Notes to the Financial Statements

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 and property investment 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 25 September 2013.

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 for the year ended 30 June 2013 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 investment properties.

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.

At 30 June 2013, the Group's current liabilities exceeded its current assets by HK$689,963,000. Taking into account the cash flows from operations, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

In the current year, the Group has adopted the following amendment to existing standard which is mandatory for the year ended 30 June 2013:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income

The adoption of this amendment to existing standard does not have significant effect on the results and financial position of the Group, except for certain disclosures in the consolidated financial statements.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The following new or revised standards, amendments to existing standards and interpretations are mandatory for the accounting periods beginning on or after 1 July 2013 or later periods which the Group has not early adopted:

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9 (Amendments)	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)	Investment Entities
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
HK(IFRIC) – Int 21	Levies
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

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 results of operation and financial position.

2.2 Subsidiaries

(i) Consolidation

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.

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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(i) Consolidation (continued)

The Group applies the acquisition method to account for business combinations. 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

2.3 Associated company

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 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 executive Directors that makes strategic decisions.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. 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 15 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains, net' in the income statement.

2.6 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if the fair value of the property at the date of transfer which results in a reversal of the previous impairment loss, the write-back is recognised in the income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.7 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.

2.8 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

Non-financial assets that have an indefinite useful life, for example goodwill, or have not yet been available for use 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. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of the investments in subsidiaries or an associated company is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or an associated company in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.11 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.

2.12 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.

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 the 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 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, except for deferred income tax liability 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.

(iii) Offsetting

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.16 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.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.18 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(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.

(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.

On lapse of share option according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained profits.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

2.19 Revenue recognition

Revenue is measured at 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. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 sales, including credit card fees payable for the transaction. Such fees are included in other operating expenses.

Revenue from management and consultancy fees is recognised when management and advisory 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.

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.19 Revenue recognition (continued)

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.

2.20 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.21 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 entity operates (the "functional currency"). The functional currency of the Company is Renminbi (or "RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), the Company's presentation currency.

(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.

(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 in other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.22 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.

2.23 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.

2.24 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 2013, if Renminbi had strengthened/weakened by 2% (2012: 2%) against the Hong Kong dollars with all other variables held constant, profit for the year would have been approximately HK$7,518,000 higher/lower (2012: approximately HK$12,909,000 higher/lower) and equity holders' equity would have been approximately HK$7,043,000 higher/lower (2012: approximately HK$6,832,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars-denominated bank balances of certain subsidiaries and balances with group companies 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, other receivables and amounts due from fellow subsidiaries. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2013, 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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries 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 controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and financing cash flows.

At 30 June 2013, the Group's current liabilities exceeded its current assets by HK$689,963,000. The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and to fulfil its liabilities and commitments as and when they fall due.

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year but within 5 years HK$'000	After 5 years HK$'000
Group					
At 30 June 2013					
Creditors, accruals and other payables	4,053,137	4,053,137	4,053,137	–	–
Amounts due to fellow subsidiaries	8,766	8,766	8,766	–	–
Amounts due to related companies	14,131	14,131	14,131	–	–
Long-term borrowings	659,297	828,769	88,575	483,631	256,563
At 30 June 2012					
Creditors, accruals and other payables	3,399,123	3,399,123	3,399,123	–	–
Amounts due to fellow subsidiaries	4,721	4,721	4,721	–	–
Amounts due to related companies	28,268	28,268	28,268	–	–
Long-term borrowings	1,007,715	1,286,227	62,156	789,563	434,508
Company					
At 30 June 2013					
Accruals and other payables	4,899	4,899	4,899	–	–
Amounts due to subsidiaries	397,798	397,798	397,798	–	–
At 30 June 2012					
Accruals and other payables	2,247	2,247	2,247	–	–
Amounts due to subsidiaries	183,303	183,303	183,303	–	–

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 2013 of HK$485,518,000 and HK$1,012,863,000 (2012: HK$378,099,000 and HK$1,182,600,000), which are held at interest rates of ranging from 0.50% to 4.60% per annum (2012: 0.70% to 5.00% per annum), the Group has no significant interest-bearing assets. The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates of HK$659,297,000 (2012: HK$1,007,715,000) expose the Group to cash flow interest rate risk which is partially offset by cash at bank held at variable rates. 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 2013, if interest rates on cash and cash equivalents and bank borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$2,891,000 higher/lower (2012: approximately HK$3,848,000 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 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 regularly reviews and manages its capital structure and makes adjustments to it taking into consideration of changes in economic and market conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected investment opportunities.

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

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) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by an independent valuer based on market value assessments. The valuers have relied on direct comparison method as their primary methods, supported by the income approach.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) 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.

(d) 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 recoverability 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 judgment 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.

(e) 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 (Note 18). These calculations require the use of estimates which are subject to change of economic environment in future.

(f) 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

	2013 HK$'000	2012 HK$'000
Commission income from concessionaire sales	**2,638,907**	2,405,481
Sales of goods – direct sales	**809,626**	676,224
Management and consultancy fees	**52,277**	19,177
Rental income	**510,735**	389,218
	4,011,545	3,490,100

The income from concessionaire sales is analysed as follows:

	2013 HK$'000	2012 HK$'000
Gross revenue from concessionaire sales	**14,895,486**	13,009,964
Commission income from concessionaire sales	**2,638,907**	2,405,481

The chief operating decision-maker ("CODM") has been identified as executive Directors. 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 that the Group has department store and property investment business. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of changes in fair value of investment properties and unallocated corporate expenses. In addition, finance income, net is not allocated to segments. There is no inter-segment sales.

All revenue is generated in Mainland China and all significant operating assets of the Group are in Mainland China.

