

# 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 2010.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the Group are engaged in department store operation in the People's Republic of China (the "PRC"). The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements of the Group.

## RESULTS

The results of the Group for the year ended 30 June 2010 are set out in the consolidated income statement on page 106 of this annual report.

## DIVIDENDS

The Directors have resolved to recommend a final dividend of HK\$0.07 per share (2009: HK\$0.07 per share) for the year ended 30 June 2010 to Shareholders whose names appear in the register of members of the Company on 23 November 2010. It is expected that the proposed final dividend will be paid on or about 21 December 2010 subject to Shareholders' approval at the forthcoming annual general meeting of the Company.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 14 to the consolidated financial statements.

As regards the property held by the Group at Zijingshan Road, Zhengzhou City, Henan Province, the PRC, the relevant building ownership certificate was registered in April 2010. The property will be used for operation of department store. The gross floor area of the property is approximately 35,211 square metres. The Group holds 100% interest in the property.

As regards the property held by the Group at Jinqiao Road, Dadong District, Shenyang City, Liaoning Province, the PRC, the relevant building ownership certificate and state-owned land use right certificate was obtained in September 2010. The property will be used for operation of department store. The gross floor area of the property is approximately 32,500 square metres. The Group holds 100% interest in the property.

## SHARE CAPITAL

Details of the share capital are set out in note 24 to the consolidated financial statements.

## RESERVES

Details of the movements in reserves during the year are set out in note 25 to the consolidated financial statements.

## FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years of 2006 to 2010 are set out on page 154.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK\$66,000 (2009: approximately HK\$6,000).



## Report of the Directors

### PRE-EMPTIVE RIGHTS

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

### DIRECTORS

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

#### Non-executive Directors

Dr. Cheng Kar-shun, Henry (*Chairman*)

Mr. Au Tak-cheong

#### Executive Directors

Mr. Cheng Chi-kong, Adrian

Mr. Cheung Fai-yet, Philip (*Managing Director*)

Mr. Lin Tsai-tan, David

Mr. Wong Kwok-kan, Kenneth

Ms. Ngan Man-ying, Lynda

#### Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry

Mr. Chan Yiu-tong, Ivan

Mr. Tong Hang-chan, Peter

Mr. Yu Chun-fai

In accordance with articles 87(1) and 87(2) of the Articles, Dr. Cheng Kar-shun, Henry, Mr. Cheng Chi-kong, Adrian, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The remaining current Directors continue in office.

### AUDIT COMMITTEE

The Audit Committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 30 June 2010 and discussed those related matters with the management.

### DIRECTORS' SERVICE CONTRACTS

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

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the "Connected Transactions" section below, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2010 or at any time during the year ended 30 June 2010.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

### DEED OF NON-COMPETITION

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

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

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

In addition, under the Deed, NWD has undertaken, among other things, to use its best endeavour to transfer Beijing New World Shopping Mall (the "Beijing Shopping Mall"), Kunming New World Department Store (the "Kunming Store"), Ningbo New World Trendy Department Store (the "Ningbo Trendy Store"), Hong Kong New World Department Store (the "Hong Kong Store") and Wuhan New Eagle Development Co., Ltd. Wuhan New World Department Store (the "Wuhan Store") (collectively the "Excluded Stores") (save and except the Hong Kong Store) to the Company as soon as practicable and in any event no later than three years from 12 July 2007 (the date of listing of the Company's shares on the main board of the Stock Exchange (the "Listing Date")) and to keep the Company informed every six months from the Listing Date as regards the progress on the resolution of the difficulties in transferring the Excluded Stores to the Company. NWD has also undertaken to provide to the Company all information necessary for the annual review by the independent non-executive Directors to determine whether the Deed has been complied with by NWD.

