

Corporate Governance Report



CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). In addition to the mandatory Code, the Board will also continuously enhance the corporate governance standard of the Company by reference to certain recommended best practices contained in Appendix 14 to the Listing Rules whenever suitable and appropriate.

As the Company was listed on 12 July 2007 (the “Listing Date”), the Company was not required to comply with the requirements under the Code or the continuing obligations requirements of a listed company pursuant to the Listing Rules for the year ended 30 June 2007. Nevertheless the Company has applied the principles and complied with all the applicable code provisions set out in the Code since the Listing Date.

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



DIRECTORS' SECURITIES TRANSACTIONS

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

EMPLOYEES' SECURITIES TRANSACTIONS

The Code provision A.5.4 provides that there should be written guidelines on no less exacting terms than the Model Code for the relevant employees in respect of their dealing in the securities of the Company.

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

BOARD OF DIRECTORS

As at the date of this report, the Board comprises two non-executive Directors, five executive Directors and four independent non-executive Directors.

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.

The composition of the Board is as follows:

Non-executive Directors

Dr CHENG Kar-shun, Henry	Chairman
Mr AU Tak-cheong	

Executive Directors

Mr CHENG Chi-kong, Adrian	
Mr CHEUNG Fai-yet, Philip	Managing Director
Mr LIN Tsai-tan, David	Chief Operation Officer
Mr WONG Kwok-kan, Kenneth	Chief Financial Officer
Ms NGAN Man-ying, Lynda	

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Independent Non-executive Directors

Mr CHEONG Ying-chew, Henry

Mr CHAN Yiu-tong, Ivan

Mr TONG Hang-chan, Peter

Mr YU Chun-fai, Henry

The Board sets directions and formulates overall strategies 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 Directors are charged with the responsibility to consider and to assess candidates for directorships on the Board based on their characters, qualifications and experience appropriate for the businesses of the Group. The recommendations of the executive Directors are then put forward for consideration and adoption by the Board as a whole, including independent non-executive Directors. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of the independent non-executive Directors to ensure that the Board has a balance of expertise, skills and experience.

The independent non-executive Directors have been appointed for a specific term of service. They are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the articles of association of the Company.

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

THE ROLES OF THE CHAIRMAN AND MANAGING DIRECTOR

The Chairman is responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a constructive manner. While the managing Director is responsible for running the Group's business and the timely implementation of the approved strategies of the Group.

Non-executive Directors

Non-executive Directors (including the independent non-executive Directors) serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. The non-executive Directors are not appointed for a specific term as is stipulated in Code provision A.4.1, but are subject to retirement by rotation in accordance with the articles of association of the Company.



Audit Committee

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

The major duties and responsibilities of the Audit Committee include review of the effectiveness of the Group’s financial reporting processes and internal control system. The duties of the Audit Committee also include review of the scope and nature of the audit carried out by the Company’s auditors. The Group’s annual results for the year ended 30 June 2007 have been reviewed by the Audit Committee at an Audit Committee meeting with all committee members present at the meeting.

The Audit Committee will meet with external auditors at least annually to discuss any issues from the audit and any other matters the external auditors may wish to raise.

Remuneration Committee

The remuneration committee (the “Remuneration Committee”) has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises Mr CHEONG Ying-chew, Henry; Mr CHAN Yiu-tong, Ivan; Mr TONG Hang-chan, Peter; Mr YU Chun-fai, Henry and Mr CHEUNG Fai-yet, Philip. Mr CHAN Yiu-tong, Ivan is the Chairman of the Remuneration Committee. The Remuneration Committee meeting will be held at least once a year.

The primary duties of the Remuneration Committee include review of and recommendations to the Board on the remuneration structure for all directors and senior management of the Group.

Internal Control System

The Board has overall responsibility for the Group’s system of internal control and for reviewing its effectiveness. The Board will conduct regular reviews regarding internal control systems of the Group. In the year under review, the Audit Committee and the Board had also reviewed the Group’s performance and internal control systems to ensure that effective measures were in place.

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DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing accounts 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 accounts for the year ended 30 June 2007, the directors had:

1. approved the adoption of all applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants;
2. selected and applied consistently appropriate accounting policies;
3. made judgments and estimates that were prudent and reasonable; and
4. prepared the accounts on a going concern basis.

The statement about the Directors' reporting responsibilities is set out in the Independent Auditor's Report on page 96 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest development. Information relating to the Company's financial results, corporate details and major events will be disseminated through the publication of press announcements, circulars and press releases. These publications can also be downloaded from the Company's website. In addition, the Chairman, members of the Board and external auditors 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. The Company will also hold press and analysts conferences following the release of annual results at which the executive Directors will be available to answer questions regarding the performance of the Group. The Group has participated in a number of roadshows and meetings with investors and organised a number of site visits.

AUDITORS' REMUNERATION

Fees for auditing services and non-auditing services amounted to HK\$4,252,000 and HK\$36,600 respectively were provided in the Group's consolidated income statement for the year ended 30 June 2007.