



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 2023

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 into a retail group integrating department stores and shopping malls business. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. As at 30 June 2023, New World Development Company Limited owned approximately 75% shares of the Group.

RETAIL NETWORK

To orderly expand its business network across Mainland China, the Group adopts the expansion strategies of “multiple presences within a single city” and “radiation city”. As at 30 June 2023, among the department stores and shopping malls operated by the Group, 16 stores were “New World” (「新世界」) branded, while seven stores in Shanghai were “Ba Li Chun Tian” (「巴黎春天」) branded, with a total gross floor area of about 946,900 square metres, covering 12 key locations in Mainland China, including Beijing, Shanghai, Chongqing, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Yantai, Shenyang, Lanzhou and Mianyang.

BUSINESS OPERATIONS

The Group actively implements categorised 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: rental income, commission income from concessionaire sales, 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.

ORGANISATION STRUCTURE

The Group owns a seasoned and innovative management team and adopts a three-tier structure for effective management, in which the headquarters directly administrates the two operating regions of the Group, and each region manages the operations of their stores. Such structure actualises 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.

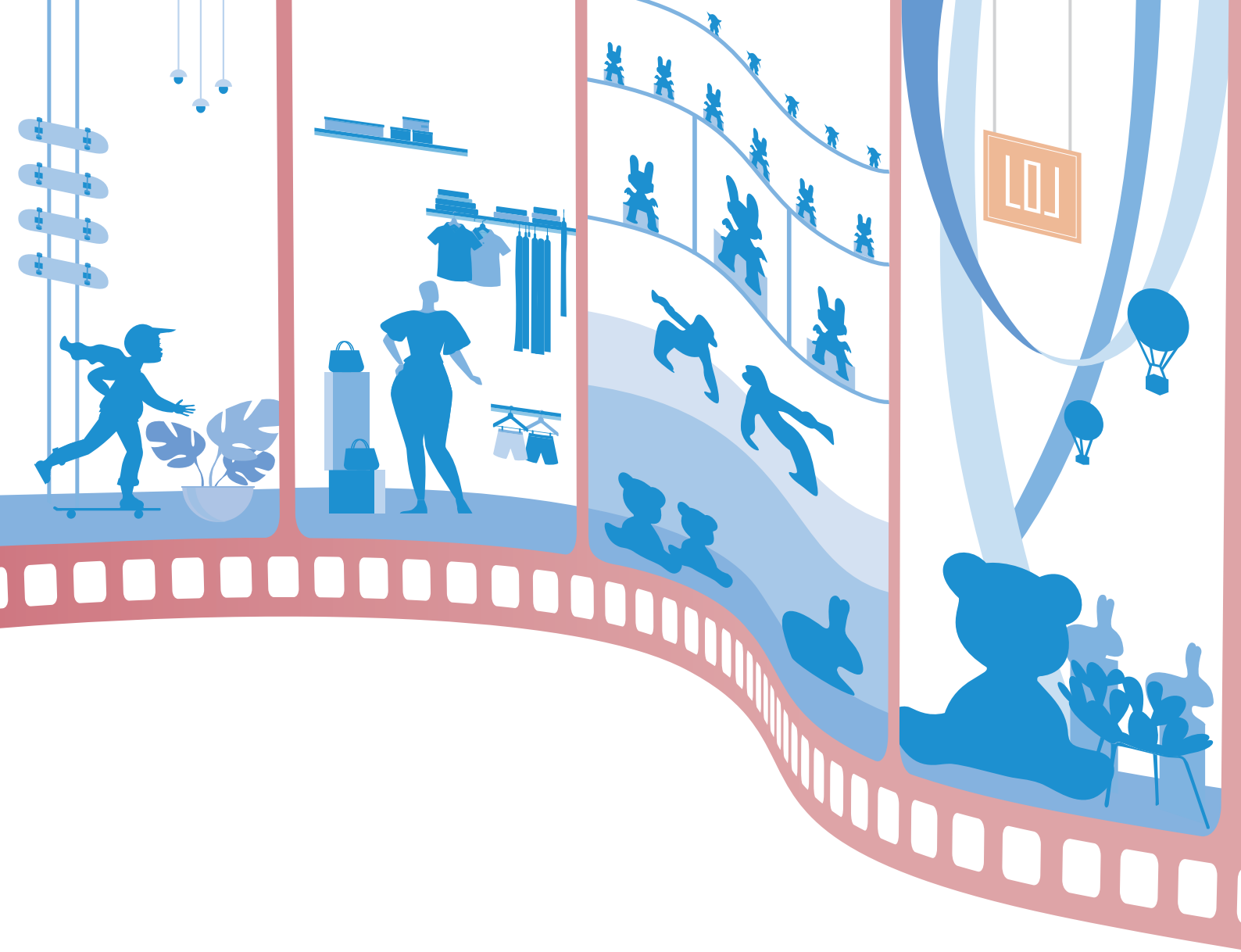
TALENT DEVELOPMENT

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 2023, the Group had 2,117 employees.

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GOAL

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



MISSION

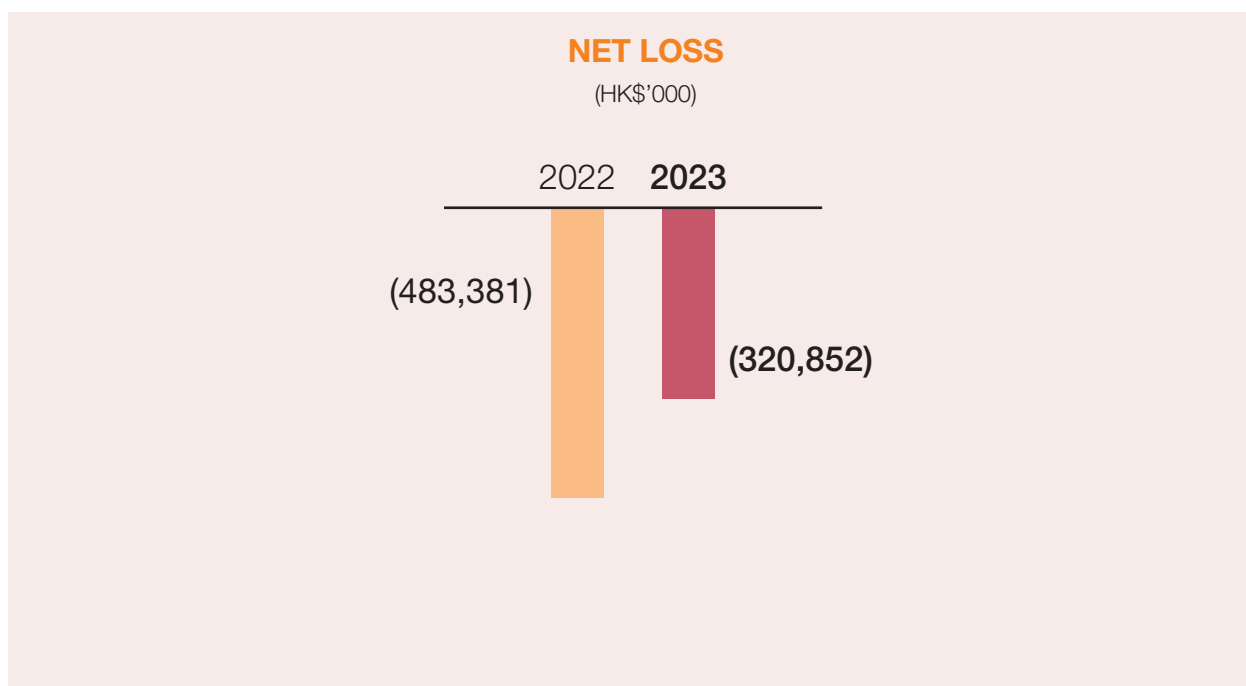
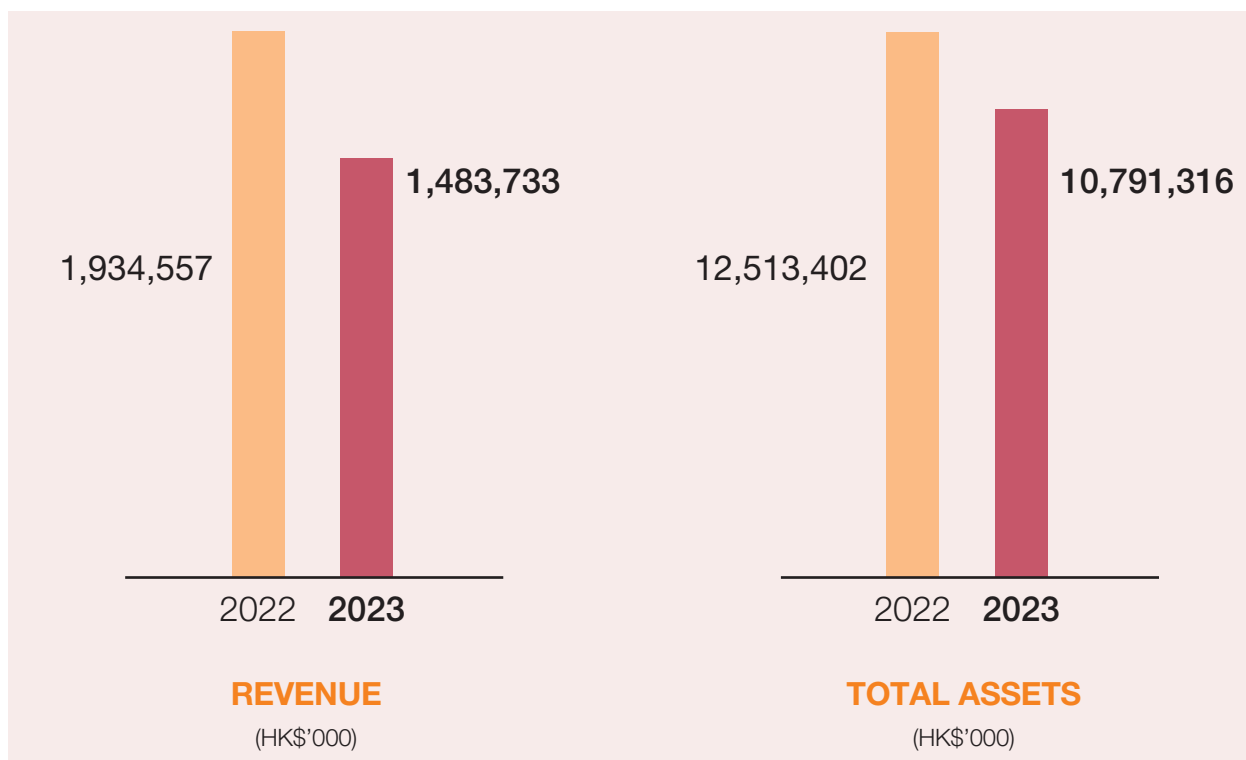
To create a modern, metropolitan lifestyle with creativity, foresight and efficiency.



CONVICTION

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

FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

	2023 HK\$'000	2022 HK\$'000
OPERATING RESULT		
Revenue	1,483,733	1,934,557
Representing:		
Commission income from concessionaire sales	479,918	665,362
Sales of goods – direct sales	402,350	501,160
Rental income	583,840	745,607
Interest income from finance leases as the lessor	17,625	22,428
Operating loss	(79,395)	(199,595)
Loss for the year (“Net loss”)	(320,852)	(483,381)

	As at 30 June 2023 HK\$'000	As at 30 June 2022 HK\$'000
FINANCIAL POSITION		
Total assets	10,791,316	12,513,402
Total liabilities	7,416,300	8,510,146
Borrowings	1,412,495	1,489,544
Less: Fixed deposits with original maturity over three months, cash and bank balances	(831,513)	(1,079,448)
Net debt	580,982	410,096
Total equity	3,375,016	4,003,256
Net gearing ratio (Note (i))	17.2%	10.2%

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

	As at 30 June 2023 HK\$'000	As at 30 June 2022 HK\$'000
Revalued total assets	10,876,090	12,599,989
Revalued net assets	3,459,790	4,089,843

Notes:

(i) Net debt 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



Walked together with our consumers over the past three decades, we have been always serving them through an array of product offerings and quality services. The Group will persist in focusing on the long-term development to better capture upcoming business opportunities of the times.

A beautiful past is a prelude, standing at thirty, riding the winds and breaking the waves.

The year of 2023 marked a milestone in the New World Department Store's history as we have witnessed changing times and evolving consumption patterns with our consumers over the past three decades.

During the previous year, the consumer market in Mainland China went through ups and downs. It was exposed to the resurgence of pandemic in the first half of the financial year, while showing signs of gradual recovery in the second half of the financial year following the resumption of normalcy in work and life with the lifting of pandemic prevention and control measures in full. Challenged by an ever-changing market with intensifying competition, the Group always sticks to its core businesses by providing consumers with shopping and leisure spaces in response to market needs, as well as an array of product offerings and quality services.

During the year under review, the Group continued to grow its retail brand mix both offline and online. For example, it refined the in-store designs and visuals, strengthened innovation and attractiveness of the marketing and promotion, and diversified its retail channels through the application of digital technology. In addition to direct sales through its own online platforms, regular live streaming sales was also introduced for every store, gradually penetrating other popular e-commerce platforms and channels such as TikTok. The inclusion of more sales channels would bring brand sales with greater potential and vitality. Meanwhile, we offered members with more comprehensive and precise value-added services as well as exclusive benefits by leveraging on the rapid synergy between the online and offline platforms. All of which enhanced recognition and loyalty of consumers to the brands under the Group.

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. Setting off on a new journey filled with uncertainties, the Group will adhere to the principles of tapping into new income sources and exercising prudence in spending, as well as reducing costs and raising efficiency. It will open up multiple operation models through diversifying its income sources, unleashing its capability of revenue generation and driving momentum. Furthermore, the Group has been acting towards sustainable development by incorporating our values of green, wellness, smart and caring in every detail of daily operation, as well as long-term development. We have also shouldered corporate social responsibilities to a greater extent, creating positive value for the pursuit of better living and nurturing a complementary ecosystem among our core businesses.

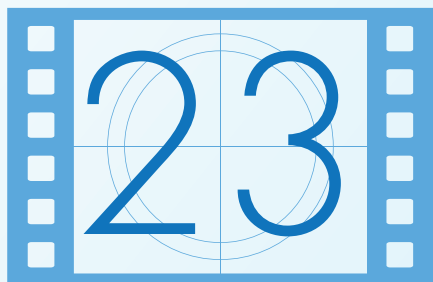
Water rises to level with shores at high tide. Sails are hoisted to ride along with tailwind. The Group will focus on the long-term development and create shared values to better capture upcoming business opportunities of the times.

Dr. Cheng Chi-kong, Adrian

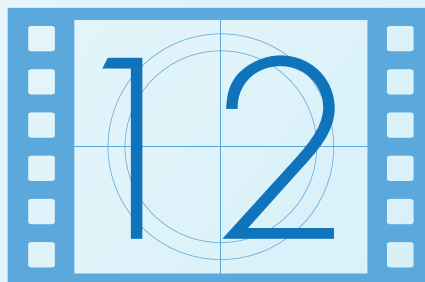
Chairman

Hong Kong, 28 September 2023

RETAIL NETWORK



Strategic Footholds



Major Locations

	Date of Opening	Approximate GFA (sq.m.)
Northern China Region		554,200
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
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		392,700
Chongqing Store	September 2006	42,000
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		946,900