As regards the Wuhan Store, the Board announced that on 17 December 2007, New Bright Resources Limited ("New Bright"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Solar Leader Limited ("Solar Leader"), a limited liability company incorporated in the British Virgin Islands and an indirect-wholly-owned subsidiary of NWD, whereby New Bright agreed to acquire from Solar Leader the entire issued share capital of Uphill Group Limited ("Uphill Group") and the outstanding shareholder's loan of Uphill Group owed to Solar Leader in the total amount of approximately HK\$586,356,000 as of 30 November 2007 for an aggregate consideration of HK\$885,417,000. Uphill Group is an investment holding company which owns 100% legal and beneficial interests in Wuhan New World Department Store Co., Ltd. (a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the company, formerly known as "Wuhan New Eagle Development Co., Ltd."), which owns 100% legal and beneficial interests in the Wuhan Store and its property. Such acquisition has been completed.



## Report of the Directors

### DEED OF NON-COMPETITION (continued)

As regards the Kunming Store, the Board announced that on 20 January 2009, New World Department Stores Investment (China) Co., Ltd. ("NWDSIC"), a wholly-foreign-owned enterprise established in the PRC wholly-owned by the Company, entered into a sale and purchase agreement with Solar Leader, NWD and Yunnan New World Department Store Co., Ltd. ("Yunnan Co"), a limited liability company incorporated in the PRC and the operator of Kunming Store, whereby NWDSIC agreed to acquire from Solar Leader all interests and rights of Solar Leader arising or derived from the trust agreement entered into between Solar Leader and the registered owners of the registered capital of Yunnan Co on 1 January 2007, including any beneficial interest in the entire equity interest in the registered capital of Yunnan Co, for a consideration of HK\$3,000,000. Such transfer has been completed. The legal title of the entire equity interest in the registered capital of Yunnan Co has been subsequently transferred to NWDSIC.

As regards the Ningbo Trendy Store, the Board also announced that on 20 January 2009, NWDSIC entered into a sale and purchase agreement with Solar Leader and Ningbo New World Trendy Department Store Co., Ltd. ("Ningbo Co"), a limited liability company incorporated in the PRC and the operator of Ningbo Trendy Store, whereby NWDSIC agreed to acquire from Solar Leader the entire equity interest in the registered capital of Ningbo Co for a consideration of RMB2,000,000. Such acquisition has been completed.

As regards the Beijing Shopping Mall, the Board announced that on 18 June 2010, Rainbow Star Resources Limited ("Rainbow Star"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Solar Leader and Broad Park Limited ("Broad Park"), a wholly-owned subsidiary of Solar Leader, whereby Rainbow Star agreed to acquire from Solar Leader the entire issued share capital of Broad Park and the outstanding shareholder's loan of Broad Park owing to Solar Leader for a consideration of RMB150,000,000 less the unpaid amount of the registered share capital of Beijing Yixi New World Department Store Co., Ltd. ("Beijing Yixi"), a wholly-owned subsidiary of Broad Park. Beijing Yixi is the operator of a department store business in Beijing, the PRC in the name of Beijing New World Department Store (the "Beijing Department Store Business") and the Beijing Department Store Business was acquired by Beijing Yixi from a company controlled by Solar Leader in August 2009. The acquisition of the entire issued share capital of Broad Park was completed on 1 August 2010.

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

(a) As NWD is a connected person of the Company under the Listing Rules, transactions between the Company and members of the NWD Group constitute connected transactions of the Company under the Listing Rules.

#### i Master Management Agreement

On 22 May 2009, the Company and NWD entered into the master management agreement (the "Master Management Agreement"), for a term of three years from 1 July 2009, pursuant to which the Company agreed to, and to procure its subsidiaries to, provide various management services and any other services in relation to the management of department store as the Company and NWD may agree from time to time to the NWD Group at the request of any member of the NWD Group from time to time during the duration of the Master Management Agreement. The Directors believe that the Master Management Agreement has served to protect the interests of the Group, to facilitate acquisition by the Group of the store owned by the NWD Group and to regulate the operations agreements under a common framework agreement.