5 REVENUE AND SEGMENT INFORMATION (continued)

For the year ended 30 June 2013

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue	**3,905,109**	**106,436**	**4,011,545**
Segment results	**686,759**	**83,458**	**770,217**
Changes in fair value of investment properties	**–**	**70,852**	**70,852**
Unallocated corporate expenses			**(6,612)**
Operating profit			**834,457**
Finance income			**89,998**
Finance costs			**(49,159)**
Finance income, net			**40,839**
Profit before income tax			**875,296**
Income tax expense			**(233,793)**
Profit for the year			**641,503**

For the year ended 30 June 2012

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue	3,418,263	71,837	3,490,100
Segment results	720,183	59,149	779,332
Changes in fair value of investment properties	–	12,092	12,092
Unallocated corporate expenses			(4,579)
Operating profit			786,845
Finance income			60,770
Finance costs			(35,050)
Finance income, net			25,720
Profit before income tax			812,565
Income tax expense			(204,818)
Profit for the year			607,747

5 REVENUE AND SEGMENT INFORMATION (continued)

As at 30 June 2013

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment assets	**8,122,060**	**4,566,680**	**12,688,740**
Deferred income tax assets			**141,463**
Corporate assets:			
Cash and cash equivalents			**4,037**
Others			**25**
Total assets			**12,834,265**
For the year ended 30 June 2013			
Additions to non-current assets (Note)	**467,532**	**1,270,942**	**1,738,474**
Depreciation and amortisation	**319,647**	**663**	**320,310**
As at 30 June 2012			
Segment assets	8,981,227	2,648,213	11,629,440
Deferred income tax assets			159,640
Corporate assets:			
Cash and cash equivalents			12,361
Others			55
Total assets			11,801,496
For the year ended 30 June 2012			
Additions to non-current assets (Note)	705,186	2,057,624	2,762,810
Depreciation and amortisation	293,689	79	293,768

Note:

Additions to non-current assets represent additions to non-current assets other than financial instruments and deferred income tax assets.

6 OTHER INCOME

	2013 HK$'000	2012 HK$'000
Government grants	25,767	11,564
Income from suppliers	71,978	56,533
Write-back of other payables	19,375	24,146
Sundries	29,154	20,371
	146,274	112,614

7 OTHER (LOSSES)/GAINS, NET

	2013 HK$'000	2012 HK$'000
Loss on disposal of property, plant and equipment and land use rights	(60,432)	(12,796)
Gain on disposal of assets held for sale (Note)	–	47,099
	(60,432)	34,303

Note:

For the year ended 30 June 2012, the amount represented gain on disposal of entire equity interest in Focus Smart Limited, a wholly-owned subsidiary of the Group, which is also the owner of certain portion of a property and land use right situated in Wuxi City.

8 OTHER OPERATING EXPENSES, NET

	2013 HK$'000	2012 HK$'000
Water and electricity	173,373	199,922
Selling, promotion, advertising and related expenses	232,208	123,902
Cleaning, repairs and maintenance	90,798	70,045
Auditor's remuneration	5,800	5,000
Share-based payments	74	437
Net exchange losses	15,976	17,993
Other tax expenses	175,624	128,463
Others	73,791	46,781
	767,644	592,543

9 FINANCE INCOME, NET

	2013 HK$'000	2012 HK$'000
Interest income on bank deposits	89,998	60,770
Interest on bank loans		
– wholly repayable within five years	(31,118)	(19,069)
– not wholly repayable within five years	(18,041)	(15,981)
	40,839	25,720

10 EMPLOYEE BENEFIT EXPENSE

	2013 HK$'000	2012 HK$'000
Wages, salaries and other benefits	511,399	483,392
Retirement benefit costs		
– defined contribution plans	60,187	55,279
Share-based payments	762	2,931
	572,348	541,602

(a) Directors' emoluments

The remuneration of Directors for the year ended 30 June 2013 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	–	–	–	49	149
Mr. Au Tak-cheong	100	–	–	–	12	112
Ms. Ngan Man-ying, Lynda (Note i)	56	–	–	–	–	56
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	24	174
Mr. Cheung Fai-yet, Philip	150	4,263	425	126	114	5,078
Mr. Lin Tsai-tan, David (Note ii)	–	267	12	–	28	307
Mr. Wong Kwok-kan, Kenneth	150	1,563	151	244	45	2,153
Ms. Ngan Man-ying, Lynda (Note i)	66	–	–	–	24	90
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	12	212
Mr. Chan Yiu-tong, Ivan	200	–	–	–	12	212
Mr. Tong Hang-chan, Peter	200	–	–	–	12	212
Mr. Yu Chun-fai	200	–	–	–	12	212
	1,572	6,093	588	370	344	8,967

10 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

Notes:

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

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

The remuneration of Directors for the year ended 30 June 2012 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	–	–	–	182	282
Mr. Au Tak-cheong	100	–	–	–	45	145
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	91	241
Mr. Cheung Fai-yet, Philip	150	4,139	412	639	379	5,719
Mr. Lin Tsai-tan, David	150	1,765	147	304	132	2,498
Mr. Wong Kwok-kan, Kenneth	150	1,491	144	70	144	1,999
Ms. Ngan Man-ying, Lynda	150	–	–	–	91	241
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	45	245
Mr. Chan Yiu-tong, Ivan	200	–	–	–	45	245
Mr. Tong Hang-chan, Peter	200	–	–	–	45	245
Mr. Yu Chun-fai	200	–	–	–	45	245
	1,750	7,395	703	1,013	1,244	12,105

No Director waived or agreed to waive any emoluments during the year (2012: Nil).

