000	1,320	–	–	10,001,320	9.769
Mr. Cheng Chi-kong, Adrian	19 March 2007	(2)	502,935	–	51,840	–	(554,775)	–	16.003
	19 March 2012	(3)	–	3,500,000	462	–	–	3,500,462	9.769
Mr. Au Tak-cheong	19 March 2007	(2)	1,207,047	–	124,417	–	(1,331,464)	–	16.003
	19 March 2012	(3)	–	2,500,000	330	–	–	2,500,330	9.769
			38,424,374	16,000,000	3,962,759	–	(42,385,021)	16,002,112	

Notes:

(1) Exercisable from 19 March 2007 to 18 March 2012.

(2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.

(3) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014, and 19 March 2015 respectively to 18 March 2016

(4) NWD declared final dividend for the year ended 30 June 2011 in scrip form (with cash option) during the year and announced rights issue on 18 October 2011 which became unconditional on 25 November 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2007 was adjusted from HK$17.652 to HK$16.004 on 28 November 2011, and further to HK$16.003 on 30 December 2011.

(5) NWD declared interim dividend for the six month ended 31 December 2011 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK$9.770 to HK$9.769 on 17 May 2012.

(6) The cash consideration paid by each Director for grant of the share options is HK$10.00.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options (continued)

iv *NWS Holdings Limited*

Under the share option scheme of a fellow subsidiary, NWSH, the undermentioned Director has personal interests in share options to subscribe for shares of NWSH. Certain details of the share options of NWSH held by him during the year were as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options held: Balance as at 1 July 2011	Granted during the year	Adjusted during the year (2)	Exercise during the year	Lapsed during the year	Balance as at 30 June 2012	Exercise price per share (2) *HK$*
Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	4,553,871	–	26,902	–	–	4,580,773	10.609
			4,553,871	–	26,902	–	–	4,580,773	

Notes:

(1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.

(2) NWSH declared the final dividend for the year ended 30 June 2011 and interim dividend for the six months ended 31 December 2011, both in scrip form (with cash option), during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$10.672 to HK$10.650 on 29 December 2011 and further to HK$10.609 on 16 May 2012.

(3) The cash consideration paid by the Director for grant of the share options is HK$10.00.

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the registered required to be kept by the Company under Section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2012, the following persons (not being the Directors or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Number of shares held: Beneficial interests	Number of shares held: Corporate interests	Number of shares held: Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")[1]	–	1,218,900,000	1,218,900,000	72.29
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")[2]	–	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Capital Limited ("CTFC")[3]	–	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) ("CTFH")[4]	–	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited ("CTF")[5]	–	1,218,900,000	1,218,900,000	72.29
New World Development Company Limited	1,218,900,000	–	1,218,900,000	72.29

Notes:

(1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.

(2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.

(3) CTFC holds 74.07% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.

(4) CTFH holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTF.

(5) CTF together with its subsidiaries hold an aggregate of approximately 41.77% interest in NWD and is accordingly deemed to have an interest in the shares of the Company interested by NWD.

Save as disclosed above, the Directors are not aware of any person (not being the Directors or chief executive of the Company) who, as at 30 June 2012, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Under the Scheme, the Directors may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for the shares of the Company. The Scheme was approved at the annual general meeting of NWD held on 27 November 2007.

Summary of the Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Scheme	The purpose of the Scheme is to attract and retain the best available personnel and to provide additional incentives to employees, directors, consultants, business associates and advisers of the Company to promote the success of the Group.
Participants of the Scheme	The Directors may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of the Company and its subsidiaries options to subscribe for shares of the Company at a price calculated in accordance with the terms of the Scheme.
Total number of shares of the Company available for issue under the Scheme and percentage of issued share capital of the Company as at the date of this annual report	The Company had granted share options representing the rights to subscribe for 24,128,000 shares of the Company under the Scheme up to the date of this report. The Company may further grant share options to subscribe for 138,392,500 shares of the Company, representing approximately 8.21% of the Company's issued share capital as at the date of this report.
Maximum entitlement of each participant under the Scheme	Unless approved by the Shareholders in the manner as set out in the Scheme, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of the Company in issue.
The period within which the shares of the Company must be taken up under an option	A period to commence not less than 1 year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than 1 year upon the grant of options by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount payable for the acceptance of an option shall be the sum of HK$1.00 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.

SHARE OPTION SCHEME (continued)

The basis of determining the exercise price	The exercise price shall be determined by the Directors, being the higher of: (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of option; or (c) the nominal value of a share of the Company.
The remaining life of the Scheme	The Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.

SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS

		Number of share options					Exercise
Date of grant	Exercisable period (Notes)	Balance as at 1 July 2011	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2012	price per share *HK$*
27 November 2007	(1)	10,759,000	–	–	2,886,000	7,873,000	8.660
25 March 2008	(2)	2,544,000	–	–	995,000	1,549,000	8.440
		13,303,000	–	–	3,881,000	9,422,000	

Notes:

(1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(2) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(3) The cash consideration paid by each participant for each grant of the share options is HK$1.00.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2012, total number of employees for the Group was 6,783 (2011: 6,434). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

The Group has made contributions to the staff related plans or funds in accordance with the regulations like pension plans, medical, unemployment, work related injury and maternity insurance. Such arrangements are in compliance with relevant laws and regulations.

ACQUISITION AND DISPOSAL

On 5 July 2011, Skybird International Limited ("Skybird"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Focus Smart Limited, a wholly-owned subsidiary of Skybird, which is also the owner of a portion of the property and land use rights situated in Wuxi City, for a consideration of RMB45,000,000. The transaction was completed on 22 September 2011.

On 21 September 2011, Skybird entered into a sale and purchase agreement with independent third parties to acquire 100% of the equity interest in Moral High Limited ("Moral High"), a limited liability company incorporated in Samoa, for an aggregate consideration of RMB1,460,000,000, which is subject to the deductions and adjustments based on the terms and conditions of the agreement. The principal activity of Moral High is the investment holding of 100% equity interest in Peak Moral High Commercial Development (Shanghai) Company Limited ("Peak"), a limited liability company established in the PRC. Peak is a property owner and operator of a shopping mall in Shanghai. The acquisition was completed on 17 November 2011.

In November 2011, the Group acquired 100% of the equity interest in Lanzhou New World Department Store Co., Ltd. ("Lanzhou Co.") for a consideration of RMB3,500,000 from independent third parties. Lanzhou Co. is a limited liability company incorporated in the PRC and is engaged in operations of a department store in Lanzhou.

In January 2012, the Group acquired 100% of the equity interest in Beijing New World Liying Department Store Co., Ltd. ("Beijing Liying Co.") for a consideration of RMB5,000,000 from independent third parties. Beijing Liying Co. is a limited liability company incorporated in the PRC and is engaged in operations of a department store in Beijing.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Directors confirm that the Company has maintained the prescribed public float as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30.0% of the Group's revenue were attributed by the Group's five largest customers and 21.1% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and 5.4% of the Group's total purchases were attributed by the Group's largest supplier. To the knowledge of the Directors, none of the Directors or shareholders who owned 5.0% or more of the issued share capital of the Company as at 30 June 2012 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

AUDITOR

The financial statements of the Company have been audited by Messrs. PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment as auditor of the Company.

On behalf of the Board

Cheng Kar-shun, Henry
Chairman and Non-executive Director

Hong Kong, 25 September 2012

Independent Auditor's Report

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 91 to 149, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 September 2012

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Consolidated Income Statement

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	5	**3,490,100**	2,736,197
Other income	6	**112,614**	139,200
Other gains, net	7	**34,303**	398,527
Changes in fair value of investment properties		**12,092**	20,751
Purchases of and changes in inventories		**(571,244)**	(448,826)
Employee benefit expense	10	**(541,602)**	(411,281)
Depreciation and amortisation		**(293,768)**	(282,327)
Operating lease rental expense		**(863,107)**	(704,141)
Other operating expenses, net	8	**(592,543)**	(391,346)
Operating profit		**786,845**	1,056,754
Finance income		**60,770**	56,461
Finance costs		**(35,050)**	–
Finance income, net	9	**25,720**	56,461
Profit before income tax		**812,565**	1,113,215
Income tax expense	11	**(204,818)**	(257,627)
Profit for the year		**607,747**	855,588
Attributable to equity holders of the Company		**607,747**	855,588
Dividends	13	**303,506**	269,783
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– Basic and diluted	14	**0.36**	0.51

The notes on pages 99 to 149 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**607,747**	855,588
Revaluation of property upon reclassification from property, plant and equipment to investment properties	**12,797**	2,653
– Deferred tax thereof	**(3,199)**	(663)
Fair value loss on available-for-sale financial assets	**–**	(13,676)
Release of investment revaluation upon disposal of available-for-sale financial assets	**–**	(20,452)
Translation differences	**71,630**	233,867
Other comprehensive income for the year, net of tax	**81,228**	201,729
Total comprehensive income for the year	**688,975**	1,057,317
Total comprehensive income attributable to equity holders of the Company	**688,975**	1,057,317