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Master Management Agreement for the three years ending 30 June 2012 will not exceed RMB110,402,000, RMB126,962,000 and RMB146,006,000, respectively.

The total amount received from the NWD Group under the Master Management Agreement was approximately RMB59,264,000 (2009: approximately RMB52,215,000) for the year ended 30 June 2010.

### CONNECTED TRANSACTIONS (continued)

#### ii **Master Leasing Agreement**

On 22 May 2009, the Company and NWD entered into the master leasing agreement (the “Master Leasing Agreement”), for a term of three years from 1 July 2009, pursuant to which NWD agrees to, and to procure its subsidiaries to, lease the premises owned by members of the NWD Group from time to time (the “Premises”) to the Group at the request of any member of the Group from time to time during the duration of the Master Leasing Agreement.

On 18 June 2010, the Company and NWD entered into a supplemental agreement (the “Supplemental Master Leasing Agreement”) to revise annual cap amounts in respect of the Master Leasing Agreement and the Supplemental Master Leasing Agreement being RMB471, 846,000 and RMB544,198,000 for the two years ending 30 June 2012 respectively.

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

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Master Leasing Agreement and the Supplemental Master Leasing Agreement for the three years ending 30 June 2012 will not exceed RMB154,479,000, RMB471,846,000 and RMB544,198,000, respectively.

The total amount paid to the NWD Group under the Master Leasing Agreement and the Supplemental Master Leasing Agreement was approximately RMB107,510,000 (2009: approximately RMB100,935,000) for the year ended 30 June 2010.

#### iii **Master Services Agreement**

On 22 May 2009, the Company and NWS Holdings Limited (“NWSH”, and together with its subsidiaries, the “NWSH Group”) entered into the master services agreement (the “Master Services Agreement”), for a term of three years from 1 July 2009, pursuant to which NWSH agreed to, and to procure its associates to, provide various electrical and mechanical services and such other types of services as may be agreed upon from time to time in writing by the Company and NWSH to the Group (collectively the “Services”) for the Stores at the request of any member of the Group from time to time during the duration of the Master Services Agreement. The Directors believe that entering into the Master Services Agreement would enable the Group to regulate the provision of the Services by the NWSH Group to the Group under a common framework agreement.

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

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Master Services Agreement for the three years ending 30 June 2012 will not exceed RMB 141,998,000, RMB420,164,000 and RMB413,766,000, respectively.

The total amount paid to the NWSH Group under the Master Services Agreement was approximately RMB79,900,000 (2009: approximately RMB36,678,000) for the year ended 30 June 2010.





## CONNECTED TRANSACTIONS (continued)

### iv *Master Sales Agreement*

On 22 May 2009, the Company, New World China Land Limited ("NWCL", together with its subsidiaries, the "NWCL Group") and Chow Tai Fook Jewellery Company Limited ("CTF Jewellery") entered into the master sales agreement (the "Master Sales Agreement"), for a term of three years from 1 July 2009, pursuant to which the Company agrees to, and to procure its subsidiaries to, sell the goods in the Stores by means of accepting the various cash equivalent gift coupons, gift cards and stored value shopping cards of the NWCL Group which may be presented at the Stores, including the floor space where CTF Jewellery and its subsidiaries (the "CTF Jewellery Group") operates its business, for purchasing goods at the Stores (the "Shopping Vouchers") presented at the Stores from time to time during the duration of the Master Sales Agreement on condition that the value represented by the Shopping Vouchers will subsequently be settled by members of the NWCL Group. The entering into of the Master Sales Agreement would bring more customers to and enhance the sales of the Stores.

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

As both the Company and NWCL are subsidiaries of NWD, and CTF Jewellery is an associate of Chow Tai Fook Enterprises Limited ("CTF") which is a substantial shareholder of NWD. NWD is a controlling shareholder of the Company, NWCL and CTF are connected persons of the Company and the transactions contemplated under the Master Sales Agreement and the Supplemental Master Sales Agreement constitute continuing connected transactions of the Company.

