

Report of the Directors

The Board is pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in department store operation in the PRC. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 30 June 2013 are set out in the consolidated income statement on page 85 of this annual report.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK\$0.092 per share (2012: HK\$0.082 per share) for the year ended 30 June 2013 to Shareholders whose names appear in the register of members of the Company on 28 November 2013. It is expected that the proposed final dividend will be paid on or about 27 December 2013 subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on 18 November 2013.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital are set out in note 25 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out in note 26 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years of 2009 to 2013 are set out on page 142.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK\$894,000 (2012: approximately HK\$155,000).

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Non-executive Directors

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

Mr. Au Tak-cheong

Ms. Ngan Man-ying, Lynda⁽¹⁾

Executive Directors

Mr. Cheng Chi-kong, Adrian

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

Mr. Lin Tsai-tan, David⁽²⁾

Mr. Wong Kwok-kan, Kenneth

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry

Mr. Chan Yiu-tong, Ivan

Mr. Tong Hang-chan, Peter

Mr. Yu Chun-fai

Notes:

(1) Ms. Ngan Man-ying, Lynda was re-designated as non-executive Director with effect from 10 December 2012.

(2) Mr. Lin Tsai-tan, David resigned as executive Director with effect from 1 August 2012.

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

AUDIT COMMITTEE

The Audit Committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 30 June 2013 and discussed those related matters with the management.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the "Connected Transactions" section below, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2013 or at any time during the year ended 30 June 2013.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

DEED OF NON-COMPETITION

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

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

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

The independent non-executive Directors have reviewed the annual confirmation from NWD that NWD has not breached and has complied with the terms of the Deed.

CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions which are subject to disclosure requirement in the annual report under the Listing Rules:

A Master leasing agreement

On 22 March 2012, the Company and NWD entered into a master leasing agreement (the "Master Leasing Agreement"), for a term of two years ending 30 June 2014 and subject to the annual caps not exceeding RMB549,133,000 and RMB554,069,000 respectively, in relation to all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of the premises owned by members of the NWD Group from time to time (the "Premises"), by members of the Group from members of the NWD Group.

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

The aggregate consideration under the Master Leasing Agreement was approximately RMB338,199,000 (2012: approximately RMB328,330,000) during the year.

As NWD is a substantial Shareholder and is therefore a connected person of the Company under the Listing Rules, the transactions contemplated under the Master Leasing Agreement constitute continuing connected transactions of the Company under the Listing Rules.

B Master concessionaire counter agreement

On 22 March 2012, the Company and Chow Tai Fook Jewellery Group Limited ("CTFJ" and its subsidiaries "CTFJ Group") entered into a master concessionaire counter agreement (the "Master Concessionaire Counter Agreement"), for a term of three years ending 30 June 2014 and subject to the annual caps not exceeding RMB133,775,000, RMB214,853,000 and RMB305,150,000 respectively, in relation to all existing and future transactions between members of the Group and members of the CTFJ Group arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement.

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

The aggregate consideration under the Master Concessionaire Counter Agreement was approximately RMB104,849,000 (2012: approximately RMB91,294,000) during the year.

NWD is a substantial Shareholder and hence a connected person of the Company. CTFJ is a fellow subsidiary of Chow Tai Fook Enterprises Limited ("CTF") which is a substantial shareholder of NWD. CTFJ is therefore a connected person of NWD and also considered to be a connected person of the Company and the transactions contemplated under the Master Concessionaire Counter Agreement constitute continuing connected transactions of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

C Master sales agreement

- i On 22 March 2012, the Company, NWD and CTFJ entered in to a master sales agreement (the “NWD Master Sales Agreement”), for a term of three years ending 30 June 2014 and subject to the annual caps not exceeding RMB78,417,000, RMB82,058,000 and RMB95,680,000 respectively (the “Original Sales Annual Caps”), in relation to all existing and future transactions between members of the Group, members of the NWD Group and/or members of the CTFJ Group in respect of the use of the shopping vouchers, the prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchases of goods at the Stores and the settlement of the relevant value represented by such shopping vouchers (with the shopping vouchers commissions and rebates), the prepaid shopping cards (with the discounts, where applicable), the joint name vouchers (with the joint name vouchers commissions) or by any other means acceptable to the Group among relevant members of the Group, the NWD Group or the CTFJ Group, as contemplated under the NWD Master Sales Agreement (the “Sales Transactions”).

