ANNUAL REPORT

happy shopping ★ bespoke experiences

2015

新世界百貨中國有限公司
New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)
(Hong Kong Stock Code : 825)

時新尚個生性活
Enriching Lives Enhancing Character

CORPORATE PROFILE

New World Department Store: Quality Merchandise For Quality Living

New World Department Store China Limited (Hong Kong Stock Code: 825) is the retail flagship of New World Development Company Limited (Hong Kong Stock Code: 17), which owns about 72% shares of the Group. As one of the largest owners and operators of department stores in Mainland China, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. After decades of hard work, the Group has been widely recognized as a retailer of quality merchandise and a symbol of quality living.

Securing Strategic Footholds: Our Network

To establish ourselves as a leading department store operator in Mainland China, the Group has been proactively expanding our store network across the country. As at 30 June 2015, we operated and managed 39 self-owned stores and four managed stores in Mainland China with a total gross floor area of approximately 1,667,780 square meters, including 31 "New World" branded department stores and 12 "Ba Li Chun Tian" (巴黎春天) branded department stores and shopping malls in Shanghai, covering 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao and Yantai.

Tapping Into China's Growing Affluence: Our Target Market

Our goal is to develop our stores as "Living Galleries" for one-stop shopping and "Fashion Galleries" for themed shopping. "Living Galleries" target people of all ages and both genders, with 20% to 30% of the store operating area being reserved for complementary facilities, such as restaurants, fitness centers, beauty salons and children's playgrounds, to satisfy people from all walks of life. "Fashion Galleries" are positioned as "Trendy" department stores with the elements of "Characters" and "Taste", emphasizing "Mix & Match" by introducing exclusive brands and merchandise. Our revenue is mainly derived from four sources: commission income from concessionaire sales, sales of goods for direct sales and rental income in our self-owned stores, and management and consultancy fees.

Efficient Management: Our Organizational Structure

For organizational structure, the Group adopts an efficient three-tier management structure which comprises central management, regional management and local management. Operation-wise, the Group divides the national store network into three operating regions that leverage the headquarters' administrative support in human resources, finance and corporate communications to enable higher level of flexibility on resource deployment.

Professionalism From Top To Bottom: Our People

As at 30 June 2015, the Group employed 4,949 people, with the majority being local recruits. Well-trained and motivated, the whole crew is united under the leadership of a management team with over two-decade relevant experience in pursuit of our vision and mission.

CONTENTS

GOAL

To be China's most influential department store chain operator with the highest efficiency.

MISSION

To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China.

CONVICTION

Embracing "innovation, foresight, integrity, prudent and respect" in our core values lays a promising development path for NWDS in future.

MILESTONES 2014


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JULY

- NWDS Management Academy's "Core Talents Nurturing Plan" won the "Value Case Award" and the "Best Practice Award" in the "China Learning & Development Value Awards 2014" organized by HR Excellence Centre

AUGUST

- Held the first "Outstanding Volunteers and Volunteer Stars Selection Contest" in recognition of the Group's outstanding volunteers

SEPTEMBER

- Staged the annual performance of the "@Dream Program" to enable the benefited students to showcase their learning results over the past year 1

OCTOBER

- FY2013 Annual Report won the "Citation for Design" in the "2014 Best Annual Reports Awards" organized by The Hong Kong Management Association for the first time
- FY2013 Annual Report won the Gold Award in the category of "Annual Reports – Overall Presentation: Retail – Department Store" in the 2014 Galaxy Awards
- Hong Kong Office successfully reduced carbon emission by 4% in FY2014 and was awarded the "Carbon Reduction Certificates" in the "Carbon Reduction Certificates Scheme"

NOVEMBER

- Title-sponsored the "NWDS Sowers Action Challenging 12 Hours Charity Marathon 2014" for the first time, making a donation of HK$450,000 2
- Opened its 12th self-owned store in Shanghai, Shanghai 118 Branch Store, with a total GFA of approximately 62,600 sq.m. It is the Group's first large scale retail project that adopts a department store-shopping mall hybrid model 3

DECEMBER

- Presented the first standalone sustainability report, "NWDS Sustainability Report 2014", which made NWDS one of the first department store chain operators in Mainland China to publish such report 4
- Won the Gold Award in the category of "Financial Performance, Corporate Governance and Environment Responsibility" of "The Asset Corporate Awards 2014"
- Appointed Korean pop star, Jun Ji-hyun, as the Group's ambassador and launched a nationwide inter-store marketing campaign, "Your Happiness Counts on Me", to embody the Group's stylish image 5
- NWDS Management Academy was accredited as the "China's Best Corporate University" in the "Chinese Corporate University Rankings" for the second consecutive year 6

2015

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JANUARY

- Garnered the "2014 China Charity – Group Award" in "2014 China Charity Festival", while its "@Dream Program" and "Go Green with NWDS" won the honors of "2014 Best Charity Project" and "2014 Best Green Project" respectively 7
- Acquired Well Metro Group Limited, which engages in the distribution and retailing of fashion apparel and accessories in Mainland China, to expand the Group's direct sales business 8
- Hong Kong Office was granted the "Bronze Award for Volunteer Service" by the Social Welfare Department for the second consecutive year

FEBRUARY

- FY2014 Annual Report received the Bronze Award in the category of "Annual Reports – Overall Presentation: Department Store" and the Gold Award in the category of "Annual Reports – Cover Design: Drawings/ Illustrations" in 2014/15 Mercury Awards

APRIL

- FY2014 Annual Report received the Silver Award in the category of "Annual Reports – Covers: Artistic" and the Honors Award in the category of "Annual Reports – Covers: Graphics & Text" in 2015 Astrid Awards
- Garnered the honors of the "Best Investor Relations Company (Hong Kong)" and the "Best Investor Relations Professional (Hong Kong)" in the "5th Asian Excellence Recognition Awards" 9

MAY

- Launched a nationwide inter-store marketing campaign called "Blast of Joy III – Celebrating the 22nd Anniversary", offering multiple shopping discounts 10

JUNE

- Organized various soccer-inspired competitions and games for over 900 under-resourced children in Mainland China in the second "Volunteer Month" 11
- Announced to continue to title-sponsor the "NWDS Sowers Action Challenging 12 Hours Charity Marathon 2015" 12

JULY

- FY2014 Annual Report and Sustainability Report achieved record-breaking results of 13 awards in the LACP 2014 Vision Awards Annual Report Competition
- FY2014 Annual Report and Sustainability Report won three awards in the 2015 International ARC Awards

RETAIL NETWORK

43 Strategic Footholds in 21 Major Cities

Beijing	5	Shanghai	12
Tianjin	1	Ningbo	3
Yanjiao	1	Nanjing	1
Yantai	1	Yancheng	1
Lanzhou	1		
Xi'an	1	Wuhan	5
Harbin	1	Changsha	1
Shenyang	2	Zhengzhou	1
Dalian	1	Chengdu	1
Anshan	1	Chongqing	1
		Kunming	1
		Mianyang	1

Approx. Gross Floor Area

708,950 sq.m.

Approx. Operating Floor Area

554,660 sq.m.

NORTHERN CHINA REGION

Beijing Store

Date of Opening
July 1998
Approx. GFA
116,900 sq. m.

Beijing Trendy Store

Date of Opening
March 2007
Approx. GFA
31,200 sq. m.

Beijing Liying Store

Date of Opening
September 2008
Approx. GFA
52,000 sq. m.

Beijing Shishang Store

Date of Opening
May 2010
Approx. GFA
40,000 sq. m.

Beijing Qianzi Store

Date of Opening
September 2010
Approx. GFA
40,000 sq. m.

Tianjin Store

Date of Opening
October 1997
Approx. GFA
57,000 sq. m.

Yanjiao Store

Date of Opening
April 2013
Approx. GFA
32,000 sq. m.

Yantai Store

Date of Opening
December 2013
Approx. GFA
55,600 sq. m.

Lanzhou Store

Date of Opening
September 2005
Approx. GFA
28,500 sq. m.

Xi'an Store

Date of Opening
December 2012
Approx. GFA
58,500 sq. m.

Harbin Store

Date of Opening
November 1996
Approx. GFA
50,000 sq. m.

Shenyang Zhonghua Road Branch Store

Date of Opening
December 2005
Approx. GFA
44,000 sq. m.

Shenyang Jianqiao Road Branch Store

Date of Opening
May 2011
Approx. GFA
34,000 sq. m.

Dalian Store

Date of Opening
November 2002
Approx. GFA
32,000 sq. m.

Anshan Store

Date of Opening
October 2007
Approx. GFA
37,250 sq. m.

SOUTH EASTERN CHINA REGION

Shanghai Huaihai Branch Store

Date of Opening
December 2001
Approx. GFA
22,500 sq. m.

Shanghai Xinning Branch Store

Date of Opening
January 2002
Approx. GFA
21,000 sq. m.

Shanghai Hongkou Branch Store

Date of Opening
October 2003
Approx. GFA
19,600 sq. m.

Shanghai Changning Branch Store

Date of Opening
September 2004
Approx. GFA
6,680 sq. m.

Shanghai Qibao Branch Store

Date of Opening
December 2005
Approx. GFA
36,550 sq. m.

Shanghai Wujiaochang Branch Store

Date of Opening
December 2006
Approx. GFA
44,000 sq. m.

Shanghai Pujian Branch Store

Date of Opening
September 2007
Approx. GFA
46,000 sq. m.

Shanghai Baoshan Branch Store

Date of Opening
January 2010
Approx. GFA
39,000 sq. m.

Shanghai Chengshan Branch Store

Date of Opening
April 2010
Approx. GFA
38,000 sq. m.

Shanghai Shaanxi Road Branch Store

Date of Opening
November 2011
Approx. GFA
42,000 sq. m.

Shanghai Tianshan Road Branch Store

Date of Opening
August 2013
Approx. GFA
43,000 sq. m.

Shanghai 118 Branch Store

Date of Opening
November 2014
Approx. GFA
62,600 sq. m.

Ningbo Store

Date of Opening
April 1998
Approx. GFA
10,000 sq. m.

Ningbo Trendy Store

Date of Opening
November 2004
Approx. GFA
11,500 sq. m.

Ningbo Beilun Store

Date of Opening
September 2012
Approx. GFA
60,000 sq. m.

Nanjing Store

Date of Opening
November 2007
Approx. GFA
41,200 sq. m.

Yancheng Store

Date of Opening
December 2012
Approx. GFA
51,400 sq. m.

Approx. Gross Floor Area
595,030 sq.m.
Approx. Operating Floor Area
507,420 sq.m.

CENTRAL WESTERN CHINA REGION

Wuhan Store

Date of Opening
November 1994
Approx. GFA
42,000 sq. m.

Wuhan Trendy Plaza

Date of Opening
December 2001
Approx. GFA
23,000 sq. m.

Wuhan Wuchang Branch Store

Date of Opening
October 2005
Approx. GFA
24,000 sq. m.

Wuhan Xudong Branch Store

Date of Opening
January 2008
Approx. GFA
31,700 sq. m.

Wuhan Hanyang Branch Store

Date of Opening
November 2008
Approx. GFA
53,000 sq. m.

Changsha Trendy Plaza

Date of Opening
September 2006
Approx. GFA
35,000 sq. m.

Zhengzhou Store

Date of Opening
April 2011
Approx. GFA
35,500 sq. m.

Chengdu Store

Date of Opening
December 2006
Approx. GFA
30,000 sq. m.

Approx. Gross Floor Area
363,800 sq.m.
Approx. Operating Floor Area
284,150 sq.m.

Chongqing Store

Date of Opening
September 2006
Approx. GFA
42,000 sq. m.

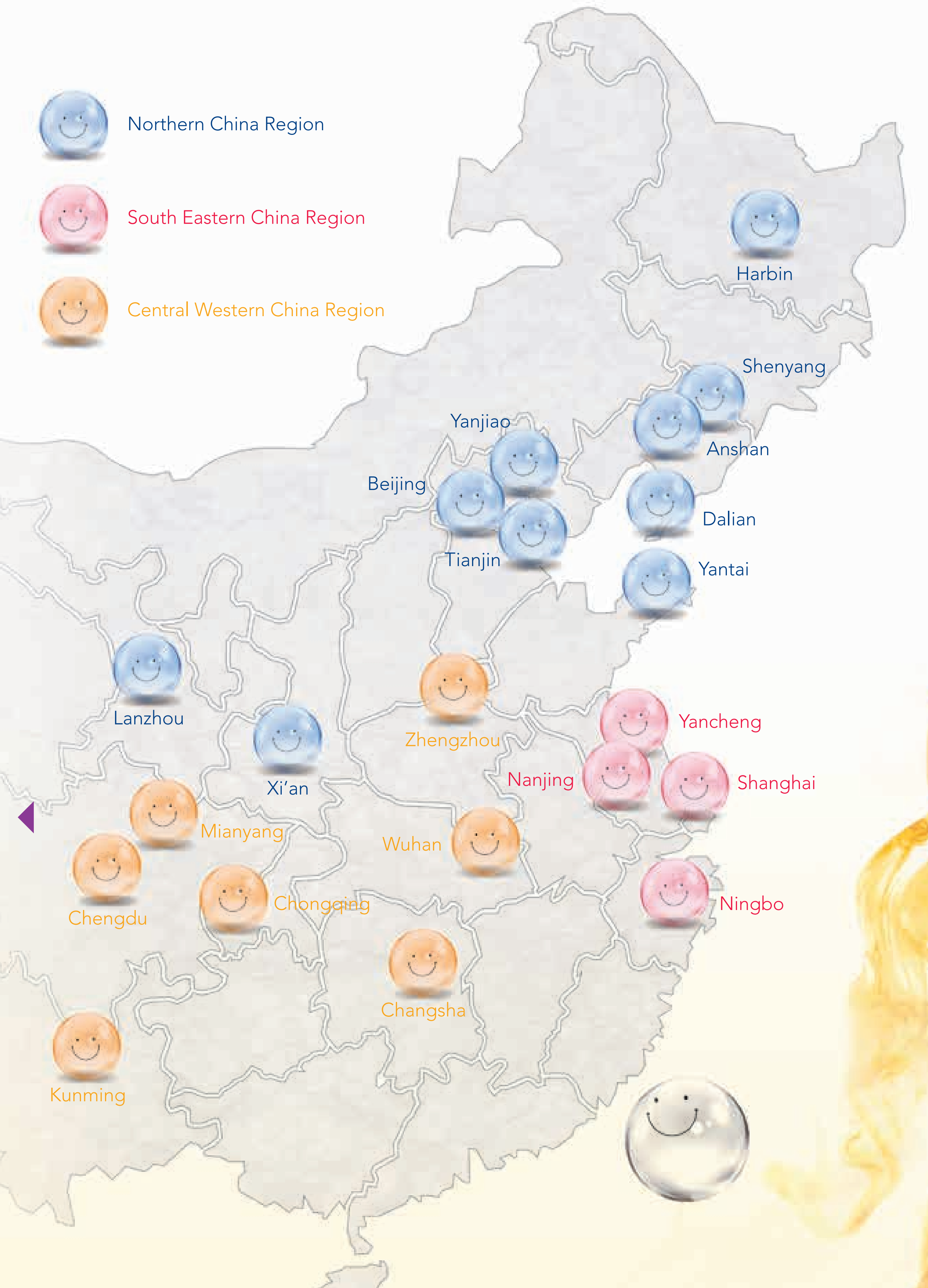
Kunming Store

Date of Opening
June 2004
Approx. GFA
12,600 sq. m.

Mianyang Store

Date of Opening
December 2011
Approx. GFA
35,000 sq. m.

LIVING GALLERY FASHION GALLERY



FINANCIAL HIGHLIGHTS

Profit for the year:

HK$69,741 thousand

	2015 HK$'000	2014 HK$'000
Operating Result		
Revenue	**4,029,351**	4,136,206
Representing:		
Commission income from concessionaire sales	**2,441,660**	2,635,070
Sales of goods – direct sales	**895,410**	787,058
Management and consultancy fees	**53,565**	55,970
Rental income	**638,716**	658,108
Operating profit	**230,862**	677,209
Profit for the year	**69,741**	520,525

	As at 30 June 2015 HK$'000	As at 30 June 2014 HK$'000
Financial Position		
Fixed deposits, cash and cash equivalents	**2,115,917**	1,527,112
Total assets	**13,167,078**	12,678,540
Total liabilities	**6,874,441**	6,261,997
Total equity	**6,292,637**	6,416,543

	2015	2014
Financial Ratios		
Revenue growth	**-2.6%**	3.1%
Commission income rate	**18.1%**	17.8%
Gross margin of direct sales	**19.7%**	14.7%

CHAIRMAN'S STATEMENT

2015 has been a particularly difficult year for Chinese retailers. Global economic growth continued to slow down as a result of weakened U.S. industrial output, lower-than-expected growth in emerging economies and the Greek debt crisis. The situation further deteriorated when China's economy, which is currently at the stage of "superimposition of three periods" of slower economic growth, economic restructuring and initial adaptation to new policies, lost its growth momentum due to the stock market tumble and reported a GDP growth of 7.3% in 2014. Looking at China's consumer market from a macro perspective, the emergence of e-commerce and changes in consumer behavior made the operating environment of retailers continue to be challenging.

As President Xi Jinping mentioned during the reform period, "the inherent difficulty of reform entails extraordinary courage", the Group downsized Shenyang Jianqiao Road Branch Store, closed Wuhan Qiaokou Branch Store and reduced our workforce during the year under review. Going forward, we will take immediate actions against underperforming or loss-making stores and exercise stringent cost control. The effects are expected to manifest in FY2016. Challenging market conditions have prompted the Group to review our business direction. As one of the largest lifestyle department stores in Mainland China, the Group recognizes that our merchandise and service offerings have to address the "living" and "lifestyle" needs of mass consumers, thus strived to increase in-store dining and lifestyle leasing projects during the year under review. In addition, the Group plans to set foot in bakery business, providing low-oil, low-fat, low-sugar European-style artisan bread which is handmade and store-baked, to meet Chinese consumers' pursuit of taste and health.

For the year ended 30 June 2015, the Group's revenue was HK$4,029.4 million, representing a decrease of 2.6% from the Previous Year. Profit for the year was HK$69.7 million. Excluding net other losses, changes in fair value of investment properties and its related income tax expense and other non-core items, core profit for the year was HK$264.1 million. The Board of Directors resolved to distribute a final dividend of 1.8 HK cents per share.

In response to the market environment, the Group downsized one store, brought one store into closure and slowed the pace of business development during the year under review. The Group only opened Shanghai 118 Branch Store, the 12th self-owned store in Shanghai, in November 2014. This move was to carry through the prudent expansion strategy of "multiple presences within a single city" to achieve economies of scale so that marginal operating cost can be reduced. The store is the Group's first large-scale department store-shopping mall hybrid retail project, with a total GFA of approximately 62,600 sq.m. As at 30 June 2015, the Group operated and managed 39 self-owned stores and four managed stores across 21 major cities in Mainland China, with a total GFA of approximately 1,667,780 sq.m.

Against the backdrop of policies promoting sportswear consumption and increasing children-related expenditures, during the year under review, the Group strengthened its sportswear and children's merchandise mix accordingly and actively introduced featured catering, fitness centers, entertainment facilities and other experiential consumption projects into the stores to enhance customers' shopping experience. Furthermore, the Group executed the "Happy New World" project launched in June 2014 and subsequently organized "Happy Ping-Pong", which invited celebrities to interact with customers at stores, and many nationwide inter-store marketing campaigns such as "Your Happiness Counts on Me" and "Million-dollar Rewards for All". Meanwhile, the Group made a historic move to appoint Korean pop star Jun Ji-hyun as our corporate ambassador, and commenced to install synthetic ice rinks, giant slides and other entertainment facilities which are expected to complete from September 2015 onwards to further spread our new "Happy Shopping" philosophy.

Entering the mobile Internet era, during the year under review, the Group increased the usage of online-to-offline (O2O) marketing strategies and constantly interacted with customers through WeChat and Weibo. The Group also fostered cross-industry collaborations with Baidu, Alibaba, Tencent, China Mobile Games and Entertainment, Mai Chang and Phoenix Travel, directing online traffic from various channels to NWDS' brick and mortar stores. Simultaneously, the Group optimized its in-store Wi-Fi infrastructures to facilitate the pushing of in-store mobile sales notifications and successfully cooperated with Alibaba to enable Alipay's QR-code payment at our stores to make shopping faster and easier. On the other hand, the Group attaches great importance to the relationship with our VIP members and thus continuously optimized the membership program through analyzing customer data collected from various channels, striving to provide our valued customers with new shopping experience and stylish privileges. As at 30 June 2015, our VIP members in Mainland China amounted to over 3.8 million.

To offer unique brand offerings and shopping experience, during the year under review, the Group expanded its direct sales business into lifestyle premiums and fashion apparel. LOL (Love • Original • Life) Concept Shop, the Group's private label, introduced a lot of "same-day worldwide release, nationally exclusive and first in the country" lifestyle premiums and enhanced customers' interactive experience with in-store projector screens and iPad product directories. LOL also plans to extend its product offerings to books, coffee and derivatives from art exhibitions to attract more young customers. In view of the increasing demand for stylish apparel and accessories supported by the rise of middle class, the Group thus acquired Well Metro Group Limited, the distribution agent of three Italian high-end fashion brands, namely MOSCHINO, LOVE MOSCHINO and REDValentino, in January 2015. During the year under review, MOSCHINO opened concept shops in Beijing and Shanghai, while REDValentino set up a new store in Beijing, increasing the total number of specialty stores of the three brands in the country to 34. Going forward, the Group will build a featured European-style artisan bakery brand to bring healthy-eating ingredients and concepts into the life of consumers.

As a socially responsible company, the Group published its first standalone sustainability report in December 2014, and continued to deepen various sustainability programs with the active adoption of online promotion to enhance public participation. Our achievements included the annual performance of "@Dream Program", title-sponsoring of the "NWDS Sowers Action Challenging 12 Hours Charity Marathon" for the first time to help mainland under-resourced students, the first "Reaching Out to Nature" activity to lead about 2,000 customers to explore the nature, successful reduction of total electricity consumption by more than 2% and the accomplishment of the first nationwide carbon audit. The Group's sustainability initiatives were fully supported by employees across different levels and the number of NWDS volunteers surged to over 2,500 during the year under review, participating in over 260 volunteer activities and contributing about 6,700 volunteer hours. In addition, the Group's sustainability performance earned industry-wide recognition and garnered nearly 20 local and international awards during the year under review.

Looking forward, as the government has recently launched the policies related to increasing infrastructure investments, promoting prudent monetary policies and reducing tariffs, the market generally believes that the results may not manifest immediately but they could bring positive impact to China's economy in the long run. Moreover, the fundamental changes of Chinese consumption demands, such as the shifting of consumer behavior to an enjoyment-led consumption mode, new urbanization and the rise of middle class, are expected to further unleash domestic consumption power. Domestic consumption is still regarded as the major driver of China's economic growth. The Group is prudently optimistic about the long-term outlook of China's retail industry and pledges to cater for the needs of mass consumers with further rejuvenation and keeping up with the market trends, so as to become one of the leading lifestyle department stores in Mainland China.

Here on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, customers, business partners and employees for their support and trust. As always, we will continue our efforts in ensuring the stable development of the Group to secure a reasonable return on investment for our shareholders.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong,
23 September 2015

INSIGHTFUL MARKET POSITIONING

Building up Leading Fashion and Living Department Store Style

BUSINESS REVIEW

During the year under review, the Group's revenue declined by 2.6% from HK$4,136.2 million in FY2014 (or the "Previous Year") to HK$4,029.4 million in FY2015 (or the "Current Year"). Profit for the year was HK$69.7 million.

Business Network

During the Current Year, the Group operated 41 department stores and two shopping malls, with a total gross floor area ("GFA") of about 1,667,780 square metres ("sq.m.") and a total operating floor area ("OFA") of about 1,346,230 sq.m. Located in three operating regions, namely Northern China, South Eastern China and Central Western China, the stores covered 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao, and Yantai with 39 self-owned stores and four managed stores.

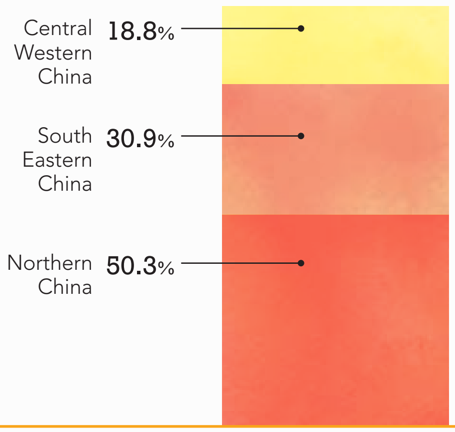
Revenue Contribution

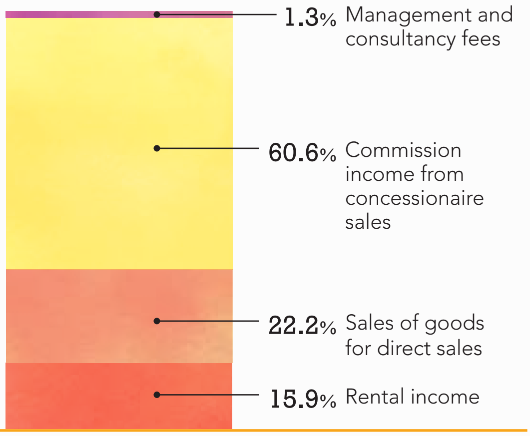
By Region

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 50.3% of revenue, followed by the South Eastern China Region and the Central Western China Region, accounting for 30.9% and 18.8% respectively.

By Segment

Commission income from concessionaire sales was the major source of income, accounting for 60.6% of revenue. Sales of goods for direct sales and rental income accounted for 22.2% and 15.9% respectively. Management and consultancy fees accounted for 1.3%.





Store Network Development

During the year under review, the Group opened its 12th self-owned store in Shanghai, Hong Kong New World Department Store – Shanghai 118 Branch Store ("Shanghai 118 Branch Store"), with a total GFA of approximately 62,600 sq.m. It is the Group's first large-scale retail project that adopts a department store-shopping mall hybrid model, further reinforcing its market presence in Shanghai. In addition, the Group acquired Well Metro Group Limited ("Well Metro Group") in January 2015 and planned to develop the apparel brands it represents, namely MOSCHINO, LOVE MOSCHINO and REDValentino, and leverage its merchandising experience for the further expansion of the Group's direct sales business.

