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

ANNUAL REPORT 2016

CONTENTS

GOAL

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

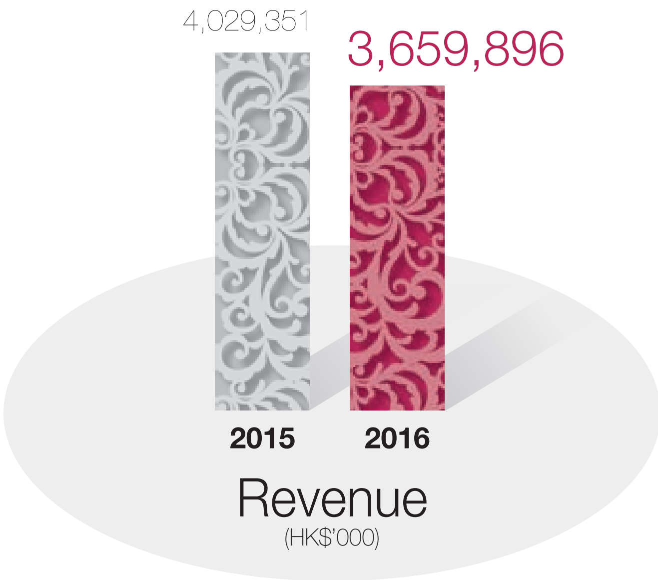
MISSION

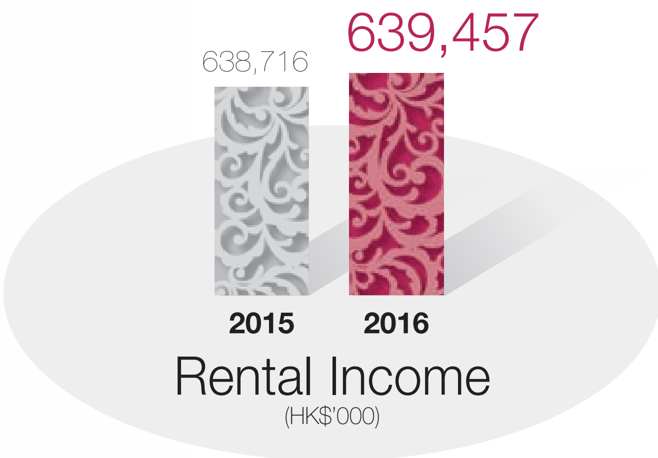
To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China.

CONVICTION

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

FINANCIAL HIGHLIGHTS





FINANCIAL HIGHLIGHTS

Profit for the year:
HK$ 45,398 thousand

	2016 HK$'000	2015 HK$'000
Operating Result		
Revenue	**3,659,896**	4,029,351
Representing:		
Commission income from concessionaire sales	**1,977,219**	2,441,660
Sales of goods – direct sales	**1,002,932**	895,410
Management and consultancy fees	**40,288**	53,565
Rental income	**639,457**	638,716
Operating profit	**209,700**	230,862
Profit for the year	**45,398**	69,741

	As at 30 June 2016 HK$'000	As at 30 June 2015 HK$'000
Financial Position		
Fixed deposits, cash and cash equivalents	**1,202,678**	2,115,917
Total assets	**11,711,839**	13,167,078
Total liabilities	**5,799,004**	6,874,441
Total equity	**5,912,835**	6,292,637
Net cash position	**207,026**	408,891

	2016	2015
Financial Ratios		
Revenue growth	**-9.2%**	-2.6%
Commission income rate	**17.6%**	18.1%
Gross margin of direct sales	**24.6%**	19.7%

CHAIRMAN'S STATEMENT

Affected by a lackluster global economy, shrinking trade and volatility in the financial market, the growth of the Chinese economy continued to slow down during the first half of 2016, with the GDP recording a mere 6.7% increase. In the same token, the "Troika" – investment, exports and consumption that fuelled its economic growth was underpowered. The growth in total retail sales of consumer goods dropped to 10.3%, marking the smallest growth since 2004 and indicating an unfavourable economic circumstance. Zooming in the current Chinese retail market, the increasing popularity of the Internet and mobile devices has changed the way consumers shop nowadays. Moreover, surge in salary and rental costs prompted physical retailers to make radical transformation in order to achieve a steady long-term growth amidst fierce market competition. In the long run, the continuous growth of domestic consumption, as well as increasing national income will become the growth engines for the Chinese retail market. Therefore, the Group remains cautiously optimistic about the prospects of the retail industry.