Beijing Chongwen Store



Beijing Trendy Store



Beijing Liying Store



Beijing Qianzi Store



Tianjin Store



Yantai Store



Lanzhou Store



Shenyang Jinqiao Road Trendy Plaza



Wuhan Jianshe Store



Wuhan Wuchang Branch Store



Wuhan Xudong Branch Store



Changsha Trendy Plaza



Zhengzhou Store

NORTHERN CHINA REGION

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



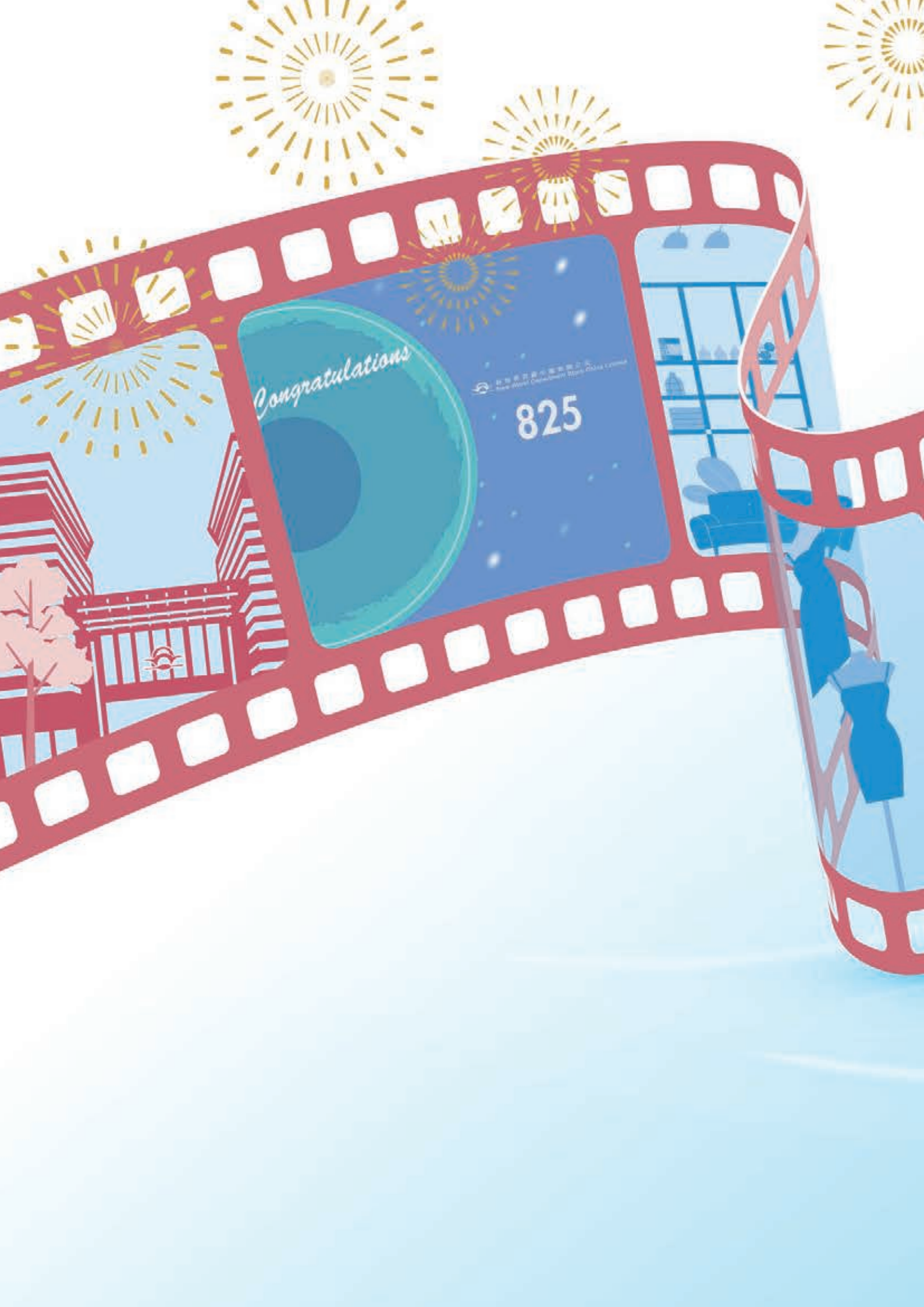
Nanjing Store



Chongqing Store



Mianyang Store



Congratulations

825



Time Flies,
But Never Fading Charms

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

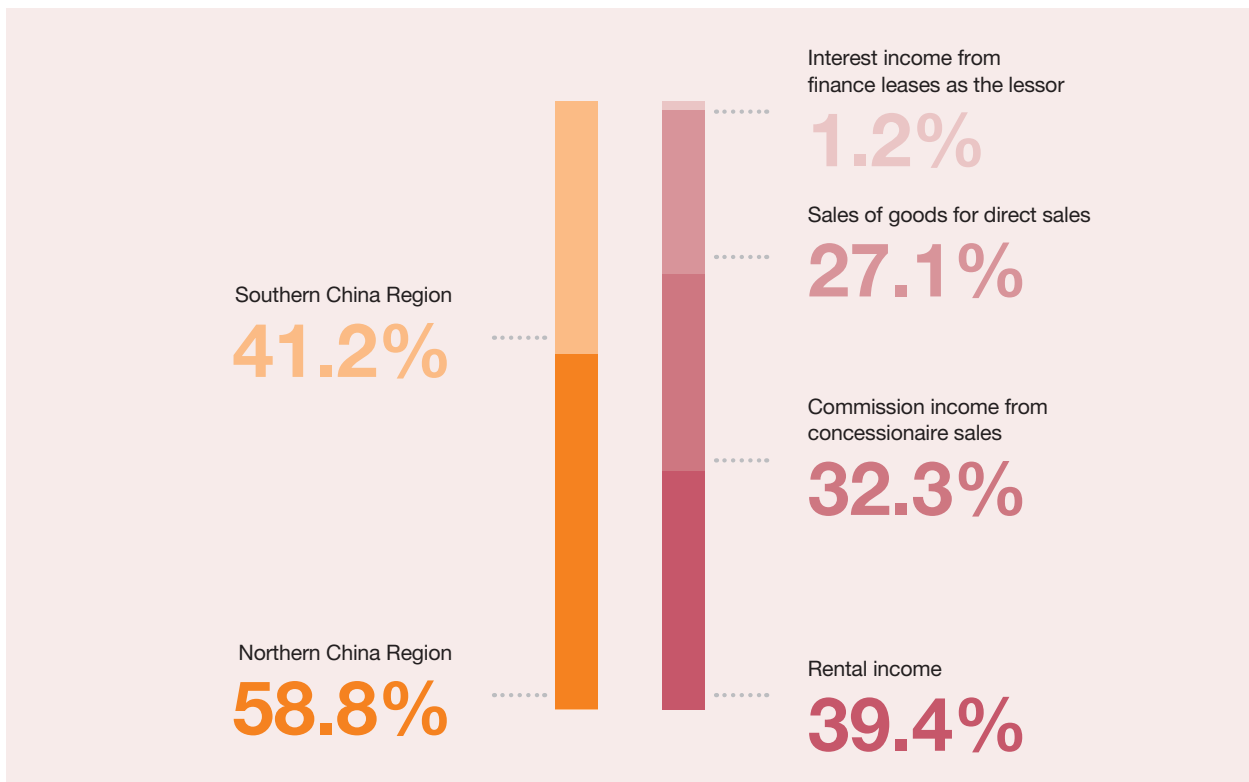
Results Summary

During the year under review, China's overall retail and the Group's business development were hindered to a varying extent resulting from the complex and dynamic international environment, sluggish growth in global economy and unstable foundation of overall economic recovery as well as intertwined uncertainties.

Due to the impact of the recurring pandemic for which some stores made timely adjustments on business hours and models in line with the government's pandemic prevention policies. Under this circumstance, the foot traffic declined, and the mass consumption power and consumer sentiment were weaker, leading to the lower consumption demand as well as low frequency of offline transactions and ticket size. Together with the impact on physical retail network by the online retail sales, the Group's operating income capacity is still under recovering.

For the year ended 30 June 2023, the Group's revenue for the year was HK\$1,483.7 million, compared with HK\$1,934.6 million of the Previous Year. In terms of segment, the Group's revenue for the year was mainly derived from rental income sales which accounted for 39.4%. This was followed by commission income from concessionaire sales which took up 32.3%, sales of goods for direct sales which took up 27.1%, and interest income from finance leases as the lessor, which took up 1.2%.

The Group's loss for the year ended 30 June 2023 was HK\$320.9 million, compared with HK\$483.4 million of loss for the year ended 30 June 2022. Loss per share for the year under review was HK\$0.19.



Business Network

As at 30 June 2023, the Group operated 23 department stores and shopping malls in Mainland China, covering 12 key locations across the country including Beijing, Shanghai, Chongqing, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Yantai, Shenyang, Lanzhou and Mianyang, with a total gross floor area of about 946,900 square metres.

To consolidate and optimise its resource allocation, the Group closed three stores during the year under review, namely Xi'an Trendy Plaza, Kunming Store and Yanjiao Store.

OPERATIONS REVIEW

As the pandemic control measures in Mainland China started to relax from the end of 2022, a series of policies to stabilise growth and stimulate consumption were implemented by the government of the People's Republic of China (the "State Government"), the economy and society fully restored normalcy. The retail industry market acts as the core carrier of the offline consumption, the Group has been attaching great importance to its business development by capitalising the trend of the consumption precisely, enhancing the consumption scenarios and contents, and responding swiftly to diversified and personalised market demands.

During the year under review, the Group kept abreast of the development trend of consumption and business, and continued to optimise its businesses from multiple aspects including category management, marketing promotion, channels expansion and technology application relying on its offline stores.

The Group has been remaining consumer-value-centric, continuously improved multi-channel experience in shopping and services, and actively strengthened the innovation and attractiveness of marketing and promotion campaigns. Examples include the 30th anniversary of the Group, where it created the traffic-driving Intellectual Property ("IP") "San Shi e Li" (三十鵝立) and launched the first "New World Department Store 66 Festival" (新世界百貨66節) across all stores and branch stores, provided generous membership benefits and discounts to drive foot traffic and attracted new members and boosted sales. In terms of category management, Beijing Chongwen Store continued to grow their exclusive advantages of affordable luxury cosmetics categories, strengthened the supply capacity of high-quality and differentiated products and services and improved the operating efficiency of stores with enhanced store image. For online business, the Group has been operating online platforms such as TikTok and "New Lab Mini Program" store-by-store independently, exploring channels for business growth to create a more diversified digitalised business. Meanwhile, leveraging on its big data technology to portrait member profile for more precise engagements with them and by combining channels such as short video and live streaming, the Group rapidly drove the construction of an operation system in private domain and promoted the growth in number of members and sales conversion.

MANAGEMENT DISCUSSION AND ANALYSIS

Commercial Complex Business

Department Store and Shopping Mall Business

During the year under review, “People, Merchandise, Place” remained the focus of the Group. Based on the three major factors – trendiness, popularity and accessibility, the revamp continued to optimise consumption scenario setting and brand upgrading. Each store was enhanced in an orderly manner according to its own characteristics and the features of the business district where it locates.

During the year under review, the first phase of image revamp for Beijing Chongwen Store has completed as scheduled. Shanghai Wujiaochang Branch Store was

committed to increase the proportion of store leases by introducing experiential offerings and popular food and beverage (“F&B”) categories, thereby optimising its brand mix. Shanghai Huaihai Branch Store transformed itself into a youthful fashion hub featuring the brands’ first stores, flagship stores and urban concept shops with a brand-new presence. For example, YONEX, the Japanese badminton brand, successfully launched its first domestic retail experience store. Setting the theme of “Huixian Blossom” (花開會仙), Mianyang Store upgraded its store appearance and ancillary facilities accordingly.



The first phase of image revamp for Beijing Chongwen Store has completed.



YONEX, the Japanese badminton brand, successfully launched its first domestic retail experience store in Shanghai Huaihai Branch Store.

Among the product categories, affordable luxury cosmetics has long been the Group's flagship offerings. Beijing Chongwen Store actively expanded and upgraded its cosmetics brands, with a view to building the preferred comprehensive department store in cosmetics specialty in the south of Beijing. The successive introduction of premium skin care brands such as LA MER, HELENA RUBINSTEIN, LA PRAIRIE, SKINCEUTICALS and POLA strengthened the Group's advantages in cosmetics product clusters, and also set a new trend for the Group to achieve new heights in its merchandising.



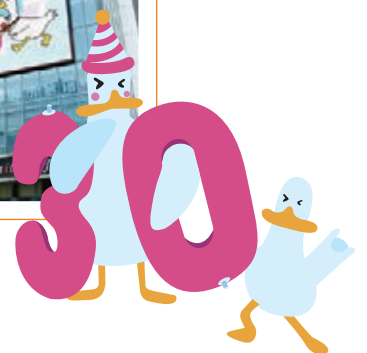
MANAGEMENT DISCUSSION AND ANALYSIS

The Group took the initiative to further engage with consumers and promote multi-channel experience. During the Lunar New Year, a ninth-marketing events was launched under the theme of “Rabbit (兔) Be The Best”. In June 2023, coinciding the Group’s 30th anniversary, the Group launched a large-scale promotion of “San Shi e Li – New World Department Store 66 Festival” (三十鵝立 – 新百66節) with the image of the youthful “Big Goose” as the traffic-driving IP. During the promotion, innovative and featured video clips were released on multiple channels, attained over hundreds of thousands views. The “New Lab Mini Program” online zone launched various creative and

exciting events and coupons for members to draw traffic and drive sales during the campaign. The event achieved an increase of 61% year-on-year (“YOY”) in overall sales, and an improvement in online sales from the “New Lab Mini Program” by 232% YOY. Meanwhile, the Group also actively integrated philanthropy and environmental protection into daily marketing and operations. For example, all of our branch stores were mobilised to set up “Women Caring Box” (女性關愛箱) in the stores for female customers before the International Women’s Day (8 March), providing female exclusive emergency items to show our care for them.



The Group launched a large-scale promotion of “San Shi e Li – New World Department Store 66 Festival” (三十鵝立 – 新百66節).





The general managers from each store acted as “Referrers” (推薦官) in the “General Manager Live Room” (總經理直播間).

As an essential platform of the Group’s operations in private domain, the “New Lab Mini Program” was optimised for its functions for system users and achieved operational upgrades through product digitalisation, marketing matrix and e-commerce. The program also launched the highly sought-after and interactive themed-events, such as “618 Early Bird Offers” (618搶先購) and “Valentine’s Day Exclusives” (情人節甜蜜專享), gauging attention from customers through multiple channels including WeChat Official Accounts and Channels for establishing marketing matrix for the Group. During the year under review, the number of members of the “New Lab Mini Program” reached over 1.13 million.

The new media online platforms enjoy huge advantages in traffic exposure, live streaming e-commerce, and brand promotion. The Group conducted a comprehensive promotions on live streaming e-commerce in its stores, delivering high-frequency, stable and long-lasting live streams during its daily operation to enhance loyalty and conversion rate of followers, broadening traffic channels to increase retail efficiency. During the year under review, the “General Manager Live Room” (總經理直播間) was newly-added in the channel of the “New Lab Mini Program” by the Group. The general managers from each store acted as



Diversified live streaming activities on the “New Lab Mini Program”, such as “New World Department Store 66 Festival” (新百66節).

“Referrers” (推薦官) in the live room and shared brand stories as they went through “Cloud” shopping. In addition, each store fully explored its local specialty product offerings, and conducted live streaming of differentiated products such as “Second Batch of Natural Cherries” (田園櫻桃第二彈) and “Special Offer of Nutritious Sea Cucumber” (滋補海參專場) so as to explore the Group’s unique feature resources. During the year under review, the Group conducted nearly a thousand of live streaming e-commerce activities in total, which integrated innovative approaches such as store visit by influencers and cross-store commodity sharing, and accelerated traffic attraction and customer base expansion.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group enhanced its members' loyalty by, among others, optimising membership benefits, fostering digitalisation and enhancing marketing efforts, and enriched consumption scenarios for members with a diversified reward scheme. During the year under review, the Group utilised big data analysis to implement precise marketing on members, and achieved tracking, re-engaging and retaining of key members. Meanwhile, e-payment points were introduced for tenants in all stores, where customers may

automatically earn New World Department Store ("NWDS")'s reward points when making e-payments without utilising offline customer service. This would not only achieve greater convenience for customers to earn points after shopping, but would also help the Group to devise more precise and personalised services.



Each store launched various member-exclusive activities to strengthen member interaction.



For membership marketing, various member-exclusive activities were launched to strengthen member interaction and promote membership expansion. For example, Beijing Tandy Store has launched activities that cater to the coffee needs of young officers and their pursuit of life aesthetics, such as the “Coffee Life Festival” (咖啡慢享生活節) and “Garden Crafts” (花園手作), which were popular among urban youth. It has attracted widespread attention and

active enrollment from new members. In addition, tenant vouchers, including tenant gift vouchers, tenant reward vouchers, tenant value vouchers, were launched in all stores to encourage members to use NWDS reward points in multiple scenarios and motivate them to shop in stores. As of May 2023, the percentage of sales attributable to the members accounted for 57.2%.



Wider array of membership privileges and benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the total number of followers on the official Weibo and WeChat accounts of the Group and its stores increased by 3.25% YOY, and the total number of members of the Group increased by 4.5% YOY to 7.33 million.



Beijing Tandy Store has launched the "Coffee Life Festival" (咖啡慢享生活節) and "Garden Crafts" (花園手作) activities, which are popular among urban youth.



Rental Business

During the year under review, the Group further adjusted and optimised the introduction of regional first stores and benchmarked brand flagship stores and the creation of scenarios. Tea houses and restaurants were recommended by key opinion leaders (“KOLs”), attributable to the re-emergence of offline consumption, became consumer magnets for our stores. To name a few, Nanjing Store introduced the celebrity tea house brand “CHAGEE” (霸王茶姬) – first in its kind in the business district where it locates and landed the debut of the F&B brand “Shangguandong” (上關東) in Nanjing. Changsha Trendy Plaza introduced “Cha Yan Yue Se & YUENN&YANG Coffee Concept Store” (茶顏悅色&鴛鴦咖啡集合概念店), the first multi-brand store in this shopping mall in Changsha. Shanghai Huaihai Branch Store witnessed the inauguration of the sure-fire Japanese seafood buffet “Chuzhuo” (初酌) and the Chengdu “Chuanchuan” hotpot “Chuanchuan Jishi” (川川吉市), the favourite of the “KOLs” in the city. Shanghai Shaanxi Road Branch Store not only brought in the hotpot restaurant “Zhu Guang Yu” (朱光玉) in vogue, but also transformed Starbucks into a pet-friendly store. Moreover, Shanghai Pujian Branch Store witnessed the opening of M Stand, a lifestyle specialty café integrating classic, creative, and aesthetic design, and refurbished the boutique bakery Bread Talk in its effort to attract the younger cohort and hence drive foot traffic.



Nanjing Store introduced the celebrity tea house brand “CHAGEE” (霸王茶姬) and the F&B brand “Shangguandong” (上關東).

MANAGEMENT DISCUSSION AND ANALYSIS



Changsha Trendy Plaza introduced “Cha Yan Yue Se & YUENN&YANG Coffee Concept Store” (茶顏悅色&鴛鴦咖啡集合概念店).



Shanghai Huaihai Branch Store introduced the “Chuanchuan” hotpot “Chuanchuan Jishi” (川川吉市).

With healthy lifestyle continues to be a hit, sports and fitness remain a focus of the Group. During the year under review, on top of the well-received domestic sportswear brands of Li Ning and Anta as new joiners, the Group stepped up its effort by introducing more experiential sports Brands, as evidenced by the opening of the first YONEX store in China, the Japanese badminton brand, in Shanghai Huaihai Branch

Store, indoor skiing club “KP Skiing” (KP Skiing 室內滑雪) in Shanghai Chengshan Branch Store, and “MORE LUCKY Pilates Studio” (魔練普拉提) in Shanghai Pujian Branch Store. The ongoing effort to grow the brand mix in sports segment helped to satisfy customers’ appetite for niche markets of fitness.



MANAGEMENT DISCUSSION AND ANALYSIS



Indoor skiing club "KP Skiing" (KP Skiing 室內滑雪) was introduced in Shanghai Chengshan Branch Store.



"MORE LUCKY Pilates Studio" (魔練普拉提) was opened in Shanghai Pujian Branch Store.



