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)
(Hong Kong Stock Code: 825)

ANNUAL REPORT 2022

CORPORATE PROFILE

Founded in 1993, New World Department Store China Limited (Hong Kong Stock Code: 825) is the retail flagship of New World Development Company Limited (Hong Kong Stock Code: 17) and has developed itself as one of the largest owners and operators of department stores in Mainland China. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. As at 30 June 2022, New World Development Company Limited owns approximately 75% shares of the Group.

RETAIL NETWORK

To orderly expand its business network across the country, the Group adopts the expansion strategies of "multiple presences within a single city" and "radiation city" with a focus on the development of the Greater Beijing region, the Greater Shanghai region and the Greater South Western region. As at 30 June 2022, the Group operated 19 "New World" (「新世界」) branded department stores in Mainland China and seven "Ba Li Chun Tian" (「巴黎春天」) branded department stores and shopping malls in Shanghai with a total gross floor area of about 1,050,200 square metres, covering 15 key locations in Mainland China, including Beijing, Shanghai, Chongqing, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Xi'an, Yantai, Shenyang, Kunming, Lanzhou, Yanjiao and Mianyang.

ORGANIZATION STRUCTURE

The Group owns a seasoned and innovative management team and adopts a three-tier structure for effective management, in which the headquarters centrally controls the two operating regions of the Group, and each region manages the operations of their stores. Such structure actualizes both resource-sharing and synergy within each region. When formulating professional strategies such as merchandising and marketing strategies, the Group implements a double-line management mechanism. Based on the positioning and direction of the Group, the headquarters formulates a macroscopic corporate strategy and deploys resources for its strategic plans, which is then adjusted and executed towards the relevant goals by stores according to their local circumstances to ensure the Group's strategy is landed.

BUSINESS OPERATIONS

The Group actively implements categorized store management and "One Store, One Strategy" operations strategy to encourage stores to adopt different strategies to capture opportunities arisen from the consumption upgrade in Mainland China. The Group's revenue is mainly derived from: commission income from concessionaire sales, rental income, sales of goods for direct sales, and interest income from finance leases as the lessor. In addition to its core department store business, the Group has been synchronously expanding its direct sales business in recent years, such as LOL (Love • Original • Life) Concept Shop, to strengthen its differentiated operations.

TALENT DEVELOPMENT

The Group regards its staff as a valuable asset. Through a series of incentive schemes, training programmes and career opportunities, the Group strives to fortify the team's proactiveness, innovative capability and sense of belonging so as to encourage and cultivate its talents, who will join up to put the Group's vision and mission into actions. As at 30 June 2022, the Group had 2,412 employees.

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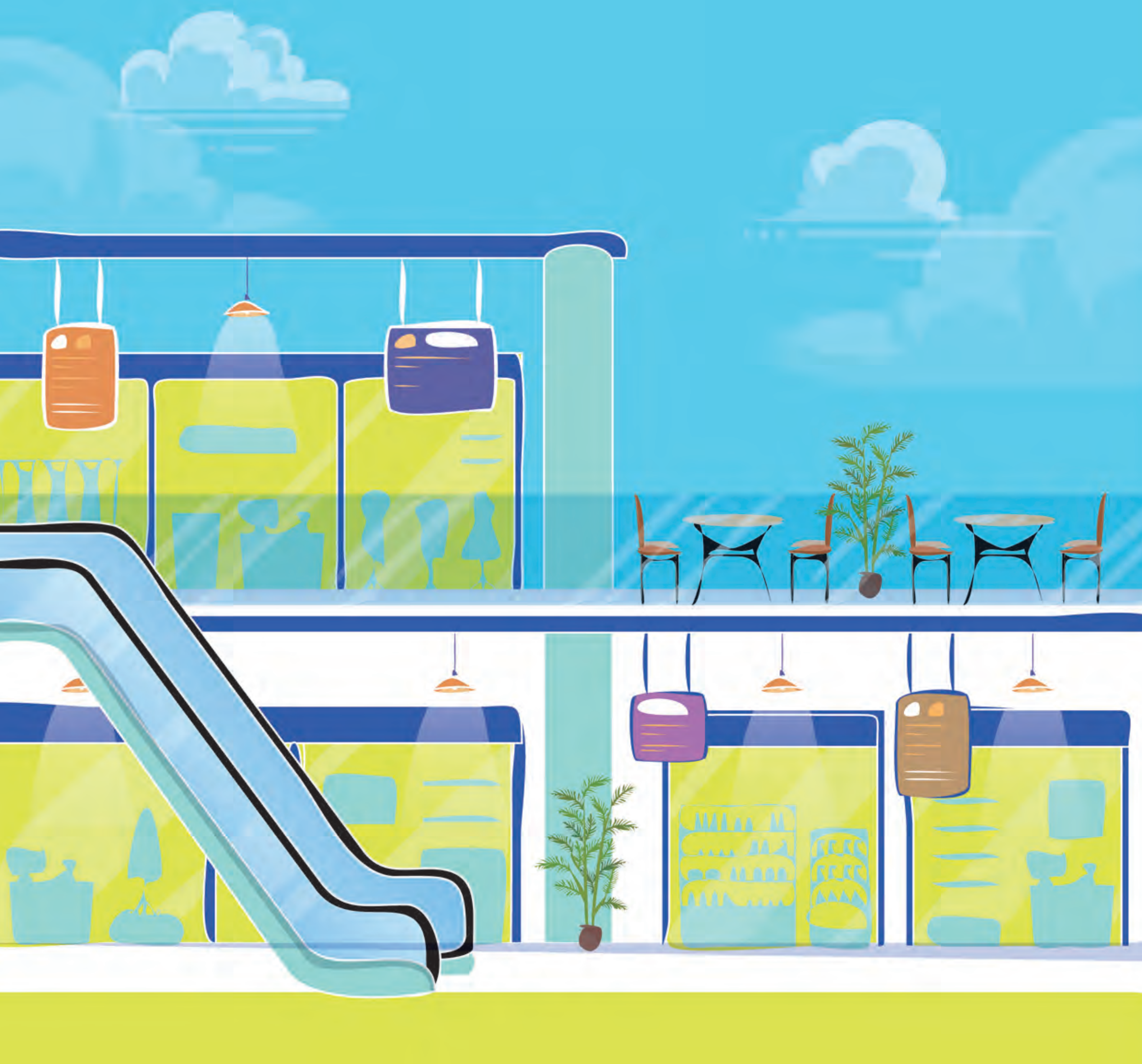


GOAL

To be one of the most influential and most efficient department store chain operators in China.

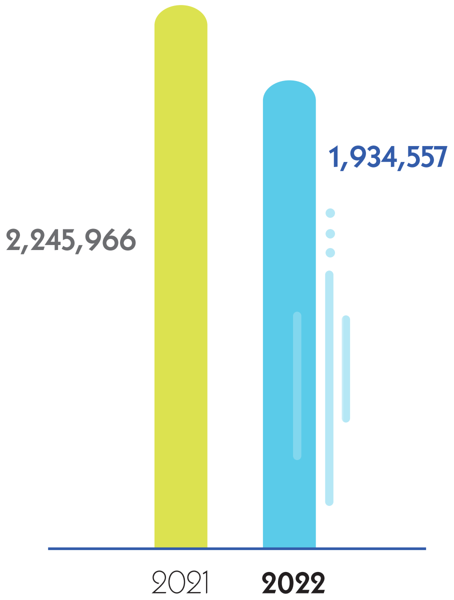
MISSION

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

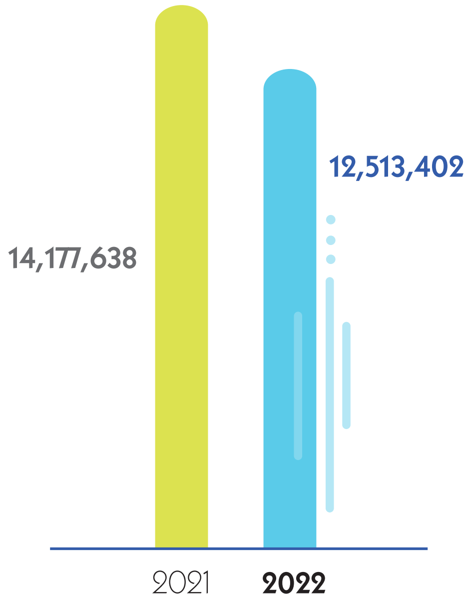
CONVICTION

To embrace "innovation, foresight, integrity, prudence and respect" in its core values, which would create a promising development path for NWDS.

FINANCIAL HIGHLIGHTS

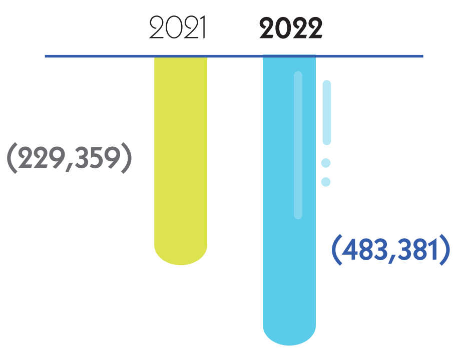


REVENUE
(HK$'000)



TOTAL ASSETS
(HK$'000)

NET LOSS
(HK$'000)



	2022 HK$'000	2021 HK$'000
OPERATING RESULT		
Revenue	**1,934,557**	2,245,966
Representing:		
Commission income from concessionaire sales	**665,362**	893,026
Sales of goods – direct sales	**501,160**	633,583
Rental income	**745,607**	703,394
Interest income from finance leases as the lessor	**22,428**	15,963
Operating (loss)/profit	**(199,595)**	89,491
Loss for the year ("Net loss")	**(483,381)**	(229,359)

	As at 30 June 2022 HK$'000	As at 30 June 2021 HK$'000
FINANCIAL POSITION		
Total assets	**12,513,402**	14,177,638
Total liabilities	**8,510,146**	9,709,311
Borrowings	**1,489,544**	1,412,275
Less: Fixed deposits with original maturity over three months, cash and bank balances	**(1,079,448)**	(1,569,421)
Net debt/(cash)	**410,096**	(157,146)
Total equity	**4,003,256**	4,468,327
Net gearing ratio (Note (i))	**10.2%**	–3.5%

Supplementary information with properties for department store business stated at valuation (Note (ii)):

	As at 30 June 2022 HK$'000	As at 30 June 2021 HK$'000
Revalued total assets	**12,599,989**	14,463,765
Revalued net assets	**4,089,843**	4,754,454

Notes:

(i) Net debt/(cash) divided by total equity.

(ii) According to the Group's accounting policies, the properties for department store business were carried at cost less accumulated depreciation. To give further information, the Group hereby presents supplementary unaudited financial information taking into account the fair value of properties for department store business. The properties were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professional valuer.

CHAIRMAN'S STATEMENT

After nearly 30 years of expedition, we still keep our ambition in mind and have never stopped exploring to advance and innovate. As a business operator specialized in retail industry, we will keep an open mind to embrace new opportunities and changes...

Over the past year, we saw challenges, recursive threat of COVID-19 and intensified international geopolitical conflicts, all of which together have put increasing pressure on the macro economy and affected the retail industry as a whole.

In the second half of the year under review, as COVID-19 pandemic recurred in various parts, the Group had to comply and follow respective pandemic prevention measures imposed by different local governments, during which we had to temporarily shut down our certain stores and shorten business hours, resulting in a sharp plunge in the number of visitors to our stores and a hard impact on our business. Since June 2022, the pandemic in various regions has been alleviated to a certain extent. With the phased resumption of retail operations, the Group has actively organized various activities to attract visitors and stimulate sales, our business operations have gradually recovered to normal.

During the year under review, the Group actively responded to various changes in the macro environment, spared no efforts in strengthening its ability to provide services and create value for customers and focused on our core retail business and pursued long-term and stable growth. We have carried out our business transformation and stores revamping plans in an orderly manner for various stores as scheduled so as to re-adjust our image to be more aligned with current consumer preferences and attract the visitors to spend longer time in the stores. We have upgraded our mode of business, merchandise and services provided and our online platform. Only high-quality brands, regional first stores and benchmark brand flagship stores are selected and invited to operate in our stores so as to enrich customers' consumption experience with diversified merchandise and brand composition. In addition, with the strategy of differentiated market positioning, each of our stores is able to reach out to more customers with different consumption power and habits.

With the advancement of internet technology, the retail industry has moved into a business era that has been transformed by close integration of online and offline platforms. The Group will continue to reinforce the construction of new retail business scenarios and make our efforts on comprehensive marketing. We shall organize more creative marketing activities and introduce more innovative mode of operation so as to create synergy effect between offline physical retail stores and online business platforms to achieve more diversified sources of revenue.

The Group will also continue to improve its retail and customer management systems. While serving its existing members, we will put more efforts on exploring potential new members like young people and those who emphasize character. In addition, the Group will actively use new forms of social media such as short videos and live streaming, to focus on customer management.

Currently, we have in place a core strategy of "seeking progress while maintaining stability". Looking ahead, we will continue to pursue this strategy for the purpose of focusing on providing our customers with merchandise and services they want in order to create a better lifestyle and value. In addition, the values such as environmental protection, health, wisdom and care to people have been integrated into our corporate values and daily operations. We shall fulfill our social responsibilities, pay attention to and exert our strength in every aspect, to create and advocate the corporate concept of shared value.

The year of 2023 is just around the corner. After nearly 30 years of expedition, we still keep our ambition in mind and have never stopped exploring to advance and innovate. As a business operator specialized in retail industry, we will keep an open mind to embrace new opportunities and changes so as to keep abreast of the times.

On behalf of the Board, I would like to extend my gratitude to all employees for their contribution and dedication, and express sincere thanks to our shareholders, customers and business partners for their long-term support. The Group will continue to do the best to make use of the new normal and new consumption patterns, to embrace new challenges and capture every opportunities to provide better returns and services.

Dr. Cheng Chi-kong, Adrian
Chairman

Hong Kong, 29 September 2022

RETAIL NETWORK

26 Strategic Footholds

15 Major Locations

	Date of Opening	Approximate GFA (sq.m.)
Northern China Region		**644,900**
Beijing Chongwen Store	July 1998	117,200
Beijing Liying Store	September 2008	52,000
Beijing Qianzi Store	September 2010	55,600
Beijing Trendy Store	March 2007	31,200
Changsha Trendy Plaza	September 2006	35,000
Lanzhou Store	September 2005	28,500
Shenyang Jinqiao Road Trendy Plaza	May 2011	34,000
Tianjin Store	October 1997	14,200
Xi'an Trendy Plaza	December 2012	58,700
Yanjiao Store	April 2013	32,000
Yantai Store	December 2013	55,600
Zhengzhou Store	April 2011	35,500
Wuhan Jianshe Store	November 1994	42,000
Wuhan Wuchang Branch Store	October 2005	24,000
Wuhan Xudong Branch Store	January 2008	29,400
Southern China Region		**405,300**
Chongqing Store	September 2006	42,000
Kunming Store	June 2004	12,600
Mianyang Store	December 2011	35,000
Nanjing Store	November 2007	41,200
Shanghai Baoshan Branch Store	January 2010	39,000
Shanghai Chengshan Branch Store	April 2010	38,000
Shanghai Huaihai Branch Store	December 2001	22,500
Shanghai Pujian Branch Store	September 2007	46,000
Shanghai Shaanxi Road Branch Store	November 2011	42,000
Shanghai Tianshan Road Branch Store	August 2013	43,000
Shanghai Wujiaochang Branch Store	December 2006	44,000
TOTAL GROSS FLOOR AREA		**1,050,200**

NORTHERN CHINA REGION


Beijing Chongwen Store


Beijing Trendy Store


Beijing Liying Store


Beijing Qianzi Store

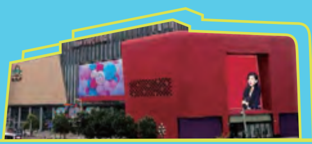

Tianjin Store


Yanjiao Store


Yantai Store


Lanzhou Store


Xi'an Trendy Plaza


Shenyang Jinqiao Road Trendy Plaza


Wuhan Jianshe Store


Wuhan Wuchang Branch Store


Wuhan Xudong Branch Store


Changsha Trendy Plaza


Zhengzhou Store

SOUTHERN CHINA REGION


Shanghai Huaihai Branch Store


Shanghai Wujiaochang Branch Store


Shanghai Pujian Branch Store


Shanghai Baoshan Branch Store


Shanghai Chengshan Branch Store


Shanghai Shaanxi Road Branch Store


Shanghai Tianshan Road Branch Store


Nanjing Store


Chongqing Store


Kunming Store


Mianyang Store

ONLINE SHOP
24h
SHOP
ONLINE
FAST FOOD


SHOP
SALE
OFFLINE

MANAGEMENT DISCUSSION AND ANALYSIS

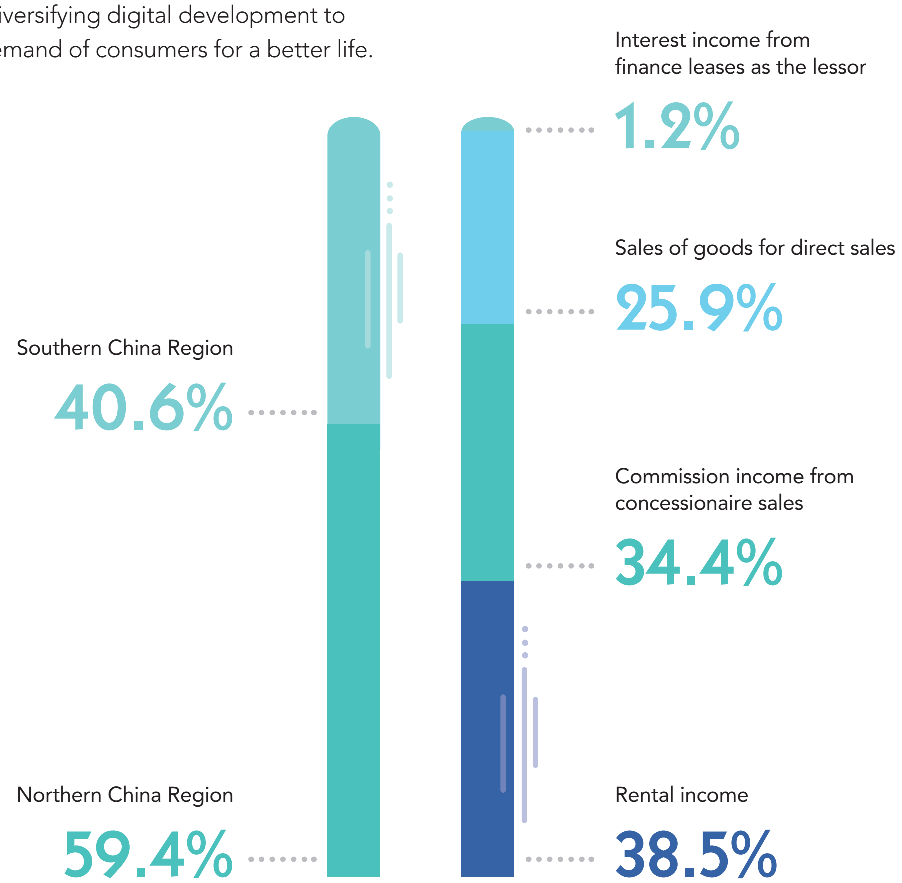
BUSINESS REVIEW

Results Summary

With the changing consumption trends and emerging new consumption modes, the development of commodity value and attractiveness, together with the application of digitalization are the key elements for the merchandise retail sector to upgrade and transform. At the same time, due to the shift in consumption mode towards the pursuance of high quality, the improvement of both quality and efficiency has become the key focus of the Group in the financial year under review. The Group has also been actively responding to the national policies and navigating the changes in consumption trends. The Group lays its focus and foundation by the implementation of expanding merchandise mix, improving the quality of stores and establishing distinctive brand image (the "Three Qualities" Strategy). The Group keeps enhancing the supply capacity of commodities and membership services, as well as advancing the renovation of physical stores and operations while diversifying digital development to better meet the demand of consumers for a better life.

As at the year ended 30 June 2022, the Group's revenue for the year was HK$1,934.6 million compared with HK$2,246.0 million of the Previous Year. In terms of segment, the Group's revenue for the year ended 30 June 2022 was mainly derived from rental income which accounted for 38.5%. This was followed by commission income from concessionaire sales which took up 34.4%, sales of goods for direct sales which took up 25.9%, and interest income from finance leases as the lessor, which took up 1.2%.

The Group's loss for the year ended 30 June 2022 was HK$483.4 million compared with HK$229.4 million loss for the year ended 30 June 2021. Loss per share for the year under review was HK$0.29.



Business Network

As at 30 June 2022, the Group operated 26 department stores and shopping malls in Mainland China, covering 15 key locations across the country which included Beijing, Shanghai, Chongqing, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Xi'an, Yantai, Shenyang, Kunming, Lanzhou, Yanjiao and Mianyang, with the total gross floor area of about 1,050,200 square metres.

OPERATIONS REVIEW

Taking an overview of the whole market, demand on good quality merchandise has been continuously releasing with an optimized consumption structure and a visible upgrading trend. Meanwhile, under the gradually tightened regulation of online operations by the government of the People's Republic of China (the "State Government"), the online and offline fair development environment is being formed while also bringing in new opportunities for offline business as well.

With the continuous impact of COVID-19 pandemic and the pandemic evolving as a normality, the Group always upholds the membership and commodities as its core values, and adheres to the complementary development of online and offline businesses.