CHAIRMAN'S STATEMENT

DR. CHENG KAR-SHUN, HENRY
Chairman

During the year under review, the Group incorporated an innovative corporate branding, "The Artisanal Movement", in our business operations. We strive for excellence with the deployment of refined management in order to improve operational efficiency and standards. Faced with a challenging operating environment, the Group exercised stringent cost control measures and lowered our operating expenses by 8.4% on one hand and increased the proportion of our direct sales and leasing businesses to enlarge our income base on the other hand. For direct sales business, the Group launched n+ Natural Taste Plus, a European-style artisan bread brand that advocates a natural lifestyle, in May 2016 to provide customers with quality food that contains no artificial flavoring, coloring or preservatives in response to their pursuit for taste and health. For leasing business, the Group strategically increased the leasing area and optimized our tenant mix. Lifestyle complementary facilities such as speciality F&B, children's playgrounds and fitness centers were added to our stores to increase rental income. On top of these, the Group established F&B joint ventures during the year under review to further actualize differentiated operations.

For the year ended 30 June 2016, the Group's revenue declined by 9.2% from the Previous Year to HK$3,659.9 million. Profit for the year decreased by 34.9% from the Previous Year to HK$45.4 million. Earnings per share was HK$0.03.

During the year under review, the Group slowed down the pace of our store opening and closed two smaller stores, namely Beijing Shishang Store and Ningbo Trendy Store. As at 30 June 2016, the Group operated and managed 37 self-owned stores and four managed stores in 21 major cities in China, with a total GFA of approximately 1,614,180 sq.m.

For department store business, the Group continued to optimize our merchandise and service offerings, and stepped up our efforts in introducing online brands to our stores. We collaborated with INMAN, one of the top three online ladieswear brands and craftsmen for linen and cotton, and opened six of its experiential shops in our stores to offer online-offline synchronized pricing, creating an omni-channel shopping experience for customers. Riding on the "two-child policy" and the *National Fitness Plan*

CHAIRMAN'S STATEMENT

(2011-2015), the Group gradually strengthened our children's and sports product categories during the year under review to seize market opportunities. The Group also attached great importance to enhance the themed interior design of our stores to facilitate experiential consumption. For instance, recreational facilities such as the "Happy Slide", "Rooftop Garden" and "Piano Stairways" were set up in Shanghai Pujian Branch Store to further materialize the "Happy New World" project, while Art Gallery 51 and Wildlife Garden at Mianyang Store, High Street at Yantai Store and Trendy Mini Mall at Nanjing Store were all built to construct an enriched shopping ambience for local consumers. Against the backdrop of a desirable merchandise mix and shopping environment, the Group also hosted a series of nationwide inter-store marketing campaigns, including "7th Non-stop Mega Sales", "Blast of Joy" and "630 Your Happiest Day in the Year", etc. during the year under review to boost sales. Amongst these, "630 Your Happiest Day in the Year" deployed extensive online promotion through Weibo and WeChat and successfully achieved an impressive sales growth of 55% year-on-year.

During the Two Sessions of 2015, Li Keqiang, Premier of the State Council, included the topic of online to offline interactive spending in the *Report on the Work of the Government* for the first time. This was followed by the introduction of a series of national policies that encourage and support the retail industry to transform towards the O2O direction.

In light of this, the Group actively fostered deep cross-industry collaboration with internet and technology companies during the year under review. These included the "Tian Tian Xuan Wu" traffic directing campaign jointly organized with China Mobile Games and Entertainment, which provided point-to-point special offers to direct young online players to the offline "Tian Tian Xuan Wu Dance Championship" held at our store. We also worked with Shanghai 1cloud's emerging mobile karaoke social application Maichang on offline "Everlasting Youth" mobile recording studio activities to complement in-store promotional activities which drove foot traffic and sales successfully.

To actualize differentiated operations and to increase gross margin, the Group further expanded our direct sales business and launched n+ Natural Taste Plus which opened its first specialty shop in Shanghai Huaihai Branch Store during the year under review. On the other hand, LOL Concept Shop expanded its product offerings to tea merchandise, floral displays and artworks, etc. and organized a number of recreational events featuring floral art, tea ceremonies and aromatherapy to enrich customers' lifestyle consumption experience. Furthermore, the Group's distribution business of high-end fashion brands, MOSCHINO, LOVE MOSCHINO and REDValentino, opened new retail outlets in first- and second-tier cities during the year under review and further widened its market share.