The notes on pages 99 to 149 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**2,266,553**	2,083,104
Investment properties	16	**1,996,639**	274,220
Land use rights	17	**903,284**	898,898
Goodwill	18	**1,284,182**	785,137
Other non-current assets	20	**457,828**	352,301
Long-term prepaid rent and rental deposits	19	**339,632**	244,644
Deferred income tax assets	29	**159,640**	125,939
		7,407,758	4,764,243
Current assets			
Inventories		**158,772**	144,682
Debtors	21	**59,589**	29,685
Prepayments, deposits and other receivables	19	**552,305**	572,497
Amounts due from fellow subsidiaries	22	**2,054**	2,251
Fixed deposits	23	**378,099**	1,205,463
Cash and cash equivalents	24	**3,242,919**	2,947,574
		4,393,738	4,902,152
Non-current assets classified as assets held for sale	25	**–**	7,117
		4,393,738	4,909,269
Total assets		**11,801,496**	9,673,512
Equity			
Share capital	26	**168,615**	168,615
Reserves	27	**5,666,189**	5,277,352
Proposed dividend	13, 27	**138,264**	126,461
		5,973,068	5,572,428
Liabilities			
Non-current liabilities			
Long-term borrowings	28	**998,617**	–
Accruals	30	**640,100**	564,095
Deferred income tax liabilities	29	**466,711**	184,304
		2,105,428	748,399

Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Current liabilities			
Creditors, accruals and other payables	30	**3,622,636**	2,979,653
Amounts due to fellow subsidiaries	22	**4,721**	225,186
Amounts due to related companies	36	**28,268**	57,156
Current portion of long-term borrowings	28	**9,098**	–
Tax payable		**58,277**	90,690
		3,723,000	3,352,685
Total liabilities		**5,828,428**	4,101,084
Total equity and liabilities		**11,801,496**	9,673,512
Net current assets		**670,738**	1,556,584
Total assets less current liabilities		**8,078,496**	6,320,827

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 99 to 149 are an integral part of these consolidated financial statements.

Company Statement of Financial Position

As at 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Assets			
Non-current assets			
Subsidiaries	31	**1,458,380**	1,463,323
Current assets			
Prepayments and deposits	19	**54**	121
Amounts due from subsidiaries	31	**2,282,375**	2,250,835
Cash and cash equivalents	24	**12,361**	358,276
		2,294,790	2,609,232
Total assets		**3,753,170**	4,072,555
Equity			
Share capital	26	**168,615**	168,615
Reserves	27	**3,242,007**	3,530,175
Proposed dividend	13, 27	**138,264**	126,461
Total equity		**3,548,886**	3,825,251
Liabilities			
Current liabilities			
Accruals and other payables	30	**2,247**	2,731
Amounts due to subsidiaries	31	**183,303**	214,453
Tax payable		**18,734**	30,120
		204,284	247,304
Total liabilities		**204,284**	247,304
Total equity and liabilities		**3,753,170**	4,072,555
Net current assets		**2,090,506**	2,361,928
Total assets less current liabilities		**3,548,886**	3,825,251

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 99 to 149 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2010	168,615	2,398,250	–	391,588	139,171	48,525	34,128	164,088	1,424,828	4,769,193
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	–	855,588	855,588
Other comprehensive income										
Fair value loss on available-for-sale financial assets	–	–	–	–	–	–	(13,676)	–	–	(13,676)
Release of investment revaluation upon disposal of available-for-sale financial assets	–	–	–	–	–	–	(20,452)	–	–	(20,452)
Revaluation of property upon reclassification from property, plant and equipment to investment properties	–	–	2,653	–	–	–	–	–	–	2,653
– Deferred tax thereof	–	–	(663)	–	–	–	–	–	–	(663)
Translation differences	–	–	–	–	–	–	–	233,867	–	233,867
Total comprehensive income for the year ended 30 June 2011	–	–	1,990	–	–	–	(34,128)	233,867	855,588	1,057,317
Transactions with owners										
Share-based payments	–	–	–	–	–	7,270	–	–	–	7,270
Lapse of share options	–	–	–	–	–	(1,400)	–	–	1,400	–
Final dividend relating to the year ended 30 June 2010	–	–	–	–	–	–	–	–	(118,030)	(118,030)
Interim dividend relating to the period ended 31 December 2010	–	–	–	–	–	–	–	–	(143,322)	(143,322)
Transfer to statutory reserve	–	–	–	–	48,190	–	–	–	(48,190)	–
	–	–	–	–	48,190	5,870	–	–	(308,142)	(254,082)
At 30 June 2011	168,615	2,398,250	1,990	391,588	187,361	54,395	–	397,955	1,972,274	5,572,428

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2011	168,615	2,398,250	1,990	391,588	187,361	54,395	397,955	1,972,274	5,572,428
Comprehensive income									
Profit for the year	-	-	-	-	-	-	-	607,747	607,747
Other comprehensive income									
Revaluation of property upon reclassification from property, plant and equipment to investment properties	-	-	12,797	-	-	-	-	-	12,797
– Deferred tax thereof	-	-	(3,199)	-	-	-	-	-	(3,199)
Translation differences	-	-	-	-	-	-	71,630	-	71,630
Total comprehensive income for the year ended 30 June 2012	-	-	9,598	-	-	-	71,630	607,747	688,975
Transactions with owners									
Share-based payments	-	-	-	-	-	3,368	-	-	3,368
Lapse of share options	-	-	-	-	-	(10,833)	-	10,833	-
Final and special dividend relating to the year ended 30 June 2011	-	-	-	-	-	-	-	(126,461)	(126,461)
Interim dividend relating to the period ended 31 December 2011	-	-	-	-	-	-	-	(165,242)	(165,242)
Transfer to statutory reserve	-	-	-	-	49,648	-	-	(49,648)	-
	-	-	-	-	49,648	(7,465)	-	(330,518)	(288,335)
At 30 June 2012	168,615	2,398,250	11,588	391,588	237,009	46,930	469,585	2,249,503	5,973,068

The notes on pages 99 to 149 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before income tax		**812,565**	1,113,215
Adjustments for:			
– Finance income		**(60,770)**	(56,461)
– Finance costs		**35,050**	–
– Amortisation of land use rights		**28,445**	27,094
– Depreciation of property, plant and equipment		**265,323**	255,233
– Change in fair value of investment properties		**(12,092)**	(20,751)
– Gain on disposal of available-for-sale financial assets		**–**	(20,452)
– Gain on disposal of assets held for sale		**(47,099)**	–
– Loss/(gain) on disposal of property, plant and equipment and land use rights		**12,796**	(378,075)
– Share-based payments		**3,368**	7,270
Operating profit before working capital changes		**1,037,586**	927,073
Changes in:			
Inventories		**12,177**	(11,433)
Debtors		**(12,924)**	16,539
Prepayments, deposits and other receivables		**3,122**	(191,273)
Creditors, accruals and other payables		**109,395**	216,188
Amounts due (to)/from fellow subsidiaries		**(222,985)**	48,073
Amounts due to related companies		**(29,586)**	(57,156)
Cash generated from operations		**896,785**	948,011
Mainland China tax paid		**(190,910)**	(230,831)
Net cash from operating activities		**705,875**	717,180
Cash flows from investing activities			
Net cash (outflow)/inflow from acquisition of subsidiaries	34(a)	**(975,153)**	135,956
Additions to investment properties		**(513)**	(102,462)
Additions to property, plant and equipment and other non-current assets		**(420,891)**	(589,444)
Additions to land use rights		**–**	(56,857)
Proceeds from disposal of available-for-sale financial assets		**–**	97,322
Proceeds from disposal of assets held for sale		**54,216**	–
Proceeds from disposal of property, plant and equipment, and land use rights	34(b)	**2,589**	469,252
Decrease in fixed deposits		**842,064**	66,570
Interest received		**60,770**	56,461
Dividend received		**–**	7,104
Net cash (used in)/from investing activities		**(436,918)**	83,902
Cash flows from financing activities			
Drawdown of bank borrowings		**324,788**	–
Repayment of bank borrowings		**(24,390)**	–
Finance costs paid		**(35,050)**	–
Dividends paid		**(291,703)**	(261,352)
Net cash used in financing activities		**(26,355)**	(261,352)
Effect of foreign exchange rate changes		**52,743**	83,178
Net increase in cash and cash equivalents		**295,345**	622,908
Cash and cash equivalents at beginning of the year		**2,947,574**	2,324,666
Cash and cash equivalents at end of the year		**3,242,919**	2,947,574

The notes on pages 99 to 149 are an integral part of these consolidated 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 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, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 25 September 2012.

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 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.

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.

In the current year, the Group has adopted the following revised standards, amendments to existing standards and interpretation which are mandatory for the year ended 30 June 2012:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HKFRSs Amendments	Improvements to HKFRSs 2010

The adoption of these revised standards, amendments to existing standards and interpretation does not have any significant effect on the results and financial position of the Group.

The following new or revised standards, amendments to existing standards and interpretation are mandatory for the accounting periods beginning on or after 1 July 2012 or later periods which the Group has not early adopted:

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Associates and Joint Ventures
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

The Group is in the process of making an assessment of the impact of these new or revised standards, amendments to existing standards and interpretation on its result of operation and financial position.

Change in accounting estimate

During the year ended 30 June 2012, a review of useful lives of the leasehold improvements for the department store operations was conducted. With effect from 1 July 2011, the estimated useful lives of certain categories of leasehold improvements have been revised from 10 years to 15 years. This represents a change in accounting estimates and is accounted for prospectively. As a result of this change, the depreciation charge, net of tax thereof, of the Group for the year ended 30 June 2012 has been decreased by approximately HK$35,391,000. Such effect is expected to recur over the remaining lives of the relevant assets.

2.2 Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

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.

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 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. 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 company

Associates 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. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment 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 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 losses in an associate equals or exceeds its interest in the associate, 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 associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

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

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 board of directors that makes strategic decisions.

2.5 Non-current assets classified as assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. 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 expensed in the income statement during the financial period in which they are incurred.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

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	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, machinery and equipment 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 under construction until they are completed 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.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2.7 Investment property

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted at the end of each reporting period. Changes in fair value are recognised in the income statement.