In respect of the online business, as the digitization of merchandise retail industry has entered in a critical stage, the Group launched its further optimized and renewed online system which has integrated the "K Dollar reward system" of New World Development Company Limited Group (the "NWD Group") and provided a more comprehensive, precise and intelligent value-added membership service. For instance, corresponding merchandises were recommended to members according to their shopping preferences. The system also concentrates on members' privileges and loyalty points in order to plan for and launch innovative marketing campaigns, improve the sales proportion of members through precise marketing, and further facilitate ticket size and repeat patronage to achieve substantial growth.

For the offline business, the Group focuses on creating a one-stop consumption experience for customers, not only transforming and upgrading the physical stores in various degrees, but also optimizing in the aspects of services, scenarios and business category in all directions. Examples include the newly upgraded Beijing Chongwen Store, the first "Multi-media Live Streaming Room for Trend Setters and Star Creators" (融媒體潮創明星直播間) in Shanghai launched by Shanghai Tianshan Road Branch Store and other projects, which the Group intended to turn the physical stores into an integrated and interactive spaces with multi-dimensional experience. Moreover, the Group raised the value of commodities and attractiveness in terms of functions, qualities, appearance and display format to attract consumers. In addition, during the pandemic, the Group strengthened its merchandising capability and brand development, and continuously enhancing commodities operation and service capacity by adapting to consumption trends and leveraging the advantages of self-operated supply chain.

During the year under review, due to the resurgence of COVID-19 pandemic, business of the Group suffered from unprecedented pressures and challenges, especially the store closures at different stages with operation hours shortened in the four physical stores in Beijing from April to May 2022, and temporary closure of the seven physical stores in Shanghai from March to May 2022. The overall business of the Group was greatly impacted, both of the Group's revenue and profit have decreased.

To consolidate and optimize its resource allocation, the Group closed three stores during the year under review, namely Harbin Store, Shanghai Qibao Branch Store and Chengdu Store.

Commercial Complex Business

Department Store and Shopping Mall Business

During the year under review, the Group continued to focus on retail, and through business scenarios development, renovating the stores and upgrading of the online digital platform to closely connect online and offline, retail and service offering, thus comprehensively enrich and optimize its business modes, merchandise mix, services quality and the members consumption experience.

By adhering to its one store, one strategy specific operations scheme for the creation of segmentation market, the Group actively pushed forward its key transformation projects, and kept seeking to identify regional first stores and benchmark brand flagship stores for cooperation. During the year under review, the overall planning for the reforming of business modes and repositioning in line with business circle for our Beijing Chongwen Store has completed, focusing on the renovation and refurbishment of areas such as the main entrance, flyover and atrium of the shopping mall so as to upgrade its image and to introduce an array of international first-tier skin care brands and the restaurants recommended by the key opinion leaders ("KOLs"). Beijing Trendy Store was greatly improved which have significantly increased the foot traffic and in turn the revenue from rental business. The foot traffic increased by 34% year-on-year ("YOY"). The revenue from rental business increased by 51% YOY. The largest renovation works of the facade of our Shanghai Huaihai Branch Store and the upgrading of its business modes since its opening were carried out during the year under review, and 48 new brands were introduced, including 25 brand's first stores in Mainland China, flagship stores, and city concept stores. Focusing on young consumers, Shanghai Huaihai Branch Store targets to create a consumption scene where domestic first stores and the restaurants recommended by the "KOLs" are gathered, to build a thematic area with trendy, social and artistic characteristics around the metro Station and become a new landmark for checking-in and social gathering on Huaihai Road.

Beijing Chongwen Store has undertaken phased renovation and refurbishment to refresh and upgrade the store image.

The first store of AMINO AMIGO in Shanghai launched in Shanghai Huaihai Branch Store.

Shanghai Huaihai Branch Store renewed with the brand new image of "Ba Li Chun Tian V Store" (巴黎春天V店).

During the year under review, the Group carried out more than 100 themed marketing activities embracing the market hotspots. Many of them are regional based joint events, for example, the self-created Intellectual Property ("IP") marketing activities such as "825 Shopping Carnival" (825購物狂歡節), "We are Eat Lovers" (胃愛吃狂), "Stores' Joint Thanksgiving Month" (店慶月聯動), "Sales and Dance for the year of Tiger" (虎力全開 • 虎舞生威特別企劃), "Loving Fans Day" (新百寵粉節) and "Charity Festival in May" (5月公益節) in Northern China region, among which the "Sales for the year of Tiger" (虎力全開) made full use of the internet platforms for multi-channel promotion with more than 40 million times of exposure through all channels and has attracted wide attention. "Multi-media Live Streaming Room for Trend Setters and Star Creators" (融媒體潮創明星直播間), the first of such attempt in Shanghai, was landed in Shanghai Tianshan Road Branch Store, popular celebrities such as girl pop groups, Michelin chefs, outstanding dance performers and pianists, singer-song writer were invited to visit the live streaming room, attracted a large number of fans to participate in the exciting activities held in our stores, which not only increased our market influence but also gained encouraging feedback from the market, which raised the number of young visitors and the sales amount of their consumption. The active level of members and the number of new members were thus synchronously increased.

The "Multi-media Live Streaming Room for Trend Setters and Star Creators" (融媒體潮創明星直播間), the first launch of such attempt in Shanghai Tianshan Road Branch Store, where popular singers and song writers are invited to hold live Streaming event – "Big Music Billboard" (音樂BIG榜).

Regional based joint events – "825 Shopping Carnival" (825購物狂歡節).

"Hi 8 Dream Factory" (嗨8造夢場), a grand marketing event, held in Yantai Store.

Encompassing consumer's preferences and interests, the Group embraced the social needs of young consumers and kept abreast of the current upsurge in experiential business such as e-sports and other sport activities in order to create an attractive atmosphere for the social gathering of young people, and actively introduced a diversified consumption and business scenarios such as indoor sports stadiums, performance theatres, new cultural, entertainment and creative spaces. The newly introduced "Mesi Comedy" (么斯喜劇), an offline stand-up comedy theatre in Wuhan Wuchang Branch Store has attracted a large number of young visitors to our stores. Changsha Trendy Plaza has successively attracted first stores from Hunan and other business circles, such as "Peak of Love E-sports Hall" (巔峰之戀電競館), "Planet of Fashion and Fun" (潮玩星球), "Qijiu Roast Meat" (柒酒烤肉) and other trendy food and beverage brands. Shanghai Chengshan Branch Store focuses on sports business and has introduced new sports experience venues such as "3V3 Basketball Court" (3V3籃球場), "East Star" (東方啟明星), "Qiu Shang Jin Children's Tennis Centre" (球上勁), and cooperated with an array of brands to hold sports leagues to create sports-themed IP so as to substantially increase the frequency of visit to the stores and interaction among young visitors and family visitors.

The newly introduced "Mesi Comedy" (么斯喜劇) which is an offline stand-up comedy theatre in Wuhan Wuchang Branch Store, has attracted a large number of young visitors to our stores.

Sports leagues in Shanghai Chengshan Branch Store cooperated with brands to hold sports leagues to create sports-themed IP.

Changsha Trendy Plaza introduced the first store of "Peak of Love E-sports Hall" (巔峰之戀電競館) within its business circle.

"New Lab Mini Program" is the online marketing and traffic sharing centre of the Group and acts as the core carrier of the Group's digital development. During the year under review, through its new and optimized online system interconnection, "New Lab Mini Program" facilitated various promotional and targeted marketing activities. For example, birthday coupons were sent to the members on their birthdays, and the advertisements of related merchandises will be pushed to the members based on their shopping preferences. The proportion of sales and the number of repeated purchases from the members can be increased through the automatic verification and exchange of shopping cards and coupons, which could achieve the integration of commodity promotion and sales and membership services. During the year under review, the number of members of "New Lab Mini Program" increased by 46.8% YOY to 1.17 million.

Furthermore, the Group brings the "K Dollar reward system" into full play to generate a number of consumption benefits and convenient experiences for the members. For instance, a series of themed events such as "Create and Enjoy a Better Life" (創享美好生活) have been held based on the benefits of membership points and through the cooperation of a number of brands and online and offline channels. Such activities include targeted promotion of WeChat Moments of which more than 1.2 million times of exposure have been recorded in half a year. The Group offers an array of membership benefits such as redemption of membership points to offset prices, multiplied points, points for coupons or gifts and member exclusive activities in order to actively attract visitors to the offline stores, enhance member interaction and attract new member enrolment. As at 30 June 2022, the total number of followers on the official Weibo and WeChat accounts of the Group and its stores increased by 5.32% YOY to nearly 4.4 million, and the total number of members of the Group increased by 9.1% YOY to 7.01 million.

The Group brings the "K Dollar reward system" into full play to generate a number of consumption benefits and convenient experiences for the members, so as to enhance member interaction and attract new member enrolment.

Various member-exclusive activities such as yoga and physical fitness are offered by cooperating brands to strengthen member interaction and enrich membership benefits.

Wider array of membership privileges and benefits.

The Group and its stores accelerated the process of creating and operating the accounts in distribution and other traffic channels such as WeChat Work, store official accounts, social media, video accounts, New Lab welfare officer (新閃購福利官), and conducted one-to-one communication with the members through live streaming groups and pop-up event groups so as to deliver high-quality merchandises and convenient services to the customers. The Group also nurtures its own star employees and star live commerce hosts and cooperates with specialized firms for internet celebrity incubation and operation as well as professional "KOLs" to effectively accelerate sale growth through online live streaming. During the year under review, nearly 600 times of live streaming were broadcasted on the "New Lab" platform and the sales from the "New Lab" increased by 28.7% YOY.

During the year under review, the trial run of "NWDS V Deals" Mini Program (新百V惠小程式) was launched in Zhengzhou Store, enabling the merchant tenants to join the Group's online store system as a member to enable the integrated online operation of department stores, direct sales and rental business, and improving merchant tenants' turnover through joint marketing. Since the launch of "NWDS V Deals" Mini Program for three months, the total number of members has exceeded 12,000.

"NWDS V Deals" Mini Program (新百V惠小程式) was launched in Zhengzhou Store.

Live streaming of product demonstration and promotional activities on the "New Lab" platform.

"929" live streaming themed event in Chongqing Store.

Rental Business

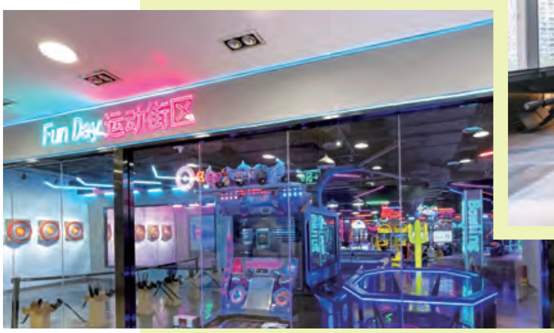
During the year under review, the Group followed the market trend and diversified its merchandising mix.

The recurrence of the pandemic in Mainland China has increased the popularity among people to pursue healthy lifestyles such as participation in sports activities and outdoor camping. The pursuit of a healthy lifestyle has become a consumption hotspot in the current and post-pandemic era, leading to an increase in the demand for domestic sports brands such as Li Ning and Anta and in turn enhanced willingness to open more stores. During the year under review, the Group actively introduced yoga and fitness spaces such as "FUNDAY sports block" (FUNDAY運動街區), "MORE LUCKY Pilates Studio" (魔練普拉提) and other fitness clubs to further strengthen the synergy effect of sports brands.

Light meals and ready-to-eat meals are highly sought after by young consumers and have become the key shop category introduced by the Group during the year under review. All stores continue to introduce more popular beverage brands, for example, the Starbucks in Shanghai Pujian Branch Store has been upgraded to a Selected Store, "Nayuki Pro" (奈雪的茶) has opened tea drink stores in Beijing Liying Store and Beijing Trendy Store as well as Wuhan Xudong Branch Store and Wuhan Jianshe Store. "Cha Yan Yue Se" (茶顏悦色) has been introduced to Wuhan Xudong Branch Store and Wuhan Jianshe Store and became the first batch of its brand stores in Wuhan. Mostly notably, based on our excellent cooperation with popular coffee brands, negotiations on opening more outlets in the Group's targeted stores is in progress.

Opening ceremony of the new store of Anta underlines our enhanced cooperation with domestic sports brands.

"Cha Yan Yue Se" (茶顏悦色) opened its first batch of Wuhan stores in Wuhan Jianshe Store.



To further strengthen the synergy effect of sports brands, fitness spaces such as "FUNDAY sports block" (FUNDAY運動街區) and other fitness clubs were introduced.

However, subject to the fire prevention laws and regulations as well as the prevention and control measures against the recurrence of the pandemic, shops operated in the business of enclosed space such as escape rooms, live action role playing games and beauty and body care have been affected in varying degrees. Their business expansion plans have been shelved and their business performance has been declining.

Private Label Business

As at 30 June 2022, the Group operated four "New World Supermarket" in Beijing, Wuhan, Lanzhou and Yantai respectively.

During the year under review, the Group enhanced the position of its supermarkets to an experiential and digital living supermarket, providing quality and healthy lifestyle solutions for consumers by offering high quality, healthy products with high cost-performance ratio as well as on-site featured services and experience. During the year ended 30 June 2022, the Group completed the upgrade of operating space and equipment in its supermarket of Beijing Chongwen Store, including focusing on adjustment and optimization of spatial planning and display of products, as well as the expansion of the supply chain storage of fresh products.

Spatial planning and display of products were optimized as well as the expansion of the supply chain storage of fresh products in supermarkets.

Self-checkout system was upgraded so as to create more digitalized supermarkets.

In light of the impact of the pandemic relapse, stores with supermarket business also planned ahead. For example, Beijing Chongwen Store "New World Supermarket" endeavoured to maintain sufficient supply of daily necessities. Focusing on community delivery business, it leveraged its location advantage, expanded the regional coverage, enhanced operational efficiency and made joint efforts with the State Government to prevent pandemic and uphold the supply of merchandise.

As at 30 June 2022, the Group operated five LOL (Love • Original • Life) ("LOL") private concept shops. Among them, three shops are located in Shanghai and two shops are located in Beijing.

During the post-pandemic period, as consumers further raised their demands on household living quality, they are enthusiastic about purchasing various housewares with high quality, attractive appearance and comforting effect. Upholding the concept of aesthetic lifestyle, LOL is selective in choosing premium products to meet consumers' demand. During the year ended 30 June 2022, the Group renovated and upgraded the LOL stores in Beijing Trendy Store and Shanghai Baoshan Branch Store, emphasised on adjusting the merchandise structure, focused on quality housewares and selected gifts, created consumption scenario requirements and products supply, the YOY growth of sales of both stores were increased by 12%.

Keeping up with current consumption trends, LOL further expanded its product lines to include popular products with high demand including sports equipment for outdoor, camping and skiing as well as fashionable electronic appliances, in order to cater to middle-to-high-end consumer groups with demanding for quality products and living experience. LOL will then continue upgrading, adjusting and creating scenes in some stores, introduce more European and American high-end housewares and designer products, expanding offline sales to online by putting together the operation of WeChat mini program "LOL Concept Shop", so as to boost total sales.


Image and merchandise structure underwent optimization and upgrading in some LOL stores.

OUTLOOK

As the State Government has incorporated the promotion of digital economy development in the report on the work, conducting online business and utilizing digital tools are essential for business advancement. Currently, our digital construction is primarily conducted in the front-end, our next step will turn to the construction in mid-to-back-end and facilitate the development of online-merge-offline and smart decision-making intelligence.

In the short term, uncertainties, including recurrence of pandemic and evolving market economy, will continue to bring challenges and effect to the Group's business. Looking forward, the Group will adhere to deepening its business development. While strengthening our operation, the Group will also carry out pandemic prevention and control, continue to promote business innovation and upgrade, and increase retail efficiency by taking full advantage of online platform. Through combining popular sales platform such as convenient and interactive live-streaming and video channels, with third-party products delivery channels with higher efficiency, the Group will expand and optimize contactless transaction environment and achieve closed-loop transaction, enabling consumers to access and pay in a more convenient way. The Group will grasp the opportunity of consumer market recovery brought by the effective control of pandemic. By combining consumption trends with a novel way of thinking, we conduct marketing campaigns to create synergies between multiple brands across different stores and regions, align products and membership, adapt to changes and keep abreast of the times. To ensure steady and sustainable growth, we must stay relevant to the latest development.

In tandem with that, as a member of the NWD Group's ecosystem, the Group will uphold the concept of creating interconnectivity, achieving social responsibility and sustainable development as the benchmark of the corporate culture, constantly utilize its strengths, explore more consumption scenarios and develop distinguished consumption experience aiming at creating shared values.

FINANCIAL REVIEW

Revenue and Other Income

Revenue of the Group was HK$1,934.6 million in FY2022 (or the "Current Year") (FY2021 (or the "Previous Year"): HK$2,246.0 million). The drop was primarily due to the impact caused by the continued and prolonged pandemic of COVID-19 and the operation of retail business in some regions has been adversely affected, including a city lockdown in Shanghai City, and are under greater operational pressure.

Gross sales proceeds of the Group, comprising proceeds from concessionaire sales and sales of goods for direct sales, rental income, interest income from finance leases as the lessor and other income, was HK$5,984.3 million in FY2022 (FY2021: HK$7,472.7 million).

The Group's merchandise gross margin was 13.3% in the Current Year (FY2021: 13.9%). In FY2022, ladieswear, menswear and accessories made up approximately 35.6% of proceeds from concessionaire sales and sales of goods for direct sales. Gold, jewellery and watch made up approximately 34.1%, sportswear made up approximately 9.8%, cosmetic products made up approximately 10.9%, and kidswear, foodstuffs, electrical appliances, and housewares largely made up the rest. Direct sales revenue in the Current Year mainly comprised sales of cosmetic products (approximately 78.0%), supermarkets and convenience stores (approximately 20.9%), life concept shops, ladieswear, menswear and accessories as well as miscellaneous items (approximately 1.1%).

Rental income increased by 6.0% to HK$745.6 million in FY2022 from HK$703.4 million in FY2021, mainly due to expanded rentable area and improved tenant mix in the Current Year.

Interest income from finance leases as the lessor was HK$22.4 million in FY2022 compared with HK$16.0 million in FY2021.

Other income of the Group was HK$60.3 million in FY2022 compared with HK$67.5 million in FY2021. The decrease in other income was primarily due to a decrease in government grants of HK$1.4 million, a decrease in carpark income of HK$2.3 million and a decrease in other compensation income of HK$2.9 million in the Current Year.

Other Losses, Net

Net other losses of the Group in the Current Year was HK$104.6 million which included HK$201.4 million net gain on derecognition of lease liabilities and right-of-use assets due to downsizing of Tianjin New World Department Store, closure of Harbin New World Department Store and Hong Kong New World Department Store – Shanghai Qibao Branch Store in FY2022, HK$48.6 million net gain on derecognition of right-of-use assets, and HK$14.2 million rent concessions granted from certain landlords as a result of the COVID-19 pandemic. The above mentioned gains were partially offset by HK$220.4 million of impairment loss on goodwill and HK$78.6 million of impairment loss on property, plant and equipment and right-of-use assets for mainly six department stores in light of the latest market environment and the management's assessment on the business prospect thereof, HK$53.7 million totalled loss allowance, net loss on derecognition and lease modification of finance lease receivables, and HK$8.2 million net loss on disposal of property, plant and equipment in the Current Year.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Year was HK$107.5 million which was a net loss arose from the decrease in the fair value of the properties mainly in Shanghai City, Shenyang City, Tianjin City and Zhengzhou City.

Purchases of and Changes in Inventories, Net

The purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It decreased to HK$464.5 million in FY2022 from HK$583.9 million in FY2021.

Purchases of Promotion Items

The purchases of promotion items represented the costs of promotion items transferred to the customers of concessionaire sales and direct sales upon their consumption in department stores or redemption of reward points granted under customer loyalty programme. The purchases of promotion items was HK$16.7 million in FY2022 compared with HK$12.2 million in FY2021.

Employee Benefit Expense

Employee benefit expense increased to HK$463.2 million in FY2022 from HK$458.1 million in FY2021. In RMB terms, employee benefit expense decreased to RMB383.1 million in FY2022 from RMB391.7 million in FY2021, primarily due to the continuous efforts by management to carry out cost control measures as well as the Group's effort in optimisation of human resources to lower the staff costs, and downsizing and closure of certain department stores in FY2021 and FY2022. The decrease was partially offset by the compensation to the employees of HK$28.3 million for downsizing and closure of certain department stores during the year.

Depreciation

Depreciation expense decreased to HK$506.7 million in FY2022 from HK$583.6 million in FY2021, primarily due to no depreciation charged in the Current Year for property, plant and equipment and right-of-use assets that have been fully depreciated, impaired or derecognized in FY2021, and downsizing and closure of certain department stores in FY2021 and FY2022.

Rental Expense

Rental expense decreased to HK$110.1 million in FY2022 from HK$124.4 million in FY2021. The decrease was primarily due to the decrease in turnover rent in line with the decrease in sales proceeds in the Current Year.