It is expected that the annual consideration receivable under the Master Sales Agreement and the Supplemental Master Sales Agreement will not exceed HK\$3,500,000 for each of the three years ending 30 June 2012.

The total amount received from the NWCL Group under the Master Sales Agreement and the Supplemental Master Sales Agreement was approximately RMB326,000 (2009: Nil) for the year ended 30 June 2010.

### v *Master Sales Agreement – Prepaid Shopping Cards*

On 18 June 2010, the Company and NWD entered into the master sales agreement (the "Master Sales Agreement – Prepaid Shopping Cards"), for a term of two years from 1 July 2010, pursuant to which the Company agrees to, and to procure other members of the Group to, sell the goods in the Stores by means of accepting the prepaid shopping cards issued by the Group to the NWD Group (except the Group) which may be presented at the Stores for purchasing goods at the Stores presented at the Stores by the holders thereof or by other means acceptable to the Company from time to time during the duration of the Master Sales Agreement – Prepaid Shopping Cards on condition that the amounts payable to the Group in respect of the goods sold in the Stores are being settled by members of the NWD Group (except the Group).

NWD is a controlling shareholder of the Company, therefore a connected person of the Company and the transactions contemplated under the Master Sales Agreement – Prepaid Shopping Cards constitute continuing connected transaction of the Company.

It is expected that the annual consideration receivable under the Master Sales Agreement – Prepaid Shopping Cards will not exceed RMB4,500,000 and RMB5,000,000 for the two years ending 30 June 2012 respectively.

### CONNECTED TRANSACTIONS (continued)

#### *vi Acquisition of Interests – Broad Park Limited*

On 18 June 2010, Solar Leader, Rainbow Star and Broad Park entered into a sale and purchase agreement whereby Rainbow Star agreed to acquire from Solar Leader the entire issued share capital of Broad Park and the outstanding shareholder's loan of Broad Park owing to the Solar Leader as at 1 August 2010 or otherwise agreed between the Solar Leader and Rainbow Star for an aggregate consideration of RMB150,000,000 less the unpaid registered capital of Beijing Yixi as at the date of the acquisition agreement of approximately RMB54,908,000 (the "Acquisition").

The Directors believe that the Acquisition will further enhance the Group's strategy of "Multiple presences in a single city" in order to increase market share and enjoy economies of scale and synergy effect within the northern region in the PRC.

By virtue of the interest of NWD in Solar Leader, Solar Leader is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a major and connected transaction of the Company.

#### *vii Acquisition of Property – Property on Nanning South Street, Shenyang City*

On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co."), an indirect wholly-owned subsidiary of the Company, entered into the framework agreement (the "Framework Agreement") with the Shenyang New World Hotel Co., Ltd., ("Shenyang New World Hotel"), an indirect wholly-owned subsidiary of NWCL, pursuant to which Shenyang New World Hotel agree to sell and Shenyang Co. agreed to acquire (i) the building ownership right and the land use right of certain exclusive and common-use areas of Lower Ground Level 1 to Upper Ground Level 5 of the building, temporarily known as Shenyang New World Commercial Centre Phase I, to be developed by Shenyang New World Hotel on the parcel of land located at east land lot of Nanning South Street, Shenyang City, Liaoning Province, the PRC (the "Project"); and certain exclusive-use portion of the equipment and facility room of Lower Ground Level 2 to Lower Ground Level 3 and that of Upper Ground Level 6 of the Project for the exclusive use of Shenyang Co.; (ii) the right of use of certain outer wall area of Upper Ground Levels 1 to 5 of the Project, certain exclusive areas (such as facility rooms) on the accessible podium of Upper Ground Level 6 of the Project, and the relevant outdoor areas of the Project as prescribed in the Framework Agreement; and (iii) the right of use of the equipment and facilities and the above electrical and mechanical systems to be exclusively used by Shenyang Co. as confirmed by the Shenyang New World Hotel and Shenyang Co., and the right of use of the common areas and common equipment and facilities as prescribed in the Framework Agreement for a consideration of RMB456,534,000, equivalent to approximately HK\$518,789,000 (subject to adjustments).