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Subsequent expenditure is included in the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

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 income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.8 Land use rights

All land in Mainland China is 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.

2.9 Goodwill

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 group's share of the net identifiable assets acquired is recorded as goodwill. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.10 Impairment of investments in subsidiaries, investment in an associated company and non-financial assets

Non-financial 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 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 to sell and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units 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.

Impairment testing of the investments in subsidiaries or an associated company 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.

2.11 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.

2.12 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.

2.13 Operating 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 income statement on a straight-line basis over the periods of the lease.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

(a) *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 associates 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.

(b) *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 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 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 associate, 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.

(c) *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.

2.15 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the statement of financial position.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.17 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.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 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 ("MPF") Ordinance and the Occupational Retirement Scheme Ordinance ("ORSO") 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.

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 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) Share-based compensation

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(iv) Share-based compensation (continued)

On lapse of share option according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained profits.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity.

2.20 Revenue recognition

Revenue comprises 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.

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 sale, including credit card fees payable for the transaction. Such fees are included in other operating expenses.

Revenue from management fees is recognised when management 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 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.

2.21 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 income statement in the period in which they are incurred.

2.22 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 entities operate (the "functional currency"). The functional currency of the Company is Renminbi (or "RMB"). The consolidated financial statements are presented in Hong Kong dollars, the Company's presentation currency, to facilitate analysis of financial information by the holding company.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.22 Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

(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 exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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.

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. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.24 Dividend distribution

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.25 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.

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 and interest rate risk.

(a) Foreign exchange risk

The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollars against Renminbi. This foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency of Renminbi. 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.

At 30 June 2012, if Renminbi had strengthened/weakened by 2% (2011: 2%) against the Hong Kong dollars with all other variables held constant, profit for the year would have been approximately HK$12,909,000 higher/lower (2011: approximately HK$12,442,000 higher/lower) and equity holders' equity would have been approximately HK$6,832,000 higher/lower (2011: approximately HK$3,336,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars-denominated bank balances of certain subsidiaries and amounts due from/to subsidiaries of the Group's entities of which functional currency is Renminbi.

In addition, the conversion of Renminbi 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 cash and cash equivalents, debtors, deposits, other receivables and amounts due from fellow subsidiaries. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2012, all the bank deposits are deposited in high quality 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 1% of the Group's total revenue during the year.

For receivables related to prepaid stored value card to banks and card companies, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries through exercising control over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

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 flows and financing cash flows.

The table below analyses the Group's and Company'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 amount 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	After 5 years HK$'000
Group					
At 30 June 2012					
Creditors, accruals and other payables	**3,399,123**	**3,399,123**	**3,399,123**	**–**	**–**
Amounts due to fellow subsidiaries	**4,721**	**4,721**	**4,721**	**–**	**–**
Amounts due to related companies	**28,268**	**28,268**	**28,268**	**–**	**–**
Long-term borrowings	**1,007,715**	**1,286,227**	**62,156**	**789,563**	**434,508**
At 30 June 2011					
Creditors, accruals and other payables	2,816,417	2,816,417	2,816,417	–	–
Amounts due to fellow subsidiaries	225,186	225,186	225,186	–	–
Amounts due to related companies	57,156	57,156	57,156	–	–
Company					
At 30 June 2012					
Accruals and other payables	**2,247**	**2,247**	**2,247**	**–**	**–**
Amounts due to subsidiaries	**183,303**	**183,303**	**183,303**	**–**	**–**
At 30 June 2011					
Accruals and other payables	2,731	2,731	2,731	–	–
Amounts due to subsidiaries	214,453	214,453	214,453	–	–

(d) Interest rate risk

Except for the fixed deposits and short-term bank deposits as at 30 June 2012 of HK$378,099,000 and HK$1,182,600,000 (2011: HK$1,205,463,000 and HK$1,328,136,000), which are held at fixed interest rates ranging from 0.70% to 5.00% per annum (2011: 0.50% to 4.15% per annum), the Group has no other significant fixed-rate interest-bearing assets. The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates of HK$1,007,715,000 expose the Group to cash flow interest rate risk which is 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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk (continued)

At 30 June 2012, if interest rates on bank balances at variable rates and bank borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's finance income, net would have been approximately HK$5,130,000 higher/lower (2011: approximately HK$8,027,000 higher/lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

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 may consider relevant economic and market conditions and take necessary measures for the beneficial interests of the Group and its shareholders.

The Group monitors capital on the basis of available cash and current ratio as shown in and derived from the consolidated statement of financial position. The table below analyses the Group's capital structure as at 30 June 2012:

	2012 HK$'000	2011 HK$'000
Cash and cash equivalents	**3,242,919**	2,947,574
Current ratio (Note)	**1.18**	1.46

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

Note: Current assets divided by current liabilities.

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 discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by an independent valuer based on a market value assessment. The valuers have relied on direct comparison method as their primary methods, supported by the income approach.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also be not recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(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 judgment 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 the higher of their fair value less costs to sell and value-in-use (Note 18). These calculations require the use of estimates which are subject to change of economic environment in future.

(f) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the life of the option and the number of share options that are expected to become exercisable. Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

5 REVENUE AND SEGMENT INFORMATION

	2012 HK$'000	2011 HK$'000
Commission income from concessionaire sales	**2,405,481**	1,925,920
Sales of goods – direct sales	**676,224**	545,946
Management fees	**19,177**	57,068
Rental income	**389,218**	207,263
	3,490,100	2,736,197

The income from concessionaire sales is analysed as follows:

	2012 HK$'000	2011 HK$'000
Gross revenue from concessionaire sales	**13,009,964**	10,233,298
Commission income from concessionaire sales	**2,405,481**	1,925,920

5 REVENUE AND SEGMENT INFORMATION (continued)

The chief operating decision-maker ("CODM") has been identified as the board of 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 property investment business. The CODM assesses the performance of the operating segments based on their revenue and operating result. The measurement of segment operating results excludes the effect of changes in fair value of investment properties, gain on disposal of available-for-sale financial assets and unallocated corporate expenses. In addition, finance income, net is not allocated to segments. There is no inter-segment sales.

All revenue is generated in Mainland China and all significant operating assets of the Group are in Mainland China.

For the year ended 30 June 2012

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue	3,418,263	71,837	3,490,100
Segment results	720,183	59,149	779,332
Changes in fair value of investment properties	–	12,092	12,092
Unallocated corporate expenses			(4,579)
Operating profit			786,845
Finance income			60,770
Finance costs			(35,050)
Finance income, net			25,720
Profit before income tax			812,565
Income tax expense			(204,818)
Profit for the year			607,747
As at 30 June 2012			
Segment assets	8,981,227	2,648,213	11,629,440
Deferred income tax assets			159,640
Corporate assets:			
Cash and cash equivalents			12,361
Others			55
Total assets			11,801,496
For the year ended 30 June 2012			
Additions to non-current assets (Note)	705,186	2,057,624	2,762,810
Depreciation and amortisation	293,689	79	293,768

5 REVENUE AND SEGMENT INFORMATION (continued)

For the year ended 30 June 2011

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue	2,732,024	4,173	2,736,197
Segment results	1,019,951	2,634	1,022,585
Changes in fair value of investment properties	–	20,751	20,751
Gain on disposal of available-for-sale financial assets			20,452
Unallocated corporate expenses			(7,034)
Operating profit			1,056,754
Finance income			56,461
Finance costs			–
Finance income, net			56,461
Profit before income tax			1,113,215
Income tax expense			(257,627)
Profit for the year			855,588
As at 30 June 2011			
Segment assets	8,914,277	274,899	9,189,176
Deferred income tax assets			125,939
Corporate assets:			
Cash and cash equivalents			358,276
Others			121
Total assets			9,673,512
For the year ended 30 June 2011			
Additions to non-current assets (Note)	1,441,435	36,414	1,477,849
Depreciation and amortisation	282,327	–	282,327

Note:

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

6 OTHER INCOME

	2012 HK$'000	2011 HK$'000
Government grants	**11,564**	14,528
Income from suppliers	**56,533**	55,246
Write-back of other payables	**24,146**	42,332
Sundries	**20,371**	27,094
	112,614	139,200

7 OTHER GAINS, NET

	2012 HK$'000	2011 HK$'000
(Loss)/gain on disposal of property, plant and equipment and land use rights (Note (i))	**(12,796)**	378,075
Gain on disposal of assets held for sale (Note (ii))	**47,099**	–
Gain on disposal of available-for-sale financial assets	**–**	20,452
	34,303	398,527

Notes:

(i) For the year ended 30 June 2011, the Group disposed of its interest of a certain portion of property and land use right located in Wuxi City, resulting in a gain on disposal of HK$381,579,000.

(ii) For the year ended 30 June 2012, the amount represented gain on disposal of entire equity interest in Focus Smart Limited, a wholly-owned subsidiary of the Group, which is also the owner of the remaining portion of property and land use right situated in Wuxi City.