Other Operating Expenses, Net

Net other operating expenses increased to HK$421.3 million in FY2022 from HK$106.1 million in FY2021. The increase was primarily resulted from the increase of HK$163.0 million of net exchange loss mainly arising from the changes on Hong Kong dollar against Renminbi during FY2022, loss allowance of debtors of HK$48.5 million compared with reversal of loss allowance of debtors of HK$16.3 million in FY2021, a total of HK$74.4 million of compensation to the affected parties for downsizing and closure of certain department stores in FY2022, and an increase in loss allowance of other receivables of HK$21.9 million in the Current Year. The increase was partially offset by the decrease in selling, promotion, advertising and related expenses and other tax expenses of HK$14.3 million in line with the decrease in sales proceeds.

Operating (Loss)/Profit

Operating loss was HK$199.6 million in FY2022, as compared to operating profit of HK$89.5 million in FY2021.

Finance Costs, Net

Net finance costs was HK$207.0 million in FY2022 compared with HK$192.5 million in FY2021. The increase was mainly due to an increase in interest expense on lease liabilities of HK$10.0 million in the Current Year.

Income Tax Expense

Income tax expense of the Group was HK$76.8 million in FY2022 compared with HK$126.2 million in FY2021.

Loss for the year

As a result of the reasons mentioned above, loss for the year was HK$483.4 million compared with HK$229.4 million in the Previous Year.

Liquidity and Financial Resources

Fixed deposits with original maturity over three months and cash and bank balances of the Group amounted to HK$1,079.4 million as at 30 June 2022 (30 June 2021: HK$1,569.4 million).

The Group's borrowings as at 30 June 2022 were HK$1,489.5 million (30 June 2021: HK$1,412.3 million).

As at 30 June 2022, the Group's was in net debt position of HK$410.1 million (30 June 2021: in net cash position of HK$157.1 million).

At 30 June 2022, the Group's current liabilities exceeded its current assets by HK$2,816.4 million (30 June 2021: HK$2,367.8 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 30 June 2022 were HK$43.6 million which were contracted but not provided for in the consolidated statement of financial position.

Pledge of Assets

As at 30 June 2022, the Group did not have any pledge of assets (30 June 2021: Nil).

Treasury Policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar and United States dollar against Renminbi. 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 2022.


ONE-STOP


Shoes

DIRECTORS' PROFILE

Non-executive Director and Chairman

DR. CHENG CHI-KONG, ADRIAN *SBS, JP*
Aged 42

was appointed as an executive Director in June 2007, and has been appointed as the chairman of the Company and re-designated as a non-executive Director in May 2021. He is also a member of the remuneration committee of the Board. Dr. Cheng joined the Group in 2007 and is responsible for overseeing the corporate affairs of the Group. He is the Executive Vice-chairman and Chief Executive Officer of New World Development Company Limited ("NWD"), which is a substantial shareholder of the Company, an executive director of each of NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and a non-executive director of Arta TechFin Corporation Limited and a non-executive director of Giordano International Limited, all being listed public companies in Hong Kong. Dr. Cheng is a director and executive chairman of New World China Land Limited and the chairman of New World Group Charity Foundation Limited. He is also a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both of which are substantial shareholders of the Company. He was a non-executive director of New Century Healthcare Holding Co. Limited up to his resignation on 1 June 2022.

Dr. Cheng is a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference of The People's Republic of China, the chairman of China Young Leaders Foundation, the honorary chairman of K11 Art Foundation and the vice chairman and group chief executive officer of CTF Education Group. He was the vice-chairman of the 11th and 12th committee of the All-China Youth Federation. He was acknowledged by Fortune as one of "40 Under 40" global business stars and a "Young Global Leader" by the World Economic Forum in 2012. Dr. Cheng is a Justice of Peace appointed by the Government of the Hong Kong Special Administrative Region since 2016 and was awarded the Silver Bauhinia Star in 2022. He was made an "Officier de l'Ordre des Arts et des Lettres" by the French Government in 2017 and an "Officier de l'Ordre National du Mérite" in 2022. Dr. Cheng holds a Bachelor of Arts Degree (*cum laude*) from Harvard University, and received the Honorary Doctorate of Humanities by the Savannah College of Art and Design in 2014. He was conferred an Honorary Fellowship by Lingnan University in 2014, and an Honorary University Fellowship by the University of Hong Kong in 2022. Dr. Cheng worked in a major international bank prior to joining NWD in 2006 and has substantial experience in corporate finance.

Non-executive Director

MS. CHIU WAI-HAN, JENNY
Aged 51

has been a non-executive Director since May 2021. Ms. Chiu was appointed as an executive director of New World Development Company Limited ("NWD" and together with its subsidiaries, including the Company, the "NWD Group") in May 2020. She joined the NWD Group in 2004 and is currently the Senior Director – Human Resources of NWD. Ms. Chiu is responsible for planning and driving full spectrum of strategic human resources direction, including talent acquisition, talent development and management, reward management and human resources partnering services. Prior to joining the NWD Group, she had taken up managerial role in renowned corporations in information and communications technology services and property development industries. Ms. Chiu graduated from The Chinese University of Hong Kong. She is an Associate Member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Chiu possesses over 20 years of experience in human resources and corporate management.

Executive Director and
Joint Chief Executive Officer

MR. CHEUNG FAI-YET, PHILIP

Aged 67

was appointed as an executive Director in June 2007 and became a non-executive Director in February 2018. Mr. Cheung has been re-designated as an executive Director since August 2018. He was the managing director of the Company until his resignation from such office on 17 March 2017 and has been appointed as the Chief Executive Officer in August 2019 and re-designated as the Joint Chief Executive Officer in May 2021. Mr. Cheung is the chairman of the executive committee of the Board and a member of the remuneration committee and nomination committee of the Board. He is also a director of a number of subsidiaries of the Company. Mr. Cheung joined the Group in 1993 and has been responsible for the overall management of the Group. He has over 40 years of experience in the retail industry and possesses extensive experience in managing retailing stores in Mainland China, 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 working 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, as well as being a general manager in a large pharmaceutical retail company in Taiwan.

Executive Director and
Joint Chief Executive Officer

MS. XIE HUI-FANG, MANDY

Aged 46

has been an Executive Director and the Joint Chief Executive Officer since May 2021. Ms. Xie joined the Company in 2001 and was appointed as a member of the executive committee of the Board in 2019, and is responsible for monitoring and supervising the legal affairs, contractual management, human resources strategy and development, staff training and administrative management of the Company. In addition, Ms. Xie is also in charge of coordinating with the Chief Executive Officer on matters relating to the overall management of the Company, promoting the business development and implementing the operational strategy of the Company. Ms. Xie is also a director and/or legal representative of a number of subsidiaries of the Company. Ms. Xie graduated from East China University of Political Science and Law, and has over 20 years of managerial experience at large-scale corporate chain stores. She has extensive experience in the management of legal affairs, structuring of corporate risk management system, corporate governance, project management and planning. She is also experienced in areas such as formulating human resources strategy, planning staff development and training, as well as corporate administrative management.

Independent non-executive Director

MR. CHEONG YING-CHEW, HENRY

Aged 74

has been an independent non-executive Director since June 2007. He is also a member of the audit committee and the remuneration committee of the Board. Mr. Cheong has over 40 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. 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 CK Infrastructure Holdings Limited, CK Asset Holdings Limited and Skyworth Group Limited. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed on the Stock Exchange of Thailand. He was an independent non-executive director of each of CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited and TOM Group Limited, all being listed public companies in Hong Kong.

Independent non-executive Director

MR. CHAN YIU-TONG, IVAN

Aged 68

has been an independent non-executive Director since June 2007. He is also the chairman of the audit committee of the Board and a member of the remuneration committee of the Board. 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.

Independent non-executive Director

MR. TONG HANG-CHAN, PETER

Aged 77

has been an independent non-executive Director since June 2007. He is also the chairman of the remuneration committee of the Board and a member of the audit committee and the nomination committee of the Board. Mr. Tong is currently the managing director of Global Corporate Services Limited and an independent non-executive director of World Link CPA Limited. He has more than 50 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, 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, a member of Scout Council and Executive Committee of Scout Association of Hong Kong.

Independent non-executive Director

MR. YU CHUN-FAI

Aged 60

has been an independent non-executive Director since June 2007. He is also the chairman of the nomination committee of the Board and a member of the audit committee and the remuneration committee of the Board. He has over 30 years of experience in the financial industry. Mr. Yu is the founder, and was the chairman, chief executive officer and an executive director of Oriental Payment Group Holdings Limited until his retirement on 30 July 2019. Mr. Yu was also an independent non-executive director of Power Financial Group Limited. He is the founder, and was the chairman and an executive director of China Smartpay Group Holdings Limited (formerly known as "Oriental City Group Holdings Limited"), all companies are being listed on The Stock Exchange of Hong Kong Limited. 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 the "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 Corporate Governance Code (the "Code") contained 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 2022, the Company has applied and complied with all the applicable code provisions set out in the Code.

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 the Model Code for Securities Transactions by Directors of Listed Issuers in place 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 2022.

EMPLOYEES' SECURITIES TRANSACTIONS

Code provision C.1.3 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 written guidelines for employees as required under the Code provision C.1.3. No incident of non-compliance with the written guidelines by such employees was noted by the Company during the year ended 30 June 2022.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises two non-executive Directors, two executive Directors and four independent non-executive Directors. Their names and biographical details are set out in the section headed "Directors' profile" on pages 30 to 33 of this annual report. Save as disclosed therein, there is no other relationship (whether financial, business, family or other materials/ relevant relationships) among members of the Board.

Corporate culture

The Board sets the tone and shapes the corporate culture of the Company, which is underpinned by the core values of innovation, foresight, integrity, prudence and respect across all levels of the Group. The Board plays a leading role in defining the purpose, values and strategic direction of the Group and in fostering a culture that is creativity, foresight and efficiency focused.

The Company's culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relationship with stakeholders, including but not limited to the following:

- Code of Professional Conduct for Employees
- Corporate Culture Working Guidelines
- Memorandum on Corporate Governance Matters
- Whistleblowing Policy
- Remuneration Policy for Directors and Employees
- Shareholders' Communication Policy

As at the date of this report, the Board has reviewed and considered that the corporate culture of the Company is aligned with the purpose, value and strategy of the Group.

Board process

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 of the Board (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 regular 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. During the year ended 30 June 2022, the Company held four regular meetings of the Board and the independent non-executive Directors had a meeting with the chairman of the Board (the "Chairman") once without the presence of other Directors.

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 under review, the Directors' attendance at the Board meetings and general meetings is set out as follows:

Name	Number of meetings attended/held Board Meetings	 Annual General Meeting
Non-executive Directors		
Dr. Cheng Chi-kong, Adrian *(Chairman)*	4/4	1/1
Ms. Chiu Wai-han, Jenny	4/4	1/1
Executive Directors		
Mr. Cheung Fai-yet, Philip *(Joint Chief Executive Officer)*	4/4	1/1
Ms. Xie Hui-fang, Mandy *(Joint Chief Executive Officer)*	4/4	1/1
Independent non-executive Directors		
Mr. Cheong Ying-chew, Henry	4/4	1/1
Mr. Chan Yiu-tong, Ivan	4/4	1/1
Mr. Tong Hang-chan, Peter	4/4	1/1
Mr. Yu Chun-fai	4/4	1/1

The roles of the Chairman and Joint Chief Executive Officers

Dr. Cheng Chi-kong, Adrian, 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. Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy, the joint chief executive officer of the Company (the "Joint Chief Executive Officer"), are jointly responsible for running the Group's business and the timely implementation of the approved strategies of the Group.

Non-executive Directors

The non-executive Directors and the independent non-executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management and internal control of the Group. Subject to retirement by rotation and re-election, if eligible, in accordance with the Articles, the non-executive Directors have been appointed for a specific term of services whereas the independent non-executive Directors have been appointed with no fixed term of services commencing from 1 July 2022.

Board independence

The Company recognises that Board independence is critical to constitute good corporate governance. The Company has the Written Terms of Mechanism on Independent View to the Board (the "Independent View Mechanism") in place to ensure a strong independent element on the Board which is key to an effective Board. The Board will review the Independent View Mechanism on an annual basis, to ensure its implementation and effectiveness.

During the year under review, 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.

Linkage between Corporate Governance and Environmental, Social and Governance

Corporate governance creates the framework within which the Board makes their decisions and develops their businesses. The entire Board has focused on maintaining long-term sustainable growth for shareholders and delivering long-term values to all relevant stakeholders. We truly believe that effective corporate governance structure facilitates us to have a better understanding of assessing and managing risks and opportunities, including environmental and social risks and opportunities.

The Board is responsible to oversight of the Company's sustainability and Environmental, Social and Governance ("ESG") issues and risks. The ESG management approach and policies are overseen by the Board. The Board identifies and evaluates the material ESG-related issues to internal and external stakeholders (including risks to the Company's businesses), and to deliver the pillars of the "New World Sustainability Vision 2030" ("SV2030"), to manage our ongoing performance.

During the year under review, two regular Board meetings, among others, were convened successfully at which the ESG development of the Group, such as the Group's sustainability strategy, policies and targets set under the "SV2030" was discussed. Other topics addressed include the review on ESG performance and reporting, different sustainability disclosure standards, and how the Group can prepare for the enhancement of climate disclosure.

Executive Committee

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. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy. Mr. Cheung Fai-yet, Philip is the chairman of the Executive Committee. The Executive Committee meets as when necessary.

Audit Committee

The Company has established the audit committee of the Board (the "Audit Committee") with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises the 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, risk management and internal control systems. The duties of the Audit Committee also include review of the scope and nature of the audit carried out by the Company's auditor. The Audit Committee will meet with external auditor at least twice a year to discuss any issues from the audit and any matters the external auditor may wish to raise.

During the year under review, the Audit Committee reviewed with auditor of the Company the audited consolidated financial statements for the year ended 30 June 2021 and the unaudited interim financial information for the six months ended 31 December 2021 as well as risk management and internal control systems 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 consolidated financial statements for the year ended 30 June 2022 and internal audit report, including the effectiveness of the risk management and internal control systems, with recommendations to the Board for approval. The Audit Committee met two times during the year ended 30 June 2022.

The internal audit department of the Group (the "Internal Audit Department") has conducted audits of the Company and its subsidiaries. The Internal Audit 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 including ESG risks are identified and managed. The work carried out by the Internal Audit Department will ensure the risk management and internal controls, including the process used to resolve material internal control defects for any significant problems, are carried out appropriately and functioning as intended. The Internal Audit Department shall report its findings and make recommendations to improve and to plan the risk management and internal control of the Group. The Company has written policy and manual for the handling and dissemination of inside information.

During the year under review, the members' attendance of the meetings of the Audit Committee is set out as follows:

Name	Number of meetings of the Audit Committee attended/held
Mr. Chan Yiu-tong, Ivan	2/2
Mr. Cheong Ying-chew, Henry	2/2
Mr. Tong Hang-chan, Peter	2/2
Mr. Yu Chun-fai	2/2

Whistleblowing Policy

The Group has the Whistleblowing Policy in place, which serves as a useful way to uncover fraud, malpractice, misconduct, or significant risk within the Company. The policy aims to encourage and assist employees of the Group or third parties (such as customers and suppliers of the Group) to raise relevant concern confidentially and to provide them with reporting channels and guidance, as well as to reveal suspected fraud, malpractice or misconduct before any disruption or loss is caused to the Group. The Audit Committee has the overall responsibility for the Whistleblowing Policy and is responsible for monitoring and reviewing the effectiveness of the Whistleblowing Policy and the actions resulting from any investigation.

Remuneration Committee

The Company has established the remuneration committee of the Board (the "Remuneration Committee") with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises Mr. Tong Hang-chan, Peter, Dr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, 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.

During the year ended 30 June 2022, the Remuneration Committee met two 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 the 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 or any of their associates are involved in deciding their own remuneration.

The Company has a formal and transparent Remuneration Policy for Directors and employees in place. The objective of Directors' remuneration is to ensure that there is an appropriate level of remuneration to attract and retain experienced people of high calibre, to oversee business and development of the Company. Directors' remuneration is reviewed annually with reference to companies of comparable business or scale. Given that quality and committed staff are valuable assets contributing to the Group's success, to ensure the ability to attract and retain talents, the Group's remuneration policy for employees is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals.

Details of the amount of emoluments of Directors by band for the year ended 30 June 2022 are set out in note 11 to the consolidated financial statements.

During the year under review, the members' attendance of the meetings of the Remuneration Committee is set out as follows:

Name	Number of meetings of the Remuneration Committee attended/held
Mr. Tong Hang-chan, Peter	2/2
Dr. Cheng Chi-kong, Adrian	2/2
Mr. Cheung Fai-yet, Philip	2/2
Mr. Cheong Ying-chew, Henry	2/2
Mr. Chan Yiu-tong, Ivan	2/2
Mr. Yu Chun-fai	2/2

Nomination Committee

The Company has established the nomination committee of the Board (the"Nomination Committee") 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. Yu Chun-fai, Mr. Cheung Fai-yet, Philip 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 reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board, and assessing the independence of the independent non-executive Directors. The Nomination Committee is also to determine the policy and to implement the nomination procedures and the process and criteria, such as experience and independence, to select and recommend candidates for directorship. During the year ended 30 June 2022, the Nomination Committee met once. Taking into account of the Company's own operation model and specific needs, the members of the Nomination Committee considered that the experience and diversity of perspectives of the Board appropriate to the requirements of the Company's business.

During the year under review, the members' attendance of the meeting of the Nomination Committee is set out as follows:

Name	Number of meeting of the Nomination Committee attended/held
Mr. Yu Chun-fai	1/1
Mr. Cheung Fai-yet, Philip	1/1
Mr. Tong Hang-chan, Peter	1/1

Nomination Policy

The Company has a nomination policy in place.

The nomination policy sets out the criteria and procedures to be implemented when considering candidates to be appointed or re-elected as Directors. It provides guidance to the Nomination Committee and the Board on nomination of Board members so as to ensure the appointment to the Board of a candidate who will be beneficial to the balance of skills, experience and diversity of perspectives suitable to the business requirements of the Company.

Nomination Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorship:

(1) Board diversity policy (the "Policy") and any measurable objectives adopted for achieving diversity on the Board including gender, age, skills, knowledge, experience, expertise, professional and educational qualifications, background;

(2) Reputation for integrity;

(3) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(4) Willingness to devote adequate time to discharge duties as a member of the Board;

(5) Requirement for the Board to have independent directors in accordance with the Listing Rules applicable to the Company and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(6) Potential conflicts of interest with the Company; and

(7) Such other perspectives appropriate to the Company's business or as suggested by the Board.

Nomination Process

(1) When it is necessary to fill a causal vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates pursuant to the criteria set out above;

(2) When it is necessary to re-appoint an existing director, the Nomination Committee reviews overall contribution and service of the retiring director to the Company and determine whether the retiring director continues to meet the criteria as set out above;

(3) The Nomination Committee shall hold a physical meeting instead of deciding by written resolution to consider the matter unless it is impractical to hold a physical meeting;

(4) The Nomination Committee makes recommendation to the Board; and

(5) The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

Nomination by shareholders

(1) The Shareholders may also propose a person for election as a director, details of which are set out in the "Procedures for shareholders to propose a person for election as director of the Company" of the Company; and

(2) The Nomination Committee shall evaluate such candidate based on the criteria as set out in section headed "Nomination Criteria" above to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

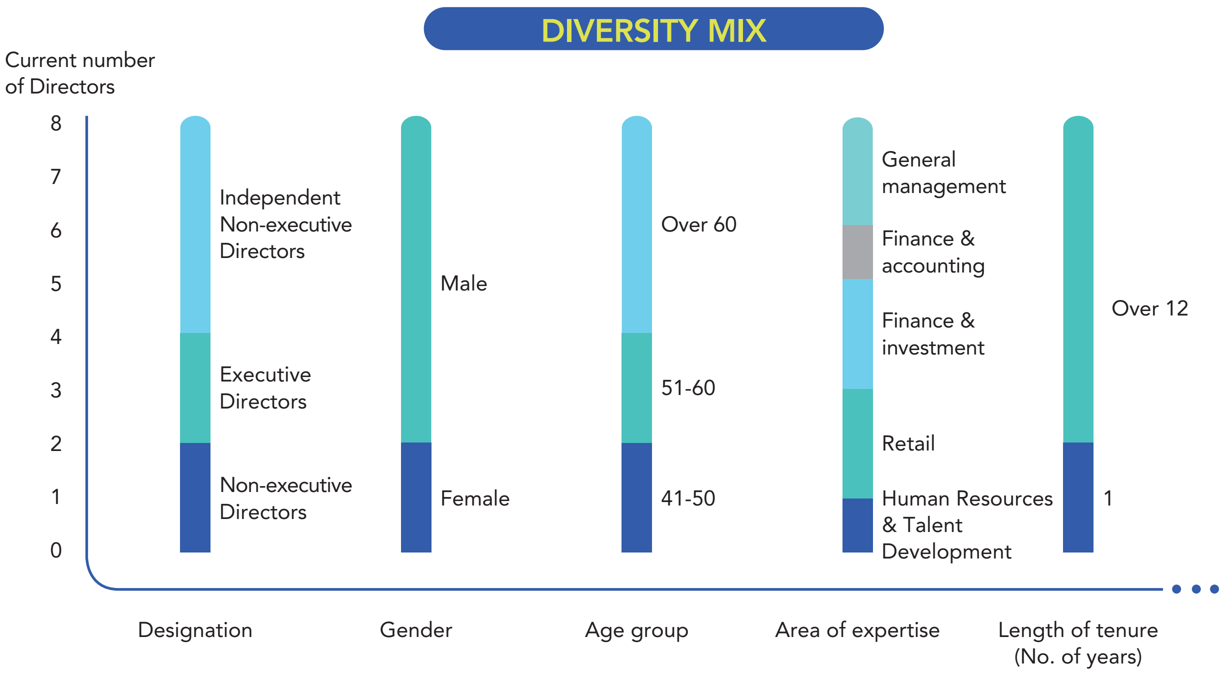
Review of the Policy

The Nomination Committee and/or the Board will review the Policy, as appropriate to ensure the effectiveness of the Policy.