As at 30 June 2015, the Group's total GFA was approximately 1,667,780 sq.m. The total GFA of self-owned stores was approximately 1,512,080 sq.m.

VIP Members
Over
3,800,000

VIP Sales Contribution
51%

NORTHERN CHINA REGION

Beijing Qianzi Store

Northern China Region		Population As of the End of 2014	Local Gross Domestic Product in 2014 (RMB)	Gross Domestic Product Per Capita in 2014 (RMB)	Per Capita Disposable Income in 2014 (RMB)	Total Retail Sales of Consumer Goods in 2014 (RMB)
Northern District	Beijing	21.52 million	2,133.1 billion	99,995	43,910	909.8 billion
	Tianjin	15.17 million	1,572.2 billion	103,639*	31,506	473.9 billion
	Langfang (inc. Yanjiao)	4.52 million	205.6 billion	45,487*	21,061	72.4 billion
	Yantai	7.00 million	600.2 billion	85,795	35,791	237.8 billion
	Lanzhou	3.67 million	191.4 billion	52,378	23,030	94.5 billion
	Xi'an	8.63 million	547.5 billion	63,441*	36,100	287.3 billion
North Eastern District	Harbin	9.87 million	533.3 billion	53,750	28,816	307.1 billion
	Shenyang	8.29 million	709.9 billion	85,816	31,720	357.0 billion
	Dalian	5.94 million	765.6 billion	109,939	33,591	282.8 billion
	Anshan	3.48 million	238.6 billion	68,369	27,846	89.7 billion

Source:

Beijing:	Beijing Statistical Information Net
Tianjin:	Tianjin Statistical Information Net
Langfang (Yanjiao):	Government's Official Web Portal of "Langfang·China", Hebei Provincial Bureau of Statistics
Yantai:	Yantai Statistical Information Net
Lanzhou:	Lanzhou Municipal Bureau of Statistics
Xi'an:	Xi'an Municipal Bureau of Statistics
Harbin:	Harbin Statistical Information Net
Shenyang:	Shenyang Statistical Information Net
Dalian:	Dalian Statistical Information Net
Anshan:	Anshan Statistical Information Net

* Calculated figure: Local Gross Domestic Product in 2014 divided by population as of the end of 2014

To balance the economic development of Northern China, multiple policies are launched to accelerate the economic restructuring

District Policies Complement and Lead Balanced Development in the Northern China Region

Due to the differences in economic structure, strength and policies of respective provinces and municipal cities in the Northern China Region, their economic performance during the year under review went in different directions. In Northeastern China, shrinking oil production, slowdown in infrastructure investments and coal price slump struck traditional heavy industry-dominated provinces including Liaoning, Jilin and Heilongjiang. The diminishing profit margins of local enterprises brought many companies to closure and slowed the economic growths of the mentioned three provinces in 2014 to 5.8%, 6.5% and 5.6% respectively, which ranked in the bottom five in the country. Benefited from the Beijing-Tianjin-Hebei collaborative development plan, Beijing and Tianjin achieved a steady economic development with the per capita disposable income at RMB43,910 and RMB31,506 in 2014 respectively, ranking the second and the fifth in the country.

To balance the economic development in the Northern China Region, the country launched a number of policies to accelerate the economic restructuring of Northeastern China, such as the inclusion of Northeastern China in the "One Belt and One Road" strategy which steadily increases interconnection with neighboring countries and efforts on the E-port infrastructure, to build the China-Mongolia-Russia Economic Corridor. Coupled with the *Opinions on Several Major Initiatives Supporting the Revitalization of Northeast China* released by the State Council in August 2014, they are expected to foster the economic growth of Northeastern China in the long run and narrow the differences with other provinces and municipal cities in the region. Under the Beijing-Tianjin-Hebei collaborative development plan, Beijing and Tianjin made a significant progress in transportation integration and industrial upgrading and transfer, which is expected to further improve their purchasing power and economic growth. Combined the effects from different economic policies, the Northern China Region is expected to achieve a steady and balanced economic development.

Stores Blossom in the Northern China Region

During the year under review, the Group had a total of 15 stores in the Northern China Region, including: 10 in the Northern District, i.e., Beijing New World Department Store ("Beijing Store"), Beijing New World Trendy Department Store ("Beijing Trendy Store"), Beijing New World Liying Department Store ("Beijing Liying Store"), Beijing Shishang New World Department Store ("Beijing Shishang Store"), Beijing New World Qianzi Department Store ("Beijing Qianzi Store"), Tianjin New World Department Store ("Tianjin Store"), Yanjiao New World Department Store ("Yanjiao Store"), Yantai New World Department Store ("Yantai Store"), Lanzhou New World Department Store ("Lanzhou Store") and Xi'an New World Department Store ("Xi'an Store"); and five in the North Eastern District, i.e., Harbin New World Department Store ("Harbin Store"), Shenyang New World Department Store-Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store"), Shenyang New World Department Store-Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store"), Dalian New World Department Store ("Dalian Store") and Anshan New World Department Store ("Anshan Store"). Other than Dalian Store and Yanjiao Store, the remaining 13 stores are all self-owned stores.

Introduction of Renowned and Sportswear Brands to Enhance Stores' Appeal

The purchasing power of the Beijing-Tianjin-Hebei region grew significantly as a result of national policies, thus the Group introduced well-known brands, such as COACH, TEENIE WEENIE, GEOX and FANCL during the year under review to leverage brand's publicity to attract more customers. Stores in the Northern China Region also focused on optimizing category killers such as ladieswear by introducing Five Plus, ME&CITY, S·DEER, MATERIAL GIRL, etc. Some stores even expanded the operating area for ladieswear and set up small-scale display zones to further boost sales. As the emergence of younger consumer groups in China, stores in the region introduced cutting-edge designer brands with personal character, such as AJACCIO·W and M2, to provide customers with more personalized offerings.

On the other hand, policies promoting sportswear consumption and Beijing's successful bid for the Winter Olympics stimulated consumers' desire for sportswear products. Stores in the Northern China Region introduced international sportswear brands, such as Lafuma, LNC and SKECHERS, during the year under review. Yanjiao Store, which is next to Beijing, expanded the sportswear zone, while Xi'an Store moved sportswear and outdoor casual wear products to the floor with higher foot traffic, which in turn boosted the sales of menswear on the same floor.

Adding Catering and Recreational Facilities to Create a Pleasurable Shopping Environment

To tie in with the positioning of a lifestyle department store, stores in the Northern China Region paid close attention to customers' daily needs and thus introduced more lifestyle complementary facilities, such as women's yoga centers, beauty salons and essential oil experience stores. To be in line with the "Happy New World" project, stores in the region enriched their in-store recreational facilities in an attempt to create a happy shopping ambience, for instance, stores in Beijing commenced the construction of giant slides and Yantai Store planned to install a synthetic ice rink. As China's living standards improve, stores enriched the portfolio of quality lifestyle merchandise available at stores, such as Luolai Living Gallery, Beyond Kids and other bedding brands. Beijing Trendy Store opened a LOL Concept Shop, the Group's private label, which sells lifestyle products sourced around the world, to provide customers with unique merchandise.

In addition, in response to young parents' increasing attention on children's education and the related expenditure, stores in the Northern China Region introduced children education and training brands, such as Beidouxing Training School, Congmingwa Chess Club and Hanxiang Calligraphy and also enriched their kidswear brand mix and introduced Kappa, TEENIE WEENIE, LEGO and E•LAND KIDS. Tianjin Store even introduced a number of children's outdoor brands to address to young households' needs on casual wear while travelling.

Stores in the Northern China Region also kept on optimizing their in-store dining offerings to prolong customers' duration of stay during the year under review. For instance, Xi'an Store designated a dining area featuring northwestern Chinese catering to promote local cuisine; Anshan Store introduced featured catering brands from different parts of the world including Sao Paulo Brazilian Seafood Barbecue, Xiabuxiabu, Golden Lily Spicy Grilled Fish and Monbo Wonton; Yantai Store, located in the business circle of Yantai University, introduced STARBUCKS, BURGER KING and PIZZA HUT and other brands which are popular among youngsters, so as to cater to the diversified needs of different consumer groups.

Strengthening Regional Cooperation and Online-to-Offline Marketing to Enhance Promotion Effectiveness

During the year under review, stores in the Northern China Region continued a number of classic marketing campaigns. For instance, Beijing Store held the 16th well-known "60-hour Non-stop Mega Sales" with exciting activities including "50% Off on Winter Clothing" and limited time offers, such as "Door Opener Deals", "Mid-night Crazy Mobile Giveaway" and "Night Shopping Paradise" as well as joint sales promotion with a number of international brands, to drive around-the-clock consumption. During the campaign, the store provided shopping advisory services to offer purchasing and color matching tips to customers. The campaign was well received with sales amounting to about RMB160 million.

To better utilize supplier resources and enhance efforts of promotion, stores in the Northern China Region actively held regional inter-store marketing campaigns during the year under review. Five stores in Beijing stepped up joint promotion with Yanjiao Store and offered discounts for customers who chose to settle payments with Baidu Wallet during 2015 Chinese New Year and Easter. During the "Blast of Joy III – Celebrating 22nd Anniversary" in June 2015, the six stores offered a group-buying discount with Meituan.com, in which customers could get a RMB300 cash voucher at the expense of RMB269, enjoying bigger deals. The campaign was a great success, boosting stores' sales to over RMB41 million and managed to acquire Meituan.com's members as the Group's VIP members.

On the other hand, stores in the Northern China Region continued to feature pop stars and in-style elements in their marketing campaigns to create talk of the town and draw higher foot traffic. In March 2015, Beijing Store invited the Group's ambassador, the Korean pop star Jun Ji-hyun, to take part in the "Meet and Greet" activity to share her happy shopping experience. The activity managed to attract almost 10,000 onlookers, dramatically boosting the daily foot traffic by 34%. Ridding on the country-sweeping trend of the song "Little Apple", stores in the Northern China Region especially included the red-hot "Little Apple" performance in their activities to attract customers. For instance, Beijing Qianzi Store held the "Flash Mob on Little Apple" during a mobile giveaway promotional campaign in July 2014.

As smartphones have fused with our everyday life, stores in the Northern China Region greatly utilized Weibo and WeChat to disseminate brand promotion news and draw online traffic to offline stores through the organization of mobile activities, such as red packet giveaways, riddle games and voting with rewards as well as carrying out customer surveys in an economical way to increase members' loyalty. During the year under review, Beijing Qianzi Store offered a lot of great deals through WeChat platform, such as 90%-off movie tickets, free laundry voucher giveaways and scan-QR-code for free drinks. As a result, findings showed that 17% of the foot traffic came from the WeChat terminal. At the same time, stores in the Northern China Region proactively worked with e-commerce companies on O2O marketing. For instance, Lanzhou Store joined hands with Baidu Nuomi.com and offered group-buying vouchers in their 9th anniversary celebration to attract online consumers to shop and visit the 100-Panda Exhibition at the store.

Exclusive Privileges and Activities to Increase VIP Members' Loyalty

During the year under review, stores in the Northern China Region constantly offered non-resistible discounts to VIP members. For instance, Tianjin Store held the "VIP Spring Thanksgiving Day" in April 2015 with promotions including gift redemption with discounted bonus points, clothing coupons upon purchase and bike redemption upon a certain amount of purchase. As a result, VIP contribution to the total sales on that day was 64%; Shenyang Zhonghua Road Branch Store held the "Spring VIP Day" in March 2015 where VIP members could enjoy 10 times bonus points and free gifts upon the purchase of the newly-launched spring collection. More than 200,000 pieces of bonus-point-adding vouchers were issued in three days and the store's VIP contribution to total sales accounted for nearly 80%.

To improve the loyalty of VIP members, stores in the Northern China Region offered services exclusively for VIP members including small luggage storage, leather shoes maintenance, free cold drinks, manicure and massage. Stores also organized VIP-excusive activities including flowers arrangement, baking, pottery, yoga and skin care courses regularly. Furthermore, family activities were held on special days and festivals. For instance, Yanjiao Store integrated Father's Day and Dragon Boat Festival and held the "Rice Dumplings-charged Fathers • VIP Family Sports Game on Dragon Boat Festival", inviting fathers and children to take part in athlete games for prizes; Dalian Store held the "Draw a Moon Cake for Parents" and "Happy Halloween", attracting VIP families to join and celebrate the special days together.

Stores held a number of luxurious activities for high-spending VIP members. Harbin Store specially held a night banquet called "A Walk in Thailand" for Platinum N-VIP Card members, transforming the store to a mini Thailand and serving free Thai snacks, which was well received by customers; Xi'an Store invited 50 top-spending members to take part in the "Top 50 Wine Tasting" activity held jointly with Shaanxi Red Wine School to reward customers with the special privilege. During the year under review, the number of VIP members in the Northern China Region reached 1,912,000, which grew by 2.4% year-on-year and accounted for 58% of sales in the region.

Widely Recognized Performances with Awards in Different Areas

During the year under review, stores in the region garnered awards on marketing, operations and community services, becoming the industry's role model. For marketing, Dalian Store was given the title of "Pioneer Shopping Centre in Dalian" in the "Liao Power in the Grand Age" award ceremony held by ln.qq.com. Xi'an Store was entitled as "Advanced Entity in Expanding Consumption" in the outstanding enterprise selection of Xi'an city held by Xi'an Municipal of Commerce and *Chinese Business News*, which was in recognition of the store's quality marketing campaign. Besides, stores in the region were awarded for strictly complying with the regulations of local governments, and playing an active role in community services. For instance, Dalian Store was ranked as "2014 AAA Grade Corporate Taxpayer" by Dalian Municipal Office, State Administration of Taxation, while Beijing Liying Store was awarded the "Honor Certificate of Donations" by Chinese Foundation for Poverty Alleviation.

SOUTH EASTERN CHINA REGION

Shanghai 118 Branch Store

South Eastern China Region		Population As of the End of 2014	Local Gross Domestic Product in 2014 (RMB)	Gross Domestic Product Per Capita in 2014 (RMB)	Per Capita Disposable Income in 2014 (RMB)	Total Retail Sales of Consumer Goods in 2014 (RMB)
South Eastern China Region	Shanghai	24.26 million	2,356.1 billion	97,300	47,710	871.9 billion
	Ningbo	7.81 million	760.3 billion	98,972	44,115	299.2 billion
	Nanjing	8.22 million	882.1 billion	107,545	42,568	416.7 billion
	Yancheng	7.22 million	383.6 billion	53,115	25,854	131.4 billion

Source:

Shanghai: Shanghai Municipal Statistics Bureau
Ningbo: NingBo Municipal Statistics Bureau, Zhejiang Provincial Bureau of Statistics
Nanjing: Nanjing Municipal Statistics Bureau
Yancheng: Yancheng Municipal Statistics Bureau

Policies of deepening the reform of the free trade zone are expected to help Shanghai regain its growth momentum

Growth of Service Sector and Deepening of the Free Trade Zone Reform to Stabilize Economy in the Yangtze River Delta

In 2014, the real estate industry in the Yangtze River Delta started to pick up and the service sector was under steady development. Among them, Zhejiang Province outperformed other regions as it benefited from the up-and-growing Internet-related service sector. However, the weak regional import and export trade and the declining output in the industrial and manufacturing sector, together with the significant drop in Shanghai's industrial production growth and secondary industry growth, slowed the Gross Domestic Product ("GDP") growth rate of core areas in the Yangtze River Delta down to 9%, a decrease of 0.7 percentage point year-on-year.

Nonetheless, in addition to the continuous growth of the service sector in the Yangtze River Delta, the expansion of the China (Shanghai) Pilot Free Trade Zone driven by the *Plan for Further Deepening the Reform and Opening up of the China (Shanghai) Pilot Free Trade Zone* published by the State Council in April 2015 is expected to welcome financial innovations and facilitate the joint infrastructure of the Shanghai international financial center. These policies are expected to help Shanghai regain its growth momentum and set a good role model for the steady economic development in the Yangtze River Delta.

Carrying through the "Multiple Presences within a Single City" Strategy and Adding New Self-Owned Store in Shanghai

During the year under review, the Group carried through the expansion strategy of "multiple presences in a single city" and opened its 12th store in the municipality, Shanghai 118 Branch Store, in Shanghai Putuo District. It is the Group's first large-scale department store-shopping mall hybrid project. Identified as the key development district by the government, Putuo District is in the proximity to offices and high-end residential housings, forming a big quality consumer cluster with huge consumption potential. Located in the phase II and III of NGS 118 Plaza, the five-story Shanghai 118 Branch Store with a total GFA of approximately 62,600 sq.m. has introduced more than 200 locally and internationally renowned popular and fashion brands, providing clothing, cosmetics, jewelry, watches, sportswear, housewares and other merchandise. In addition to multi-national cuisines, an indoor children's playground and a variety of complementary facilities are available to create a one-stop shopping experience for customers at all ages.

Diversified Business Natures to Meet Customers' Daily Needs

During the year under review, the Group had a total of 17 stores in the South Eastern China Region, including: 12 stores under the "Ba Li Chun Tian" brand in Shanghai, i.e., Hong Kong New World Department Store-Shanghai Huaihai Branch Store ("Shanghai Huaihai Branch Store"), Hong Kong New World Department Store-Shanghai Xinning Branch Store ("Shanghai Xinning Branch Store"), Hong Kong New World Department Store-Shanghai Hongkou Branch Store ("Shanghai Hongkou Branch Store"), Hong Kong New World Department Store-Shanghai Changning Branch Store ("Shanghai Changning Branch Store"), Hong Kong New World Department Store-Shanghai Qibao Branch Store ("Shanghai Qibao Branch Store"), Hong Kong New World Department Store-Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store"), Hong Kong New World Department Store-Shanghai Pujian Branch Store ("Shanghai Pujian Branch Store"), Hong Kong New World Department Store-Shanghai Baoshan Branch Store ("Shanghai Baoshan Branch Store"), Hong Kong New World Department Store-Shanghai Chengshan Branch Store ("Shanghai Chengshan Branch Store"), Hong Kong New World Department Store-Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store") and Hong Kong New World Department Store-Shanghai Tianshan Road Branch Store ("Shanghai Tianshan Road Branch Store", previously named as Shanghai Hongxin Trendy Plaza) and Shanghai 118 Branch Store, in which the latter three stores are shopping malls to meet consumer's diversified needs; and the five other department stores under the "New World" brand in the South Eastern China Region, i.e., Ningbo New World Department Store ("Ningbo Store"), Ningbo New World Trendy Department Store ("Ningbo Trendy Store"), Ningbo New World Beilun Department Store ("Ningbo Beilun Store"), Nanjing New World Department Store ("Nanjing Store") and Yancheng New World Department Store ("Yancheng Store"). Apart from Ningbo Beilun Store as a managed store, the other stores are self-owned.

Optimizing Merchandise Mix to Enhance Stores' Stylish Ambience

The disposable income per capita is relatively high in the Yangtze River Delta region while Shanghai's purchasing power on fashion items per person tops the national ranking. During the year under review, stores in the South Eastern China Region continued to expand and optimize the fashion merchandise mix. Targeting young and stylish customer groups, stores introduced young ladies' brands, such as earth music & ecology, MISSOUL and KISSCAT and added mature ladieswear brands including M2, LANAFAY and Ground Susan, to satisfy the needs for unique style from high-income mature ladies. To elevate stores' stylish ambience, some stores optimized the shopping environment, for instance, the newly-acquired Shanghai Tianshan Road Branch Store repositioned itself to target fashionistas while carried out a large-scale renovation with the addition of a wooden recreational platform, scenic pedestrian street and in-store greenery. Its tenants also took part in carrying out renovation to help enhance the overall stylish ambience.

Driven by national policies promoting sportswear consumption, the demand for sports and leisure oriented merchandise in the Yangtze River Delta region has increased. Thus, during the year under review, stores in the South Eastern China Region expanded the operating area for sportswear and introduced well-known sportswear brands, such as Columbia, PUMA, new balance, Li Ning, NAUTICA and SKECHERS, providing customers with more options for outdoor products. Shanghai Shaanxi Road Branch Store set up the largest NIKE factory store in the district as well as outlets of some well-known sportswear brands, and plans to introduce more sportswear, outdoor and fitness merchandise in the future to make itself a must-go destination for sports products.

Adding In-store Complementary Facilities to Attract Household Consumers

As changes in urban family structure and the significant increment on childcare consumption, more kidswear brands have entered the China market in a bid for market share. During the year under review, stores in the South Eastern China Region proactively introduced more kidswear and product brands and subsequently expanded the area for children's recreational facilities to cater for consumers' needs. Shanghai Shaanxi Road Branch Store introduced balabala, ROOKIE and other kidswear and product brands, and turned the third floor into a children-themed floor so as to make the store a recreational and shopping hotspot for young families. To align with the "Happy New World" project, Shanghai Pujian Branch Store enlarged its children's playground, commenced the installation of piano stairs and giant slide and introduced Toys'R'Us, to increase foot traffic at the kidswear area and prolong their shopping duration in the store.

Consumers nowadays are pursuing a multi-dimensional shopping experience, therefore, the importance of in-store dining and living complementary facilities has been increasing. During the year under review, stores in the South Eastern China Region committed to increasing the number of catering choices and their operating area, in particular popular Japanese and Korean cuisines, such as Yasudaya, Sushiouji, Xinshanhai Teppanyaki, Nolboo Budaejjigae and PALSAIK KOREAN BBQ. Some stores particularly set up food courts in order to increase foot traffic and prolong customers' duration of stay, thus boosting sales of concessionaire counters. On the other hand, community-based stores adjusted their facilities to nearby residents' liking and introduced H3 International Gym, Parsons Music and other lifestyle complementary facilities to address customers' daily needs.

Diversified Marketing Campaigns to Attract Various Sources of Purchasing Power

In addition to signature promotional activities such as "Tailored Feast for You" and "Non-stop Mega Sales", stores in the South Eastern China Region launched a number of festive and in-trend marketing events during the year under review to attract consumers to shop at the stores.

In terms of large-scale promotional activities, 11 stores in Shanghai jointly held the "6th Non-stop Mega Sales" at the end of 2014. Apart from discounts, they also gave away iPhone 6 and iPad mini 3 and soon became the talk of the town. During the event, Shanghai Huaihai Branch Store, Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store teamed up with nuomi.com and mobile phone App of mplife.com to launch group-buying coupons in order to direct online customers to the brick and mortar stores. In collaboration with DiDi Taxi, customers could receive taxi vouchers upon store visit which they can use conveniently after shopping.

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During peak seasons at traditional and emerging festivals, stores actively organized festive-themed marketing campaigns. For instance, Shanghai Xinning Branch Store held a special campaign called "Qixi • Septuple Happiness" in August 2014, to present numerous cosmetics and jewelry shopping deals that groom girls for dates; during the period of the Labor Day in 2015, Shanghai Wujiaochang Branch Store launched the "1 May Happy Fashion Week" and a women's fashion catwalk called "Spring Show". Through sales promotions, ladieswears' fashion shows, professional band performance, interaction with customers as well as promotions on Weibo, WeChat, website and newspaper, the events received enthusiastic participation from customers.

In addition, stores in the South Eastern China Region were keen to foster cross-industry cooperation and launched joint marketing activities with different companies to add freshness and influence to their activities. For instance, Shanghai Pujian Branch Store and Tangqiao Neighborhood Office co-organized the "2014 Shanghai Shopping Festival cum the 2nd Pudong Tangqiao Community Shopping Festival" in September 2014 and its "Culinary Competition" were welcomed by many VIP members and local residents, creating a lively atmosphere at store. In March 2015, Shanghai Shaanxi Road Branch Store joined hands with China Merchants Bank and Ping An Bank to hold activities such as "Attractive Women Season", "Spring Giveaways" and "Goddess Gold Packets", which featured lucky draws, scan-QR-code-to-subscribe for drinks or fashion coupons and buy-and-get Korean celebrity shopping bags for free. Not only did these activities boost foot traffic, they also increased the number of store's WeChat subscribers.

During the year under review, stores in the South Eastern China Region actively implemented O2O marketing through WeChat and other online platforms to disseminate information about promotional activities and offers as well as maintaining interactive communication with members and customers. Coupons were regularly given away on these platforms to attract online customers to pay a visit to physical stores. Shanghai Pujian Branch Store upgraded its WeChat account to a Service Account in 2015 to send out real-time updates on discounts offered by brands it carries. Furthermore, Shanghai 118 Branch Store often held the "Shake it off to Win Red Packets" event to increase its subscriber number.

VIP-only Events and Services to Consolidate Mutual Relationship

During the year under review, stores in the South Eastern China Region initiated a number of VIP-only sales promotions to enhance members' sense of superiority. Ningbo Beilun Store, for example, held spring and fall sales events, which provided VIP members with discounts, cash coupons, iPhone 6 and other gifts upon purchase of a specific amount, to stimulate member consumption; Nanjing Store rolled out the "Tailored Feast for VIPs", where VIP members would enjoy double bonus point rewards as well as store-wide discount coupons and crab gift sets after fulfilling the spending requirements. Therefore, sales from VIP members increased 24% year-on-year.

To consolidate relations with VIP members, stores in the region held a number of special VIP events, during the year under review. Shanghai Pujian Branch Store launched DIY, parent-child, beauty care, yoga and other experiential activities during the "Women's Month" to grow members' loyalty. Stores in the region often organized activities for family members. For instance, Shanghai 118 Branch Store co-organized the "Baby's Got Talent" campaign with a pre-school education institute BRAINMAPS to teach children on how to create dragon boats; Shanghai Hongkou Branch Store and Shanghai Youth Training Center joined hands to hold the "Family LEGO Contest", where parents and children managed to show their creativity and as a result, fostered closer bond among family members.

During the year under review, stores in the South Eastern China Region further enriched services and facilities for its VIP members to improve their satisfaction level. Shanghai Baoshan Branch Store launched complimentary parking, personal shopping guide, delivery and free storage services exclusively for its VIP members, enabling them to shop at ease; Shanghai 118 Branch Store added new massage chairs at its VIP lounge, so that customers could get a better rest after shopping. Free children stroller borrowing service was also available to offer convenience to household customers. During the year under review, the number of VIP members of the South Eastern China Region was about 795,000, which accounted for 49% of gross sales proceeds in the region.

