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 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, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 4 October 2010.

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

These consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

For the year ended 30 June 2009, the Group has early adopted HKFRS 3 (Revised) "Business Combinations" and HKAS 27 (Revised) "Consolidated and Separate Financial Statements", which were prospectively applicable for the accounting periods beginning on or after 1 July 2009. In the current year, the Group has adopted the following new or revised standards, amendments to existing standards and interpretations which are mandatory for the year ended 30 June 2010:

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Vesting Conditions and Cancellations
HKFRS 7 Amendment	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 Amendment	Eligible Hedged Items
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs Amendments	Improvements to HKFRSs

In addition, the Group has early adopted HKAS 32 Amendment "Financial Instruments: Presentation – Classification of Right Issues" for the year ended 30 June 2010.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The adoption of these new or revised standards, amendments to existing standards and interpretations has no material impact on how the results for the current and/or prior accounting period are prepared and presented, except for the following:

HKAS 1 (Revised) prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income have been prepared under these revised disclosure requirements.

HKFRS 7 Amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group has included additional relevant disclosures in the consolidated financial statements.

HKFRS 8 replaces HKAS 14, "segment reporting". It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that make strategic decisions.

The following new or revised standards, amendments to existing standards and interpretations are mandatory for the accounting periods beginning on or after 1 July 2010 or later periods which the Group has not early adopted:

HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 1 Amendment	Limited Exemption for Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs Amendments	Improvements to 2009 and 2010 HKFRSs

The Group is in the process of making an assessment of the impact of these new or revised standards, amendments to existing standards and interpretations on its result of operation and financial position.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Consolidation

The consolidated financial statements of the Company and all its subsidiaries made up to 30 June.

(i) ***Subsidiaries***

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquire's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition date fair value of any previous equity interest in the acquire over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this 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 income statement.

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

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) ***Associated company***

An associated company is a company other than a subsidiary and a jointly controlled entity, in which the Group has significant influence exercised through representatives on the board of directors.

Investment in an associated company is accounted for by the equity method of accounting and is initially recognised at cost. The Group's investment in an associated company include goodwill (net of any accumulated impairment loss) identified on acquisition. The interest in associated company also includes long-term interest that, in substance, form part of the Group's net investment in the associated company.

The Group's share of its associated company's post acquisition profits or losses is recognised in the consolidated income statement, and the share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group'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 associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 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 board of directors that makes strategic decisions.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. 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 expensed in the 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	2 to 10 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 plant, machinery and equipment pending 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 under construction until they are completed 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.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2.5 Land use rights

All land in Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods using the straight-line method.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.7 Impairment of investments in subsidiaries, investment in an associated company and non-financial assets

Assets that have an indefinite useful life 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Investments

The Group classifies its investments in the categories of financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments are acquired.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated as at fair value through profit or loss at inception under certain circumstances. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are classified as held for trading unless they are designated as hedges.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction cost are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the financial period in which they arise. Changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from financial assets. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in the income statement; translation differences on non-monetary financial assets are recognised in equity.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active and for unlisted financial assets, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.8 Investments (continued)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the assets are impaired. In case of debt instruments, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

2.10 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.

2.11 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessee or received from the lessor) are recognised as income or expense in the income statement on a straight-line basis over the periods of the lease.

2.12 Current and deferred 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 and its subsidiaries 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 Current and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated company, except 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.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the statement of financial position.

2.14 Provisions

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.

2.15 Trade payables

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

2.16 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 ("MPF") Ordinance and the Occupational Retirement Scheme Ordinance ("ORSO") 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.

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 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.16 Employee benefits (continued)

(iv) Share-based compensation

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 income statement, with a corresponding adjustment to equity.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after elimination of sales within the Group.

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

Revenue from direct sales of goods is recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in other operating expenses.

Revenue from management fees is recognised when management services are rendered.

Rental income is recognised on a straight-line accrual basis over the terms of lease agreements.

Interest income is recognised on a time proportion basis using effective interest method.

Other commission income is recognised on an accrual basis.

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 the 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.

2.18 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 entities operate (the "functional currency"). The functional currency of the Company is Renminbi (or "RMB"). The consolidated financial statements are presented in Hong Kong dollars, the Company's presentation currency, to facilitate analysis of financial information by the holding company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Foreign currency translation (continued)

(iii) Group companies

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

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

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

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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.

2.19 Government grants

Government grants are recognised at their fair values where there is a reasonable assurance that grant will be received and all attaching conditions will be complied with. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.20 Dividend distribution

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

2.21 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.

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 Hong Kong dollars against Renminbi. This foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency of Renminbi. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange risk.

At 30 June 2010, if Renminbi had strengthened/weakened by 2% (2009: 2%) against the Hong Kong dollars with all other variables held constant, profit for the year would have been approximately HK$4,280,000 lower/higher (2009: HK$3,313,000 lower/higher) and equity holders' equity would have been approximately HK$14,717,000 lower/higher (2009: HK$19,792,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of Hong Kong dollars-denominated bank balances of certain subsidiaries and amounts due from/ to subsidiaries of the Group's entities of which functional currency is Renminbi.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by Mainland China Government.

(b) *Credit risk*

The credit risk of the Group mainly arises from cash and cash equivalents, debtors, deposits and other receivables, amounts due from fellow subsidiaries and amount due from an associated company. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2010, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

Retail sales are usually paid in cash or by major credit/debit cards. At the reporting date, management considers the Group does not have a significant concentration of credit risk. No single customer accounted for more than 1% of the Group's total revenues during the year.

For receivables related to prepaid stored value card to banks and card companies, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries and an associated company through exercising control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

(c) *Liquidity risk*

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

All of the Group's financial liabilities mature within 1 year from the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk

Except for the fixed deposits and short-term bank deposits as at 30 June 2010 of HK$1,272,033,000 and HK$950,795,000 (2009: HK$737,529,000 and HK$1,068,041,000) respectively, which are held at interest rates of ranging from 0.25% to 4.41% per annum (2009: 0.3% to 4.14% per annum), the Group has no significant interest-bearing assets and liabilities. 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.