8 OTHER OPERATING EXPENSES, NET

	2012 HK$'000	2011 HK$'000
Water and electricity	**199,922**	168,662
Selling, promotion, advertising and related expenses	**123,902**	53,982
Cleaning, repairs and maintenance	**70,045**	52,303
Auditor's remuneration	**5,000**	4,395
Share-based payments	**437**	1,504
Net exchange losses	**17,993**	10,923
Provision/(write-back of provision) for doubtful debts	**607**	(672)
Other tax expenses	**128,463**	62,951
Others	**46,174**	37,298
	592,543	391,346

9 FINANCE INCOME, NET

	2012 HK$'000	2011 HK$'000
Interest income on bank deposits	**60,770**	56,461
Interest on bank loans		
– wholly repayable within five years	**(19,069)**	–
– not wholly repayable within five years	**(15,981)**	–
	(35,050)	–
	25,720	56,461

10 EMPLOYEE BENEFIT EXPENSE

	2012 HK$'000	2011 HK$'000
Wages and salaries	**311,920**	238,001
Retirement benefit costs		
– defined contribution plans	**55,279**	41,298
Share-based payments	**2,931**	5,766
Other employment benefits	**171,472**	126,216
	541,602	411,281

(a) Directors' emoluments

The remuneration of every Director for the year ended 30 June 2012 is set out below:

Name of Director	Fees HK$'000	Salary, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Non-executive directors						
Dr. Cheng Kar-shun, Henry	100	–	–	–	182	282
Mr. Au Tak-cheong	100	–	–	–	45	145
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	91	241
Mr. Cheung Fai-yet, Philip	150	4,139	412	639	379	5,719
Mr. Lin Tsai-tan, David	150	1,765	147	304	132	2,498
Mr. Wong Kwok-kan, Kenneth	150	1,491	144	70	144	1,999
Ms. Ngan Man-ying, Lynda	150	–	–	–	91	241
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	45	245
Mr. Chan Yiu-tong, Ivan	200	–	–	–	45	245
Mr. Tong Hang-chan, Peter	200	–	–	–	45	245
Mr. Yu Chun-fai	200	–	–	–	45	245
	1,750	7,395	703	1,013	1,244	12,105

10 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

The remuneration of every Director for the year ended 30 June 2011 is set out below:

Name of Director	Fees HK$'000	Salary, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Non-executive directors						
Dr. Cheng Kar-shun, Henry	100	–	–	–	352	452
Mr. Au Tak-cheong	100	–	–	–	88	188
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	176	326
Mr. Cheung Fai-yet, Philip	150	4,000	398	507	720	5,775
Mr. Lin Tsai-tan, David	150	1,635	107	122	250	2,264
Mr. Wong Kwok-kan, Kenneth	150	1,415	137	112	273	2,087
Ms. Ngan Man-ying, Lynda	150	–	–	–	176	326
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	88	288
Mr. Chan Yiu-tong, Ivan	200	–	–	–	88	288
Mr. Tong Hang-chan, Peter	200	–	–	–	88	288
Mr. Yu Chun-fai	200	–	–	–	88	288
	1,750	7,050	642	741	2,387	12,570

No Director waived or agreed to waive any emoluments during the year (2011: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes three (2011: three) Directors for the year ended 30 June 2012, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) individuals during the year ended 30 June 2012 are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**3,090**	2,734
Retirement benefit costs		
– defined contribution plans	**133**	210
Bonus	**448**	198
Share-based payments	**199**	412
	3,870	3,554

10 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$1,500,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	–
	2	2

11 INCOME TAX EXPENSE

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

	2012 **HK$'000**	2011 HK$'000
Current income tax		
– Mainland China taxation	**188,163**	197,539
– Mainland China land appreciation tax	**–**	27,859
(Over)/underprovision in prior years	**(30,883)**	1,558
Deferred income tax (Note 29)		
– Deferred taxation on undistributed profits	**14,050**	5,530
– Other temporary differences	**33,488**	25,141
	204,818	257,627

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which 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 year ended 30 June 2012 (2011: Nil).

Subsidiaries of the Group in Mainland China are subject to enterprise income tax at a rate of 25% (2011: 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and related business tax paid.

11 INCOME TAX EXPENSE (continued)

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:

	2012 HK$'000	2011 HK$'000
Profit before income tax	**812,565**	1,113,215
Tax calculated at applicable tax rate	**203,141**	278,304
Expenses not deductible for taxation purpose	**33,463**	18,068
Income not subject to taxation	**(25,106)**	(22,173)
Effect of income charged on deemed basis	**(1,716)**	(62,057)
Deferred income tax not recognised	**20,919**	26,326
Deferred taxation on undistributed profits	**14,050**	5,530
Recognition of previously unrecognised tax losses	**(1,342)**	–
Recognition of previously unrecognised temporary differences	**(6,849)**	(8,166)
Utilisation of previously unrecognised tax losses	**(859)**	(657)
(Over)/underprovision in prior years	**(30,883)**	1,558
Land appreciation tax deductible for calculation of income tax purposes	**–**	(6,965)
	204,818	229,768
Mainland China land appreciation tax	**–**	27,859
Income tax expense	**204,818**	257,627

	2012	2011
Weighted average domestic applicable tax rates	**25%**	25%

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss approximately HK$8,130,000 (2011: profit of approximately HK$366,177,000).

13 DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim dividend paid of HK$0.098 (2011: HK$0.085) per share	**165,242**	143,322
Final dividend proposed of HK$0.082 (2011: HK$0.065) per share	**138,264**	109,599
Special dividend paid of HK$0.010 per share	**–**	16,862
	303,506	269,783

At a meeting held on 25 September 2012, the Directors recommended a final dividend of HK$0.082 (2011: HK$0.065) per share for the year ended 30 June 2012. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2012.

14 EARNINGS PER SHARE

(a) Basic

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

	2012	2011
Profit attributable to the equity holders of the Company (HK$'000)	**607,747**	855,588
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.36**	0.51

(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 year ended 30 June 2011 and 2012, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

15 PROPERTY, PLANT AND EQUIPMENT

Group

	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 2011	814,316	60,102	7,045	2,000,781	19,996	11,587	127,781	1,744	3,043,352
Translation differences	9,238	731	84	24,269	226	139	1,528	21	36,236
Additions	-	1,118	4,012	261,631	3,916	709	38,602	9,672	319,660
Transfer from investment properties	112,963	-	-	26,834	-	-	-	-	139,797
Disposals	-	(4,206)	(1,672)	(32,707)	(1,223)	(645)	(3,699)	-	(44,152)
Reclassification	-	-	-	1,304	-	-	11	(1,315)	-
Transfer to investment properties	(56,677)	-	-	(23,801)	-	-	-	-	(80,478)
Acquisition of subsidiaries (Note 34(a))	-	232	233	50,304	1,716	174	2,894	-	55,553
At 30 June 2012	879,840	57,977	9,702	2,308,615	24,631	11,964	167,117	10,122	3,469,968
Accumulated depreciation									
At 1 July 2011	67,898	55,602	3,490	745,173	9,503	5,872	72,710	-	960,248
Translation differences	591	677	43	9,087	117	71	887	-	11,473
Charge for the year	25,253	1,846	1,413	207,707	3,933	2,026	23,145	-	265,323
Written back on disposals	-	(3,975)	(1,548)	(18,713)	(834)	(354)	(3,343)	-	(28,767)
Transfer to investment properties	(2,785)	-	-	(2,077)	-	-	-	-	(4,862)
At 30 June 2012	90,957	54,150	3,398	941,177	12,719	7,615	93,399	-	1,203,415
Net book amount									
At 30 June 2012	788,883	3,827	6,304	1,367,438	11,912	4,349	73,718	10,122	2,266,553

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (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 2010	658,713	57,718	4,335	1,459,138	13,294	8,660	110,242	17,723	2,329,823
Translation differences	37,970	3,490	288	93,348	871	562	6,886	1,070	144,485
Additions	31,789	273	2,115	339,369	4,530	2,491	19,878	1,744	402,189
Transfer from other non-current assets	128,774	–	–	–	–	–	–	–	128,774
Disposals	(9,796)	(1,893)	(469)	(107,837)	(468)	(1,036)	(15,773)	–	(137,272)
Reclassification	–	–	–	18,743	47	18	93	(18,901)	–
Transfer to investment properties	(31,904)	–	–	–	–	–	–	–	(31,904)
Reclassified as assets held for sale (Note 25)	(1,230)	–	–	–	–	–	–	–	(1,230)
Acquisition of subsidiaries (Note 34(a))	–	514	776	198,020	1,722	892	6,455	108	208,487
At 30 June 2011	814,316	60,102	7,045	2,000,781	19,996	11,587	127,781	1,744	3,043,352
Accumulated depreciation									
At 1 July 2010	47,265	48,110	2,643	575,837	6,544	4,654	65,364	–	750,417
Translation differences	2,091	3,018	184	38,004	464	326	4,374	–	48,461
Charge for the year	21,811	5,013	1,040	204,424	2,910	1,901	18,134	–	255,233
Written back on disposals	(2,569)	(539)	(377)	(73,092)	(415)	(1,009)	(15,162)	–	(93,163)
Transfer to investment properties	(372)	–	–	–	–	–	–	–	(372)
Reclassified as assets held for sale (Note 25)	(328)	–	–	–	–	–	–	–	(328)
At 30 June 2011	67,898	55,602	3,490	745,173	9,503	5,872	72,710	–	960,248
Net book amount									
At 30 June 2011	746,418	4,500	3,555	1,255,608	10,493	5,715	55,071	1,744	2,083,104

16 INVESTMENT PROPERTIES

	Group	
	2012 HK$'000	2011 HK$'000
At 1 July	**274,220**	–
Translation differences	**(8,806)**	500
Additions	**513**	36,414
Transfer from property, plant and equipment	**80,553**	33,193
Transfer from land use rights	**48,894**	28,638
Transfer from other non-current assets	**–**	154,724
Transfer to property, plant and equipment	**(139,797)**	–
Transfer to land use rights	**(63,585)**	–
Acquisition of a subsidiary (Note 34(a))	**1,792,555**	–
Change in fair value credited to income statement	**12,092**	20,751
At 30 June	**1,996,639**	274,220

16 INVESTMENT PROPERTIES (continued)

Amounts recognised in profit and loss for investment properties:

	2012 HK$'000	2011 HK$'000
Rental income	**71,837**	4,173
Direct operating expenses from properties that generated rental income	**(21,325)**	(1,778)
	50,512	2,395

The investment properties were valued at 30 June 2012 by independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Valuations were based on market value assessment as stated in Note 4. The Group's investment properties at their carrying values are analysed as follows:

	2012 HK$'000	2011 HK$'000
In Mainland China held on:		
Lease of between 10 and 50 years	**1,996,639**	274,220

As at 30 June 2012, an investment property with a carrying value of HK$1,792,683,000 is pledged to secure bank borrowings of the Group (Note 28).