Excellent Performance Earns Wide Recognition

With its excellent management, operations and marketing practices, the South Eastern China Region received wide recognition during the year under review. Shanghai Pujian Branch Store was awarded the "Advanced Group Honor" in the "2014 Shanghai Shopping Festival cum the 2nd Pudong Tangqiao Community Shopping Festival". Yancheng Store was named "Advanced Entity" by the Municipal City's Office of Consumer Confidence Taskforce. Shanghai Chengshan Branch Store garnered the title of "2014 Advanced Enterprise in Beicai Town". Ningbo Beilun Store was awarded the "Advanced Enterprise in Ningbo Commerce and Trade System in 2013" by Trade Bureau, Ningbo.

CENTRAL WESTERN CHINA REGION

Mianyang Store

Central Western China Region		Population As of the End of 2014	Local Gross Domestic Product in 2014 (RMB)	Gross Domestic Product Per Capita in 2014 (RMB)	Per Capita Disposable Income in 2014 (RMB)	Total Retail Sales of Consumer Goods in 2014 (RMB)
Central District	Wuhan	10.34 million	1,006.9 billion	97,379*	33,270	436.9 billion
	Changsha	7.31 million	782.5 billion	107,683	36,826	316.2 billion
	Zhengzhou	9.38 million	678.3 billion	73,056	29,095	291.4 billion
South Western District	Chengdu	14.43 million	1,005.7 billion	70,019	32,665	446.9 billion
	Chongqing	29.91 million	1,426.5 billion	47,859	25,147	509.6 billion
	Kunming	6.63 million	371.3 billion	56,236	31,295	190.6 billion
	Mianyang	4.74 million	158.0 billion	33,331*	25,341	73.5 billion

Source:

Wuhan: Statistical Information of Wuhan
Changsha: Statistical Information of Changsha
Zhengzhou: Statistical Information of Zhengzhou
Chengdu: Chengdu Bureau of Statistics Internet
Chongqing: Statistical Information of Chongqing
Kunming: Statistics Bureau of Kunming
Mianyang: Mianyang Municipal Statistics Bureau

* Calculated figures: Local Gross Domestic Product in 2014 divided by population as of the end of 2014

Affected by the oversupply of retail space and the intensifying competition from e-commerce, the operating environment of the department store industry in the region remains challenging

Speeding up Infrastructure Investments, Department Store Industry yet to Re-engine Growth Momentum

According to the development direction of the *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* issued by the National Development and Reform Commission in 2015, cities in central and western China will be proactive in opening up the economies and introducing capital to finance local transport infrastructure. With Chongqing as an important anchor for the development in the western region, Chengdu, Zhengzhou, Wuhan, Changsha, Nanchang and Hefei will transform themselves into leading inland open economies. In particular, Zhengzhou will strengthen its port facilities and launch the pilot cross-border e-commerce services to facilitate customs clearance between inland and coastal ports, boosting regional economic development as a whole.

Premier Li Keqiang stressed to improve transportation, energy, water conservancy, ecology and living standards in the western region as well as the infrastructure of integrated transportation network in the central region during his delivery of *Report on the Work of the Government (2015)* on the chapter of "Balancing Steady Economic Growth and Structural Improvement". In fact, industrial production growths in the central and western regions in 2014 were 8.4% and 10.6% while fixed asset investments increased by 17.6% and 17.2% in 2014 respectively. Both indicators were higher than those of the eastern region, which were at 7.6% and 15.4%. Relatively faster growth rates are anticipated in the above-mentioned regions in the future. However, affected by the oversupply of retail space and the intensifying competition from e-commerce, the operating environment of department store industry in the region remains challenging and it is expected to take time for a full recovery.

Continuous Store Environment Optimization to Maintain Competeveness

During the year under review, the Group operated 11 department stores in the Central Western China Region, including seven in the Central District: Wuhan New World Department Store ("Wuhan Store"), Wuhan New World Trendy Plaza ("Wuhan Trendy Plaza"), Wuhan New World Department Store-Wuchang Branch Store ("Wuhan Wuchang Branch Store"), Wuhan New World Department Store-Xudong Branch Store ("Wuhan Xudong Branch Store") and Wuhan New World Department Store-Hanyang Branch Store ("Wuhan Hanyang Branch Store"); Changsha New World Trendy Plaza ("Changsha Trendy Plaza"); and Zhengzhou New World Department Store ("Zhengzhou Store"); four in the South Western District: Chengdu New World Department Store ("Chengdu Store"), Chongqing New World Department Store ("Chongqing Store"), Kunming New World Department Store ("Kunming Store") and Mianyang New World Department Store ("Mianyang Store"). With the exception of Wuhan Xudong Branch Store as managed store, all other 10 stores in the Central Western District are self-owned stores. The large-scale revamp of Wuhan Store was completed in early 2015 and commenced operations with a new image, providing customers with a more pleasant shopping environment.

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CENTRAL WESTERN CHINA REGION

Flexibly Adjust Merchandise Mix to Latest Market Trends

By adopting a flexible approach on market positioning, stores in the Central Western China Region are positioned as high-end, lifestyle or community-based department stores depending on a basket of factors, such as the purchasing power and target customers at where the stores locate, to cater to the preference of target customers. For the stores positioned as high-end department stores and targeting high-income earners, they introduced many appealing and internationally-renowned brands during the year under review. For example, Wuhan Store brought CERRUTI 1881 and STENDERS into the store and upgraded its living supermarket to a premium one through renovation, providing quality food and stylish products while Wuhan Wuchang Branch Store introduced well-known brands such as DIGEL and C'N'C CoSTUME NATIONAL to its international brand floor. On the other hand, stores positioned as lifestyle department stores continued to optimize their merchandise mix. Chongqing Store added fashion brands such as NICE CLAUP and PEACEBIRD while Kunming Store introduced casual wear brands such as Mind Bridge and Honeys to offer affordable yet fashionable commodity options for customers. Community-based department stores introduced various mid-end brands for young households in the neighborhood. For example, Zhengzhou Store brought in MLYC and SEVEN DEGREE.

In addition to segmented market positioning, stores in the Central Western China Region continued to adjust their product portfolio in accordance to what customers need. In response to the growing popularity of healthy lifestyle, stores in the region expanded the operating area of outdoor clothing, sportswear and casual wear during the year under review. For example, Wuhan Trendy Plaza added outdoor clothing brands such as CAMEL and Columbia; Changsha Trendy Plaza introduced various sportswear brands such as adidas and new balance; Chongqing Store built a sports hall and brought in casual wear brands such as LACOSTE and Lee Cooper. Moreover, stores in the region added more kidswear brands, for instance, Mianyang Store introduced Gentle People Family while Kunming Store added Teddy Bear Collection, to ride on young parents' increasing expenditures on children-related commodities in recent years.

Enhancing Food and Beverage and Recreational Facilities to Create Leisure Hotspots

During the year under review, stores in the Central Western China Region concretely executed the "Happy New World" project launched in June 2014. They introduced more catering brands, recreational facilities and complementary services, aiming to become one-stop leisure and entertainment hotspots for customers at all ages. Wuhan Store and Mianyang Store created the "Happy Shopping" atmosphere by expanding their in-store recreational facilities for kids where families could hang out in addition to shopping. Chongqing Store sketched a plan to build a giant slide in a bid to attract daring youngsters. Stores in the region also addressed the needs of children's education, for instance, Wuhan Hanyang Branch Store introduced New Oriental to help drive the sales of children-related products.

Because food and beverage ("F&B") is a giant magnet for attracting and retaining customers to effectively increase foot traffic, stores in the region added a variety of featured catering during the year under review. For instance, SOUTH BEAUTY in Wuhan Store, Taiwanese hotpot restaurants and drink chains in Changsha Trendy Plaza, Jblue South American barbecue in Mianyang Store helped enrich stores' catering offerings and enable customers to enjoy multinational cuisines. During the year under review, stores in the Central Western China Region gradually strengthened their complementary facilities to create a relaxing and tasteful lifestyle. For example, Zhengzhou Store became the first department store to introduce an in-store cinema in the city. Equipped with advanced audio-visual systems in its six theatres, the cinema always shows Chinese blockbuster movies to attract young customers. Wuhan Wuchang Branch Store brought in Depa & Rainbow Book Shop and Bobo Bakery to enable customers to enjoy reading with a cup of coffee. Mianyang Store added a book bar where VIP members can find a quiet reading corner in the hustle and bustle of the city.

Non-stop Marketing Campaigns Attract Different Customer Groups

Apart from nationwide inter-store marketing campaigns like "Blast of Joy III – Celebrating the 22nd Anniversary", stores in the Central Western China Region organized several regional inter-store activities during the year under review. For example, Chengdu Store, Chongqing Store, Kunming Store and Mianyang Store jointly presented the "New Year, New Warm Idea" bonus point redemption activity in February 2015 which customers could redeem vouchers or gifts after spending over a certain threshold, achieving encouraging results.

Riding on the customs of festive shopping, stores in the Central Western China Region launched a number of promotional activities to boost sales. For instance, Zhengzhou Store held the "Go for Christmas Style" and the "Run! Christmas Carnival" during 2014 Christmas and 2015 New Year to give away vouchers or mobile phones to customers upon spending over a required amount, as well as the organization of in-store activities such as bunny Christmas fortune dice throwing and large-scale doll parades. In addition, Chengdu Store and Mianyang Store organized the "Non-stop Mega Sales" on New Year's Eve. Without underestimating the purchasing power in emerging festivals, Wuhan Wuchang Branch Store presented an in-store Halloween parade to give away sweet treats to customers and cooperated with Happy Valley to stage a storefront performance which attracted a big crowd of customers. Wuhan Hanyang Branch Store launched the "Halloween DIY" event for its VIP members where children could create pumpkin elf or bat elf figures with colored clay.

As more young consumers celebrate Chinese and western Valentine's Day, Wuhan Hanyang Branch Store and Changsha Trendy Plaza organized matchmaking events and sales promotions during the period of Qixi Festival in 2014. Wuhan Hanyang Branch Store even organized a matchmaking event hosted by a TV program anchor and managed to pair up a number of couples, creating an exciting atmosphere. Wuhan Xudong Branch Store organized the "2.14 Love Vow at NWDS with Happiness from the Above" on western Valentine's Day in 2015. Customers declared their love by dropping coke bottles engraved with love messages from the roof and filled the store with sweet love.

In addition to festive activities, stores in the Central Western China Region also organized a number of customer-engaging activities during the year under review to foster closer customer relationship. For instance, Wuhan Trendy Plaza held the "Happy Baby, Happy Crawling" where all the participating parents and babies shared a great time. Five stores in Wuhan jointly held the "Double Footprint Double Happiness" in May 2015, a night-time green and charity run, to promote environmental protection and healthy lifestyle which successfully became the focal point of the city.

During the year under review, stores in the Central Western China Region strived to foster cross-New World and cross-industry cooperation to expand customer base. For example, Wuhan Store worked with New World Group's affiliated companies including New World China Land, Wuhan New World Hotel and Chow Tai Fook to launch the "O2O Shopping in NWDS". Customers who downloaded New World China Land APP could get free top-up in their New World Department Store ("NWDS") N-VIP cards or discounts when buying vouchers. Furthermore, the store organized the "China Southern Shopping Flight" with China Southern Airlines and sent over 30,000 SMS invitations to China Southern Airlines members to join NWDS VIP membership and shop at the store. Chongqing Store and China Merchants Bank jointly held the "Shopping Night for China Merchants Bank" to offer exclusive discounts to China Merchants Bank customers in an attempt to expand customer base.

In addition, stores in the region actively utilized new media platforms to play games and interact with customers. Chengdu Store launched various WeChat-based games like "Rescuing Daddy" on Father's Day, "Looking for Rabbit" on its 22nd anniversary celebration and "Drawing Red Packets" during Chinese New Year. The games had a participation rate of over 4,500 people and managed to draw online traffic to the brick and mortar store. Moreover, the store launched the "Happy Seven Hee Festival' on WeChat during the period of Qixi Festival in 2014. By responding "hee-hee-hee-hee-hee-hee-hee" in voice messages, fans could get a chance of winning a free shopping trip. On top of WeChat and Weibo, stores in the region also organized marketing campaigns with local popular media at where they locate, for example, Wuhan Store cooperated with DiDi Taxi, Meituan.com, Dianping.com and popular WeChat account owners in Wuhan to widely advertise their key promotional activities.

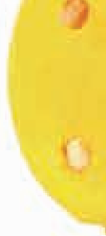
VIP Interactive Activities to Cater to the Preferences of Family Members

During the year under review, stores in the Central Western China Region held a number of interesting and interactive VIP-only activities to engage with customers. Wuhan Wuchang Branch Store held the "A Taste of the Moon – STARBUCKS Mooncake DIY", in which customers could let their creativity go wild on decorating and plating the handmade mooncakes. Children in the event made DIY patterns anticipatorily and had an enjoyable Mid-Autumn Festival. Wuhan Xudong Store joined hands with pre-school education institutions, Qicai Luo and Heping Primary School, to hold the "NWDS Parent-Child Competition" in which professional art teachers taught painting skills, followed by sand-painting and environmental friendly bags hand-drawing competition among various groups of families, filling the scene with lots of joy and laughter.

During the year under review, stores in the Central Western China Region offered exclusive promotions to VIP members to draw traffic, encourage spending and bonus point redemption. Wuhan Wuchang Store launched the "Sweet Points Market" and the "Year-end 50% off Redemption Promotion" to encourage members to utilize their bonus points during the period of Valentine's Day in 2015. In September 2014, Chengdu Store held the "VIP Joint Thanksgiving Week" where VIP members were given multiple rewards such as cash vouchers, jewelry vouchers and time-limited gifts. In April 2015, Kunming Store and Chongqing Store held the "VIP Joint Banquet" respectively which boosted VIP sales. During the year under review, the number of VIP members of the Central Western China Region was about 1,120,000, accounting for 42% of sales in the region.

Widely-recognized Promotions and Customer Service

During the year under review, stores in the region were devoted to online and offline promotions which were well received by customers, as a result, receiving multiple awards. Chengdu Store garnered the "Weibo Leap Award" in the "2014 Sina Sichuan Reputation List" and "Marketing Leader" in the 2014 Leaders List. Customer service, which the stores most emphasize on, was widely recognized by the public. Kunming Store was named "Advanced Enterprise" by the Department of Commerce of Yunnan Province in the 2013 Assessment Survey on Commercial Services.



BESPOKE SERVICES

Creating One-stop Joyful Shopping and Entertainment Experience

DIRECT SALES BUSINESS

During the year under review, the Group actively developed its direct sales business. Through direct procurement and the acquisition of brand distribution rights, the Group expanded the business from lifestyle merchandise to fashion apparel, in addition to its plans to get involved in the F&B industry. The Group aims to cover broader aspects of living to provide customers with a unique selection of merchandise. Targeting middle class who pursues a tasteful lifestyle, the Group's private label, LOL Concept Shop, collected an array of lifestyle merchandise that are "same-day worldwide release, nationally exclusive, international debuts, limited edition and designer labels" from around the world during the year under review. In the future, LOL will gradually extend its product categories to coffee, books, floral displays, lighting devices, small home appliances, and derivatives from art exhibition, as well as developing its own OEM (Original Equipment Manufacturer) series to enhance product uniqueness. To enhance customers' shopping experience, LOL strengthened its in-store interactive facilities, such as projector screens and iPad product directories during the year under review. Moreover, it jointly organized a number of skincare, manicure, healthcare and parent-child activities with multiple brands exclusively for members to foster a closer relationship. As at 30 June 2015, there were 13 LOL Concept Shops across the country. LOL will also review its existing store network to re-position or consolidate underperforming stores and plans to set up an online store at Weidian and physical stores at Beijing and Shanghai retail properties, further strengthening its dual sales channels.

The rise of the middle class has spurred the consumer demand for fashion apparel and accessories. Therefore, in January 2015, the Group acquired Well Metro Group, the agent and distributor of three Italian high-end fashion brands, including MOSCHINO, LOVE MOSCHINO and REDValentino. MOSCHINO and LOVE MOSCHINO both offer stylish and fun menswear, ladieswear and accessories, mainly targeting customers aged 20 to 45 who pursue for taste and unique style. REDValentino is the younger second line brand of Italian luxury brand Valentino. The brand injects youth elements into its classic designs and extends the elegance of the main brand which are admired by female customers.

During April to May 2015, MOSCHINO presented new concept shops in SKP Beijing and Grand Gateway 66, which recorded significant sales growths. As at 30 June 2015, Well Metro Group operated 34 specialty stores in Beijing, Shanghai, Hangzhou, Nanjing, Chengdu, Shenyang, Tianjin, Harbin, Guangzhou, Shenzhen, etc. Going forward, Well Metro Group will extend to cities including Qingdao, Dalian and Chongqing and will continue to search for cooperation opportunities with mainland artists whose images are in line with the brands to raise brand awareness across the country. Furthermore, in order to expand its direct sales business, the Group will utilize Well Metro Group's extensive procurement experience to explore more high-end fashion brands with good potential.

In view of the growing demand for quality food as a result of improved living standards in Mainland China, the Group plans to start its bakery business with the brand positioning of "Perfect Balance of Health and Taste", providing low-oil, low-fat, low-sugar European-style artisan bread that are handmade and store-baked to meet consumers' pursuit of healthy diet.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

Revenue

Revenue of the Group was HK$4,029.4 million in FY2015 representing a decline of 2.6% from HK$4,136.2 million in FY2014.

Gross sales revenue, comprising gross revenue from concessionaire sales, sales of goods for direct sales, management and consultancy fees, rental income and other income decreased by 7.1% to HK$15,258.4 million in FY2015 from HK$16,428.0 million in FY2014. Gross revenue from concessionaire sales decreased to HK$13,502.2 million from HK$14,790.7 million in the Previous Year. Commission income rate increased from 17.8% in the Previous Year to 18.1% in the Current Year. The increase was primarily due to generally improved commission income rates for certain major categories, including gold and jewelry, ladieswear and footwear as well as sportswear. Sales of goods for direct sales was HK$895.4 million in FY2015 compared with HK$787.1 million in FY2014. Direct sales revenue mainly comprised sales of groceries, housewares and perishables (approximately 45.1%), cosmetic products (approximately 37.5%), ladieswear and menswear (approximately 14.4%), as well as accessories and miscellaneous items (approximately 3.0%). Gross margin of direct sales was 19.7% compared to 14.7% in the Previous Year. The increase was mainly contributed by newly acquired Well Metro Group which had a higher gross margin. In FY2015, ladieswear and accessories made up approximately 62.7% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 10.3% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest.

Management and consultancy fees was HK$53.6 million in FY2015 showing a decrease by 4.3% from HK$56.0 million in FY2014. The decrease was primarily due to drop in Group's receipt of fees for the provision of management services for managed stores in the Current Year.

Rental income decreased by 2.9% to HK$638.7 million in FY2015, mainly due to tenant mix revision and deferred revamp in both Shanghai Tianshan Road Branch Store and Shanghai Shaanxi Road Branch Store, as well as the closure of Wuhan New World Department Store – Qiaokou Branch Store in the Current Year.

Other Income

Other income of the Group was HK$168.6 million in FY2015 compared with HK$136.1 million in FY2014. Other income in FY2015 mainly comprised HK$83.2 million of income from suppliers, HK$21.0 million of government grants and HK$26.4 million of compensation for termination of lease.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Year was HK$0.8 million which related to the properties of Shanghai Shaanxi Road Branch Store, Shanghai Tianshan Road Branch Store, Zhengzhou Store, Shenyang Jianqiao Road Branch Store and Tianjin Store.

Other Losses, Net

Net other losses of the Group in the Current Year was HK$176.4 million which was primarily resulted from the inclusion of HK$10.1 million gain on liquidation of a subsidiary in Wuxi City, HK$54.6 million loss on disposal of property, plant and equipment due to the scale down of a store in Shenyang City and HK$123.1 million impairment loss on property, plant and equipment of the existing stores.

Purchases of and Changes in Inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It increased by 7.2% to HK$719.4 million in FY2015 from HK$671.1 million in FY2014. The increase was in line with the increase in sales of goods for direct sales in the Current Year.

Employee Benefit Expense

Employee benefit expense increased to HK$747.3 million in FY2015 from HK$661.4 million in FY2014. This increase was primarily due to the increase in wages and salaries, retirement benefit costs and other employee benefits as a result of recognising a full-year operation of Shanghai Tianshan Road Branch Store acquired on 30 July 2013, the conversion of Shanghai Wujiaochang Branch Store from a managed store to a self-owned store in November 2013 and the opening of Yantai Store in December 2013. In addition, the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015 also contributed to the increase of employee benefit expense in the Current Year.

Depreciation and Amortisation

Depreciation and amortisation expense increased from HK$321.2 million in FY2014 to HK$344.2 million in FY2015. The increase was a result of recognising a full-year operation of Shanghai Wujiaochang Branch Store and Yantai Store acquired and opened respectively in FY2014. Moreover, the increase was also due to the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015.

Operating Lease Rental Expense

Operating lease rental expense increased to HK$1,191.7 million in FY2015 from HK$1,118.5 million in FY2014, primarily due to recognising a full-year operation of Shanghai Wujiaochang Branch Store and Yantai Store acquired and opened respectively in FY2014, the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015.

Other Operating Expenses, Net

Net other operating expenses decreased to HK$788.8 million in FY2015 from HK$831.4 million in FY2014. The decrease was mainly due to effective control of water and electricity, promotion and advertising expenses by management and a decline in other tax expenses which was in line with the decline of revenue in FY2015. However, the decreases were partially offset by the increase in expenses due to the recognition of a full-year operation of Shanghai Tianshan Road Branch Store and Shanghai Wujiaochang Branch Store acquired, and Yantai Store opened in FY2014, the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015.

Operating Profit

Operating profit was HK$230.9 million in FY2015 compared with HK$677.2 million in FY2014.

Income Tax Expense

Income tax expense of the Group was HK$187.2 million in FY2015 compared with HK$192.0 million in FY2014. Excluding HK$54.6 million loss on disposal of property, plant and equipment of a store in Shenyang City and HK$123.1 million impairment loss on property, plant and equipment of the existing stores, effective income tax rate in the Current Year was 43.1%.

Profit for the Year

As a result of the reasons mentioned above, profit for the year decreased by approximately 86.6% to HK$69.7 million compared with HK$520.5 million in the Previous Year. Core profit for the year excluding net other losses, changes in fair value of investment properties and its related income tax expenses and other non-core items, decreased by approximately 52.6% to HK$264.1 million from HK$557.1 million of the Previous Year.

Liquidity and Financial Resources

Cash and fixed deposits of the Group amounted to HK$2,115.9 million as at 30 June 2015 (30 June 2014: HK$1,527.1 million).

The Group's borrowings from banks as at 30 June 2015 as HK$1,707.0 million (30 June 2014: HK$696.8 million) of which HK$524.3 million (30 June 2014: HK$500.0 million) was secured by pledge of assets.

At 30 June 2015, the Group's current liabilities exceeded its current assets by HK$709.3 million (30 June 2014: HK$1,631.1 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitment of the Group as at 30 June 2015 were HK$474.4 million, of which HK$474.4 million were contracted but not provided for in the statement of financial position. For the contractual payment of HK$474.4 million, approximately HK$395.3 million is for the redevelopment project of a building in Shenyang City.

Pledge of Assets

As at 30 June 2015, a property, land use rights and investment properties of HK$1,952.5 million (30 June 2014: HK$1,900.0 million) of the Group were pledged as securities for bank borrowings and banking facilities of HK$525.0 million (30 June 2014: HK$500.0 million).

Treasury Policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts to hedge its foreign exchange risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015.

Outlook

In the first half of 2015, despite the gradual improvement of the United States, the Eurozone and Japan economies, the Greek debt crisis contributed to the financial market turbulence and the high volatility of capital flows, adding uncertainties to the global economic development. Being one of the biggest economies in emerging markets, China is currently at the stage of "superimposition of three periods" of slower economic growth, economic restructuring and initial adaptation to new policies which hugely slowed down its economic growth. In addition, the volatility in China stock market created many market concerns and doubts. According to the National Bureau of Statistics of the People's Republic of China, GDP growth in the first half of 2015 was only 7.0% year-on-year, which is lower than the 7.4% in the same period of last year. Most rating agencies have lowered their global economic growth forecasts for 2015 because of the inconsistent pace of recovery in the world's major economies.

In response to the global economic downturn and China's decelerated economic growth, the Chinese government will speed up the introduction of policies related to increasing infrastructure investment, promoting prudent monetary policies and reducing tariffs. Although they may not deliver instant results, the market believes that they can benefit China's economy in the long run. The economic data for the first half of 2015 shows that disposable income per capita of rural residents has been rising, while the final consumption expenditure has increased and accounted for 60% of China's GDP growth. Hence, the overall purchasing power of the market should not be disregarded. The Chinese government still considers domestic consumption as a major economic growth driver and thus, will continue to speed up new urbanization to further unleash potential domestic consumption. In balance of all these factors, the Group remains prudently optimistic about future business development.

Strategies for Future Development

During the year under review, economic slowdown and competition from e-commerce made the operations of physical retailing very challenging. The Group has devised responsive measures and continues to put cost reduction as the first priority by taking immediate actions to underperforming stores to improve management efficiency. Moreover, the Group reviewed its business development direction and formulated operations strategies that favor a balanced long-term growth. As one of the first "lifestyle department stores" in Mainland China, the foundation of the Group's merchandise and services are to address the "living" and "lifestyle" needs of mass consumers. Thus, the Group will continue to increase the proportion of in-store dining and lifestyle leasing projects, and plans to start its bakery business to serve healthy and tasty European-style artisan bread. Furthermore, the implementation of the "Happy New World" project will be advanced to further strengthen the in-store children's and complementary facilities, so as to convey the message of "Happy Shopping" to consumers.

Operations Strategies

Streamlining Operating Structure and Consolidating Store Network with Effects to Manifest within the Next Year

Amid the challenging operating environment, during the year under review, the Group streamlined its operating structure to improve information dissemination and decision-making effectiveness, and consolidated its store network to reduce rental expense while enhancing management efficiency. These effects are expected to gradually manifest in FY2016. Looking forward, the Group will take immediate actions against underperforming or loss-making stores, and continue its efforts to reduce costs.

Continuously Strengthening Experiential Offerings while Optimizing Merchandise and Service Mix

With "lifestyle department store" as fundamental positioning and catering for customers' everyday needs as objective, the Group will continue to strengthen its in-store complementary facilities from the perspective of living, introducing featured catering, fitness centers, yoga centers and other leasing projects, so as to make NWDS must-go shopping and leisure destinations. For the operations of concessionaire counters, the Group will keep on optimizing its brand and merchandise mix to meet customers' ever- changing needs. For instance, in light of the growing demand driven by baby boom, the Group will enrich merchandise in infant and children categories; in response to the policies promoting sportswear consumption, the Group will enrich the portfolio of sports merchandise and expand its operating area. The Group also plans to increase the number of discount concessionaire counters in community-based stores to match with the purchasing power of local customers.