At 30 June 2010, if interest rates on cash and cash equivalents had been 50 basis points higher/lower with all other variables held constant, the Group's interest income would have been approximately HK$6,825,000 higher/lower (2009: HK$5,548,000 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 Fair value estimation

The carrying amounts less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group uses the following hierarchies for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market date (unobservable inputs)

Assets measured at fair value as at 30 June 2010:

	Level 1 HK$'000
Available-for-sale financial assets	
– Investment in equity securities	**110,998**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price is the current bid price. Instrument is included in level 1 which comprises equity investments classified as available-for-sale financial assets. The Group's available-for-sale financial assets above are level 1 instruments and their fair values are determined with reference to quoted market prices.

3.3 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 may consider relevant economic and market conditions and take necessary measures for the beneficial interests of the Group and its shareholders.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Capital risk management (continued)

The Group monitors capital on the basis of available cash and current ratio as shown in and derived from the consolidated statement of financial position. The table below analyses the Group's capital structure as at 30 June 2010:

	2010 **HK$'000**	2009 HK$'000
Cash and cash equivalents	**2,324,666**	2,185,992
Current ratio (i)	**2.01**	2.45

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

Note:

(i) Current assets divided by current 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 discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also be not recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(c) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverable of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on fair value less cost to sell calculations. These calculations require the use of estimates which are subject to change of economic environment in future.

(e) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the life of the option and the number of share options that are expected to become exercisable. Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors ("CODM"). 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 the Group has a single operating and reportable segment – the operation and management of department stores. All revenue is generated in Mainland China and all significant operating assets of the Group are in Mainland China.

Revenue includes commission income from concessionaire sales, sales of goods – direct sales, management fees and rental income.

	2010 **HK$'000**	2009 HK$'000
Commission income from concessionaire sales	**1,197,085**	1,163,257
Sales of goods – direct sales	**397,419**	273,588
Management fees	**154,247**	184,409
Rental income	**124,154**	99,992
	1,872,905	1,721,246

The income from concessionaire sales is analysed as follows:

	2010 **HK$'000**	2009 HK$'000
Gross revenue from concessionaire sales	**6,156,659**	5,720,890
Commission income from concessionaire sales	**1,197,085**	1,163,257

6 OTHER INCOME

	2010 HK$'000	2009 HK$'000
Interest income on bank deposits	**37,606**	76,662
Government grants	**10,754**	12,239
Dividend income from available-for-sale financial assets	**7,104**	3,994
Other commission income	**6,923**	7,060
Sundries	**10,331**	12,984
	72,718	112,939

7 OTHER GAINS, NET

	2010 HK$'000	2009 HK$'000
Gain/(loss) on disposal of property, plant and equipment, and land use right	**165,972**	(321)
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	**–**	35,622
Fair value gain of financial assets at fair value through profit or loss	**–**	16,716
Gain on disposal of a subsidiary	**–**	9,755
	165,972	61,772

8 OTHER OPERATING EXPENSES, NET

	2010 HK$'000	2009 HK$'000
Water and electricity	**114,385**	100,708
Promotion, advertising and related expenses	**52,500**	60,726
Auditor's remuneration	**3,950**	3,499
Share-based payments	**3,472**	5,948
Net exchange losses	**1,841**	7,604
(Write-back of)/provision for doubtful debts	**(5,278)**	23,953
Others	**32,142**	40,563
	203,012	243,001

9 EMPLOYEE BENEFIT EXPENSE

	2010 HK$'000	2009 HK$'000
Wages and salaries	**138,319**	146,499
Retirement benefit costs		
– defined contribution plans	**24,202**	24,012
Share-based payments	**9,361**	18,464
Other employment benefits	**67,735**	63,996
	239,617	252,971

9 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments

The remuneration of every Director for the year ended 30 June 2010 is set out below:

Name of Director	Fees HK$'000	Salary, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Non-executive directors						
Dr. Cheng Kar-shun, Henry	100	–	–	–	593	693
Mr. Au Tak-cheong	100	–	–	–	148	248
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	296	446
Mr. Cheung Fai-yet, Philip	150	3,835	382	429	1,209	6,005
Mr. Lin Tsai-tan, David	150	1,589	103	50	419	2,311
Mr. Wong Kwok-kan, Kenneth	150	1,375	133	–	458	2,116
Ms. Ngan Man-ying, Lynda	150	–	–	–	296	446
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	121	321
Mr. Chan Yiu-tong, Ivan	200	–	–	–	121	321
Mr. Tong Hang-chan, Peter	200	–	–	–	121	321
Mr. Yu Chun-fai	200	–	–	–	121	321
	1,750	6,799	618	479	3,903	13,549

The remuneration of every Director for the year ended 30 June 2009 is set out below:

Name of Director	Fees HK$'000	Salary, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Non-executive directors						
Dr. Cheng Kar-shun, Henry	100	–	–	–	1,014	1,114
Mr. Au Tak-cheong	100	–	–	–	254	354
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	507	657
Mr. Cheung Fai-yet, Philip	150	3,742	372	620	2,080	6,964
Mr. Lin Tsai-tan, David	150	1,540	102	773	723	3,288
Mr. Wong Kwok-kan, Kenneth	150	1,378	132	275	787	2,722
Ms. Ngan Man-ying, Lynda	150	–	–	–	507	657
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	254	454
Mr. Chan Yiu-tong, Ivan	200	–	–	–	254	454
Mr. Tong Hang-chan, Peter	200	–	–	–	254	454
Mr. Yu Chun-fai	200	–	–	–	254	454
	1,750	6,660	606	1,668	6,888	17,572

No Director waived or agreed to waive any emoluments during the year (2009: Nil).