The Group always keeps abreast of emerging trends and brands, in particular experimental theatre, eSports stadium and fight club that capture younger bracket. During the year under review, a popular stand-up comedy club "ErSanSan Talkshow" (貳叁叁脱口秀) started performing in Shanghai Huaihai Branch Store, pink-themed claw machine store "Pink Online" (暖粉在線) opens in Changsha Trendy Plaza as the first in Hunan Province, "Capital Training Center" (首泰CTC 格鬥館) sets a foot in Beijing Trendy Store, and yoga studio LADY.V and Go-Kart club "Carl Clans" (卡爾部落) commence business in Shanghai Baoshan Branch Store. By widening the range of interactive entertainment, we offer better experience to customers, which drive new footfall for our stores.



Popular stand-up comedy club "ErSanSan Talkshow" (貳叁叁脱口秀) started performing in Shanghai Huaihai Branch Store.

MANAGEMENT DISCUSSION AND ANALYSIS



Yoga studio LADY.V and Go-Kart club "Carl Clans" (卡爾部落) commence business in Shanghai Baoshan Branch Store, widening the range of interactive entertainment.



Pink-themed claw machine store "Pink Online" (暖粉在線) opens in Changsha Trendy Plaza as the first in Hunan Province.



"Capital Training Center" (首泰CTC格鬥館) set a foot in Beijing Trendy Store.



Optimised “New World Supermarket” image and spatial planning and display of products.

Private Label Business

As of 30 June 2023, the Group operated four large complex supermarkets “New World Supermarket”, located in Beijing, Wuhan, Lanzhou and Yantai respectively. The “New World Supermarkets” delivered high-quality fresh food and seasonal products with over 10,000 stock keeping units introduced; it was also continued the integration with online platform to optimise sales and inventory management and strengthened the membership during the year.

In terms of stores, envisioned to be a boutique supermarket, the Beijing Chongwen Store “New World Supermarket” is undergoing stages of revamp, with new display of shelf-stable food, non-staple food and wine and spirits sections finalised whereas grocery and fresh product sections close to completion. The supermarket of Wuhan Jianshe Store rearranged the layout of products based on the sectional characteristics to create a more luxurious and cosier ambience, and a new theme was set for houseware section.

To strengthen the membership maintenance, New World Supermarket offered more exclusive offline benefits such as members’ day discounts, organised targeted online marketing events with discounts given to purchases that exceed certain amount, speeded up the replenishing new products with great potential, and fully harnessed online platforms including “New Lab Mini Program” and Meituan to add convenience for shoppers and broaden sales channels. The percentage of sales attributable to the supermarket members accounted for 64%.



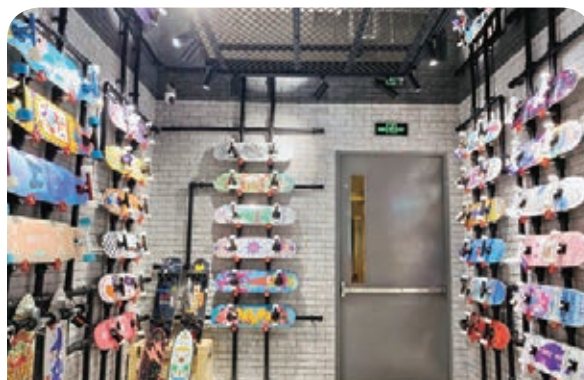
MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2023, 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 year under review, the Group implemented a comprehensive upgrade of the LOL shop in Shanghai K11 Art Mall that centres on the brand-new namesake selection. With fashion buyers being the brains behind, the shop not only brought in distinctive products, visual display, and shopping experience, but also added trendy and playful elements to create a new atmosphere that blends diverse dimension culture, allowing customers rediscover the amusement of offline shopping.

LOL actively scouts for home accessories and artworks with outstanding aesthetics and design, and enriches the deluxe dining and cooking experience. The introduction of international and domestic brands for home products including the legendary Spanish porcelain brand LLADRO, the Dutch vintage home accessory brand Authentic Models, the Italian furniture design brand Qeeboo, the Japanese tableware brand NORITAKE, the French fragrance brand Cote Noire, the British royals beloved brand HALCYON DAYS, the Austrian wine vessel brand RIEDEL, together with labels “My Precious” (貴貴的禮物) founded by emerging artists made the place even more pleasant and soothing. Riding the trend of outdoor culture, LOL cherry-picked various camping and lifestyle brands, with broad product categories covering street style, camping, travelling and parenting, such as the introduction of camping and skateboards under Dutch outdoors brand Fatboy, LOL is now sprinkled its branding concept of better life to different fields.

From February 2023, LOL has optimised its membership admission and added benefits for new joiners such as vouchers for repeat patronage. The loyalty and robust purchasing power of new members were evidenced by over RMB1.3 million in sales. Moreover, the improved store image, upgraded products, and membership expansion and enhancement secured a YOY 21% growth in sales for LOL for the year under review.



LOL concept buyer store has been renovated.

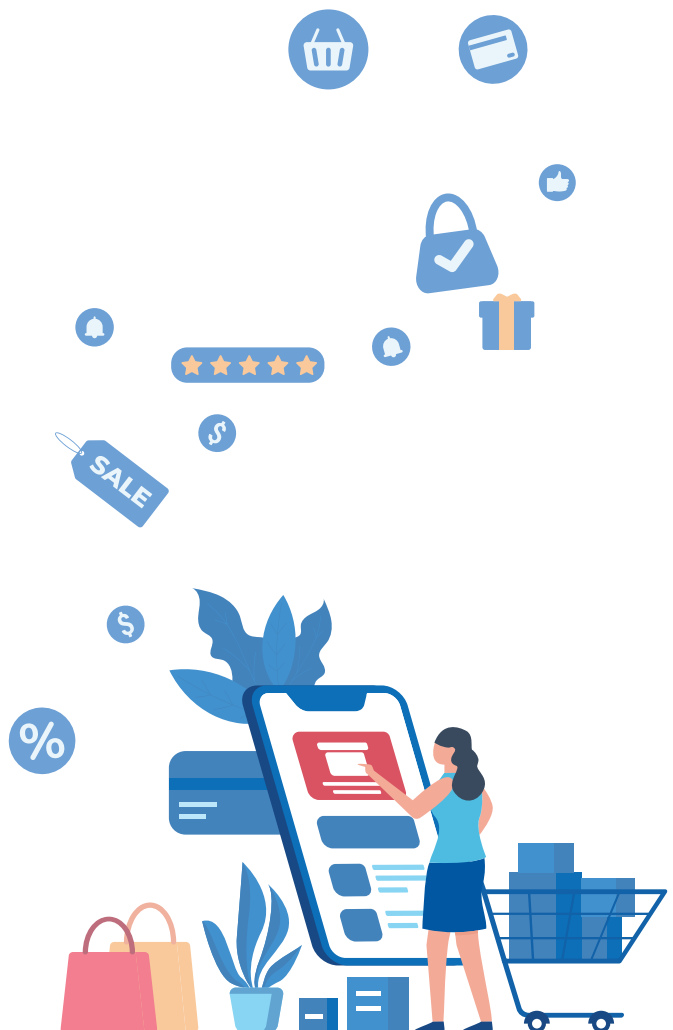
OUTLOOK

The lifting of the pandemic prevention and control measures in full turns the page for the retail industry, as the further unleash of demand and the accelerated upgrading of consumption will show signs of recovery for the whole industry.

Against the favourable backdrop, the Group will put its main business front and centre to stay in tune with the dynamic consumer market. Adhering to customer-oriented philosophy (merchandises, services and experiences), it will further invest in enhancing operating efficiency. It will also continue the improvement and adjustment in brand upgrading and scenario creation to increase member engagement and interaction with more digital experience.

Looking ahead, the Group will invest more resources into multi-channel operation and digital supply chain. Based on the online sales platform “New Lab Mini Program”, the network of multi-channel operation will reach further to TikTok and other live streaming e-commerce platforms. In addition, we will ramp up the multi-channel marketing collaboration along with blazing a trail for marketing campaigns that bring sales increase, in hope to boost both online and offline traffic.

In view of the fact that green consumption and healthy lifestyle gain momentum, the Group will continue to deliver green, quality, sustainable merchandises and services, and will put its advantage into play by facilitating positive interaction between consumers and suppliers, achieving sustainable development with persistence and efficiency, and creating social shared value.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Other Income

Revenue of the Group was HK\$1,483.7 million in FY2023 (or the “Current Year”) (FY2022 (or the “Previous Year”): HK\$1,934.6 million). The drop was primarily due to the continuous impact of the COVID-19 pandemic in Mainland China and the operation of retail business in some regions has been adversely affected 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\$4,914.5 million in FY2023 (FY2022: HK\$6,266.1 million).

The Group’s merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) was 12.7% in the Current Year (FY2022: 13.6%). In FY2023, gold, jewellery and watch made up approximately 36.0% of proceeds from concessionaire sales and sales of goods for direct sales. Ladieswear, menswear and accessories made up approximately 32.4%, cosmetic products made up approximately 11.0%, sportswear made up approximately 9.2% 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 20.0%), life concept shops, ladieswear, menswear and accessories as well as miscellaneous items (approximately 2.0%).

Rental income decreased by 21.7% from HK\$745.6 million in FY2022 to HK\$583.8 million in FY2023, mainly due to continuous impact of the COVID-19, downsizing of Tianjin New World Department Store, closure of Harbin New World Department Store, Hong Kong New World Department Store – Shanghai Qibao Branch Store and Chengdu New World Department Store in FY2022, and closure of Xi’an New World Trendy Plaza, Kunming New World Department Store and Yanjiao New World Department Store in the Current Year.

Interest income from finance leases as the lessor was HK\$17.6 million in FY2023 compared with HK\$22.4 million in FY2022.

Other income of the Group was HK\$291.9 million in FY2023 compared with HK\$342.2 million in FY2022. The decrease was primarily due to a decrease in administration and management fees collected from suppliers, concessionaires and tenants of HK\$45.7 million in the Current Year.

Other Gains/(Losses), Net

Net other gains of the Group in the Current Year was HK\$36.4 million which was primarily resulted from HK\$55.8 million net gain on derecognition of lease liabilities and right-of-use assets due to closure of Xi'an New World Trendy Plaza and Kunming New World Department Store and HK\$1.9 million net gain on derecognition of right-of-use assets in FY2023. The gains were partially offset by HK\$4.5 million net loss on fair value of financial assets at fair value through profit or loss, HK\$3.8 million of impairment loss on property, plant and equipment and right-of-use assets for mainly two department stores in light of the latest market environment and the management's assessment on the business prospect thereof, HK\$10.8 million totalled loss allowance, net loss on derecognition and lease modification of finance lease receivables, and HK\$2.8 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\$22.5 million which was a net loss mainly arose from the decrease in the fair value of the properties in Shanghai City, Tianjin City and Shenyang 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\$372.5 million in FY2023 from HK\$464.5 million in FY2022. The decrease was in line with the decrease in sales of goods for direct sales in the Current Year.

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\$15.2 million in FY2023 compared with HK\$16.7 million in FY2022.

Employee Benefit Expense

Employee benefit expense decreased from HK\$486.7 million in FY2022 to HK\$408.7 million in FY2023, primarily due to downsizing and closure of certain department stores in FY2022 and FY2023.

Depreciation

Depreciation expense decreased from HK\$506.7 million in FY2022 to HK\$382.7 million in FY2023. The decrease was 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 derecognised in FY2022, and downsizing and closure of certain department stores in FY2022 and FY2023.

Rental Expense

Rental expense decreased from HK\$110.1 million in FY2022 to HK\$74.9 million in FY2023, primarily due to the decrease in turnover rent in line with the decrease in sales proceeds in the Current Year and closure of certain department stores.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Operating Expenses, Net

Net other operating expenses decreased from HK\$679.6 million in FY2022 to HK\$615.0 million in FY2023. The decrease was primarily resulted from the decrease in property management and related expenses of HK\$28.9 million due to closure of certain department stores, the decrease in selling, promotion, advertising and related expenses and other tax expenses of HK\$40.9 million in total which was in line with the decrease in sales proceeds, a decrease in compensation to the affected parties mainly for the closure of certain department stores of HK\$10.6 million, and a reversal of loss allowance of debtors and other receivables of HK\$9.9 million in FY2023 compared with a loss allowance of debtors and other receivables of HK\$71.9 million in FY2022. The decrease was partially offset by the increase in net exchange loss of HK\$95.1 million mainly arising from the changes in the exchange rate of Hong Kong dollar against Renminbi during FY2023 and an increase in electricity and water expenses of HK\$9.2 million which was mainly because lower electricity and water expenses was recorded in FY2022 as department store business operation severely suffered from the COVID-19 pandemic and the two-month lockdown in Shanghai City.

Operating Loss

Operating loss was HK\$79.4 million in FY2023 compared with HK\$199.6 million in FY2022.

Finance Costs, Net

Net finance costs was HK\$203.2 million in FY2023 compared with HK\$207.0 million in FY2022. The decrease was mainly due to a decrease in interest expense on lease liabilities of HK\$54.1 million in the Current Year. The decrease was partially offset by an increase on the average borrowing costs due to the rise in Hong Kong Interbank Offered Rate in FY2023.

Income Tax Expense

Income tax expense of the Group was HK\$38.3 million in FY2023 compared with HK\$76.8 million in FY2022.

Loss for the year

As a result of the reasons mentioned above, loss for the year was HK\$320.9 million compared with HK\$483.4 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\$831.5 million as at 30 June 2023 (30 June 2022: HK\$1,079.4 million).

The Group's borrowings as at 30 June 2023 were HK\$1,412.5 million (30 June 2022: HK\$1,489.5 million).

As at 30 June 2023, the Group's was in net debt position of HK\$581.0 million (30 June 2022: HK\$410.1 million).

At 30 June 2023, the Group's current liabilities exceeded its current assets by HK\$2,867.2 million (30 June 2022: HK\$2,816.4 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 2023 were HK\$72.7 million (30 June 2022: 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 2023, the Group did not have any pledge of assets (30 June 2022: Nil).

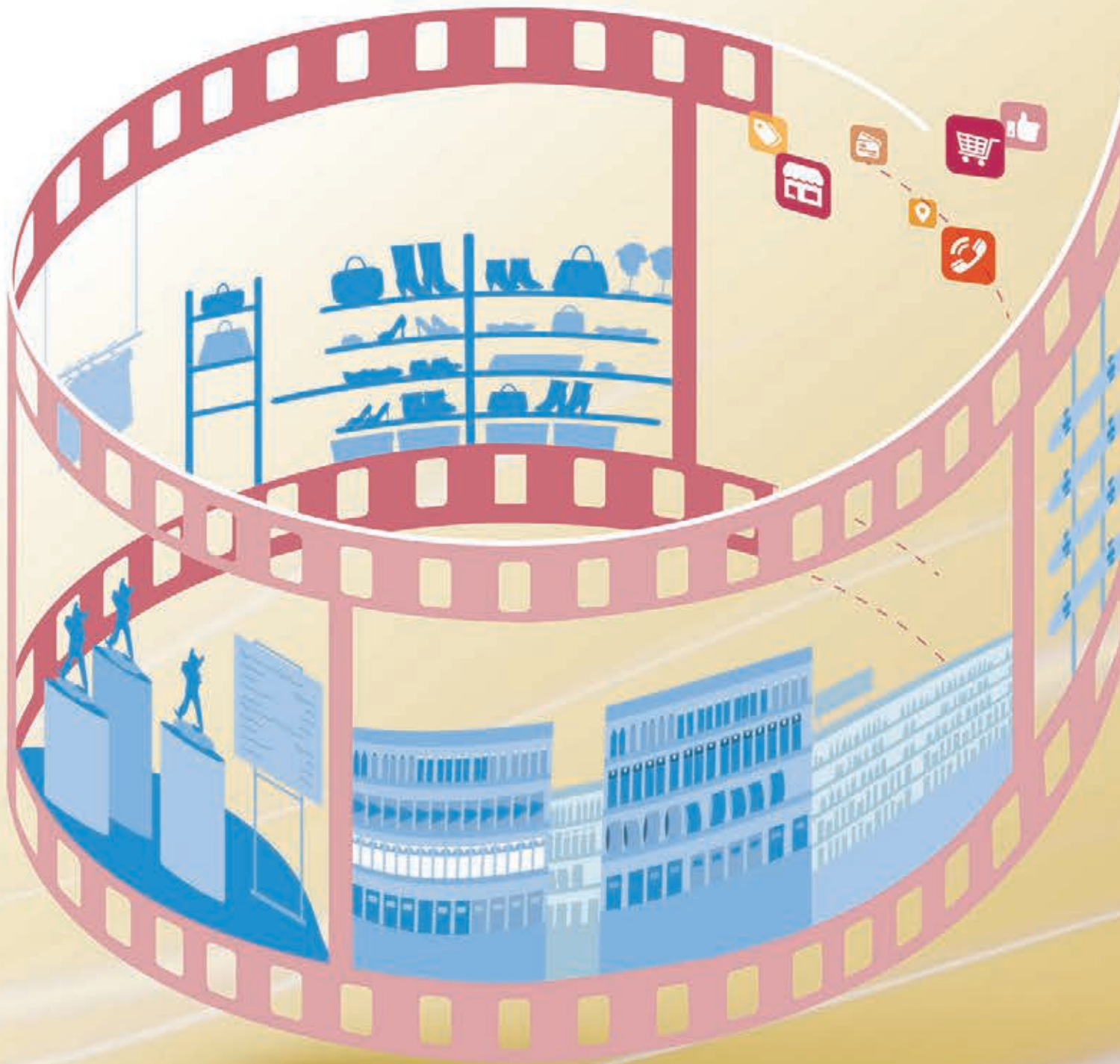
Treasury Policies

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 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 2023.





Standing at Thirty,
Keep Moving



DIRECTORS' PROFILE

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 strategic direction 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 and a co-chairman of Meta Media Holdings Limited, all being listed public companies in Hong Kong. Dr. Cheng is a director and the 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 are substantial shareholders of the Company. He was a non-executive director of New Century Healthcare Holding Co. Limited and Giordano International Limited, both are listed companies in Hong Kong, up to his resignation on 1 June 2022 and 1 December 2022 respectively.

