

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 of the Company (the “Shareholders”).

The Company has complied with all the applicable 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). 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. The Company has applied the principles and complied with all the applicable code provisions set out in the Code during the year ended 30 June 2010.

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the Directors. Upon the Company’s specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors’ securities transactions adopted by the Company during the year ended 30 June 2010.

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. Their names, biographical details and respective relationships with other Directors and senior management of the Group are set out on pages 72 to 77 and whose respective interests in the Company are set out on pages 94 to 98 of this annual report.

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 management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company.

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

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”).

The Roles of the Chairman and Managing Director

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

Non-executive Directors

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

Corporate Governance Report

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

Audit Committee

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

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

During the year, the Audit Committee reviewed with auditor the audited financial statements for the year ended 30 June 2009 and the unaudited interim financial information for the six months ended 31 December 2009 as well as internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget with recommendations to the Board for approval. The Audit Committee also reviewed the financial statements for the year ended 30 June 2010 and internal audit report with recommendation to the Board for approval. The Audit Committee met three times during the year ended 30 June 2010.

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. Cheng Chi-kong, Adrian, Mr. Tong Hang-chan, Peter, Mr. Cheung Fai-yet, Philip, Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Yu Chun-fai and Mr. Tong Hang-chan, Peter is the chairman of the Remuneration Committee. The Remuneration Committee meeting will be held at least once a year.

The primary duties of the Remuneration Committee include review of and recommendations to the Board on the remuneration structure for directors and senior management of the Group. During the year ended 30 June 2010, the Remuneration Committee met twice to review the remuneration policy for Directors and senior management of the Company.

Details of the amount of emoluments of Directors for the year ended 30 June 2010 are set out in note 9 to the consolidated financial statements.

Attendance at Meetings of the Board, the Audit Committee and the Remuneration Committee

Name of Directors	Number of Meeting Attended/Eligible to attend for the year ended 30 June 2010		
	Board	Audit Committee	Remuneration Committee
<i>Non-executive Director</i>			
Dr. Cheng Kar-shun, Henry (<i>Chairman</i>)	4/4		
Mr. Au Tak-cheong	4/4		
<i>Executive Directors</i>			
Mr. Cheng Chi-kong, Adrian	4/4		2/2
Mr. Cheung Fai-yet, Philip (<i>Managing Director</i>)	4/4	3/3	2/2
Mr. Lin Tsai-tan, David	4/4		
Mr. Wong Kwok-kan, Kenneth	4/4	3/3	
Ms. Ngan Man-ying, Lynda	4/4		
<i>Independent Non-executive Directors</i>			
Mr. Cheong Ying-chew, Henry	4/4	3/3	2/2
Mr. Chan Yiu-tong, Ivan	4/4	3/3	2/2
Mr. Tong Hang-chan, Peter	4/4	3/3	2/2
Mr. Yu chun-fai	3/4	3/3	2/2



Remuneration of Directors

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

Nomination of Directors

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. The structure, size and composition of the Board will be reviewed from time to time to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the Group's business. All the 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 the Directors may seek independent professional advice and consultation when necessary. A candidate to be appointed as an independent non-executive Director must also meet the independence requirement set out in Rule 3.13 of the Listing Rules. During the year under review, the Company had not established a nomination committee.

FINANCIAL REPORTING AND INTERNAL CONTROL

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

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditors, are stated in the Independent Auditor's Report on pages 104 to 105 of this annual report.

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing financial statements of each financial period, giving a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 30 June 2010, 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 judgements and estimates that were reasonable; and
4. prepared the financial statements on a going concern basis.

The statement about the Directors' reporting responsibilities is set out in the Independent Auditor's Report on pages 104 to 105 of this annual report.

INVESTOR RELATIONS

During the year under review, with excellent and efficient investor relations management, the Group has largely reinforced the communications between current investors and potential investors, protected the legal rights of investors with pragmatic approaches, consolidated investors' understanding of New World Department Store, hence successfully gained investors' recognitions and established a positive image in local and overseas capital markets.

The investor relations team of the Group is formed by senior management executives. Ever since the Group was listed on the main board of Hong Kong Stock Exchange in July 2007, the team has been engaged in initiating dialogues between local and overseas institutional investors and analysts through one-on-one meetings, conference calls and store visits. A total of 266 meetings and store visits were hosted for investors during the year under review. Every year, the Group convenes analyst briefings for its annual and interim results announcement to disclose information proactively to analysts and investment institutions. Research reports regarding the Group are then generated and issued by prominent investment research institutions including Deutsche Bank, HSBC, Standard Chartered, BNP Paribas, RBS, JP Morgan, Morgan Stanley, Goldman Sachs, CLSA, DBS Vickers, Macquarie Group, BOCI, BOCOM, Daiwa, Taifook Securities, First Shanghai, CICC, Kim Eng Securities, KGI, SinoPac and Sun Hung Kai Financial.

In addition, after releasing its annual report and interim report, the Group will also carry out overseas roadshows and visit various large investment institutions. The management of New World Department Store carried out roadshows in Hong Kong and Singapore in October 2009 and March 2010 respectively. On the other hand, they were also invited to attend a number of investors conferences hosted by banks and securities groups, such as "DB Access Greater China Conference" in Hong Kong in July and November 2009 respectively, "Deutsche Bank Access Asia Conference" in Singapore in May 2010 and "Daiwa Corporate Day" in Hong Kong in the same month. As a whole, the Group has met over 180 investment institutions from the above events.

To ensure shareholders have a timely access of our information, a designated column called "Investors" is added in New World Department Store's website www.nwds.com.hk, providing latest announcements, circulars, press releases, financial reports and presentations. Through interim report, annual report, notices, annual general meeting and real-time e-news for registered users, the investor relations team provides investors with comprehensive information on the Group's business development strategy and latest operations.

The Group values the rights in information disclosure and the transparency of the enterprise, hence, the investor relations team of New World Department Store will continue to actively engage in interaction with investors to reinforce investors' confidences in the Group, creating an ideal capital market for financing.

AUDITOR'S REMUNERATION

Fees for auditing services and non-auditing services amounted to HK\$3,950,000 (2009: HK\$3,499,000) and HK\$1,378,000 (2009: HK\$720,000) respectively were provided in the Group's consolidated income statement for the year ended 30 June 2010.