On 27 December 2012, in view of the expected increase in the amount of the Sales Transactions, the Original Sales Annual Caps in respect of the two years ending 30 June 2014 will be insufficient, and the Directors therefore revised the Original Sales Annual Caps. The revised annual cap amounts payable by (i) the NWD Group to the Group; (ii) the Group to the CTFJ Group; and (iii) the CTFJ Group to the Group in respect of the relevant Sales Transactions for each of the two years ending 30 June 2014 are RMB135,000,000, respectively.

The aggregate consideration under the NWD Master Sales Agreement was approximately RMB46,254,000 (2012: approximately RMB23,810,000) during the year.

NWD is a substantial Shareholder and hence a connected person of the Company. As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of NWD. CTFJ is therefore a connected person of NWD and also considered to be a connected person of the Company and the transactions contemplated under the NWD Master Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

- ii On 22 March 2011, the Company, New World China Land Limited (“NWCL”, or together with its subsidiaries, the “NWCL Group”) and Chow Tai Fook Jewellery Company Limited (“CTFJ Company”) entered into a master sales agreement (the “NWCL Master Sales Agreement”), for the three-year period from 1 July 2010 and subject to the annual caps not exceeding RMB50,000,000 respectively, to terminate a master sales agreement dated 22 May 2009 entered into between the Company and NWCL (as amended by a supplemental master sales agreement dated 21 September 2009) and to provide a framework for the conduct of the particular occasion(s) of the sale of goods in the Stores by the Group by accepting the various cash equivalent gift coupons, gift cards and stored value shopping cards of the NWCL Group, the prepaid shopping cards issued or to be issued by the Group to NWCL Group which may be presented at the Stores or by any other means acceptable to the Company as payment for purchasing goods at the Stores and the relevant value represented by such coupons and cards, or by any other means acceptable to the Company will be settled by the members of the NWCL Group.

The aggregate consideration under the NWCL Master Sales Agreement was approximately RMB9,811,000 (2012: approximately RMB9,981,000) during the year.

NWD is a substantial Shareholder and hence a connected person of the Company. As both the Company and NWCL are subsidiaries of NWD, NWCL is therefore a connected person of the Company and CTFJ Company is an associate of CTF which is a substantial shareholder of NWD. CTFJ Company is therefore a connected person of NWD and also considered to be a connected person of the Company and the transactions contemplated under the NWCL Master Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)**D Master services agreement**

- i On 16 May 2011, the Company and Mr. Doo Wai-hoi ("Mr. Doo") entered into a master services agreement (the "Existing Master Services Agreement"), for the three years ending 30 June 2014 and subject to the annual caps not exceeding RMB30,000,000, RMB20,000,000 and RMB20,000,000 respectively, pursuant to which Mr. Doo agreed to, and to procure his controlled companies (the "Services Group") to provide various electrical and mechanical services and such other types of services as may be agreed upon from time to time in writing (collectively the "Services"), to members of the Group in accordance with the terms of the Existing Master Services Agreement and the particular terms and conditions of the relevant individual agreements in respect of the provision of any of the Services entered into between a member of the Service Group and a member of the Group pursuant to a master services agreement dated 22 May 2009 entered into between the Company and NWS Holdings Limited ("NWSH", or together with its subsidiaries, the "NWSH Group") (the "NWSH Master Services Agreement"), and which subsist on the date of the completion of the Group B Disposal as set out in the circular of NWSH dated 2 July 2010 in respect of the management buyout of certain subsidiaries of NWSH, details of which were set out in the joint announcement of NWD and NWSH dated 11 June 2010.