Dr. Cheng served as a member of the 14th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China, a vice-president of All-China General Chamber of Industry and Commerce, the chairman of the Mega Arts and Cultural Events Committee, a board member of the Hong Kong Financial Services Development Council, a non-official member of the Task Force on Promoting and Branding Hong Kong, and a member of the United Nations Economic and Social Commission for Asia and Pacific (ESCAP) Sustainable Business Network (ESBN) Executive Council and the chair of the ESNB Task Force on Innovation. He is the vice chairman and group chief executive officer of CTF Education Group, the founder of The WEMP Foundation, and the chairman of China Young Leaders Foundation. 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, an Honorary University Fellowship by the University of Hong Kong in 2022 and an Honorary Fellowship by the Hong Kong University of Science and Technology in 2023. Dr. Cheng worked in a major international bank prior to joining NWD in September 2006 and has substantial experience in corporate finance.

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. Ms. Chiu is a member of the Employees Retraining Board.



Non-executive Director and Chairman

DR. CHENG CHI-KONG,
ADRIAN SBS, JP
Aged 43



Non-executive Director

MS. CHIU WAI-HAN,
JENNY
Aged 52



Executive Director

**MR. CHEUNG FAI-YET,
PHILIP**

Aged 68

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, re-designated as the Joint Chief Executive Officer in May 2021 until his resignation from such office on 1 July 2023 and remains as an executive director. Mr. Cheung is a member of the executive committee, the remuneration committee and the 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
Chief Executive Officer

**MS. XIE HUI-FANG,
MANDY**

Aged 47

has been an Executive Director since May 2021. She was the Joint Chief Executive Officer and has been re-designated as a Chief Executive Officer since 1 July 2023. Ms. Xie joined the Company in 2001. She is the chairman of the executive committee of the Board and a member of the remuneration committee and the nomination committee of the Board. She 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 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.

DIRECTORS' PROFILE

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.

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. CHEONG YING-CHEW, HENRY

Aged 75



Independent non-executive Director

MR. CHAN YIU-TONG, IVAN

Aged 69



Independent non-executive Director

**MR. TONG HANG-CHAN,
PETER**
Aged 78

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 a principal consultant 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 61

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 for the period from January 2018 to July 2019, and has been re-appointed as executive director with effect from November 2022 until his retirement on 21 July 2023. Mr. Yu was also an independent non-executive director of Minerva Group Holding Limited (formerly known as "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.

DIRECTORS' PROFILE

was appointed as an independent non-executive Director in May 2023. She is also a member of the audit committee, the remuneration committee and the nomination committee of the Board. Ms. Ho holds a Master of Science in Finance degree at the University of Illinois Urbana-Champaign and a Postgraduate Certificate in Financial Engineering at Stanford University. She has extensive experience and expertise in investment, risk management, corporate banking and finance fields. She had previously undertaken equity research, credit analysis, capital strategy, fund management and auditing work in international financial institutions and had acted as the chief executive officer of a Chinese-based asset management company. Ms. Ho is a Chartered Accountant in England and Wales, a Certified Public Accountant in Hong Kong, a Chartered Financial Analyst (CFA) and a Chartered Alternative Investment Analyst (CAIA). Ms. Ho is currently the Chief Financial Officer and an executive director of Sunshine Oilsands Ltd, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.



Independent non-executive Director

MS. HO PUI-YUN, GLORIA

Aged 42

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 2023, the Company has applied and complied with all the applicable code provisions set out in the Code, except for the deviation from code provision B.2.4(a). Code provision B.2.4(a) stipulates that where all the independent non-executive directors (“INEDs”) of an issuer have served more than nine years on the board, the issuer should disclose the length of tenure of each existing INED on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting. The Company did not disclose the length of tenure of each INED at the relevant time (each of whom had served more than nine years on the board) in the circular to shareholders dated 21 October 2022 (the “Circular”), as it was our understanding that the relevant disclosures are required to be made in the annual general meeting circular for the financial year commencing on or after 1 January 2022 (i.e. our financial year ending 30 June 2023), but not in the Circular for the year ended 30 June 2022. Accordingly, the Company has provided the supplemental information in its interim report for the six months ended 31 December 2022 that each of the INEDs at the relevant time, namely Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, has been serving on the board for more than 15 years. With effect from 1 May 2023, Ms. Ho Pui-yun, Gloria has been appointed as an additional INED of the Company in compliance with 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 2023.

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 2023.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises two non-executive Directors, two executive Directors and five independent non-executive Directors. Their names and biographical details are set out in the section headed “Directors’ profile” on pages 34 to 38 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 2023, the Company held five 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	Extraordinary General Meeting
Non-executive Directors			
Dr. Cheng Chi-kong, Adrian (<i>Chairman</i>)	5/5	1/1	1/1
Ms. Chiu Wai-han, Jenny	5/5	1/1	1/1
Executive Directors			
Ms. Xie Hui-fang, Mandy (<i>Chief Executive Officer</i>) ⁽¹⁾	5/5	1/1	1/1
Mr. Cheung Fai-yet, Philip ⁽²⁾	5/5	1/1	1/1
Independent non-executive Directors			
Mr. Cheong Ying-chew, Henry	5/5	1/1	1/1
Mr. Chan Yiu-tong, Ivan	5/5	1/1	1/1
Mr. Tong Hang-chan, Peter	5/5	1/1	1/1
Mr. Yu Chun-fai	5/5	1/1	1/1
Ms. Ho Pui-yun, Gloria ⁽³⁾	1/1	0/0	1/1

Notes:

- (1) Ms. Xie Hui-fang, Mandy was re-designated as the Chief Executive Officer on 1 July 2023.
- (2) Mr. Cheung Fai-yet, Philip resigned as a Joint Chief Executive Officer on 1 July 2023 and remains as an executive Director.
- (3) Ms. Ho Pui-yun, Gloria was appointed as an independent non-executive Director on 1 May 2023.

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 were joint chief executive officers jointly responsible for running the Group's business and the timely implementation of the approved strategies of the Group during the year under review. Following the resignation of Mr. Cheung Fai-yet, Philip as a joint chief executive officer of the Company on 1 July 2023, Ms. Xie Hui-fang, Mandy was re-designated as the chief executive officer of the Company (the "Chief Executive Officer") on the same day.

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, 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 with no fixed term of services commencing from 1 July 2023, whereas the independent non-executive Directors have been appointed with no fixed term of services commencing from 1 July 2022 (save for Ms. Ho Pui-yun, Gloria who has been appointed with no fixed term of service commencing from 1 May 2023).

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 Independent View Mechanism includes procedures to enable directors to seek independent professional advice in appropriate circumstances at the Company’s expense and incorporates the selection criteria and process of independent non-executive Directors to ensure independent views and input are available to the 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 for the 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 two executive Directors, namely Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy. Following the resignation of Mr. Cheung Fai-yet, Philip as the chairman of the Executive Committee on 1 July 2023, Ms. Xie Hui-fang, Mandy has been appointed as the chairman of the Executive Committee on the same day and Mr. Cheung Fai-yet, Philip remains as a member of the Executive Committee. The Executive Committee meets as and 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 five independent non-executive Directors, namely Mr. Chan Yiu-tong, Ivan, Mr. Cheong Ying-chew, Henry, Mr. Tong Hang-chan, Peter, Mr. Yu Chun-fai and Ms. Ho Pui-yun, Gloria. 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 auditors. 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 2022 and the unaudited interim financial information for the six months ended 31 December 2022 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 2023 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 2023.

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
Ms. Ho Pui-yun, Gloria ^(Note)	0/0

Note: Ms. Ho Pui-yun, Gloria was appointed as a member of the Audit Committee with effect from 1 May 2023.

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, Ms. Xie Hui-fang, Mandy, Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Yu Chun-fai and Ms. Ho Pui-yun, Gloria, the majority of whom are independent non-executive Directors. Mr. Tong Hang-chan, Peter, an independent non-executive Director, 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 2023, the Remuneration Committee met three times to review the remuneration policy for Directors and the Group, assessing performance of executive Directors and approving terms of executive Directors’ service contracts. The Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive Directors and the management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office

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	3/3
Dr. Cheng Chi-kong, Adrian	3/3
Mr. Cheung Fai-yet, Philip	3/3
Ms. Xie Hui-fang, Mandy ⁽¹⁾	0/0
Mr. Cheong Ying-chew, Henry	3/3
Mr. Chan Yiu-tong, Ivan	3/3
Mr. Yu Chun-fai	3/3
Ms. Ho Pui-yun, Gloria ⁽²⁾	0/0

Notes:

(1) Ms. Xie Hui-fang, Mandy was appointed as a member of the Remuneration Committee on 1 July 2023.

(2) Ms. Ho Pui-yun, Gloria was appointed as a member of the Remuneration Committee on 1 May 2023.

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 2023 are set out in note 11 to the consolidated financial statements.

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 three independent non-executive Directors, namely Mr. Yu Chun-fai, Mr. Tong Hang-chan, Peter and Ms. Ho Pui-yun, Gloria, and two executive Directors, namely Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy. 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 2023, the Nomination Committee met once. Taking into account of the Company's own operation model and specific needs, the members of the Nomination Committee has reviewed the structure, size and composition of the Board and 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
Ms. Xie Hui-fang, Mandy ⁽¹⁾	0/0
Mr. Tong Hang-chan, Peter	1/1
Ms. Ho Pui-yun, Gloria ⁽²⁾	0/0

Notes:

(1) Ms. Xie Hui-fang, Mandy was appointed as a member of the Nomination Committee on 1 July 2023.

(2) Ms. Ho Pui-yun, Gloria was appointed as a member of the Nomination Committee on 11 September 2023.

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.
- (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.

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;

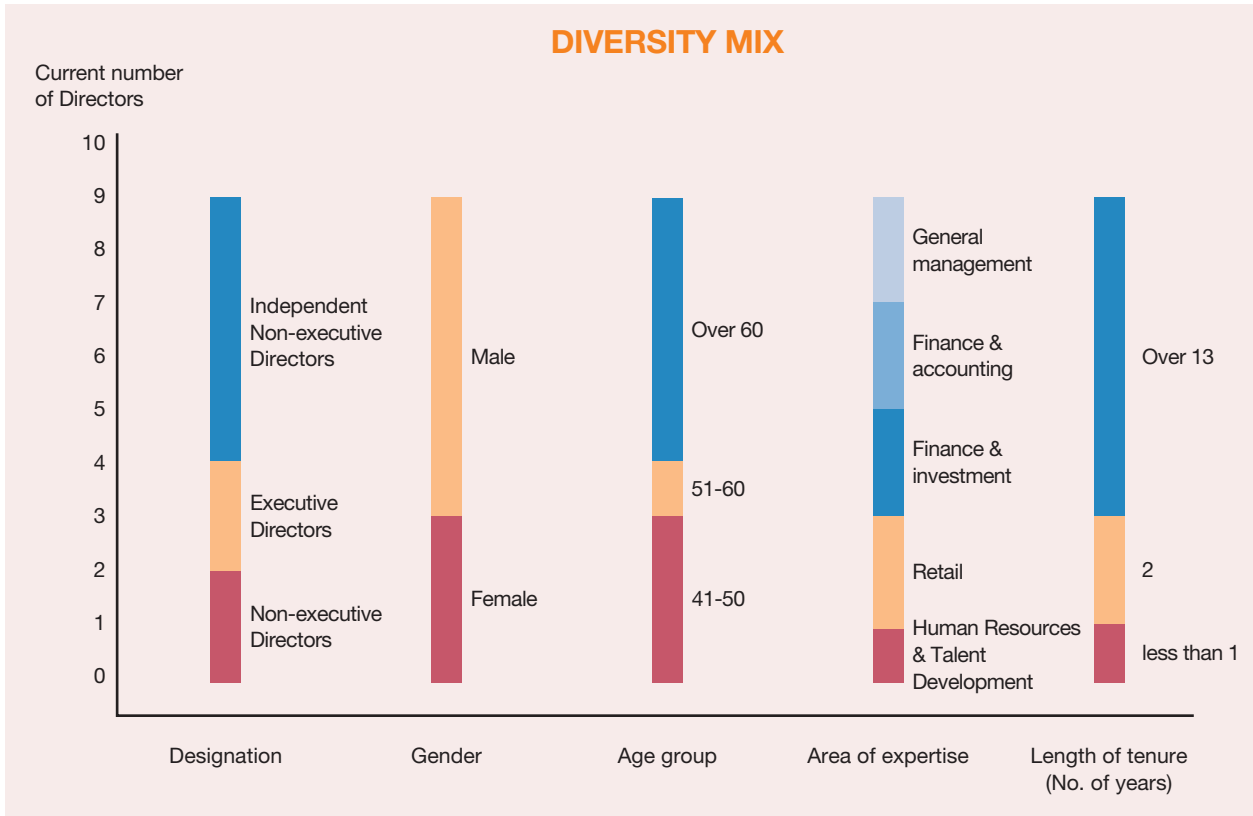
Review of the Policy

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 REPORT

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 (<i>Chairman</i>)	✓
Ms. Chiu Wai-han, Jenny	✓
Executive Directors	
Ms. Xie Hui-fang, Mandy (<i>Chief Executive Officer</i>) ⁽¹⁾	✓
Mr. Cheung Fai-yet, Philip ⁽²⁾	✓
Independent non-executive Directors	
Mr. Cheong Ying-chew, Henry	✓
Mr. Chan Yiu-tong, Ivan	✓
Mr. Tong Hang-chan, Peter	✓
Mr. Yu Chun-fai	✓
Ms. Ho Pui-yun, Gloria ⁽³⁾	✓

Notes:

- (1) Ms. Xie Hui-fang, Mandy was re-designated as the Chief Executive Officer on 1 July 2023.
- (2) Mr. Cheung Fai-yet, Philip resigned as a Joint Chief Executive Officer on 1 July 2023 and remains as an executive Director.
- (3) Ms. Ho Pui-yun, Gloria was appointed as an independent non-executive Director on 1 May 2023.

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. To provide an opportunity for the Directors to participate in the equity of the Company as well as to motivate them to optimise their performance, all Directors are eligible to be granted options to subscribe for shares of the Company under the Company's share option scheme adopted on 26 June 2023 (the "Scheme"). In addition, all Directors are covered by appropriate insurance on Directors' liabilities from their risk exposure arising from the management of the Group.

FINANCIAL REPORTING, 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 73 to 80 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 half-yearly basis.

During the year ended 30 June 2023, the Audit Committee conducted reviews of the effectiveness of the risk management and internal control systems/policies of the Group. The reviews had covered various aspects of the Group's risk management and internal control systems/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 2023 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 2023, 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") reports to the Board and has day-to-day knowledge of the Company's affairs. His 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 2023, 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 communication 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, Shareholders may 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 endeavor 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

In order to, amongst other things, (i) conform to the core shareholder protection standards set out in Appendix 3 of the Listing Rules; (ii) align with certain provisions of the Listing Rules and the applicable laws of the Cayman Islands; and (iii) make other miscellaneous and housekeeping amendments to update or clarify the provisions of the Articles, including consequential amendments in line with the above amendments to the Articles, and where it is considered desirable or to better align the wordings with the Listing Rules and the applicable

laws of the Cayman Islands, the Board has proposed to amend the Articles and to adopt the Second Amended and Restated Articles of Association during the year. The adoption of the new Articles has been approved by the Shareholders at the annual general meeting held on 21 November 2022. For details, please refer to Appendix III to the circular of the Company dated 21 October 2022 and poll results announcement dated 21 November 2022.

The new Articles are available on the websites of the Company and the Stock Exchange.

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 2023" (a standalone report) to be published at or around the same time as this report, 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 Group's Sustainability Report has reported in accordance with the Global Reporting Initiative ("GRI") Standards, as well as the requirements stipulated in the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. 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.

CORPORATE GOVERNANCE REPORT

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.

AUDITORS' REMUNERATION

Fees for auditing services amounted to approximately HK\$3,900,000 and fees for non-auditing services, including mainly interim review, tax advisory and other related services, amounted to approximately HK\$975,000.

GROUP HONOURS



CORPORATE GOVERNANCE

Platinum Award in the category of “Environmental, Social and Governance” in
“The Asset ESG Corporate Awards 2022” by *The Asset*

Certificate of Excellence in Environmental, Social and Governance Reporting in
the “2022 HKMA Best Annual Report Awards” by the Hong Kong Management Association

EMPLOYEE WELFARE

“5 Years Plus Happy Company” logo in the “Happiness at Work Promotional Scheme 2023”
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 2022/23 “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 Organisation

“Hong Kong Green Organisation” Certificate, “Excellent” Level Wastewi\$e Certificate,
“Good” Level Energywi\$e Certificate and “Basic” Level IAQwi\$e Certificate in
the “Hong Kong Green Organisation Certification Scheme”
by the Environmental Campaign Committee

COMMUNITY SERVICES

“10 Years Plus Caring Company” logo in the 2022/23 “Caring Company” Scheme
by the Hong Kong Council of Social Service





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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 2023.

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 2023 are set out in the consolidated income statement on page 81 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 31 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 and the climate-related risks and opportunities are set out in "Sustainability Report 2023" (a standalone report) to be published at or around the same time as this report.

FINAL DIVIDEND

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2023 (2022: nil).

SHARES OR DEBENTURES ISSUED

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed in this annual report, 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 2023, calculated under the laws of the Cayman Islands, amounted to HK\$1,025.5 million (2022: HK\$1,233.1 million).

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years ended 30 June 2019 to 2023 are set out on page 156 of this annual report.

PRINCIPAL INVESTMENT PROPERTIES

Details of the principal properties held for investment purposes are set out on page 157 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\$18,000 (2022: approximately HK\$11,500).

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

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

Ms. Xie Hui-fang, Mandy (*Chief Executive Officer*)⁽¹⁾

Mr. Cheung Fai-yet, Philip⁽²⁾

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry

Mr. Chan Yiu-tong, Ivan

Mr. Tong Hang-chan, Peter

Mr. Yu Chun-fai

Ms. Ho Pui-yun, Gloria⁽³⁾

Notes:

(1) Ms. Xie Hui-fang, Mandy was re-designated as the Chief Executive Officer on 1 July 2023.

(2) Mr. Cheung Fai-yet, Philip resigned as a Joint Chief Executive Officer on 1 July 2023 and remains as an executive Director.