For leasing business, the Group increased our leasing area and optimized our tenant mix during the year under review, introducing specialty F&B, children's playgrounds, mobile phone specialty stores, hair salons and fitness centers, etc. to provide customers with more lifestyle-related products and services. On top of the above, the Group tapped into F&B business through joint venture during the year under review, and invested in two F&B brands, namely the Korean fast food store Aza Aza! and the Korean honeycomb ice-cream specialty store Sweetruck, further actualizing our differentiated operations.

CHAIRMAN'S STATEMENT

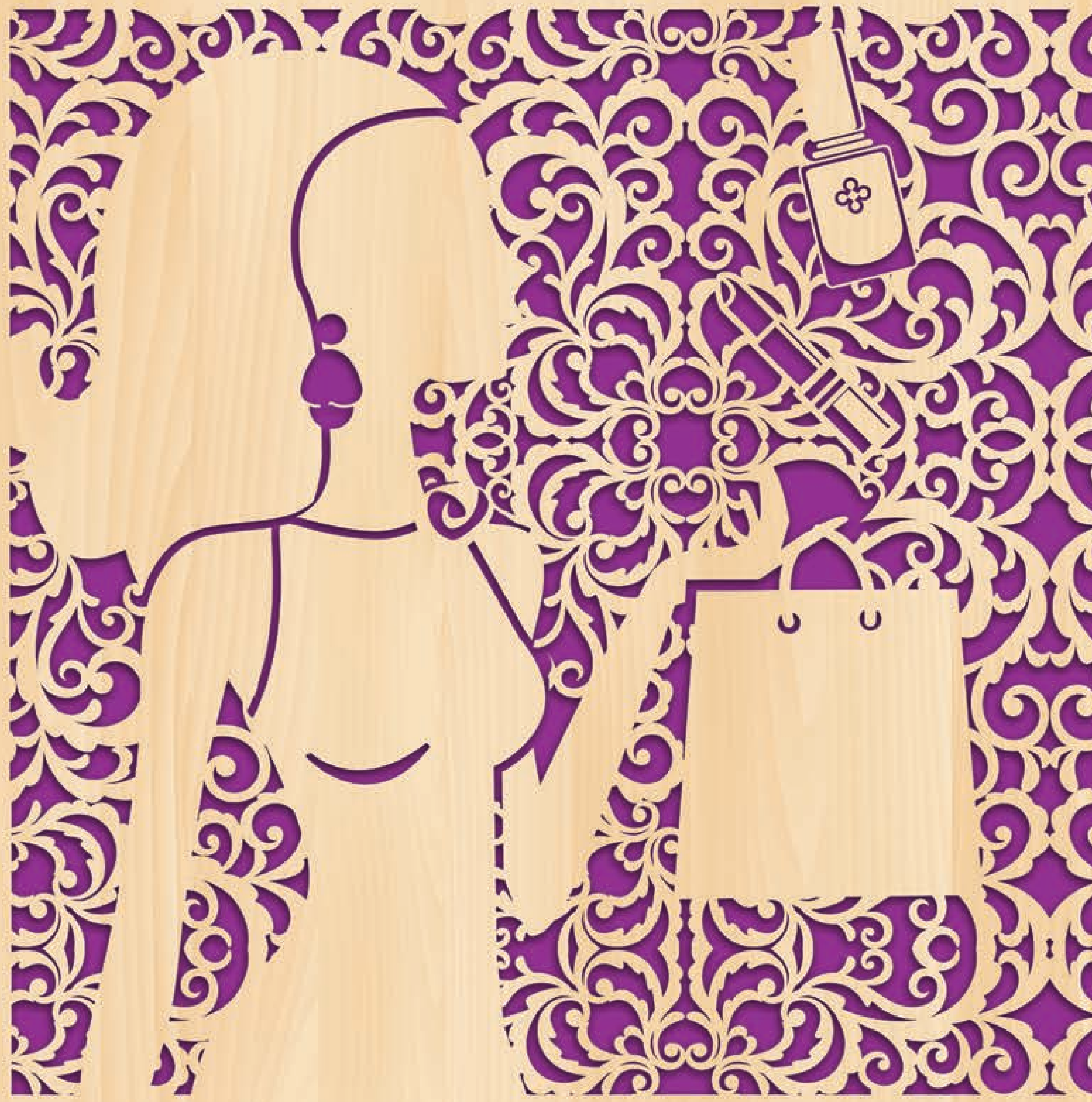
In addition to driving business growth, the Group also put much efforts on sustainable development and always encourages our staff to give back to the community. During the year under review, NWDS Volunteer Team contributed 7,500 hours of volunteer services. All of our sustainability progress and achievements were recorded in our annual sustainability report. We are heartened that the Group's sustainability reports for FY2014 and FY2015 garnered a Platinum Award in the category of "Retailing – Multi-line Retail" in the LACP Vision Awards Annual Report Competition and a Grand Award in the category of "Annual Reports – Specialized: Sustainability Report" in the Astrid Awards respectively. These honours indicate that the Group's sustainability performance has reached a world-leading standard.