The Board considers that the Framework Agreement is expected to further enhance the influence of the Group in the retail market in the PRC as well as to facilitate the Group to lay a solid foundation for a retail road map in the PRC. The Directors believe that the Framework Agreement will further enhance the business of the Group and enrich the revenue stream of the Group. The Framework Agreement will provide an opportunity for the Company to increase its interests in department store business in the northeastern part of the PRC. Accordingly, the Directors believe that it is now an opportune time to proceed with the Framework Agreement which, upon completion, will further enhance the strategy of "multiple presences in a single city" in order to increase its market share and enjoy economies of scale and synergy effect within the northeastern region of the PRC.

NWD held an approximately 72.29% attributable interest in the Company. Since NWCL is a subsidiary of NWD, NWCL is a connected person of the Company under the Listing Rules. Accordingly the transaction contemplated under the Framework Agreement constitutes a connected transaction of the Company. Meanwhile, as one or more of the applicable percentage ratios exceeds 5%, the transaction under the Framework Agreement also constitutes a disclosed transaction and subject to the independent Shareholders' approval at an extraordinary general meeting to be held on 23 November 2010.



**CONNECTED TRANSACTIONS** (continued)

- (b) CTF, being a substantial shareholder of NWD and the controlling shareholder of the Company whereas CTF Jewellery or any of its subsidiaries, is an associate of CTF and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions between the Group and CTF Jewellery or any of its subsidiaries constitute connected transactions of the Company.

**Master Concessionaire Counter Agreement**

On 22 May 2009, the Company and CTF Jewellery entered into the master concessionaire counter agreement (the “Master Concessionaire Counter Agreement”), for a term of three years from 1 July 2009, pursuant to which the Company agreed to, and to procure its subsidiaries to, provide floor space in the Stores to members of the CTF Jewellery Group from time to time for exhibiting and selling jewellery during the duration of the Master Concessionaire Counter Agreement.

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

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Master Concessionaire Counter Agreement for the three years ending 30 June 2012 will not exceed RMB 51,208,000, RMB74,734,000 and RMB107,878,000, respectively.

The total amount received from the CTF Jewellery or any of its subsidiaries under the Master Concessionaire Counter Agreement was approximately RMB16,115,000 (2009: approximately RMB15,065,000) for the year ended 30 June 2010.

(c) **Annual review of the continuing connected transactions**

The independent non-executive Directors had reviewed the continuing connected transactions arising from (i) Master Management Agreement (paragraph (a)i above); (ii) Master Leasing Agreement (paragraph (a)ii above); (iii) Master Services Agreement (paragraph (a)iii above); (iv) Master Sales Agreement (paragraph (a)iv above); and (v) Master Concessionaire Counter Agreement (paragraph (b) above) for the year ended 30 June 2010 and confirmed that the transactions were:

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

In accordance with Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the continuing connected transactions mentioned above in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board that the transactions:

- i had received the approval of the Board;
- ii were entered into in accordance with the relevant agreements governing the transactions; and
- iii had not exceeded the relevant caps disclosed in the previous announcements relating to the aforesaid transactions.