(3) Ms. Ho Pui-yun, Gloria was appointed as an independent non-executive Director on 1 May 2023.

In accordance with articles 87(1) and 87(2) of the Articles, Mr. Cheung Fai-yet, Philip, Mr. Cheong Ying-chew, Henry and Mr. Yu Chun-fai will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 86(3) of the Articles, Ms. Ho Pui-yun, Gloria, who was appointed as an independent non-executive Director with effect from 1 May 2023, will hold office until the next following annual general meeting and, being eligible, offer herself 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, risk management and internal control. The Audit Committee currently consists of five independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal control, the annual results and the consolidated financial statements for the year ended 30 June 2023 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 renewed a service contract with the Company commencing from 1 July 2023 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.

Executive Directors

Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy have respectively renewed a service contract with the Company for a fixed term from 1 July 2023 to 30 June 2026, 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

Apart from the renewal of the service contract between Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter, Mr. Yu Chun-fai respectively and the Company commencing from 1 July 2022 with no fixed term, Ms. Ho Pui-yun, Gloria has also entered into a service contract with the Company commencing from 1 May 2023 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 2023 or at any time during the year under review.

REPORT OF THE DIRECTORS

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:

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
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;

DEED OF NON-COMPETITION (continued)

- (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 “2014 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 and/or provision of related services (as the case may be) by members of the Group to members of the NWD Group, and vice versa (the “Leasing Transactions”). Subject to compliance with applicable rules of any stock exchange, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the 2014 Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter. The 2014 Master Leasing Agreement expired on 30 June 2023 and was subject to annual caps for fixed lease payments payable by the Group as lessee not exceeding RMB450,000,000 and variable lease payments payable by the Group as lessee not exceeding RMB360,000,000.

On 28 April 2023, the Company and NWD entered into a master leasing agreement in relation to the Leasing Transactions (the “2023 Master Leasing Agreement”) and agreed to terminate the 2014 Master Leasing Agreement upon the 2023 Master Leasing Agreement becoming effective on 1 July 2023. The 2023 Master Leasing Agreement shall continue to be effective up to and including 30 June 2026, subject to the annual caps for fixed lease payments payable by the Group as lessee not exceeding RMB534,000,000, RMB523,000,000 and RMB436,000,000, respectively and variable lease and service payments payable by the Group as lessee not exceeding RMB121,000,000, RMB153,000,000 and RMB162,000,000, respectively (collectively, the “Leasing Annual Caps”). Subject to compliance with applicable rules of any stock exchange, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the 2023 Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter. The entering into of the 2023 Master Leasing Agreement, the Leasing Transactions and the Leasing Annual Caps were approved at an extraordinary general meeting of the Company held on 26 June 2023.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

A Master leasing agreement (continued)

The aggregate consideration under the 2014 Master Leasing Agreement in relation to the fixed lease payments payable by the Group as lessee was approximately RMB1,111,000 (2022: approximately RMB62,519,000) and the variable lease payments payable by the Group as lessee was approximately RMB86,798,000 (2022: approximately RMB102,084,000) 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 2014 Master Leasing Agreement and 2023 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 together with 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 applicable rules of any stock exchange, 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 expired on 30 June 2023 and was subject to the annual cap not exceeding RMB102,000,000. As approved by the Shareholder at an extraordinary general meeting of the Company held on 26 June 2023, the Master Concessionaire Counter Agreement was renewed for a further term of three years commencing on 1 July 2023 and subject to the annual caps not exceeding RMB89,000,000, RMB95,000,000 and RMB100,000,000 respectively (collectively, the “Concessionaire Annual Caps”).

The aggregate consideration under the Master Concessionaire Counter Agreement was approximately RMB31,208,000 (2022: approximately RMB39,529,000) 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 (“CTFE” and together with its subsidiaries “CTFE Group”) 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 “2017 Master Services Agreement”) in relation to all existing and future transactions between members of the Group and members of Mr. Doo and his immediate family members and their 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 (the “Services Transactions”) by members of the Services Group to members of the Group, and vice versa contemplated under the 2017 Master Services Agreement. Subject to the compliance with applicable rules of any stock exchange, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the 2017 Master Services Agreement will be automatically renewed for a successive period of three years thereafter. The 2017 Master Services Agreement expired on 30 June 2023 and was subject to annual cap not exceeding RMB57,000,000.

On 28 April 2023, Mr. Doo and the Company entered into a master services agreement in relation to the Services Transactions (the “2023 Master Services Agreement”) and agreed to terminate the 2017 Master Services Agreement upon the 2023 Master Services Agreement becoming effective on 1 July 2023. The 2023 Master Services Agreement shall continue to be effective up to and including 30 June 2026, subject to the annual caps not exceeding RMB71,000,000, RMB130,000,000 and RMB80,000,000 respectively (collectively, the “Services Annual Caps”). Subject to compliance with applicable rules of any stock exchange, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the 2023 Master Services Agreement will be automatically renewed for a successive period of three years thereafter. The entering into of the 2023 Master Services Agreement, the Services Transactions and the Services Annual Caps were approved at an extraordinary general meeting of the Company held on 26 June 2023.

The aggregate consideration under the 2017 Master Services Agreement was approximately RMB6,431,000 (2022: approximately RMB347,000) during the year under review.

As Mr. Doo is an associate of Dr. Cheng Chi-kong, Adrian (a Director) and hence Mr. Doo and the Services Group are connected persons of the Company under the Listing Rules, the transactions contemplated under the 2017 Master Services Agreement and the 2023 Master Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

D Master collaboration services agreement

On 28 April 2023, the Company and CTFE entered into a master collaboration services agreement (the “Master Collaboration Services Agreement”) in relation to all existing and future transactions between members of the Group and members of the CTFE Group in respect of the provision of advertising, branding, marketing, loyalty and rewards program and promotion-related services, and such other types of services as CTFE and the Company may agree upon from time to time in writing (the “Collaboration Services”) under the Master Collaboration Service Agreement. The Master Collaboration Services Agreement shall continue to be effective up to and including 30 June 2026, subject to the annual caps not exceeding RMB3,200,000, RMB3,400,000 and RMB3,600,000 respectively. Subject to the compliance with applicable rules of any stock exchange, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Collaboration Services Agreement will be automatically renewed for a successive period of three years thereafter.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

D Master collaboration services agreement (continued)

The aggregate transaction amounts paid by the Group to the CTFE Group, and vice versa, in relation to the Collaboration Services was approximately RMB5,142,000 (2022: approximately RMB443,000) during the year under review.

As NWD is a substantial Shareholder and hence a connected person of the Company, and CTFE is a substantial shareholder of NWD, CTFE is therefore considered to be a connected person of the Company. The transactions contemplated under the Master Collaboration Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

E 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); (iii) Master Services Agreement (paragraph C above); and (iv) Master Collaboration Services Agreement (paragraph D 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.

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 which constituted connected transactions and continuing connected transactions under the Listing Rules during the year under review are set out 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 2023, 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:

Name	Date of grant	Exercisable period (Note)	Number of share options held				Balance as at 30 June 2023	Exercise price per share HK\$
			Balance as at 1 July 2022	Granted during the year	Exercised during the year	Lapsed during the year		
Ms. Chiu Wai-han, Jenny	6 July 2018	(1)	75,000	—	—	(75,000)	—	44.16
			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.

(ii) *NWS Holdings Limited*

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

Name	Date of grant	Exercisable period (Note)	Number of share options held				Balance as at 30 June 2023	Exercise price per share HK\$
			Balance as at 1 July 2022	Granted during the year	Exercised during the year	Lapsed during the year		
Dr. Cheng Chi-kong, Adrian	25 July 2022	(1)	—	5,495,000	—	—	5,495,000	7.83
			—	5,495,000	—	—	5,495,000	

Notes:

- (1) Divided into 4 tranches exercisable from 25 August 2022, 25 July 2023, 25 July 2024 and 25 July 2025 respectively to 24 July 2032.
- (2) The cash consideration paid by the above Director for each grant of the share options is HK\$10.00.

Save as disclosed above, as at 30 June 2023, 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 2023, 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	Approximate percentage of shareholding (direct or indirect)	
				Total	
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	Corporate interest	45,500,000	1,264,400,000	74.99%
	Beneficial owner	—	1,218,900,000		

Notes:

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

Save as disclosed above, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who, as at 30 June 2023, 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The previous share option scheme of the Company adopted on 12 June 2007 expired on 12 June 2017. A new share option scheme of the Company (the “Scheme”) has been approved by the Shareholders at an extraordinary general meeting on 26 June 2023.

Under the Scheme, the Directors may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for the shares of the Company.

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

Purpose of the Scheme

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

Participants of the Scheme

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

Total number of shares of the Company available for issue under the Scheme and percentage of the total number of issued shares of the Company as at the date of this annual report

No share option has been granted or was outstanding during the year under the Scheme up to the date of this report. The Company may grant share options to subscribe for 168,614,500 shares of the Company, representing 10% of the total number of issued shares of the Company as at the date of this report.

Maximum entitlement of each participant under the Scheme

Unless otherwise approved by the shareholders of the Company as required under the Scheme, the total number of shares issued and to be issued upon the exercise of the share options granted to each Eligible Participant (excluding any options and awards lapsed in accordance with the terms of the Scheme or any other schemes of the Company) in any 12-month period must not exceed 1% of the ordinary share capital of the Company in issue.

The period within which the share option may be exercised by the grantee under the Scheme

Subject to the vesting period as set out below, a share option may be exercised in accordance with the terms of the Scheme during the period as specified and notified by the Directors to the grantee for the whole or such parcel(s) of the shares subject to the share option, which shall be not more than ten years from the date of grant of share option (the “Date of Grant”).

SHARE OPTION SCHEME (continued)

Vesting period	<p>Save for the following circumstances or otherwise under the Scheme, the share options must be held for at least 12 months after the Date of Grant before it is vested and exercisable by the grantee.</p> <p>For Eligible Participants who are the director(s) and employee(s) of the Company and its subsidiaries, a shorter vesting period of less than 12 months may be adopted under any of the circumstances below:</p> <ul style="list-style-type: none"> (a) Grants of “make-whole” share options to new joiners to replace the share option or awards they forfeited when leaving the previous employers; (b) Grants of share options to a participant whose employment is terminated due to death or disability or occurrence of any out of control event; (c) Grants of share options that are made in batches during a year for administrative and compliance reasons; (d) Grants of share options with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months; or (e) Grants of share options with a total vesting and holding period of more than 12 months.
The amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be paid	<p>HK\$10 is payable as consideration for the grant of share option within the acceptable period of the share option, being 14 days from the date of offer.</p>
The basis of determining the Exercise price	<p>The price per share payable on the exercise of a share option as determined by the Directors must be at least the higher of: (i) the closing price of the share as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant, which must be a day on which shares are traded on the Stock Exchange for a minimum of three hours (“Dealing Day”); (ii) the average closing price of the share as stated in the Stock Exchange’s daily quotations sheets for the five Dealing Days immediately preceding the Date of Grant or (where applicable) such price as from time to time adjusted pursuant to the Scheme; and (iii) the nominal value of the share.</p>
The remaining life of the Scheme	<p>The Scheme shall be valid and effective for a period of ten years commencing from the date of adoption, being 26 June 2023.</p>

REPORT OF THE DIRECTORS

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2023, the total number of employees of the Group was 2,117 (2022: 2,412). 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 Group's salary and incentives framework, which is reviewed annually.

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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 June 2023, 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 65% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and approximately 26% 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 2023 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 will 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, 28 September 2023

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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 81 to 155, comprise:

- the consolidated statement of financial position as at 30 June 2023;
- 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 2023, 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 (“HKSA”) 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.

INDEPENDENT AUDITOR'S REPORT

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.	Our procedures in relation to impairment assessment of property, plant and equipment, right-of-use assets and goodwill, included:
As at 30 June 2023, the Group had property, plant and equipment, right-of-use assets and goodwill of HK\$709 million, HK\$2,382 million and HK\$1,017 million respectively. During the year ended 30 June 2023, no impairment loss of goodwill was recognised in the consolidated income statement. Impairment loss of property, plant and equipment and right-of-use assets of HK\$4 million was accounted for under "Other gains/(losses), net" in the consolidated income statement.	<ul style="list-style-type: none">• We understood management's processes in relation to the preparation of 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:<ul style="list-style-type: none">➤ We evaluated the outcome of prior period assessment of management's forecast to assess the effectiveness of management's estimation process;

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of property, plant and equipment, right-of-use assets and goodwill (continued)</p> <p>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.</p> <p>We focus on this area because the impairment assessments require 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.</p>	<ul style="list-style-type: none"> ➤ We assessed the discounted cash flow methodology used by management to estimate recoverable amount, and with the involvement of our in-house valuation experts for the selected CGU; ➤ 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 by considering the Group's business plans, approved budget and our knowledge of the business and industry; and ➤ We checked the data input in the discounted cash flow calculations to supporting evidence.

INDEPENDENT AUDITOR'S REPORT

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)	<ul style="list-style-type: none">• For impairment assessment where independent valuation of the underlying properties of the CGUs was adopted:<ul style="list-style-type: none">➤ 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 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, and with the involvement of our in-house valuation experts for the selected properties; and➤ We tested, on a sample basis, the data used in the valuation of underlying properties, including rental rates from existing tenancies by agreeing them to the underlying agreements with the tenants.• 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 applicable financial reporting standards. <p>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.</p>

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to Notes 4 and 16 to the consolidated financial statements.</p> <p>The Group's investment properties amounted to HK\$4,924 million as at 30 June 2023. A net fair value loss on investment properties of HK\$23 million was accounted for under "Changes in fair value of investment properties" in the consolidated income statement.</p> <p>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.</p>	<p>Our procedures in relation to management's valuation of investment properties included:</p> <ul style="list-style-type: none"> • We understood the management's valuation processes 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 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, and with the involvement of our in-house valuation experts for the selected properties; • 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; and • We assessed the adequacy of the disclosures relating to valuation of investment properties in the context of applicable financial reporting standards. <p>Based on the procedures performed, we found the valuation of investment properties to be supportable based on available evidence.</p>

INDEPENDENT AUDITOR'S REPORT

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.

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 is 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 HKSAAs 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 HKSAAs, 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

- 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.

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, 28 September 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue	5	1,483,733	1,934,557
Other income	6	291,936	342,155
Other gains/(losses), net	7	36,413	(104,565)
Changes in fair value of investment properties	16	(22,527)	(107,504)
Purchases of and changes in inventories, net		(372,500)	(464,456)
Purchases of promotion items		(15,225)	(16,697)
Employee benefit expense	10	(408,692)	(486,748)
Depreciation		(382,656)	(506,669)
Rental expense		(74,877)	(110,090)
Other operating expenses, net	8	(615,000)	(679,578)
Operating loss		(79,395)	(199,595)
Finance income		22,983	33,170
Finance costs		(226,155)	(240,124)
Finance costs, net	9	(203,172)	(206,954)
Loss before income tax		(282,567)	(406,549)
Income tax expense	12	(38,285)	(76,832)
Loss for the year		(320,852)	(483,381)
Loss per share attributable to shareholders of the Company (expressed in HK\$ per share)			
– Basic and diluted	14	(0.19)	(0.29)

The notes on pages 89 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	2023 HK\$'000	2022 HK\$'000
Loss for the year	(320,852)	(483,381)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties	7,809	147,214
– Deferred income tax thereof	(1,952)	(36,803)
	5,857	110,411
<i>Items that may be reclassified subsequently to profit or loss</i>		
Translation differences	(313,245)	(92,101)
Other comprehensive (loss)/income for the year, net of tax	(307,388)	18,310
Total comprehensive loss for the year	(628,240)	(465,071)

The notes on pages 89 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	15(a)	708,775	769,021
Investment properties	16	4,923,988	5,396,060
Right-of-use assets	15(b)	2,382,218	3,035,595
Intangible assets	17	1,017,443	1,107,218
Interest in an associated company	18	–	–
Prepayments, deposits and other receivables	19	163,814	196,947
Finance lease receivables	31	290,613	368,722
Financial assets at fair value through profit or loss	32	66,494	78,000
Deferred income tax assets	28	86,191	92,078
		9,639,536	11,043,641
Current assets			
Inventories	20	79,045	94,606
Debtors	21	20,750	34,861
Prepayments, deposits and other receivables	19	142,948	191,190
Finance lease receivables	31	75,238	68,673
Amounts due from fellow subsidiaries	22	2,286	976
Amounts due from related companies	22	–	7
Fixed deposits with original maturity over three months	23	307,186	459,853
Cash and bank balances	24	524,327	619,595
		1,151,780	1,469,761
Total assets		10,791,316	12,513,402
Equity and liabilities			
Equity			
Share capital	25	168,615	168,615
Reserves	26	3,206,401	3,834,641
Total equity		3,375,016	4,003,256

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
Liabilities			
Non-current liabilities			
Lease liabilities	30	2,500,913	3,256,172
Deferred income tax liabilities	28	896,367	967,804
		3,397,280	4,223,976
Current liabilities			
Creditors	29	661,426	580,311
Accruals and other payables	29	1,000,400	1,004,744
Lease liabilities	30	625,597	868,768
Contract liabilities	33	169,673	228,900
Amounts due to fellow subsidiaries	22	10,404	4,691
Amounts due to related companies	22	47,976	19,156
Amounts due to ultimate holding company	22	81,995	79,873
Borrowings	27	1,412,495	1,489,544
Tax payable		9,054	10,183
		4,019,020	4,286,170
Total liabilities		7,416,300	8,510,146
Total equity and liabilities		10,791,316	12,513,402

The consolidated financial statements on pages 81 to 155 were approved by the Board of Directors on 28 September 2023 and were signed on its behalf