10 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes two (2012: three) Directors for the year ended 30 June 2013, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: two) individuals during the year ended 30 June 2013 are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	5,625	3,090
Retirement benefit costs		
– defined contribution plans	241	133
Bonus	1,031	448
Share-based payments	62	199
	6,959	3,870

The emoluments fell within the following bands:

	Number of individuals 2013	2012
Emolument bands		
HK$1,500,001 – HK$2,000,000	–	1
HK$2,000,001 – HK$2,500,000	2	1
HK$2,500,001 – HK$3,000,000	1	–
	3	2

11 INCOME TAX EXPENSE

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

	2013 HK$'000	2012 HK$'000
Current income tax		
– Mainland China taxation	223,965	188,163
Overprovision in prior years	(19,203)	(30,883)
Deferred income tax (Note 28)		
– Deferred taxation on undistributed retained earnings	5,655	14,050
– Other temporary differences	23,376	33,488
	233,793	204,818

Taxation has been provided at the tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the year ended 30 June 2012 and 2013.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2012: 25%).

11 INCOME TAX EXPENSE (continued)

The taxation of the Group's profit before income tax 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:

	2013 HK$'000	2012 HK$'000
Profit before income tax	**875,296**	812,565
Tax calculated at applicable tax rate	**218,824**	203,141
Expenses not deductible for taxation purpose	**24,429**	33,463
Income not subject to taxation	**(11,045)**	(25,106)
Effect of income charged on deemed basis	**(1,890)**	(2,356)
Deferred income tax not recognised	**30,280**	20,919
Deferred taxation on undistributed profits	**5,655**	14,050
PRC withholding income tax	**10,344**	640
Recognition of previously unrecognised tax losses	**(8,539)**	(1,342)
Recognition of previously unrecognised temporary differences	**–**	(6,849)
Utilisation of previously unrecognised tax losses	**(15,062)**	(859)
Overprovision in prior years	**(19,203)**	(30,883)
Income tax expense	**233,793**	204,818

	2013	2012
Weighted average domestic applicable tax rates	**25%**	25%

12 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 profit of approximately HK$206,377,000 (2012: loss of approximately HK$8,130,000).

13 DIVIDENDS

	2013 HK$'000	2012 HK$'000
Interim dividend paid of HK$0.098 (2012: HK$0.098) per share	**165,242**	165,242
Final dividend proposed of HK$0.092 (2012: HK$0.082) per share	**155,125**	138,264
	320,367	303,506

At a meeting held on 25 September 2013, the Directors recommended a final dividend of HK$0.092 (2012: HK$0.082) per share for the year ended 30 June 2013. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2013.

14 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.

	2013	2012
Profit attributable to the equity holders of the Company (HK$'000)	**641,503**	607,747
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.38**	0.36

(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 years ended 30 June 2012 and 2013, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

15 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 2011	814,316	60,102	7,045	2,000,781	19,996	11,587	127,781	1,744	3,043,352
Translation differences	9,238	731	84	24,269	226	139	1,528	21	36,236
Additions	–	1,118	4,012	261,631	3,916	709	38,602	9,672	319,660
Transfer from investment properties	112,963	–	–	26,834	–	–	–	–	139,797
Disposals	–	(4,206)	(1,672)	(32,707)	(1,223)	(645)	(3,699)	–	(44,152)
Reclassification	–	–	–	1,304	–	–	11	(1,315)	–
Transfer to investment properties	(56,677)	–	–	(23,801)	–	–	–	–	(80,478)
Acquisition of subsidiaries (Note 33(a))	–	232	233	50,304	1,716	174	2,894	–	55,553
At 30 June 2012	879,840	57,977	9,702	2,308,615	24,631	11,964	167,117	10,122	3,469,968
Accumulated depreciation									
At 1 July 2011	67,898	55,602	3,490	745,173	9,503	5,872	72,710	–	960,248
Translation differences	591	677	43	9,087	117	71	887	–	11,473
Charge for the year	25,253	1,846	1,413	207,707	3,933	2,026	23,145	–	265,323
Written back on disposals	–	(3,975)	(1,548)	(18,713)	(834)	(354)	(3,343)	–	(28,767)
Transfer to investment properties	(2,785)	–	–	(2,077)	–	–	–	–	(4,862)
At 30 June 2012	90,957	54,150	3,398	941,177	12,719	7,615	93,399	–	1,203,415
Net book amount									
At 30 June 2012	788,883	3,827	6,304	1,367,438	11,912	4,349	73,718	10,122	2,266,553

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	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 2012	879,840	57,977	9,702	2,308,615	24,631	11,964	167,117	10,122	3,469,968
Translation differences	31,257	2,202	368	87,669	935	454	6,346	385	129,616
Additions	–	677	953	204,318	4,173	1,313	19,536	14,488	245,458
Disposals	(96,587)	(4,046)	–	(140,254)	(1,966)	(1,050)	(7,689)	–	(251,592)
Reclassification	–	–	–	7,121	–	–	93	(7,214)	–
Transfer to investment properties	(110,242)	–	–	(24,961)	–	–	–	–	(135,203)
At 30 June 2013	704,268	56,810	11,023	2,442,508	27,773	12,681	185,403	17,781	3,458,247
Accumulated depreciation									
At 1 July 2012	90,957	54,150	3,398	941,177	12,719	7,615	93,399	–	1,203,415
Translation differences	2,954	2,078	152	38,708	542	314	3,886	–	48,634
Charge for the year	23,832	1,296	1,787	234,774	4,607	1,926	26,756	–	294,978
Written back on disposals	(15,764)	(3,951)	–	(79,490)	(1,551)	(1,033)	(7,645)	–	(109,434)
Transfer to investment properties	(12,580)	–	–	(2,979)	–	–	–	–	(15,559)
At 30 June 2013	89,399	53,573	5,337	1,132,190	16,317	8,822	116,396	–	1,422,034
Net book amount									
At 30 June 2013	614,869	3,237	5,686	1,310,318	11,456	3,859	69,007	17,781	2,036,213