Seeing rather strong downward pressure in the Chinese economy, the market generally believes that the retail industry will continue to face challenges. However, as China's economic structure gradually inclines towards the consumption and service industries, coupled with a few favourable factors such as the full implementation of the "two-child policy" as proposed in the "13th Five-Year Plan", accelerated urbanization and the emergence of the middle class, the potential of domestic consumption is expected to be further unleashed. As such, the Group remains cautiously optimistic about the long term prospects of the Chinese retail industry. To pave way for future growth, the Group is committed to returning to the basics of retailing and to carrying forward our "NWDS' Theory of Happiness" which emphasizes on customer-orientation to create a new shopping experience that fuses great taste, health and happiness. The Group will uphold our prudent expansion strategy of "multiple presences within a single city" and "radiation city" to delve deep into focus cities, roll out our store opening plan in an orderly manner. Concurrently, the Group will actively collaborate with business partners in exploring new cooperation models, and speed up the online and offline integration in order to seize upcoming business opportunities.

Taking this opportunity, I would like to express my heartfelt gratitude on behalf of the Board to all shareholders, customers, business partners and our staff for their support to and confidence on the Group. As always, we will continue to ensure the steady development of the Group and secure reasonable return for our shareholders.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong,
20 September 2016



INSIGHTFUL MARKET POSITIONING

Building Up Leading Fashion and Living Department Store Style

MILESTONES

2015

JULY

- Launched the "NWDS @Dream Annual Games", an annual heavy-weighted activity series of the "@Dream Program", to increase public awareness to under-resourced children 1

- NWDS Management Academy entered the top ten Chinese Corporate Universities list in the "China Chain Store & Franchise Association (CCFA) Top Ten Corporate Universities" and garnered the "Retail Innovation Award" with its "Direct Sales Merchandise Knowledge APP" project

AUGUST

- The "@Dream Program" won the "Outstanding Charity Award" in the "2014-2015 China Marketing Awards"

SEPTEMBER

- Launched a nationwide inter-store marketing campaign called "Tailored Feast for You – Super Feast" to provide customers with multiple shopping privileges 2

OCTOBER

- FY2014 Annual Report won the Honors Award in the category of "Annual Reports – Print: Retail – Department Store" in the 2015 Galaxy Awards

NOVEMBER

- INMAN, one of the top three online ladieswear brands and craftsmen for linen and cotton, established its first O2O experiential shop at Shanghai Pujian Branch Store

- Title-sponsored the "NWDS Sowers Action Challenging 12 Hours Charity Marathon" for the second consecutive year, and organized an in-store event called "Take the Challenge! Battle Arena Games!" to raise customer awareness to under-resourced students in Mainland China 3

- Developed "Green Office Policy" and *Sustainable Office Guide*, providing stores with the Group's green office direction and specific energy saving and waste reduction measures

- Organized the "2014-2015 Outstanding Volunteers and Volunteer Stars Selection Contest" to commend outstanding volunteers

DECEMBER

- Published the second standalone sustainability report, *NWDS Sustainability Report 2015*, reporting the Group's sustainability performance and achievements

- Won the Gold Award in the category of "Financial Performance, Corporate Governance, Social Responsibility and Investor Relations" in "The Asset Corporate Awards 2015" 4