9 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2009: three) Directors for the year ended 30 June 2010, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year ended 30 June 2010 are as follows:

	2010 **HK$'000**	2009 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,710**	2,555
Retirement benefit costs – defined contribution plans	**236**	225
Bonus	**–**	864
Share-based payments	**689**	1,211
	3,635	4,855

The emoluments fell within the following bands:

	Number of individuals **2010**	2009
Emolument bands		
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	1
	2	2

10 INCOME TAX EXPENSE

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

	2010 **HK$'000**	2009 HK$'000
Current income tax		
– Mainland China taxation	**200,683**	146,929
– Mainland China land appreciation tax	**35,867**	–
Under/(over)provision in prior years	**936**	(4,620)
Deferred income tax (Note 26)	**(3,789)**	3,348
	233,697	145,657

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which members of the Group are domiciled and operates. No provision for Hong Kong profit tax has been made as the Group has no estimated assessable profit in Hong Kong for the year ended 30 June 2010 (2009: Nil).

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2009: 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and related business tax paid.

10 INCOME TAX EXPENSE (continued)

The taxation of the Group's profit before income tax and share of loss of an associated company 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:

	2010 HK$'000	2009 HK$'000
Profit before income tax and share of loss of an associated company	**811,507**	695,032
Tax calculated at applicable tax rate	**202,877**	173,758
Expenses not deductible for taxation purpose	**31,442**	26,388
Income not subject to taxation	**(18,107)**	(40,140)
Effect of income charged on deemed basis	**(19,013)**	(21,606)
Deferred income tax not recognised	**10,618**	14,369
Utilisation of previously unrecognised tax losses	**(1,956)**	(2,492)
Under/(over) provision in prior years	**936**	(4,620)
Land appreciation tax deductible for calculation of income tax purposes	**(8,967)**	–
	197,830	145,657
Mainland China land appreciation tax	**35,867**	–
Income tax expense	**233,697**	145,657

	2010	2009
Weighted average domestic applicable tax rates	**25%**	25%

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$364,202,000 (2009: HK$101,562,000).

12 DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim dividend paid of HK$0.08 (2009: HK$0.08) per share	**134,892**	134,892
Final dividend proposed of HK$0.07 (2009: HK$0.07) per share	**118,030**	118,030
	252,922	252,922

At a meeting held on 4 October 2010, the Directors recommended a final dividend of HK$0.07 (2009: HK$0.07) per share for the year ended 30 June 2010. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2010.

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit attributable to the equity holders of the Company (HK$'000)	**577,607**	547,309
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.34**	0.32

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the year ended 30 June 2009 and 2010, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

14 PROPERTY, PLANT AND EQUIPMENT

Group

	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									
At 1 July 2009	483,099	55,468	3,939	1,240,069	9,248	10,232	87,954	9,563	1,899,572
Translation difference	–	–	–	8	–	–	1	–	9
Additions	210,479	2,642	396	279,242	4,520	2,242	23,528	17,591	540,640
Disposals	(34,865)	(402)	–	(87,839)	(950)	(3,971)	(3,459)	–	(131,486)
Reclassification	–	–	–	9,431	–	–	–	(9,431)	–
Acquisition of a subsidiary (Note 32(a))	–	10	–	18,227	476	157	2,218	–	21,088
At 30 June 2010	658,713	57,718	4,335	1,459,138	13,294	8,660	110,242	17,723	2,329,823
Accumulated depreciation									
At 1 July 2009	44,051	39,052	1,942	520,773	5,850	6,946	54,981	–	673,595
Charge for the year	14,690	9,449	701	135,438	1,527	1,309	13,653	–	176,767
Written back on disposals	(11,476)	(391)	–	(80,374)	(833)	(3,601)	(3,270)	–	(99,945)
At 30 June 2010	47,265	48,110	2,643	575,837	6,544	4,654	65,364	–	750,417
Net book amount									
At 30 June 2010	611,448	9,608	1,692	883,301	6,750	4,006	44,878	17,723	1,579,406

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	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									
At 1 July 2008	483,099	59,348	3,484	1,047,324	9,009	9,609	75,812	34,454	1,722,139
Additions	–	4,080	619	173,238	887	916	14,384	8,989	203,113
Disposals	–	(8,466)	(164)	(33,768)	(667)	(257)	(1,884)	–	(45,206)
Reclassification	–	506	–	33,286	–	–	88	(33,880)	–
Acquisition of subsidiaries (Note 32(b))	–	–	–	27,183	93	54	949	–	28,279
Disposal of a subsidiary	–	–	–	(7,194)	(74)	(90)	(1,395)	–	(8,753)
At 30 June 2009	483,099	55,468	3,939	1,240,069	9,248	10,232	87,954	9,563	1,899,572
Accumulated depreciation									
At 1 July 2008	29,071	39,135	1,450	448,361	5,006	5,957	46,045	–	575,025
Charge for the year	14,980	8,383	656	110,028	1,539	1,249	11,325	–	148,160
Written back on disposals	–	(8,466)	(164)	(33,193)	(665)	(212)	(1,665)	–	(44,365)
Disposal of a subsidiary	–	–	–	(4,423)	(30)	(48)	(724)	–	(5,225)
At 30 June 2009	44,051	39,052	1,942	520,773	5,850	6,946	54,981	–	673,595
Net book amount									
At 30 June 2009	439,048	16,416	1,997	719,296	3,398	3,286	32,973	9,563	1,225,977

15 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	Group 2010 HK$'000	2009 HK$'000
At 1 July	**764,928**	787,371
Transfer from other non-current assets (Note 31(d))	**100,230**	–
Addition	**63,502**	–
Amortisation	**(22,201)**	(22,443)
Disposal	**(47,748)**	–
At 30 June	**858,711**	764,928

	2010 HK$'000	2009 HK$'000
In Mainland China held on:		
Leases of land use rights between 10 to 50 years	**858,711**	764,928

In regard of the land use rights owned and occupied by the Group, the Group holds all of the relevant certificates of state-owned land use rights as at 30 June 2010, except for the land use right certificate for a piece of land in Mainland China which was received on 7 July 2010, whose net book amount as at the end of the reporting period amounted to HK$163,732,000 (2009: Nil).

16 GOODWILL

	Group 2010 HK$'000	2009 HK$'000
At 1 July	**172,435**	172,435
Business combination (Note 32(a))	**56,249**	–
Translation differences	**26**	–
At 30 June	**228,710**	172,435

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified. For the purpose of impairment test, the recoverable amount of CGU is determined based on fair value less cost to sell calculations, which uses cash flow projections based on financial estimates covering a period of five years and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rate and discount rate used in the fair value less cost to sell calculations are based on management best estimates. Growth rates of 2% to 5% (2009: 3%) are determined by considering both internal and external factors relating to the relevant businesses. Discount rate used also reflects specific risks relating to the relevant businesses at 18% (2009: 14%).