Widening the Scope of Direct Sales Business to Cover Broader Aspects of Life

Through direct procurement and acquisition of brand distribution rights, the Group will further expand its direct sales business and extend its business scope from lifestyle premiums to fashion apparel and accessories and F&B to cover broader aspects of life. It helps boost the procurement team's merchandising instincts and comprehensive capabilities, so as to get better hold of customers' needs. Founded two years ago, LOL Concept Shop will continue to introduce lifestyle merchandise that are "same-day worldwide release, nationally exclusive, international debuts, limited edition and designer models" while strengthening its in-store interactive facilities, such as projector screens and iPad product directories. Going forward, the Group plans to expand LOL's product categories to coffee, books, floral displays, lighting devices, small home appliances and derivatives from art exhibition, as well as developing its own OEM (Original Equipment Manufacturer) series to enhance product uniqueness. LOL will also review its existing store network to re-position or consolidate underperforming stores and plans to set up an online store at Weidian and physical stores at Beijing and Shanghai retail properties, further strengthening its dual sales channels.

Furthermore, the Group will utilize Well Metro Group's extensive procurement experience to explore more potential high-end fashion brands. Well Metro Group will extend the sales network of the three Italian high-end fashion brands it represents, namely MOSCHINO, LOVE MOSCHINO and REDValentino, to cities including Qingdao, Dalian and Chongqing, aiming to increase over 10 speciality stores in the coming two years. It will continue the search for cooperation opportunities with artists whose image are in line with the brands to raise brand awareness across the country. In view of the growing demand for quality food as a result of improved living standards in Mainland China, the Group plans to start its bakery business with the brand positioning of "Perfect Balance of Health and Taste", providing low-oil, low-fat, low-sugar European-style artisan bread that are handmade and store-baked to meet customers' pursuit of healthy diet.

Enhance System Integrations and Information Technology Applications

To offer greater support to the development of the Group's diversified business, a more flexible and comprehensive Enterprise Resource Planning (ERP) system will be built to integrate systems of concessionaire counters, leasing, direct sales and finance to realize data exchange while improving operational efficiency and speed of responding. The Group will also promote computerized management to replace some manual procedures to reduce costs. In response to the growing popularity of mobile shopping, the Group will actively cooperate with Alibaba, Tencent and other well-known technology companies to enhance the application of mainstream information technologies, delivering a convenient and interactive shopping experience to consumers.

Introducing Elite Training Programs to Support Business Development

Carrying through the conviction of "Nurture Talents with Respect, Care and Trust", the Group will continue to co-organize the "Certificate Program of Further Studies in Retail Operation and Management 2015" with Shanghai Jiao Tong University and carry on the "Advanced Project Feipeng – NWDS Management 'Golden Ladder' Nurturing Program" and other training programs, aiming to enhance elite senior employees' strategic vision and management capabilities. For frontline employees, the Group will introduce training courses related to business negotiations, leasing and direct sales business to improve their holistic ability. The Group also emphasizes the nurture of in-house trainers with curriculum which is timely and updated with recent developments in the retail market, so that trainers could pass on their knowledge to staff members at stores.

Merchandising Strategies

Headquarters Take Lead to Acquire Experiential Consumption Leasing Projects

In order to improve brand portfolio at stores, Commerce Department at the headquarters will take the lead to establish direct communication with large suppliers to help acquire appealing brands with scale into the stores, as well as facilitating bilateral strategic cooperation on the national level. Carrying on the operations strategies launched in recent years to reinforce in-store experiential consumption projects, the Group will continue to increase its efforts in acquiring tenants providing lifestyle complementary facilities and seeking cooperation with quality F&B brands, so as to adapt to customers' current spending habits.

A Dedicated Department Set up to Foster Relationships with Strategic Suppliers

Considering its suppliers as close business partners, the Group always attaches great importance to maintaining desirable bilateral relations. Therefore, the Group will continue to foster and optimize the "Head office – Region – Store" three-tier supplier management system and set up a Strategic Supplier Management Department to maintain relationship with strategic suppliers, including concessionaires of category killers and renowned F&B tenants, to establish a long-term and stable partnership.

Marketing Strategies

Adding In-store Children and Recreational Facilities to Execute the "Happy New World" Project

The Group will advance the execution of the "Happy New World" project by strengthening in- store children and recreational facilities, such as indoor synthetic ice rinks, giant slides and piano stairs. The project incorporates the fantasy of large-scale theme parks into the relaxing shopping experience of department stores to deliver a brand new shopping and entertaining experience to customers. Upon the installation of these facilities, the Group will launch a series of themed activities such as ice performances, games and contests, together with joyful parades, dramas, family activities and other live activities organized on a regular basis, to deeply engage with customers and make NWDS a must-go destination for leisure, entertainment and shopping for all family members.

Partnering with Online Service Providers to Improve Customer Shopping Experience

Entering the "Internet +" era, the Group will continue to strengthen its O2O marketing efforts with online partners such as Weibo, WeChat, Alibaba, Baidu and Dianping.com to introduce products such as group-buying coupons, online queueing and O2O traffic directing, expanding its sales and promotion channels. The Group also plans to develop its own application software, which will incorporate features such as in-store navigation, parking system, brand promotions and voucher giveaways. The cooperation with WeChat payment and Baidu Wallet is underway to further enrich mobile payment methods available at stores, which could accelerate paperless verification and increase shopping convenience.

Fostering Cross-industry Collaboration to Increase Foot Traffic and Synergies

Cross-industry cooperation could promote resource sharing and expand each other's edge. Hence, the Group plans to join hands with a well-known mobile game developer and publisher, China Mobile Games and Entertainment, to organize game-inspired online and offline activities. Apart from that, the Group will set up in-store mobile recording studios and organize annual talent quests and other offline activities with the emerging social media software Mai Chang. The Group will also develop in-depth cooperation with Baidu on Baidu Map and other products to create win-win. At the same time, the Group will enhance collaboration with affiliated companies, such as Chow Tai Fook and New World China Land, to provide exclusive privileges to both customers, so as to increase resource exchange and synergies.

Increasing Nationwide Inter-Store Campaigns on Non-Festive Days to Nurture Year-Round Shopping Habits

The Group will continue to organize regionwide and nationwide inter-store marketing campaigns to generate greater influence and significance. In addition to signature events and sales promotions during traditional festivals such as "Blast of Joy", "Tailored Feast for You" and "Non-stop Mega Sales", the Group will roll out more nationwide activities on non-festive days such as Qixi Festival and Halloween, and extend event duration to help nurture customers' year-round shopping habits.

Enhancing VIP System to Facilitate Interactions and Communications

To establish seamless communication with VIP members, the Group will upgrade its membership system to collect and analyze data related to their preferences and consumption habits. The Group will manage to send information they are interested to increase conversion rate. Event data can also be collected for the use of optimizing future activities. Through increasing the number of launching VIP-only activities and leveraging WeChat and other mobile terminals to interact with its members, the Group aims to increase VIP members' adhesion to the brand. To boost VIP members' satisfaction, the Group will grant greater flexibility to stores to enable them to develop localized privilege terms in accordance with the preference of their VIP members.

Expansion Strategies

In addition to the lower consumer sentiment as a result of China's economic slowdown, the competition from e-commerce hits the sales of brick and mortar stores. The Group will remain prudent and conservative amid this challenging environment. By slowing down the pace of its business development, the Group will allocate most efforts on optimizing its management and operational efficiency and will take immediate actions against underperforming stores when necessary. When encountering suitable retail real estate projects, the Group will also consider providing management and consultancy services to extend its network to potential third- and fourth-tier cities with the "low-risk, low-investment" approach.

Radiating from Footholds to Increase Operational Efficiency

Carrying through the expansion strategy of "radiation city", the Group plans to open self-owned stores in third- and fourth-tier cities, Shiyan City and Jingmen City, adjacent to its foothold Wuhan, with a total GFA of approximately 50,000 sq.m. and 35,000 sq.m. respectively, to achieve economies of scale so that marginal operating cost can be reduced.

Customers' shopping experience is always the Group's top priority. Therefore, Shenyang Nanjing Street Branch Store Phase I Redevelopment Project and the expansion of Shenyang Nanjing Street Branch Store Phase II Project are both underway, with a total GFA of approximately 26,300 sq.m. and 25,400 sq.m. respectively. The two phases will become one department store with a total GFA of about 52,000 sq.m. upon the completion of construction to provide customers with sufficient shopping space.

Expanding with the "Low-Risk, Low-Investment" Approach Through the Provision of Management and Consultancy Services

In view of the market downturn, the Group timely adjusts its expansion strategies and extends its outreach by offering third party management and consultancy services with the "low-risk, low-investment" approach. The Group will be able to learn about the purchasing power and operating environment of respective markets through overseeing the daily operations of its managed stores which in return help the Group explore potential retail projects. The Group will open managed stores in Jiamusi City, Helongjiang Province and Yibin City, Sichuan Province, with a total GFA of approximately 40,000 sq.m. and 32,000 sq.m. respectively.

CORPORATE SUSTAINABILITY

As a socially responsible corporation, the Group strives for long-term contribution to the environment, society and livelihood of people alongside with business performance. During the year under review, the Group published its first standalone sustainability report and increased the usage of online platforms to let more stakeholders learn about the Group's sustainability efforts and achievements. In collaboration with various parties, the Group successfully reduced the total electricity consumption by more than 2% and completed its first carbon audit across all stores. These achievements received much recognition and helped the Group garner about 20 local and international awards during the year under review. In the future, the Group will continue to deepen its sustainability programs and pay attention to stakeholders' opinions, in order to live up to society's expectations.

ENVIRONMENTAL PROTECTION

The Group has always been committed to environmental protection. During the year under review, the Group proactively practiced energy saving in daily operations and as a result, reducing more than 2% of the total electricity consumption. At the same time, the Group held numerous online and offline environmental protection activities for employees, customers and the community, to further widespread the green message.

Nationwide Environmental Protection Activities to Promote Low-Carbon Green Lifestyle

In September 2014, the Group held the "Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign" for the fourth consecutive year, which successfully collected about 3,600 moon cake boxes, amounting to a cumulative total of over 22,000 boxes over the years. On the other hand, the first-ever "Moon Cake Box Creative Design Competition" also received overwhelming responses from customers with about 420 entries, which was effective in promoting waste utilization.

The Group participated in the "Earth Hour" global lights-out action organized by the World Wide Fund for Nature for the sixth consecutive year. In the evening on 28 March 2015, neon lights, large advertising board lights, light boxes and unnecessary lights at 42 NWDS stores and offices were switched off for an hour. Some stores presented the "unplugged concerts" in partnership with local bands and art groups, using music to encourage the public to conserve world's resources. At the same time, nearly 18,000 Internet users participated in the Group's activities on NWDS CSR Weibo to further widespread the energy-saving message.

During April to May 2015, the Group held the first outdoor green activity, "Reaching Out to Nature", to lead about 2,000 customers to "reach out" to Jinshitan National Park, Colorful Butterfly Farm and Tulip Garden to better learn about the ecological conditions of different places. In order to create a natural atmosphere, some stores decorated themselves with green items and succulents in addition to the provision of shopping benefits and giveaways, which were well received by customers.

In June 2015, the Group held the fourth nationwide green activity, "Go Green with NWDS", and its "Green Rewards GO GO GO" campaign was supported by over 12,000 shop-in-green customers, giving away more than 9,600 pots of small plants, an 85% increase from last year. To align with this year's new theme of "Low-carbon diet", a number of stores held low-carbon cooking demonstrations to encourage the public to practice green living in their diet.

Store-initiated Green Activities to Engage Local Community

During the year under review, stores proactively reached out to the community to advocate environmental protection. For instance, Dalian Store volunteer team organized beach clean-up activity to beautify the landscape; Wuhan Wuchang Branch Store held an environmental protection carnival to spread the message of "Reserving World's Resources with Small Habitual Changes"; Wuhan Store volunteer team kicked off a three-month "Environmental Protection Starts from Me" campaign to clean the beautiful Northwest Lake and green the community in order to promote environmental protection.

VOLUNTEER TEAM

The Group established NWDS Volunteer Team in April 2013 to encourage employees to participate in voluntary work. The volunteer team has been growing since then and reached to a size of over 2,500 members now. During the year under review, NWDS Volunteer Team held over 260 volunteer activities, contributing about 6,700 service hours in total.

During the year under review, the Group organized two nationwide volunteer activities to show care for under-resourced children. During Christmas in 2014, the Group and non-profit organizations jointly held a hula hoop-themed volunteer activity called "Merry Hula Hooping Christmas". More than 260 volunteers dressed up as Santa Claus and spent a happy festival with a total of 860 under-resourced children. In June 2015, the Group and non-profit organizations co-organized the second "Volunteer Month" activity, where various soccer-inspired competitions and games were organized for over 900 under-resourced children in Mainland China. The Group also held the "NWDS • Soccer Fever" retweeting activity on NWDS CSR Weibo to spread the spirit of volunteering to Internet users and recorded an overwhelming participation of over 66,000 people.

COMMUNITY SERVICES

During the year under review, the Group strengthened its cooperation with the community and non-profit organizations and launched a number of innovative and meaningful community service projects. In addition, the Group encouraged the involvement of the management, employees and the public to amplify the impact of these activities.

"@Dream Sustainable Development Program" Organizes Annual Performance and Launches Sports Training Programs

"@Dream Sustainable Development Program" ("@Dream Program") has provided about 7,000 under-resourced children in Mainland China and Hong Kong with training courses related to sports, music, learning and soul to promote all-round physical and mental development since 2013. In September 2014, the Group held @Dream Program's annual performance at Shanghai Jiao Tong University, with the participation of over 700 teachers, students and representatives from different community groups to witness the students' achievements over the past year. "@Dream Program" received country-wide recognition and the highlights of the annual performance were featured on the news channel of Shanghai Television and Fengxian Television unprecedentedly, generating a total of 117 news reports.

During the year under review, the Group deepened the sports component of the "@Dream Program". Apart from continuing the "@Sports – Tennis Academy" tennis training program launched with Shanghai Changning District Sports Association in March 2014, the Group introduced the "@Sports – Cool Soccer" training program in January 2015 to offer year-long free football training courses for children of migrant workers. The program aims to boost the physical and mental well-being of the trainees, so as to cultivate a positive attitude towards life.

Sponsoring the "NWDS Sowers Action Challenging 12 Hours Charity Marathon 2014"

Adhering to the spirit of "giving back to society", the Group title-sponsored the "NWDS Sowers Action Challenging 12 Hours Charity Marathon" for the first time during the year under review. The Group's management and employees participated in the marathon and successfully made a total donation of HK$450,000 for the cause. The marathon successfully attracted over 2,220 participants and generated a record-breaking donation of more than HK$2.7 million for the poor high school students in Mainland China.

The Group organized the "Half-Hour Parent-Child Sowers Action Hunt Challenge" at all stores on the same day of the marathon to recreate its excitement for Mainland customers. The event required family teams to accomplish various challenges within a specific period of time cooperatively. With the help of WeChat, Weibo and in-store promotions, the event was a huge success with participation of over 450 family teams, involving approximately 1,000 participants and effectively raising customers' awareness on the marathon.

Encouraging Customers to Care for the Underprivileged

During the year under review, many stores responded to the "World Autism Awareness Day" and organized charity sale and educational events accordingly. In the "Love Makes the Sky Blue" campaign initiated by stores in the South Eastern China Region, it called for donations from employees and customers. Shanghai Chengshan Branch Store even went for an extra mile to display autism children's paintings in store and made them into postcards for charity sale to raise more funds. Wuhan Hanyang Branch Store has launched the "Caring for Autism Children" activity to promote autism-related knowledge, and enhance society's awareness on patients suffering from autism.

STAFF BENEFITS AND DEVELOPMENT

The Group believes that talent development is one of the key factors for business success. The Group is committed to providing employees with comprehensive job training and caring activities to increase their sense of belonging.

Investing a Wealth of Resources to Nurture Outstanding Elites

During the year under review, the Group launched the largest talent pool building project in the year, "Advanced Project Feipeng – NWDS Management 'Golden Ladder' Nurturing Program", which aims at upgrading the operating and industry knowledge of elite staff at middle and senior levels through internship and overseas study tours, so as to enhance the Group's competitiveness. The Group also continued to work with the Overseas Education College Shanghai Jiao Tong University to organize the "Certificate Program of Further Studies in Retail Operation and Management 2014", to train employees on merchandise management, visual aesthetics and marketing strategy. Since 2006, the certificate program has nurtured more than 300 middle and senior managerial elites, enhancing employees' skills and professional level holistically.

Strengthening Trainer Training and Appreciating their Contribution

During the year under review, the Group added more trainer training on leasing and operations of direct sales business, including "Fashion Culture Innovation Workshop", "Efficient Sales Techniques" and "Legal Series" to be in line with the Group's business development. As a result, nearly 70 trainers around the country picked up new knowledge on leasing project management, concessionaire and direct sales business, so that they could train more storefront employees to cope with their job duties and foster cohesion in the workforce. To express the gratitude to staff trainers for their hard work, the Group held a number of appreciation activities to celebrate Teachers' Day and sent out greeting cards and small gifts to commend the outstanding trainers.

Caring for Employees to Enhance Their Sense of Belonging

During the year under review, the Group regularly organized a wide range of recreational activities and staff caring activities, such as sports events, photography competitions, birthday parties and outings to create a harmonious work environment. During festive seasons, stores held spring cocktail parties, gave away gift cards and prepared meals for employees who worked overtime to enhance their sense of belonging to the Group. In addition, stores regularly held "staff sales" to offer shopping discounts for employees. Wuhan Trendy Plaza distributed welfare coupons with heavy-weighted discounts during the store's anniversary sales to reward its employees for their year-long contribution.

GROUP HONORS

The Group has obtained numerous awards for its excellent performance in the aspects of corporate social responsibility, environmental protection, public relations, staff training and investor relations. During the year under review, the Group garnered about 30 international awards, which in recognition of its holistic outstanding performance.

CORPORATE SOCIAL RESPONSIBILITY

1. "Nomination Award" in the category of Corporate Social Responsibility in the "11th China Golden Awards for Excellence in Public Relations"
2. "2014 China Charity – Group Award", "2014 Best Charity Project" and "2014 Best Green Project" in the "2014 China Charity Festival"
3. "Annual Outstanding Community Program" by the Youth Welfare Alliance
4. "Hong Kong Community Volunteers (Corporate Members) Certificate of Appreciation" by Agency for Volunteer Service
5. "Bronze Award for Volunteer Service" by the Social Welfare Department
6. "2014/15 Caring Company" logo by The Hong Kong Council of Social Service

STAFF TRAINING

7. "Value Case Award" and "Best Practice Award" in the "China Learning & Development Value Awards 2014" organized by HR Excellence Centre
8. "China's Best Corporate University" and "2014 Chinese Corporate University – Top Ten Innovative Practices" in the "Chinese Corporate University Rankings"

INVESTOR RELATIONS

9. "Asia's Most Promising Companies on Corporate Governance" in the "10th Corporate Governance Asia Recognition Awards 2014 – The Best of Asia"
10. "Best Investor Relations Company (Hong Kong)" and "Best Investor Relations Professional (Hong Kong)" in the "5th Asian Excellence Recognition Awards"
11. Gold Award in the category of "Financial Performance, Corporate Governance and Environment Responsibility" in "The Asset Corporate Awards 2014"

ENVIRONMENTAL PROTECTION

12. "Certificate of Appreciation" and "Progress Award" in the "Power Smart Energy Saving Contest 2014" organized by Friends of the Earth
13. "Carbon Reduction Certificates" in "Carbon Reduction Certificates Scheme" under the "Hong Kong Awards for Environmental Excellence"
14. "Green Office" label and the UNMDG's "Better World Company" label in "Green Office Awards Labelling Scheme" organized by the World Green Organization

PUBLIC RELATIONS

15. Honors Award in "Redesign/Relaunch: Retail" category in the iNOVA Awards 2014 – Excellence in Corporate Websites

ANNUAL REPORT AND SUSTAINABILITY REPORT HONORS

FY2013-2014 ANNUAL REPORT

2014 Galaxy Awards
- Annual Reports – Overall Presentation: Retail – Department Store
  Gold Award

2014/15 Mercury Awards
- Annual Reports – Overall Presentation: Department Store
  Bronze Award
- Annual Reports – Cover Design: Drawings/Illustrations
  Gold Award

2015 Astrid Awards
- Annual Reports – Covers: Artistic
  Silver Award
- Annual Reports – Covers: Graphics & Text
  Honors Award

LACP 2014 Vision Awards
Annual Report Competition
- Consumer Services – Other
  Platinum Award
- Retailing – Multi-line Retail
  Bronze Award
- Best Letter to Shareholders Worldwide
  Silver Award
- Best Letter to Shareholders Asia-Pacific Region
  Platinum Award
- Top 100 Annual Reports Worldwide
- Top 50 Annual Reports in the Asia-Pacific Region
- Top 40 Chinese Annual Reports of 2014

2015 International ARC Awards
- Interior Design: Retail: Convenience & Dept. Stores
  Honors Award

Hong Kong Management Association
2014 Best Annual Reports Awards
- Citation for Design

FY2014 SUSTAINABILITY REPORT

LACP 2014 Vision Awards
Annual Report Competition
- Sustainability
  Platinum Award
- Most Improved Report Worldwide
  Silver Award
- Most Improved Report Asia-Pacific Region
  Gold Award
- Top 100 Annual Reports Worldwide
- Top 50 Annual Reports in the Asia-Pacific Region
- Top 40 Chinese Annual Reports of 2014

2015 International ARC Awards
- Non-Traditional Annual Report: Sustainability Report
  Gold Award
- Cover Photo/Design: Sustainability Report
  Bronze Award

NORTHERN CHINA REGION

Department Store	Awards
Beijing Liying Store	• Honor Certificate of Donations
Yantai Store	• Advanced Firefighting Entity
Xi'an Store	• Advanced Entity in Expanding Consumption • Outstanding Enterprise of the Year
Harbin Store	• "Outstanding Organisation Award" in the "Heilongjiang Province 6th China UnionPay Cup-Cashier Skills Competition of Commercial Service Industry"
Dalian Store	• 2014 AAA Grade Corporate Taxpayer • Pioneer Shopping Centre in Dalian

SOUTH EASTERN CHINA REGION

Department Store	Awards
Shanghai Huaihai Branch Store	• "2014 Civil Defense Project Management" Recognition and Certificate • Bronze Award in the "Qualified Enterprise on Security Management" • Second Runner-up in the "2015 Labor Rights Protection Knowledge Contest"
Shanghai Wujiaochang Branch Store	• 2013 Outstanding Group for Blood Donation Work Assessment
Shanghai Pujian Branch Store	• "Advanced Group Honor" in the "2014 Shanghai Shopping Festival cum the 2nd Pudong Tangqiao Community Shopping Festival"
Shanghai Chengshan Branch Store	• 2014 Advanced Enterprise in Beicai Town
Ningbo Beilun Store	• Advanced Enterprise in Ningbo Commerce and Trade System in 2013
Yancheng Store	• "Advanced Entity" by the Municipal City's Office of Consumer Confidence Taskforce

CENTRAL WESTERN CHINA REGION

Department Store	Awards
Wuhan Xudong Branch Store	• 2013 Advanced Entity in Union Affairs
Chengdu Store	• "Weibo Leap Award" in the "2014 Sina Sichuan Reputation List" • "Marketing Leader" in the 2014 Leaders List
Kunming Store	• "Advanced Enterprise" in 2013 Assessment Survey on Commercial Services

DIRECTORS' PROFILE

Chairman and
Non-executive Director
DR. CHENG KAR-SHUN, Henry
GBS (Aged 68)

has been the Chairman and a non-executive Director since June 2007. Dr. Cheng is also a director of a number of the subsidiaries of the Company. He is responsible for the overall planning, strategic development and major policy making of the Group. Dr. Cheng holds offices in various listed public companies, including being the chairman of New World Development Company Limited, the chairman and the managing director of New World China Land Limited, the chairman and an executive director of NWS Holdings Limited, Chow Tai Fook Jewellery Group Limited and International Entertainment Corporation, the chairman and a non-executive director of Newton Resources Ltd, an independent non-executive director of HKR International Limited and Hang Seng Bank Limited, a non-executive director of SJM Holdings Limited and was a non-executive director of Lifestyle International Holdings Limited. Dr. Cheng is also the chairman of New World Hotels (Holdings) Limited. He is also a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of which are substantial Shareholders. He acts as the chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the father of Dr. Cheng Chi-kong, Adrian.

Executive Director
DR. CHENG CHI-KONG, Adrian
(Aged 35)

has been an executive Director since June 2007. He is also the chairman of the Executive Committee, and a member of the Remuneration Committee and the Nomination Committee. Dr. Cheng joined the Group in 2007 and is responsible for overseeing the corporate affairs of the Group. He is the executive vice-chairman and joint general manager of New World Development Company Limited, an executive director of each of New World China Land Limited, Chow Tai Fook Jewellery Group Limited and International Entertainment Corporation and a non-executive director of each of Giordano International Limited and Modern Media Holdings Limited. Dr. Cheng is also a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both of which are substantial Shareholders. He is also the chairman of New World Group Charity Foundation Limited. Dr. Cheng is the vice-chairman of the Youth Federation of the Central State-owned Enterprises, a vice-chairman of All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation, the honorary chairman of K11 Art Foundation and a member of Board of the West Kowloon Cultural District Authority. He has substantial experience in corporate finance and worked in a major international bank prior to joining New World Development Company Limited. Dr. Cheng holds a Bachelor of Arts Degree (*Cum Laude*) from Harvard University and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. Dr. Cheng is the son of Dr. Cheng Kar-shun, Henry.

Managing Director and Executive Director

MR. CHEUNG FAI-YET, Philip

(Aged 60)

has been the Managing Director and an executive Director since June 2007. He is also a member of the Executive Committee and the Remuneration Committee and a director of a number of the subsidiaries of the Company. Mr. Cheung joined the Group in 1993 and has been responsible for the overall management of the Group. He has 40 years of experience in retail industry and possesses extensive experience in managing retailing stores in the PRC, Hong Kong and Taiwan. Prior to joining the Group, Mr. Cheung has held various senior management positions in large retail groups in Hong Kong and Taiwan including worked as a general manager in a large Japanese department store and as a general manager in the retail division of a UK based conglomerate in Hong Kong and as a general manager in a large pharmaceutical retail company in Taiwan.