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:

	Group	
	2012 HK$'000	2011 HK$'000
At 1 July	**898,898**	858,711
Translation differences	**10,280**	47,060
Additions	**–**	23,966
Transfer from investment properties	**63,585**	–
Transfer from other non-current assets	**–**	77,051
Disposals	**–**	(47,068)
Transfer to investment properties	**(41,034)**	(27,646)
Reclassified as assets held for sale (Note 25)	**–**	(6,082)
Amortisation	**(28,445)**	(27,094)
At 30 June	**903,284**	898,898

	2012 HK$'000	2011 HK$'000
In Mainland China held on:		
Leases of land use rights between 10 to 50 years	**903,284**	898,898

18 GOODWILL

	Group 2012 HK$'000	2011 HK$'000
At 1 July	**785,137**	228,710
Acquisition of subsidiaries (Note 35)	**493,298**	534,525
Translation differences	**5,747**	21,902
At 30 June	**1,284,182**	785,137

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified. For the purpose of impairment test, the recoverable amount of CGU is determined based on the higher of fair value less costs to sell and value-in-use, which uses cash flow projections based on financial estimates covering a period of five years and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rate and discount rate used in the fair value less cost to sell calculations are based on management best estimates. Long term growth rate ranging from 2% to 5% (2011: 2% to 5%) are determined by considering both internal and external factors relating to the relevant businesses. Discount rate of 14.82% (2011: 14.80%) also reflects specific risks of the business. If the revenue growth rate and gross margin had been 5% lower than management's current estimates and the discount rate had been 1% higher than management's current estimates, there is still enough head room and no impairment loss on goodwill is required.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Prepaid rent and rental deposits	**494,873**	368,504	**–**	–
Management fee receivables	**2,577**	6,886	**–**	–
Deposits placed for issuance of stored value cards	**26,697**	156,412	**–**	–
Others	**367,790**	285,339	**54**	121
	891,937	817,141	**54**	121
Less: long-term prepaid rent and rental deposits	**(339,632)**	(244,644)	**–**	–
	552,305	572,497	**54**	121

The balances are mainly denominated in Renminbi.

The credit quality of other receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

20 OTHER NON-CURRENT ASSETS

Balance as at 30 June 2012 represents the following transaction:

On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co") entered into an agreement with Shenyang New World Hotel Co., Ltd., a wholly-owned subsidiary of New World China Land Limited ("NWCL") and a fellow subsidiary of the Company. Shenyang Co agreed to acquire the building ownership right, land use right of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems, for a consideration of approximately RMB456,534,000 which is subject to the terms of the agreement for further adjustments. As at 30 June 2012, the Group has made progress payment of approximately HK$435,280,000 (2011: approximately HK$110,008,000) and paid direct costs of approximately HK$22,548,000 (2011: approximately HK$22,277,000) in connection with such acquisition. As at 30 June 2012, capital commitment in relation to this acquisition is approximately HK$101,231,000 (2011: approximately HK$220,016,000) (Note 33).

21 DEBTORS

	Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**59,589**	29,685

The Group grants credit terms within 30 days in majority, based on the invoice dates.

Aging analysis of the debtors is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within period for		
0 – 30 days	**57,058**	27,837
31 – 60 days	**603**	185
61 – 90 days	**–**	185
Over 90 days	**1,928**	1,478
	59,589	29,685

Trade debtors of HK$2,531,000 (2011: HK$1,848,000) were past due but not impaired. The total amount includes HK$603,000 (2011: HK$185,000) of less than 30 days past due, and none (2011: HK$185,000) of 31-60 days past due and HK$1,928,000 (2011: HK$1,478,000) of 61-90 days past due. These relate to companies for whom there is no recent history of default.

The carrying amounts of debtors approximate their fair values. All debtors are denominated in Renminbi. 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 each class of receivable mentioned above. The Group does not hold any collateral as security.

22 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

The balances with fellow subsidiaries are unsecured, interest free, repayable on demand and denominated in Renminbi. The carrying amounts of amounts due from/(to) fellow subsidiaries approximate their fair values.

23 FIXED DEPOSITS

Fixed deposits are denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
Hong Kong dollars	**–**	4,670
Renminbi	**378,099**	1,200,793
	378,099	1,205,463

The interest rates on fixed bank deposits was ranging from 3.10% to 5.00% per annum (2011: 0.50% to 4.15% per annum), these deposits have maturities ranging from 101 to 325 days (2011: 90 to 365 days).

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term bank deposits	**1,182,600**	1,328,136	**–**	–
Cash at bank and in hand	**2,060,319**	1,619,438	**12,361**	358,276
	3,242,919	2,947,574	**12,361**	358,276
Maximum exposure to credit risk	**3,216,253**	2,933,588	**12,361**	358,276

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**290,237**	525,603	**11,330**	4,711
Renminbi	**2,952,420**	2,421,769	**1,031**	353,565
Others	**262**	202	**–**	–
	3,242,919	2,947,574	**12,361**	358,276

The interest rates on short-tem bank deposits was ranging from 0.70% to 3.50% per annum (2011: 0.60% to 2.85% per annum), these deposits have maturities ranging from 2 to 89 days (2011: 1 to 60 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.

24 CASH AND CASH EQUIVALENTS (continued)

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 the Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

25 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

The Group agreed with an independent third party to dispose of 100% equity interest in Focus Smart Limited, a wholly-owned subsidiary of the Company and the owner of the remaining portion of property and land use right situated in Wuxi City.

	2012 **HK$'000**	2011 HK$'000
At 1 July	**7,117**	–
Property, plant and equipment	**–**	919
Land use right	**–**	6,198
Disposals	**(7,117)**	–
At 30 June	**–**	7,117

26 SHARE CAPITAL

Movements were:

	Number of shares '000	**Nominal value HK$'000**
Ordinary shares of HK$0.1 each, authorised:		
At 1 July 2010, 30 June 2011 and 2012	10,000,000	1,000,000
Ordinary shares of HK$0.1 each, issued and fully paid:		
At 1 July 2010, 30 June 2011 and 2012	1,686,145	168,615

26 SHARE CAPITAL (continued)

Share option scheme

The Company's share option scheme was adopted on 12 June 2007. The Board may, at their discretion, granted options to any eligible participants (as defined in the share option scheme), to subscribe for shares in the Company.

Movement of the number of share options granted and their related exercise prices for the year ended 30 June 2012 are as follows:

		Number of options '000							No. of share options exercisable '000
Date of grant	Exercise price per share HK$	At 1 July 2010	Granted during the year	Lapsed during the year	At 30 June 2011	Granted during the year	Lapsed during the year	At 30 June 2012	At 30 June 2012
27 November 2007 (note i)	8.660	16,999	–	(530)	16,469	–	(2,886)	13,583	10,867
25 March 2008 (note ii)	8.440	3,524	–	–	3,524	–	(995)	2,529	2,023
		20,523	–	(530)	19,993	–	(3,881)	16,112	12,890
Weighted average Exercise price of each category (HK$)		8.622	–	8.660	8.621	–	8.604	8.625	8.625

(i) The share options granted on 27 November 2007 were divided into 5 tranches and exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013.

(ii) The share options granted on 25 March 2008 were divided into 5 tranches and exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014.

The fair value of the share options with exercise price per share ranging from HK$8.440 to HK$8.660 is estimated at ranging from HK$2.775 to HK$3.002 respectively by using the Binomial pricing model. Values are estimated based on Hong Kong government bonds which will mature in November 2013 and February 2014 and the market yield as of date of grant ranging from 2.065% to 2.920%, a six years period historical volatility ranging from 39% to 40% based on the price volatility of the shares of the comparable companies with additional criterion that they must have public trading history of at least 6 years counted backward from the date of grant, assuming dividend yield at 1.5% per annum based on the market indication from the companies comparable with the Company and an expected option life of 6 years. The Binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

27 RESERVES

(a) Group

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Available-for-sale investments HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 30 June 2010	2,398,250	–	391,588	139,171	48,525	34,128	164,088	1,424,828	4,600,578
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	–	1,990	–	–	–	–	–	–	1,990
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(13,676)	–	–	(13,676)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	–	–	–	(20,452)	–	–	(20,452)
Share-based payments	–	–	–	–	7,270	–	–	–	7,270
Lapse of share options	–	–	–	–	(1,400)	–	–	1,400	–
Final dividend for the year ended 30 June 2010	–	–	–	–	–	–	–	(118,030)	(118,030)
Interim dividend for the period ended 31 December 2010	–	–	–	–	–	–	–	(143,322)	(143,322)
Transfer to statutory reserve (Note i)	–	–	–	48,190	–	–	–	(48,190)	–
Profit for the year	–	–	–	–	–	–	–	855,588	855,588
Translation differences	–	–	–	–	–	–	233,867	–	233,867
At 30 June 2011	2,398,250	1,990	391,588	187,361	54,395	–	397,955	1,972,274	5,403,813