## MANAGEMENT CONTRACTS

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

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2010, the interests and short positions, if any, of the Directors and the 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")) which were required pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO); or (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long position in shares

	Number of shares			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
<b>The Company</b>					
(Ordinary shares of HK\$0.10 each)					
Mr. Cheng Chi-kong, Adrian	–	–	1,107,000 <sup>(1)</sup>	1,107,000	0.07
<b>Mega Choice Holdings Limited</b>					
(In liquidation)					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	–	420,585,070 <sup>(2)</sup>	420,585,070	34.61
<b>New World China Land Limited</b>					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	18,750,000	2,925,000	78,406,800 <sup>(3)</sup>	100,081,800	1.74
Ms. Ngan Man-ying, Lynda	100,000	–	–	100,000	0.00
<b>New World Development Company Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	300,000	–	300,000	0.01
<b>NWS Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	9,179,199	–	8,000,000 <sup>(3)</sup>	17,179,199	0.79

Notes:

- (1) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Chi-kong, Adrian.
- (2) These shares are beneficially owned by certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.
- (3) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.



## Report of the Directors

### DIRECTORS' INTERESTS IN SECURITIES (continued)

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

##### i The Company

Name	Date of grant	Exercisable period (Notes)	Number of share options				Balance as at 30 June 2010	Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year		
Dr. Cheng Kar-shun, Henry	27 November 2007	(1)	1,000,000	–	–	–	1,000,000	8.660
Mr. Au Tak-cheong	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheung Fai-yet, Philip	27 November 2007	(1)	1,500,000	–	–	–	1,500,000	8.660
	25 March 2008	(2)	500,000	–	–	–	500,000	8.440
Mr. Lin Tsai-tan, David	27 November 2007	(1)	459,000	–	–	–	459,000	8.660
	25 March 2008	(2)	230,000	–	–	–	230,000	8.440
Mr. Wong Kwok-kan, Kenneth	27 November 2007	(1)	501,000	–	–	–	501,000	8.660
	25 March 2008	(2)	250,000	–	–	–	250,000	8.440
Ms. Ngan Man-ying, Lynda	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheong Ying-chew, Henry	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Tong Hang-chan, Peter	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Yu Chun-fai	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
			6,690,000	–	–	–	6,690,000	

#### Notes:

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (3) The cash consideration paid by each Director for each grant of the share options is HK\$1.00.

## DIRECTORS' INTERESTS IN SECURITIES (continued)

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

#### ii New World China Land Limited

Under the share option scheme of a fellow subsidiary, NWCL, adopted on 26 November 2002, share options were granted to the undermentioned Directors which entitle them to subscribe for shares of NWCL and accordingly they are regarded as interested in the underlying shares of NWCL respectively. Certain details of the share options of NWCL held by them during the year are as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options					Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the year	Adjusted during the year <sup>(4)</sup>	Exercised during the year	Lapsed during the year	Balance as at 30 June 2010
Dr. Cheng Kar-shun, Henry	7 January 2008	(1)	2,000,000	–	238,806	–	–	2,238,806
	29 December 2008	(3)	1,600,000	–	191,045	–	–	1,791,045
Mr. Cheng Chi-kong, Adrian	25 July 2006	(2)	331,600	–	39,594	–	–	371,194
	7 January 2008	(1)	1,500,000	–	179,104	–	–	1,679,104
	29 December 2008	(3)	1,200,000	–	143,284	–	–	1,343,284
Ms. Ngan Man-ying, Lynda	7 January 2008	(1)	1,000,000	–	119,403	–	–	1,119,403
	29 December 2008	(3)	900,000	–	107,463	–	–	1,007,463
			8,531,600	–	1,018,699	–	–	9,550,299

Notes:

- (1) Divided into 3 tranches, exercisable from 8 February 2008, 8 February 2009 and 8 February 2010 respectively to 7 February 2011.
- (2) Divided into 5 tranches, exercisable from 26 August 2006, 26 August 2007, 26 August 2008, 26 August 2009 and 26 August 2010 respectively to 25 August 2011.
- (3) Divided into 4 tranches, exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.
- (4) Pursuant to the share option scheme of NWCL, the number of share options and exercise price are subject to adjustment in case of alteration in NWCL's capital structure. Accordingly, the rights issue as announced by NWCL on 9 October 2009, which became unconditional on 16 November 2009, constituted an event giving rise to an adjustment to the exercise prices and the number of outstanding share options in accordance with the share option scheme on 17 November 2009.
- (5) The cash consideration paid by each Director for each grant of the share options is HK\$10.00.