16 INVESTMENT PROPERTIES

	Group 2013 HK$'000	2012 HK$'000
At beginning of the year	1,996,639	274,220
Translation differences	76,575	(8,806)
Additions	3,221	513
Transfer from property, plant and equipment	179,075	80,553
Transfer from land use rights	105,249	48,894
Transfer to property, plant and equipment	–	(139,797)
Transfer to land use rights	–	(63,585)
Acquisition of subsidiaries (Note 33(a))	–	1,792,555
Changes in fair value credited to income statement	70,852	12,092
At end of the year	2,431,611	1,996,639

16 INVESTMENT PROPERTIES (continued)

Amounts recognised in profit and loss for investment properties are as follows:

	Group 2013 HK$'000	2012 HK$'000
Rental income	**106,436**	71,837
Direct operating expenses from properties that generated rental income	**(26,774)**	(21,325)
	79,662	50,512

The investment properties were valued at 30 June 2013 by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Valuations were based on market value assessment, where appropriate, by reference to the income approach. The Group's investment properties at their carrying values are analysed as follows:

	2013 HK$'000	2012 HK$'000
In Mainland China held on:		
Lease of between 10 and 50 years	**2,431,611**	1,996,639

As at 30 June 2013, an investment property with a carrying value of HK$1,913,924,000 (2012: HK$1,792,683,000) is pledged to secure bank borrowings of the Group (Note 27).

17 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 2013 HK$'000	2012 HK$'000
At beginning of the year	**903,284**	898,898
Translation differences	**31,931**	10,280
Transfer from investment properties	**–**	63,585
Transfer to investment properties	**(68,393)**	(41,034)
Disposals	**(218,659)**	–
Amortisation	**(25,332)**	(28,445)
At end of the year	**622,831**	903,284

	2013 HK$'000	2012 HK$'000
In Mainland China held on:		
Leases of land use rights between 10 to 50 years	**622,831**	903,284

18 GOODWILL

	Group 2013 HK$'000	2012 HK$'000
At beginning of the year	**1,284,182**	785,137
Translation differences	**48,765**	5,747
Acquisition of subsidiaries (Note 34)	**–**	493,298
At end of the year	**1,332,947**	1,284,182

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. Long term growth rate ranging from 2% to 5% (2012: 2% to 5%) are determined by considering both internal and external factors relating to the relevant businesses. Discount rate of 16.15% (2012: 14.82%) also reflects specific risks of the business. If the revenue growth rate and gross margin had been 5% lower than management's current estimates and the discount rate had been 1% higher than management's current estimates, there is still enough headroom and no impairment loss on goodwill is required.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Prepaid rent and rental deposits	**628,127**	494,873	**–**	–
Management fee receivables	**3,448**	2,577	**–**	–
Deposits placed for issuance of stored value cards	**2,844**	26,697	**–**	–
Others	**458,910**	367,790	**25**	54
	1,093,329	891,937	**25**	54
Less: long-term prepaid rent and rental deposits	**(488,231)**	(339,632)	**–**	–
	605,098	552,305	**25**	54

The balances are mainly denominated in Renminbi.

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

20 OTHER NON-CURRENT ASSETS

Balances as at 30 June 2013 represent the following transactions:

(a) On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co"), a wholly-owned subsidiary of the Company, entered into agreements with Shenyang New World Hotel Co., Ltd. ("SYNWH"), a wholly-owned subsidiary of New World China Land Limited ("NWCL") and a fellow subsidiary of the Company. Shenyang Co agreed to acquire the building ownership right, land use right of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems, for a consideration of approximately RMB456,534,000 which is subject to the terms of the agreements for further adjustments. As at 30 June 2013, the Group has made payment of approximately HK$451,809,000 (30 June 2012: HK$435,280,000) and other related costs of approximately HK$23,405,000 (30 June 2012: HK$22,548,000) in connection with such acquisition.

(b) On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with SYNWH. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH agreed to cooperate in a property redevelopment project in Shenyang City. Shenyang Trendy agreed to surrender to the local government authority the land and building where Shenyang Nanjing Street Branch Store was situated for a compensation of RMB250,012,000 and to make contribution of RMB527,060,000 (subject to further adjustments) to SYNWH for the related costs of demolition of the existing building and design, construction and payment of any relevant land grant premium of certain portion of the redeveloped building. As at 30 June 2013, the Group has made payment of approximately HK$133,433,000 to SYNWH and other related costs of approximately HK$88,641,000 in connection with such transaction.

(c) On 27 May 2013, New World Department Stores Investment (China) Co., Ltd. ("NWDSI"), 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"), a limited liability company incorporated in the PRC, for a gross consideration of RMB1,250,000,000 (subject to further adjustments). As at 30 June 2013, the Group has made payment of approximately HK$1,217,088,000 and recognised progress payable of approximately HK$50,633,000 in connection with such acquisition.

21 DEBTORS

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**98,365**	59,589

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

21 DEBTORS (continued)

Aging analysis of the debtors is as follows:

	Group 2013 HK$'000	2012 HK$'000
Within period for		
0-30 days	**78,098**	57,058
31-60 days	**1,728**	603
61-90 days	**821**	–
Over 90 days	**17,718**	1,928
	98,365	59,589

Trade debtors of HK$20,267,000 (2012: HK$2,531,000) were past due but not impaired. The total amount includes HK$1,728,000 (2012: HK$603,000) of less than 30 days past due, and HK$821,000 (2012: Nil) of 31-60 days past due and HK$17,718,000 (2012: HK$1,928,000) of over 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.