27 RESERVES (continued)

(a) Group (continued)

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 30 June 2011	2,398,250	1,990	391,588	187,361	54,395	397,955	1,972,274	5,403,813
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	-	9,598	-	-	-	-	-	9,598
Share-based payments	-	-	-	-	3,368	-	-	3,368
Lapse of share options	-	-	-	-	(10,833)	-	10,833	-
Final and special dividend for the year ended 30 June 2011	-	-	-	-	-	-	(126,461)	(126,461)
Interim dividend for the period ended 31 December 2011	-	-	-	-	-	-	(165,242)	(165,242)
Transfer to statutory reserve (Note i)	-	-	-	49,648	-	-	(49,648)	-
Profit for the year	-	-	-	-	-	-	607,747	607,747
Translation differences	-	-	-	-	-	71,630	-	71,630
At 30 June 2012	2,398,250	11,588	391,588	237,009	46,930	469,585	2,249,503	5,804,453
Representing:								
Proposed final dividend (Note 13)	-	-	-	-	-	-	138,264	138,264
Others	2,398,250	11,588	391,588	237,009	46,930	469,585	2,111,239	5,666,189
At 30 June 2012	2,398,250	11,588	391,588	237,009	46,930	469,585	2,249,503	5,804,453

Note:

(i) 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 operations upon approval by the relevant authority. Accordingly 10% of statutory net profit of each entity should be appropriated to this reserve for the year ended 30 June 2011 and 2012.

27 RESERVES (continued)

(b) Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2010	2,398,250	48,525	334,838	250,257	389,198	3,421,068
Share-based payments	–	7,270	–	–	–	7,270
Lapse of share options	–	(1,400)	–	–	–	(1,400)
Profit for the year	–	–	–	–	366,177	366,177
Final dividend relating to the year ended 30 June 2010	–	–	(118,030)	–	–	(118,030)
Interim dividend relating to the period ended 31 December 2010	–	–	(143,322)	–	–	(143,322)
Translation differences	–	–	–	124,873	–	124,873
At 30 June 2011	**2,398,250**	**54,395**	**73,486**	**375,130**	**755,375**	**3,656,636**
Share-based payments	**–**	**3,368**	**–**	**–**	**–**	**3,368**
Lapse of share options	**–**	**(10,833)**	**–**	**–**	**3,671**	**(7,162)**
Loss for the year	**–**	**–**	**–**	**–**	**(8,130)**	**(8,130)**
Final and special dividend relating to the year ended 30 June 2011	**–**	**–**	**–**	**–**	**(126,461)**	**(126,461)**
Interim dividend relating to the period ended 31 December 2011	**–**	**–**	**–**	**–**	**(165,242)**	**(165,242)**
Translation differences	**–**	**–**	**–**	**27,262**	**–**	**27,262**
At 30 June 2012	**2,398,250**	**46,930**	**73,486**	**402,392**	**459,213**	**3,380,271**
Representing:						
Proposed final dividend (Note 13)	**–**	**–**	**–**	**–**	**138,264**	**138,264**
Others	**2,398,250**	**46,930**	**73,486**	**402,392**	**320,949**	**3,242,007**
At 30 June 2012	**2,398,250**	**46,930**	**73,486**	**402,392**	**459,213**	**3,380,271**

28 LONG-TERM BORROWINGS

	Group	
	2012 HK$'000	2011 HK$'000
Non-current	998,617	–
Current	9,098	–
	1,007,715	–

	2012 HK$'000	2011 HK$'000
Bank loans		
Secured	682,927	–
Unsecured	324,788	–
	1,007,715	–

The effective interest rates of borrowings are analysed as follows:

	2012	2011
Hong Kong dollars	2.77%	–
Renminbi	6.43%	–

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

	2012 HK$'000	2011 HK$'000
Hong Kong dollars	324,788	–
Renminbi	682,927	–
	1,007,715	–

The bank loans are repayable as follows:

	2012 HK$'000	2011 HK$'000
Within one year	9,098	–
In the second year	148,249	–
In the third to fifth year	472,319	–
After the fifth year	378,049	–
	1,007,715	–

As at 30 June 2012, the bank loan of HK$682,927,000 is secured by an investment property of HK$1,792,683,000.

29 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:

	Group	
	2012	2011
	HK$'000	HK$'000
Deferred income tax assets	**159,640**	125,939
Deferred income tax liabilities	**(466,711)**	(184,304)
	(307,071)	(58,365)

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

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 July	**(58,365)**	(107,305)
Translation differences	**(1,130)**	(4,903)
Acquisition of subsidiaries (Note 34(a))	**(196,839)**	85,177
Taxation charged to equity	**(3,199)**	(663)
Charged to consolidated income statement (Note 11)	**(47,538)**	(30,671)
At 30 June	**(307,071)**	(58,365)

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 2010	9,177	56,835	1,063	5,548	72,623
Translation differences	1,606	5,234	87	434	7,361
Acquisition of subsidiaries	63,699	47,736	2,276	–	113,711
Recognised in the consolidated income statement	(31,891)	22,912	(708)	4,133	(5,554)
At 30 June 2011	**42,591**	**132,717**	**2,718**	**10,115**	**188,141**
Translation differences	**162**	**1,399**	**23**	**112**	**1,696**
Acquisition of subsidiaries	**74,263**	**22,494**	**855**	**–**	**97,612**
Recognised in the consolidated income statement	**(15,961)**	**2,468**	**(851)**	**(285)**	**(14,629)**
At 30 June 2012	**101,055**	**159,078**	**2,745**	**9,942**	**272,820**

29 DEFERRED INCOME TAX (continued)

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 2010	130,121	45,585	–	1,550	2,672	179,928
Translation differences	9,033	2,711	125	170	225	12,264
Acquisition of subsidiaries	27,617	–	–	–	917	28,534
Recognised in equity	–	–	663	–	–	663
Recognised in the consolidated income statement	14,346	(1,460)	5,188	5,530	1,513	25,117
At 30 June 2011	**181,117**	**46,836**	**5,976**	**7,250**	**5,327**	**246,506**
Translation differences	**2,528**	**571**	**(839)**	**–**	**566**	**2,826**
Acquisition of subsidiaries	**7,838**	**284,697**	**–**	**–**	**1,916**	**294,451**
Recognised in equity	**–**	**–**	**3,199**	**–**	**–**	**3,199**
Recognised in the consolidated income statement	**20,032**	**(1,513)**	**(1,568)**	**14,050**	**1,908**	**32,909**
At 30 June 2012	**211,515**	**330,591**	**6,768**	**21,300**	**9,717**	**579,891**

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 2012, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately HK$54,072,000 (2011: HK$86,659,000), 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 carry forwards 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$77,840,000 (2011: HK$57,648,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$311,358,000 (2011: HK$230,592,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

30 CREDITORS, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Creditors	**2,213,113**	1,832,616	**–**	–
Accruals and other payables	**2,049,623**	1,711,132	**2,247**	2,731
Less: long-term accruals	**(640,100)**	(564,095)	**–**	–
	3,622,636	2,979,653	**2,247**	2,731

30 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

The Group normally receives credit terms of 60 to 90 days. The aging analysis of the creditors which are denominated in Renminbi, based on the invoice dates, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within period for		
0 – 30 days	**972,955**	803,572
31 – 60 days	**694,388**	556,777
61 – 90 days	**194,214**	170,103
Over 90 days	**351,556**	302,164
	2,213,113	1,832,616

Creditors included amounts due to related companies of HK$93,378,000 (2011: HK$88,050,000) which was unsecured, interest free and repayable within 90 days.

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

Nature of accruals and other payables are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental accruals	**667,465**	577,079	**–**	–
Deposits from concessionaire suppliers	**273,563**	207,641	**–**	–
Interest payable	**2,253**	–	**–**	–
Payables for capital expenditures	**99,162**	102,298	**–**	–
Accruals for staff costs	**87,468**	68,314	**–**	–
Valued-added taxes and other taxes payables	**92,007**	77,711	**–**	–
Utilities payables	**17,869**	14,667	**–**	–
Receipts in advance	**523,069**	480,315	**–**	–
Others	**286,767**	183,107	**2,247**	2,731
	2,049,623	1,711,132	**2,247**	2,731

31 SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**1,458,380**	1,463,323
Amounts due from subsidiaries	**2,282,375**	2,250,835
Amounts due to subsidiaries	**183,303**	214,453

31 SUBSIDIARIES (continued)

Amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

Except balances due from subsidiaries of HK$219,314,000 and due to subsidiaries of HK$38,150,000 are denominated in Hong Kong dollars, all other balances due from/(to) subsidiaries are denominated in Renminbi.

Particulars of the principal subsidiaries of the Company are detailed in Note 37.

32 INVESTMENT IN AN ASSOCIATED COMPANY

Details of the associated company are as follows:

Name	Place of establishment	Principal activity	Registered capital	Attributable interest (%)
Taizhou New World Department Store Co., Ltd.	Mainland China	Department store operation	RMB8,000,000	25

	Group	
	2012	2011
	HK$'000	HK$'000
Group's share of net assets	**–**	–

The Group has not recognised losses amounting to HK$1,815,000 (2011: HK$2,280,000) for Taizhou New World Department Store Co., Ltd for the year ended 30 June 2012. The accumulated losses not recognised were HK$6,133,000 (2011: HK$4,318,000).