## Report of the Directors

### DIRECTORS' INTERESTS IN SECURITIES (continued)

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

##### iii New World Development Company Limited

Under the share option scheme of the holding company, NWD, the undermentioned Directors have personal interests in share options to subscribe for shares of NWD and accordingly they are regarded as interested in the underlying shares of NWD respectively. Certain details of the share options of NWD held by them during the year are as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options				Balance as at 30 June 2010	Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year		
Dr. Cheng Kar-shun, Henry	19 March 2007	(1)	36,710,652	–	–	–	36,710,652	17.654
Mr. Cheng Chi-kong, Adrian	19 March 2007	(2)	502,885	–	–	–	502,885	17.654
Mr. Au Tak-cheong	19 March 2007	(2)	1,206,925	–	–	–	1,206,925	17.654
			38,420,462	–	–	–	38,420,462	

Notes:

- (1) Exercisable from 19 March 2007 to 18 March 2012.
- (2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (3) The cash consideration paid by each Director for grant of the share options is HK\$10.00.

##### iv NWS Holdings Limited

Under the share option scheme of a fellow subsidiary, NWSH, the undermentioned Director has personal interests in share options to subscribe for shares of NWSH and accordingly he is regarded as interested in the underlying shares of NWSH. Certain details of the share options of NWSH held by him during the year are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2010	Exercise price per share HK\$ <sup>(2)</sup>
			Balance as at 1 July 2009	Granted during the year	Adjusted during the year	Exercised during the year	Lapsed during the year		
Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	3,001,277	–	25,551	–	–	3,026,828	16.055
			3,001,277	–	25,551	–	–	3,026,828	

### **DIRECTORS' INTERESTS IN SECURITIES** (continued)

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

##### **iv NWS Holdings Limited** (continued)

Notes:

- (1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) NWSH declared final dividend for the year ended 30 June 2009 and interim dividend for the six months ended 31 December 2009 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$16.193 to HK\$16.157 on 22 January 2010, and further to HK\$16.055 on 7 June 2010.
- (3) The cash consideration paid by the Director for grant of the share options is HK\$10.00.

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executive of the Company or any of their associates had or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.





## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

So far as the Directors were aware, as at 30 June 2010, the following persons (not being Directors or the chief executive of the Company) had an interests or a short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name	Number of shares held			Approximate percentage of shareholding (direct or indirect)
	Beneficial Interests	Corporate Interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") <sup>(1)</sup>	–	1,218,900,000	1,218,900,000	72.29
Centennial Success Limited ("Centennial") <sup>(2)</sup>	–	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited <sup>(3)</sup>	–	1,218,900,000	1,218,900,000	72.29
New World Development Company Limited	1,218,900,000	–	1,218,900,000	72.29

Notes:

- (1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by Centennial.
- (2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTF.
- (3) CTF together with its subsidiaries hold an aggregate of approximately 40.03% interest in NWD and is accordingly deemed to have an interest in the shares of the Company interested by NWD.

Save as disclosed above, the Directors are not aware of any person (not being Directors or the chief executive of the Company) who, as at 30 June 2010, had an interest or a short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