- NWDS Management Academy garnered four awards in the award ceremony of the "Chinese Corporate University Rankings", including "2015 China's Best Corporate University", "2015 China's Best Corporate Training Program", "2015 Most Newsworthy Award" and "2015 Most Popular Corporate University"

MILESTONES

2016

JANUARY

- Garnered the "Charity Festival – 5-year Special Tribute Award", the "2015 China Charity – Group Award" and the "2015 Best Green Project" in the "2015 China Charity Festival" 5

FEBRUARY

- FY2015 Annual Report won the Gold Award in the category of "Annual Reports – Cover Design: Drawings/Illustrations" in the Mercury 2015/2016 Awards

MARCH

- Awarded the "2015/16 5 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service

APRIL

- Launched the "Happy Slide" at Shanghai Pujian Branch Store 6
- FY2015 Annual Report and Sustainability Report garnered four awards in the Astrid 2016 Awards. With the winning of the Grand Award in the category of "Annual Reports – Specialized: Sustainability Report" by its Sustainability Report, NWDS became the first Hong Kong-listed company receiving such an honor 7
- Hong Kong Office was granted the "Bronze Award for Volunteer Service" by the Social Welfare Department for the third consecutive year

MAY

- The Group's private label, n+ Natural Taste Plus, opened its first specialty shop at Shanghai Huaihai Branch Store, selling European-style artisan bread with no artificial flavoring, coloring or preservatives 8
- Organized a nationwide inter-store marketing campaign called "23rd Anniversary Blast of Joy IV – Happy New World • Happy Trendy Party", boosting sales with active O2O promotions 9

JUNE

- Introduced the "NWDS' Theory of Happiness" adhering to a customer-oriented approach, and launched a nationwide inter-store marketing campaign called "630 Your Happiest Day in the Year" to provide consumers with a happiness-packed shopping experience 10
- Organized a nationwide voluntary activity called "Let's Get Going – Happy Young Carpenters" in the third "Volunteer Month", where over 730 under-resourced children across the nation were benefited 11
- Garnered the awards of "Best Investor Relations Company (Hong Kong)" and "Best CSR" in the "6th Asian Excellence Recognition Awards" 12

JULY

- FY2015 Annual Report and Sustainability Report swept 11 awards in the LACP 2015 Vision Awards Annual Report Competition
- Hong Kong Office won the "Energywi$e Certificate" in the "Energywi$e Certificate" scheme under "Hong Kong Green Organization Certification" for the first time