Non-executive Director

MR. AU TAK-CHEONG

(Aged 63)

has been a non-executive Director since June 2007 and is responsible for overseeing compliance of policy and procedures in relation to accounting matters of the Group. Mr. Au is also an executive director and the Head of the Finance and Accounts and senior management of New World Development Company Limited. He possesses over 30 years of experience in finance and accounting and treasury.

Non-executive Director

MS. NGAN MAN-YING, Lynda

(Aged 49)

has been a Director since January 2007, designated as an executive Director since June 2007 and re-designated as a non-executive Director since December 2012. Ms. Ngan is a director of certain subsidiaries of the Company. She joined the Group in 2007 and is responsible for the financial planning and corporate governance of the Group. Ms. Ngan is also an executive director, the financial controller and the company secretary of New World China Land Limited. She has over 28 years of experience in auditing, accounting, business advisory and tax consultancy. Ms. Ngan has previously worked for an international accounting firm in Hong Kong and a tax consulting company in Australia. She possesses a Bachelor Degree in Business from University of Southern Queensland and is a Practising Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom.

Independent
Non-executive Director

MR. CHEONG YING-CHEW, Henry

(Aged 67)

has been an independent non-executive Director since June 2007. He is also a member of the Audit Committee and the Remuneration Committee. Mr. Cheong has over 30 years' experience in the securities industry. He has been a director of the Worldsec Group of companies which he founded in 1991 together with The Bank of Tokyo-Mitsubishi UFJ, Ltd. in Japan (formerly known as "The Mitsubishi Bank"). Mr. Cheong currently serves as an executive director and the deputy chairman of Worldsec Limited, a company listed on the London Stock Exchange. Prior to setting up the Worldsec Group in 1991, he was a director of James Capel (Far East) Limited for 5 years with overall responsibility of Far East sales. His earlier professional experience includes 11 years with Vickers da Costa Limited in Hong Kong, latterly as managing director. Mr. Cheong holds a Bachelor of Science (Mathematics) Degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) Degree from Imperial College, University of London.

Mr. Cheong is an independent non-executive director of each of Cheung Kong Infrastructure Holdings Limited, Cheung Kong Property Holdings Limited, CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, Skyworth Digital Holdings Limited and TOM Group Limited. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed on the Stock Exchange of Thailand. Mr. Cheong was an independent non-executive director of each of CK Hutchison Holdings Limited (formerly knowns as "Cheung Kong (Holdings) Limited") and Creative Energy Solutions Holdings Limited. Mr. Cheong was also previously a member of each of the Securities and Futures Appeals Tribunal and the Advisory Committee of the Securities and Futures Commission.

Independent Non-executive Director

MR. CHAN YIU-TONG, Ivan

(Aged 61)

has been an independent non-executive Director since June 2007. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Chan has more than 20 years of audit and consulting experience with multinational and PRC corporations. He was the audit engagement partner for many of the B-share and H-share listings in the early 90s. In addition, Mr. Chan had been with a leading British merchant bank and an international accounting firm, specializing in mergers and acquisitions in the PRC. Mr. Chan graduated from the London School of Economics with a Bachelor of Science Degree in Economics.

Independent Non-executive Director

MR. TONG HANG-CHAN, Peter

(Aged 70)

has been an independent non-executive Director since June 2007. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Tong is currently the managing director of Global Corporate Services Limited and a director of World Link Management Advisory Services Ltd. He has more than 40 years of management experience with leading international retail chains and high-tech companies in Hong Kong and South East Asia, specializing in high-fashion and accessories brand management as well as in establishing sales and distribution networks through joint ventures and franchises. Mr. Tong was the chief operating officer of Mongolia Energy Corporation Limited (formerly known as "New World CyberBase Limited"), an executive director of Sa Sa International Holdings Limited, a vice president of Tiger Enterprises Limited and the president of Giordano Japan Limited (both subsidiaries of Giordano International Limited), the managing director of Longchamp Company Limited, an executive director of Dickson Development Company Limited, and the managing director of Christabel Trading Company Limited and Verwin Company Limited (both affiliates of The Swank Shop). Mr. Tong has been appointed as the chairman of Staff Panel, a vice chairman of Scout Supply Services Committee, a member of Scout Council and Executive Committee of Scout Association of Hong Kong.

Independent Non-executive Director

MR. YU CHUN-FAI

(Aged 53)

has been an independent non-executive Director since June 2007. He is also the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. He has over 30 years of experience in the financial industry. Mr. Yu was also an independent non-executive director of Jun Yang Financial Holdings Limited (formerly known as "Jun Yang Solar Power Investments Limited"). He is the founder, and was the chairman and executive director of China Smartpay Group Holdings Limited (formerly known as "Oriental City Group Holdings Limited"), a company listed on the Stock Exchange of Hong Kong. Prior to establishing Oriental City Group, Mr. Yu worked for Morgan Stanley, AIG Asset Management (Asia) Ltd, and Allianz Dresdner Asset Management.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The board of directors (the "Directors" or the "Board") of New World Department Store China Limited (the"Company"), together with its subsidiaries (the"Group"), recognises the importance of corporate governance practices to a listed company. The Company is committed to ensuring high standards of corporate governance in the interest of the shareholders (the "Shareholders") and stakeholders of the Company.

The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). During the year ended 30 June 2015, the Company has applied and complied with all the code provisions set out in the Code.

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the"Model Code") as its own code of conduct regarding securities transactions by the Directors. Upon the Company's specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company during the year ended 30 June 2015.

Employees' Securities Transactions

The Code provision A.6.4 provides that there should be written guidelines on no less exacting terms than the Model Code for the relevant employees in respect of their dealing in the securities of the Company.

The Company has established guidelines for employees as required under the Code provision.

Board of Directors

As at the date of this report, the Board comprises three non-executive Directors, two executive Directors and four independent non-executive Directors. Their names, biographical details and respective relationships with other Directors are set out on pages 50 to 53 of this annual report.

The Board regulates the directions of the Group, monitors its overall performance and maintains effective supervision over the management running the Group through relevant committees of the Board in a sound and efficient manner. The executive committee of the Company (the "Executive Committee") and the management are delegated the authority and responsibilities by the Board for the routine management and operation of the Company.

The Board will have at least four meetings a year at approximately quarterly intervals and will meet at other times as and when required to review business strategies and financial and operating performance. The Board met four times during the year ended 30 June 2015.

All Directors are subject to retirement by rotation and re-election, if eligible, in accordance with the articles of association of the Company (the "Articles").

During the year, the Directors' attendance at the Board meetings and general meeting is set out as follows:

Name	Number of meetings attended/held	
	Board Meetings	Annual General Meeting
Non-executive Directors		
Dr. Cheng Kar-shun, Henry *(Chairman)*	4/4	1/1
Mr. Au Tak-cheong	4/4	1/1
Ms. Ngan Man-ying, Lynda	4/4	1/1
Executive Directors		
Dr. Cheng Chi-kong, Adrian	4/4	1/1
Mr. Cheung Fai-yet, Philip *(Managing Director)*	4/4	1/1
Mr. Wong Kwok-kan, Kenneth*	1/1	1/1
Independent non-executive Directors		
Mr. Cheong Ying-chew, Henry	4/4	1/1
Mr. Chan Yiu-tong, Ivan	3/4	1/1
Mr. Tong Hang-chan, Peter	4/4	1/1
Mr. Yu Chun-fai	3/4	1/1

* Mr. Wong Kwok-kan, Kenneth resigned as an executive Director with effect from 1 December 2014.

The Roles of the Chairman and Managing Director

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

Non-executive Directors

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

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

Executive Committee

The Executive Committee serves as an executive arm of the Board with authority and responsibility for delegating certain operating functions to the management to handle the day-to-day businesses of the Company, while reserving certain key matters including the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee comprises Dr. Cheng Chi-kong, Adrian and Mr. Cheung Fai-yet, Philip. Dr. Cheng Chi-kong, Adrian is the chairman of the Executive Committee. The Executive Committee meets as when necessary.

Audit Committee

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

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

During the year, the Audit Committee reviewed with auditor of the Company the audited financial statements for the year ended 30 June 2014 and the unaudited interim financial information for the six months ended 31 December 2014 as well as internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget with recommendations to the Board for approval. The Audit Committee also reviewed the financial statements for the year ended 30 June 2015 and internal audit report, including the effectiveness of the internal control system, with recommendation to the Board for approval. The Audit Committee met four times during the year ended 30 June 2015.

The corporate management services department of the Group (the "Corporate Management Services Department") has conducted audits of the Company and its subsidiaries. The Corporate Management Services Department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key businesses and operational risks are identified and managed. The work carried out by the Corporate Management Services Department will ensure the internal controls, including the process used to resolve material internal control defects for any significant problems, are carried out appropriately and functioning as intended. The Corporate Management Services Department shall report its findings and make recommendations to improve and to plan the internal control of the Group. The Company has written policy and manual for the handling and dissemination of inside information.

During the year, the members' attendance of the meetings of the Audit Committee is set out as follows:

Name	Number of meetings of the Audit Committee attended/held
Mr. Chan Yiu-tong, Ivan	4/4
Mr. Cheong Ying-chew, Henry	4/4
Mr. Tong Hang-chan, Peter	4/4
Mr. Yu Chun-fai	4/4

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises Dr. Cheng Chi-kong, Adrian, Mr. Tong Hang-chan, Peter, Mr. Cheung Fai-yet, Philip, Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan and Mr. Yu Chun-fai. Mr. Tong Hang-chan, Peter is the chairman of the Remuneration Committee. The Remuneration Committee meeting will be held at least once a year.

The primary duties of the Remuneration Committee include review of and determining, with delegated responsibility, and making recommendations on the remuneration structure for individual Directors and the Group. During the year ended 30 June 2015, the Remuneration Committee met two times to review the remuneration policy for Directors and the Group, assessing performance of executive Directors and approving terms of executive Directors' service contracts. The Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive Directors and management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also to make recommendations to the Board on the remuneration of non-executive Directors and to ensure that no Directors or any of their associates are involved in deciding their own remuneration.

Details of the amount of emoluments of Directors for the year ended 30 June 2015 are set out in note 10 to the consolidated financial statements.

During the year, the members' attendance of the meetings of the Remuneration Committee is set out as follows:

Name	Number of meetings of the Remuneration Committee attended/held
Mr. Tong Hang-chan, Peter	2/2
Dr. Cheng Chi-kong, Adrian	2/2
Mr. Cheung Fai-yet, Philip	2/2
Mr. Wong Kwok-kan, Kenneth*	1/1
Mr. Cheong Ying-chew, Henry	2/2
Mr. Chan Yiu-tong, Ivan	2/2
Mr. Yu Chun-fai	2/2

* Mr. Wong Kwok-kan, Kenneth resigned as an executive Director with effect from 1 December 2014.

Nomination Committee

The nomination committee of the Company (the"Nomination Committee") has been established on 1 April 2012 with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board, the Nomination Committee comprises Dr. Cheng Chi-kong, Adrian, Mr. Yu Chun-fai and Mr. Tong Hang-chan, Peter. Mr. Yu Chun-fai is the chairman of the Nomination Committee. The Nomination Committee meeting will be held at least once a year. The primary duties of the Nomination Committee include review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board, and to assess the independence of the independent non-executive Directors. The Nomination Committee is also to determine the policy and to adopt the nomination procedures and the process and criteria, such as experience and independence, to select and recommend candidates for directorship. During the year ended 30 June 2015, the Nomination Committee met once. Taking into account of the Company's own operation model and specific needs, the members of the Nomination Committee considered that the experience and diversity of perspectives of the Board appropriate to the requirements of the Company's business.

During the year, the members' attendance of the meetings of the Nomination Committee is set out as follows:

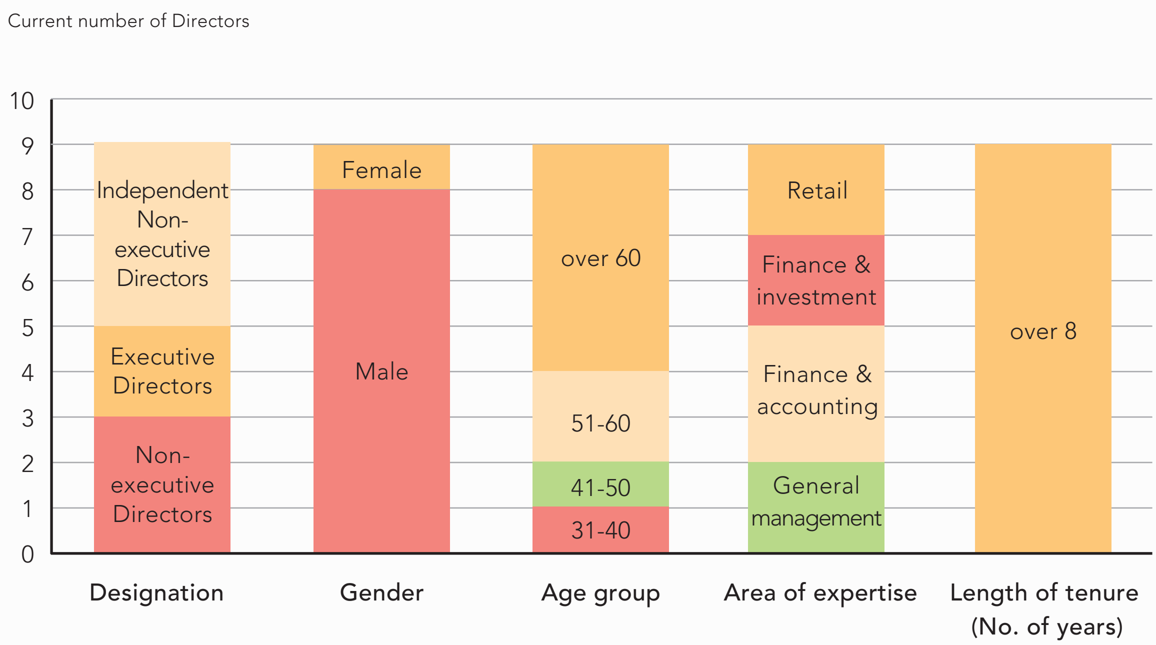
Name	Number of meetings of the Nomination Committee attended/held
Mr. Yu Chun-fai	1/1
Dr. Cheng Chi-kong, Adrian	1/1
Mr. Tong Hang-chan, Peter	1/1

Board Diversity Policy

The Company has adopted a board diversity policy (the"Policy") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service and by taking account of the Company's own business model and specific needs.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Policy from time to time to ensure its continued effectiveness.

Diversity Mix



Corporate Governance Functions

The Board is to perform the corporate governance duties with written terms of reference which include the applicable code provisions as set out in the Code. The Board has reviewed the compliance with the Code and disclosure of the Company in this Corporate Governance Report and determine the policy for corporate governance of the Company and duties performed by the Board.

Directors' Training

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries and they may seek independent professional advice and consultation when necessary. To enhance proper and up-to-date understanding of the Company's operations and business, legal and other regulatory requirements and appropriate emphasis on the roles, functions and duties of Directors, the Company has arranged seminars and provide reading materials as professional development programs to the Directors. During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills. The Company has received training records of the Directors as below:

Name	Training records received by the Company
Non-executive Directors	
Dr. Cheng Kar-shun, Henry *(Chairman)*	✓
Mr. Au Tak-cheong	✓
Ms. Ngan Man-ying, Lynda	✓
Executive Directors	
Dr. Cheng Chi-kong, Adrian	✓
Mr. Cheung Fai-yet, Philip *(Managing Director)*	✓
Mr. Wong Kwok-kan, Kenneth*	–
Independent non-executive Directors	
Mr. Cheong Ying-chew, Henry	✓
Mr. Chan Yiu-tong, Ivan	✓
Mr. Tong Hang-chan, Peter	✓
Mr. Yu Chun-fai	✓

* Mr. Wong Kwok-kan, Kenneth resigned as an executive Director with effect from 1 December 2014.

Remuneration of Directors

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

Financial Reporting and Internal Control

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

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 78 to 79 of this annual report.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness and procedures. The procedures have been designed for safeguarding assets against unauthorised user or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable assurance against material errors, losses or fraud and are to identify key risks. The Board, through the Audit Committee, conducted review regarding internal control system of the Group. In the year under review, the Audit Committee and the Board had also reviewed the Group's internal control system to ensure that effective and reasonable measures were in place.

Directors' Responsibility Statement

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing financial statements of each financial period, giving a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 30 June 2015, the Directors had:

1. approved the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

2. selected and applied consistently appropriate accounting policies; and

3. prepared the financial statements on a going concern basis.

Company Secretary

The company secretary of the Company (the "Company Secretary") is an employee of the Company. Her responsibilities include advising the board on governance matters. The Board has access to the advice and services of the Company Secretary at all times. During the year ended 30 June 2015, the Company Secretary has taken no less than 15 hours of relevant professional training.

Communication with Shareholders

The chairman of the Board, the chairmen of the Board committees, members of the Board and external auditor will attend the annual general meeting of the Company at which the Directors will answer questions raised by the Shareholders on the performance of the Group. To ensure the general meetings are conducted in a fair and transparent manner, each of the resolutions considered at the general meetings held in the past year has been voted by poll and the branch share registrar and transfer agent of the Company in Hong Kong was appointed as the scrutineers to count the votes and explain to the Shareholders at the meetings the procedures for voting by poll. The poll results and other corporate communications were posted on and can also be downloaded from the websites of the Company (www.nwds.com.hk) and the Stock Exchange (www.hkexnews.hk) respectively.

Shareholders' Rights

According to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and to put forward proposals specified in such requisition by the procedures below:

The Shareholder shall deposit a requisition in writing to require an extraordinary general meeting and to put forward proposals at the Company's head office at 7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong (attention to: Company Secretary) or the branch share registrar and transfer agent of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (attention to: Mr. Ricky Lee).

The requisition must include the business to be transacted at the required extraordinary general meeting and must be signed by the Shareholder concerned. If the requisition is confirmed as proper and valid, an extraordinary general meeting shall be held within two months after the deposit of such requisition subject to the requirements of the relevant Articles and the Listing Rules. In case an extraordinary general meeting could not be convened upon the request, the Company will inform the Shareholder accordingly.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as directors. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

For enquiries to the Board, the Shareholder shall contact the Corporate Affairs Department at the head office of the Company at 7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong or by e-mail to nwdscad@nwds.com.hk. The Company will endeavor to respond to their queries in a timely manner.

Constitutional Documents

There is no significant change in the Company's constitutional documents during the year.

Investor Relations

With excellent and effective management of investor relations during the year under review, the Group largely reinforced the communications with current and potential investors, duly protected their legal rights and interests, as well as enhanced their understanding and recognition of New World Department Stores, thus establishing a positive image both in domestic and overseas capital markets.

The investor relations team of the Group is formed by senior management executives. Ever since the Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited in July 2007, the team has been contacting institutional investors and analysts actively both in domestic and overseas capital markets, mainly by means of one-on-one meetings, conference calls and store visits. A total of about 120 meetings and store visits were organized for investors during the year under review.

Every year, the Group hosts analyst briefings after its annual and interim results announcements to disclose information proactively to analysts and investment institutions. Research reports regarding the Group are also issued by prominent investment research institutions, including Deutsche Bank, DBS Vickers Securities, HSBC, Macquarie Securities, Morgan Stanley and Quam Securities.

Upon the release of its annual and interim results, the Group also carries out overseas roadshows and visits to major investment institutions. The New World Department Stores management carried out roadshows in London, Hong Kong and Singapore in July, September and October 2014 respectively. Moreover, the management was also invited to a number of investor conferences hosted by major banks or securities companies. In total, the management met about 90 investment institutions. The conferences were the "Morgan Stanley GEMs Conference" by Morgan Stanley in New York in July 2014; the "Thirteenth Annual Asia Pacific Summit" by Morgan Stanley in Singapore, the "GS Greater China CEO Summit 2014" by Goldman Sachs in Hong Kong and the "North Asia Corporate Day" by Macquarie Securities in Hong Kong in November 2014; the "6th Annual dbAccess Asia Conference 2015" by Deutsche Bank in Singapore and the "Macquarie Greater China Conference 2015" by Macquarie Securities in Hong Kong in May 2015; and the "J.P. Morgan Global China Summit 2015" by J.P. Morgan Securities in Beijing in June 2015.

To ensure shareholders' timely access to the Group's information, an "Investors" section has been especially set up in the NWDS corporate website, www.nwds.com.hk, providing the Group's latest announcements, circulars, press releases, financial reports and presentations. In addition, by means of interim and annual reports, notices, annual general meetings as well as real-time distribution of updates to e-News subscribers, the investor relations team helps investors develop a better understanding on the Group's business development strategies and latest operations details.

The Group attaches great importance to corporate transparency. Therefore, in December 2012, the Group established Information Disclosure Committee and set up corresponding internal policy on fair disclosure of the Group's information. The investor relations team of NWDS will continue to communicate with the investors in a proactive manner, so as to reinforce their confidences in the Group and to create an ideal financing environment for the Group in the capital markets.

Auditor's Remuneration

Fees for auditing services amounted to approximately HK$6,540,000 (2014: approximately HK$6,500,000) and fees for non-auditing services, including primarily interim review, accounting, tax advisory and other related services, amounted to approximately HK$2,837,000 (2014: approximately HK$1,677,000). Both fees were provided in the Group's consolidated income statement for the year ended 30 June 2015.

CONTENTS

FINANCIAL SECTION

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 30 June 2015.

Principal Activities

The Company is an investment holding company. The Group is engaged in department store operation in the PRC. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements of the Group.

Results

The results of the Group for the year ended 30 June 2015 are set out in the consolidated income statement on page 80 of this annual report.

Final Dividend

The Directors have resolved to recommend a final dividend of HK$0.018 per share (2014: HK$0.060 per share) for the year ended 30 June 2015 to Shareholders whose names appear in the register of members of the Company on 30 November 2015. It is expected that the proposed final dividend will be paid on or about 29 December 2015 subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on 17 November 2015.

Property, Plant and Equipment

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

Share Capital

Details of the share capital are set out in note 26 to the consolidated financial statements.

Reserves

Details of the movements in reserves during the year are set out in note 27 to the consolidated financial statements.

Five-Year Financial Summary

Financial summary for the years of 2011 to 2015 are set out on page 146.

Charitable Donations

Charitable donations made by the Group during the year amounted to approximately HK$1,267,000 (2014: approximately HK$4,315,000).

Pre-Emptive Rights

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

Directors

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

Non-executive Directors

Dr. Cheng Kar-shun, Henry *(Chairman)*
Mr. Au Tak-cheong
Ms. Ngan Man-ying, Lynda

Executive Directors

Dr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip *(Managing Director)*
Mr. Wong Kwok-kan, Kenneth*

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry
Mr. Chan Yiu-tong, Ivan
Mr. Tong Hang-chan, Peter
Mr. Yu Chun-fai

* Mr. Wong Kwok-kan, Kenneth resigned as an executive Director with effect from 1 December 2014.

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

Audit Committee

The Audit Committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 30 June 2015 and discussed those related matters with the management.

Directors' Service Contracts

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

Directors' Interests in Contracts of Significance

Other than as disclosed under the "Connected Transactions" section below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2015 or at any time during the year ended 30 June 2015.

Directors' Interests in Competing Business

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

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

Name	Name of entity	Description of business	Nature of interest of the Director in the entity
Dr. Cheng Kar-shun, Henry	Lifestyle International Holdings Limited and its subsidiaries	Department store operations	Director (retired on 4 May 2015)

Deed of Non-Competition

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

(a) department stores;

(b) supermarkets;

(c) hypermarkets;

(d) convenience stores;

(e) specialty merchandise stores; and

(f) supercentres.

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

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

Connected Transactions

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

A *Master leasing agreement*

On 11 April 2014, the Company and NWD entered into a master leasing agreement (the "Master Leasing Agreement"), for a term of three years commencing from 1 July 2014 and subject to the annual caps not exceeding RMB550,000,000, RMB550,000,000 and RMB593,000,000 respectively, in relation to all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of premises by members of the Group from members of the NWD Group and vice versa. Subject to compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter. The Master Leasing Agreement, the relevant transactions and the relevant annual caps were approved at an extraordinary general meeting of the Company held on 23 June 2014.

The aggregate consideration under the Master Leasing Agreement was approximately RMB315,398,000 (2014: approximately RMB332,289,000) during the year.

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

B *Master concessionaire counter agreement*

On 22 March 2012, the Company and Chow Tai Fook Jewellery Group Limited ("CTFJ" and its subsidiaries "CTFJ Group") entered into a master concessionaire counter agreement (the "Master Concessionaire Counter Agreement") commencing on 24 April 2012 up to and including 30 June 2014 in relation to all existing and future transactions between members of the Group and members of the CTFJ Group arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement. Subject to the compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Concessionaire Agreement will be automatically renewed for a successive period of three years thereafter. The Master Concessionaire Counter Agreement, the relevant transactions and the relevant annual caps were approved at an extraordinary general meeting of the Company held on 23 June 2014. The Master Concessionaire Counter Agreement was renewed for three years commencing on 1 July 2014 and subject to the annual caps not exceeding RMB205,000,000, RMB265,000,000 and RMB345,000,000 respectively.

The aggregate consideration under the Master Concessionaire Counter Agreement was approximately RMB81,843,000 (2014: approximately RMB100,787,000) during the year.

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

Connected Transactions (continued)

C *Master sales agreement*

On 11 April 2014, the Company, NWD and CTFJ entered into a master sales agreement (the "Master Sales Agreement") commencing on 1 July 2014 up to and including 30 June 2017 and subject to the annual caps not exceeding (i) RMB132,000,000, RMB149,000,000 and RMB192,000,000 respectively in respect of the sales to the NWD Group, the CTFJ Group and jointly-controlled entity(ies) jointly controlled by CTF and New World China Land Limited ("NWCL") ("N/C JCEs") from the Group (the "Sales Transaction"); and (ii) RMB10,000,000, RMB10,000,000 and RMB10,000,000 respectively in respect of the sales from the NWD Group, the CTFJ Group and N/C JCEs to the Group (the "Purchase Transaction"), in relation to all existing and future transactions in respect of the use of the shopping vouchers, the prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchases of goods at the stores and the settlement of the relevant value represented by such shopping vouchers (with the shopping vouchers commissions and rebates), the prepaid shopping cards (with the discounts, where applicable), the joint name vouchers (with the joint name vouchers commissions) or by any other means acceptable to the Group as contemplated under the Master Sales Agreement. Subject to compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Sales Agreement will be automatically renewed for a successive period of three years thereafter. The Master Sales Agreement, the relevant transactions and the relevant annual caps were approved at an extraordinary general meeting of the Company held on 23 June 2014.