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Prepaid rent and rental deposits	**209,188**	147,697	**–**	–
Management fee receivables	**19,405**	101,025	**–**	–
Dividend receivables	**7,104**	3,994	**–**	–
Deposits placed for issuance of stored value cards	**105,646**	190,778	**–**	–
Others	**174,136**	145,656	**153**	256
	515,479	589,150	**153**	256
Less: long-term prepaid rent and rental deposits	**(153,266)**	(99,595)	**–**	–
	362,213	489,555	**153**	256

No other receivables were past due nor impaired as at 30 June 2010.

The balances are mainly denominated in Renminbi. The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

The credit quality of other receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

18 OTHER NON-CURRENT ASSETS

Balance mainly represents the following transactions:

(i) On 7 July 2008, Wuhan New World Department Store Co., Ltd., a wholly-owned subsidiary of the Company entered into an agreement with a third party to acquire a building and land use right located in Zhengzhou City. For the year ended 30 June 2010, the Group has made progress payment of approximately HK$322,201,000 (2009: HK$214,471,000) and paid direct costs of approximately HK$17,087,000 (2009: HK$14,444,000) in connection with such acquisition. Upon completion of the transaction in April 2010, the carrying amounts of the building and land use right were transferred to property, plant and equipment (Note 14) and land use rights (Note 15).

(ii) On 25 July 2008, Shenyang New World Department Store Ltd. ("Shenyang Co"), a wholly-owned subsidiary of the Company, entered into agreements with a third party to acquire a building, land use right and right of use of carpark located in Shenyang City. As at 30 June 2010, the Group has made progress payment of approximately HK$194,473,000 (2009: HK$145,748,000) and paid direct costs of approximately HK$12,167,000 (2009: HK$12,167,000) in connection with such acquisition. As at 30 June 2010, the capital commitment in respect of property, plant and equipment, and land use rights of the Group in relation to this acquisition is approximately HK$130,359,000 (Note 30).

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010	2009
	HK$'000	HK$'000
Listed securities, at fair value		
Equity securities – Hong Kong	**110,998**	108,955

Movement of available-for-sale financial assets is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 July	**108,955**	–
Transferred from financial assets at fair value through profit or loss	**–**	76,870
Fair value gain transferred to equity	**2,043**	32,085
At 30 June	**110,998**	108,955

The available-for-sale financial assets are denominated in Hong Kong dollars.

The fair value of equity securities is based on their bid prices in an active market at the end of the reporting period.

20 DEBTORS

	Group 2010 HK$'000	2009 HK$'000
Trade receivables	**19,612**	38,307
Less: provision for impairment of receivables	**–**	(23,953)
Trade receivables – net	**19,612**	14,354

The Group grants credit terms within 30 days in majority, based on the invoice date.

Aging analysis of debtors is as follows:

	Group 2010 HK$'000	2009 HK$'000
Within period for		
0-30 days	**17,187**	11,797
31-60 days	**1,501**	965
61-90 days	**866**	707
Over 90 days	**58**	24,838
	19,612	38,307

Trade debtors of HK$2,425,000 (2009: HK$2,557,000) were past due but not impaired. The total amount includes HK$1,501,000 (2009: HK$965,000) of less than 30 days past due, HK$866,000 (2009: HK$707,000) of 31-60 days past due and HK$58,000 (2009: HK$885,000) of 61-90 days past due. These relate to companies for whom there is no recent history of default.

The carrying amounts of debtors approximate their fair values. All debtors are denominated in Renminbi. The credit quality of debtors neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates.

As of 30 June 2009, trade receivables of HK$23,953,000 were impaired and provided for. The amount of the provision was HK$23,953,000 as at 30 June 2009. The individually impaired receivables mainly related to counterparty, which was in unexpected difficult economic situations. The ageing of these receivables was over 90 days.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any significant collateral as security.

21 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

The balances with fellow subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts of amounts due from/(to) fellow subsidiaries approximate their fair values.

22 FIXED DEPOSITS

Fixed deposits are denominated in the following currencies:

	Group 2010 HK$'000	Group 2009 HK$'000
Hong Kong dollars	**468,182**	–
Renminbi	**803,851**	737,529
	1,272,033	737,529

The interest rates on fixed bank deposits was ranging from 0.5% to 4.41% per annum (2009: 1.98% to 4.14% per annum), these deposits have maturities ranging from 99 to 365 days (2009: 183 to 730 days).

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Short-term bank deposits	**950,795**	1,068,041	**–**	–
Cash at bank and in hand	**1,373,871**	1,117,951	**14,456**	20,210
	2,324,666	2,185,992	**14,456**	20,210
Maximum exposure to credit risk	**2,315,822**	2,177,656	**14,456**	20,210

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Hong Kong dollars	**666,518**	882,607	**14,456**	20,210
Renminbi	**1,657,949**	900,177	**–**	–
US dollars	**199**	403,208	**–**	–
	2,324,666	2,185,992	**14,456**	20,210

The interest rates on short-term bank deposits was ranging from 0.25% to 2.25% per annum (2009: 0.3% to 4.14% per annum), these deposits have maturities ranging from 2 to 92 days (2009: 7 to 90 days).

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

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

24 SHARE CAPITAL

Movements were:

	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.1 each, authorised:		
At 30 June 2009 and 2010	10,000,000	1,000,000
Ordinary shares of HK$0.1 each , issued and fully paid:		
At 30 June 2009 and 2010	1,686,145	168,615

Share option scheme

The Company's share option scheme was adopted on 12 June 2007. 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.