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 collateral as security.

22 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES AND RELATED COMPANIES

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

23 FIXED DEPOSITS

Fixed deposits are denominated in the following currencies:

	Group 2013 HK$'000	2012 HK$'000
Renminbi	**485,518**	378,099

The interest rates on fixed bank deposits was ranging from 2.85% to 4.40% per annum (2012: 3.10% to 5.00% per annum), these deposits have maturities ranging from 101 to 354 days (2012: 101 to 325 days).

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Short-term bank deposits	1,012,863	1,182,600	–	–
Cash at bank and in hand	1,461,089	2,060,319	4,037	12,361
	2,473,952	3,242,919	4,037	12,361
Maximum exposure to credit risk	2,443,252	3,216,253	4,037	12,361

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollars	64,759	290,237	2,963	11,330
Renminbi	2,408,924	2,952,420	1,074	1,031
Others	269	262	–	–
	2,473,952	3,242,919	4,037	12,361

The interest rates on short-term bank deposits was ranging from 0.50% to 4.60% per annum (2012: 0.70% to 3.50% per annum), these deposits have maturities ranging from 4 to 89 days (2012: 2 to 89 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 the Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

25 SHARE CAPITAL

	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.1 each, authorised:		
At 1 July 2011, 30 June 2012 and 2013	10,000,000	1,000,000
Ordinary shares of HK$0.1 each, issued and fully paid:		
At 1 July 2011, 30 June 2012 and 2013	1,686,145	168,615

25 SHARE CAPITAL (continued)

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 years ended 30 June 2012 and 2013 are as follows:

		Number of options '000							No. of share options exercisable '000
Date of grant	Exercise price per share HK$	At 1 July 2011	Granted during the year	Lapsed during the year	At 30 June 2012	Granted during the year	Lapsed during the year	At 30 June 2013	At 30 June 2013
27 November 2007 (Note i)	8.660	16,469	–	(2,886)	13,583	–	(1,815)	11,768	11,768
25 March 2008 (Note ii)	8.440	3,524	–	(995)	2,529	–	(469)	2,060	2,060
		19,993	–	(3,881)	16,112	–	(2,284)	13,828	13,828
Weighted average Exercise price of each category (HK$)		8.621	–	8.604	8.625	–	8.615	8.627	8.627

Notes:

(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.

26 RESERVES

(a) Group

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2011	2,398,250	1,990	391,588	187,361	54,395	397,955	1,972,274	5,403,813
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	–	9,598	–	–	–	–	–	9,598
Share-based payments	–	–	–	–	3,368	–	–	3,368
Lapse of share options	–	–	–	–	(10,833)	–	10,833	–
Final and special dividend relating to the year ended 30 June 2011	–	–	–	–	–	–	(126,461)	(126,461)
Interim dividend relating to the period ended 31 December 2011	–	–	–	–	–	–	(165,242)	(165,242)
Transfer to statutory reserve (Note i)	–	–	–	49,648	–	–	(49,648)	–
Profit for the year	–	–	–	–	–	–	607,747	607,747
Translation differences	–	–	–	–	–	71,630	–	71,630
At 30 June 2012	2,398,250	11,588	391,588	237,009	46,930	469,585	2,249,503	5,804,453
Representing:								
Proposed final dividend (Note 13)	–	–	–	–	–	–	138,264	138,264
Others	2,398,250	11,588	391,588	237,009	46,930	469,585	2,111,239	5,666,189
At 30 June 2012	2,398,250	11,588	391,588	237,009	46,930	469,585	2,249,503	5,804,453

26 RESERVES (continued)

(a) Group (continued)

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2012	2,398,250	11,588	391,588	237,009	46,930	469,585	2,249,503	5,804,453
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	–	72,215	–	–	–	–	–	72,215
Share-based payments	–	–	–	–	836	–	–	836
Lapse of share options	–	–	–	–	(6,718)	–	6,718	–
Final dividend relating to the year ended 30 June 2012	–	–	–	–	–	–	(138,264)	(138,264)
Interim dividend relating to the period ended 31 December 2012	–	–	–	–	–	–	(165,242)	(165,242)
Transfer to statutory reserve (Note i)	–	–	–	66,390	–	–	(66,390)	–
Profit for the year	–	–	–	–	–	–	641,503	641,503
Translation differences	–	–	–	–	–	241,540	–	241,540
At 30 June 2013	2,398,250	83,803	391,588	303,399	41,048	711,125	2,527,828	6,457,041
Representing:								
Proposed final dividend (Note 13)	–	–	–	–	–	–	155,125	155,125
Others	2,398,250	83,803	391,588	303,399	41,048	711,125	2,372,703	6,301,916
At 30 June 2013	2,398,250	83,803	391,588	303,399	41,048	711,125	2,527,828	6,457,041

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 operation 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 2012 and 2013.