AUGUST

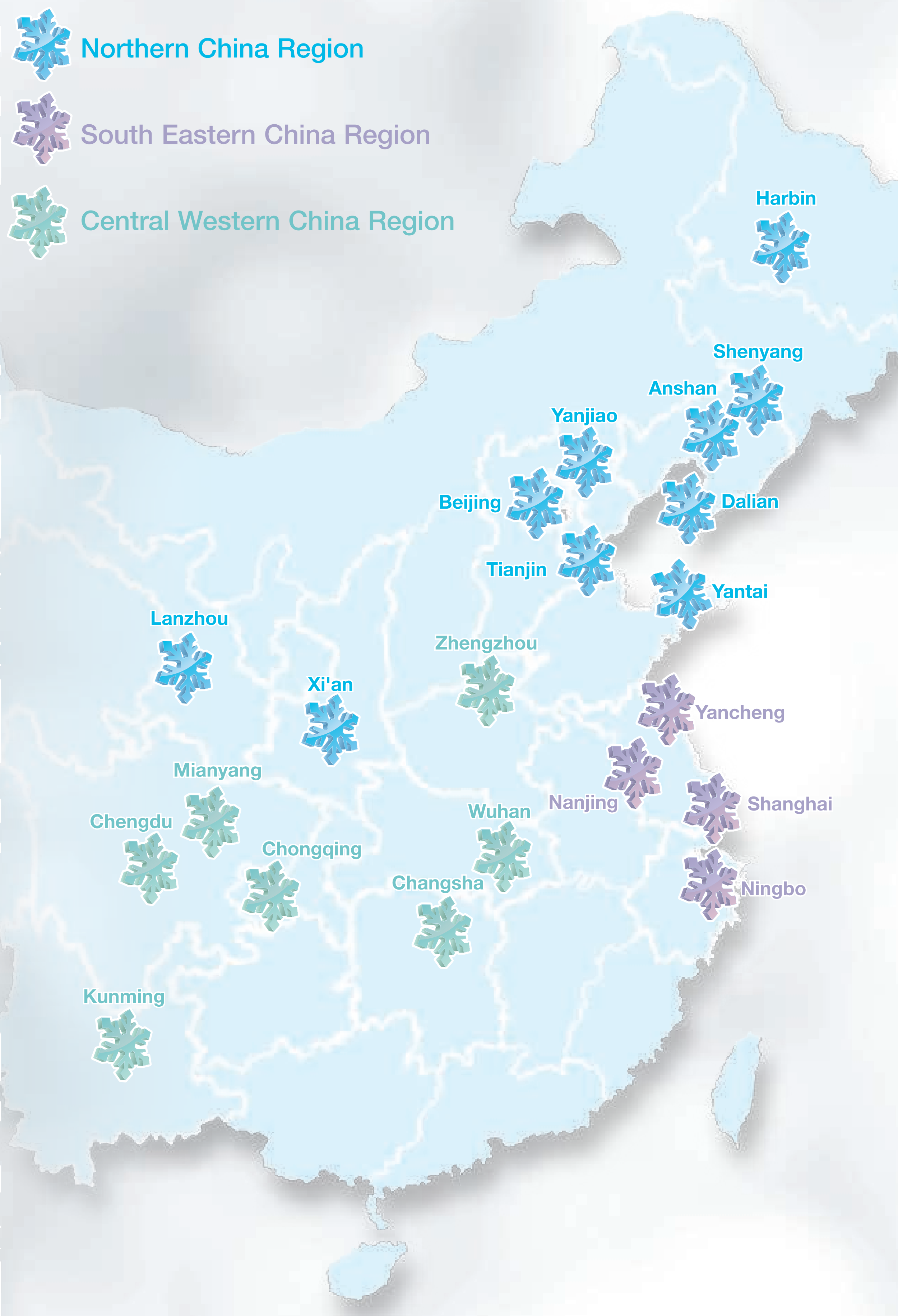
- FY2015 Annual Report garnered three awards in the 2016 International ARC Awards

RETAIL NETWORK

41 STRATEGIC FOOTHOLDS IN

21 MAJOR CITIES

Beijing	4	Shanghai	12	Wuhan	5
Tianjin	1	Ningbo	2	Changsha	1
Yanjiao	1	Nanjing	1	Zhengzhou	1
Yantai	1	Yancheng	1	Chengdu	1
Lanzhou	1			Chongqing	1
Xi'an	1			Kunming	1
Harbin	1			Mianyang	1
Shenyang	2				
Dalian	1				
Anshan	1				


Northern China Region
South Eastern China Region
Central Western China Region
Harbin
Shenyang
Anshan
Yanjiao
Beijing
Dalian
Tianjin
Yantai
Lanzhou
Zhengzhou
Xi'an
Yancheng
Mianyang
Nanjing
Shanghai
Chengdu
Wuhan
Chongqing
Changsha
Ningbo
Kunming

NORTHERN China Region

Approx. Gross Floor Area
669,350 sq.m.

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 QIANZI STORE

Date of Opening: September 2010
Approx. GFA: 40,200 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: 58,700 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

Approx. Gross Floor Area
583,530 sq.m.

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.

Living Gallery   Fashion Gallery

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 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.

CENTRAL WESTERN China Region

Approx. Gross Floor Area
361,300 sq.m.

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: 29,200 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.

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.

BUSINESS REVIEW

During the year under review, the Group's revenue declined by 9.2% from HK$4,029.4 million in FY2015 (or the "Previous Year") to HK$3,659.9 million in FY2016 (or the "Current Year"). Profit for the year was HK$45.4 million.

Business Network

During the Current Year, the Group operated 39 department stores and two shopping malls, with a total gross floor area ("GFA") of about 1,614,180 square meters ("sq.m.") and a total operating floor area ("OFA") of about 1,280,440 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 37 self-owned stores and four managed stores.