Board Diversity Policy

The Company has adopted the Policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service and by taking account of the Company's own business model and specific needs.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee has reviewed the Policy during the year under review to ensure its continued effectiveness.



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.

Directors' Training

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 provided reading materials as professional development programs to the Directors. During the year under review, 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 Director	
Dr. Cheng Chi-kong, Adrian *(Chairman)*	✓
Ms. Chiu Wai-han, Jenny	✓
Executive Directors	
Mr. Cheung Fai-yet, Philip *(Joint Chief Executive Officer)*	✓
Ms. Xie Hui-fang, Mandy *(Joint Chief Executive Officer)*	✓
Independent non-executive Directors	
Mr. Cheong Ying-chew, Henry	✓
Mr. Chan Yiu-tong, Ivan	✓
Mr. Tong Hang-chan, Peter	✓
Mr. Yu Chun-fai	✓

Remuneration of Directors

The remuneration of the Directors is determined with reference to the performance and responsibilities of individuals, performance of the Group and prevailing market conditions. By providing remuneration at competitive industry levels, the Company seeks to attract, motivate and retain key executives essential to its future development and growth. 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, RISK MANAGEMENT AND INTERNAL CONTROL

The annual and interim results of the Company were respectively published in a timely manner during the year under review. The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company to ensure that the consolidated financial statements give a presentation in accordance with the applicable laws and accounting standards. The Directors consider that in preparing the consolidated financial statements, 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 pages 62 to 70 of this annual report.

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The Group's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures.

The Group has a designated internal control team which is responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Audit Committee of any findings and follow-up actions. Each department of the Group is also required to adhere strictly to the Group's internal control procedures/policies and report to the risk management and internal control team of any risks or internal control issues. The internal audit function also reviews the Company's management's action plans in relation to audit findings and the adequacy and effectiveness of the mitigating controls before formally closing the issues. The Audit Committee also reviews the Company's financial controls, risk management and internal control systems/policies on a regular basis.

During the year ended 30 June 2022, the Audit Committee conducted reviews of the effectiveness of the risk management and internal control system/policies of the Group. The reviews had covered various aspects of the Group's risk management and internal control system/policies. The reviews results were reported to the Audit Committee. The Audit Committee is satisfied that such systems/policies are effective and adequate. The systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material loss.

The Board has conducted half-yearly reviews on the effectiveness of the Group's risk management and internal control systems for the year ended 30 June 2022 and confirmed that the Group's risk management and internal control systems in respect of financial, operational, compliance, risk management and adequacy of resources, are effective and adequate.

The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, as well as their training programmes and budgets.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted continuous disclosure policy which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure. The procedures are briefly as follow:

(1) As soon as staff members become aware of actual or potential inside information, they must provide to their respective divisional disclosure officers the relevant details.

(2) Divisional disclosure officers shall then conduct preliminary assessment of the information received based on internal guidelines promulgated by the Board or the disclosure committee of the Board (the "Disclosure Committee"). In case of doubt, the matter shall be referred to the Disclosure Committee for determination.

(3) Upon notification of potentially inside information, the Disclosure Committee reviews and decides whether the information must be disclosed, as well as when and how the information shall be released.

(4) All staff must ensure that inside information is not communicated to any external parties unless with approval from the Disclosure Committee. As such, staff shall not respond to market speculation and rumours unless authorised. Also, all external presentation materials or publications must be pre-vetted before release.

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 2022, 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. Her responsibilities include advising the board on governance matters. The Board has access to the advice and services of the Company Secretary at all times. During the year ended 30 June 2022, the Company Secretary has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

The Group is committed to enhancing long-term shareholder value and ensuring that the Shareholders, both individual and institutional are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Company has the Shareholders Communication Policy in place, which is available on the Group's website, to promote effective communications with Shareholders so as to enable them to engage actively with the Company and exercise their rights as Shareholders in an informed manner. The Board has reviewed the implementation and effectiveness of the Shareholders Communication Policy during the year under review.

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 agent 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 branch share registrar and transfer agent of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

There are no provisions under the Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as directors. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

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.

DIVIDEND POLICY

The Company will distribute to all Shareholders funds surplus to the operating needs of the Group, but subject always to:

(1) any restrictions under the Companies Law of Cayman Islands or other rules and regulations which are applicable to the Company;

(2) any banking or other funding covenants by which the Company is bound from time to time;

(3) the capital expenditure and operating requirements of the Group; and

(4) the external economic and market situation.

Declaration and recommendation of payment of dividends of the Company are also subject to the approval of the Directors and Shareholders, where applicable and depending on the distributable annual profit for that financial year, results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant from time to time. The Company does not have a fixed dividend payout ratio and currently intends to retain most of our available funds and future earnings to operate and develop our business.

The Board has made an effort to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy.

The Board will continually review this dividend policy and update, amend and modify this dividend policy from time to time and there can be no assurance that dividend will be paid in any particular amount for any given period.

CONSTITUTIONAL DOCUMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The details of the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out in the "Sustainability Report 2022" (a standalone report) to be published around October 2022, which provides an overview of the Group's efforts and performance in pursuing corporate sustainability. Supplementary information is available on the Company's website under the "Corporate Sustainability" section.

The Sustainability Report is prepared in accordance with the Global Reporting Initiative ("GRI") Standards 2021, as well as the requirements stipulated in the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It also referenced the guidelines of the Task Force on Climate-related Financial Disclosures ("TCFD"), the Sustainable Development Goals ("SDGs") and the standard for multiline and specialty retailers & distributors industry set by the Sustainability Accounting Standards Board ("SASB").

INVESTOR RELATIONS

The Group believes that effective and timely communication with the investment community is essential. Since the Group's listing on the Main Board of the Stock Exchange in 2007, the Corporate Affairs Department has been set up to keep investors and the capital market abreast of the Group's business and development by providing necessary information and data. Representative from the aforementioned department maintains an open dialogue with local and overseas institutional investors and analysts through face-to-face meetings, teleconferences and store visits; and also attends investor conferences at home and abroad upon receiving invitations.

The Group recognises the importance of fair and transparent disclosure of information and its corporate website (www.nwds.com.hk) plays an important role in the Group's compliance with regulatory requirements in this regard. The Group's announcements, results presentations, financial reports and sustainability reports are made available in the "Investors" and "Corporate Sustainability" sections on the website to keep capital market participants informed of the Group's financial and operational performance.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group values the development for talents and the mutual growth of staff. The Group strictly complies with the requirements of the law of Mainland China and the labour legislation of Hong Kong, and abides by the open and fair principles while providing employment opportunities, remuneration, leave, benefits and so on. All of the labour standards and recruitment procedures are conducted in strict compliance with the relevant labour laws of Mainland China and Hong Kong.

The Group also understands the importance of training and development for the employees. Starting from the employment of new staff members, induction courses on corporate culture, business operation, regulations and so on are provided. Staff members are further provided with different training to enhance the comprehensive capabilities to solve their problems encountered at work.

The Group strives to take care of the interests of customers and maintain a desirable shopping environment. The Group would operate in compliance with the regulations and requirements of regulatory authorities.

In addition, the Group maintained good and stable working relationship with the major suppliers.

AUDITOR'S REMUNERATION

Fees for auditing services amounted to approximately HK$3,766,000 and fees for non-auditing services, including mainly interim review, tax advisory and other related services, amounted to approximately HK$994,000.

GROUP HONOURS

CORPORATE GOVERNANCE

Platinum Award in the category of "Environmental, Social and Governance" in "*The Asset* ESG Corporate Awards 2021" by The Asset

Certificate of Excellence in Environmental, Social and Governance Reporting in the "2021 HKMA Best Annual Report Awards" by the Hong Kong Management Association

EMPLOYEE WELFARE

"Happy Company" logo in the "Happiness at Work Promotional Scheme 2022" by the Promoting Happiness Index Foundation and the Chinese Manufacturers' Association of Hong Kong

"Good MPF Employer", "e-Contribution Award" and "MPF Support Award" in 2021/22 "Good MPF Employer" Award

ENVIRONMENTAL PROTECTION

"Green Office" and "Eco-Healthy Workplace" labels in the "United Nations Sustainable Development Goals – Green Office Awards Labelling Scheme" by the World Green Organization

"Hong Kong Green Organization" Certificate, "Excellent" Level Wastewi$e Certificate and "Good" Level Energywi$e Certificate in the "Hong Kong Green Organization Certification Scheme" by the Environmental Campaign Committee

"Good Class" Certificate of the indoor air quality objectives in the "Indoor Air Quality Certification Scheme for Offices and Public Places" by the Indoor Air Quality Information Centre

COMMUNITY SERVICES

"10 Years Plus Caring Company" logo in the 2021/22 "Caring Company" Scheme by the Hong Kong Council of Social Service


ELECTRONICS

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 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in department store and property investment operations in Mainland China. The principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 30 June 2022 are set out in the consolidated income statement on page 71 of this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year under review, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement, Management Discussion and Analysis, Corporate Governance Report, Report of the Directors and Risk Factors sections of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 12 to 27 of this annual report. In addition, discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out in "Sustainability Report 2022" (a standalone report) to be published around October 2022.

FINAL DIVIDEND

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2022 (2021: nil).

SHARES OR DEBENTURES ISSUED

During the year under review, no shares or debentures were issued by the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group during the year under review or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2022, calculated under the laws of the Cayman Islands, amounted to HK$1,233.1 million (2021: HK$1,806.0 million).

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years ended 30 June 2018 to 2022 are set out on page 147 of this annual report.

PRINCIPAL INVESTMENT PROPERTIES

Details of the principal properties held for investment purposes are set out on page 148 of this annual report.

CHARITABLE DONATIONS

Charitable donations, in form of money and materials, made by the Group during the year under review costed approximately HK$11,500 (2021: approximately HK$7,300).

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 under review and up to the date of this report are:

Non-executive Directors

Dr. Cheng Chi-kong, Adrian *(Chairman)*
Ms. Chiu Wai-han, Jenny

Executive Directors

Mr. Cheung Fai-yet, Philip *(Joint Chief Executive Officer)*
Ms. Xie Hui-fang, Mandy *(Joint Chief Executive Officer)*

Independent Non-executive Directors

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

In accordance with articles 87(1) and 87(2) of the Articles, Dr. Cheng Chi-kong, Adrian, Mr. Chan Yiu-tong, Ivan and Mr. Tong Hang-chan, Peter will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and risk management and internal control. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal control and the annual results and the consolidated financial statements for the year ended 30 June 2022 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.

Non-executive Directors

Dr. Cheng Chi-kong, Adrian and Ms. Chiu Wai-han, Jenny have respectively entered into a service contract with the Company for a fixed term from 13 May 2021 to 30 June 2023, unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap 622, the Laws of Hong Kong); or (iii) any laws, requirements, rules, regulations, practices and/or directions under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

Executive Directors

Despite the renewal of the service contract between Mr. Cheung Fai-yet, Philip and the Company for a fixed term from 1 July 2020 to 30 June 2023, Ms. Xie Hui-fang, Mandy has also entered into a service contract with the Company for a fixed term from 13 May 2021 to 30 June 2023, unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any laws, requirements, rules, regulations, practices and/or directions under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai have respectively renewed a service contract with the Company commencing from 1 July 2022 with no fixed term unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any laws, requirements, rules, regulations, practices and/or directions under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company, its parent company or any of its subsidiaries or its fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2022 or at any time during the year under review.

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

During the year under review, the Company has taken out and maintained directors' liability insurance, which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year under review, the following Directors have interests in the following businesses which are considered to compete or are 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 according to the Listing Rules:

	Businesses which are considered to compete or likely to compete with the businesses of the Group		
Name of Director	**Name of entity**	**Description of business**	**Nature of interest of the Director in the entity**
Dr. Cheng Chi-kong, Adrian	New World Development Company Limited	Property investment	Director
	Cheung Hung Development (Holdings) Limited	Property investment	Director
	Chow Tai Fook Enterprises Limited group of companies	Property investment	Director
Ms. Chiu Wai-han, Jenny	New World Development Company Limited	Property investment	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 Mainland China:

(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 AND CONTINUING 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 11 April 2014, the Company and NWD entered into a master leasing agreement (the "Master Leasing Agreement") 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 and vice versa. Subject to compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter. The Master Leasing Agreement was renewed for a further terms of three years commencing on 1 July 2020 and subject to the annual caps for fixed lease payments payable by the Group as lessee not exceeding RMB406,000,000, RMB428,000,000 and RMB450,000,000, respectively and variable lease payments payable by the Group as lessee not exceeding RMB300,000,000, RMB330,000,000 and RMB360,000,000, respectively (collectively, the "Leasing Annual Caps"). The renewal of the Master Leasing Agreement, the relevant transactions and the Leasing Annual Caps were approved at an extraordinary general meeting of the Company held on 18 June 2020.

The aggregate consideration under the Master Leasing Agreement in relation to the fixed lease payments payable by the Group as lessee was approximately RMB62,519,000 (2021: approximately RMB34,133,000) and the variable lease payments payable by the Group as lessee was approximately RMB102,084,000 (2021: approximately RMB125,886,000) during the year under review.

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

B 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") 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 Mainland China owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement. Subject to the compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years thereafter. The Master Concessionaire Counter Agreement was renewed for a further term of three years commencing on 1 July 2020 and subject to the annual caps not exceeding RMB90,000,000, RMB96,000,000 and RMB102,000,000 respectively.

The aggregate consideration under the Master Concessionaire Counter Agreement was approximately RMB39,529,000 (2021: approximately RMB46,947,000) during the year under review.

NWD is a substantial Shareholder and hence a connected person of the Company. CTFJ is a fellow subsidiary of Chow Tai Fook Enterprises Limited 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 AND CONTINUING CONNECTED TRANSACTIONS (continued)

C Master services agreement

On 10 April 2017, Mr. Doo Wai-hoi ("Mr. Doo") and the Company entered into the master services agreement (the "Master Services Agreement") in respect of all existing and future transactions between members of the Group and members of Mr. Doo's controlled companies (the "Services Group") regarding the provision of contracting services, cleaning and landscaping services, property management and rental services and such other types of services as the parties may agree upon from time to time in writing by members of the Services Group to members of the Group, and vice versa contemplated under the Master Services Agreement. Subject to the compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Services Agreement will be automatically renewed for a successive period of three years thereafter. The Master Services Agreement was renewed for a further term of three years commencing on 1 July 2020 and subject to the annual caps not exceeding RMB21,000,000, RMB69,000,000 and RMB57,000,000 respectively.

The aggregate consideration under the Master Services Agreement was approximately RMB347,000 (2021: approximately RMB432,000) during the year under review.

As Mr. Doo is an associate of a Director and hence Mr. Doo and the Services Group are connected persons of the Company under the Listing Rules. Accordingly, the transactions under the Master Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

D Annual review of the continuing connected transactions

The price and terms of the continuing connected transactions mentioned in (i) Master Leasing Agreement (paragraph A above); (ii) Master Concessionaire Counter Agreement (paragraph B above); and (iii) Master Services Agreement (paragraph C above) were determined in accordance with the pricing policies and guidelines as set out in the relevant announcements and circular of the Company, the independent non-executive Directors had reviewed such continuing connected transactions during the year under review and confirmed that the transactions were:

i in the ordinary and usual course of business of the Group;

ii on normal commercial terms;

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; and

iv within the caps as set out in the relevant announcements and circular.

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 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "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 an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

The Directors confirmed that the Company has complied with the disclosure requirements under the Listing Rules regarding the connected transactions and continuing connected transactions.

Save as disclosed above, the significant related party transactions, including transactions constituted connected transactions and continuing connected transactions under the Listing Rules made during the year under review 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 under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' interests in securities" below, at no time during the year under review 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 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the 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 Divisions 7 and 8 of Part XV of the SFO or the Model Code were as follows:

(a) Long positions in shares

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
The Company					
(Ordinary shares of HK$0.10 each)					
Ms. Xie Hui-fang, Mandy	Beneficial owner	Personal interest	177,000	177,000	0.01
New World Development Company Limited					
(Ordinary shares)					
Dr. Cheng Chi-kong, Adrian	Beneficial owner	Personal interest	2,559,118	2,559,118	0.10
Ms. Chiu Wai-han, Jenny	Beneficial owner	Personal interest	29,899	29,899	0.00

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options

i ***New World Development Company Limited***

Under the share option scheme of the holding company, NWD, the undermentioned Director has personal interests in share options to subscribe for shares of NWD. Certain details of the share options of NWD held by her during the year under review were as follows:

			Number of share options held				
Name	**Date of grant**	**Exercisable period** (Note)	**Balance as at 1 July 2021**	**Granted during the year**	**Exercised during the year**	**Balance as at 30 June 2022**	**Exercise price per share** HK$
Ms. Chiu Wai-han, Jenny	6 July 2018	(1)	75,000	–	–	75,000	44.160
			75,000	–	–	75,000	

Notes:

(1) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

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

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2022, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")[1]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")[2]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Capital Limited ("CTFC")[3]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook (Holding) Limited ("CTFH")[4]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Enterprises Limited ("CTFE")[5]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
NWD	Controlled corporation Beneficial owner	Corporate interest –	45,500,000 1,218,900,000	1,264,400,000	74.99

Notes:

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

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

(3) CTFC holds 81.03% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.

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

(5) CTFE together with its subsidiaries have interest in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by NWD.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

Long positions in the shares of the Company (continued)

Save as disclosed above, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who, as at 30 June 2022, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 12 June 2007 has expired on 12 June 2017, and no new share option scheme has been adopted thereafter.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2022, the total number of employees of the Group was 2,412 (2021: 2,844). 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 insurance, unemployment assistance, work related injury and maternity insurance. Such arrangements are in compliance with relevant laws and regulations.

ACQUISITION AND DISPOSAL

The Group did not have any significant acquisition and disposal for the year ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 June 2022, the Company had not redeemed any of its listed securities and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

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 under review, less than 30% of the Group's revenue were attributed by the Group's five largest customers and approximately 3% of the Group's revenue was attributed by the Group's largest customer and less than 70% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and approximately 24% of the Group's total purchases were attributed by the Group's largest direct sales supplier. To the knowledge of the Directors, none of the Directors or shareholders who owned 5% or more of the total number of issued shares of the Company as at 30 June 2022 or any of their respective associates held any interest in any of the five largest direct sales suppliers of the Group.

AUDITOR

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

On behalf of the Board

Mr. Cheung Fai-yet, Philip
Executive Director

Hong Kong, 29 September 2022

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 71 to 146, comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of property, plant and equipment, right-of-use assets and goodwill
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment, right-of-use assets and goodwill	
Refer to Notes 4, 7, 15 and 17 to the consolidated financial statements. As at 30 June 2022, the Group had property, plant and equipment, right-of-use assets and goodwill of HK$769 million, HK$3,036 million and HK$1,107 million respectively. Impairment losses of goodwill, and property, plant and equipment and right-of-use assets of HK$220 million and HK$79 million respectively were accounted for under "Other losses, net" in the consolidated income statement.	Our procedures in relation to impairment assessment of property, plant and equipment, right-of-use assets and goodwill, included: • We understood the management's control procedures of the impairment assessments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We obtained management's analysis of the indicators of impairment and understood management's rationale for the analysis; • For impairment assessment where discounted cash flow model was adopted: ➢ We assessed management's analysis by comparing the financial performance of the CGUs against their business plan;

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment, right-of-use assets and goodwill (continued)	
Management has performed impairment assessments of property, plant and equipment, right-of-use assets and goodwill allocated to cash generating units ("CGUs"), by way of discounted cash flow model of each CGU or with reference to independent valuation of the underlying properties of the CGUs. We focus on this area because the impairment assessments required significant management judgement and estimates with respect to annual gross revenue growth rates and gross margin ratios within the forecast period, long term growth rate and discount rate applied to the cash flow forecasts; and capitalisation rates, prevailing market rents and estimated transaction costs of disposal used by the management and the independent professional valuer.	➢ We assessed the discounted cash flow methodology used by management to estimate recoverable amount and involved our in-house valuation experts to assess the methodology of the recoverable amount calculations and reasonableness of discount rate on selected CGU; ➢ We compared historical actual results to those budgeted to assess the quality of management's forecast; ➢ We reconciled input data in the discounted cash flow calculations to the budgets approved by management; and ➢ We evaluated the key assumptions used in the calculations, comprising annual gross revenue growth rates, gross margin ratios, long term growth rate and discount rate based on knowledge of the business and industry.