The aggregate consideration under the Master Sales Agreement in respect of the Sales Transaction and the Purchase Transaction was approximately RMB29,462,000 and approximately RMB12,000 respectively (2014: approximately RMB74,899,000 and approximately RMB76,000 respectively) during the year.

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

D *Master services agreement*

On 11 April 2014, the Company and Mr. Doo Wai-hoi ("Mr. Doo") entered into a master services agreement (the "Master Services Agreement"), for an initial term of three years ending 30 June 2017 and subject to the annual caps not exceeding RMB130,000,000, RMB130,000,000 and RMB130,000,000 respectively, pursuant to which Mr. Doo agreed that members of his controlled companies (the "Services Group") to provide contracting services, cleaning and landscaping services, property management and rental services and such other types of services as the parties may agree upon from time to time in writing (collectively, the "Services"), to be provided by relevant members of the Services Group to the relevant members of the Group during the term of the Master Services Agreement and certain of the services agreements have not expired as at 1 July 2014. The Group and the Services Group wish to continue the services agreements and may from time to time enter into new services agreements for the provision of Services by the Services Group to the Group. Subject to compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Services Agreement will be automatically renewed for a successive period of three years thereafter.

The aggregate consideration under the Master Services Agreement was approximately RMB35,137,000 (2014: approximately RMB64,000) during the year.

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

Connected Transactions (continued)

E Termination of existing continuing connected transaction

On 28 November 2014, New World Development (Wuhan) Ltd. (新世界發展(武漢)有限公司) ("New World Wuhan"), a wholly owned subsidiary of NWCL, entered into a termination agreement with Hubei New World Department Store Co., Ltd. (湖北新世界百貨有限公司) ("NWDS Hubei"), a wholly owned subsidiary of the Company, in respect of termination of the lease agreement dated 12 April 2007 and its supplemental agreements (the "Lease Agreement") entered into between New World Wuhan and NWDS Hubei in respect of the leasing of the property located at Qiaokou District, Wuhan, Hubei, the PRC (the "Termination Agreement"). Pursuant to which New World Wuhan and NWDS Hubei agreed to terminate the Lease Agreement with effect from 1 December 2014. A total sum of approximately RMB51,128,000 is payable by New World Wuhan to NWDS Hubei as compensation for the early termination of the Lease Agreement. The actual compensation amount will be determined with reference to, among others, the net book value of the subsisting refurbishment and enhancement work recorded in the accounts of NWDS Hubei as at 30 November 2014.

The consideration was subsequently adjusted to RMB40,331,000 based on the agreed net book value of the subsisting refurbishment and enhancement work made by NWDS Hubei to the property as at 30 November 2014 in accordance with the terms of the Termination Agreement.

New World Wuhan is a wholly owned subsidiary of NWCL, which in turn is a subsidiary of NWD. NWD is a substantial Shareholder. As such, New World Wuhan is a connected person of the Company. The transaction contemplated under the Termination Agreement constitutes a connected transaction of the Company under the Listing Rules.

F Annual review of the continuing connected transactions

The price and terms of the continuing connected transactions mentioned in (i) Master Leasing Agreement (paragraph A above); (ii) Master Concessionaire Counter Agreement (paragraph B above); (iii) Master Sales Agreement (paragraph C above); (iv) Master Services Agreement (paragraph D above); and (v) Termination Agreement (paragraph E above) were determined in accordance with the pricing policies and guidelines as set out in the relevant announcements and circular of the Company, the independent non-executive Directors had reviewed such continuing connected transactions during the year and confirmed that the transactions were:

i in the ordinary and usual course of business of the Company;

ii on normal commercial terms; and

iii in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Main Board Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, the significant related party transactions that did not constitute connected transactions made under the Listing Rules during the year were disclosed in note 36 to the consolidated financial statements.

Management Contracts

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

Directors' Right to Acquire Shares or Debentures

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

Directors' Interests in Securities

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in shares

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
New World Development Company Limited					
(Ordinary shares)					
Dr. Cheng Kar-shun, Henry	Interest of spouse	Family interest	600,000	600,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	18,349,571	30,349,571	0.80
	Controlled corporation	Corporate interest	12,000,000[1]		

Note:

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

Directors' Interests in Securities (continued)

(b) Long positions in underlying shares – share options

i. New World China Land Limited

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

			Number of share options held					
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2014	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2015	Exercise price per share HK$
Dr. Cheng Kar-shun, Henry	18 January 2011	(1)	2,077,922	–	–	–	2,077,922	3.036
Dr. Cheng Chi-kong, Adrian	18 January 2011	(2)	935,066	–	–	–	935,066	3.036
Ms. Ngan Man-ying, Lynda	18 January 2011	(1)	1,038,961	–	–	–	1,038,961	3.036
			4,051,949	–	–	–	4,051,949	

Notes:

(1) Divided into 5 tranches, exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.

(2) Divided into 3 tranches, exercisable from 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.

(3) The cash consideration paid by each of the above Directors for each grant of the share options is HK$10.00.

Directors' Interests in Securities *(continued)*

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

ii. New World Development Company Limited

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

			Number of share options held					
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2014	Adjusted during the year(4&5)	Exercised during the year	Lapsed during the year	Balance as at 30 June 2015	Exercise price per share(4&5) HK$
Dr. Cheng Kar-shun, Henry	19 March 2012	(1)	10,648,284	16,529	–	–	10,664,813	9.161
Dr. Cheng Chi-kong, Adrian	19 March 2012	(1)	3,726,898	5,785	–	–	3,732,683	9.161
Mr. Au Tak-cheong	19 March 2012	(2)	2,342,841	2,487	(1,000,000)	–	1,345,328	9.161
	22 January 2014	(3)	531,618	824	–	–	532,442	9.766
			17,249,641	25,625	(1,000,000)	–	16,275,266	

Notes:

(1) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.

(2) Divided into 3 tranches exercisable from 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.

(3) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

(4) NWD declared a final dividend for the year ended 30 June 2014 in cash (with scrip option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK$9.176 to HK$9.172 on 30 December 2014. The exercise price per share of the share options granted on 22 January 2014 was adjusted from HK$9.781 to HK$9.777 on 30 December 2014.

(5) NWD declared an interim dividend for the six month ended 31 December 2014 in cash (with scrip option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK$9.172 to HK$9.161 on 22 May 2015. The exercise price per share of the share options granted on 22 January 2014 was adjusted from HK$9.777 to 9.766 on 22 May 2015.

(6) The cash consideration paid by each of the above Directors for each grant of the share options is HK$10.00.

Directors' Interests in Securities (continued)

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

iii. NWS Holdings Limited

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

			Number of share options held					
Name	Date of grant	Exercisable period (Note)	Balance as at 1 July 2014	Granted during the year	Adjusted during the year[2]	Lapsed during the year	Balance as at 30 June 2015	Exercise price per share[2] HK$
Dr. Cheng Kar-shun, Henry	9 March 2015	(1)	–	7,400,000	1,080	–	7,401,080	14.158
			–	7,400,000	1,080	–	7,401,080	

Notes:

(1) 60% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) NWSH declared an interim dividend for the year ending 30 June 2015 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 9 March 2015 was adjusted from HK$14.160 to HK$14.158 on 19 May 2015.

(3) The cash consideration paid by the above Director for each grant of the share options is HK$10.00.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

As at 30 June 2015, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

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

Notes:

(1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.

(2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.

(3) CTFC holds 78.58% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.

(4) CTFH holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTF.

(5) CTF together with its subsidiaries have interest in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by NWD.

Other Persons' Interests in Securities

As at 30 June 2015, the interests or short positions of persons (other than the Directors or chief executives or substantial shareholders (as defined in the Listing Rules) of the Company) in the shares and underlying shares of the Company as recorded in the register as required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the shares of the Company

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

Save as disclosed above, the Directors are not aware of any person (other than the Directors or chief executives of the Company) who, as at 30 June 2015, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

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

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

Purpose of the Scheme	The purpose of the Scheme is to attract and retain the best available personnel and to provide additional incentives for employees, directors, consultants, business associates and advisers of the Company to promote the success of the Group.
Participants of the Scheme	The Directors may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of the Company and its subsidiaries options to subscribe for shares of the Company at a price calculated in accordance with the terms of the Scheme.
Total number of shares of the Company available for issue under the Scheme and percentage of issued share capital of the Company as at the date of this annual report	No share option has been granted or was outstanding during the year under the Scheme up to the date of this report. The Company may grant share options to subscribe for 162,520,000 shares of the Company, representing approximately 9.64% of the Company's issued share capital as at the date of this report.
Maximum entitlement of each participant under the Scheme	Unless approved by the Shareholders in the manner as set out in the Scheme, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the Company in issue.

Share Option Scheme (continued)

The period within which the shares of the Company must be taken up under an option	A period to commence not less than 1 year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than 1 year upon the grant of options by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount payable for the acceptance of an option shall be the sum of HK$1.00 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price shall be determined by the Directors, being the higher of: (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of option; or (c) the nominal value of a share of the Company.
The remaining life of the Scheme	The Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.

Employees, Remuneration Policy and Pension Scheme

As at 30 June 2015, total number of employees of the Group was 4,949 (2014: 6,563). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

Acquisition and Disposal

On 16 January 2015, Techwise Enterprises Limited, a wholly-owned subsidiary incorporated in the British Virgin Islands with limited liability, entered into a share purchase agreement to acquire the entire issued share capital of Well Metro Group Limited, a company incorporated in the British Virgin Islands with limited liability, for a consideration of HK$1,000,000. Well Metro Group Limited and its subsidiaries have the franchise and distribution right in relation to fashion apparels and accessories for certain brand names in the PRC and have a network of retail operation in the PRC.

Purchase, Sale or Redemption of Listed Securities

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

Sufficiency of Public Float

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

Major Customers and Suppliers

During the year, less than 30% of the Group's revenue were attributed by the Group's five largest customers and approximately 3% of the Group's revenue was attributed by the Group's largest customers and less than 30% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and approximately 7% of the Group's total purchases were attributed by the Group's largest supplier. To the knowledge of the Directors, none of the Directors or shareholders who owned 5% or more of the issued share capital of the Company as at 30 June 2015 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

Auditor

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

On behalf of the Board

Cheng Kar-shun, Henry
Chairman

Hong Kong, 23 September 2015

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 80 to 145, which comprise the consolidated and company statements of financial position as at 30 June 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	5	**4,029,351**	4,136,206
Other income	6	**168,589**	136,140
Other losses, net	7	**(176,422)**	(8,442)
Changes in fair value of investment properties		**766**	16,834
Purchases of and changes in inventories		**(719,380)**	(671,074)
Employee benefit expense	10	**(747,285)**	(661,424)
Depreciation and amortisation		**(344,248)**	(321,212)
Operating lease rental expense		**(1,191,665)**	(1,118,450)
Other operating expenses, net	8	**(788,844)**	(831,369)
Operating profit		**230,862**	677,209
Finance income		**74,850**	66,386
Finance costs		**(48,819)**	(31,035)
Finance income, net	9	**26,031**	35,351
Profit before income tax		**256,893**	712,560
Income tax expense	11	**(187,152)**	(192,035)
Profit for the year		**69,741**	520,525
Attributable to equity holders of the Company		**69,741**	520,525
Dividends	13	**133,206**	596,896
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share) – Basic and diluted	14	**0.04**	0.31

The notes on pages 89 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
Profit for the year	**69,741**	520,525
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	**29,750**	3,911
– Deferred tax thereof	**(7,437)**	(978)
	22,313	2,933
Items that may be reclassified subsequently to profit or loss		
Release of exchange reserve upon liquidation of a subsidiary	**(10,097)**	–
Translation differences	**(1,839)**	(81,719)
	(11,936)	(81,719)
Other comprehensive income for the year, net of tax	**10,377**	(78,786)
Total comprehensive income for the year	**80,118**	441,739
Total comprehensive income attributable to equity holders of the Company	**80,118**	441,739

The notes on pages 89 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**1,794,395**	2,171,857
Investment properties	16	**4,717,926**	4,339,656
Land use rights	17	**803,474**	899,678
Intangible assets	18	**1,869,132**	1,867,241
Other non-current assets	20	**314,707**	305,111
Prepayments, deposits and other receivables	19	**395,627**	442,200
Deferred income tax assets	30	**162,571**	179,656
		10,057,832	10,205,399
Current assets			
Inventories	21	**230,412**	160,617
Debtors	22	**98,206**	105,101
Prepayments, deposits and other receivables	19	**637,139**	678,126
Amounts due from fellow subsidiaries	23	**27,207**	2,161
Amounts due from related companies	23	**365**	24
Fixed deposits	24	**26,806**	630,574
Cash and cash equivalents	25	**2,089,111**	896,538
		3,109,246	2,473,141
Total assets		**13,167,078**	12,678,540
Equity			
Share capital	26	**168,615**	168,615
Reserves	27	**6,093,671**	6,146,759
Proposed dividend	13, 27	**30,351**	101,169
		6,292,637	6,416,543
Liabilities			
Non-current liabilities			
Accruals and other payables	31	**601,043**	608,723
Obligation under finance leases	28	**62**	–
Borrowings	29	**1,578,056**	696,844
Deferred income tax liabilities	30	**876,775**	852,224
		3,055,936	2,157,791

	Notes	2015 HK$'000	2014 HK$'000
Current liabilities			
Creditors, accruals and other payables	31	**3,583,344**	3,959,809
Amounts due to fellow subsidiaries	23	**4,086**	24,911
Amounts due to related companies	23	**12,356**	30,809
Obligation under finance leases	28	**16**	–
Borrowings	29	**128,970**	–
Tax payable		**89,733**	88,677
		3,818,505	4,104,206
Total liabilities		**6,874,441**	6,261,997
Total equity and liabilities		**13,167,078**	12,678,540
Net current liabilities		**(709,259)**	(1,631,065)
Total assets less current liabilities		**9,348,573**	8,574,334

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 89 to 145 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Assets			
Non-current asset			
Subsidiaries	32	**2,203,955**	2,225,304
Current assets			
Prepayments and deposits	19	**230**	20
Amounts due from subsidiaries	32	**2,179,607**	2,234,692
Cash and cash equivalents	25	**5,485**	7,792
		2,185,322	2,242,504
Total assets		**4,389,277**	4,467,808
Equity			
Share capital	26	**168,615**	168,615
Reserves	27	**2,667,726**	2,858,185
Proposed dividend	13, 27	**30,351**	101,169
Total equity		**2,866,692**	3,127,969
Liabilities			
Current liabilities			
Accruals and other payables	31	**7,977**	7,124
Amounts due to subsidiaries	32	**1,514,608**	1,332,715
		1,522,585	1,339,839
Total liabilities		**1,522,585**	1,339,839
Total equity and liabilities		**4,389,277**	4,467,808
Net current assets		**662,737**	902,665
Total assets less current liabilities		**2,866,692**	3,127,969

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 89 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Share capital HK$'000	Share premium HK$'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 2014	168,615	2,061,021	86,736	391,588	344,381	–	629,406	2,734,796	6,416,543
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	69,741	69,741
Other comprehensive income									
Revaluation of a property upon reclassification from property, plant and equipment and land use rights to investment properties	–	–	29,750	–	–	–	–	–	29,750
– Deferred tax thereof	–	–	(7,437)	–	–	–	–	–	(7,437)
Release of exchange reserve upon liquidation of a subsidiary	–	–	–	–	–	–	(10,097)	–	(10,097)
Translation differences	–	–	–	–	–	–	(1,839)	–	(1,839)
Total comprehensive income for the year ended 30 June 2015	–	–	22,313	–	–	–	(11,936)	69,741	80,118
Transactions with owners									
Final dividend relating to the year ended 30 June 2014	–	(101,169)	–	–	–	–	–	–	(101,169)
Interim dividend relating to the period ended 31 December 2014	–	(102,855)	–	–	–	–	–	–	(102,855)
Transfer to statutory reserve	–	–	–	–	15,007	–	–	(15,007)	–
	–	(204,024)	–	–	15,007	–	–	(15,007)	(204,024)
At 30 June 2015	168,615	1,856,997	109,049	391,588	359,388	–	617,470	2,789,530	6,292,637

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Share capital HK$'000	Share premium HK$'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 2013	168,615	2,398,250	83,803	391,588	303,399	41,048	711,125	2,527,828	6,625,656
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	520,525	520,525
Other comprehensive income									
Revaluation of a property upon reclassification from property, plant and equipment and land use rights to investment properties	–	–	3,911	–	–	–	–	–	3,911
– Deferred tax thereof	–	–	(978)	–	–	–	–	–	(978)
Translation differences	–	–	–	–	–	–	(81,719)	–	(81,719)
Total comprehensive income for the year ended 30 June 2014	–	–	2,933	–	–	–	(81,719)	520,525	441,739
Transactions with owners									
Lapse of share options	–	–	–	–	–	(41,048)	–	41,048	–
Final dividend relating to the year ended 30 June 2013	–	–	–	–	–	–	–	(155,125)	(155,125)
Interim dividend relating to the period ended 31 December 2013	–	–	–	–	–	–	–	(158,498)	(158,498)
Special dividend for the year	–	(337,229)	–	–	–	–	–	–	(337,229)
Transfer to statutory reserve	–	–	–	–	40,982	–	–	(40,982)	–
	–	(337,229)	–	–	40,982	(41,048)	–	(313,557)	(650,852)
At 30 June 2014	168,615	2,061,021	86,736	391,588	344,381	–	629,406	2,734,796	6,416,543

The notes on pages 89 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
Cash flows from operating activities		
Profit before income tax	**256,893**	712,560
Adjustments for:		
– Finance income	**(74,850)**	(66,386)
– Finance costs	**48,819**	31,035
– Amortisation of intangible assets	**133**	–
– Amortisation of land use rights	**28,276**	21,882
– Depreciation of property, plant and equipment	**315,839**	299,330
– Changes in fair value of investment properties	**(766)**	(16,834)
– Loss on disposal of property, plant and equipment	**63,372**	8,442
– Impairment loss on property, plant and equipment	**123,147**	–
– Gain on liquidation of a subsidiary	**(10,097)**	–
– Inventory write-down	**7,013**	–
– Provision for doubtful debts, net	**12,152**	4,382
Operating profit before working capital changes	**769,931**	994,411
Changes in:		
Inventories	**4,712**	(4,445)
Debtors	**12,408**	(10,239)
Prepayments, deposits and other receivables	**113,762**	3,816
Creditors, accruals and other payables	**(477,686)**	(502,663)
Amounts due from/(to) fellow subsidiaries	**(27,699)**	14,543
Amounts due from/(to) related companies	**(30,137)**	17,129
Cash generated from operations	**365,291**	512,552
Mainland China tax paid	**(159,263)**	(183,988)
Net cash from operating activities	**206,028**	328,564

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Net cash inflow/(outflow) from acquisition of subsidiaries	35	**16,935**	(701,824)
Additions to investment properties		**(15,274)**	(7,278)
Additions to property, plant and equipment and other non-current assets		**(309,794)**	(454,770)
Net proceeds on disposal of property, plant and equipment		**234**	571
Decrease/(increase) in fixed deposits		**603,768**	(151,124)
Interest received		**74,850**	66,386
Net cash from/(used in) investing activities		**370,719**	(1,248,039)
Cash flows from financing activities			
Drawdown of bank borrowings		**1,003,947**	194,948
Repayment of bank borrowings		**(130,034)**	(152,000)
Finance costs paid		**(52,119)**	(41,310)
Dividends paid		**(204,024)**	(650,852)
Net cash from/(used in) financing activities		**617,770**	(649,214)
Net increase/(decrease) in cash and cash equivalents		**1,194,517**	(1,568,689)
Cash and cash equivalents at beginning of the year		**896,538**	2,473,952
Effect of foreign exchange rate changes		**(1,944)**	(8,725)
Cash and cash equivalents at end of the year	25	**2,089,111**	896,538

The notes on pages 89 to 145 are an integral part of these consolidated 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 other related businesses, 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 23 September 2015.

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 2015 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 2015, the Group's current liabilities exceeded its current assets by HK$709,259,000 (2014: HK$1,631,065,000). Taking into account the cash flows from operating activities, ability to generate additional financing and its asset backing, 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.

2 Summary of Principal Accounting Policies (continued)

2.1 Basis of preparation (continued)

In the current year, the Group has adopted the following new or revised standards, amendments to standards and interpretation which are mandatory for the financial year ended 30 June 2015:

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 21	Levies
Amendments to HKAS 19 (Revised 2011)	Employee Benefits: Defined Benefit Plans – Employee Contributions
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)	Investment Entities
Annual Improvements Project	Annual Improvements 2010 – 2012 Cycle
Annual Improvements Project	Annual Improvements 2011 – 2013 Cycle

The adoption of these new or revised standards, amendments to standards and interpretations does not have any significant effect on the results and financial position of the Group.

The following new standards and amendments to standards are mandatory for the accounting periods beginning on or after 1 July 2015 or later periods which the Group has not early adopted:

Effective for the year ending 30 June 2016:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012 – 2014 Cycle

Effective for the year ending 30 June 2017 or after:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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

2 Summary of Principal Accounting Policies (continued)

2.1 Basis of preparation (continued)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on 1 July 2015 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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.

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 to the former owners of the acquiree 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.8).

2 Summary of Principal Accounting Policies (continued)

2.2 Subsidiaries (continued)

(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 received and receivable.

2.3 Associated company

Associated companies 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 associated company 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 consolidated 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 associated company equals or exceeds its interest in the associated company, 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 associated company.

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated company. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associated company 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.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. 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 charged to the consolidated income statement during the financial period in which they are incurred.

2 Summary of Principal Accounting Policies (continued)

2.5 Property, plant and equipment (continued)

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	Shorter of remaining lease term or useful life of 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 and machinery, furniture and fixtures, office equipment and computer 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 until they are ready 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 (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other losses, net' in the consolidated 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. It also includes properties that are being constructed or developed for future use as investment properties. 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 consolidated income statement.

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 consolidated 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 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Operating rights

Operating right primarily resulted from the acquisition of right to operate distribution and retailing of fashion apparels and accessories business. Separately acquired operating rights are shown at historical cost. Operating rights acquired in a business combination are recognised at fair value at the acquisition date. Operating rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of operating rights over their estimated useful lives.

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

Intangible 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 consolidated 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 of disposal 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 Summary of Principal Accounting Policies (continued)

2.10 Investments

The Group classifies its investments in the categories of financial assets at loans and receivables. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments are acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable and are included in current assets, except for those with maturities more than twelve months after the end of the reporting period, which are classified as non-current assets.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets classified as loans and receivables. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.12 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)

2.13 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.

2.14 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 consolidated income statement on a straight-line basis over the periods of the lease.

The Group leases certain equipment. Leases of equipment where the Group has substantially retained the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liabilities and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities, as "obligation under finance leases". The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated 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 associated company 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 the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that sufficient future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of Principal Accounting Policies (continued)

2.15 *Current and deferred income tax (continued)*

(ii) Deferred income tax (continued)

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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.

2.16 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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 twelve months after the end of the reporting period.

2.17 *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.

2.18 *Provisions*

Provisions for restructuring costs and legal claims 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. Restructuring provisions mainly comprise lease termination penalties and employment termination payments.

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.

2.19 *Trade and other payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables 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 and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of Principal Accounting Policies (continued)

2.20 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 Ordinance and the Occupational Retirement Schemes Ordinance 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 consolidated income statement as incurred.

(iii) Bonus plans

Provisions for bonus plan due wholly within twelve months after the end of the reporting period are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

(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 consolidated 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 earnings.

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.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of HKAS37 and involves the payment of termination benefits.

2 Summary of Principal Accounting Policies (continued)

2.21 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, net'.

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.

Payments received in advance that are related to sales of goods not yet delivered are deferred in the consolidated 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 based on the Group's previous experience in forfeiture of prepaid store value cards by customers.

2.22 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 consolidated income statement in the period in which they are incurred.

2 Summary of Principal Accounting Policies (continued)

2.23 *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 ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is 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 or valuation where items are re-measured. 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 consolidated 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 currency translation 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. Currency translation differences arising are recognised in other comprehensive income.

2.24 *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.

2.25 *Dividend distribution*

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

2.26 *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 2015, if Renminbi had strengthened/weakened by 5% (2014: 2%) against the Hong Kong dollars with all other variables held constant, the Group's profit for the year would have been approximately HK$79,141,000 (2014: HK$10,318,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars-denominated bank balances and borrowings of certain subsidiaries and balances with group companies of the Group's entities of which functional currency is Renminbi. Foreign exchange risk as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

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 and the Company mainly arises from debtors, deposits, other receivables, amounts due from fellow subsidiaries and subsidiaries, fixed deposits and cash and cash equivalents. The carrying amounts of these balances represent the Group and the Company's maximum exposure to credit risk in relation to financial assets. As at 30 June 2015, 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 and the Company do not have a significant concentration of credit risk. No single customer accounted for more than 3% of the Group and the Company's total revenue during the year.

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

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

At 30 June 2015, the Group's current liabilities exceeded its current assets by HK$709,259,000 (2014: HK$1,631,065,000). 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.