The Directors believe that entering into the Existing Master Services Agreement could streamline and regulate the continuing connected transactions between the Services Group and the Group arising from the individual agreements in respect of the provision of any of the Services entered into between a member of the Services Group and a member of the Group pursuant to NWSH Master Services Agreement, which will be subsisting, but not yet completed, on the date of completion of the Group B Disposal.

The aggregate consideration under the Existing Master Services Agreement was approximately RMB8,305,000 (2012: approximately RMB7,933,000) during the year.

- ii On 19 May 2011, the Company and Mr. Doo entered into another master services agreement (the "Master Services Agreement"), for the three years ending 30 June 2014 and subject to the annual caps not exceeding RMB45,600,000, RMB55,600,000 and RMB55,600,000 respectively, pursuant to which Mr. Doo agreed that members of the Services Group to provide contracting services, cleaning and landscaping services, property management services and such other types of services as the parties may agree upon from time to time in writing, to be provided by members of the Services Group to the relevant members of the Group during the term of the Master Services Agreement after the completion of the Group B Disposal.

The Directors believe that entering into the Master Services Agreement could streamline and regulate the continuing connected transactions between members of the Group and members of the Services Group following the completion of the Group B Disposal.

The aggregate consideration under the Master Services Agreement was approximately RMB216,000 (2012: approximately RMB236,000) during the year.

As Mr. Doo is an associate of certain Directors and hence a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Existing Master Services Agreement and the Master Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

E Annual review of the continuing connected transactions

The independent non-executive Directors had reviewed the continuing connected transactions arising from (i) Master Leasing Agreement (paragraph A above); (ii) Master Concessionaire Counter Agreement (paragraph B above); (iii) Master Sales Agreement (paragraph Ci to Cii above); and (iv) Master Services Agreement (paragraph Di to Dii above); during the year and confirmed that the transactions were:

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, the significant related party transactions that did not constitute connected transactions made under the Listing Rules during the year were disclosed in note 35 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the shares of the Company

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	29,985,826	151,983,526	1.75
	Interest of spouse	Family interest	4,387,500		
	Controlled corporation	Corporate interest	117,610,200 ⁽¹⁾		
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	Interest of spouse	Family interest	450,000	450,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	18,349,571	30,349,571	0.83
	Controlled corporation	Corporate interest	12,000,000 ⁽¹⁾		

Note:

- (1) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options

i The Company

Under the share option scheme of the Company, the undermentioned Directors have personal interests in share options to subscribe for shares of the Company. Certain details of the share options of the Company held by them during the year were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held				Balance as at 30 June 2013	Exercise price per share HK\$
			Balance as at 1 July 2012	Granted during the year	Exercised during the year	Lapsed during the year		
Dr. Cheng Kar-shun, Henry	27 November 2007	(1)	1,000,000	–	–	–	1,000,000	8.660
Mr. Au Tak-cheong	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Ms. Ngan Man-ying, Lynda	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheng Chi-kong, Adrian	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheung Fai-yet, Philip	27 November 2007	(1)	1,500,000	–	–	–	1,500,000	8.660
	25 March 2008	(2)	500,000	–	–	–	500,000	8.440
Mr. Lin Tsai-tan, David	27 November 2007	(1&4)	459,000	–	–	(459,000)	–	8.660
	25 March 2008	(2&4)	230,000	–	–	(230,000)	–	8.440
Mr. Wong Kwok-kan, Kenneth	27 November 2007	(1)	501,000	–	–	–	501,000	8.660
	25 March 2008	(2)	250,000	–	–	–	250,000	8.440
Mr. Cheong Ying-chew, Henry	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Tong Hang-chan, Peter	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Yu Chun-fai	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
			6,690,000	–	–	(689,000)	6,001,000	

Notes:

- Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- The cash consideration paid by each Director for each grant of the share options is HK\$1.00.
- Mr. Lin Tsai-tan, David resigned as executive Director with effect from 1 August 2012, any unexercised share options held by him lapsed with effect from 1 November 2012.