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TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED
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KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment, right-of-use assets and goodwill (continued)	
	• For impairment assessments where independent valuation of the underlying properties of the CGUs was adopted: ➢ We assessed the competence, capabilities and objectivity of independent professional valuer; ➢ We obtained the valuation reports and discussed with the independent professional valuers the valuation methodologies and key assumptions; ➢ We, with the involvement of our in-house valuation experts, assessed the valuation methodologies and the reasonableness of the key assumptions used in the valuation of properties, based on our knowledge of the property industry, research evidence of capitalisation rates and prevailing market rents and estimated transaction costs of disposal, where applicable; • We evaluated management's sensitivity of a reasonably possible change in the key assumptions adopted in the discounted cash flow calculations and the valuation of the underlying properties to the recoverable amount of the CGUs; and • We assessed the adequacy of the disclosures relating to impairment of property, plant and equipment, right-of-use assets and goodwill in the context of disclosure requirement of HKFRSs. Based on the procedures performed, we found the impairment assessment of property, plant and equipment, right-of-use assets and goodwill to be supportable based on the available evidence.

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TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED
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KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Notes 4 and 16 to the consolidated financial statements. The Group's investment properties amounted to HK$5,396 million as at 30 June 2022. A net fair value loss on investment properties of HK$108 million was accounted for under "Changes in fair value of investment properties" in the consolidated income statement. Management engaged an independent professional valuer to perform valuation of investment properties at each reporting period end. The valuation of investment properties is an area of our audit focus as the valuation involves significant estimate including capitalisation rates and prevailing market rents used by the management and the independent professional valuer.	Our procedures in relation to management's valuation of investment properties included: • We understood the management's control procedures of valuation of the investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We assessed the competence, capabilities and objectivity of independent professional valuer; • We obtained the valuation reports and discussed with the independent professional valuers the valuation methodologies and key assumptions; • We, with the involvement of our in-house valuation experts, assessed the valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalisation rates and prevailing market rents, where applicable; • We tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies by agreeing them to the underlying agreements with the tenants, available market capitalisation rates and prevailing market rents of leasing transactions of properties with comparable conditions and locations, where applicable; and

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties (continued)	• We assessed the adequacy of the disclosures relating to valuation of investment properties in the context of disclosure requirement of HKFRSs. Based on the procedures performed, we found the methodologies used in the valuation of investment properties was appropriate and key assumptions used by management were supportable based on available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED
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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ka Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 September 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	**1,934,557**	2,245,966
Other income	6	**60,338**	67,481
Other losses, net	7	**(104,565)**	(349,190)
Changes in fair value of investment properties	16	**(107,504)**	(6,490)
Purchases of and changes in inventories, net		**(464,456)**	(583,897)
Purchases of promotion items		**(16,697)**	(12,244)
Employee benefit expense	10	**(463,238)**	(458,081)
Depreciation		**(506,669)**	(583,634)
Rental expense		**(110,090)**	(124,354)
Other operating expenses, net	8	**(421,271)**	(106,066)
Operating (loss)/profit		**(199,595)**	89,491
Finance income		**33,170**	37,839
Finance costs		**(240,124)**	(230,328)
Finance costs, net	9	**(206,954)**	(192,489)
		(406,549)	(102,998)
Share of result of an associated company	18	**–**	(151)
Loss before income tax		**(406,549)**	(103,149)
Income tax expense	12	**(76,832)**	(126,210)
Loss for the year		**(483,381)**	(229,359)
Loss per share attributable to shareholders of the Company (expressed in HK$ per share)			
– Basic and diluted	14	**(0.29)**	(0.14)

The notes on pages 79 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	2022 HK$'000	2021 HK$'000
Loss for the year	**(483,381)**	(229,359)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties	**147,214**	106,872
– Deferred income tax thereof	**(36,803)**	(26,718)
	110,411	80,154
Items that may be reclassified subsequently to profit or loss		
Translation differences	**(92,101)**	408,211
Other comprehensive income for the year, net of tax	**18,310**	488,365
Total comprehensive (loss)/income for the year	**(465,071)**	259,006

The notes on pages 79 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15(a)	**769,021**	869,599
Investment properties	16	**5,396,060**	5,255,795
Right-of-use assets	15(b)	**3,035,595**	4,019,142
Intangible assets	17	**1,107,218**	1,353,451
Interest in an associated company	18	**–**	296
Prepayments, deposits and other receivables	19	**196,947**	206,850
Finance lease receivables	31	**368,722**	335,006
Financial assets at fair value through profit or loss	32	**78,000**	–
Deferred income tax assets	28	**92,078**	121,662
		11,043,641	12,161,801
Current assets			
Inventories	20	**94,606**	89,428
Debtors	21	**34,861**	34,137
Prepayments, deposits and other receivables	19	**191,190**	252,465
Finance lease receivables	31	**68,673**	68,524
Amounts due from fellow subsidiaries	22	**976**	1,861
Amounts due from related companies	22	**7**	1
Fixed deposits with original maturity over three months	23	**459,853**	728,669
Cash and bank balances	24	**619,595**	840,752
		1,469,761	2,015,837
Total assets		**12,513,402**	14,177,638
Equity and liabilities			
Equity			
Share capital	25	**168,615**	168,615
Reserves	26	**3,834,641**	4,299,712
Total equity		**4,003,256**	4,468,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022 HK$'000	2021 HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities	30	**3,256,172**	4,354,394
Deferred income tax liabilities	28	**967,804**	971,246
		4,223,976	5,325,640
Current liabilities			
Creditors	29	**580,311**	993,805
Accruals and other payables	29	**1,004,744**	1,032,527
Lease liabilities	30	**868,768**	660,400
Contract liabilities	33	**228,900**	238,363
Amounts due to fellow subsidiaries	22	**4,691**	7,758
Amounts due to related companies	22	**19,156**	15,596
Amounts due to ultimate holding company	22	**79,873**	–
Borrowings	27	**1,489,544**	1,412,275
Tax payable		**10,183**	22,947
		4,286,170	4,383,671
Total liabilities		**8,510,146**	9,709,311
Total equity and liabilities		**12,513,402**	14,177,638

The consolidated financial statements on pages 71 to 146 were approved by the Board of Directors on 29 September 2022 and were signed on its behalf

Mr. Cheung Fai-yet, Philip
Director

Ms. Xie Hui-fang, Mandy
Director

The notes on pages 79 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 July 2021	168,615	1,826,646	260,623	391,588	483,012	173,112	1,164,731	4,468,327
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(483,381)	(483,381)
Other comprehensive income								
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties	–	–	147,214	–	–	–	–	147,214
– Deferred income tax thereof	–	–	(36,803)	–	–	–	–	(36,803)
Translation differences	–	–	–	–	–	(92,101)	–	(92,101)
Total comprehensive loss for the year ended 30 June 2022	–	–	110,411	–	–	(92,101)	(483,381)	(465,071)
Transactions with owners								
Transfer to statutory reserve	–	–	–	–	55,252	–	(55,252)	–
Total transactions with owners	–	–	–	–	55,252	–	(55,252)	–
As at 30 June 2022	168,615	1,826,646	371,034	391,588	538,264	81,011	626,098	4,003,256

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 July 2020	168,615	1,826,646	180,469	391,588	459,159	(235,099)	1,417,943	4,209,321
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(229,359)	(229,359)
Other comprehensive income								
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties	–	–	106,872	–	–	–	–	106,872
– Deferred income tax thereof	–	–	(26,718)	–	–	–	–	(26,718)
Translation differences	–	–	–	–	–	408,211	–	408,211
Total comprehensive income for the year ended 30 June 2021	–	–	80,154	–	–	408,211	(229,359)	259,006
Transactions with owners								
Transfer to statutory reserve	–	–	–	–	23,853	–	(23,853)	–
Total transactions with owners	–	–	–	–	23,853	–	(23,853)	–
As at 30 June 2021	168,615	1,826,646	260,623	391,588	483,012	173,112	1,164,731	4,468,327

The notes on pages 79 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Loss before income tax		**(406,549)**	(103,149)
Adjustments for:			
– Finance income		**(33,170)**	(37,839)
– Interest income from finance leases as the lessor		**(22,428)**	(15,963)
– Finance costs		**240,124**	230,328
– Depreciation of property, plant and equipment		**104,658**	127,480
– Depreciation of right-of-use assets		**402,011**	456,154
– Changes in fair value of investment properties		**107,504**	6,490
– Loss on disposal of property, plant and equipment, net		**8,229**	1,875
– Gain on derecognition of right-of-use assets, net		**(48,573)**	(38,624)
– Gain on derecognition of lease liabilities and right-of-use assets, net		**(201,376)**	–
– Impairment loss on interest in an associated company		**297**	–
– Loss on deregistration of a subsidiary		**1,724**	–
– Impairment loss on goodwill		**220,350**	232,749
– Impairment loss on property, plant and equipment and right-of-use assets		**78,576**	176,622
– Loss allowance on prepayments, deposits and other receivables		**29,296**	1,534
– Loss on derecognition of finance lease receivables, net		**39,505**	6,873
– Loss allowance and loss on lease modification of finance lease receivables, net		**14,171**	1,473
– Rent concessions		**(14,203)**	(31,778)
– Inventory write-down, net		**649**	87
– Loss allowance/(reversal of loss allowance) of debtors		**48,463**	(16,291)
– Share of result of an associated company		**–**	151
– Net foreign exchange difference		**33,076**	(128,344)
Operating profit before working capital changes		**602,334**	869,828
Changes in:			
Inventories		**(8,134)**	14,247
Debtors		**(50,033)**	25,931
Prepayments, deposits and other receivables		**44,257**	45,122
Creditors		**(400,961)**	29,880
Accruals and other payables		**(26,207)**	24,439
Contract liabilities		**(3,962)**	(62,280)
Net balance with fellow subsidiaries		**(2,099)**	226
Net balance with related companies		**4,030**	(13,582)
Net balance with ultimate holding company		**82,094**	–
Cash generated from operations		**241,319**	933,811
Mainland China tax paid		**(78,756)**	(79,417)
Net cash generated from operating activities		**162,563**	854,394

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from investing activities			
Additions to investment properties		**(6,068)**	(9,253)
Additions to property, plant and equipment		**(92,568)**	(48,495)
Proceeds from disposal of property, plant and equipment		**404**	438
Decrease/(increase) in fixed deposits with original maturity over three months		**258,670**	(543,739)
Purchase of financial assets at fair value through profit or loss		**(79,226)**	–
Principal portion of finance lease received as the lessor		**72,846**	56,889
Interest portion of finance lease received as the lessor		**22,428**	15,963
Interest received		**22,875**	27,570
Net cash from/(used in) investing activities		**199,361**	(500,627)
Cash flows from financing activities			
Drawdown of bank borrowings	35	**184,408**	205,000
Repayment of bank borrowings	35	**(105,000)**	(283,831)
Finance costs paid	35	**(7,504)**	(12,082)
Principal portion of lease payments as the lessee	35	**(419,103)**	(684,213)
Interest portion of lease payments as the lessee	35	**(222,575)**	(212,547)
Net cash used in financing activities		**(569,774)**	(987,673)
Net decrease in cash and cash equivalents		**(207,850)**	(633,906)
Cash and cash equivalents at beginning of the year		**840,752**	1,360,328
Effect of foreign exchange rate changes		**(13,307)**	114,330
Cash and cash equivalents at end of the year	24	**619,595**	840,752

The notes on pages 79 to 146 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 ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 September 2022.

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

The consolidated financial statements for the year ended 30 June 2022 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

As at 30 June 2022, the Group had net current liabilities of approximately HK$2,816,409,000, which included short term bank borrowings of approximately HK$776,544,000 and shareholder loans of HK$713,000,000 from New World Development Company Limited ("NWD"), its ultimate holding company.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the end of the reporting period and have considered available information, among others, internally generated funds and financial resources (as described below) available to the Group in assessing the going concern basis in the preparation of the consolidated financial statements.

The Group's shareholder loans from NWD will mature within the next 12 months from 30 June 2022. NWD has confirmed its intention to renew the shareholder loans for another 12 months upon their maturity.

In addition, during the year, the Group had successfully renewed its short term bank borrowings for another 12 months, which will mature within the next 12 months from 30 June 2022. As at 30 June 2022, short term bank borrowings included in current liabilities of approximately HK$699,285,000 were guaranteed by NWD. The directors of the Company are confident that its short term bank borrowings can be renewed upon their maturity in view of the Group's track record of successful renewal of the short term bank borrowings and the continued guarantee provided by NWD.

The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group's operation; the availability of the bank borrowings and successful renewal of the shareholder loans as and when needed, the Group will have adequate resources to continue its operations for the foreseeable future and to meet with its financial obligations as and when they fall due in the next 12 months from 30 June 2022. Accordingly, the directors of the Company consider it is appropriate to prepare these consolidated financial statements on a going concern basis.

(a) Adoption of amendments to standards

In the current year, the Group has adopted the following amendments to standards, which are mandatory for the financial year ended 30 June 2022:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) ***New standard, amendments to standards, interpretation and revised accounting guideline which are not yet effective***

The following new standard, amendments to standards, interpretation and revised accounting guideline which are not yet effective are mandatory for the accounting periods beginning on or after 1 July 2022 or later periods which the Group has not early adopted:

HKFRS 17 and amendments to HKFRS 17	Insurance contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRSs Amendments	Annual Improvements to HKFRSs 2018–2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Group has already commenced an assessment of the impact of the new standard, amendments to standards, interpretation and revised accounting guideline, certain of which may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

2.2 Subsidiaries

(i) ***Consolidation***

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(i) *Consolidation (continued)*

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

(ii) *Separate financial statements*

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Associated companies

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company. Please refer to Note 2.10 for the impairment of long-term receivables.

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

2.4 Segment reporting

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

2.5 Property, plant and equipment

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 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	Shorter of remaining lease term or useful life of 2 to 15 years
Furniture and fixtures	3 to 5 years
Office equipment	2 to 5 years
Computer	2 to 5 years

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.6 Investment properties

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

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 and right-of-use assets. However, if the fair value of the property at the date of transfer which results in a reversal of the previous impairment loss, the write-back is recognised in the consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.7 Intangible assets

Goodwill

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

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

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

2.8 Impairment of investments in subsidiaries, interest in an associated company and non-financial assets

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

2.9 Investments and other financial assets

(a) *Classification*

Debt instruments

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

- those to be measured at amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL")

Classification is driven by the entity's business model for managing the debt instrument and the debt instrument's contractual cash flow characteristics.

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

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

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

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

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

Finance lease receivables, debtors, deposits and other receivables, amounts due from fellow subsidiaries and related companies, fixed deposits with original maturity over three months, cash and bank balances are classified as at amortised cost.

Equity instruments

Investments in equity instruments are measured at fair value. Equity instruments that are held for trading are measured at FVPL.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.9 Investments and other financial assets (continued)

(b) ***Measurement***

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

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated income statement when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

FVPL

Changes in the fair value on financial assets at FVPL are recognised in the consolidated income statement as 'other losses, net' as applicable.

2.10 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For financial assets measured at amortised cost that are considered to be of low credit risk, it is assumed that no significant increase in credit risk have occurred. Thus, the impairment provision is determined as 12-month expected losses using general expected credit losses model.

For debtors only, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. Management considers the debtors do not contain a significant financing component. Thus, the impairment provision recognised during the year was equal to the lifetime expected losses.

2.11 Debtors and other receivables

Debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of debtors 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.

Debtors and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Creditors and other payables

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

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

2.16 Borrowings

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

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

2.17 Borrowings costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the construction period when the asset is being prepared for its intended use. Other borrowing costs are expensed as incurred.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax

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

(i) ***Current income tax***

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

(ii) ***Deferred income tax***

Inside basis differences

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

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

Outside basis differences

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

(iii) ***Offsetting***

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

(iii) ***Bonus plans***

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

(iv) ***Termination benefits***

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

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

2.20 Provisions, contingent liabilities and contingent assets

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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.20 Provisions, contingent liabilities and contingent assets (continued)

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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.21 Revenue and income recognition

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the good or service.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.21 Revenue and income recognition (continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer relative to the remaining goods or services promised under the contract; or

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs.

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

Revenue from sales of goods to retail customers is recognised when the product is transferred to the customers upon sale. Payment of the transaction price is due immediately when the customers purchase the good. The payment is usually settled in cash, using credit cards or by means of electronic payments. It is the Group's policy to sell its products to the customers with a right of return within a reasonable period.

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 contract liabilities in the consolidated statement of financial position. Revenue is recognised when goods are delivered to the customers. After expiry of prepaid stored value cards, the corresponding receipts in advance are normally recognised as income based on the Group's previous experience in forfeiture of prepaid stored value cards by customers.

2.22 Government grants

Government grants are recognised at their fair values where the grant has been received and all attaching conditions have been complied with. Government grants received are not intended to compensate any specific costs of the Group and are recognised within 'other income' in the consolidated income statement.

2.23 Foreign currency translation

(i) Functional and presentation currency

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.23 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 or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement or capitalised as cost of qualifying assets, as applicable (Note 2.17).

Translation differences on financial assets and liabilities held at FVPL is reported as part of the fair value gain or loss. Translation difference on equity instruments at FVOCI is included in equity.

(iii) Group companies

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

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

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.24 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.24 Leases (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate standalone price of the non-lease components.

As an intermediate lessor, certain sub-leases are recognised as finance lease receivables at the present value of the minimum lease payments and the estimated unguaranteed residual value. The corresponding right-of-use assets are de-recognised. The interest income is recognised to the consolidated income statement over the sub-lease period.

2.25 Dividend distribution

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

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

As at 30 June 2022, if HK$ and USD had strengthened/weakened by 5% (2021: 5%) against the RMB with all other variables held constant, loss before income tax for the year would have been approximately HK$71,536,000 (2021: HK$70,420,000) higher/lower mainly as a result of foreign exchange differences on translation of HK$-denominated and USD-denominated financial assets at FVPL, bank balances, other receivables and payables, borrowings and balances with group companies of the Group's entities of which functional currency is RMB.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The credit risk of the Group mainly arises from finance lease receivables, debtors, deposits and other receivables, amounts due from fellow subsidiaries and related companies, fixed deposits with original maturity over three months and cash and bank balances. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

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

- external credit rating (as far as available)

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations

- actual or expected significant changes in the operating results of the counterparties

- significant expected changes in the performance and behaviour of the counterparties, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparties

A default on a financial asset is when the counterparties fail to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

Fixed deposits with original maturity over three months and cash and bank balances placed in renowned or high credit-rated financial institutions are considered to be of low credit risk as they have an investment credit rating with at least one major agency. No impairment had been provided under 12-month expected credit loss assessment.

For amounts due from fellow subsidiaries and related companies, management consider they do not have significant credit risk due to the past payment history and also taking into account of the sound financial performance and position of their holding companies/significant shareholders to meet contractual cash flow obligations in the near term. No impairment had been provided under 12-month expected credit loss assessment.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) ***Credit risk*** *(continued)*

For deposits and other receivables, the balances mainly comprise of rental deposits and other tax recoverable. Management considers rental deposits do not have significant credit risk since the deposits are refundable from landlords upon end of lease term or recoverable by the Group through using the leased property. Other tax recoverable from the tax authority of the PRC government is considered to be of low credit risk. No impairment had been provided under 12-month expected credit loss assessment.

For debtors related to retail sales, which are settled by credit/debit cards and guaranteed by the card issuers, or by major means of electronic payment, no significant impairment allowance had been provided under life-time expected credit loss assessment. Management considered there was no history of default of the card issuers and financial institutions, and also took into account of Group's view of current and forecast economic conditions that may affect the ability of the debtors to settle receivables. No single customer accounted for more than 3% (2021: 3%) of the Group's total revenue during the year.

For finance lease receivables and debtors related to rental income, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime expected credit losses based on the outstanding balances with tenants offset with the deposit placed to the Group by the tenants and the assets of the tenants frozen by the court for confiscation, and historical credit loss experience adjusted to reflect the Group's view of current and forecast economic conditions that may affect the ability of the tenants to settle receivables.

No significant changes to the estimation techniques or significant assumptions were made during the year.

(c) ***Liquidity risk***

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

As at 30 June 2022, the Group's current liabilities exceeded its current assets by approximately HK$2,816,409,000 (2021: HK$2,367,834,000). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and to fulfil its liabilities and commitments as and when they fall due.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) ***Liquidity risk*** *(continued)*

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

	Carrying amounts HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year but within 5 years HK$'000	More than 5 years HK$'000
As at 30 June 2022					
Creditors	**580,311**	**580,311**	**580,311**	**–**	**–**
Other payables	**905,746**	**905,746**	**905,746**	**–**	**–**
Amounts due to fellow subsidiaries	**4,691**	**4,691**	**4,691**	**–**	**–**
Amounts due to related companies	**19,156**	**19,156**	**19,156**	**–**	**–**
Amounts due to ultimate holding company	**79,873**	**79,873**	**79,873**	**–**	**–**
Borrowings	**1,489,544**	**1,507,789**	**1,507,789**	**–**	**–**
Lease liabilities	**4,124,940**	**5,338,422**	**911,542**	**2,215,411**	**2,211,469**

	Carrying amounts HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year but within 5 years HK$'000	More than 5 years HK$'000
As at 30 June 2021					
Creditors	993,805	993,805	993,805	–	–
Other payables	871,815	871,815	871,815	–	–
Amounts due to fellow subsidiaries	7,758	7,758	7,758	–	–
Amounts due to related companies	15,596	15,596	15,596	–	–
Borrowings	1,412,275	1,430,255	1,430,255	–	–
Lease liabilities	5,014,794	6,622,985	692,943	2,933,793	2,996,249

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at floating rates of approximately HK$1,412,285,000 (2021: HK$1,412,275,000) expose the Group to cash flow interest rate risk. 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.