Movement of the number of share options granted and their related exercise prices for the year ended 30 June 2010 are as follows:

		Number of options '000							No. of share options exercisable '000
Date of grant	Exercise price per share HK$	At 1 July 2008	Granted during the year	Lapsed during the year	**At 30 June 2009**	**Granted during the year**	**Lapsed during the year**	**At 30 June 2010**	**At 30 June 2010**
27 November 2007 (note i)	8.66	19,925	–	(1,155)	**18,770**	**–**	**(1,771)**	**16,999**	**6,800**
25 March 2008 (note ii)	8.44	4,133	–	(168)	**3,965**	**–**	**(441)**	**3,524**	**1,409**
		24,058	–	(1,323)	**22,735**	**–**	**(2,212)**	**20,523**	**8,209**
Weighted average exercise price of each category (HK$)		8.622	–	8.632	**8.622**	**–**	**8.616**	**8.622**	**8.622**

(i) The share options granted on 27 November 2007 were divided into 5 tranches and exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013.

(ii) The share options granted on 25 March 2008 were divided into 5 tranches and exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014.

The fair value of the share options with exercise price per share ranging from HK$8.440 to HK$8.660 is estimated at ranging from HK$2.775 to HK$3.002 respectively by using the Binomial pricing model. Values are estimated based on Hong Kong government bonds which will mature in November 2013 and February 2014 and the market yield as of date of grant ranging from 2.065% to 2.920%, a six years period historical volatility ranging from 39% to 40% based on the price volatility of the shares of the comparable companies with additional criterion that they must have public trading history of at least 6 years counted backward from the date of grant, assuming dividend yield at 1.5% per annum based on the market indication from the companies comparable with the Company and an expected option life of 6 years. The Binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

25 RESERVES

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 30 June 2008	2,398,250	391,588	35,676	17,448	–	158,363	936,806	3,938,131
Fair value gain on available-for-sale financial assets	–	–	–	–	32,085	–	–	32,085
Share-based payments	–	–	–	24,412	–	–	–	24,412
Lapse of share options	–	–	–	(1,783)	–	–	1,783	–
Final dividend for the year ended 30 June 2008	–	–	–	–	–	–	(151,753)	(151,753)
Interim dividend for the period ended 31 December 2008	–	–	–	–	–	–	(134,892)	(134,892)
Transfer to statutory reserve (Note i)	–	–	43,579	–	–	–	(43,579)	–
Profit for the year	–	–	–	–	–	–	547,309	547,309
Translation differences	–	–	–	–	–	5,514	–	5,514
At 30 June 2009	**2,398,250**	**391,588**	**79,255**	**40,077**	**32,085**	**163,877**	**1,155,674**	**4,260,806**
Fair value gain on available-for-sale financial assets	**–**	**–**	**–**	**–**	**2,043**	**–**	**–**	**2,043**
Share-based payments	**–**	**–**	**–**	**12,833**	**–**	**–**	**–**	**12,833**
Lapse of share options	**–**	**–**	**–**	**(4,385)**	**–**	**–**	**4,385**	**–**
Final dividend for the year ended 30 June 2009	**–**	**–**	**–**	**–**	**–**	**–**	**(118,030)**	**(118,030)**
Interim dividend for the period ended 31 December 2009	**–**	**–**	**–**	**–**	**–**	**–**	**(134,892)**	**(134,892)**
Transfer to statutory reserve (Note i)	**–**	**–**	**59,916**	**–**	**–**	**–**	**(59,916)**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**577,607**	**577,607**
Translation differences	**–**	**–**	**–**	**–**	**–**	**211**	**–**	**211**
At 30 June 2010	**2,398,250**	**391,588**	**139,171**	**48,525**	**34,128**	**164,088**	**1,424,828**	**4,600,578**
Representing:								
Proposed final dividend (Note 12)							**118,030**	
Others							**1,306,798**	
At 30 June 2010							**1,424,828**	

Note:

(i) 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 operations upon approval by the relevant authority. Accordingly 10% of statutory net profit of each entity should be appropriated to this reserve for the year ended 30 June 2009 and 2010.

25 RESERVES (continued)

(b) Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 30 June 2008	2,398,250	17,448	874,405	250,946	(78,008)	3,463,041
Share-based payments	–	24,412	–	–	–	24,412
Lapse of share options	–	(1,783)	–	–	319	(1,464)
Profit for the year	–	–	–	–	101,562	101,562
Final dividend for the year end 30 June 2008	–	–	(151,753)	–	–	(151,753)
Interim dividend for the period end 31 December 2008	–	–	(134,892)	–	–	(134,892)
Translation differences	–	–	–	(604)	–	(604)
At 30 June 2009	**2,398,250**	**40,077**	**587,760**	**250,342**	**23,873**	**3,300,302**
Share-based payments	**–**	**12,833**	**–**	**–**	**–**	**12,833**
Lapse of share options	**–**	**(4,385)**	**–**	**–**	**1,123**	**(3,262)**
Profit for the year	**–**	**–**	**–**	**–**	**364,202**	**364,202**
Final dividend for the year ended 30 June 2009	**–**	**–**	**(118,030)**	**–**	**–**	**(118,030)**
Interim dividend for the period ended 31 December 2009	**–**	**–**	**(134,892)**	**–**	**–**	**(134,892)**
Translation differences	**–**	**–**	**–**	**(85)**	**–**	**(85)**
At 30 June 2010	**2,398,250**	**48,525**	**334,838**	**250,257**	**389,198**	**3,421,068**
Representing:						
Proposed final dividend (Note 12)			**118,030**			
Others			**216,808**			
At 30 June 2010			**334,838**			

26 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 fiscal authority. The net amounts are as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Deferred income tax assets	**44,247**	31,052
Deferred income tax liabilities	**(151,552)**	(154,601)
	(107,305)	(123,549)

26 DEFERRED INCOME TAX (continued)

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

	Group 2010 HK$'000	2009 HK$'000
At 1 July	**(123,549)**	(120,201)
Translation differences	**6**	–
Acquisition of a subsidiary (Note 32(a))	**12,449**	–
Credited/(charged) to consolidated income statement (Note 10)	**3,789**	(3,348)
At 30 June	**(107,305)**	(123,549)