Revenue, results, assets and liabilities of the associated company attributable to the Group are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Revenue	**1,960**	1,617
Loss after income tax	**(1,815)**	(2,280)

	2012	2011
	HK$'000	HK$'000
Non-current assets	**3,391**	3,438
Current assets	**1,224**	1,140
Current liabilities	**(10,976)**	(9,071)
Net liabilities	**(6,361)**	(4,493)

33 COMMITMENT

(a) Capital commitment

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

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for	**119,785**	228,292
Authorised but not contracted for	**2,690**	–
	122,475	228,292

(b) Operating lease commitment

The Group's future aggregate minimum lease expense under non-cancellable operating leases in respect of land and buildings is payable in the following periods:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**651,277**	489,485
In the second to fifth year	**3,277,078**	2,224,852
After the fifth year	**7,793,458**	5,993,346
	11,721,813	8,707,683

The future minimum payments expected to be received by the Group under non-cancellable operating leases were:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**313,061**	166,680
In the second to fifth year	**678,982**	325,993
After the fifth year	**204,556**	61,855
	1,196,599	554,528

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.

34 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

Details of the net assets/(liabilities) acquired are as follows:

	2012 HK$'000	2011 HK$'000
Property, plant and equipment (Note 15)	**55,553**	208,487
Investment property (Note 16)	**1,792,555**	–
Inventories	**24,502**	54,748
Debtors	**16,618**	26,612
Prepayment, deposits and other receivables	**67,952**	117,493
Amounts due from fellow subsidiaries	**–**	137
Cash and cash equivalents	**91,224**	269,946
Deferred income tax (liabilities)/assets (Note 29)	**(196,839)**	85,177
Creditors, accruals and other payables	**(566,375)**	(1,080,400)
Long-term borrowings	**(712,111)**	–
Amount due to a fellow subsidiary	**–**	(8,750)
Amounts due to related companies	**–**	(73,985)
Net assets/(liabilities) acquired	**573,079**	(400,535)
Analysis of net cash flow from acquisition of subsidiaries		
Purchase consideration settled in cash	**(1,066,377)**	(133,990)
Cash and cash equivalents in subsidiaries acquired	**91,224**	269,946
Net cash (outflow)/inflow from acquisition of subsidiaries	**(975,153)**	135,956

(b) Analysis of (loss)/gain on disposal of property, plant and equipment, and land use rights

	2012 HK$'000	2011 HK$'000
Net book amount	**15,385**	91,177
(Loss)/gain on disposal of property, plant and equipment, and land use rights	**(12,796)**	378,075
Proceeds from disposal of property, plant and equipment, and land use rights	**2,589**	469,252

35 BUSINESS COMBINATION

(a) Acquisition of Lanzhou New World Department Store Co., Ltd.

In November 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Lanzhou New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB3,500,000 (equivalent to approximately HK$4,298,000).

The acquired business contributed revenue of HK$80,381,000 and net profit of HK$11,690,000 to the Group for the period from 1 November 2011 to 30 June 2012. If the acquisition had occurred on 1 July 2011, Group's revenue would have been HK$3,527,805,000; profit for the year would have been HK$610,481,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	4,298
Fair value of net liabilities acquired	117,980
Goodwill (Note 18)	122,278

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

	HK$'000
Property, plant and equipment	28,420
Inventories	5,778
Debtors	2,495
Prepayment, deposits and other receivables	13,337
Deferred income tax assets	21,268
Cash and cash equivalents	42,852
Creditors, accruals and other payables	(232,130)
Net liabilities acquired	(117,980)
Purchase consolidation settled in cash	(4,298)
Cash and cash equivalent in a subsidiary acquired	42,852
Net cash inflow from acquisition of a subsidiary	38,554

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

35 BUSINESS COMBINATION (continued)

(b) Acquisition of Moral High Limited

In November 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Moral High Limited ("MHL"), a limited liability company incorporated in Samoa and its wholly-owned subsidiary, Peak Moral High Commercial Development (Shanghai) Co., Ltd ("PHL"), a limited liability company incorporated in the PRC, for a gross consideration of RMB1,460,000,000 (equivalent to approximately HK$1,792,555,000) less outstanding bank borrowing amount of RMB580,000,000 (equivalent to approximately HK$712,111,000) and an adjustment amount to the net liabilities of MHL and PHL as at the date of acquisition. The net consideration is equivalent to approximately HK$1,055,911,000.

The principal activities of MHL is the investment holding and PHL is the property holding and the operation of a retail business in Shanghai. The acquired business contributed revenue of HK$53,692,000 and net profit of HK$17,220,000 to the Group for the period from 18 November 2011 to 30 June 2012. If the acquisition had occurred on 1 July 2011, Group's revenue would have been HK$3,516,734,000; profit for the year would have been HK$606,029,000. These amounts have been calculated using the Group's accounting policies.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	**1,055,911**
Fair value of net assets acquired	**(792,735)**
Goodwill (Note 18)	**263,176**

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

	HK$'000
Investment property	**1,792,555**
Debtors	**1,464**
Prepayment, deposits and other receivables	**4,580**
Cash and cash equivalents	**13,705**
Creditors, accruals and other payables	**(55,910)**
Bank borrowing	**(712,111)**
Deferred income tax liabilities	**(251,548)**
Net assets acquired	**792,735**
Purchase consideration settled in cash	**(1,055,911)**
Cash and cash equivalent in a subsidiary acquired	**13,705**
Net cash outflow from acquisition of a subsidiary	**(1,042,206)**

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

35 BUSINESS COMBINATION (continued)

(c) Acquisition of Beijing New World Liying Department Store Co., Ltd.

In January 2012, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Beijing New World Liying Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5,000,000 (equivalent to approximately HK$6,168,000).

The acquired business contributed revenue of HK$112,940,000 and net profit of HK$18,075,000 to the Group for the period from 1 January 2012 to 30 June 2012. If the acquisition had occurred on 1 July 2011, Group's revenue would have been HK$3,608,865,000; profit for the year would have been HK$597,932,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	**6,168**
Fair value of net liabilities acquired	**101,676**
Goodwill (Note 18)	**107,844**

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

	HK$'000
Property, plant and equipment	**27,133**
Inventories	**18,724**
Debtors	**12,659**
Prepayment, deposits and other receivables	**50,035**
Deferred income tax assets	**33,441**
Cash and cash equivalents	**34,667**
Creditors, accruals and other payables	**(278,335)**
Net liabilities acquired	**(101,676)**
Purchase consideration settled in cash	**(6,168)**
Cash and cash equivalents in a subsidiary acquired	**34,667**
Net cash inflow from acquisition of a subsidiary	**28,499**

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

35 BUSINESS COMBINATION (continued)

(d) Acquisition of Broad Park Limited

In June 2010, the Group entered into an agreement with Solar Leader Limited ("Solar Leader"), a fellow subsidiary of the Company, whereby the Group agreed to acquire from Solar Leader 100% of equity interest in Broad Park Limited ("Broad Park") and the amount due to Solar Leader (approximately HK$11,515,000) by Broad Park, for an aggregate consideration of RMB150,000,000 (equivalent to approximately HK$170,454,000) less the outstanding registered capital (approximately RMB54,908,000, equivalent to approximately HK$62,395,000) of Beijing Yixi New World Department Store Co., Ltd., a wholly-owned subsidiary of Broad Park. The net consideration is equivalent to approximately HK$108,059,000. The acquisition was approved by the shareholders on 27 July 2010 and completed on 1 August 2010.

The acquired business contributed revenue of HK$661,549,000 and net profit of HK$149,958,000 to the Group for the period from 1 August 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,797,252,000; profit for the year ended 30 June 2011 would have been HK$852,088,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	108,059
Fair value of net liabilities acquired	140,871
Goodwill (Note 18)	248,930

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

	HK$'000
Property, plant and equipment	84,021
Inventories	46,588
Debtors	20,968
Prepayment, deposits and other receivables	27,591
Amount due from a related company	137
Deferred income tax assets	6,949
Cash and cash equivalents	167,270
Creditors, accruals and other payables	(411,660)
Amount due to a fellow subsidiary	(8,750)
Amounts due to related companies	(73,985)
Net liabilities acquired	(140,871)
Purchase consideration settled in cash	(108,059)
Cash and cash equivalents in a subsidiary acquired	167,270
Net cash inflow from acquisition of a subsidiary	59,211

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

35 BUSINESS COMBINATION (continued)

(e) Acquisition of Chengdu New World Department Store Co., Ltd.

In October 2010, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Chengdu New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB2,000,000 (equivalent to approximately HK$2,316,000).

The acquired business contributed revenue of HK$74,310,000 and net profit of HK$19,822,000 to the Group for the period from 1 October 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,766,869,000; profit for the year ended 30 June 2011 would have been HK$852,591,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	2,316
Fair value of net liabilities acquired	74,374
Goodwill (Note 18)	76,690

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

	HK$'000
Property, plant and equipment	39,278
Inventories	2,130
Debtors	1,006
Prepayment, deposits and other receivables	17,038
Deferred income tax assets	21,544
Cash and cash equivalents	19,539
Creditors, accruals and other payables	(174,909)
Net liabilities acquired	(74,374)
Purchase consideration settled in cash	(2,316)
Cash and cash equivalents in a subsidiary acquired	19,539
Net cash inflow from acquisition of a subsidiary	17,223

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

35 BUSINESS COMBINATION (continued)

(f) Acquisition of Changsha New World Trendy Plaza Co., Ltd.