As at 30 June 2022, if interest rates on borrowings subject to floating rate had been 100 (2021: 100) basis points higher/lower with all other variables held constant, the Group's loss before income tax for the year would have been approximately HK$14,130,000 (2021: HK$14,130,000) 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 regularly reviews and manages its capital structure and makes adjustments to it taking into consideration of changes in economic and market conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected investment opportunities.

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

The Group was in net debt position as at 30 June 2022 (net cash position as at 30 June 2021), taking into accounts its borrowings, cash and bank balances and fixed deposits with original maturity over three months.

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

(i) Listed instrument is stated at market price. The quoted market price used for financial asset held by the Group is the bid price at the end of the reporting period. It is included in level 1.

(ii) Unlisted instrument is stated at fair value which is estimated using valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial assets at FVPL that is measured at fair value:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 30 June 2022				
Financial assets at FVPL	–	–	78,000	78,000

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 30 June 2021				
Financial assets at FVPL	–	–	–	–

The following table presents the changes in financial asset at FVPL in level 3 financial instruments for the year ended 30 June 2022:

	Financial assets at FVPL HK$'000
As at 1 July 2021	–
Additions	79,226
Translation difference	(1,226)
As at 30 June 2022	78,000

The Group has no significant financial instrument that is measured at fair value as at 30 June 2021.

There were no significant transfer of financial assets and financial liabilities between level 1, level 2 and level 3 fair value hierarchy classification.

There were no changes in valuation techniques during the year.

3 FINANCIAL RISK MANAGEMENT (continued)

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

The fair value of the following financial assets and liabilities approximate their carrying amounts, since they are expected to be recovered or settled within twelve months from the reporting date, repayable demand, or bear interest at variable rates:

- Finance lease receivables
- Debtors
- Deposits and other receivables
- Fixed deposits with original maturity over three months
- Cash and bank balances
- Creditors
- Other payables
- Amounts due from/to fellow subsidiaries, related companies and ultimate holding company
- Borrowings
- Lease 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 addressed below.

(a) Estimated useful lives and impairment of property, plant and equipment and right-of-use assets

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

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of cash-generating unit is higher than its recoverable amount. The recoverable amount of cash-generating units is determined in accordance with the policy set out in Note 2.8. These calculations require the use of estimates which are subject to change of economic environment in future. The details are set out in Note 15(c).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by independent professional valuers based on a market value assessment. The valuers have relied on the income approach. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. The details are set out in Note 16.

(c) Impairment of goodwill

The Group tests annually and whenever there is an indication that the unit may be impaired whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units in accordance with the policy set out in Note 2.8. These calculations require the use of estimates which are subject to change of economic environment in future. The details are set out in Note 17.

(d) Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required. The details are set out in Note 20.

(e) Loss allowances for debtors and finance lease receivables

The Group makes loss allowances for debtors and finance lease receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the existing market conditions as well as forward-looking estimates at the end of each reporting period. The details are set out in Notes 21 and 31.

(f) Recognition of deferred income tax assets

Deferred income tax assets recognised on unused tax losses of the PRC subsidiaries and other deductible temporary differences involve business assumptions and projections in determining the estimated future taxable profits available against which tax losses and other deductible temporary differences can be utilised before they expire, if applicable. Where the final tax outcome of these profits different from the amounts that were initially recorded, such differences will impact the deferred income tax assets in the period in which such determination is made. The details are set out in Note 28.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(g) Provision for compensation

The Group exercises judgement in measuring and recognising provisions and in assessing exposures to contingent liabilities in connection with compensation for early termination of leases of certain department stores, the settlement of which is subject to negotiation, mediation and/or arbitration. Judgement is required to assess the likelihood that a liability will arise and a settlement will be required, and to quantify the possible range of the settlement. Because of the inherent uncertainty in this assessment process, actual outflow may be different from the originally estimated amount.

(h) Leases

Liabilities and the corresponding right-of-use assets arising from leases are initially measured at the present value of the lease payments at the commencement date, discounted using the interest rates implicit in the leases, or if that rate cannot be readily determinable, the Group uses the incremental borrowing rate.

The Group generally uses the incremental borrowing rate as the discount rate. The Group applies the incremental borrowing rate with reference to the rate of interest that the Group would have to pay to borrow, over a similar term as that of the lease, the funds necessary to obtain an asset of a similar value to the right-of-use asset in the country where it is located.

Lease payments to be made during the lease term will be included in the measurement of a lease liability. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The assessment of whether the Group is reasonably certain to exercise the options impacts the lease terms, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

5 REVENUE AND SEGMENT INFORMATION

	2022 HK$'000	2021 HK$'000
Commission income from concessionaire sales	**665,362**	893,026
Sales of goods – direct sales	**501,160**	633,583
Revenue from contracts with customers	**1,166,522**	1,526,609
Rental income	**745,607**	703,394
Interest income from finance lease as the lessor	**22,428**	15,963
	1,934,557	2,245,966

The income from concessionaire sales is analysed as follows:

	2022 HK$'000	2021 HK$'000
Proceeds from concessionaire sales	**4,654,718**	6,052,313
Commission income from concessionaire sales	**665,362**	893,026

The chief operating decision-maker ("CODM") has been identified as executive Directors of the Company. 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 businesses. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of other losses, net, changes in fair value of investment properties and net unallocated corporate expenses or income. In addition, net finance costs and share of result of an associated company are not allocated to segments. The measurement of segment assets excludes interest in an associated company, deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

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

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK$'000	Property investment business HK$'000	Consolidated HK$'000
For the year ended 30 June 2022			
Segment revenue	1,663,910	270,647	1,934,557
Segment operating results	(57,892)	134,267	76,375
Other losses, net	(90,141)	(14,424)	(104,565)
Changes in fair value of investment properties	–	(107,504)	(107,504)
Unallocated corporate expenses, net			(63,901)
Operating loss			(199,595)
Finance income			33,170
Finance costs			(240,124)
Finance costs, net			(206,954)
Loss before income tax			(406,549)
Income tax expense			(76,832)
Loss for the year			(483,381)

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK$'000	Property investment business HK$'000	Consolidated HK$'000
For the year ended 30 June 2021			
Segment revenue	2,039,653	206,313	2,245,966
Segment operating results	189,324	161,224	350,548
Other losses, net	(349,192)	2	(349,190)
Changes in fair value of investment properties	–	(6,490)	(6,490)
Unallocated corporate income, net			94,623
Operating profit			89,491
Finance income			37,839
Finance costs			(230,328)
Finance costs, net			(192,489)
			(102,998)
Share of result of an associated company			(151)
Loss before income tax			(103,149)
Income tax expense			(126,210)
Loss for the year			(229,359)

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK$'000	Property investment business HK$'000	Consolidated HK$'000
As at 30 June 2022			
Segment assets	6,451,068	5,871,402	12,322,470
Deferred income tax assets	92,078	–	92,078
Unallocated corporate assets:			
Cash and bank balances			20,608
Others			78,246
Total assets			12,513,402
For the year ended 30 June 2022			
Additions to non-current assets (Note (i))	111,977	7,235	119,212
Depreciation	503,746	2,923	506,669
Impairment loss on goodwill	212,410	7,940	220,350
Impairment loss on property, plant and equipment and right-of-use assets	78,576	–	78,576
Loss allowance of deposits and receivables	50,092	27,667	77,759
Gain on derecognition of lease liabilities and right-of-use assets, net (Note (ii))	(201,376)	–	(201,376)
Gain on derecognition of right-of-use assets, net	(46,237)	(2,336)	(48,573)
Loss allowance, loss on derecognition and lease modification of finance lease receivables, net	44,864	8,812	53,676

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK$'000	Property investment business HK$'000	Consolidated HK$'000
As at 30 June 2021			
Segment assets	8,483,684	5,550,681	14,034,365
Interest in an associated company	296	–	296
Deferred income tax assets	121,662	–	121,662
Unallocated corporate assets:			
Cash and bank balances			21,066
Others			249
Total assets			14,177,638
For the year ended 30 June 2021			
Additions to non-current assets (Note (i))	904,157	9,383	913,540
Depreciation	582,932	702	583,634
Impairment loss on goodwill	232,749	–	232,749
Impairment loss on property, plant and equipment and right-of-use assets	176,622	–	176,622
Reversal of loss allowance of receivables	(14,499)	(1,792)	(16,291)
Gain on derecognition of right-of-use assets, net	(38,624)	–	(38,624)
Loss on derecognition and lease modification of finance lease receivables, net	8,346	–	8,346

Note:

(i) Additions to non-current assets represented additions to non-current assets other than financial instruments, interest in an associated company and deferred income tax assets.

(ii) Gain on derecognition of lease liabilities and right-of-use assets, net was due to downsizing and closure of certain department stores during the year ended 30 June 2022.

6 OTHER INCOME

	2022 HK$'000	2021 HK$'000
Government grants	12,525	13,894
Income from suppliers	23,677	22,272
Service fee income	756	1,653
Carpark income	7,607	9,876
Other compensation income	13,823	16,693
Sundries	1,950	3,093
	60,338	67,481

7 OTHER LOSSES, NET

	2022 HK$'000	2021 HK$'000
Loss on deregistration of a subsidiary	1,724	–
Impairment loss on goodwill (Note (i) & 17)	220,350	232,749
Impairment loss on property, plant and equipment and right-of-use assets (Note (i) & 15)	78,576	176,622
Impairment loss on interest in an associated company	297	–
Impairment loss on prepayments, deposits and other receivables	5,865	–
Gain on derecognition of lease liabilities and right-of-use assets, net (Note (ii))	(201,376)	–
Loss on disposal of property, plant and equipment, net	8,229	1,875
Gain on derecognition of right-of-use assets, net (Note (iii))	(48,573)	(38,624)
Loss on derecognition of finance lease receivables, net	39,505	6,873
Loss allowance, and loss on lease modification of finance lease receivables, net	14,171	1,473
Rent concessions (Note (iv))	(14,203)	(31,778)
	104,565	349,190

Notes:

(i) The impairment provisions were made to reflect management's latest plan for mainly six department stores (2021: eight department stores) in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof.

(ii) Gain on derecognition of lease liabilities and right-of-use assets, net was due to downsizing and closure of certain department stores during the year ended 30 June 2022.

(iii) Gain on derecognition of right-of-use assets, net, is recognised at the inception of subleases to tenants which are accounted for as finance lease receivables.

(iv) Rent concessions represented the reduction in lease payment directly related to COVID-19. The Group has applied the practical expedient to all rent concessions that meet the conditions in the amendments to HKFRS 16.

8 OTHER OPERATING EXPENSES, NET

	2022 HK$'000	2021 HK$'000
Selling, promotion, advertising and related expenses	28,864	33,762
Cleaning, repairs and maintenance	57,278	60,191
Auditor's remuneration		
– Audit services	3,766	3,763
– Non-audit services	994	1,198
Net exchange loss/(gain)	34,050	(128,923)
Other tax expenses	129,664	139,041
Loss allowance/(reversal of loss allowance) of debtors	48,463	(16,291)
Loss allowance of other receivables	23,431	1,534
Compensation expenses (Note)	74,394	–
Others	20,367	11,791
	421,271	106,066

Note:

Compensation expenses represented the compensation to the affected parties related to the early termination of the operation of certain department stores.

9 FINANCE COSTS, NET

	2022 HK$'000	2021 HK$'000
Interest income on bank deposits	(33,170)	(37,839)
Interest expense on bank loans	8,644	9,375
Interest expense on shareholder loans	8,905	8,406
Interest expense on lease liabilities	222,575	212,547
	240,124	230,328
	206,954	192,489

10 EMPLOYEE BENEFIT EXPENSE

	2022 HK$'000	2021 HK$'000
Wages, salaries and other benefits	**417,991**	430,675
Retirement benefit costs – defined contribution plans	**45,247**	27,406
	463,238	458,081

Employee benefit expense included emoluments of Directors (Note 11).

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of Directors for the year ended 30 June 2022 is set out below:

Name of Directors	As Director (Note (i)) HK$'000	As management (Note (ii)): Basic salaries, housing allowances, other allowances and other benefits in kind HK$'000	As management (Note (ii)): Retirement benefit costs – defined contribution plans HK$'000	Total HK$'000
Non-executive Directors				
Dr. Cheng Chi-kong, Adrian (Note (iii))	100	–	–	100
Ms. Chiu Wai-han, Jenny (Note (iv))	100	–	–	100
Executive Directors				
Mr. Cheung Fai-yet, Philip (Note (v))	150	9,512	876	10,538
Ms. Xie Hui-fang, Mandy (Note (vi))	150	5,764	32	5,946
Independent non-executive Directors				
Mr. Cheong Ying-chew, Henry	200	–	–	200
Mr. Chan Yiu-tong, Ivan	200	–	–	200
Mr. Tong Hang-chan, Peter	200	–	–	200
Mr. Yu Chun-fai	200	–	–	200
	1,300	15,276	908	17,484

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

The remuneration of Directors for the year ended 30 June 2021 is set out below:

Name of Directors	As Director (Note (i)) HK$'000	As management (Note (ii)): Basic salaries, housing allowances, other allowances and other benefits in kind HK$'000	As management (Note (ii)): Retirement benefit costs – defined contribution plans HK$'000	Total HK$'000
Non-executive Directors				
Dr. Cheng Kar-shun, Henry (Note (vii))	87	–	–	87
Dr. Cheng Chi-kong, Adrian (Note (iii))	13	–	–	13
Ms. Chiu Wai-han, Jenny (Note (iv))	13	–	–	13
Executive Directors				
Dr. Cheng Chi-kong, Adrian (Note (iii))	130	–	–	130
Mr. Cheung Fai-yet, Philip (Note (v))	150	9,500	876	10,526
Ms. Xie Hui-fang, Mandy (Note (vi))	20	5,118	28	5,166
Independent non-executive Directors				
Mr. Cheong Ying-chew, Henry	200	–	–	200
Mr. Chan Yiu-tong, Ivan	200	–	–	200
Mr. Tong Hang-chan, Peter	200	–	–	200
Mr. Yu Chun-fai	200	–	–	200
	1,213	14,618	904	16,735

Notes:

(i) The amounts represented directors' fees paid to or receivable by the Director in respect of a person's services as a Director, whether of the Company or its subsidiary undertakings. No other emoluments was paid to or receivable by the Director in respect of a person's services as a Director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid to or receivable by the Director in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, employer's contributions to retirement benefit schemes and other allowances.

(iii) Dr. Cheng Chi-kong, Adrian has been re-designated as a non-executive Director and appointed as the Chairman with effect from 13 May 2021.

(iv) Ms. Chiu Wai-han, Jenny has been appointed as a non-executive Director with effect from 13 May 2021.

(v) Mr. Cheung Fai-yet, Philip has been re-designated as the Joint Chief Executive Officer with effect from 13 May 2021 and remains as an executive Director.

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

Notes: (continued)

(vi) Ms. Xie Hui-fang, Mandy has been appointed as an executive Director and the Joint Chief Executive Officer with effect from 13 May 2021.

(vii) Dr. Cheng Kar-shun, Henry resigned as a non-executive Director and the Chairman with effect from 13 May 2021.

(viii) No Directors waived or agreed to waive any emoluments during the years ended 30 June 2022 and 2021.

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes two Directors for the year ended 30 June 2022 (2021: two Directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2021: three) individuals during the year are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	6,100	5,925
Discretionary bonus	1,053	1,077
Retirement benefit costs – defined contribution plans	112	102
	7,265	7,104

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
HK$2,000,001 – HK$2,500,000	2	2
HK$2,500,001 – HK$3,000,000	1	1
	3	3

12 INCOME TAX EXPENSE

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

	2022 **HK$'000**	2021 HK$'000
Current income tax		
– Mainland China taxation	**66,261**	90,905
– Over-provision in prior years	**(40)**	(32)
Deferred income tax (Note 28)		
– Other temporary differences	**10,611**	35,337
	76,832	126,210

Taxation has been provided at the tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the years ended 30 June 2022 and 2021.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2021: 25%).

The taxation of the Group's loss 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:

	2022 **HK$'000**	2021 HK$'000
Loss before income tax and share of result of an associated company	**(406,549)**	(102,998)
Tax calculated at applicable tax rate	**(101,637)**	(25,750)
Expenses not deductible for taxation purpose	**139,761**	123,020
Income not subject to taxation	**(50,474)**	(33,924)
Utilisation of previously unrecognised tax losses and other temporary differences	**(6,353)**	(53,552)
Reversal of previously recognised tax losses and other temporary differences, net	**18,822**	9,609
Tax losses and other temporary differences not recognised	**76,753**	106,839
Over-provision in prior years	**(40)**	(32)
Income tax expense	**76,832**	126,210

	2022	2021
Domestic applicable tax rates	**25%**	25%

13 DIVIDENDS

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2022 (2021: Nil).

14 LOSS PER SHARE

(a) Basic

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

	2022	2021
Loss attributable to shareholders of the Company (HK$'000)	**(483,381)**	(229,359)
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic loss per share (HK$ per share)	**(0.29)**	(0.14)

(b) Diluted

Diluted loss per share for the years ended 30 June 2022 and 2021 are equal to basic loss per share as there was no dilutive potential ordinary share in issue.

15(a) PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer HK$'000	Assets under construction HK$'000	Total HK$'000
Cost									
As at 1 July 2021	672,679	65,960	7,510	2,318,772	24,488	12,037	232,304	22,350	3,356,100
Translation differences	(14,971)	(1,763)	(465)	(55,617)	(652)	(468)	(7,079)	(523)	(81,538)
Additions	–	909	–	93,015	1,455	215	8,177	159	103,930
Disposals	–	(9,983)	(553)	(490,812)	(1,135)	(1,861)	(47,523)	–	(551,867)
Reclassification	–	–	–	273	–	–	–	(273)	–
Transfer to investment properties	(31,646)	–	–	(128,553)	–	–	–	–	(160,199)
As at 30 June 2022	626,062	55,123	6,492	1,737,078	24,156	9,923	185,879	21,713	2,666,426
Accumulated depreciation and impairment									
As at 1 July 2021	133,452	64,361	6,446	2,039,350	22,543	11,386	208,963	–	2,486,501
Translation differences	(3,133)	(1,731)	(446)	(50,983)	(595)	(455)	(6,600)	–	(63,943)
Charge for the year	19,037	817	236	73,411	861	237	10,059	–	104,658
Written back on disposals	–	(9,921)	(553)	(482,964)	(1,122)	(1,779)	(46,895)	–	(543,234)
Impairment	–	241	–	3,156	177	5	296	–	3,875
Transfer to investment properties	(19,318)	–	–	(71,134)	–	–	–	–	(90,452)
As at 30 June 2022	130,038	53,767	5,683	1,510,836	21,864	9,394	165,823	–	1,897,405
Net book amount									
As at 30 June 2022	496,024	1,356	809	226,242	2,292	529	20,056	21,713	769,021

15(a) PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer HK$'000	Assets under construction HK$'000	Total HK$'000
Cost									
As at 1 July 2020	722,929	59,874	7,302	2,214,305	25,672	11,525	218,186	22,583	3,282,376
Translation differences	66,173	5,780	689	209,439	2,367	1,093	20,829	2,107	308,477
Additions	–	369	1,141	33,188	338	206	8,852	264	44,358
Disposals	–	(63)	(1,622)	(66,654)	(3,889)	(787)	(15,563)	–	(88,578)
Reclassification	–	–	–	2,604	–	–	–	(2,604)	–
Transfer to investment properties	(116,423)	–	–	(74,110)	–	–	–	–	(190,533)
As at 30 June 2021	672,679	65,960	7,510	2,318,772	24,488	12,037	232,304	22,350	3,356,100
Accumulated depreciation and impairment									
As at 1 July 2020	139,347	57,653	7,161	1,848,608	22,766	10,797	191,062	–	2,277,394
Translation differences	12,866	5,591	648	178,500	1,840	1,028	18,260	–	218,733
Charge for the year	21,796	836	259	88,848	964	308	14,469	–	127,480
Written back on disposals	–	(63)	(1,622)	(65,045)	(3,354)	(786)	(15,396)	–	(86,266)
Impairment	–	344	–	34,074	327	39	568	–	35,352
Transfer to investment properties	(40,557)	–	–	(45,635)	–	–	–	–	(86,192)
As at 30 June 2021	133,452	64,361	6,446	2,039,350	22,543	11,386	208,963	–	2,486,501
Net book amount									
As at 30 June 2021	539,227	1,599	1,064	279,422	1,945	651	23,341	22,350	869,599

15(b) RIGHT-OF-USE ASSETS

	Prepaid leasehold land HK$'000	Buildings, plant and machinery and others HK$'000	Total HK$'000
As at 1 July 2021	**780,715**	**3,238,427**	**4,019,142**
Additions	**–**	**8,007**	**8,007**
Lease modification	**–**	**(39,276)**	**(39,276)**
Derecognition	**–**	**(301,085)**	**(301,085)**
Depreciation	**(27,321)**	**(374,690)**	**(402,011)**
Transfer from finance lease receivables	**–**	**51,108**	**51,108**
Transfer to investment properties	**(21,334)**	**(134,412)**	**(155,746)**
Impairment charged for the year	**–**	**(74,701)**	**(74,701)**
Exchange difference	**(17,053)**	**(52,790)**	**(69,843)**
As at 30 June 2022	**715,007**	**2,320,588**	**3,035,595**

	Prepaid leasehold land HK$'000	Buildings, plant and machinery and others HK$'000	Total HK$'000
As at 1 July 2020	806,143	2,838,603	3,644,746
Additions	–	14,684	14,684
Lease modification	–	839,630	839,630
Derecognition	–	(165,795)	(165,795)
Depreciation	(29,670)	(426,484)	(456,154)
Transfer to investment properties	(70,444)	–	(70,444)
Impairment charged for the year	–	(141,270)	(141,270)
Exchange difference	74,686	279,059	353,745
As at 30 June 2021	780,715	3,238,427	4,019,142

The Group leases various properties. Rental contracts are made for a range of fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognised in the consolidated income statement in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Total cash outflows for leases was HK$762,089,000 (2021: HK$1,032,157,000).