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	Pre-operating expenses HK$'000	Tax depreciation HK$'000	Total HK$'000
At 1 July 2008	3,991	44,196	691	5,267	54,145
Recognised in the consolidated income statement	(206)	7,678	(220)	1,224	8,476
At 30 June 2009	**3,785**	**51,874**	**471**	**6,491**	**62,621**
Translation differences	**6**	**–**	**–**	**–**	**6**
Acquisition of a subsidiary	**12,449**	**360**	**905**	**–**	**13,714**
Recognised in the consolidated income statement	**(7,063)**	**4,601**	**(313)**	**(943)**	**(3,718)**
At 30 June 2010	**9,177**	**56,835**	**1,063**	**5,548**	**72,623**

Deferred income tax liabilities:

	Tax depreciation HK$'000	Fair value adjustment on business combination HK$'000	Others HK$'000	Total HK$'000
At 1 July 2008	123,558	48,993	1,795	174,346
Recognised in the consolidated income statement	12,092	(1,998)	1,730	11,824
At 30 June 2009	**135,650**	**46,995**	**3,525**	**186,170**
Acquisition of a subsidiary	**1,048**	**–**	**217**	**1,265**
Recognised in the consolidated income statement	**(6,577)**	**(1,410)**	**480**	**(7,507)**
At 30 June 2010	**130,121**	**45,585**	**4,222**	**179,928**

26 DEFERRED INCOME TAX (continued)

Pursuant to the new Corporate Income Tax Law with effect from 1 January 2008, a 5% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in Mainland China. The requirement applies to earnings accumulated after 31 December 2007. As at 30 June 2010, approximately HK$1,550,000 (2009: HK$1,669,000) deferred income tax liabilities have been recognised by the Group and presented in the movement of deferred income tax liabilities within "Others".

As at 30 June 2010, the Group did not recognise deferred income tax liabilities of approximately HK$32,452,000 (2009: HK$16,576,000) in respect of the aggregate amount of temporary differences associated with investments in subsidiaries of approximately HK$649,048,000 (2009: HK$331,523,000). 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 carry forwards 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$31,075,000 (2009: HK$22,413,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$124,299,000 (2009: HK$89,651,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

27 CREDITORS, ACCRUALS AND OTHER PAYABLES

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Creditors	**1,097,058**	800,136	**–**	–
Accruals and other payables	**1,150,102**	859,864	**2,115**	2,578
Less: long-term accruals and deferred income	**(312,305)**	(282,960)	**–**	–
	1,934,855	1,377,040	**2,115**	2,578

The Group normally receives credit terms of 60 to 90 days. The aging analysis of the creditors which denominated in Renminbi, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within period for		
0-30 days	**440,938**	350,772
31-60 days	**370,643**	247,754
61-90 days	**93,480**	64,048
Over 90 days	**191,997**	137,562
	1,097,058	800,136

Included in creditors was a trading amount due to a related company of HK$18,935,000 (2009: HK$12,707,000) which was unsecured, interest free and repayable within 90 days.

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

27 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

Nature of accruals and other payables are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental accruals	**313,237**	272,527	**–**	–
Deposits from concessionaire suppliers	**142,972**	120,672	**–**	–
Deferred income	**16,250**	22,422	**–**	–
Payables for capital expenditures	**114,639**	16,856	**–**	–
Accruals for staff costs	**43,740**	38,424	**–**	–
Value-added tax and other taxes payables	**60,118**	68,865	**–**	–
Utilities payables	**15,858**	9,984	**–**	–
Receipts in advance	**344,330**	269,234	**–**	–
Others	**98,958**	40,880	**2,115**	2,578
	1,150,102	859,864	**2,115**	2,578

28 SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**1,460,413**	1,373,489
Provision for impairment	**–**	(27,341)
	1,460,413	1,346,148
Amounts due from subsidiaries	**2,228,761**	2,343,974
Amounts due to subsidiaries	**111,985**	239,093

Amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

Particulars of the principal subsidiaries of the Company are detailed in Note 34.

29 INVESTMENT IN AN ASSOCIATED COMPANY

	Group 2010 HK$'000	2009 HK$'000
At 1 July	**203**	–
Capital injection	**–**	2,269
Share of loss	**(203)**	(2,066)
At 30 June	**–**	203
Amount due from an associated company (Note (ii))	**–**	690

Notes:

(i) The Group's share of revenues, results, assets and liabilities of the associated company are as follows:

	2010 HK$'000	2009 HK$'000
Revenue	**1,372**	596
Loss after income tax	**(2,241)**	(2,066)

	2010 HK$'000	2009 HK$'000
Non-current assets	**3,344**	3,322
Current assets	**1,042**	1,990
Current liabilities	**(6,421)**	(5,674)
Net liabilities	**(2,035)**	(362)

Details of the associated company are as follows:

Name	Place of establishment	Principal activities	Registered capital	Attributable interest (%)
Taizhou New World Department Store Co., Ltd.	Mainland China	Department store operation	RMB8,000,000	25

The Group has not recognised losses amounting to HK$2,038,000 (2009: nil) for Taizhou New World Department Store Co., Ltd. for the year ended 30 June 2010. The accumulated losses not recognised were HK$2,038,000 (2009: nil).

(ii) The amount due from an associated company was unsecured, interest free and repayable on demand.

30 COMMITMENT

(a) Capital commitment

Capital commitment in respect of property, plant and equipment, and land use rights of the Group at the end of the reporting period are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for	**140,644**	328,421
Authorised but not contracted for	**807**	2,062
	141,451	330,483

As at 30 June 2010, the Group has entered into an agreement to acquire 100% the equity interest in Broad Park Limited ("Broad Park") and its outstanding shareholder's loan from Solar Leader Limited ("Solar Leader"), a fellow subsidiary of the Company (Note 35). Broad Park is a company incorporated in Hong Kong and a wholly-owned subsidiary of Solar Leader. The capital commitment in relation to this transaction, contracted but not provided for is HK$108,059,000.

(b) Operating lease commitment

The Group's future aggregate minimum lease expense under non-cancellable operating leases in respect of land and buildings is payable in the following periods:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**509,212**	299,501
In the second to fifth year	**1,407,320**	1,198,305
After the fifth year	**4,015,052**	3,263,425
	5,931,584	4,761,231

The future minimum sublease payments expected to be received by the Group under non-cancellable subleases were:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**89,070**	62,613
In the second to fifth year	**183,792**	119,979
After the fifth year	**53,240**	24,796
	326,102	207,388

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales less the basic rentals of the respective leases, as it is not possible to determine in advance the amount of such additional rentals.