In December 2010, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Changsha New World Trendy Plaza Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB10,000,000 (equivalent to approximately HK$11,752,000).

The acquired business contributed revenue of HK$30,643,000 and net profit of HK$2,995,000 to the Group for the period from 1 January 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,779,268,000; profit for the year ended 30 June 2011 would have been HK$852,698,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	11,752
Fair value of net liabilities acquired	58,813
Goodwill (Note 18)	70,565

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

	HK$'000
Property, plant and equipment	33,206
Inventories	1,305
Debtors	2,016
Prepayment, deposits and other receivables	25,492
Deferred income tax assets	17,107
Cash and cash equivalents	27,073
Creditors, accruals and other payables	(165,012)
Net liabilities acquired	(58,813)
Purchase consideration settled in cash	(11,752)
Cash and cash equivalents in a subsidiary acquired	27,073
Net cash inflow from acquisition of a subsidiary	15,321

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

35 BUSINESS COMBINATION (continued)

(g) Acquisition of Beijing New World Trendy Department Store Co., Ltd.

In March 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Beijing New World Trendy Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5,000,000 (equivalent to approximately HK$5,927,000).

The acquired business contributed revenue of HK$31,178,000 and net profit of HK$4,001,000 to the Group for the period from 1 March 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,807,375,000; profit for the year ended 30 June 2011 would have been HK$842,813,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	5,927
Fair value of net liabilities acquired	58,151
Goodwill (Note 18)	64,078

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

	HK$'000
Property, plant and equipment	5,567
Inventories	1,932
Debtors	2,211
Prepayment, deposits and other receivables	25,154
Deferred income tax assets	16,849
Cash and cash equivalents	46,165
Creditors, accruals and other payables	(156,029)
Net liabilities acquired	(58,151)
Purchase consideration settled in cash	(5,927)
Cash and cash equivalents in a subsidiary acquired	46,165
Net cash inflow from acquisition of a subsidiary	40,238

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

35 BUSINESS COMBINATION (continued)

(h) Acquisition of Chongqing New World Department Store Co., Ltd.

In April 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Chongqing New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5,000,000 (equivalent to approximately HK$5,936,000).

The acquired business contributed revenue of HK$17,678,000 and net profit of HK$698,000 to the Group for the period from 1 April 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,803,357,000; profit for the year ended 30 June 2011 would have been HK$852,151,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	5,936
Fair value of net liabilities acquired	68,326
Goodwill (Note 18)	74,262

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

	HK$'000
Property, plant and equipment	46,415
Inventories	2,793
Debtors	411
Prepayment, deposits and other receivables	22,218
Deferred income tax assets	22,728
Cash and cash equivalents	9,899
Creditors, accruals and other payables	(172,790)
Net liabilities acquired	(68,326)
Purchase consideration settled in cash	(5,936)
Cash and cash equivalents in a subsidiary acquired	9,899
Net cash inflow from acquisition of a subsidiary	3,963

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

36 RELATED PARTY TRANSACTIONS

(a) 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:

	Notes	2012 HK$'000	2011 HK$'000
Fellow subsidiaries			
Management fee incomes	(i)	–	5,001
Operating lease rental expenses	(ii)	(97,678)	(88,128)
Building management expenses	(iii)	(21,197)	(23,928)
Purchase of leasehold improvements	(iv)	–	(13,421)
Reimbursement of shopping vouchers	(v)	3,714	1,246
Sales of goods, prepaid shopping cards and vouchers	(vi)	6,474	4,231
Deposit paid for purchase of building and land use rights	(vii)	(101,231)	(330,024)
Acquisition of a subsidiary	(viii)	–	(108,059)
Related companies			
Concessionaires commissions	(ix)	111,334	70,460
Operating lease rental expenses	(ii)	(258,567)	(203,510)
Building management expenses	(iii)	(22,960)	(19,555)
Sales of goods, prepaid shopping cards and vouchers	(vi)	18,464	1,777
Write-back of other payable	(x)	–	42,332
Rebates on prepaid shopping cards and vouchers	(xi)	385	52

Notes:

(i) The incomes were charged in accordance with the terms of service fees stated in respective agreements.

(ii) 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 2.13.

(iii) The building management expenses are charged at fixed monthly amounts in accordance with respective contracts.

(iv) This represented the purchase of leasehold improvement in respect of certain department stores. Such fees were charged in accordance with the terms of respective contracts.

(v) The reimbursement of shopping vouchers is charged in accordance with respective agreements with NWCL or its subsidiaries and Chow Tai Fook Jewellery Group Limited or its subsidiaries ("CTF Jewellery Group").

(vi) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers issued by the Group to New World Development Company Limited ("NWD")'s subsidiaries (except the Group) and CTF Jewellery Group.

36 RELATED PARTY TRANSACTIONS (continued)

(a) Notes: (continued)

(vii) This represents deposit paid for the purchase of building and land use right as described in Note 20.

(viii) This represented the net consideration of the acquisition of 100% the equity interest of Broad Park Limited and the acquisition was completed on 1 August 2010 as described in Note 35(d).

(ix) The income is charged in accordance with concessionaire counter agreements with CTF Jewellery Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(x) The other payable was waived by a jointly controlled entity of NWCL.

(xi) This represents rebates offered by the CTF Jewellery Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and the CTF Jewellery Group.

(b) Related party balances

The amounts due to related companies are unsecured, interest free and repayable on demand and their carrying amounts approximate their fair values.

(c) Key management compensation

	2012 **HK$'000**	2011 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**12,725**	12,406
Bonus	**1,224**	1,105
Share-based payments	**981**	2,066
Retirement benefit costs – defined contribution plans	**1,094**	1,058
	16,024	16,635

37 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2012 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	indirectly
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK$3	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/ Hong Kong	HK$2	100	–
China Sincere Limited	British Virgin Islands	Financing/Hong Kong	US$1	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	RMB8,787,930	–	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 Shishang New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	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	RMB20,000,000	–	100
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
Hubei New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB16,000,000	100	–

37 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	indirectly
Lanzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB22,282,260	–	100
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/Mainland China	US$80,000,000	100	–
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/ Mainland China	US$5,000,000	–	100
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB40,000,000	100	–
Ningbo New World Trendy Department Store Co., Ltd.	Mainland China	Department Store operation/Mainland China	RMB20,000,000	–	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 Caizi Department Store Co., Ltd.	Mainland China	Department Store operation/Mainland China	RMB50,000,000	100	–
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB18,000,000	–	100
Shenyang New World Department Store Ltd.	Mainland China	Department store operation/Mainland China	RMB30,000,000	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB40,000,000	–	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$50,000,000	–	100

37 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	indirectly
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
Shenyang Trendy Property Company Limited	Mainland China	Property Investment/ Mainland China	RMB27,880,000	–	100
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	US$5,000,000	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
Wuhan New World Trendy Department Store Co,, Ltd	Mainland China	Department store operation/Mainland China	RMB80,000,000	100	–
Wuhan New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	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

38 ULTIMATE HOLDING COMPANY

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

39 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Five-year Financial Summary

	For the year ended 30 June				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**3,490,100**	2,736,197	1,872,905	1,721,246	1,489,345
Operating profit	**786,845**	1,056,754	811,507	695,032	589,394
Profit attributable to:					
Equity holders of the Company	**607,747**	855,588	577,607	547,309	476,575

	As at 30 June				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**11,801,496**	9,673,512	7,271,994	6,298,906	5,760,430
Total liabilities	**5,828,428**	4,101,084	2,502,801	1,869,485	1,653,684
Total equity	**5,973,068**	5,572,428	4,769,193	4,429,421	4,106,746

Glossary of Terms

GENERAL TERMS

Approx.	:	Approximately
Company	:	New World Department Store China Limited
FY	:	Fiscal year, July 1 to June 30
GFA	:	Gross floor area
Group	:	New World Department Store China Limited and its subsidiaries
HK	:	Hong Kong
HK$	:	Hong Kong dollar(s), the lawful currency of Hong Kong
China, PRC or Mainland China	:	The People's Republic of China
RMB	:	Renminbi, the lawful currency of the People's Republic of China
MOC	:	中華人民共和國商務部, the Ministry of Commerce of the PRC
NWD	:	New World Development Company Limited
NWDS	:	New World Department Store China Limited
sq. m. or m^2	:	Square metre
CBD	:	Central Business District

FINANCIAL TERMS

Commission income rate :

$$\frac{\text{Commission income from concessionaire sales}}{\text{Gross revenue from concessionaire sales}} \times 100\%$$

Current ratio (times) :

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Earnings per share or EPS :

$$\frac{\text{Profit attributable to equity holders of the Company}}{\text{Weighted average number of ordinary shares in issue}}$$

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Kar-shun, Henry *(Chairman)*
Mr. Au Tak-cheong

Executive Directors

Mr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip *(Managing Director)*
Mr. Wong Kwok-kan, Kenneth
Ms. Ngan Man-ying, Lynda

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry
Mr. Chan Yiu-tong, Ivan
Mr. Tong Hang-chan, Peter
Mr. Yu Chun-fai

COMPANY SECRETARY

Miss Wu Yuk-kwai, Catherine

AUDITOR

PricewaterhouseCoopers

SOLICITORS

Stephen Mok & Co. in association with Eversheds LLP
Woo, Kwan, Lee & Lo

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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Hutchins Drive
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Fax: (852) 2318 0884

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

STOCK CODE

Hong Kong Stock Exchange 825

INVESTOR INFORMATION

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I ♡ SHOPPING!

新世界百貨中國有限公司
New World Department Store China Limited
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(Stock Code: 825)

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