Mr. Cheung Fai-yet, Philip
Director

Ms. Xie Hui-fang, Mandy
Director

The notes on pages 89 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	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 2022	168,615	1,826,646	371,034	391,588	538,264	81,011	626,098	4,003,256
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(320,852)	(320,852)
Other comprehensive income								
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties	-	-	7,809	-	-	-	-	7,809
- Deferred income tax thereof	-	-	(1,952)	-	-	-	-	(1,952)
Translation differences	-	-	-	-	-	(313,245)	-	(313,245)
Total comprehensive loss for the year ended 30 June 2023	-	-	5,857	-	-	(313,245)	(320,852)	(628,240)
Transactions with owners								
Transfer to statutory reserve	-	-	-	-	6,592	-	(6,592)	-
Total transactions with owners	-	-	-	-	6,592	-	(6,592)	-
As at 30 June 2023	168,615	1,826,646	376,891	391,588	544,856	(232,234)	298,654	3,375,016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	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

The notes on pages 89 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

Note	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities		
Loss before income tax	(282,567)	(406,549)
Adjustments for:		
– Finance income	(22,983)	(33,170)
– Interest income from finance leases as the lessor	(17,625)	(22,428)
– Finance costs	226,155	240,124
– Depreciation of property, plant and equipment	92,624	104,658
– Depreciation of right-of-use assets	290,032	402,011
– Changes in fair value of investment properties	22,527	107,504
– Loss on disposal of property, plant and equipment, net	2,832	8,229
– Gain on derecognition of right-of-use assets, net	(1,894)	(48,573)
– Gain on derecognition of lease liabilities and right-of-use assets, net	(55,826)	(201,376)
– Impairment loss on interest in an associated company	–	297
– (Gain)/loss on deregistration of subsidiaries	(660)	1,724
– Impairment loss on goodwill	–	220,350
– Impairment loss on property, plant and equipment and right-of-use assets	3,769	78,576
– (Reversal of loss allowance)/loss allowance on prepayments, deposits and other receivables	(5,677)	29,296
– Loss on derecognition of finance lease receivables, net	9,877	39,505
– Loss allowance and loss on lease modification of finance lease receivables, net	954	14,171
– Rent concessions	–	(14,203)
– (Reversal of write-down)/write-down of inventories, net	(304)	649
– (Reversal of loss allowance)/loss allowance of debtors	(4,265)	48,463
– Loss on fair value of financial assets at fair value through profit or loss, net	4,535	–
– Net foreign exchange difference	123,341	33,076
Operating profit before working capital changes	384,845	602,334
Changes in:		
Inventories	8,551	(8,134)
Debtors	16,060	(50,033)
Prepayments, deposits and other receivables	50,979	44,257
Creditors	133,961	(400,961)
Accruals and other payables	47,155	(26,207)
Contract liabilities	(42,506)	(3,962)
Net balance with fellow subsidiaries	4,916	(2,099)
Net balance with related companies	31,752	4,030
Net balance with ultimate holding company	2,090	82,094
Cash generated from operations	637,803	241,319
Mainland China tax paid	(34,829)	(78,756)
Net cash generated from operating activities	602,974	162,563

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
Cash flows from investing activities			
Additions to investment properties		(5,334)	(6,068)
Additions to property, plant and equipment		(107,586)	(92,568)
Proceeds from disposal of property, plant and equipment		1,667	404
Decrease in fixed deposits with original maturity over three months		120,597	258,670
Purchase of financial assets at fair value through profit or loss		–	(79,226)
Principal portion of finance lease received as the lessor		65,990	72,846
Interest portion of finance lease received as the lessor		17,625	22,428
Interest received		30,898	22,875
Net cash from investing activities		123,857	199,361
Cash flows from financing activities			
Drawdown of bank borrowings	35	35,714	184,408
Repayment of bank borrowings	35	(109,917)	(105,000)
Finance costs paid	35	(23,658)	(7,504)
Principal portion of lease payments as the lessee	35	(508,696)	(419,103)
Interest portion of lease payments as the lessee	35	(168,496)	(222,575)
Net cash used in financing activities		(775,053)	(569,774)
Net decrease in cash and cash equivalents			
		(48,222)	(207,850)
Cash and cash equivalents at beginning of the year		619,595	840,752
Effect of foreign exchange rate changes		(47,046)	(13,307)
Cash and cash equivalents at end of the year	24	524,327	619,595

The notes on pages 89 to 155 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together, the “Group”) are engaged in department store and 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 28 September, 2023.

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 2023 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 (“FVPL”) which are carried at fair value.

The preparation of consolidated 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 2023, the Group had net current liabilities of approximately HK\$2,867,240,000, which included short term bank borrowings of approximately HK\$699,495,000 and shareholder loans of HK\$713,000,000 from New World Development Company Limited (“NWD”), its ultimate holding company.

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 2023. NWD has confirmed its intention to renew the shareholder loans for another 12 months upon their maturity.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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 2023. As at 30 June 2023, short term bank borrowings included in current liabilities of approximately HK\$699,495,000 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.

Other than the abovementioned short term bank borrowings, subsequent to 30 June 2023, the Group was granted bank borrowing facilities of RMB320,000,000 (equivalent to approximately HK\$345,946,000) with maturity of one year.

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 borrowing facilities 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 2023. 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 and revised accounting guideline

In the current year, the Group has adopted the following amendments to standards and revised accounting guideline, which are mandatory for the financial year ended 30 June 2023:

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
HKFRSs Amendments	Annual Improvements to HKFRSs 2018–2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of the above amendments to standards and revised accounting guideline 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 and interpretation which are not yet effective

The following new standard, amendments to standards and interpretation which are not yet effective are mandatory for the accounting periods beginning on or after 1 July 2023 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	Non-current Liabilities with Covenants
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
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 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
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 and interpretation, certain of which may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

Prior to 1 July 2022, the Group recognised service income from concessionaires and tenants in relation to the reimbursement of certain operating expenses on a net basis against the Group's other operating expenses and employee benefit expense. During the year ended 30 June 2023, the Group has revisited its arrangements with its concessionaires and tenants and considered the service income received from them for which the Group is a principal, should be accounted for as other income on a gross basis. Adjustments have been made to reclassify the comparative information to conform with the current year presentation. There were no net impact on the loss for the year ended 30 June 2022 and the balance sheet position as at 30 June 2022. The nature and amounts of the adjustments are summarised as follows:

Certain service income from concessionaires and tenants amounting to HK\$281,817,000 which was previously recognised within "Other operating expenses, net" and "Employee benefit expense" for the year ended 30 June 2022 is now reclassified as "Other income".

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The impact on the consolidated income statement for the year ended 30 June 2022 is presented as below:

	For the year ended 30 June 2022 HK\$'000
Increase in other income	281,817
Increase in other operating expenses, net	258,307
Increase in employee benefit expense	23,510

2.2 Subsidiaries

(i) Consolidation

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

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

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

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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(i) Consolidation (continued)

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.

2.3 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 consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

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

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

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

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

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

Assets under construction represents buildings or leasehold improvements on which construction work has not been completed and 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 gains/(losses), net' in the consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

2.7 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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

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.

2.9 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
- 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.9 Investments and other financial assets (continued)

(a) Classification (continued)

Debt instruments (continued)

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.

(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 gains/(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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

2.12 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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

2.18 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

(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.

2.19 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) **Share-based payments**

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(iv) *Share-based payments (continued)*

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

(v) *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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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.

Other income from suppliers, concessionaires and tenants is recognised when services are rendered.

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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.21 Revenue and income recognition (continued)

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent). The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises income in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by other party.

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.

(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.

Translation differences on financial assets and liabilities held at FVPL is reported as part of the fair value gain or loss. Translation differences 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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.23 Foreign currency translation (continued)

(iii) Group companies (continued)

- (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.

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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.24 Leases (continued)

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.

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 in 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's 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 2023, if HK\$ and USD had strengthened/weakened by 5% (2022: 5%) against the RMB with all other variables held constant, loss before income tax for the year would have been approximately HK\$74,715,000 (2022: HK\$71,536,000) 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.

(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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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.

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% (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

As at 30 June 2023, the Group's current liabilities exceeded its current assets by approximately HK\$2,867,240,000 (2022: HK\$2,816,409,000). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and to fulfil its liabilities and commitments as and when they fall due.

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

	Carrying amounts HK\$'000	Total contractual undiscounted cash flow			
		HK\$'000	Within 1 year or on demand HK\$'000	Over 1 year but within 5 years HK\$'000	More than 5 years HK\$'000
As at 30 June 2023					
Creditors	661,426	661,426	661,426	–	–
Other payables	879,873	879,873	879,873	–	–
Amounts due to fellow subsidiaries	10,404	10,404	10,404	–	–
Amounts due to related companies	47,976	47,976	47,976	–	–
Amounts due to ultimate holding company	81,995	81,995	81,995	–	–
Borrowings	1,412,495	1,468,478	1,468,478	–	–
Lease liabilities	3,126,510	4,061,792	657,134	1,823,382	1,581,276

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	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

(d) Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at floating rates of approximately HK\$1,413,000,000 (2022: HK\$1,412,285,000) 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 2023, if interest rates on borrowings subject to floating rate had been 100 (2022: 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 (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

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 2023 (net debt position as at 30 June 2022), 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).

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

- 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.
- 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 2023 Financial assets at FVPL	–	–	66,494	66,494
	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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the changes in financial asset at FVPL in level 3 financial instruments for the year ended 30 June 2023:

	Financial assets at FVPL HK\$'000
As at 1 July 2021	–
Additions	79,226
Translation differences	(1,226)
As at 30 June 2022	78,000
As at 1 July 2022	78,000
Fair value loss	(4,535)
Translation differences	(6,971)
As at 30 June 2023	66,494

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.

3.4 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).

(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 goodwill may be impaired, whether goodwill has suffered any impairment according to the recoverable amounts of the cash-generating units 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 the 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION

	2023 HK\$'000	2022 HK\$'000
Commission income from concessionaire sales	479,918	665,362
Sales of goods – direct sales	402,350	501,160
Revenue from contracts with customers	882,268	1,166,522
Rental income	583,840	745,607
Interest income from finance lease as the lessor	17,625	22,428
	1,483,733	1,934,557

The income from concessionaire sales is analysed as follows:

	2023 HK\$'000	2022 HK\$'000
Proceeds from concessionaire sales	3,618,718	4,654,718
Commission income from concessionaire sales	479,918	665,362

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 gains/(losses), net, changes in fair value of investment properties and net unallocated corporate expenses. 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 2023			
Segment revenue	1,280,535	203,198	1,483,733
Segment operating results	(18,724)	77,690	58,966
Other gains, net	38,893	2,055	40,948
Changes in fair value of investment properties	–	(22,527)	(22,527)
Unallocated corporate expenses, net			(156,782)
Operating loss			(79,395)
Finance income			22,983
Finance costs			(226,155)
Finance costs, net			(203,172)
Loss before income tax			(282,567)
Income tax expense			(38,285)
Loss for the year			(320,852)

NOTES TO THE FINANCIAL STATEMENTS

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
As at 30 June 2023			
Segment assets	5,314,558	5,318,286	10,632,844
Deferred income tax assets	85,694	497	86,191
Unallocated corporate assets:			
Cash and bank balances			5,528
Others			66,753
Total assets			10,791,316
For the year ended 30 June 2023			
Additions to non-current assets (Note (i))	107,947	6,068	114,015
Depreciation	381,327	1,329	382,656
Impairment loss on property, plant and equipment and right-of-use assets	3,769	–	3,769
(Reversal of loss allowance)/loss allowance of debtors and other receivables	(17,576)	7,634	(9,942)
Gain on derecognition of lease liabilities and right-of-use assets, net (Note (ii))	(55,826)	–	(55,826)
Gain on derecognition of right-of-use assets, net	(1,894)	–	(1,894)
Loss allowance, loss/(gain) on derecognition and lease modification of finance lease receivables, net	12,883	(2,052)	10,831

NOTES TO THE FINANCIAL STATEMENTS

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 debtors, deposits and other 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

Notes:

- (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.

6 OTHER INCOME

	2023 HK\$'000	2022 HK\$'000 (Restated)
Income from suppliers, concessionaires and tenants		
– Administration and management fees	186,637	232,330
– Credit card handling fees	37,442	49,436
– Promotion and related fees	24,184	23,742
Government grants	8,601	12,525
Sundries	35,072	24,122
	291,936	342,155

7 OTHER GAINS/(LOSSES), NET

	2023 HK\$'000	2022 HK\$'000
Gain/(loss) on deregistration of subsidiaries	660	(1,724)
Loss on fair value of financial assets at FVPL, net	(4,535)	–
Impairment loss on goodwill (Note (i) & 17)	–	(220,350)
Impairment loss on property, plant and equipment and right-of-use assets (Note (i) & 15)	(3,769)	(78,576)
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))	55,826	201,376
Loss on disposal of property, plant and equipment, net	(2,832)	(8,229)
Gain on derecognition of right-of-use assets, net (Note (iii))	1,894	48,573
Loss on derecognition of finance lease receivables, net	(9,877)	(39,505)
Loss allowance and loss on lease modification of finance lease receivables, net	(954)	(14,171)
Rent concessions (Note (iv))	–	14,203
	36,413	(104,565)

Notes:

- (i) The impairment losses were made to reflect management's latest plan for mainly two department stores (2022: six 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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

8 OTHER OPERATING EXPENSES, NET

	2023 HK\$'000	2022 HK\$'000 (Restated)
Property management and related expenses	135,879	164,752
Electricity and water expenses	85,374	76,223
Selling, promotion, advertising and related expenses	41,820	52,606
Auditor's remuneration		
– Audit services	3,900	3,766
– Non-audit services	975	994
Net exchange loss	129,168	34,050
Other tax expenses	99,599	129,724
(Reversal of loss allowance)/loss allowance of debtors	(4,265)	48,463
(Reversal of loss allowance)/loss allowance of other receivables	(5,677)	23,431
Compensation expenses (Note)	63,839	74,394
Others	64,388	71,175
	615,000	679,578

Note:

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

9 FINANCE COSTS, NET

	2023 HK\$'000	2022 HK\$'000
Interest income on bank deposits	(22,983)	(33,170)
Interest expense on bank loans	28,207	8,644
Interest expense on shareholder loans	29,452	8,905
Interest expense on lease liabilities	168,496	222,575
	226,155	240,124
	203,172	206,954

10 EMPLOYEE BENEFIT EXPENSE

	2023 HK\$'000	2022 HK\$'000 (Restated)
Wages, salaries and other benefits	361,430	441,501
Retirement benefit costs – defined contribution plans	47,262	45,247
	408,692	486,748

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 2023 is set out below:

Name of Directors	As Director (Note (i)) HK\$'000	As management (Note (ii))		Total HK\$'000
		Basic salaries, housing allowances, other allowances and other benefits in kind HK\$'000	Retirement benefit costs – defined contribution plans HK\$'000	
<i>Non-executive Directors</i>				
Dr. Cheng Chi-kong, Adrian	100	–	–	100
Ms. Chiu Wai-han, Jenny	100	–	–	100
<i>Executive Directors</i>				
Mr. Cheung Fai-yet, Philip (Note (iii))	150	9,515	876	10,541
Ms. Xie Hui-fang, Mandy (Note (iv))	150	5,421	32	5,603
<i>Independent non-executive Directors</i>				
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
Ms. Ho Pui-yun, Gloria (Note (v))	33	–	–	33
	1,333	14,936	908	17,177

NOTES TO THE FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

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))		Total HK\$'000
		Basic salaries, housing allowances, other allowances and other benefits in kind HK\$'000	Retirement benefit costs – defined contribution plans HK\$'000	
<i>Non-executive Directors</i>				
Dr. Cheng Chi-kong, Adrian	100	–	–	100
Ms. Chiu Wai-han, Jenny	100	–	–	100
<i>Executive Directors</i>				
Mr. Cheung Fai-yet, Philip (Note (iii))	150	9,512	876	10,538
Ms. Xie Hui-fang, Mandy (Note (iv))	150	5,764	32	5,946
<i>Independent non-executive Directors</i>				
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

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) Mr. Cheung Fai-yet, Philip resigned as the Joint Chief Executive Officer with effect from 1 July 2023 and remains as an Executive Director.
- (iv) Ms. Xie Hui-fang, Mandy has been re-designated as the Chief Executive Officer with effect from 1 July 2023 and remains as an Executive Director.
- (v) Ms. Ho Pui-yun, Gloria has been appointed as an independent non-executive Director with effect from 1 May 2023.
- (vi) No Directors waived or agreed to waive any emoluments during the years ended 30 June 2023 and 2022.

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes two Directors for the year ended 30 June 2023 (2022: two Directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2022: three) individuals during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	5,762	6,100
Discretionary bonus	751	1,053
Retirement benefit costs – defined contribution plans	117	112
	6,630	7,265

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HK\$2,000,001– HK\$2,500,000	3	2
HK\$2,500,001– HK\$3,000,000	–	1
	3	3

NOTES TO THE FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE

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

	2023 HK\$'000	2022 HK\$'000
Current income tax		
– Mainland China taxation	33,993	66,261
– Under/(over)-provision in prior years	544	(40)
Deferred income tax (Note 28)		
– Other temporary differences	3,748	10,611
	38,285	76,832

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 2023 and 2022.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2022: 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:

	2023 HK\$'000	2022 HK\$'000
Loss before income tax	(282,567)	(406,549)
Tax calculated at applicable tax rate	(70,642)	(101,637)
Expenses not deductible for taxation purpose	66,491	139,761
Income not subject to taxation	(15,078)	(50,474)
Utilisation of previously unrecognised tax losses and other temporary differences	(2,869)	(6,353)
Reversal of previously recognised tax losses and other temporary differences, net	–	18,822
Tax losses and other temporary differences not recognised	59,839	76,753
Under/(over)-provision in prior years	544	(40)
Income tax expense	38,285	76,832

	2023	2022
Domestic applicable tax rates	25%	25%

13 DIVIDENDS

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2023 (2022: 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.

	2023	2022
Loss attributable to shareholders of the Company (HK\$'000)	(320,852)	(483,381)
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic loss per share (HK\$ per share)	(0.19)	(0.29)

(b) Diluted

Diluted loss per share for the years ended 30 June 2023 and 2022 are equal to basic loss per share as there was no dilutive potential ordinary share in issue.