3 Financial Risk Management (continued)

3.1 *Financial risk factors (continued)*

(c) Liquidity risk (continued)

The table below analyses the Group 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 amounts 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 2015					
Creditors, accruals and other payables	**2,885,393**	**2,885,393**	**2,885,393**	**–**	**–**
Amounts due to fellow subsidiaries	**4,086**	**4,086**	**4,086**	**–**	**–**
Amounts due to related companies	**12,356**	**12,356**	**12,356**	**–**	**–**
Obligations under finance leases	**78**	**78**	**16**	**62**	**–**
Borrowings	**1,707,026**	**1,871,261**	**184,464**	**1,686,797**	**–**
At 30 June 2014					
Creditors, accruals and other payables	3,111,814	3,111,814	3,111,814	–	–
Amounts due to fellow subsidiaries	24,911	24,911	24,911	–	–
Amounts due to related companies	30,809	30,809	30,809	–	–
Borrowings	696,844	855,307	33,662	570,144	251,501
Company					
At 30 June 2015					
Accruals and other payables	**7,977**	**7,977**	**7,977**	**–**	**–**
Amounts due to subsidiaries	**1,514,608**	**1,514,608**	**1,514,608**	**–**	**–**
Financial guarantee for borrowings	**–**	**1,136,480**	**1,136,480**	**–**	**–**
At 30 June 2014					
Accruals and other payables	7,124	7,124	7,124	–	–
Amounts due to subsidiaries	1,332,715	1,332,715	1,332,715	–	–
Financial guarantee for borrowings	–	209,405	209,405	–	–

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 2015 of HK$26,806,000 and HK$1,783,198,000 (2014: HK$630,574,000 and HK$597,204,000) respectively, which are held at interest rates of ranging from 1.35% to 5.30% (2014: 1.49% to 4.44%) 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$1,707,026,000 (2014: HK$696,844,000) 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 2015, if interest rates on fixed deposits, short-term bank deposits and bank borrowings subject to variable rate had been 50 (2014: 50) basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$386,000 (2014: HK$1,991,000) 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.

The Group is in net cash position as at 30 June 2015 and 2014, taking into accounts its borrowings, cash and cash equivalents and fixed deposits.

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 addressed below.

(a) Estimated useful lives and impairment of property, plant and equipment

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives that the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its recoverable amount which is its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

4 Critical Accounting Estimates and Judgements (continued)

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by independent valuers based on a market value assessment. The valuers have relied on the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

At 30 June 2015, if the market value of investment properties had been 8% (2014: 8%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been approximately HK$377,434,000 (2014: HK$347,172,000) higher/lower.

(c) Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(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 judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

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

(f) Recognition of deferred tax assets

Deferred tax assets recognised on unused tax losses of PRC subsidiaries involves business assumptions and projections in determining the estimated future taxable profits available against which tax losses can be utilised before they expire. Where the final tax outcome of these profits different from the amounts that were initially recorded, such differences will impact the deferred income tax assets in the period in which such determination is made.

At 30 June 2015, if the estimated future taxable profits had been 10% (2014: 10%) lower with all other variables held constant, the deferred tax assets recognised on unused tax losses of the Group would have been approximately HK$Nil (2014: HK$133,000) lower.

5 Revenue and Segment Information

	2015 HK$'000	2014 HK$'000
Commission income from concessionaire sales	**2,441,660**	2,635,070
Sales of goods – direct sales	**895,410**	787,058
Management and consultancy fees	**53,565**	55,970
Rental income	**638,716**	658,108
	4,029,351	4,136,206

The income from concessionaire sales is analysed as follows:

	2015 HK$'000	2014 HK$'000
Gross revenue from concessionaire sales	**13,502,152**	14,790,731
Commission income from concessionaire sales	**2,441,660**	2,635,070

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 other related businesses, and property investment businesses. 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 net other losses, changes in fair value of investment properties and unallocated corporate expenses. In addition, net finance income is not allocated to segments. The measurement of segment assets excludes deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

Revenue is primarily generated in Mainland China and all significant operating assets of the Group are in Mainland China.

5 Revenue and Segment Information (continued)

	Department store and other related businesses HK$'000	Property investment HK$'000	Consolidated HK$'000
For the year ended 30 June 2015			
Segment revenue	**3,870,350**	**159,001**	**4,029,351**
Segment results	**337,432**	**75,627**	**413,059**
Other losses, net	**(176,422)**	**–**	**(176,422)**
Changes in fair value of investment properties	**–**	**766**	**766**
Unallocated corporate expenses			**(6,541)**
Operating profit			**230,862**
Finance income			**74,850**
Finance costs			**(48,819)**
Finance income, net			**26,031**
Profit before income tax			**256,893**
Income tax expense			**(187,152)**
Profit for the year			**69,741**
For the year ended 30 June 2014			
Segment revenue	3,941,101	195,105	4,136,206
Segment results	525,560	153,549	679,109
Other loss	(8,442)	–	(8,442)
Changes in fair value of investment properties	–	16,834	16,834
Unallocated corporate expenses			(10,292)
Operating profit			677,209
Finance income			66,386
Finance costs			(31,035)
Finance income, net			35,351
Profit before income tax			712,560
Income tax expense			(192,035)
Profit for the year			520,525

5 Revenue and Segment Information (continued)

	Department store and other related businesses HK$'000	Property investment HK$'000	Consolidated HK$'000
As at 30 June 2015			
Segment assets	**7,174,905**	**5,823,887**	**12,998,792**
Deferred income tax assets			**162,571**
Unallocated corporate assets:			
Cash and cash equivalents			**5,485**
Others			**230**
Total assets			**13,167,078**
For the year ended 30 June 2015			
Additions to non-current assets (Note)	**387,273**	**56,167**	**443,440**
Depreciation and amortisation	**342,697**	**1,551**	**344,248**
Impairment loss on property, plant and equipment	**123,147**	**–**	**123,147**
As at 30 June 2014			
Segment assets	7,514,903	4,976,169	12,491,072
Deferred income tax assets			179,656
Unallocated corporate assets:			
Cash and cash equivalents			7,792
Others			20
Total assets			12,678,540
For the year ended 30 June 2014			
Additions to non-current assets (Note)	951,953	714,521	1,666,474
Depreciation and amortisation	320,324	888	321,212

Note:

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

6 Other Income

	2015 HK$'000	2014 HK$'000
Government grants	21,036	29,699
Income from suppliers	83,217	81,303
Compensation for termination of lease (Note 36(a)(vii))	26,410	–
Sundries	37,926	25,138
	168,589	136,140

7 Other Losses, Net

	2015 HK$'000	2014 HK$'000
Gain on liquidation of a subsidiary	10,097	–
Loss on disposal of property, plant and equipment (Note (i))	(63,372)	(8,442)
Impairment loss on property, plant and equipment (Note (ii))	(123,147)	–
	(176,422)	(8,442)

Notes:

(i) For the year ended 30 June 2015, loss on disposal of property, plant and equipment of approximately HK$4,432,000 is derived taking into account the compensation amount from the termination of lease (Note 36(a)(vii)).

(ii) The impairment provision was made to reflect management's assessment for mainly two department stores in light of the latest market environment and the prospect thereof.

8 Other Operating Expenses, Net

	2015 HK$'000	2014 HK$'000
Water and electricity	159,052	178,263
Selling, promotion, advertising and related expenses	250,956	272,581
Cleaning, repairs and maintenance	102,062	99,960
Auditor's remuneration	6,540	6,500
Net exchange (gains)/losses	(9,798)	15,577
Other tax expenses	201,996	221,045
Provision for doubtful debts, net	12,152	4,382
Others	65,884	33,061
	788,844	831,369

9 Finance Income, Net

	2015 HK$'000	2014 HK$'000
Interest income on bank deposits	74,850	66,386
Interest on bank loans		
– wholly repayable within five years	(58,415)	(26,948)
– not wholly repayable within five years	–	(17,579)
	(58,415)	(44,527)
Less: amount capitalised (Note)	9,596	13,492
	(48,819)	(31,035)
	26,031	35,351

Note:

To the extent funds are borrowed generally and mainly used for the purpose of financing properties under construction, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 3.5% (2014: 5.6%) for the year.

10 Employee Benefit Expense

	2015 HK$'000	2014 HK$'000
Wages, salaries and other benefits	659,979	591,444
Retirement benefit costs – defined contribution plans	87,306	69,980
	747,285	661,424

10 Employee Benefit Expense (continued)

(a) *Directors' emoluments*

The remuneration of Directors for the year ended 30 June 2015 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	Total HK$'000
Non-executive Directors					
Dr. Cheng Kar-shun, Henry	100	–	–	–	100
Mr. Au Tak-cheong	100	–	–	–	100
Ms. Ngan Man-ying, Lynda	100	–	–	–	100
Executive Directors					
Dr. Cheng Chi-kong, Adrian	150	–	–	–	150
Mr. Cheung Fai-yet, Philip	150	4,498	448	–	5,096
Mr. Wong Kwok-kan, Kenneth (Note)	63	1,116	77	–	1,256
Independent non-executive Directors					
Mr. Cheong Ying-chew, Henry	200	–	–	–	200
Mr. Chan Yiu-tong, Ivan	200	–	–	–	200
Mr. Tong Hang-chan, Peter	200	–	–	–	200
Mr. Yu Chun-fai	200	–	–	–	200
	1,463	5,614	525	–	7,602

10 Employee Benefit Expense (continued)

(a) *Directors' emoluments (continued)*

The remuneration of Directors for the year ended 30 June 2014 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	Total HK$'000
Non-executive Directors					
Dr. Cheng Kar-shun, Henry	100	–	–	–	100
Mr. Au Tak-cheong	100	–	–	–	100
Ms. Ngan Man-ying, Lynda	100	–	–	–	100
Executive Directors					
Dr. Cheng Chi-kong, Adrian	150	–	–	–	150
Mr. Cheung Fai-yet, Philip	150	4,412	440	229	5,231
Mr. Wong Kwok-kan, Kenneth	150	1,754	164	129	2,197
Independent non-executive Directors					
Mr. Cheong Ying-chew, Henry	200	–	–	–	200
Mr. Chan Yiu-tong, Ivan	200	–	–	–	200
Mr. Tong Hang-chan, Peter	200	–	–	–	200
Mr. Yu Chun-fai	200	–	–	–	200
	1,550	6,166	604	358	8,678

Note:

Mr. Wong Kwok-kan, Kenneth resigned as an executive Director with effect from 1 December 2014.

No Director waived or agreed to waive any emoluments during the year (2014: Nil).

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group includes one (2014: two) Director for the year ended 30 June 2015, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2014: three) individuals during the year are as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	**6,959**	5,498
Retirement benefit costs – defined contribution plans	**326**	374
Bonus	**1,374**	435
	8,659	6,307

10 Employee Benefit Expense (continued)

(b) *Five highest paid individuals (continued)*

The emoluments fell within the following bands:

	Number of individuals 2015	2014
Emolument bands		
HK$1,500,001 – HK$2,000,000	**2**	2
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**1**	1
	4	3

11 Income Tax Expense

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

	2015 HK$'000	2014 HK$'000
Current income tax		
– Mainland China taxation	**161,637**	174,595
(Over)/under provision in prior years	**(2,571)**	707
Deferred income tax (Note 30)		
– Deferred taxation on undistributed retained earnings	**(6,962)**	(19,993)
– Other temporary differences	**35,048**	36,726
	187,152	192,035

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 years ended 30 June 2015 and 2014.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2014: 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:

	2015 HK$'000	2014 HK$'000
Profit before income tax	256,893	712,560
Tax calculated at applicable tax rate	64,223	178,140
Expenses not deductible for taxation purpose	55,000	23,254
Income not subject to taxation	(20,055)	(25,067)
Effect of income charged on deemed basis	(294)	(835)
Tax losses not recognised	103,577	86,124
PRC withholding income tax	–	518
Recognition of previously unrecognised tax losses	–	(27,784)
Utilisation of previously unrecognised tax losses	(5,766)	(23,029)
(Over)/under provision in prior years	(2,571)	707
Deferred taxation on undistributed retained earnings	(6,962)	(19,993)
Income tax expense	187,152	192,035

	2015	2014
Weighted average domestic applicable tax rates	25%	25%

12 (Loss)/Profit Attributable to Equity Holders of the Company

(Loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss of approximately HK$60,579,000 (2014: profit of approximately HK$3,877,000).

13 Dividends

	2015 HK$'000	2014 HK$'000
Interim dividend paid of HK$0.061 (2014: HK$0.094) per share	102,855	158,498
Special dividend paid of HK$Nil (2014: HK$0.200) per share	–	337,229
Final dividend proposed of HK$0.018 (2014: HK$0.060) per share	30,351	101,169
	133,206	596,896

At a meeting held on 23 September 2015, the Directors recommended a final dividend of HK$0.018 (2014: HK$0.060) per share for the year ended 30 June 2015. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2015 and will be paid out of share premium account.

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.

	2015	2014
Profit attributable to the equity holders of the Company (HK$'000)	69,741	520,525
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK$ per share)	0.04	0.31

(b) *Diluted*

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

During the year ended 30 June 2015, there was no dilutive potential ordinary share.

During the year ended 30 June 2014, shares issuable upon exercise of the share options were the only potential ordinary shares. There was no 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 2014	898,170	56,767	10,792	2,527,839	35,070	14,411	216,108	81,999	3,841,156
Translation differences	(39)	–	–	(117)	(3)	–	(10)	–	(169)
Additions	–	3,401	612	220,843	5,874	1,496	31,785	49,621	313,632
Disposals	–	(1,210)	(22)	(173,061)	(1,143)	(1,374)	(8,487)	–	(185,297)
Reclassification	–	505	–	55,652	1	–	663	(56,821)	–
Transfer to investment properties	(172,690)	–	–	(66,666)	–	–	–	–	(239,356)
Acquisition of a subsidiary (Note 35)	12,861	–	–	19,571	1,100	–	3,307	–	36,839
At 30 June 2015	738,302	59,463	11,382	2,584,061	40,899	14,533	243,366	74,799	3,766,805
Accumulated depreciation and impairment									
At 1 July 2014	105,745	54,479	6,307	1,333,989	20,491	10,027	138,261	–	1,669,299
Translation differences	(33)	–	–	(96)	–	–	–	–	(129)
Charge for the year	20,395	1,243	1,828	253,141	5,810	1,996	31,426	–	315,839
Written back on disposals	–	(1,186)	(22)	(85,618)	(1,091)	(1,321)	(7,623)	–	(96,861)
Impairment	–	12	117	122,491	269	13	245	–	123,147
Transfer to investment properties	(19,987)	–	–	(18,898)	–	–	–	–	(38,885)
At 30 June 2015	106,120	54,548	8,230	1,605,009	25,479	10,715	162,309	–	1,972,410
Net book amount									
At 30 June 2015	632,182	4,915	3,152	979,052	15,420	3,818	81,057	74,799	1,794,395

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 2013	704,268	56,810	11,023	2,442,508	27,773	12,681	185,403	17,781	3,458,247
Translation differences	(8,799)	(763)	(150)	(33,184)	(409)	(185)	(2,580)	(223)	(46,293)
Transfer from other non-current assets	220,924	–	–	–	–	–	–	–	220,924
Additions	–	731	1,087	140,959	8,251	1,458	34,475	64,605	251,566
Disposals	–	(197)	(1,387)	(25,824)	(776)	(696)	(3,680)	–	(32,560)
Reclassification	–	–	–	164	–	–	–	(164)	–
Transfer to investment properties	(18,223)	–	–	(7,231)	–	–	–	–	(25,454)
Acquisition of a subsidiary (Note 35)	–	186	219	10,447	231	1,153	2,490	–	14,726
At 30 June 2014	898,170	56,767	10,792	2,527,839	35,070	14,411	216,108	81,999	3,841,156
Accumulated depreciation									
At 1 July 2013	89,399	53,573	5,337	1,132,190	16,317	8,822	116,396	–	1,422,034
Translation differences	(1,599)	(743)	(101)	(19,665)	(329)	(151)	(2,025)	–	(24,613)
Charge for the year	19,942	1,840	1,994	241,289	5,136	1,976	27,153	–	299,330
Written back on disposals	–	(191)	(923)	(17,917)	(633)	(620)	(3,263)	–	(23,547)
Transfer to investment properties	(1,997)	–	–	(1,908)	–	–	–	–	(3,905)
At 30 June 2014	105,745	54,479	6,307	1,333,989	20,491	10,027	138,261	–	1,669,299
Net book amount									
At 30 June 2014	792,425	2,288	4,485	1,193,850	14,579	4,384	77,847	81,999	2,171,857

As at 30 June 2015, a property with a carrying value of approximately HK$10,215,000 (2014: HK$Nil) is pledged to secure bank borrowings of the Group (Note 29).

Computer includes the following amounts where the Group is a lessee under a finance lease:

	Group 2015 HK$'000	2014 HK$'000
Cost – capitalised finance leases	**78**	–

The Group leases the computer under non-cancellable finance lease agreement. The lease term is 5 years, and ownership of the asset lies within the Group.

16 Investment Properties

	Group 2015 HK$'000	2014 HK$'000
At beginning of the year	**4,339,656**	2,431,611
Translation differences	**(119)**	(52,616)
Additions	**15,274**	7,278
Transfer from property, plant and equipment	**188,455**	23,196
Transfer from land use rights	**134,325**	14,619
Acquisition of subsidiaries (Note 35)	**39,569**	1,898,734
Changes in fair value credited to the consolidated income statement	**766**	16,834
At end of the year	**4,717,926**	4,339,656

Amounts recognised in the consolidated income statement for investment properties are as follows:

	Group 2015 HK$'000	2014 HK$'000
Rental income	**147,751**	195,105
Direct operating expenses from properties that generated rental income	**(63,462)**	(48,537)
	84,289	146,568

The Group's investment properties at their carrying values are analysed as follows:

	Group 2015 HK$'000	2014 HK$'000
In Mainland China held on:		
Leases of between 10 to 50 years	**4,717,926**	4,339,656

As at 30 June 2015, investment properties with carrying values of approximately HK$1,922,500,000 (2014: HK$1,900,000,000) are pledged to secure bank borrowings of the Group (Note 29).

16 Investment Properties (continued)

Valuation processes of the Group

Investment properties have been revalued as at 30 June 2015 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") and BMI Appraisals Limited, and as at 30 June 2014 by JLL, independent professional valuers. The fair value of the investment properties was determined based on, amongst other thing, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The Group's finance team review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least twice a year.

At each reporting period the finance team:

– Verifies all major inputs to the independent valuation report;

– Assesses property valuations movements when compared to the prior period valuation report; and

– Holds discussions with the independent valuers.

Fair value measurements using significant unobservable inputs

The fair value measurement of the Group's investment properties is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

There were no transfers between Level 1, Levels 2 and 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The valuations are derived using the income capitalisation approach. This approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

Information about fair value measurements using significant unobservable inputs:

As at 30 June 2015

Valuation technique	**Range of significant unobservable inputs**	
	Rental rates	**Capitalisation rate**
Income capitalisation approach	**HK$4.1 to HK$11.2 per sq.m. per day**	**4.8% to 7.5%**

As at 30 June 2014

Valuation technique	Range of significant unobservable inputs	
	Rental rates	Capitalisation rate
Income capitalisation approach	HK$4.1 to HK$11.1 per sq.m. per day	5.0% to 7.5%

For rental rate, the higher the rental rate is, the higher the fair value will be. For capitalisation rate, the lower the capitalisation rate is, the higher the fair value will be.

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	
	2015	2014
	HK$'000	HK$'000
At beginning of the year	**899,678**	622,831
Translation differences	**(62)**	(7,145)
Transfer from other non-current assets	**–**	318,229
Transfer to investment properties	**(92,559)**	(12,355)
Acquisition of a subsidiary (Note 35)	**24,693**	–
Amortisation	**(28,276)**	(21,882)
At end of the year	**803,474**	899,678

	2015	2014
	HK$'000	HK$'000
In Mainland China held on:		
Leases of between 10 to 50 years	**803,474**	899,678

As at 30 June 2015, land use rights with a carrying value of approximately HK$19,745,000 (2014: HK$Nil) is pledged to secure bank borrowings of the Group (Note 29).

18 Intangible Assets

	Goodwill HK$'000	Group Operating rights HK$'000	Total HK$'000
Cost			
At 1 July 2014	**1,867,241**	**–**	**1,867,241**
Translation differences	**–**	**(1)**	**(1)**
Acquisition of a subsidiary (Note 35)	**1,329**	**696**	**2,025**
At 30 June 2015	**1,868,570**	**695**	**1,869,265**
Accumulated amortisation			
At 1 July 2014	**–**	**–**	**–**
Amortisation	**–**	**133**	**133**
At 30 June 2015	**–**	**133**	**133**
Net book amount			
At 30 June 2015	**1,868,570**	**562**	**1,869,132**

	Goodwill HK$'000	Group Operating rights HK$'000	Total HK$'000
Cost			
At 1 July 2013	1,332,947	–	1,332,947
Translation differences	(23,635)	–	(23,635)
Acquisition of subsidiaries (Note 35)	557,929	–	557,929
At 30 June 2014	1,867,241	–	1,867,241
Accumulated amortisation			
At 1 July 2013 and 30 June 2014	–	–	–
Net book amount			
At 30 June 2014	1,867,241	–	1,867,241

18 Intangible Assets (continued)

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 costs of disposal calculations, which uses cash flow projections based on financial estimates covering a period of five years, or over the lease term, and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates.

For each of the CGUs with significant amount of goodwill, the key assumptions on long term growth rate and discount rate used in the fair value less costs of disposal calculations as at 30 June 2015 and 2014 are based on management's best estimates.

The long term growth rates of 5% (2014: 5%) are determined by considering both internal and external factors relating to the businesses. The discount rates of 13.57% (2014: 15.55%) are post-tax and reflect specific risks relating to the relevant businesses.

No impairment loss in the CGUs was recognised for the years ended 30 June 2015 and 2014.

If the annual gross sales revenue had been 3% (2014: 3%) lower than management's current estimates, the gross margin had been 1% (2014: 1%) lower than management's current estimates, the discount rate had been 1% (2014: 1%) higher than management's current estimates and the long term growth rate had been 3% (2014: 3%) lower than management's current estimates, there is no significant adverse impact to the financial statements.

19 Prepayments, Deposits and Other Receivables

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepaid rent and rental deposits	**561,131**	643,435	**–**	–
Other tax recoverable	**192,023**	237,154	**–**	–
Prepaid expenses	**66,870**	67,286	**–**	–
Management fee receivables	**309**	388	**–**	–
Deposits placed for issuance of stored value cards	**1,229**	374	**–**	–
Others	**211,204**	171,689	**230**	20
	1,032,766	1,120,326	**230**	20
Less: long-term prepayments, deposits and other receivables	**(395,627)**	(442,200)	**–**	–
	637,139	678,126	**230**	20

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

The other receivables is neither past due nor impaired and has been assessed by the default history of the counterparties default rates. The existing counterparties do not have default in the past.

20 Other Non-current Assets

Balances as at 30 June 2015 and 2014 represented the following transaction:

On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement 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. 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 New World Department Store - 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 2015, the balance in connection to this transaction was approximately HK$314,707,000 (2014: HK$305,111,000).

21 Inventories

	Group	
	2015	2014
	HK$'000	HK$'000
Finished goods	**230,412**	160,617

The cost of inventories recognised as expense and included in 'purchases of and changes in inventories' amounted to HK$719,380,000 (2014: HK$671,074,000), which included inventory write-down of approximately HK$7,013,000 (2014: HK$Nil).

22 Debtors

	Group	
	2015	2014
	HK$'000	HK$'000
Debtors	**121,524**	116,267
Less: provision for doubtful debts	**(23,318)**	(11,166)
Debtors, net	**98,206**	105,101

The Group grants credit terms within 30 days in majority.

Ageing analysis of the debtors, based on the invoice dates, is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within period for		
0 – 30 days	**69,423**	59,113
31 – 60 days	**6,198**	5,224
61 – 90 days	**2,697**	9,112
Over 90 days	**19,888**	31,652
	98,206	105,101

22 Debtors (continued)

As at 30 June 2015, debtors of approximately HK$69,423,000 (2014: HK$59,113,000) were fully performing.

Debtors of approximately HK$28,783,000 (2014: HK$45,988,000) were past due but not impaired. The total amount includes approximately HK$6,198,000 (2014: HK$5,224,000) of less than 30 days past due, HK$2,697,000 (2014: HK$9,112,000) of 31-60 days past due and HK$19,888,000 (2014: HK$31,652,000) of over 60 days past due. These relate to companies for whom there is no recent history of default and the relevant balances were secured by deposits from the debtors.

Debtors of approximately HK$23,318,000 (2014: HK$11,166,000) were impaired. It was assessed that the receivables is expected to be irrecoverable. The ageing of these receivables is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within period for		
0 – 30 days	520	1,790
31 – 60 days	442	963
61 – 90 days	436	21
Over 90 days	21,920	8,392
	23,318	11,166

Movements on the Group's provision for doubtful debts of debtors are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
At beginning of the year	11,166	6,925
Translation differences	–	(141)
Provision for doubtful debts	12,152	4,544
Reversal of provision for doubtful debt	–	(162)
At end of the year	23,318	11,166

Debtors included amounts due from fellow subsidiaries and a related company of approximately HK$9,804,000 (2014: HK$6,232,000) and HK$Nil (2014: HK$1,425,000) respectively, which were unsecured, interest free and repayable on demand.

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 debtors mentioned above. The Group does not hold any collateral as security. The rental receivables can be partly set off by the rental deposits.

23 Amounts due from/(to) Fellow Subsidiaries and Related Companies

Except for the amount due from a fellow subsidiary of approximately HK$24,004,000 (2014: HK$Nil), which is repayable in accordance with the termination agreement (Note 36(a)(vii)), the remaining 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.

24 Fixed Deposits

Fixed deposits are denominated in Renminbi.

The interest rates on fixed bank deposits was ranging from 3.00% to 4.25% (2014: 3.05% to 4.44%) per annum, these deposits have maturities ranging from 94 to 365 days (2014: 101 to 365 days).

25 Cash and Cash Equivalents

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term bank deposits	**1,783,198**	597,204	**–**	–
Cash at bank and in hand	**305,913**	299,334	**5,485**	7,792
	2,089,111	896,538	**5,485**	7,792
Maximum exposure to credit risk	**2,074,198**	879,709	**5,485**	7,792

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**43,966**	55,786	**1,003**	1,449
Renminbi	**2,044,914**	840,490	**4,482**	6,343
Others	**231**	262	**–**	–
	2,089,111	896,538	**5,485**	7,792

The interest rates on short-term bank deposits was ranging from 1.35% to 5.30% (2014: 1.49% to 3.25%) per annum, these deposits have maturities ranging from 2 to 92 days (2014: 2 to 92 days).

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

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

26 Share Capital

	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.1 each, authorised:		
At 1 July 2013, 30 June 2014 and 2015	**10,000,000**	**1,000,000**
Ordinary shares of HK$0.1 each, issued and fully paid:		
At 1 July 2013, 30 June 2014 and 2015	**1,686,145**	**168,615**

Share option scheme

The Company's share option scheme was adopted on 12 June 2007. The Board may, at their discretion, granted options to any eligible participants (as defined in the share option scheme), to subscribe for shares in the Company.