26 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 1 July 2011	2,398,250	54,395	73,486	375,130	755,375	3,656,636
Share-based payments	–	3,368	–	–	–	3,368
Lapse of share options	–	(10,833)	–	–	3,671	(7,162)
Loss for the year	–	–	–	–	(8,130)	(8,130)
Final and special dividend relating to the year ended 30 June 2011	–	–	–	–	(126,461)	(126,461)
Interim dividend relating to the period ended 31 December 2011	–	–	–	–	(165,242)	(165,242)
Translation differences	–	–	–	27,262	–	27,262
At 30 June 2012	2,398,250	46,930	73,486	402,392	459,213	3,380,271
Share-based payments	–	836	–	–	–	836
Lapse of share options	–	(6,718)	–	–	569	(6,149)
Profit for the year	–	–	–	–	206,377	206,377
Final dividend relating to the year ended 30 June 2012	–	–	–	–	(138,264)	(138,264)
Interim dividend relating to the period ended 31 December 2012	–	–	–	–	(165,242)	(165,242)
Translation differences	–	–	–	376,391	–	376,391
At 30 June 2013	2,398,250	41,048	73,486	778,783	362,653	3,654,220
Representing:						
Proposed final dividend (Note 13)	–	–	–	–	155,125	155,125
Others	2,398,250	41,048	73,486	778,783	207,528	3,499,095
At 30 June 2013	2,398,250	41,048	73,486	778,783	362,653	3,654,220

27 LONG-TERM BORROWINGS

	Group 2013 HK$'000	2012 HK$'000
Non-current	**608,993**	998,617
Current	**50,304**	9,098
	659,297	1,007,715

	2013 HK$'000	2012 HK$'000
Bank loans		
Secured	**632,911**	682,927
Unsecured	**26,386**	324,788
	659,297	1,007,715

The effective interest rates of borrowings are analysed as follows:

	2013	2012
Hong Kong dollars	**2.79%**	2.77%
Renminbi	**5.90%**	6.43%

The carrying amounts of the borrowings are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
Hong Kong dollars	**26,386**	324,788
Renminbi	**632,911**	682,927
	659,297	1,007,715

The bank loans are repayable as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**50,304**	9,098
In the second year	**108,993**	148,249
In the third to fifth year	**265,823**	472,319
After the fifth year	**234,177**	378,049
	659,297	1,007,715

As at 30 June 2013, the bank loan of HK$632,911,000 (2012: HK$682,927,000) is secured by an investment property of HK$1,913,924,000 (2012: HK$1,792,683,000).

28 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 2013 HK$'000	2012 HK$'000
Deferred income tax assets	**141,463**	159,640
Deferred income tax liabilities	**(511,751)**	(466,711)
	(370,288)	(307,071)

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

	Group 2013 HK$'000	2012 HK$'000
At beginning of the year	**(307,071)**	(58,365)
Translation differences	**(10,114)**	(1,130)
Acquisition of subsidiaries (Note 33(a))	**–**	(196,839)
Taxation charged to equity	**(24,072)**	(3,199)
Charged to consolidated income statement (Note 11)	**(29,031)**	(47,538)
At end of the year	**(370,288)**	(307,071)

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 2011	42,591	132,717	2,718	10,115	188,141
Translation differences	162	1,399	23	112	1,696
Acquisition of subsidiaries	74,263	22,494	855	–	97,612
Recognised in the consolidated income statement	(15,961)	2,468	(851)	(285)	(14,629)
At 30 June 2012	**101,055**	**159,078**	**2,745**	**9,942**	**272,820**
Translation differences	**3,541**	**5,959**	**113**	**(183)**	**9,430**
Recognised in the consolidated income statement	**10,809**	**8,827**	**668**	**1,057**	**21,361**
At 30 June 2013	**115,405**	**173,864**	**3,526**	**10,816**	**303,611**

28 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities:

	Tax depreciation HK$'000	Fair value adjustment on business combination HK$'000	Revaluation of properties HK$'000	Undistributed profits of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 July 2011	181,117	46,836	5,976	7,250	5,327	246,506
Translation differences	2,528	571	(839)	–	566	2,826
Acquisition of subsidiaries	7,838	284,697	–	–	1,916	294,451
Recognised in equity	–	–	3,199	–	–	3,199
Recognised in the consolidated income statement	20,032	(1,513)	(1,568)	14,050	1,908	32,909
At 30 June 2012	**211,515**	**330,591**	**6,768**	**21,300**	**9,717**	**579,891**
Translation differences	**4,746**	**10,545**	**4,118**	**341**	**(206)**	**19,544**
Recognised in equity	**–**	**–**	**24,072**	**–**	**–**	**24,072**
Recognised in the consolidated income statement	**19,571**	**(1,551)**	**17,713**	**5,655**	**9,004**	**50,392**
At 30 June 2013	**235,832**	**339,585**	**52,671**	**27,296**	**18,515**	**673,899**

Pursuant to the Corporate Income Tax Law with effect from 1 January 2008, 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 2013, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately HK$52,469,000 (2012: HK$54,072,000), as 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$73,649,000 (2012: HK$56,075,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$294,597,000 (2012: HK$224,296,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

29 CREDITORS, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Creditors	**2,698,485**	2,213,113	**–**	–
Accruals and other payables	**2,175,941**	2,049,623	**4,899**	2,247
Less: long-term accruals	**(581,942)**	(640,100)	**–**	–
	4,292,484	3,622,636	**4,899**	2,247

29 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within period for		
0-30 days	1,114,797	972,955
31-60 days	971,181	694,388
61-90 days	213,937	194,214
Over 90 days	398,570	351,556
	2,698,485	2,213,113

Creditors included amounts due to related companies of HK$108,903,000 (2012: HK$93,378,000) which were unsecured, interest free and repayable within 90 days.

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

Nature of accruals and other payables are as follows:

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Rental accruals	662,105	667,465	–	–
Deposits from concessionaire suppliers	302,046	273,563	–	–
Interest payable	891	2,253	–	–
Payables for capital expenditures	44,903	99,162	–	–
Accruals for staff costs	83,838	87,468	–	–
Valued-added taxes and other taxes payables	136,938	92,007	–	–
Utilities payables	21,947	17,869	–	–
Receipts in advance	620,108	523,069	–	–
Others	303,165	286,767	4,899	2,247
	2,175,941	2,049,623	4,899	2,247

30 SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	1,754,541	1,458,380
Amounts due from subsidiaries	2,466,929	2,282,375
Amounts due to subsidiaries	397,798	183,303

30 SUBSIDIARIES (continued)

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

Except for the balance due from a subsidiary of HK$145,000,000 (2012: HK$219,314,000) and due to subsidiaries of HK$314,002,000 (2012: HK$38,150,000), which are denominated in Hong Kong dollars, all balances due from/(to) subsidiaries are denominated in Renminbi.