NOTES TO THE FINANCIAL STATEMENTS

15(a) PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Leasehold improvements	Furniture and fixtures	Office equipment	Computer	Assets under construction	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost									
As at 1 July 2022	626,062	55,123	6,492	1,737,078	24,156	9,923	185,879	21,713	2,666,426
Translation differences	(50,369)	(4,369)	(481)	(132,738)	(1,741)	(761)	(14,464)	(2,032)	(206,955)
Additions	-	323	396	85,364	181	98	12,774	6,398	105,534
Disposals	-	(2,656)	(1,437)	(270,578)	(5,206)	(1,108)	(26,821)	-	(307,806)
Reclassification	-	-	-	123	-	-	-	(123)	-
Transfer to investment properties	(9,082)	-	-	(2,374)	-	-	-	-	(11,456)
As at 30 June 2023	566,611	48,421	4,970	1,416,875	17,390	8,152	157,368	25,956	2,245,743
Accumulated depreciation and impairment									
As at 1 July 2022	130,038	53,767	5,683	1,510,836	21,864	9,394	165,823	-	1,897,405
Translation differences	(11,095)	(4,484)	(409)	(114,731)	(1,750)	(727)	(12,716)	-	(145,912)
Charge for the year	17,116	474	234	66,607	680	189	7,324	-	92,624
Written back on disposals	-	(2,437)	(1,437)	(266,620)	(5,018)	(1,106)	(26,689)	-	(303,307)
Impairment	-	-	-	1,128	194	119	297	-	1,738
Transfer to investment properties	(4,365)	-	-	(1,215)	-	-	-	-	(5,580)
As at 30 June 2023	131,694	47,320	4,071	1,196,005	15,970	7,869	134,039	-	1,536,968
Net book amount									
As at 30 June 2023	434,917	1,101	899	220,870	1,420	283	23,329	25,956	708,775

NOTES TO THE FINANCIAL STATEMENTS

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 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

NOTES TO THE FINANCIAL STATEMENTS

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 2022	715,007	2,320,588	3,035,595
Additions	–	1,482	1,482
Lease modification	–	(109,006)	(109,006)
Derecognition	–	(71,530)	(71,530)
Depreciation	(24,726)	(265,306)	(290,032)
Transfer from finance lease receivables	–	51,860	51,860
Transfer to investment properties	(6,397)	–	(6,397)
Impairment charged for the year	–	(2,031)	(2,031)
Translation differences	(56,628)	(171,095)	(227,723)
As at 30 June 2023	627,256	1,754,962	2,382,218

	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)
Translation differences	(17,053)	(52,790)	(69,843)
As at 30 June 2022	715,007	2,320,588	3,035,595

15(b) RIGHT-OF-USE ASSETS (continued)

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.

Expense relating to variable lease payments not included in lease liabilities was HK\$74,293,000 (2022: HK\$97,874,000).

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\$755,218,000 (2022: HK\$762,089,000).

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

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 16.9% (2022: 20.8%) or the equivalent of a post-tax discount rate of 12.4% (2022: 12.4%); or
- (ii) with reference to the valuation of the corresponding properties at 30 June 2023 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, long term growth rate and discount rate which are based on management's best estimates and reflect specific risks relating to the relevant businesses.

NOTES TO THE FINANCIAL STATEMENTS

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

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 2023 and 2022. 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 2023, impairment loss of approximately HK\$3,769,000 (2022: HK\$78,576,000) 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% (2022: 15%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK\$48,700,000 (2022: HK\$56,816,000) higher.

If the gross margin ratios had been 1% (2022: 1%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK\$2,479,000 (2022: HK\$16,124,000) higher.

If the discount rate had been 0.5% (2022: 0.5%) higher than management's current estimates, there is no material adverse impacts to the consolidated financial statements (2022: same).

If the value of the corresponding properties had been 1% (2022: 3%) lower with all other variables held constant, there is no material adverse impacts to the consolidated financial statements (2022: same).

16 INVESTMENT PROPERTIES

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	5,396,060	5,255,795
Translation differences	(435,956)	(131,006)
Additions	5,942	6,068
Disposals	(17,973)	–
Transfer from property, plant and equipment	8,656	134,860
Transfer from right-of-use assets	11,426	237,847
Reclassification to finance lease receivables	(21,640)	–
Changes in fair value charged to consolidated income statement	(22,527)	(107,504)
At end of the year	4,923,988	5,396,060

16 INVESTMENT PROPERTIES (continued)

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

	2023	2022
	HK\$'000	HK\$'000
Net book value at the date of transfer of:		
– Property, plant and equipment (Note 15(a))	5,876	69,747
– Right-of-use assets (Note 15(b))	6,397	155,746
Revaluation gain recognised in other comprehensive income	7,809	147,214
	20,082	372,707
Representing fair value of investment properties transferred from:		
– Property, plant and equipment	8,656	134,860
– Right-of-use assets	11,426	237,847
	20,082	372,707

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

	2023	2022
	HK\$'000	HK\$'000
Rental income	203,198	270,647
Direct operating expenses from properties that generated rental income	(123,453)	(150,804)
	79,745	119,843

Valuation processes of the Group

Investment properties have been revalued as at 30 June 2023 and 30 June 2022 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an 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 of the Group:

- 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.

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs

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

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

The valuations are derived using the income 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 2023

Valuation technique	Range of significant unobservable inputs	
Income approach	Prevailing market rents HK\$3.8 to HK\$14.8 per sq.m. per day	Capitalisation rate 5.0% to 7.0%

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%

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 2023, if the market value of investment properties had been 1% (2022: 5%) higher/lower with all other variables held constant, the fair value of the Group's investment properties would have been approximately HK\$49,240,000 (2022: HK\$269,803,000) higher/lower.

17 INTANGIBLE ASSETS

	Goodwill HK\$'000
Cost	
As at 1 July 2022	2,206,723
Translation differences	(178,923)
As at 30 June 2023	2,027,800
Accumulated impairment	
As at 1 July 2022	1,099,505
Translation differences	(89,148)
As at 30 June 2023	1,010,357
Net book amount	
As at 30 June 2023	1,017,443
Cost	
As at 1 July 2021	2,259,897
Translation differences	(53,174)
As at 30 June 2022	2,206,723
Accumulated 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

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:

	2023 HK\$'000	2022 HK\$'000
Shanghai Wujiaochang Branch Store	419,674	456,704
Shanghai Shaanxi Road Branch Store	231,731	252,179
Beijing Chongwen Store	224,342	244,137
Chongqing Store	67,628	73,595
Shanghai Pujian Branch Store	53,537	58,260

17 INTANGIBLE ASSETS (continued)

As at 30 June 2023, goodwill allocated to CGUs of the department store business and CGUs of the property investment business was approximately HK\$785,712,000 (2022: HK\$855,039,000) and approximately HK\$231,731,000 (2022: HK\$252,179,000) 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 2023 and 2022. 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 11.1% for the year ended 30 June 2023 (2022: 12.6%), average gross margin ratios ranging from 13% to 15% (2022: 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% (2022: 3%) is consistent with the forecast of the businesses and the discount rate of 12.4% (2022: 12.4%) is post-tax and reflects specific risks relating to the relevant businesses.

If the annual gross revenue had been 15% (2022: 15%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK\$413,053,000 (2022: HK\$496,714,000) higher.

If the gross margin ratios had been 1% (2022: 1%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK\$64,586,000 (2022: HK\$109,562,000) higher.

If the discount rate had been 0.5% (2022: 0.5%) higher than management's current estimates, the loss before income tax for the year would have been approximately HK\$47,339,000 (2022: HK\$67,253,000) 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% (2022: 1%) lower with all other variables held constant, there is no material adverse impact to the consolidated financial statements (2022: same).

During the year ended 30 June 2023, no impairment loss on goodwill was recognised.

17 INTANGIBLE ASSETS (continued)

During the year ended 30 June 2022, impairment loss of approximately HK\$220,350,000 was recognised. For the year ended 30 June 2022, impairment provision was made on goodwill of three CGUs allocated to the department store business of Shanghai Wujiaochang Branch Store, Yanjiao Store and Beijing Liying Store and one 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 business were approximately HK\$1,538,299,000 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%. The recoverable amount of the CGU of the property investment business was approximately HK\$1,718,612,000 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 ended 30 June 2022 represented the difference between the carrying amount of the CGU including goodwill and its estimated recoverable amount.

18 INTEREST IN AN ASSOCIATED COMPANY

	2023 HK\$'000	2022 HK\$'000
The Group's share of net assets, unlisted	-	-

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:

	2023 HK\$'000	2022 HK\$'000
For the year ended 30 June		
Loss for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS

18 INTEREST IN AN ASSOCIATED COMPANY (continued)

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

	2023 HK\$'000	2022 HK\$'000
Revenue	–	–
Loss for the year	–	–
Non-current assets	49	53
Current assets	443	482
Current liabilities	(226)	(246)
Net assets	266	289
	2023 HK\$'000	2022 HK\$'000
Impairment of interest in an associated company	(266)	(289)

Details of the associated company is as follows:

Name	Place of establishment	Principal activity	Registered capital	Attributable interest (%)	
				2023	2022
Shanghai Yijie Trading Co., Ltd.	Mainland China	Inactive	RMB1,500,000	49	49

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Prepaid rent and rental deposits	132,646	157,791
Other tax recoverable	55,729	65,335
Prepaid expenses	24,916	26,256
Others	93,471	138,755
	306,762	388,137
Less: non-current prepayments, deposits and other receivables	(163,814)	(196,947)
Current prepayments, deposits and other receivables	142,948	191,190

The balances were mainly denominated in RMB.

Prepaid expenses included insurance expenses to fellow subsidiaries and related companies of approximately HK\$40,000 and HK\$95,000 respectively (2022: HK\$37,000 and HK\$83,000 respectively).

20 INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Finished goods	79,045	94,606

The cost of inventories recognised as expense and included in 'purchases of and changes in inventories, net' amounted to approximately HK\$372,500,000 (2022: HK\$464,456,000), which included reversal of write-down of inventories, net of approximately HK\$304,000 (2022: write-down of inventories, net of approximately HK\$649,000).

21 DEBTORS

	2023 HK\$'000	2022 HK\$'000
Debtors	27,549	88,480
Less: loss allowance	(6,799)	(53,619)
Debtors, net	20,750	34,861

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

	2023 HK\$'000	2022 HK\$'000
Within period for		
0–30 days	15,012	32,413
31–60 days	477	1,254
61–90 days	64	30
Over 90 days	5,197	1,164
	20,750	34,861

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

NOTES TO THE FINANCIAL STATEMENTS

21 DEBTORS (continued)

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

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	53,619	8,619
Translation differences (Reversal)/provision during the year	(2,404)	(1,459)
Amounts written off during the year	(40,151)	(2,004)
At end of the year	6,799	53,619

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 2023 and 2022, the balances with fellow subsidiaries and related companies were unsecured, interest free, repayable on demand and denominated in RMB.

The balances with ultimate holding company includes an amount of HK\$2,000,000 (2022: Nil) which was unsecured, interest free, repayable on demand and denominated in HKD, and an amount of HK\$79,995,000 (2022: HK\$79,873,000) which 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 deposits with original maturity over three months ranged from 1.65% to 3.40% (2022: 0.25% to 3.91%) per annum.

24 CASH AND BANK BALANCES

	2023 HK\$'000	2022 HK\$'000
Fixed deposits with original maturity less than three months	109,391	234
Cash at bank and in hand	414,936	619,361
	524,327	619,595

Cash and bank balances were denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
HK\$	11,817	31,038
RMB	512,228	588,224
Others	282	333
	524,327	619,595

The interest rate on fixed deposits with original maturity less than three months was 1.25% to 2.10% (2022: 1.35%) per annum.

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 2021, 30 June 2022 and 2023	1,686,145	168,615

Share option scheme

The Company's share option scheme was adopted on 26 June 2023. The Board may, at their discretion, granted options to any eligible participants (as defined in the share option scheme) to subscribe for shares in the Company.

No share option was granted for the year ended 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS

26 RESERVES

	Attributable to shareholders of the Company						
	Share premium	Property revaluation reserve	Capital reserve	Statutory reserve (Note)	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 July 2022	1,826,646	371,034	391,588	538,264	81,011	626,098	3,834,641
Loss for the year	-	-	-	-	-	(320,852)	(320,852)
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties, net of tax	-	5,857	-	-	-	-	5,857
Translation differences	-	-	-	-	(313,245)	-	(313,245)
Transfer to statutory reserve	-	-	-	6,592	-	(6,592)	-
As at 30 June 2023	1,826,646	376,891	391,588	544,856	(232,234)	298,654	3,206,401

	Attributable to shareholders of the Company						
	Share premium	Property revaluation reserve	Capital reserve	Statutory reserve (Note)	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

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

	2023 HK\$'000	2022 HK\$'000
Unsecured bank loans	699,495	776,544
Shareholder loans	713,000	713,000
	1,412,495	1,489,544

As at 30 June 2023, shareholder loans from ultimate holding company is interest-bearing at Hong Kong Interbank Offered Rate plus 1.1% (2022: 1.1%) per annum, unsecured and repayable within one year.

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

	2023	2022
Borrowings denominated in HK\$	3.93%	1.24%
Borrowings denominated in RMB	–	3.45%

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

	2023 HK\$'000	2022 HK\$'000
HK\$	1,412,495	1,412,285
RMB	–	77,259
	1,412,495	1,489,544

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

	2023 HK\$'000	2022 HK\$'000
Within six months	1,412,495	1,412,285
In the seventh month to one year	–	77,259
	1,412,495	1,489,544

As at 30 June 2023, bank loans of approximately HK\$699,495,000 (2022: HK\$699,285,000) were guaranteed by NWD, the ultimate holding company.

As at 30 June 2023, the Group has undrawn shareholder loan of approximately HK\$17,000,000 (2022: undrawn bank borrowing facilities and shareholder loan in aggregate of approximately HK\$786,800,000), which carry interest at fixed or floating rates and are expiring within one year.

Subsequent to 30 June 2023, the Group was granted bank borrowing facilities of RMB320,000,000 (equivalent to approximately HK\$345,946,000) with maturity of one year.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2023 HK\$'000	2022 HK\$'000
Deferred income tax assets	86,191	92,078
Deferred income tax liabilities	(896,367)	(967,804)
	(810,176)	(875,726)

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

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	(875,726)	(849,584)
Translation differences	71,250	21,272
Taxation charged directly to equity	(1,952)	(36,803)
Charged to consolidated income statement (Note 12)	(3,748)	(10,611)
At end of the year	(810,176)	(875,726)

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 2021	28,004	10,558	1,348	113,753	153,663
Translation differences (Charged)/credited to consolidated income statement	(954)	(1,596)	(30)	(2,411)	(4,991)
	(7,915)	75	(54)	(9,816)	(17,710)
As at 30 June 2022	19,135	9,037	1,264	101,526	130,962
Translation differences (Charged)/credited to consolidated income statement	(1,172)	(4,999)	(55)	(8,331)	(14,557)
	(8,764)	4,037	(1,102)	2,277	(3,552)
As at 30 June 2023	9,199	8,075	107	95,472	112,853

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	Others HK\$'000	Total HK\$'000
As at 1 July 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
Translation differences	(22,689)	(47,749)	(9,538)	(5,831)	(85,807)
Taxation charged directly to equity	–	–	1,952	–	1,952
Charged/(credited) to consolidated income statement	10,588	(1,881)	(1,879)	(6,632)	196
As at 30 June 2023	262,081	540,294	108,129	12,525	923,029

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 2023, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred income tax liabilities have not been recognised totalled approximately HK\$286,255,000 (2022: HK\$313,595,000), 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\$304,758,000 (2022: HK\$279,826,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK\$1,219,032,000 (2022: HK\$1,119,304,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

As at 30 June 2023, if the estimated future taxable profits had been 10% (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS

29 CREDITORS, ACCRUALS AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Creditors	661,426	580,311
Accruals and other payables	1,000,400	1,004,744
	1,661,826	1,585,055

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

	2023 HK\$'000	2022 HK\$'000
Within period for		
0–30 days	418,986	395,416
31–60 days	135,816	20,265
61–90 days	22,562	16,839
Over 90 days	84,062	147,791
	661,426	580,311

Creditors included amounts due to related companies of approximately HK\$41,600,000 (2022: HK\$41,417,000) which were unsecured, interest free and repayable within 90 days.

Accruals and other payables included interest payable of shareholder loans of approximately HK\$70,785,000 (2022: HK\$41,783,000).

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

	2023 HK\$'000	2022 HK\$'000
RMB	1,583,515	1,529,263
HK\$	78,311	55,739
USD	–	53
	1,661,826	1,585,055

29 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

Nature of accruals and other payables are as follows:

	2023 HK\$'000	2022 HK\$'000
Rental accruals and payables	25,046	30,989
Deposits from concessionaire suppliers	375,457	440,991
Interest payable	70,933	41,957
Payables for capital expenditures	36,639	40,088
Accruals and payables for staff costs	140,763	112,005
Valued-added taxes and other taxes payables	32,697	36,429
Electricity and water expenses payables	10,227	11,146
Receipts in advance	87,830	62,568
Others	220,808	228,571
	1,000,400	1,004,744

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:

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	4,124,940	5,014,794
Addition	1,482	8,007
Lease modification	(129,818)	(39,276)
Derecognition	(57,078)	(328,838)
Lease payments made during the year	(677,192)	(641,678)
Interest expense on lease liabilities	168,496	222,575
Rent concessions	-	(14,203)
Translation differences	(304,320)	(96,441)
At end of the year	3,126,510	4,124,940
Of which are:		
Current lease liabilities	625,597	868,768
Non-current lease liabilities	2,500,913	3,256,172
	3,126,510	4,124,940

Lease liabilities included lease liabilities to fellow subsidiaries and related companies of approximately HK\$57,632,000 (2022: HK\$90,275,000).