DIRECTORS' INTERESTS IN SECURITIES (continued)**(b) Long positions in underlying shares – share options** (continued)**ii New World China Land Limited**

Under the share option schemes of a fellow subsidiary, NWCL, the undermentioned Directors have personal interests in share options to subscribe for shares of NWCL. Certain details of the share options of NWCL held by them during the year were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held				Balance as at 30 June 2013	Exercise price per share HK\$
			Balance as at 1 July 2012	Granted during the year	Exercised during the year	Lapsed during the year		
Dr. Cheng Kar-shun, Henry	29 December 2008	(1)	1,860,826	–	(1,860,826)	–	–	1.290
	18 January 2011	(2)	2,077,922	–	–	–	2,077,922	3.036
Mr. Cheng Chi-kong, Adrian	29 December 2008	(3)	350,425	–	(350,425)	–	–	1.290
	18 January 2011	(2)	1,558,442	–	(623,376)	–	935,066	3.036
Ms. Ngan Man-ying, Lynda	29 December 2008	(4)	177,234	–	(176,000)	(1,234)	–	1.290
	18 January 2011	(2)	1,038,961	–	–	–	1,038,961	3.036
			7,063,810	–	(3,010,627)	(1,234)	4,051,949	

Notes:

- (1) Divided into 4 tranches, exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.
- (2) Divided into 5 tranches, exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.
- (3) Divided into 2 tranches, exercisable from 30 January 2011 and 30 January 2012 respectively to 29 January 2013.
- (4) Exercisable from 30 January 2012 to 29 January 2013.
- (5) The cash consideration paid by each Director for each grant of the share options is HK\$10.00.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

iii New World Development Company Limited

Under the share option scheme of the holding company, NWD, the undermentioned Directors have personal interests in share options to subscribe for shares of NWD. Certain details of the share options of NWD held by them during the year were as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options held					Balance as at 30 June 2013	Exercise price per share ^(2&3) HK\$
			Balance as at 1 July 2012	Granted during the year	Adjusted during the year ^(2&3)	Exercised during the year	Lapsed during the year		
Dr. Cheng Kar-shun, Henry	19 March 2012	(1)	10,001,320	–	13,636	–	–	10,014,956	9.756
Mr. Cheng Chi-kong, Adrian	19 March 2012	(1)	3,500,462	–	4,772	–	–	3,505,234	9.756
Mr. Au Tak-cheong	19 March 2012	(1)	2,500,330	–	3,166	(300,000)	–	2,203,496	9.756
			16,002,112	–	21,574	(300,000)	–	15,723,686	

Notes:

- (1) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.
- (2) NWD declared final dividend for the year ended 30 June 2012 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$9.769 to HK\$9.764 on 31 December 2012.
- (3) NWD declared interim dividend for the six month ended 31 December 2012 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$9.764 to HK\$9.756 on 22 May 2013.
- (4) The cash consideration paid by each Director for grant of the share options is HK\$10.00.

DIRECTORS' INTERESTS IN SECURITIES (continued)**(b) Long positions in underlying shares – share options** (continued)**iv NWS Holdings Limited**

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

Name	Date of grant	Exercisable period (Note)	Number of share options held				Balance as at 30 June 2013	Exercise price per share HK\$
			Balance as at 1 July 2012	Granted during the year	Exercised during the year	Lapsed during the year		
Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	4,580,773	–	(4,580,773)	–	–	10.609
			4,580,773	–	(4,580,773)	–	–	

Notes:

- (1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) The cash consideration paid by the Director for grant of the share options is HK\$10.00.

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2013, the following persons (not being the Directors or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook (Holding) Limited ("CTFH") ⁽⁴⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited ("CTF") ⁽⁵⁾	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
New World Development Company Limited ("NWD")	Beneficial owner	–	1,218,900,000	1,218,900,000	72.29

Notes:

- (1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.
- (2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.
- (3) CTFC holds 74.07% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.
- (4) CTFH holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTF.
- (5) CTF together with its subsidiaries have interest in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by NWD.

OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 June 2013, the interests or short positions of persons (other than Directors or chief executives or substantial shareholders (as defined in the Listing Rules)) in the shares and underlying shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
GMT Capital Corp	Controlled corporation	Corporate Interest	85,117,000	85,117,000	5.05

Save as disclosed above, the Directors are not aware of any person (not being the Directors or chief executive of the Company) who, as at 30 June 2013, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

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

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

Purpose of the Scheme	The purpose of the Scheme is to attract and retain the best available personnel and to provide additional incentives to employees, directors, consultants, business associates and advisers of the Company to promote the success of the Group.
Participants of the Scheme	The Directors may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of the Company and its subsidiaries options to subscribe for shares of the Company at a price calculated in accordance with the terms of the Scheme.
Total number of shares of the Company available for issue under the Scheme and percentage of issued share capital of the Company as at the date of this annual report	The Company had granted share options representing the rights to subscribe for 24,128,000 shares of the Company under the Scheme up to the date of this report. The Company may further grant share options to subscribe for 154,786,500 shares of the Company, representing approximately 9.17% of the Company's issued share capital as at the date of this report.
Maximum entitlement of each participant under the Scheme	Unless approved by the Shareholders in the manner as set out in the Scheme, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of the Company in issue.
The period within which the shares of the Company must be taken up under an option	A period to commence not less than 1 year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than 1 year upon the grant of options by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount payable for the acceptance of an option shall be the sum of HK\$1.00 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price shall be determined by the Directors, being the higher of: (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of option; or (c) the nominal value of a share of the Company.
The remaining life of the Scheme	The Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.

SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS

Date of grant	Exercisable period (Notes)	Number of share options				Balance as at 30 June 2013	Exercise price per share HK\$
		Balance as at 1 July 2012	Granted during the year	Exercised during the year	Lapsed during the year		
27 November 2007	(1)	7,873,000	–	–	(1,356,000)	6,517,000	8.660
25 March 2008	(2)	1,549,000	–	–	(239,000)	1,310,000	8.440
		9,422,000	–	–	(1,595,000)	7,827,000	

Notes:

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

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2013, total number of employees of the Group was 6,616 (2012: 6,783). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

REPORT OF THE DIRECTORS

ACQUISITION AND DISPOSAL

On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a company established in the PRC and an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with Shenyang New World Hotel Co., Ltd. ("SYNWH"), a company established in the PRC and an indirect wholly-owned subsidiary of NWCL. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH agreed to cooperate in a property redevelopment project ("Property Project"). According to the relevant PRC regulations and requirements of the local government authorities, the Property Project is to be carried out on a unified-planning basis, under which Shenyang Trendy agreed to surrender to the local government authority the land and building which it owns and where Shenyang Nanjing Street Branch Store was situated ("the Building") for a compensation of RMB250,012,000. Shenyang Trendy agreed to make contribution of RMB527,060,000 (subject to further adjustments) to SYNWH for the related costs of demolition of the Building and design, construction and payment of any relevant land grant premium of the lower ground level 1 to upper ground level 5 of the redeveloped building of which an expected floor area of approximately 26,353 sq. m. will be attributable to Shenyang Trendy.

On 27 May 2013, New World Department Stores Investment (China) Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties to acquire the entire equity interest in Shanghai Hongxin Properties Company Limited ("Hongxin Co"), for a gross consideration of RMB1,250,000,000 (subject to further adjustments) which includes RMB540,000,000 of cash paid for the repayment of a principal amount of the outstanding bank borrowings of Hongxin Co. Hongxin Co owns and operates a shopping mall in Shanghai. The acquisition was completed on 30 July 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30.0% of the Group's revenue were attributed by the Group's five largest customers and 24.7% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and 6.4% of the Group's total purchases were attributed by the Group's largest supplier. To the knowledge of the Directors, none of the Directors or shareholders who owned 5.0% or more of the issued share capital of the Company as at 30 June 2013 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

AUDITOR

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

On behalf of the Board

Cheng Kar-shun, Henry

Chairman and Non-executive Director

Hong Kong, 25 September 2013