Particulars of the principal subsidiaries of the Company are detailed in Note 36.

31 INVESTMENT IN AN ASSOCIATED COMPANY

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

	Group	
	2013	2012
	HK$'000	HK$'000
Revenue	**668**	1,960
Loss after income tax	**(3,237)**	(1,815)

	2013	2012
	HK$'000	HK$'000
Non-current assets	**1,704**	3,391
Current assets	**513**	1,224
Current liabilities	**(12,098)**	(10,976)
Net liabilities	**(9,881)**	(6,361)

The Group has not recognised losses amounting to HK$3,237,000 (2012: HK$1,815,000) for Taizhou New World Department Store Co., Ltd for the year ended 30 June 2013. The accumulated losses not recognised were HK$9,370,000 (2012: HK$6,133,000).

Details of the associated company are as follows:

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

32 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 2013 HK$'000	2012 HK$'000
Contracted but not provided for	**692,018**	119,785
Authorised but not contracted for	**–**	2,690
	692,018	122,475

On 27 May 2013, NWDSI entered into an agreement with independent third parties to acquire the entire equity interest in Hongxin Co. The capital commitment in relation to this transaction, contracted but not provided for, is approximately HK$314,557,000.

(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 2013 HK$'000	2012 HK$'000
Within one year	**761,590**	651,277
In the second to fifth year	**3,226,807**	3,277,078
After the fifth year	**6,534,455**	7,793,458
	10,522,852	11,721,813

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

	Group 2013 HK$'000	2012 HK$'000
Within one year	**380,911**	313,061
In the second to fifth year	**795,613**	678,982
After the fifth year	**254,459**	204,556
	1,430,983	1,196,599

The above lease commitment only include commitment for basic rentals, and do not include commitment 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.

33 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

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

	2013 HK$'000	2012 HK$'000
Property, plant and equipment (Note 15)	–	55,553
Investment property (Note 16)	–	1,792,555
Inventories	–	24,502
Debtors	–	16,618
Prepayment, deposits and other receivables	–	67,952
Cash and cash equivalents	–	91,224
Deferred income tax liabilities (Note 28)	–	(196,839)
Creditors, accruals and other payables	–	(566,375)
Long-term borrowings	–	(712,111)
Net assets acquired	–	573,079
Analysis of net cash flow from acquisition of subsidiaries		
Purchase consideration settled in cash	–	(1,066,377)
Cash and cash equivalents in subsidiaries acquired	–	91,224
Net cash outflow from acquisition of subsidiaries	–	(975,153)

(b) Analysis of gain on disposal of property, plant and equipment, and land use rights

	2013 HK$'000	2012 HK$'000
Net book amount	360,817	15,385
Loss on disposal of property, plant and equipment, and land use rights	(60,432)	(12,796)
Proceeds from disposal of property, plant and equipment, and land use rights	300,385	2,589

34 BUSINESS COMBINATION

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

In November 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Lanzhou New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB3,500,000 (equivalent to approximately HK$4,298,000).

Details of net liabilities acquired and goodwill were as follows:

	HK$'000
Purchase consideration	
– Cash paid	4,298
Fair value of net liabilities acquired	117,980
Goodwill (Note 18)	122,278

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

	HK$'000
Property, plant and equipment	28,420
Inventories	5,778
Debtors	2,495
Prepayment, deposits and other receivables	13,337
Deferred income tax assets	21,268
Cash and cash equivalents	42,852
Creditors, accruals and other payables	(232,130)
Net liabilities acquired	(117,980)
Purchase consideration settled in cash	(4,298)
Cash and cash equivalents in a subsidiary acquired	42,852
Net cash inflow from acquisition of a subsidiary	38,554

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

34 BUSINESS COMBINATION (continued)

(b) Acquisition of Moral High Limited

In November 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Moral High Limited ("MHL"), a limited liability company incorporated in Samoa and its wholly-owned subsidiary, Peak Moral High Commercial Development (Shanghai) Co., Ltd ("PHL"), a limited liability company incorporated in the PRC, for a gross consideration of RMB1,460,000,000 (equivalent to approximately HK$1,792,555,000) less outstanding bank borrowing amount of RMB580,000,000 (equivalent to approximately HK$712,111,000) and an adjustment amount to the net liabilities of MHL and PHL as at the date of acquisition. The net consideration is equivalent to approximately HK$1,055,911,000. The principal activities of MHL is the investment holding and PHL is the property holding and the operation of a retail business in Shanghai.

Details of net assets acquired and goodwill were as follows:

	HK$'000
Purchase consideration	
– Cash paid	1,055,911
Fair value of net assets acquired	(792,735)
Goodwill (Note 18)	263,176

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

	HK$'000
Investment property	1,792,555
Debtors	1,464
Prepayment, deposits and other receivables	4,580
Cash and cash equivalents	13,705
Creditors, accruals and other payables	(55,910)
Bank borrowing	(712,111)
Deferred income tax liabilities	(251,548)
Net assets acquired	792,735
Purchase consideration settled in cash	(1,055,911)
Cash and cash equivalents in a subsidiary acquired	13,705
Net cash outflow from acquisition of a subsidiary	(1,042,206)

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

34 BUSINESS COMBINATION (continued)

(c) Acquisition of Beijing New World Liying Department Store Co., Ltd.