31 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

Details of the net (liabilities)/assets acquired are as follows:

	2010 HK$'000	2009 HK$'000
Property, plant and equipment (Note 14)	**21,088**	28,279
Inventories	**1,224**	1,265
Debtors	**4,283**	730
Prepayment, deposits and other receivables	**15,803**	9,396
Amounts due from fellow subsidiaries	**–**	1,737
Cash and cash equivalents	**58,262**	84,527
Deferred income tax assets (Note 26)	**12,449**	–
Creditors, accruals and other payables	**(167,086)**	(74,018)
Amounts due to fellow subsidiaries	**–**	(217)
Tax payable	**–**	(10,807)
Net (liabilities)/assets acquired	**(53,977)**	40,892
Analysis of net cash flow from acquisition of subsidiaries		
Purchase consideration settled in cash	**(2,272)**	(5,270)
Cash and cash equivalents in subsidiaries acquired	**58,262**	84,527
Net cash inflow from acquisition of subsidiaries	**55,990**	79,257

(b) Disposal of a subsidiary

Details of the net liabilities disposed of are as follows:

	2010 HK$'000	2009 HK$'000
Property, plant and equipment	**–**	3,528
Inventories	**–**	998
Debtors	**–**	178
Prepayments, deposits and other receivables	**–**	2,231
Cash and cash equivalents	**–**	5,345
Creditors, accruals and other payables	**–**	(39,902)
Amounts due to fellow subsidiaries	**–**	(380)
	–	(28,002)
Add: Deferred income (Note)	**–**	22,792
Add: Gain on disposal of a subsidiary	**–**	9,755
Cash consideration	**–**	4,545
Analysis of net cash flow from disposal of a subsidiary		
Cash consideration received	**–**	4,545
Cash and cash equivalents disposed of	**–**	(5,345)
Net cash outflow from disposal of a subsidiary	**–**	(800)

Note:

In May 2009, the Group disposed of 100% the equity interest in Xiamen New World Department Store Co. Ltd. to a third party. In connection with the disposal, the Group granted the right of use of trademark "新世界百貨" to the disposed store and would provide management service to the disposed store for 3 years from the date of disposal. Aggregate consideration of the transaction was approximately HK$4,545,000. The Group recognised a deferred income of HK$22,792,000 in relation to the right of use of trademark and management service fee income which will be credited to the income statement over 3 years from the date of disposal.

31 CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Analysis of loss on disposal of property, plant and equipment, and land use right

	2010 HK$'000	2009 HK$'000
Net book amount	**79,289**	841
Gain/(loss) on disposal of property, plant and equipment, and land use right	**165,972**	(321)
Proceeds from disposal of property, plant and equipment, and land use right	**245,261**	520

(d) Major non-cash transactions

For the year ended 30 June 2010, additions of property, plant and equipment and land use rights of the Group amounted to HK$540,640,000 (Note 14) and HK$163,732,000 (Note 15), respectively. Included in such addition amounts,HK$228,835,000 of which represented a reclassification from other non-current assets to property, plant and equipment (HK$128,605,000) and land use rights (HK$100,230,000) upon the completion of the acquisition of relevant assets located in Zhengzhou during the year (Note 18). HK$34,924,000 of the additions represents a payable to the vendor which was subsequently settled in July 2010. These transactions are considered as major non-cash transactions for the year ended 30 June 2010.

32 BUSINESS COMBINATION

(a) Acquisition of Shanghai New World Huiya Department Store Co., Ltd.

In January 2010, the Group acquired 100% of the equity interest in Shanghai New World Huiya Department Store Co., Ltd. from independent third parties, at a consideration of approximately HK$2,272,000 (equivalent to RMB2,000,000).

The acquired business contributed revenues of HK$44,013,000 and net profit of HK$15,246,000 to the Group for the period from 1 January 2010 to 30 June 2010. If the acquisition had occurred on 1 July 2009, Group's revenue would have been HK$1,909,612,000; profit for the year would have been HK$559,049,000. These amounts have been calculated using the Group's accounting policies.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration – Cash paid	**2,272**
Fair value of net liabilities acquired – shown as below	**53,977**
Goodwill (Note 16)	**56,249**

Goodwill can be attributable to the anticipated profitability of the acquired business.

32 BUSINESS COMBINATION (continued)

(a) Acquisition of Shanghai New World Huiya Department Store Co., Ltd. (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Acquire's carrying amount HK$'000
Property, plant and equipment (Note 14)	**21,088**	**21,088**
Inventories	**1,224**	**1,224**
Debtors	**4,283**	**4,283**
Prepayment, deposits and other receivables	**15,803**	**15,803**
Cash and cash equivalents	**58,262**	**58,262**
Deferred income tax assets (Note 26)	**12,449**	**12,449**
Creditors, accruals and other payables	**(167,086)**	**(167,086)**
Net liabilities acquired	**(53,977)**	**(53,977)**
Purchase consideration settled in cash		**(2,272)**
Cash and cash equivalents in a subsidiary acquired		**58,262**
Net cash inflow from acquisition of a subsidiary		**55,990**

(b) Acquisition of Yunnan New World Department Store Co., Ltd. and Ningbo New World Trendy Department Store Co., Ltd.

In February 2009, the Group acquired 100% of the equity interest in Yunnan New World Department Store Co., Ltd. from Solar Leader Limited, at a consideration of HK$3,000,000.

In March 2009, the Group acquired 100% of the equity interest in Ningbo New World Department Store Co., Ltd. from Solar Leader Limited, at a consideration of approximately HK$2,270,000 (equivalent to RMB2,000,000).