Movement of the number of share options granted and their related exercise prices for the years ended 30 June 2015 and 2014 are as follows:

		Number of share options '000							No. of share options exercisable '000
Date of grant	Exercise price per share HK$	At 1 July 2013	Granted during the year	Lapsed during the year	At 30 June 2014	Granted during the year	Lapsed during the year	At 30 June 2015	At 30 June 2015
27 November 2007 (Note (i))	8.660	11,768	–	(11,768)	–	–	–	–	–
25 March 2008 (Note (ii))	8.440	2,060	–	(2,060)	–	–	–	–	–
		13,828	–	(13,828)	–	–	–	–	–
Weighted average exercise price of each category (HK$)		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.

27 Reserves

(a) Group

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2014	2,061,021	86,736	391,588	344,381	–	629,406	2,734,796	6,247,928
Revaluation of a property upon reclassification from property, plant and equipment and land use rights to investment properties, net of tax	–	22,313	–	–	–	–	–	22,313
Release of exchange reserve upon liquidation of a subsidiary	–	–	–	–	–	(10,097)	–	(10,097)
Final dividend relating to the year ended 30 June 2014	(101,169)	–	–	–	–	–	–	(101,169)
Interim dividend relating to the period ended 31 December 2014	(102,855)	–	–	–	–	–	–	(102,855)
Transfer to statutory reserve	–	–	–	15,007	–	–	(15,007)	–
Profit for the year	–	–	–	–	–	–	69,741	69,741
Translation differences	–	–	–	–	–	(1,839)	–	(1,839)
At 30 June 2015	1,856,997	109,049	391,588	359,388	–	617,470	2,789,530	6,124,022
Representing:								
Proposed final dividend (Note 13)	30,351	–	–	–	–	–	–	30,351
Others	1,826,646	109,049	391,588	359,388	–	617,470	2,789,530	6,093,671
At 30 June 2015	1,856,997	109,049	391,588	359,388	–	617,470	2,789,530	6,124,022

27 Reserves (continued)

(a) Group (continued)

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2013	2,398,250	83,803	391,588	303,399	41,048	711,125	2,527,828	6,457,041
Revaluation of a property upon reclassification from property, plant and equipment and land use rights to investment properties, net of tax	–	2,933	–	–	–	–	–	2,933
Lapse of share options	–	–	–	–	(41,048)	–	41,048	–
Final dividend relating to the year ended 30 June 2013	–	–	–	–	–	–	(155,125)	(155,125)
Interim dividend relating to the period ended 31 December 2013	–	–	–	–	–	–	(158,498)	(158,498)
Special dividend for the year	(337,229)	–	–	–	–	–	–	(337,229)
Transfer to statutory reserve	–	–	–	40,982	–	–	(40,982)	–
Profit for the year	–	–	–	–	–	–	520,525	520,525
Translation differences	–	–	–	–	–	(81,719)	–	(81,719)
At 30 June 2014	2,061,021	86,736	391,588	344,381	–	629,406	2,734,796	6,247,928
Representing:								
Proposed final dividend (Note 13)	101,169	–	–	–	–	–	–	101,169
Others	1,959,852	86,736	391,588	344,381	–	629,406	2,734,796	6,146,759
At 30 June 2014	2,061,021	86,736	391,588	344,381	–	629,406	2,734,796	6,247,928

Note:

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 statutory reserve for the years ended 30 June 2015 and 2014.

27 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 2014	2,061,021	–	73,486	730,892	93,955	2,959,354
Loss for the year	–	–	–	–	(60,579)	(60,579)
Final dividend relating to the year ended 30 June 2014	(101,169)	–	–	–	–	(101,169)
Interim dividend relating to the period ended 31 December 2014	(102,855)	–	–	–	–	(102,855)
Translation differences	–	–	–	3,326	–	3,326
At 30 June 2015	1,856,997	–	73,486	734,218	33,376	2,698,077
Representing:						
Proposed final dividend (Note 13)	30,351	–	–	–	–	30,351
Others	1,826,646	–	73,486	734,218	33,376	2,667,726
At 30 June 2015	1,856,997	–	73,486	734,218	33,376	2,698,077
At 1 July 2013	2,398,250	41,048	73,486	778,783	362,653	3,654,220
Lapse of share options	–	(41,048)	–	–	41,048	–
Profit for the year	–	–	–	–	3,877	3,877
Final dividend relating to the year ended 30 June 2013	–	–	–	–	(155,125)	(155,125)
Interim dividend relating to the period ended 31 December 2013	–	–	–	–	(158,498)	(158,498)
Special dividend for the year	(337,229)	–	–	–	–	(337,229)
Translation differences	–	–	–	(47,891)	–	(47,891)
At 30 June 2014	2,061,021	–	73,486	730,892	93,955	2,959,354
Representing:						
Proposed final dividend (Note 13)	101,169	–	–	–	–	101,169
Others	1,959,852	–	73,486	730,892	93,955	2,858,185
At 30 June 2014	2,061,021	–	73,486	730,892	93,955	2,959,354

28 Obligation under Finance Leases

As at 30 June 2015, the Group has leased a computer under finance lease, with a lease term of five years. None of the lease includes contingent rentals. Finance lease liabilities are effectively secured by the underlying asset as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

	Group 2015 HK$'000	2014 HK$'000
Gross and present value of finance lease liabilities – minimum lease payments		
No later than 1 year	**16**	–
Later than 1 year and no later than 5 years	**62**	–
	78	–

As at 30 June 2015, the finance lease of the Group carries an insignificant amount of future finance charges.

29 Borrowings

	Group 2015 HK$'000	2014 HK$'000
Non-current		
Secured bank loans	**500,000**	500,000
Unsecured bank loans	**1,078,056**	196,844
	1,578,056	696,844
Current		
Secured bank loans	**24,257**	–
Unsecured bank loans	**104,713**	–
	128,970	–
	1,707,026	696,844

The effective interest rates of borrowings are analysed as follows:

	Group 2015	2014
Hong Kong dollars	**2.03%**	1.99%
Renminbi	**5.90%**	5.90%
United States dollars	**3.71%**	–
Others	**3.24%**	–

29 Borrowings (continued)

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

	Group 2015 HK$'000	2014 HK$'000
Hong Kong dollars	1,129,856	196,844
Renminbi	507,948	500,000
United States dollars	16,847	–
Others	52,375	–
	1,707,026	696,844

The bank loans are repayable as follows:

	Group 2015 HK$'000	2014 HK$'000
Within one year	128,970	–
In the second year	1,165,556	–
In the third to fifth year	412,500	459,344
After the fifth year	–	237,500
	1,707,026	696,844

The bank loans of approximately HK$1,707,026,000 (2014: HK$196,844,000) are wholly repayable within five years.

The contractual repricing dates or maturity dates (whichever is earlier) of the interest-bearing borrowings are as follows:

	Group 2015 HK$'000	2014 HK$'000
Within six months	1,207,026	196,844
In the seventh month to one year	500,000	500,000
	1,707,026	696,844

As at 30 June 2015, the bank borrowings of approximately HK$524,257,000 (2014: HK$500,000,000) was secured by a property, land use rights and investment properties of approximately HK$10,215,000 (2014: HK$Nil), HK$19,745,000 (2014: HK$Nil) and HK$1,922,500,000 (2014: HK$1,900,000,000) respectively.

As at 30 June 2015, the utilised amounts of guarantees provided by the Company to banks in respect of credit facilities granted to the subsidiaries of the Company are approximately HK$1,102,846,000 (2014: HK$213,000,000).

As at 30 June 2015, the utilised amounts of guarantees provided by a subsidiary of the Company to banks in respect of credit facilities granted to another subsidiary of the Company are approximately HK$89,868,000 (2014: HK$Nil).

30 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 2015 HK$'000	2014 HK$'000
Deferred income tax assets	**162,571**	179,656
Deferred income tax liabilities	**(876,775)**	(852,224)
	(714,204)	(672,568)

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

	Group 2015 HK$'000	2014 HK$'000
At beginning of the year	**(672,568)**	(370,288)
Translation differences	**316**	8,529
Acquisition of subsidiaries (Note 35)	**(6,429)**	(293,098)
Taxation charged directly to equity	**(7,437)**	(978)
Charged to consolidated income statement (Note 11)	**(28,086)**	(16,733)
At end of the year	**(714,204)**	(672,568)

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:

Group

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 2013	115,405	173,864	3,526	10,816	303,611
Translation differences	(1,523)	(2,318)	(52)	(98)	(3,991)
Acquisition of subsidiaries	16,436	16,240	–	–	32,676
(Charged)/credited to consolidated income statement	(12,597)	(1,992)	665	(2,951)	(16,875)
At 30 June 2014	**117,721**	**185,794**	**4,139**	**7,767**	**315,421**
(Charged)/credited to consolidated income statement	**(9,174)**	**(13,297)**	**2,839**	**(6,350)**	**(25,982)**
At 30 June 2015	**108,547**	**172,497**	**6,978**	**1,417**	**289,439**

30 Deferred Income Tax (continued)

Group (continued)

Deferred income tax liabilities:

	Tax depreciation HK$'000	Fair value adjustment on business combination HK$'000	Revaluation of properties HK$'000	Undistributed retained earnings of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 July 2013	235,832	339,585	52,671	27,296	18,515	673,899
Translation differences	(5,084)	(5,472)	(1,303)	(428)	(233)	(12,520)
Recognised in equity	–	–	978	–	–	978
Acquisition of subsidiaries	971	324,768	–	–	35	325,774
Charged/(credited) to consolidated income statement	17,155	(1,570)	4,208	(19,993)	58	(142)
At 30 June 2014	**248,874**	**657,311**	**56,554**	**6,875**	**18,375**	**987,989**
Translation differences	**(22)**	**(148)**	**(232)**	**86**	**–**	**(316)**
Recognised in equity	**–**	**–**	**7,437**	**–**	**–**	**7,437**
Acquisition of a subsidiary	**405**	**5,696**	**–**	**328**	**–**	**6,429**
Charged/(credited) to consolidated income statement	**10,729**	**(4,237)**	**192**	**(6,962)**	**2,382**	**2,104**
At 30 June 2015	**259,986**	**658,622**	**63,951**	**327**	**20,757**	**1,003,643**

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 2015, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised approximately HK$174,938,000 (2014: HK$140,415,000), 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 carried forward 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$292,234,000 (2014: HK$157,880,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$1,168,936,000 (2014: HK$631,522,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years or indefinitely.

31 Creditors, Accruals and Other Payables

	Group 2015 HK$'000	Group 2014 HK$'000	Company 2015 HK$'000	Company 2014 HK$'000
Creditors	**2,028,801**	2,258,495	**–**	–
Accruals and other payables	**2,155,586**	2,310,037	**7,977**	7,124
	4,184,387	4,568,532	**7,977**	7,124
Less: long-term accruals and other payables	**(601,043)**	(608,723)	**–**	–
	3,583,344	3,959,809	**7,977**	7,124

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

	Group 2015 HK$'000	Group 2014 HK$'000
Within period for		
0 – 30 days	**914,025**	1,012,268
31 – 60 days	**567,276**	653,098
61 – 90 days	**147,174**	171,437
Over 90 days	**400,326**	421,692
	2,028,801	2,258,495

Creditors included amounts due to related companies of approximately HK$59,452,000 (2014: HK$53,113,000) 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 2015 HK$'000	Group 2014 HK$'000	Company 2015 HK$'000	Company 2014 HK$'000
Rental accruals	**723,591**	758,699	**–**	–
Deposits from concessionaire suppliers	**365,446**	334,353	**–**	–
Interest payable	**2,344**	999	**–**	–
Payables for capital expenditures	**48,445**	43,162	**–**	–
Accruals for staff costs	**102,408**	88,410	**–**	–
Valued-added taxes and other taxes payables	**96,041**	118,896	**–**	–
Utilities payables	**23,808**	32,558	**–**	–
Receipts in advance	**487,253**	609,138	**–**	–
Others	**306,250**	323,822	**7,977**	7,124
	2,155,586	2,310,037	**7,977**	7,124

32 Subsidiaries and Amounts due from/(to) Subsidiaries

	Company 2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	**2,203,955**	2,225,304
Amounts due from subsidiaries	**2,179,607**	2,234,692
Amounts due to subsidiaries	**1,514,608**	1,332,715

As at 30 June 2015, except for the balances due from a subsidiary of approximately HK$Nil (2014: HK$262,250,000) and due to a subsidiary of approximately HK$1,359,273,000 (2014: HK$213,000,000) which are interest bearing, the remaining balances are interest free. All amounts due from/(to) subsidiaries are unsecured and repayable on demand.

As at 30 June 2015, except for the balances due from a subsidiary of approximately HK$19,000 (2014: HK$171,773,000) and due to subsidiaries of approximately HK$222,987,000 (2014: HK$202,115,000), 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 37.

33 Investment in an Associated Company

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

	Group 2015 HK$'000	2014 HK$'000
Revenue	**–**	–
Loss for the year	**(277)**	(261)

	2015 HK$'000	2014 HK$'000
Non-current assets	**1,604**	1,625
Current assets	**505**	504
Current liabilities	**(12,402)**	(12,144)
Net liabilities	**(10,293)**	(10,015)

The Group has not recognised losses amounting to approximately HK$277,000 (2014: HK$261,000) for Taizhou New World Department Store Co., Ltd. for the year ended 30 June 2015. The accumulated losses not recognised were approximately HK$9,908,000 (2014: HK$9,631,000).

33 Investment in an Associated Company (continued)

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	Inactive	RMB8,000,000	25

34 Commitments

(a) Capital commitments

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

	Group 2015 HK$'000	2014 HK$'000
Contracted but not provided for	**474,364**	506,800
Authorised but not contracted for	**–**	338
	474,364	507,138

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group 2015 HK$'000	2014 HK$'000
Within one year	**886,552**	874,969
In the second to fifth year	**3,162,523**	3,446,261
After the fifth year	**5,184,252**	5,956,093
	9,233,327	10,277,323

The above lease commitment only include commitments 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.

34 Commitments (continued)

(c) Operating lease receivable

The future minimum payments receivable by the Group under non-cancellable leases are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within one year	**456,475**	405,091
In the second to fifth year	**949,170**	969,216
After the fifth year	**244,822**	203,002
	1,650,467	1,577,309

35 Business Combination

(a) Acquisition of Well Metro Group Limited

In January 2015, Techwise Enterprises Limited, a wholly owned subsidiary of the Company, entered into an agreement with independent third parties to acquire the entire equity interest in Well Metro Group Limited for a gross consideration of HK$1,000,000. Well Metro Group Limited is incorporated in the British Virgin Islands with limited liability and engaged in the distribution and retailing of fashion apparels and accessories in the PRC. The acquisition was completed on 16 January 2015.

The acquired business contributed revenue of approximately HK$145,337,000 and net loss of approximately HK$9,973,000 to the Group for the period from 16 January 2015 to 30 June 2015. If the acquisition had occurred on 1 July 2014, the Group's revenue would have been approximately HK$4,218,071,000; profit for the year would have been approximately HK$11,034,000. These amounts have been calculated using the Group's accounting policies.

35 Business Combination (continued)

(a) *Acquisition of Well Metro Group Limited (continued)*

Detail of net liabilities acquired and goodwill were as follows:

	HK$'000
Purchase consideration – Cash	1,000
Fair value of net liabilities acquired – shown as below	329
Goodwill	1,329

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

	HK$'000
Property, plant and equipment	36,839
Investment property	39,569
Land use rights	24,693
Intangible assets	696
Inventories	81,520
Debtors	17,665
Prepayment, deposits and other receivables	23,190
Cash and cash equivalents	17,935
Deferred income tax liabilities	(6,429)
Borrowings	(129,995)
Obligation under finance leases	(38)
Creditors, accruals and other payables	(104,691)
Tax payable	(1,283)
Net liabilities acquired	(329)

Analysis of the net cash inflow from the acquisition:

	HK$'000
Purchase consideration settled in cash	(1,000)
Cash and cash equivalents in a subsidiary acquired	17,935
Net cash inflow from acquisition of a subsidiary	16,935

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

35 Business Combination (continued)

(b) *Acquisition of Shanghai Hongxin Properties Company Limited*

On 27 May 2013, New World Department Stores Investment (China) Co., Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties to acquire the entire equity interest in Shanghai Hongxin Properties Company Limited ("Hongxin Co.") for a gross consideration of RMB1,250,000,000. Hongxin Co. owns and operates a shopping mall in Shanghai. The acquisition was completed on 30 July 2013.

The acquired business contributed revenue of approximately HK$84,774,000 and net profit of approximately HK$69,950,000 to the Group for the period from 31 July 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, Group's revenue would have been approximately HK$4,141,674,000; profit for the year would have been approximately HK$524,375,000. These amounts have been calculated using the Group's accounting policies.

Detail of net assets acquired and goodwill were as follows:

	HK$'000
Purchase consideration – Cash	1,582,278
Fair value of net assets acquired – shown as below	(1,573,966)
Goodwill	8,312

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

	HK$'000
Investment property	1,898,734
Cash and cash equivalents	28,467
Creditors, accruals and other payables	(28,467)
Deferred income tax liabilities	(324,768)
Net assets acquired	1,573,966

Analysis of the net cash outflow from the acquisition:

	HK$'000
Purchase consideration settled in cash	(1,582,278)
Cash and cash equivalents in a subsidiary acquired	28,467
Deposit paid in prior year included in other non-current assets	1,201,875
Net cash outflow from acquisition of a subsidiary	(351,936)

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

35 Business Combination (continued)

(c) *Acquisition of Shanghai New World Huizi Department Store Co., Ltd*

In November 2013, Shenyang Co acquired the entire equity interest in Shanghai New World Huizi Department Store Co., Ltd., a limited liability company incorporated in the PRC from independent third parties for an aggregate consideration of RMB280,000,000 (equivalent to approximately HK$354,430,000). The acquisition was completed on 26 November 2013.

The acquired business contributed revenue of approximately HK$166,481,000 and net profit of approximately HK$59,466,000 to the Group for the period from 27 November 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, Group's revenue would have been approximately HK$4,221,548,000; profit for the year would have been approximately HK$535,817,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill were as follows:

	HK$'000
Purchase consideration – Cash	354,430
Fair value of net liabilities acquired – shown as below	195,187
Goodwill	549,617

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

	HK$'000
Property, plant and equipment	14,726
Inventories	5,806
Debtors	2,108
Prepayment, deposits and other receivables	43,805
Deferred income tax assets	31,670
Cash and cash equivalents	4,542
Creditors, accruals and other payables	(297,844)
Net liabilities acquired	(195,187)

Analysis of the net cash outflow from the acquisition:

	HK$'000
Purchase consideration settled in cash	(354,430)
Cash and cash equivalents in a subsidiary acquired	4,542
Net cash outflow from the acquisition of a subsidiary	(349,888)

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

36 Related Party Transactions

(a) Transactions with related parties

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its businesses:

	Notes	2015 HK$'000	2014 HK$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	**(79,571)**	(107,710)
Building management expenses	(ii)	**(30,593)**	(27,895)
Reimbursement of shopping vouchers	(iii)	**21,557**	30,432
Sales of goods, prepaid shopping cards and vouchers	(iv)	**5,483**	4,339
Purchase of goods	(v)	**(6)**	(50)
Payments for purchase of building and land use rights	(vi)	**–**	(203,744)
Compensation for termination of lease and the refurbishment and enhancement work	(vii)	**50,414**	–
Related companies			
Concessionaires commissions	(viii)	**102,304**	127,578
Operating lease rental expenses	(i)	**(255,413)**	(257,225)
Building management expenses	(ii)	**(28,670)**	(27,789)
Reimbursement of shopping vouchers	(iii)	**–**	2,147
Sales of goods, prepaid shopping cards and vouchers	(iv)	**9,560**	57,677
Purchase of goods	(v)	**(9)**	(46)
Rebates on prepaid shopping cards and vouchers	(ix)	**228**	214
Purchase of leasehold improvement	(x)	**(43,724)**	–
Rental income	(xi)	**185**	78
Other service fee expenses	(xii)	**(10)**	(3)

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 2.14.

(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 New World Development Company Limited ("NWD") 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 use of shopping vouchers, prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchases of goods and settlement of the relevant value by the subsidiaries of NWD (except the Group), CTF Jewellery Group and companies related to Mr. Doo Wai-hoi ("Mr. Doo"), an associate of certain Directors.

(v) This represents the amounts paid in respect of the sale of goods by the subsidiaries of NWD and CTF Jewellery Group to the Group.

(vi) This represents installment paid for the purchase of building and land use right as described in Note 20.

36 Related Party Transactions (continued)

(a) *Transactions with related parties (continued)*

Notes: (continued)

(vii) This represents the aggregate amount of compensation received from a wholly owned subsidiary of NWCL in accordance with a termination agreement dated 28 November 2014 in connection with the early termination of the lease of a store in Wuhan City, compensating the Group for the related payments with approximately HK$26,410,000 and for the refurbishment and enhancement work made to the property with approximately HK$24,004,000.

(viii) 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.

(ix) 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.

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

(xi) The income is charged in accordance with rental agreements with the companies related to Mr. Doo.

(xii) This represents other services provided by the companies related to Mr. Doo.

(b) *Related party balances*

The details for balances with related parties are disclosed in Notes 22, 23 and 31 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:

	2015 HK$'000	2014 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	13,958	10,179
Retirement benefit costs – defined contribution plans	664	540
Bonus	958	467
	15,580	11,186

37 Principal Subsidiaries

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2015 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
Champion Delights Limited	Hong Kong	Fashion retailing/ Hong Kong	HK$10,000	–	100
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK$410,045,794	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/Hong Kong	HK$2	100	–
Scienward Fashion and Luxury Limited	Hong Kong	Investment holding and fashion trading/ Hong Kong	HK$10,000	–	100
Scienward Sports and Casual Limited	Hong Kong	Provision of management services/Hong Kong	HK$100	–	100
China Sincere Limited	British Virgin Islands	Financing/Hong Kong	US$1	100	–
Well Metro Group Limited	British Virgin Islands	Investment holding/ Hong Kong	US$14,000	–	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	RMB18,000,000	–	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

37 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
Chongqing New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB100,000,000	–	100
Harbin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB126,000,000	–	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	RMB30,000,000	–	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$150,000,000	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
Scienward Fashion and Luxury (Shanghai) Co., Ltd.	Mainland China	Fashion retailing and trading/ Mainland China	US$6,460,000	–	100
Shanghai Luxba Trading Ltd.	Mainland China	Properties investment and fashion trading/Mainland China	US$7,150,000	–	100
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–

37 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	Percentage of equity interests held indirectly
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	–	100
Shanghai New World Huiyan Department Store Co., Ltd.	Mainland China	Property investment and shopping mall operation/ Mainland China	RMB85,000,000	–	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$50,000,000	–	100
Shanghai New World Huizi New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB5,000,000	–	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 New World Department Store Ltd.	Mainland China	Property investment and department store operation/Mainland China	RMB30,000,000	–	100
Shenyang Trendy Property Company Limited	Mainland China	Property investment/ Mainland China	RMB27,880,000	–	100
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000	100	–
Tianjin New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
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
Wuhan New World Trendy Department Store Co., Ltd	Mainland China	Department store operation/ Mainland China	RMB80,000,000	100	–

37 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 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	RMB40,000,000	–	100
Yancheng New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$95,000,000	–	100
Yantai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB80,000,000	–	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

38 Event after the Reporting Period

In September 2015, the management decided to terminate, with effect from 1 January 2016, the operations of Shenyang New World Department Store – Zhonghua Road Branch Store and Ningbo New World Department Store. An estimated net post-tax effect on the Group's profit and loss, based on the management's best estimate, in connection with such terminations will be approximately RMB20,000,000 of loss in the year ending 30 June 2016, which is subject to further adjustments.

39 Ultimate Holding Company

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

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**4,029,351**	4,136,206	4,011,545	3,490,100	2,736,197
Operating profit	**230,862**	677,209	834,457	786,845	1,056,754
Profit attributable to equity holders of the Company	**69,741**	520,525	641,503	607,747	855,588

	As at 30 June				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**13,167,078**	12,678,540	12,834,265	11,801,496	9,673,512
Total liabilities	**6,874,441**	6,261,997	6,208,609	5,828,428	4,101,084
Total equity	**6,292,637**	6,416,543	6,625,656	5,973,068	5,572,428

GLOSSARY OF TERMS

GENERAL TERMS

Approx.	:	Approximately
Company	:	New World Department Store China Limited
FY	:	Fiscal year, July 1 to June 30
GFA	:	Gross floor area
Group	:	New World Department Store China Limited and its subsidiaries
HK	:	Hong Kong
HK$	:	Hong Kong dollar(s), the lawful currency of Hong Kong
China, PRC or Mainland China	:	The People's Republic of China
RMB	:	Renminbi, the lawful currency of the People's Republic of China
NWD	:	New World Development Company Limited
NWDS	:	New World Department Store China Limited
sq.m. or m^2	:	Square meter
CBD	:	Central Business District

FINANCIAL TERMS

Commission income rate :

$$\frac{\text{Commission income from concessionaire sales}}{\text{Gross revenue from concessionaire sales}} \times 100\%$$

Earnings per share or EPS :

$$\frac{\text{Profit attributable to equity holders of the Company}}{\text{Weighted average number of ordinary shares in issue}}$$

CORPORATE INFORMATION

Board of Directors

Non-executive Directors

Dr. Cheng Kar-shun, Henry *(Chairman)*
Mr. Au Tak-cheong
Ms. Ngan Man-ying, Lynda

Executive Directors

Dr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip *(Managing Director)*

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry
Mr. Chan Yiu-tong, Ivan
Mr. Tong Hang-chan, Peter
Mr. Yu Chun-fai

Company Secretary

Miss Wu Yuk-kwai, Catherine

Auditor

PricewaterhouseCoopers

Solicitors

Mayer Brown JSM
Eversheds
Woo, Kwan, Lee & Lo

Principal Share Registrar and Transfer Agent

Royal Bank of Canada Trust Company (Cayman) Limited
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Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Agent

Tricor Investor Services Limited
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183 Queen's Road East
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Tel: (852) 2753 3988
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Principal Bankers

Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Mizuho Bank

Stock Code

Hong Kong Stock Exchange 825

Investor Information

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HAPPY
SHOPPING
BESPOKE EXPERIENCES

新世界百貨中國有限公司
New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)
(Hong Kong Stock Code : 825)

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