15(c) IMPAIRMENT TESTS FOR RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and right-of-use assets are allocated to the Group's CGUs identified. For the purpose of impairment test, the recoverable amounts of CGUs is determined based on the higher of fair value less costs of disposal and value in use calculation.

The recoverable amounts of property, plant and equipment and right-of-use assets were determined either:

(i) by way of cash flow projections based on financial estimates covering a period over the lease term and an average pre-tax discount rate of 20.8% (2021: 19.0%) or the equivalent of a post-tax discount rate of 12.4% (2021: 12.4%); or

(ii) with reference to the valuation of the corresponding properties at 30 June 2022 by an independent professional valuer.

The key assumptions used in the impairment assessment, where discounted cash flow model was adopted, are annual gross revenue growth rates, gross margin ratios and discount rate which are based on management's best estimates and reflect specific risks relating to the relevant businesses.

The key assumptions used in the impairment assessments, with reference to the independent valuation of the underlying properties of the CGUs, are capitalisation rates, prevailing market rents and estimated transaction costs of disposal as at 30 June 2022 and 2021. The capitalisation rates adopted in the valuation are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

During the year ended 30 June 2022, impairment loss of approximately HK$78,576,000 (2021: HK$176,622,000) was recognised. Impairment provision were made on property, plant and equipment and right-of-use assets to reflect management's latest plan for the department stores in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof. The impairment loss recognised for the year represented the difference between the carrying amounts of property, plant and equipment and right-of-use assets of the CGUs and their estimated recoverable amounts.

If the annual gross revenue had been 15% (2021: 10%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK$56,816,000 (2021: HK$75,115,000) higher.

If the gross margin ratios had been 1% (2021: 1%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK$16,124,000 (2021: HK$33,707,000) higher.

If the discount rate had been 0.5% (2021: 0.5%) higher than management's current estimates, there is no material adverse impacts to the consolidated financial statements (2021: same).

If the value of the corresponding properties had been 3% (2021: 5%) lower with all other variables held constant, there is no material adverse impacts to the consolidated financial statements (2021: same).

16 INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
At beginning of the year	**5,255,795**	4,526,518
Translation differences	**(131,006)**	444,857
Additions	**6,068**	9,253
Transfer from property, plant and equipment	**134,860**	167,490
Transfer from right-of-use assets	**237,847**	114,167
Changes in fair value charged to consolidated income statement	**(107,504)**	(6,490)
At end of the year	**5,396,060**	5,255,795

Amounts transferred from property, plant and equipment and right-of-use assets to investment properties are as follows:

	2022 HK$'000	2021 HK$'000
Net book value at the date of transfer of:		
– Property, plant and equipment (Note 15(a))	**69,747**	104,341
– Right-of-use assets (Note 15(b))	**155,746**	70,444
Revaluation gain recognised in other comprehensive income	**147,214**	106,872
	372,707	281,657
Representing fair value of investment properties transferred from:		
– Property, plant and equipment	**134,860**	167,490
– Right-of-use assets	**237,847**	114,167
	372,707	281,657

16 INVESTMENT PROPERTIES (continued)

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

	2022 HK$'000	2021 HK$'000
Rental income	**270,647**	206,313
Direct operating expenses from properties that generated rental income	**(150,804)**	(45,087)
	119,843	161,226

As at 30 June 2022 and 2021, no investment properties was pledged to secure bank loans of the Group.

Valuation processes of the Group

Investment properties have been revalued as at 30 June 2022 and 30 June 2021 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professional valuer. The fair value of the investment properties was determined based on, amongst other things, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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

At each reporting period, the finance team:

– Verifies all major inputs to the independent valuation report;

– Assesses property valuations movements when compared to the prior period valuation report; and

– Holds discussions with the independent professional valuer.

Fair value measurements using significant unobservable inputs

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

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

16 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (continued)

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

Information about fair value measurements using significant unobservable inputs:

As at 30 June 2022

Valuation technique	**Range of significant unobservable inputs**	
Income approach	**Prevailing market rents** **HK$4.3 to HK$16.6 per sq.m. per day**	**Capitalisation rate** **5.0% to 7.0%**

As at 30 June 2021

Valuation technique	Range of significant unobservable inputs	
Income approach	Prevailing market rents HK$4.0 to HK$12.3 per sq.m. per day	Capitalisation rate 5.0% to 7.0%

For prevailing market rent, the higher the prevailing market rent is, the higher the fair value will be. For capitalisation rate, the lower the capitalisation rate is, the higher the fair value will be.

As at 30 June 2022, if the market value of investment properties had been 5% (2021: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been approximately HK$269,803,000 (2021: HK$262,790,000) higher/lower.

17 INTANGIBLE ASSETS

	Goodwill HK$'000
Cost	
As at 1 July 2021	**2,259,897**
Translation differences	**(53,174)**
As at 30 June 2022	**2,206,723**
Accumulated amortisation and impairment	
As at 1 July 2021	**906,446**
Translation differences	**(27,291)**
Impairment	**220,350**
As at 30 June 2022	**1,099,505**
Net book amount	
As at 30 June 2022	**1,107,218**
Cost	
As at 1 July 2020	2,061,225
Translation differences	198,672
As at 30 June 2021	2,259,897
Accumulated amortisation and impairment	
As at 1 July 2020	608,077
Translation differences	65,620
Impairment	232,749
As at 30 June 2021	906,446
Net book amount	
As at 30 June 2021	1,353,451

Impairment tests for goodwill

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

	2022 HK$'000	2021 HK$'000
Shanghai Wujiaochang Branch Store	**456,704**	523,130
Shanghai Shaanxi Road Branch Store	**252,179**	258,255
Beijing Chongwen Store	**244,137**	250,020
Chongqing Store	**73,595**	75,368
Shanghai Pujian Branch Store	**58,260**	59,664

17 INTANGIBLE ASSETS (continued)

As at 30 June 2022, goodwill allocated to CGUs of the department store businesses and CGUs of the property investment business was approximately HK$855,039,000 (2021: HK$1,087,284,000) and approximately HK$252,179,000 (2021: HK$266,167,000) respectively. For the purpose of impairment test, the recoverable amount of each CGU is determined based on the higher of fair value less costs of disposal and value in use calculations. The recoverable amounts of CGUs of the department store businesses and CGUs of the property investment business are measured using the discounted cash flow projections and the fair value of the corresponding properties respectively.

The cash flow projections are based on financial estimates covering a five-year period and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using the estimated growth rates, where applicable.

The key assumptions used in the impairment assessments, with reference to the independent valuation of the underlying properties of the CGUs, are capitalisation rates, prevailing market rents and estimated transaction costs of disposal as at 30 June 2022 and 2021. The capitalisation rates adopted in the valuation are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

The key assumptions used in the cash flow projections, where applicable, namely average annual gross revenue growth rate being 12.6% for the year ended 30 June 2022 (2021: 8.6%), average gross margin ratios ranging from 13% to 16% (2021: from 13% to 16%), are determined by considering both internal and external factors relating to the businesses of each CGUs; the long term growth rate of 3% (2021: 3%) is consistent with the forecast of the businesses and the discount rate of 12.4% (2021: 12.4%) is post-tax and reflects specific risks relating to the relevant businesses.

If the annual gross revenue had been 15% (2021: 10%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK$496,714,000 (2021: HK$365,084,000) higher.

If the gross margin ratios had been 1% (2021: 1%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK$109,562,000 (2021: HK$225,084,000) higher.

If the discount rate had been 0.5% (2021: 0.5%) higher than management's current estimates, the loss before income tax for the year would have been approximately HK$67,253,000 (2021: HK$185,141,000) higher.

If the fair value of the corresponding properties in relation to the goodwill allocated to CGUs of the property investment business had been 1% (2021: 5%) lower with all other variables held constant, there is no material adverse impact to the consolidated financial statements.

17 INTANGIBLE ASSETS (continued)

During the year ended 30 June 2022, impairment loss of approximately HK$220,350,000 (2021: HK$232,749,000) was recognised. For the year ended 30 June 2022, impairment provision was made on goodwill of three (2021: two) CGUs allocated to the department store business of Shanghai Wujiaochang Branch Store, Yanjiao Store and Beijing Liying Store (2021: Beijing Liying Store and Yanjiao Store) and one (2021: Nil) CGU allocated to the property investment business of Shanghai Tianshan Road Branch Store taking into consideration their current performance, the management's latest plan in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof. The estimated recoverable amount of the CGUs of the department store businesses were approximately HK$1,538,299,000 (2021: HK$418,047,000) which were their fair value less cost of disposal. The fair value estimation is included in level 3 fair value hierarchy. The average pre-tax discount rate is 7.7% (2021: 14.1%). The recoverable amount of the CGU of the property investment business was approximately HK$1,718,612,000 (2021: Nil) which was the fair value less cost of disposal. The valuation is derived using the income approach. The capitalisation rate adopted in the valuation is 5% and the prevailing market rents adopted in the valuation range from HK$12.4 to HK$12.9 per sq.m. per day.

The impairment loss recognised for the year represented the difference between the carrying amount of the CGU including goodwill and its estimated recoverable amount. The Group reassessed all classes of asset of these CGUs, no assets other than goodwill was impaired as at 30 June 2022.

18 INTEREST IN AN ASSOCIATED COMPANY

	2022 HK$'000	2021 HK$'000
The Group's share of net assets, unlisted	–	296

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

	2022 HK$'000	2021 HK$'000
For the year ended 30 June		
Loss for the year	–	(151)

18 INTEREST IN AN ASSOCIATED COMPANY (continued)

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

	2022 HK$'000	2021 HK$'000
Revenue	–	33
Loss for the year	–	(151)
Non-current assets	53	274
Current assets	482	274
Current liabilities	(246)	(252)
Net assets	289	296

	2022 HK$'000	2021 HK$'000
Impairment of interest in an associated company	(289)	–

Details of the principal associated company is as follows:

Name	Place of establishment	Principal activity	Registered capital	Attributable interest (%) 2022	Attributable interest (%) 2021
Shanghai Yijie Trading Co., Ltd.	Mainland China	Inactive	RMB1,500,000	49	49

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Prepaid rent and rental deposits	**157,791**	155,984
Other tax recoverable	**65,335**	87,363
Prepaid expenses	**26,256**	28,793
Others	**138,755**	187,175
	388,137	459,315
Less: non-current prepayments, deposits and other receivables	**(196,947)**	(206,850)
	191,190	252,465

The balances were mainly denominated in RMB.

Prepaid expenses included insurance expenses to fellow subsidiaries and related companies of approximately HK$37,000 and HK$83,000 respectively (2021: HK$32,000 and HK$83,000 respectively).

20 INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	**94,606**	89,428

The cost of inventories recognised as expense and included in 'purchases of and changes in inventories, net' amounted to approximately HK$464,456,000 (2021: HK$583,897,000), which included inventory write-down, net of approximately HK$649,000 (2021: HK$87,000).

21 DEBTORS

	2022 HK$'000	2021 HK$'000
Debtors	**88,480**	42,756
Less: loss allowance	**(53,619)**	(8,619)
Debtors, net	**34,861**	34,137

21 DEBTORS (continued)

The Group grants credit terms within 30 days in majority. Ageing analysis of the net debtors, based on the invoice dates, is as follows:

	2022 HK$'000	2021 HK$'000
Within period for		
0–30 days	**32,413**	29,242
31–60 days	**1,254**	969
61–90 days	**30**	831
Over 90 days	**1,164**	3,095
	34,861	34,137

The individually impaired receivables mainly related to tenants, which were in unexpectedly difficult economic situations.

Movements on the Group's loss allowance of debtors are as follows:

	2022 HK$'000	2021 HK$'000
At beginning of the year	**8,619**	23,994
Translation differences	**(1,459)**	1,795
Provision/(reversal) during the year	**48,463**	(16,291)
Amounts written off during the year	**(2,004)**	(879)
At end of the year	**53,619**	8,619

The debtors were primarily denominated in RMB.

The maximum exposure to credit risk at the reporting date is the carrying amount of debtors mentioned above. In case of default, the Group can set off the receivable balance to the extent of the relevant rental deposits held.

22 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES, RELATED COMPANIES AND ULTIMATE HOLDING COMPANY

As at 30 June 2022 and 2021, the balances with fellow subsidiaries and related companies were unsecured, interest free, repayable on demand and denominated in RMB.

As at 30 June 2022, the balance with ultimate holding company was unsecured, interest free, repayable on demand and denominated in USD.

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

23 FIXED DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS

Fixed deposits with original maturity over three months were denominated in RMB.

The interest rates on fixed bank deposits with original maturity over three months ranged from 0.25% to 3.91% (2021: 0.25% to 3.91%) per annum. These deposits have remaining maturities ranging from 20 to 365 days (2021: 182 to 365 days).

24 CASH AND BANK BALANCES

	2022 HK$'000	2021 HK$'000
Fixed deposits with original maturity less than three months	**234**	237
Cash at bank and in hand	**619,361**	840,515
	619,595	840,752

Cash and bank balances were denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**31,038**	35,836
RMB	**588,224**	804,693
Others	**333**	223
	619,595	840,752

24 CASH AND BANK BALANCES (continued)

The interest rate on a fixed deposit with original maturity less than three months was 1.35% (2021: 1.35%) per annum. As at 30 June 2022, this deposit has remaining maturity of 70 days (2021: 70 days).

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

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

25 SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each, issued and fully paid:		
As at 1 July 2020, 30 June 2021 and 2022	1,686,145	168,615

26 RESERVES

	Attributable to shareholders of the Company						
	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 July 2021	**1,826,646**	**260,623**	**391,588**	**483,012**	**173,112**	**1,164,731**	**4,299,712**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(483,381)**	**(483,381)**
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties, net of tax	**–**	**110,411**	**–**	**–**	**–**	**–**	**110,411**
Translation differences	**–**	**–**	**–**	**–**	**(92,101)**	**–**	**(92,101)**
Transfer to statutory reserve	**–**	**–**	**–**	**55,252**	**–**	**(55,252)**	**–**
As at 30 June 2022	**1,826,646**	**371,034**	**391,588**	**538,264**	**81,011**	**626,098**	**3,834,641**

	Attributable to shareholders of the Company						
	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 July 2020	1,826,646	180,469	391,588	459,159	(235,099)	1,417,943	4,040,706
Loss for the year	–	–	–	–	–	(229,359)	(229,359)
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties, net of tax	–	80,154	–	–	–	–	80,154
Translation differences	–	–	–	–	408,211	–	408,211
Transfer to statutory reserve	–	–	–	23,853	–	(23,853)	–
As at 30 June 2021	1,826,646	260,623	391,588	483,012	173,112	1,164,731	4,299,712

Note:

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

27 BORROWINGS

	2022 HK$'000	2021 HK$'000
Unsecured bank loans	**776,544**	699,275
Shareholder loans	**713,000**	713,000
	1,489,544	1,412,275

As at 30 June 2022, shareholder loans from ultimate holding company is interest-bearing at Hong Kong Interbank Offered Rate plus 1.1% (2021: 1.1%) per annum, unsecured and repayable within one year.

The average effective interest rates of the borrowings are analysed as follows:

	2022	2021
HK$	**1.24 %**	1.24 %
RMB	**3.45%**	–

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

	2022 HK$'000	2021 HK$'000
HK$	**1,412,285**	1,412,275
RMB	**77,259**	–
	1,489,544	1,412,275

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

	2022 HK$'000	2021 HK$'000
Within six months	**1,412,285**	1,412,275
In the seventh month to one year	**77,259**	–
	1,489,544	1,412,275

As at 30 June 2022 and 2021, no bank loan was secured by investment properties. As at 30 June 2022, bank loans of approximately HK$699,285,000 (2021:HK$699,275,000) were guaranteed by NWD, the ultimate holding company.

As at 30 June 2022, the Group has undrawn bank borrowing facilities and undrawn shareholder loan in aggregate of approximately HK$786,800,000 (2021: undrawn shareholder loan of approximately HK$17,000,000), which carry interest at fixed or floating rates and are expiring within one year.

28 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 taxation authority. The net amounts are as follows:

	2022 HK$'000	2021 HK$'000
Deferred income tax assets	**92,078**	121,662
Deferred income tax liabilities	**(967,804)**	(971,246)
	(875,726)	(849,584)

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

	2022 HK$'000	2021 HK$'000
At beginning of the year	**(849,584)**	(717,169)
Translation differences	**21,272**	(70,360)
Taxation charged directly to equity	**(36,803)**	(26,718)
Charged to consolidated income statement (Note 12)	**(10,611)**	(35,337)
At end of the year	**(875,726)**	(849,584)

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	Tax depreciation HK$'000	Leases HK$'000	Total HK$'000
As at 1 July 2020	42,413	6,157	786	119,456	168,812
Translation differences	3,719	495	5,342	8,063	17,619
(Charged)/credited to consolidated income statement	(18,128)	3,906	(4,780)	(13,766)	(32,768)
As at 30 June 2021	**28,004**	**10,558**	**1,348**	**113,753**	**153,663**
Translation differences	**(954)**	**(1,596)**	**(30)**	**(2,411)**	**(4,991)**
(Charged)/credited to consolidated income statement	**(7,915)**	**75**	**(54)**	**(9,816)**	**(17,710)**
As at 30 June 2022	**19,135**	**9,037**	**1,264**	**101,526**	**130,962**

28 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities:

	Tax depreciation HK$'000	Fair value adjustment on business combination HK$'000	Revaluation of properties HK$'000	Leases HK$'000	Others HK$'000	Total HK$'000
As at 1 July 2020	234,074	567,202	61,632	1,768	21,305	885,981
Translation differences	22,911	54,626	6,436	93	3,913	87,979
Taxation charged directly to equity	–	–	26,718	–	–	26,718
Charged/(credited) to consolidated income statement	11,566	(1,451)	(1,623)	(1,861)	(4,062)	2,569
As at 30 June 2021	**268,551**	**620,377**	**93,163**	**–**	**21,156**	**1,003,247**
Translation differences	**(6,973)**	**(14,155)**	**(4,958)**	**–**	**(177)**	**(26,263)**
Taxation charged directly to equity	**–**	**–**	**36,803**	**–**	**–**	**36,803**
Charged/(credited) to consolidated income statement	**12,604**	**(16,298)**	**(7,414)**	**–**	**4,009**	**(7,099)**
As at 30 June 2022	**274,182**	**589,924**	**117,594**	**–**	**24,988**	**1,006,688**

Pursuant to the Corporate Income Tax Law with effect from 1 January 2008, withholding tax at rates of 10% is levied on dividends distributed to foreign investors by the foreign investment enterprises established in Mainland China.

As at 30 June 2022, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred income tax liabilities have not been recognised totalled approximately HK$313,595,000 (2021: HK$311,594,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$279,826,000 (2021: HK$400,139,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$1,119,304,000 (2021: HK$1,600,556,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

As at 30 June 2022, if the estimated future taxable profits had been 10% (2021: 10%) lower with all other variables held constant, there is no material adverse impact to the deferred income tax assets recognised on unused tax losses and other deductible temporary differences of the Group.

29 CREDITORS, ACCRUALS AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Creditors	**580,311**	993,805
Accruals and other payables	**1,004,744**	1,032,527
	1,585,055	2,026,332

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

	2022 HK$'000	2021 HK$'000
Within period for		
0–30 days	**395,416**	832,947
31–60 days	**20,265**	38,687
61–90 days	**16,839**	14,438
Over 90 days	**147,791**	107,733
	580,311	993,805

Creditors included amounts due to related companies of approximately HK$41,417,000 (2021: HK$58,600,000) which were unsecured, interest free and repayable within 90 days.

Accruals and other payables included interest payable of shareholder loans of approximately HK$41,783,000 (2021: HK$32,887,000).

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

	2022 HK$'000	2021 HK$'000
RMB	**1,529,263**	1,981,281
HK$	**55,739**	45,051
USD	**53**	–
	1,585,055	2,026,332

29 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

Nature of accruals and other payables are as follows:

	2022 HK$'000	2021 HK$'000
Rental accruals and payables	**30,989**	38,652
Deposits from concessionaire suppliers	**440,991**	464,143
Interest payable	**41,957**	32,951
Payables for capital expenditures	**40,088**	28,572
Accruals and payables for staff costs	**112,005**	114,314
Valued-added taxes and other taxes payables	**36,429**	40,913
Utilities payables	**11,146**	9,344
Receipts in advance	**62,568**	119,797
Others	**228,571**	183,841
	1,004,744	1,032,527

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

30 LEASE LIABILITIES

Lease liabilities were measured at the present value of the remaining leases payments, discounted at the relevant incremental borrowing rates, and the aggregate effect is as follows:

	2022 HK$'000	2021 HK$'000
At beginning of the year	**5,014,794**	4,464,594
Addition	**8,007**	–
Lease modification	**(39,276)**	839,630
Derecognition	**(328,838)**	(7,113)
Lease payments made during the year	**(641,678)**	(896,760)
Interest expense on lease liabilities	**222,575**	212,547
Rent concessions	**(14,203)**	(31,778)
Translation differences	**(96,441)**	433,674
At end of the year	**4,124,940**	5,014,794
Of which are:		
Current lease liabilities	**868,768**	660,400
Non-current lease liabilities	**3,256,172**	4,354,394
	4,124,940	5,014,794

Lease liabilities included lease liabilities to fellow subsidiaries and related companies of approximately HK$90,275,000 (2021: HK$353,597,000).