The acquired business contributed revenues of HK$14,120,000 and net profit of HK$2,031,000 to the Group for the period from 1 March 2009 to 30 June 2009. If the acquisition had occurred on 1 July 2008, Group's revenue would have been HK$1,760,324,000; profit for the year would have been HK$554,108,000. These amounts have been calculated using the Group's accounting policies.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration – Cash paid	(5,270)
Fair value of net assets acquired – shown as below	40,892
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	35,622

32 BUSINESS COMBINATION (continued)

(b) Acquisition of Yunnan New World Department Store Co., Ltd. and Ningbo New World Trendy Department Store Co., Ltd. (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Acquire's carrying amount HK$'000
Property, plant and equipment (Note 14)	28,279	28,279
Inventories	1,265	1,265
Debtors	730	730
Prepayment, deposits and other receivables	9,396	9,396
Amounts due from fellow subsidiaries	1,737	1,737
Cash and cash equivalents	84,527	84,527
Creditors, accruals and other payables	(74,018)	(74,018)
Amounts due to fellow subsidiaries	(217)	(217)
Tax payable	(10,807)	(10,807)
Net assets acquired	40,892	40,892
Purchase consideration settled in cash		(5,270)
Cash and cash equivalents in subsidiaries acquired		84,527
Net cash inflow from acquisition of subsidiaries		79,257

33 RELATED PARTY TRANSACTIONS

(a) 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	**2010 HK$'000**	2009 HK$'000
Fellow subsidiaries			
Management fee income	(i)	**67,345**	59,335
Operating lease rental expenses	(ii)	**79,151**	73,850
Building management expenses	(iii)	**13,466**	11,296
Purchase of leasehold improvements	(iv)	**90,796**	41,680
Reimbursement of shopping vouchers	(v)	**371**	–
Related companies			
Concessionaires commissions	(vi)	**18,313**	17,119
Operating lease rental expenses	(ii)	**29,553**	29,553

Notes:

(i) The income is charged in accordance with the terms of service fees stated in respective agreements.

(ii) The operating lease rental expense is charged in accordance with respective tenancy agreements and reported in accordance with accounting policy of operating leases as disclosed in Note 2.11.

(iii) The building management fees are charged at fixed monthly amounts in accordance with respective contracts.

(iv) This represents the purchase of leasehold improvement in respect of certain department stores. Such fees are charged in accordance with the terms of respective contracts.

33 RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(v) The reimbursement of shopping vouchers is charged in accordance with respective agreements with New World China Land Limited ("NWCL") and Chow Tai Fook Jewellery Company Limited or its subsidiaries, an associate of Chow Tai Fook Enterprises Limited, a shareholder of NWD.

(vi) The income is charged in accordance with concessionaire counter agreements with Chow Tai Fook Jewellery Company Limited or its subsidiaries. The commissions are mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(b) Key management compensation

	2010 HK$'000	2009 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**11,995**	11,770
Bonus	**479**	2,367
Share-based payments	**3,462**	5,970
Retirement benefit costs – defined contribution plans	**1,049**	1,030
	16,985	21,137

34 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2010 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK$3	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/ Hong Kong	HK$2	100	–
Harbin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB126,000,000	–	100
Hubei New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–

34 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/ Mainland China	US$80,000,000	100	–
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/Mainland China	US$5,000,000	–	100
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	100	–
Ningbo New World Trendy Department Store Co., Ltd.	Mainland China	Department Store operation/ Mainland China	RMB20,000,000	–	100
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000	–	100
Shanghai New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	–	100
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department Store operation/ Mainland China	RMB50,000,000	100	–
Shenyang New World Department Store Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Shenyang Trendy Property Company Limited	Mainland China	Property Investment/ Mainland China	RMB27,880,000	–	100
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000	100	–
Tianjin New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100

34 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and Department store operation/ Mainland China	US$15,630,000	–	100
Wuhan New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	–	100
Wuhan New World Trendy Department Store Co,, Ltd	Mainland China	Department store operation/ Mainland China	RMB80,000,000	100	–
Wuhan New World Caixuan Department Store Co., Ltd.	Mainland China	Department Store operation/ Mainland China	RMB75,000,000	–	100
Wuxi New World Department Store Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000	100	–
Yunnan New World Department Store Co., Ltd.	Mainland China	Department Store operation/ Mainland China	RMB10,000,000	–	100
Beijing Shishang New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB8,818,900	–	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$100,000,000	–	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$50,000,000	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	–	100
Anshan New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB25,000,000	–	100
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB16,000,000	100	–

35 EVENTS AFTER THE REPORTING PERIOD

(i) 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 New World Department Store Co Ltd ("Beijing Yixi"), a wholly-owned subsidiary of Broad Park. The acquisition was approved by the shareholders on 27 July 2010 and completed on 1 August 2010.

The principal activity of Broad Park and Beijing Yixi is the investment holding and the operation of department store located in Beijing.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration – Cash paid	108,059
Fair value of net liabilities acquired – shown as below	140,871
Goodwill	248,930

As at the date of these consolidated financial statements, the Group has not finalised the fair value assessments for net liabilities acquired from the acquisition. The relevant fair value of net liabilities acquired stated is on a provisional basis. The carrying amounts of the assets and liabilities of the acquired business approximate their fair values and are as follows:

	HK$'000
Property, plant and equipment	84,021
Deferred income tax assets	6,949
Inventories	46,588
Debtors	20,968
Prepayment, deposits and other receivables	27,591
Amounts due from fellow subsidiaries	137
Cash and cash equivalents	167,270
Creditors, accruals and other payables	(494,395)
Fair value of net liabilities acquired	(140,871)

Analysis of the net cash inflow from the acquisition:

	HK$'000
Purchase consideration settled in cash	(108,059)
Cash and cash equivalents in subsidiary acquired	167,270
Net cash inflow from the acquisition of subsidiaries	59,211

(ii) 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.

The Group will assess the fair value of assets and liabilities of the acquired business as at the date of acquisition and it is impracticable to disclose the amounts and the resulting goodwill at this stage.

(iii) On 4 October 2010, Shenyang Co entered into an agreement for sale and purchase of property with Shenyang New World Hotel Co., Ltd., a wholly-owned subsidiary of NWCL and a fellow subsidiary of the Company. 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.

36 ULTIMATE HOLDING COMPANY

The Directors regard NWD, a company incorporated in Hong Kong, as being the ultimate holding company of the Group.