### SHARE OPTION SCHEME

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

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

Purpose of the Scheme	The purpose of the Scheme is to attract and retain the best available personnel and to provide additional incentives to employees, directors, consultants, business associates and advisers of the Company to promote the success of the Group.
Participants of the Scheme	The Directors may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of the Company and its subsidiaries options to subscribe for shares of the Company at a price calculated in accordance with the terms of the Scheme.
Total number of shares of the Company available for issue under the Scheme and percentage of issued share capital of the Company as at the date of this annual report	The Company had granted share options representing the rights to subscribe for 24,128,000 shares of the Company under the Scheme up to the date of this report. The Company may further grant share options to subscribe for 138,392,500 shares of the Company, representing approximately 8.21% of the Company's issued share capital as at the date of this report.
Maximum entitlement of each participant under the Scheme	Unless approved by the Shareholders in the manner as set out in the Scheme, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of the Company in issue.
The period within which the shares of the Company must be taken up under an option	A period to commence not less than 1 year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than 1 year upon the grant of options by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount payable for the acceptance of an option shall be the sum of HK\$1.00 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price shall be determined by the Directors, being the higher of: (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of option; or (c) the nominal value of a share of the Company.
The remaining life of the Scheme	The Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.



## Report of the Directors

### SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS

Date of grant	Exercisable period (Note)	Number of share option				Balance as at 30 June 2010	Exercise price per share HK\$
		Balance as at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year		
27 November 2007	(1)	13,060,000	–	–	(1,771,000)	11,289,000	8.660
25 March 2008	(2)	2,985,000	–	–	(441,000)	2,544,000	8.440
		16,045,000	–	–	(2,212,000)	13,833,000	

Notes:

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (3) The cash consideration paid by each participant for each grant of the share options is HK\$1.00.

### EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2010, total number of employees for the Group was 4,842 (2009: 3,768). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

### ACQUISITION AND DISPOSAL

In January 2010, NWDSIC acquired the entire equity interest from independent third parties, including all interest and rights, of Shanghai New World Huiya Department Store Co., Ltd., a limited liability company incorporated in the PRC and the operator of Shanghai Pujian Branch Store, for an aggregate consideration of RMB2,000,000.

In March 2010, Shenyang Co., the owner of the Property, as defined below, entered into sale and purchase agreements with an independent third party, 上海美特斯邦威服飾股份有限公司, to sell land use right and the property at which Shenyang Taiyuan Street Branch Store was situated (the "Property"), with an approximate gross floor area of 10,716 square metres, for an aggregate consideration of RMB224,000,000.

In June 2010, the Group entered into an agreement with Solar Leader whereby the Group agreed to acquire from Solar Leader 100% of the equity interest in Broad Park and the amount due to Solar Leader (approximately HK\$11,515,000) by Broad Park, for an aggregate consideration of RMB150,000,000 (equivalent to approximately HK\$170,454,000) less the outstanding registered capital (approximately RMB54,908,000, equivalent to approximately HK\$62,395,000) of Beijing Yixi. The acquisition was approved by the shareholders of the Company other than NWD and associates on 27 July 2010, as defined under The Rules Governing the Listing of Securities on the Stock Exchange, and completed on 1 August 2010.

In August 2010, the Group agreed to acquire 100% of the equity interest in Chengdu New World Department Store Co., Ltd. ("Chengdu Co.") for a consideration of RMB2,000,000 from certain independent third parties. Chengdu Co. is engaged in operations of a department store in Chengdu.

On 4 October 2010, Shenyang Co. entered into an agreement for sale and purchase of property with Shenyang New World Hotel. Shenyang Co. agreed to acquire the building ownership right, land use right and right of use of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems for certain exclusive and common-use areas of a building, located in Shenyang City, for a consideration of approximately RMB456,534,000 which is subject to further adjustments.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30.0% of the Group's revenue were attributed by the Group's five largest customers and 23.7% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and 6.5% of the Group's total purchases were attributed by the Group's largest supplier. To the knowledge of the Directors, none of the Directors or shareholders who owned 5.0% or more of the issued share capital of the Company as at 30 June 2010 or any of their respective associates held any interest in any of the five largest suppliers of the Group.



## Report of the Directors

### AUDITOR

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

On behalf of the Board

**Cheng Kar-shun, Henry**

*Chairman and Non-executive Director*

Hong Kong, 4 October 2010