31 FINANCE LEASE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Finance lease receivables	475,198	419,563
Unguaranteed residual values	30,046	33,834
Gross investment in finance leases	505,244	453,397
Less: unearned finance income	(55,935)	(49,867)
Net investment in finance leases	449,309	403,530
Less: accumulated allowance for impairment	(11,914)	–
Finance lease receivables – net	437,395	403,530
Of which are:		
Current finance lease receivable	68,673	68,524
Non-current finance lease receivable	368,722	335,006
	437,395	403,530

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings at the end of each reporting period:

	2022 HK$'000	2021 HK$'000
Gross investment in finance leases		
Within one year	98,991	85,002
In the second to fifth year	320,133	281,930
After the fifth year	86,120	86,465
	505,244	453,397

The effective interest rate applied to the finance lease receivables was 4.9% (2021: 4.9%).

32 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Unlisted securities, at fair value	78,000	–

The financial assets were denominated in USD.

33 CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2022 HK$'000	2021 HK$'000
Contract liabilities in relation to prepayments from customers	**181,725**	191,883
Contract liabilities in relation to customer loyalty programme	**47,175**	46,480
Total contract liabilities	**228,900**	238,363

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as proceeds from direct sales and concessionaire sales when the Group transfers goods or services to the customers.

The following table shows the amount recognised in the current reporting period related to carried-forward contract liabilities:

	2022 HK$'000	2021 HK$'000
For the year ended 30 June		
Amount recognised that was included in the contract liability balance at the beginning of the year		
– Proceeds from direct sales and concessionaire sales	**62,512**	127,361

The following table shows unsatisfied performance obligations resulting from proceeds from direct sales and concessionaire sales:

	2022 HK$'000	2021 HK$'000
At end of the year		
Expected to be recognised within one year	**90,410**	95,717
Expected to be recognised after one year	**138,490**	142,646
	228,900	238,363

34 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital commitment in respect of investment properties, property, plant and equipment and right-of-use assets of the Group at the end of the reporting period are as follows:

	2022 HK$'000	2021 HK$'000
Contracted but not provided for	43,587	44,349

(b) Operating lease receivables

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

	2022 HK$'000	2021 HK$'000
Within one year	525,418	568,305
In the second to fifth year	736,166	825,372
After the fifth year	66,585	84,755
	1,328,169	1,478,432

The contingent operating lease rental income of the Group for the year ended 30 June 2022 were approximately HK$29,335,000 (2021: HK$40,687,000).

35 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings HK$'000	Shareholder loans HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 July 2021	**699,275**	**713,000**	**32,951**	**5,014,794**	**6,460,020**
Changes from cash flows					
Drawdown of bank borrowings	**184,408**	**–**	**–**	**–**	**184,408**
Repayment of bank borrowings	**(105,000)**	**–**	**–**	**–**	**(105,000)**
Payment of lease liabilities	**–**	**–**	**–**	**(641,678)**	**(641,678)**
Finance costs paid	**(1,059)**	**–**	**(6,445)**	**–**	**(7,504)**
	777,624	**713,000**	**26,506**	**4,373,116**	**5,890,246**
Other changes					
Addition	**–**	**–**	**–**	**8,007**	**8,007**
Exchange differences	**(2,131)**	**–**	**(1,047)**	**(96,441)**	**(99,619)**
Interest expenses	**1,051**	**–**	**16,498**	**222,575**	**240,124**
Lease modification, rent concessions and derecognition	**–**	**–**	**–**	**(382,317)**	**(382,317)**
As at 30 June 2022	**776,544**	**713,000**	**41,957**	**4,124,940**	**5,656,441**

	Bank borrowings HK$'000	Shareholder loans HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 July 2020	773,222	713,000	24,884	4,464,594	5,975,700
Changes from cash flows					
Drawdown of bank borrowings	205,000	–	–	–	205,000
Repayment of bank borrowings	(283,831)	–	–	–	(283,831)
Payment of lease liabilities	–	–	–	(896,760)	(896,760)
Finance costs paid	(1,012)	–	(11,070)	–	(12,082)
	693,379	713,000	13,814	3,567,834	4,988,027
Other changes					
Exchange differences	4,689	–	2,563	433,674	440,926
Interest expenses	1,207	–	16,574	212,547	230,328
Lease modification, rent concessions and derecognition	–	–	–	800,739	800,739
As at 30 June 2021	699,275	713,000	32,951	5,014,794	6,460,020

36 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Save as those disclosed elsewhere in these consolidated financial statements, the following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

	Note	2022 HK$'000	2021 HK$'000
Fellow subsidiaries			
Rental expenses	(i)	(20,861)	(23,566)
Building management expenses	(ii)	(9,790)	(12,343)
Payments for purchase of building and right-of-use assets	(iii)	–	(1,621)
Interest expense on lease liabilities	(iv)	(2,110)	(5,106)
Insurance expenses	(v)	(67)	(67)
Other service fee expenses	(vi)	(204)	–
Related companies			
Commission income from concessionaire sales	(vii)	47,798	54,909
Rental expenses	(i)	(77,844)	(87,569)
Building management expenses	(ii)	(26,066)	(25,347)
Rebates on prepaid shopping cards and vouchers	(viii)	251	202
Rental income	(ix)	99	192
Other service fee expenses	(vi)	(190)	(181)
Interest expense on lease liabilities	(iv)	(8,302)	(13,096)
Additions to right-of-use assets	(x)	4,473	–

Notes:

(i) The rental expenses were charged in accordance with respective lease agreements and accounted for in accordance with accounting policy of leases for short-term leases and turnover rent under HKFRS 16.

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

(iii) This represented instalment paid for the purchase of building and right-of-use assets.

(iv) Interest expense on lease liabilities was charged at the relevant incremental borrowing rates.

(v) This represented the insurance services provided by the subsidiaries of NWS Holdings Limited.

(vi) This represented other services provided by members of the companies controlled by Mr. Doo.

(vii) The income was charged in accordance with concessionaire counter agreements with the CTFJ Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

36 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

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

(ix) The income was charged in accordance with lease agreements with members of the companies controlled by Mr. Doo.

(x) Additions to right-of-use assets were measured in accordance with respective lease agreements.

(b) Related party balances

The details for balances with related parties were disclosed in Notes 19, 22, 27, 29 and 30 to the consolidated financial statements.

(c) Repayments of lease liabilities to related parties

(i) The repayment amount of lease liabilities to related parties were approximately HK$72,160,000 (2021: HK$94,760,000) during the year.

(ii) Right-of-use assets with a total carrying amount of approximately HK$35,050,000 (2021: Nil) and lease liabilities with a total carrying amount of approximately HK$204,819,000 (2021: Nil) were derecognised during the year ended 30 June 2022 upon early termination of lease agreements with its related parties.

(d) Key management compensation

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

	2022 HK$'000	2021 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	7,239	6,896
Discretionary bonus	1,048	1,104
Retirement benefit costs – defined contribution plans	276	267
	8,563	8,267

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Assets		
Non-current asset		
Investments in subsidiaries	**1,423,037**	1,972,627
Current assets		
Prepayments and deposits	**246**	250
Amounts due from subsidiaries	**2,203,719**	2,256,301
Cash and bank balances	**20,608**	21,066
	2,224,573	2,277,617
Total assets	**3,647,610**	4,250,244
Equity and liabilities		
Equity		
Share capital	**168,615**	168,615
Reserves (Note)	**1,795,873**	2,413,978
Total equity	**1,964,488**	2,582,593
Liabilities		
Current liabilities		
Accruals and other payables	**7,022**	7,021
Amounts due to subsidiaries	**1,676,100**	1,660,630
Total liabilities	**1,683,122**	1,667,651
Total equity and liabilities	**3,647,610**	4,250,244

The statement of financial position of the Company was approved by the Board of Directors on 29 September 2022 and was signed on its behalf

Mr. Cheung Fai-yet, Philip	**Ms. Xie Hui-fang, Mandy**
Director	*Director*

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 July 2021	**1,826,646**	**73,486**	**607,999**	**(94,153)**	**2,413,978**
Loss for the year	**–**	**–**	**–**	**(572,839)**	**(572,839)**
Translation differences	**–**	**–**	**(45,266)**	**–**	**(45,266)**
As at 30 June 2022	**1,826,646**	**73,486**	**562,733**	**(666,992)**	**1,795,873**
As at 1 July 2020	1,826,646	73,486	385,845	(175,013)	2,110,964
Profit for the year	–	–	–	80,860	80,860
Translation differences	–	–	222,154	–	222,154
As at 30 June 2021	1,826,646	73,486	607,999	(94,153)	2,413,978

38 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30 June 2022 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Constar Investment Limited	The British Virgin Islands	Financing/Hong Kong	US$1	–	100
Happy Growth Investment Limited	Hong Kong	Investment holding and provision of management services/Hong Kong	HK$1	100	–
New World Department Store (Investment) Limited	Hong Kong	Investment holding/Hong Kong	HK$410,045,794	100	–
New World Department Stores Limited	Hong Kong	Investment holding and Provision of management services to department stores/Hong Kong	HK$2	100	–
Silver Grow Investment Limited	Hong Kong	Investment holding/Hong Kong	HK$1	–	100
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB16,000,000[W]	100	–
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000[W]	100	–
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding/Mainland China	US$150,000,000[W]	100	–

38 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held	
				directly	indirectly
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000[W]	100	–
Wuhan New World Trendy Department Store Co., Ltd	Mainland China	Department store operation/ Mainland China	RMB80,000,000[W]	100	–
Beijing New World Liying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000[W]	–	100
Beijing New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$60,000,000[W]	–	100
Beijing New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB25,000,000[W]	–	100
Beijing Wanya Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB100,000[+]	–	100[α]
Beijing Yixi New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB65,000,000[W]	–	100
Changsha New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB60,000,000[W]	–	100
Chongqing New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB100,000,000[W]	–	100
Lanzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000[W]	–	100
Mianyang New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB14,000,000[W]	–	100
Miaogou (Beijing) Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB1,000,000[+]	–	100[α]
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	Mainland China	Property investment and shopping mall operation/Mainland China	US$40,000,000[W]	–	100
Sanhe New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB2,000,000[W]	–	100
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000[W]	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB240,000,000[W]	–	100

38 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Shanghai New World Huiyan Department Store Ltd.	Mainland China	Property investment and shopping mall operation/Mainland China	RMB85,000,000[W]	–	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB93,970,000[W]	–	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$100,000,000[W]	–	100
Shenyang New World Department Store Ltd.	Mainland China	Property investment and department store operation/Mainland China	RMB30,000,000[W]	–	100
Shenyang Trendy Property Company Limited	Mainland China	Property investment/Mainland China	RMB27,880,000[W]	–	100
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and Department store operation/Mainland China	US$15,630,000[W]	–	100
Wuhan New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB500,000[+]	–	100[α]
Xi'an New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000[W]	–	100
Yantai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB80,000,000[W]	–	100
Yunnan New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB10,000,000[W]	–	100
Zhengzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000[W]	–	100

α The Group indirectly holds equity interest in these subsidiaries through its wholly owned subsidiaries, and has control over each of these subsidiaries

W Registered as wholly foreign owned enterprise under the PRC law

\+ Registered as limited company under the PRC law

39 ULTIMATE HOLDING COMPANY

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

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**1,934,557**	2,245,966	2,232,691	3,519,017	3,821,120
Operating (loss)/profit	**(199,595)**	89,491	(197,960)	204,602	185,353
(Loss)/profit for the year	**(483,381)**	(229,359)	(483,668)	32,663	11,085
Profit attributable to non-controlling interests	**–**	–	–	–	57
(Loss)/profit attributable to shareholders of the Company	**(483,381)**	(229,359)	(483,668)	32,663	11,028

	As at 30 June				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**12,513,402**	14,177,638	13,119,276	11,797,523	12,589,234
Total liabilities	**8,510,146**	9,709,311	8,909,955	5,954,914	6,469,886
Total equity	**4,003,256**	4,468,327	4,209,321	5,842,609	6,119,348

PRINCIPAL INVESTMENT PROPERTIES SUMMARY

MAJOR COMPLETED INVESTMENT PROPERTIES IN MAINLAND CHINA

No.	Address of Investment Properties	GFA (sq.m.)	Use	Land Lease Expiry
1	Levels 1 to 6 of a commercial complex located at Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379 and 1383 North Shaanxi Road, the Ground Level located at No. 175 Changshou Road, the Ground Level located at No. 179 Changshou Road, Levels 1 t o 4 located at No. 155 Changshou Road, Level 5 located at No. 157 Changshou Road and Level 6 located at No. 159 Changshou Road, Putuo District, Shanghai City – Hong Kong New World Department Store – Shanghai Shaanxi Road Branch Store	41,090	Commercial	2045
2	One commercial complex located at No. 762 Tianshan Road, Changning District, Shanghai City – Hong Kong New World Department Store – Shanghai Tianshan Road Branch Store	43,016	Commercial	2053
3	A portion of Basement Level 1 and Levels 1 to 4 of a commercial/residential complex located at No. 57 Zijingshan Road, Guancheng District, Zhengzhou City – Zhengzhou New World Department Store	35,311	Commercial	2046
4	Parts of a portion of Basement Level 1 and Levels 1 to 5 of a commercial complex and a portion of Basement Level 1 and Levels 1 to 6 of a commercial complex located at Nos. 566 and 568 Jianshe Avenue, Jianghan District, Wuhan City – Wuhan New World Department Store	30,875	Commercial	2042
5	A portion of Levels 1 to 7 of two office towers erected on a podium arcade located at No. 3 Jinqiao Road, Dadong District, Shenyang City – Shenyang New World Department Store – Jinqiao Road Trendy Plaza	34,087	Commercial	2046
6	A portion of Basement Level 1 and Levels 1 to 4 of a commercial building located at No. 138 of Dongma Road, Nankai District, Tianjin City – Tianjin New World Department Store	14,236	Commercial	2,045
		198,615		

RISK FACTORS

1. THE SLOWDOWN OF GLOBAL ECONOMIC GROWTH INTENSIFIES INFLATIONARY PRESSURES

- Uncertainties raised from geopolitics and geoeconomics around the world have weakened the economic development in the short run. With the effect of the three major factors, namely the recurring outbreak of the pandemic, the conflict between Russia and Ukraine and the fluctuation of exchange rate of the US dollar, together with the high inflation and the failure of economic recovery, which further hindered the marketing performance.

2. THE RELATIONSHIP BETWEEN RETAILERS AND SUPPLIERS HAS BEEN CHANGED AS PHYSICAL STORES HAS BECOME LESS INFLUENTIAL AS A CONSUMPTION CHANNEL

- Due to diversification of the consumption channels and generalization of digitalization, the ability of retailing of various brands has been strengthened and their reliance on physical stores has been greatly reduced.

- The relationship between offline retailers and suppliers is gradually weakened as digital technologies are advancing and the transparency of the supply chain has been increasing.

3. THE PRODUCTS AND SERVICES OFFERED IN PHYSICAL STORES REMAIN BASIC BUSINESS

- As for retailing industry that generally provides standardized products, physical stores may easily be replaced as compared to online stores. Apart from that, the recurring pandemic has also minimized the advantages of purchase experience of physical stores and damaged their business.

- As the way of conventional retailing has resulted in higher prices of commodities, physical stores are facing operating pressure and become more disadvantageous in price competition against online retailers. As a result, more consumers shifted to shop online.

- Physical stores can become more competitive by offering more distinctive products and services, such as differentiation in product mix, prices and etc.

4. LACK OF CONSUMPTION POWER HINDERS THE MOMENTUM OF BUSINESS GROWTH

- The current economic downturn and the recurring pandemic have weakened the consumption desire and market demand.

- Due to the lack of consumption power, most of the enterprises have been facing the decline of foot traffic as a consequence of the outbreak of pandemic in different places, and momentum of business growth has been hindered.

5. BREAKTHROUGH BECOMES MORE DIFFICULT IN LINE WITH DIGITALIZATION

- The influence of digitalization tends to be more intangible rather than only reflects directly on the enhancement of sales, such as improving efficiency and enhancing the ability of meeting changing consumers' needs. Therefore, it is difficult to evaluate and make decisions as to whether the resources have been effectively utilized.

- Nowadays, as the profits generated through the internet traffic are decreasing, relevant enterprises are facing a bottleneck in their business. As such, it is even more difficult for traditional physical stores to shift online and the effect of which is in doubt.

6. THE NEW GROUP OF CONSUMERS EMERGED HAS LED TO MORE DIVERSIFIED DEMAND

- Young consumers are demanding for more unique features and better consumption experience offered by physical store. As a result, businesses have increased their online presence to broaden their marketing channels. Department stores have also speeded up their transformation into diversified businesses and offered specialized products and services such as dining and entertaining services in order to drive business growth and satisfy consumers' various needs in shopping, socializing and entertainment.

- As the new consumer community demands for a shorter product cycle, the provision period of product mix has been shortened, which makes the improvement in the product composition more difficult.

7. POLICY AND REGULATORY RISKS

- Divergence in monetary policies between the United States and the PRC may cause phased fluctuations in both import and export business of enterprises.

- The current situation of the pandemic remains complex and severe globally, and the implementation of policies to prevent and control the pandemic will have an adverse impact on the recovery of the physical store business.

8. FOREIGN EXCHANGE RISK

- The Group is mainly exposed to foreign exchange risk arising from HK$ and USD against RMB. This foreign exchange risk arises from future commercial transactions or recognized assets and liabilities denominated in a currency that is not the functional currencies of the Company and each of the subsidiaries. The functional currency of the Company and most of its subsidiaries is RMB. Therefore, any currency fluctuations may have an impact on the Group's financial condition and results of operations.

9. INTEREST RATE RISK

- The Group is exposed to interest rate risk arising from future unfavourable interest rate fluctuation on the floating rate borrowings. Therefore, any interest rate fluctuations may have an impact on the Group's financial condition and results of operations.

GLOSSARY OF TERMS

GENERAL TERMS

FY	:	Financial year, 1 July to 30 June
GFA	:	Gross floor area
Group	:	New World Department Store China Limited and its subsidiaries
HK or Hong Kong	:	The Hong Kong Special Administrative Region of the PRC
HK$	:	Hong Kong dollar(s), the lawful currency of Hong Kong
Listing Rules	:	Rules Governing the Listing of Securities on the Stock Exchange
LOL	:	LOL (Love • Original • Life) Concept Shop
Mainland China	:	The People's Republic of China, excluding Hong Kong, Macau and Taiwan (for the purposes of this annual report only)
NWD	:	New World Development Company Limited
NWD Group	:	New World Development Company Limited and its subsidiaries
NWDS or Company	:	New World Department Store China Limited (新世界百貨中國有限公司)
NWSH	:	NWS Holdings Limited
PRC	:	The People's Republic of China
RMB	:	Renminbi, the lawful currency of the PRC
sq.m.	:	square metre(s)
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
US$ or USD	:	United States dollar(s), the lawful currency of the United States of America

FINANCIAL TERMS

Merchandise gross margin :

$$\frac{\begin{array}{c}\text{Commission income from concessionaire sales +}\\ \text{Sales of goods — direct sales}\\ \text{– Purchases of and changes in inventories, net}\\ \text{– Purchases of promotion items}\end{array}}{\begin{array}{c}\text{Proceeds from concessionaire sales +}\\ \text{Sales of goods — direct sales}\end{array}} \times 100\%$$

Loss per share :

$$\frac{\text{Loss attributable to shareholders of the Company}}{\text{Weighted average number of ordinary shares in issue}}$$

HKFRS	:	Hong Kong Financial Reporting Standards
HKAS	:	Hong Kong Accounting Standards
CGU(s)	:	Cash generating unit(s)
FVPL	:	Fair value through profit or loss
FVOCI	:	Fair value through other comprehensive income

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Chi-kong, Adrian *(Chairman)*
Ms. Chiu Wai-han, Jenny

Executive Directors

Mr. Cheung Fai-yet, Philip *(Joint Chief Executive Officer)*
Ms. Xie Hui-fang, Mandy *(Joint Chief Executive Officer)*

Independent Non-executive Directors

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

COMPANY SECRETARY

Miss Wu Yuk-kwai, Catherine

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

SOLICITORS

Eversheds Sutherland
Woo, Kwan, Lee & Lo
Dentons Hong Kong LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Suntera (Cayman) Limited
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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tel: (852) 2753 3988
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PRINCIPAL BANKERS

China Construction Bank
Hang Seng Bank
Industrial and Commercial Bank of China
Mizuho Bank

STOCK CODE

Hong Kong Stock Exchange 825

INVESTOR INFORMATION

For more information about the Group,
please contact the Corporate Affairs Department of
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WEBSITE

www.nwds.com.hk

Chinese Version

The Chinese version of this Report is available from
New World Department Store China Limited upon request.

If there is any inconsistency or contradiction between the English and the Chinese versions, the English version shall prevail.

English names of brands and events in this Report are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

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)
(Hong Kong Stock Code: 825)

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Website

WeChat

Weibo

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