In January 2012, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Beijing New World Liying Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5,000,000 (equivalent to approximately HK$6,168,000).

Details of net liabilities acquired and goodwill were as follows:

	HK$'000
Purchase consideration	
– Cash paid	6,168
Fair value of net liabilities acquired	101,676
Goodwill (Note 18)	107,844

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

	HK$'000
Property, plant and equipment	27,133
Inventories	18,724
Debtors	12,659
Prepayment, deposits and other receivables	50,035
Deferred income tax assets	33,441
Cash and cash equivalents	34,667
Creditors, accruals and other payables	(278,335)
Net liabilities acquired	(101,676)
Purchase consideration settled in cash	(6,168)
Cash and cash equivalents in a subsidiary acquired	34,667
Net cash inflow from acquisition of a subsidiary	28,499

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

35 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:

	Notes	2013 HK$'000	2012 HK$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	(100,097)	(97,678)
Building management expenses	(ii)	(26,778)	(21,197)
Reimbursement of shopping vouchers	(iii)	3,325	3,714
Sales of goods, prepaid shopping cards and vouchers	(iv)	5,935	6,474
Deposit paid for purchase of building and land use rights	(v)	(133,433)	(101,231)
Related companies			
Concessionaires commissions	(vi)	131,061	111,334
Operating lease rental expenses	(i)	(270,562)	(258,567)
Building management expenses	(ii)	(25,312)	(22,960)
Sales of goods, prepaid shopping cards and vouchers	(iv)	48,247	18,464
Rebates on prepaid shopping cards and vouchers	(vii)	311	385
Other service fee expenses	(viii)	(270)	(288)

Notes:

(i) The operating lease rental expenses are charged in accordance with respective tenancy agreements and reported in accordance with accounting policy of operating leases as disclosed in Note 2.12.

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

(iii) The reimbursement of shopping vouchers is charged in accordance with respective agreements with NWCL or its subsidiaries and Chow Tai Fook Jewellery Group Limited, a related company of the Company, or its subsidiaries ("CTF Jewellery Group").

(iv) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers issued by the Group to the subsidiaries of New World Development Company Limited (except the Group) and CTF Jewellery Group.

(v) This represents deposits paid for the purchase of building and land use right as described in Note 20 (a) and (b).

(vi) The income is charged in accordance with concessionaire counter agreements with CTF Jewellery Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(vii) This represents rebates offered by the CTF Jewellery Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and the CTF Jewellery Group.

(viii) This represents insurance and cleaning services provided by the companies owned by Mr. Doo, an associate of certain Directors.

35 RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

The details for balances with related parties are disclosed in Notes 22 and 29 to the financial statements.

(c) Key management compensation

All Directors are considered as key management and their emoluments have been disclosed in Note 10 (a) to the financial statements. The emoluments payable to other key management are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	5,196	4,881
Bonus	396	211
Share-based payments	68	326
Retirement benefit costs – defined contribution plans	356	391
	6,016	5,809

The emoluments of above key management of the Group were within the following bands:

	Number of individuals 2013	 2012
HK$1,000,000 – HK$1,500,000	–	2
HK$1,500,001 – HK$2,000,000	2	2
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	1	–
	3	4

36 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2013 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and 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	–
China Sincere Limited	British Virgin Islands	Financing/ Hong Kong	US$1	100	–
Anshan New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB25,000,000	–	100
Beijing New World Liying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB8,787,930	–	100
Beijing New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$60,000,000	–	100
Beijing New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB25,000,000	–	100
Beijing Shishang New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100
Beijing Yixi New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB65,000,000	–	100
Changsha New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB60,000,000	–	100
Chengdu New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB20,000,000	–	100
Chongqing New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB100,000,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
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	–
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB16,000,000	100	–
Lanzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB22,282,260	–	100
Mianyang New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB14,000,000	–	100
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
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
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	Mainland China	Property investment and shopping mall operation/ Mainland China	US$40,000,000	–	100
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB30,000,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB18,000,000	–	100
Shenyang New World Department Store Ltd.	Mainland China	Property investment and department store operation/Mainland China	RMB30,000,000	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB40,000,000	–	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$50,000,000	–	100
Shanghai New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$100,000,000	–	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
Wuhan New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB75,000,000	–	100
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and department store operation/Mainland China	US$15,630,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
Wuhan New World Trendy Department Store Co., Ltd	Mainland China	Department store operation/Mainland China	RMB80,000,000	100	–
Wuhan New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100
Xi'an New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB21,993,832	–	100
Yancheng New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$40,000,000	–	100
Yunnan New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB10,000,000	–	100
Zhengzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100

37 EVENTS AFTER THE REPORTING PERIOD

On 27 May 2013, NWDSI entered into an agreement with independent third parties to acquire the entire equity interest in Hongxin Co, for a gross consideration of RMB1,250,000,000 (subject to further adjustments). Hongxin Co owns and operates a shopping mall in Shanghai. The acquisition was completed on 30 July 2013.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid (Note)	1,576,232
Fair value of net assets acquired	(1,568,046)
Goodwill	8,186

37 EVENTS AFTER THE REPORTING PERIOD (continued)

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

	HK$'000
Investment property	1,898,734
Cash and cash equivalents	28,467
Creditors, accruals and other payables	(34,387)
Deferred income tax liabilities	(324,768)
Net assets acquired	1,568,046
Purchase consideration settled in cash	(1,576,232)
Cash and cash equivalents in a subsidiary acquired	28,467
Net cash outflow from the acquisition of a subsidiary	(1,547,765)

Note:

Approximately HK$683,544,000 of cash paid represented the repayment of outstanding bank borrowings of Hongxin Co immediately prior to acquisition.

38 ULTIMATE HOLDING COMPANY

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