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCE LEASE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Finance lease receivables	373,530	475,198
Unguaranteed residual values	31,000	30,046
Gross investment in finance leases	404,530	505,244
Less: unearned finance income	(37,306)	(55,935)
Net investment in finance leases	367,224	449,309
Less: accumulated allowance for impairment	(1,373)	(11,914)
Finance lease receivables – net	365,851	437,395
Of which are:		
Current finance lease receivable	75,238	68,673
Non-current finance lease receivable	290,613	368,722
	365,851	437,395

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

	2023 HK\$'000	2022 HK\$'000
Gross investment in finance leases		
Within one year	91,201	98,991
In the second to fifth year	258,653	320,133
After the fifth year	54,676	86,120
	404,530	505,244

The effective interest rate applied to the finance lease receivables was 4.9% (2022: 4.9%).

32 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$'000	2022 HK\$'000
Unlisted securities, at fair value	66,494	78,000

The financial assets were denominated in USD.

33 CONTRACT LIABILITIES

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

	2023 HK\$'000	2022 HK\$'000
Contract liabilities in relation to prepayments from customers	133,130	181,725
Contract liabilities in relation to customer loyalty programme	36,543	47,175
	169,673	228,900

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 presents the amount recognised in the current reporting period related to carried-forward contract liabilities:

	2023 HK\$'000	2022 HK\$'000
For the year ended 30 June		
<i>Amount recognised that was included in the contract liability balance at beginning of the year</i>		
– Proceeds from direct sales and concessionaire sales	85,713	62,512

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

	2023 HK\$'000	2022 HK\$'000
At end of the year		
Expected to be recognised within one year	84,334	90,410
Expected to be recognised after one year	85,339	138,490
	169,673	228,900

NOTES TO THE FINANCIAL STATEMENTS

34 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital commitments 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:

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for	72,670	43,587

(b) Operating lease receivables

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

	2023 HK\$'000	2022 HK\$'000
Within one year	373,514	525,418
In the second to fifth year	508,392	736,166
After the fifth year	31,143	66,585
	913,049	1,328,169

The contingent operating lease rental income of the Group for the year ended 30 June 2023 were approximately HK\$30,977,000 (2022: HK\$29,335,000).

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 2022	776,544	713,000	41,957	4,124,940	5,656,441
Changes from cash flows					
Drawdown of bank borrowings	35,714	–	–	–	35,714
Repayment of bank borrowings	(109,917)	–	–	–	(109,917)
Payment of lease liabilities	–	–	–	(677,192)	(677,192)
Finance costs paid	(750)	–	(22,908)	–	(23,658)
	701,591	713,000	19,049	3,447,748	4,881,388
Other changes					
Additions	–	–	–	1,482	1,482
Translation differences	(3,005)	–	(4,866)	(304,320)	(312,191)
Interest expenses	909	–	56,750	168,496	226,155
Lease modification and derecognition	–	–	–	(186,896)	(186,896)
As at 30 June 2023	699,495	713,000	70,933	3,126,510	4,609,938

	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					
Additions	–	–	–	8,007	8,007
Translation 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

NOTES TO THE FINANCIAL STATEMENTS

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	2023 HK\$'000	2022 HK\$'000
Fellow subsidiaries			
Rental expenses	(i)	(18,646)	(20,861)
Building management expenses	(ii)	(6,075)	(9,790)
Interest expense on lease liabilities	(iii)	(89)	(2,110)
Insurance expenses	(iv)	(74)	(67)
Other service fee expenses	(v)	(44)	(204)
Rental income	(viii)	162	–
Related companies			
Commission income from concessionaire sales	(vi)	35,264	47,798
Rental expenses	(i)	(50,532)	(77,844)
Building management expenses	(ii)	(24,388)	(26,066)
Rebates on prepaid shopping cards and vouchers	(vii)	44	251
Rental income	(viii)	–	99
Insurance expenses	(iv)	(179)	(169)
Other service fee expenses	(v)	(12)	(21)
Interest expense on lease liabilities	(iii)	(3,449)	(8,302)
Additions to right-of-use assets	(ix)	–	4,473
Customer loyalty programme service income	(x)	519	167
Customer loyalty programme service costs	(x)	(5,202)	(337)
Purchase of leasehold improvement	(xi)	(6,946)	–

Notes:

- (i) The rental expenses were charged in accordance with respective lease agreements with the subsidiaries/joint ventures of NWD 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 with the subsidiaries/joint ventures of NWD or members of the companies controlled by Mr. Doo.
- (iii) Interest expense on lease liabilities related to lease agreements with the subsidiaries/joint ventures of NWD was charged at the relevant incremental borrowing rates.
- (iv) This represented the insurance services provided by the subsidiaries of NWS Holdings Limited or members of the companies controlled by Mr. Doo.
- (v) This represented other services provided by the subsidiaries of NWD or members of the companies controlled by Mr. Doo.

36 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

- (vi) 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.
- (vii) 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.
- (viii) The income was charged in accordance with lease agreements with the subsidiaries of NWD or members of the companies controlled by Mr. Doo.
- (ix) Additions to right-of-use assets were measured in accordance with respective lease agreements with the joint ventures of NWD.
- (x) This represents the service income from/costs to a joint venture of NWD.
- (xi) This represents the purchase of leasehold improvement in respect of a department store. Such fee was charged in accordance with the terms of respective contract with members of the companies controlled by Mr. Doo.

(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\$30,006,000 (2022: HK\$72,160,000) during the year.
- (ii) During the year ended 30 June 2022, right-of-use assets with a total carrying amount of approximately HK\$35,050,000 and lease liabilities with a total carrying amount of approximately HK\$204,819,000 were derecognised 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:

	2023 HK\$'000	2022 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	6,937	7,239
Discretionary bonus	702	1,048
Retirement benefit costs – defined contribution plans	281	276
	7,920	8,563

NOTES TO THE FINANCIAL STATEMENTS

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
Assets		
Non-current asset		
Investments in subsidiaries	1,282,338	1,423,037
Current assets		
Prepayments and deposits	260	246
Amounts due from subsidiaries	2,025,172	2,203,719
Cash and bank balances	5,528	20,608
	2,030,960	2,224,573
Total assets	3,313,298	3,647,610
Equity and liabilities		
Equity		
Share capital	168,615	168,615
Reserves (Note)	1,437,936	1,795,873
Total equity	1,606,551	1,964,488
Liabilities		
Current liabilities		
Accruals and other payables	6,870	7,022
Amounts due to subsidiaries	1,699,877	1,676,100
Total liabilities	1,706,747	1,683,122
Total equity and liabilities	3,313,298	3,647,610

The statement of financial position of the Company was approved by the Board of Directors on 28 September 2023 and was signed on its behalf

Mr. Cheung Fai-yet, Philip
Director

Ms. Xie Hui-fang, Mandy
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 2022	1,826,646	73,486	562,733	(666,992)	1,795,873
Loss for the year	–	–	–	(207,633)	(207,633)
Translation differences	–	–	(150,304)	–	(150,304)
As at 30 June 2023	1,826,646	73,486	412,429	(874,625)	1,437,936
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

38 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30 June 2023 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held	
				directly	indirectly
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	–

NOTES TO THE FINANCIAL STATEMENTS

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	Shopping mall 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 Lijing 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 ^a
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 ^a
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	Investment holding/ Mainland China	RMB2,000,000 [†]	–	100 ^a
Shanghai New World Department Store Co., Ltd.	Mainland China	Shopping mall 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
Shanghai New World Huiyan Department Store Ltd.	Mainland China	Property investment and shopping mall operation/Mainland China	RMB85,000,000 ^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
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 shopping mall 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 ^a
Yantai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB80,000,000 ^w	–	100
Zhengzhou New World Department Store Co., Ltd.	Mainland China	Shopping mall operation/Mainland China	RMB50,000,000 ^w	–	100

^a 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

	2023 HK\$'000	For the year ended 30 June			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Results					
Revenue	1,483,733	1,934,557	2,245,966	2,232,691	3,519,017
Operating (loss)/profit	(79,395)	(199,595)	89,491	(197,960)	204,602
(Loss)/profit for the year	(320,852)	(483,381)	(229,359)	(483,668)	32,663
As at 30 June					
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Assets, liabilities and equity					
Total assets	10,791,316	12,513,402	14,177,638	13,119,276	11,797,523
Total liabilities	7,416,300	8,510,146	9,709,311	8,909,955	5,954,914
Total equity	3,375,016	4,003,256	4,468,327	4,209,321	5,842,609

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 to 4 located at No. 155 Changshou Road, Level 5 located at No. 157 Changshou Road and Level 6 located at No. 159 Changshou Road, Putuo District, Shanghai 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, Jiangnan District, Wuhan City – Wuhan New World Department Store	32,083	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	2045
		199,823		

RISK FACTORS

1. SLOWDOWN OF GLOBAL ECONOMIC GROWTH AND INTENSIFIED INFLATIONARY PRESSURES

- Global geopolitics and trade barriers hinder the economic development in the short run. Among them, the weakening of boosting effect of border reopening after the pandemic, the conflict between Russia and Ukraine, and the flow of funds to the United States, together with high inflation and the failure of economic recovery, have reduced job demand. This further hampered the market performance, and the productivity improvements were thwarted by aging of population;
- During the first quarter of 2023, despite the year-on-year CPI growth rates in the United States and the Eurozone continued to fall from the peaks, the core CPI growth remains high, and major European economies and the United States are still facing great inflationary pressure;
- Weak global economic growth momentum and intensified trade protectionism imposed pressure on the growth of China's foreign trade. The current tightened monetary policies in Europe and the United States show no signs of change, and the supply of major reserve currencies remains tight.

2. MODERATE RECOVERY OF DOMESTIC ECONOMY WITH INSUFFICIENT ORGANIC GROWTH MOMENTUM

- The recovery of supply and demand of commodity is patchy and the CPI growth rate dropped;
- Residents are more willing to save money and the recovery in consumption is more concentrated on such service industries as interpersonal contact or travelling that have long been suppressed. The performance of commodity consumption remains relatively weak.

3. THE CURRENT ECONOMIC RECOVERY DID NOT MEET THE EXPECTATION ON VARIOUS INDICATORS OF THE COMMERCIAL INDUSTRY AFTER THE PANDEMIC

- Offline foot traffic and consumption recovered after the pandemic, but have not returned to the pre-pandemic levels;
- Online consumption recovered well before and after the pandemic, and the brand's confidence on the online sales is stronger than that of offline physical stores;
- As the market recovers, offline stores remain essential in reaching consumers, serving as service scenario and channels. However, insufficient consumption power is the primary factor affecting the offline business;
- For offline physical stores with unsatisfactory improvement, substantial changes in regional consumption, or obvious competing products, it is necessary to be more vigilant to the signs of declining performance and adjust its positioning and brand portfolio as early as possible;
- Mature brands and brands with outstanding products demonstrate certain market resilience, but with the competitive pressure from offline physical stores and product competition, market segmentation will be further developed, posing the challenge of being cannibalised for category products;
- The recovery of retail brands is sluggish, and it will take time for new brands to become established. This will put pressure on the short-term improvement on the revenue of the offline physical stores. It is advisable to start preparations for curve growth as soon as possible.

4. INSUFFICIENT CONSUMPTION POWER HINDERS THE MOMENTUM OF BUSINESS GROWTH

- The post-pandemic economic recovery has been sluggish. The downward pressure is still heavy with falling consumption sentiment. Consumption is dominated by daily necessities, reflecting insufficient market demand;
- Against the backdrop of overall weak consumption power, most companies have to face, among others, declining sales, rent reductions, early termination of rent, shop vacancy, high investment pressure after the pandemic, and lack of momentum to stimulate business growth;
- Housing mortgage, children's education and parents' pension expenses account for a large proportion of income, which affected the consumer sentiment.

5. THE RELATIONSHIP BETWEEN RETAILERS AND SUPPLIERS WAS CHANGED AS PHYSICAL STORES BECAME LESS INFLUENTIAL AS A CONSUMPTION CHANNEL

- The diversification and comprehensive digitalisation of consumption channels have strengthened brand owners' retail capabilities and significantly reduced their reliance on physical stores;
- With the maturity of the digital technology and the increased transparency of the supply chain, the relationship between offline retailers and suppliers is weakening gradually;
- In the era of Big Data, online shopping platforms adopt precise marketing and send product push notifications to the customers.

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

- As for retail industry that generally provides standardised products, physical stores are impacted by the post-pandemic changes in consumption behaviour, and consumers are increasingly attracted by and enjoy the pleasure and convenience of online shopping, diminishing the advantages of purchase experience in physical stores and further affecting the business;
- The non-differentiation of brand products in physical stores is worsening. The brands lost its unique DNA characteristics and have no price advantage. In the future, it is necessary to implement service differentiation and management of brand diversification so as to form stronger competitive edges.

7. BREAKTHROUGH BECOMES MORE DIFFICULT IN LINE WITH DIGITALISATION

- The results of digitalisation tends to be more intangible rather than 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 utilised;
- 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 go online and the effect of which is in doubt.

8. RISKS RELATING TO DIGITALISATION OF TRADITIONAL AND PHYSICAL RETAIL INDUSTRY

- Digitalisation may disrupt traditional business model, leading to decreases in revenue and profit of retailers;
- As more retailers store and process clients' data by electronic means, they face greater risks of cyberattack and data breach;
- Digitalisation enables new entrants to effectively compete with established players, which may lead to price war and other forms of competition, hence reducing profit;
- Over-reliance on technologies leaves enterprises vulnerable to disruption when technologies become non-functional or unavailable.

9. 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, established new growth areas such as IP consumption, health consumption and interest consumption to attract young customer's attention and offered non-standardised products and services such as dining and entertaining services in order to drive business growth and satisfy consumers' various needs in shopping, socialising and entertainment;
- As the new consumer community demands for a shorter product cycle, the provision period of product mix is shortened, which makes improvement in the product composition more difficult.

10. CHANGES IN CONSUMPTION LOGIC, PSYCHOLOGY AND BEHAVIOUR OF NEW CONSUMER COMMUNITY POSE CHALLENGES TO AND REQUIRE CONSIDERATION BY TRADITIONAL DEPARTMENT STORE INDUSTRY ON BRAND INTRODUCTION AND CATEGORY SELECTION

- Consumers become more rational and review their consumption needs;
- Mutual interaction, the role of consumers changed from "passive" to "active";
- Consumers are more self-oriented to pursue the quality of life;
- Place great attention to core values of brands, consumers prefer brands that demonstrate social responsibility and sympathy.

11. 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 had an adverse impact on the recovery of the physical store business.

12. 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.

13. 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	:	$\frac{\text{Commission income from concessionaire sales} + \text{Sales of goods} - \text{direct sales} - \text{Purchases of and changes in inventories, net}}{\text{Proceeds from concessionaire sales} + \text{Sales of goods} - \text{direct sales}} \times 100\%$
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 *SBS JP (Chairman)*

Ms. Chiu Wai-han, Jenny

Executive Directors

Ms. Xie Hui-fang, Mandy *(Chief Executive Officer)*

Mr. Cheung Fai-yet, Philip

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry

Mr. Chan Yiu-tong, Ivan

Mr. Tong Hang-chan, Peter

Mr. Yu Chun-fai

Ms. Ho Pui-yun, Gloria

COMPANY SECRETARY

Mr. Chan Paul Hon Yin

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

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Grand Cayman, KY1-1100

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

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17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

REGISTERED OFFICE

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Grand Cayman, KY1-1111

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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

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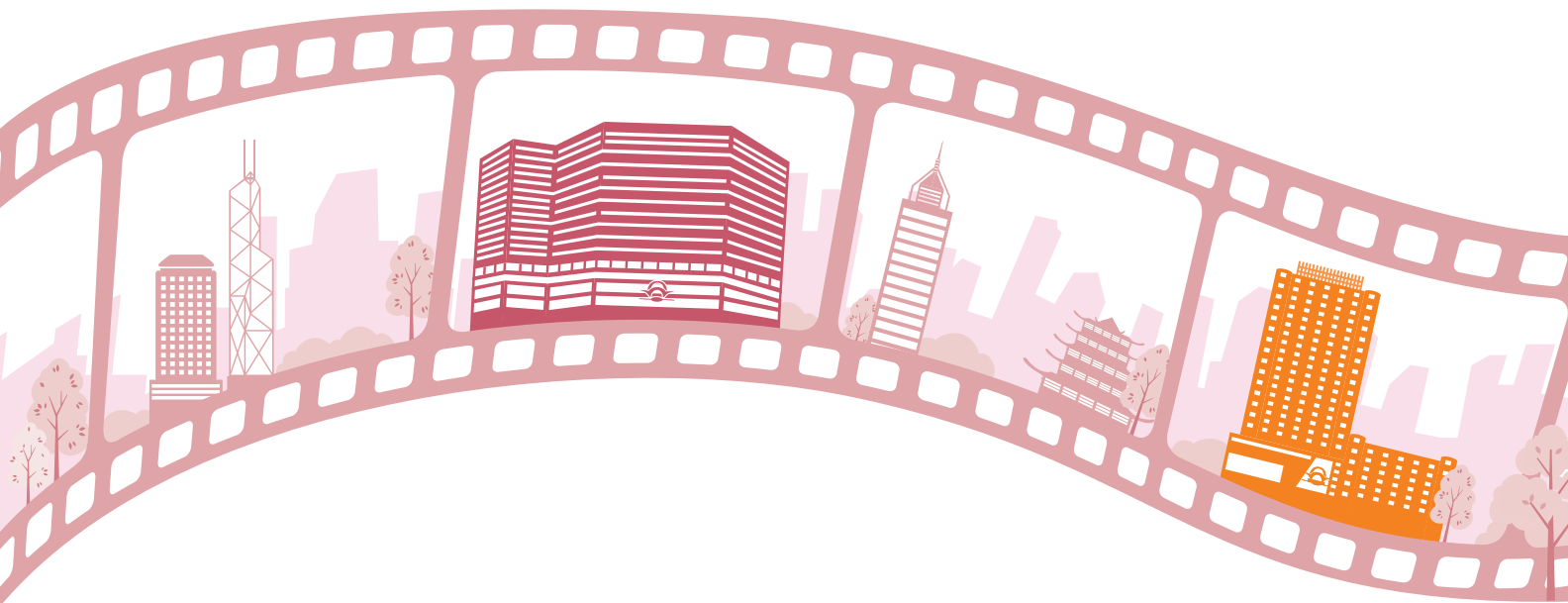


Chinese Version

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