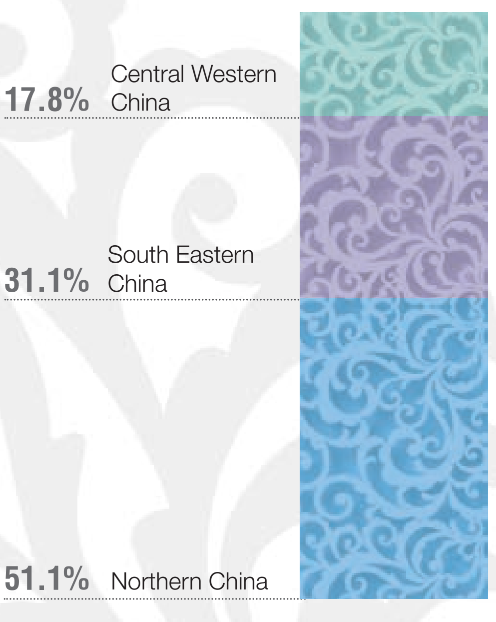
Revenue Contribution

By Region

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 51.1% of revenue, followed by the South Eastern China Region and the Central Western China Region, accounting for 31.1% and 17.8%, respectively.

By Segment

Commission income from concessionaire sales was the major source of income, accounting for 54.0% of revenue. Sales of goods for direct sales and rental income accounted for 27.4% and 17.5% respectively. Management and consultancy fees accounted for 1.1%.



BUSINESS REVIEW

Steady Growth of the Chinese Economy Underpinned by Three Major Strategies

According to the *Annual Report on China's Regional Economy 2015-2016*, the Chinese government expedited the implementation of its three major national strategies in 2015, namely the "Belt and Road Initiative", the Yangtze River Economic Belt and the Beijing-Tianjin-Hebei collaborative development plan to generate momentum for economic development across the regions.

The "Belt and Road" is a collective term that entails two economic cooperation corridors: the Silk Road Economic Belt and the 21st Century Maritime Silk Road. Spanning across 65 countries in Asia, Europe and Africa, it is China's significant initiative to promote a new round of opening-up to international market and to facilitate the joint development for countries and regions along the "Belt and Road". There are three foci in the "Belt and Road Initiative". The first is to vigorously promote the opening up of the central and western regions, directing funds towards the area through the construction of infrastructure while enabling them to put their geographical advantages in use, in particular with neighboring ASEAN, Central Asia, South Asia, Central and Eastern Europe, to unleash their hidden economic potentials. At present, China has already achieved significant results in its collaboration in production capacity and finance with Malaysia, Singapore, Indonesia, Vietnam and Laos. Secondly, positioned as an important window for China's opening up to the north, the northeastern region will further strengthen its collaboration in sea-land multimodal transport with the Far Eastern Region of Russia to invigorate the economic development in the region. At present, China, Mongolia and Russia have signed the *Program to Establish the China-Mongolia-Russia Economic Corridor* to drive the unified growth of the three economies. Thirdly, is to consolidate the hub function of coastal cities to facilitate the bilateral trade and investment between China and Southeast Asian and Euro-American countries. In sum, the "Belt and Road Initiative" does not only fully connect domestic and foreign resources to the markets, but also promotes a more balanced development of the eastern and western parts of the country, which will give traction to economic growth across the country in the long run.

The Yangtze River Economic Belt covers 11 provinces, including Shanghai, Jiangsu, Zhejiang, Chongqing, Sichuan, etc. and is established to promote the coordinated development of the eastern, central and western regions. Its strategic foci include improving the contribution of service industries such as tourism, retail, catering, real estate, finance etc., and the full implementation of new urbanization, which will stimulate growth in people's income and the amount they spend. This in turn helps expand domestic consumption and provides important support for economic growth in coastal and inner China.

The Beijing-Tianjin-Hebei collaborative development plan covers two municipals and one province. It is a national strategy that is put forward to materialize complementing advantages of the three locations and to promote development in the Huanbohai Economic Zone to generate momentum for the growth of the northern hinterland of China. In 2016, the three locations expedited the construction of major projects, including Beijing new airport, as well as the railways that connect Beijing with Binhai, Bazhou and Tangshan to drive the flows of people, goods and funds to the three locations and to promote development in tourism, retail and the northern region as a whole.

BUSINESS REVIEW

Diverged Economic Development in Regions: Central Western and Yangtze River Delta Regions Take the Lead

Amidst the global economic slowdown in 2015, China's economy continued to weaken. Gross Domestic Product ("GDP") only grew by 6.9%, the first time that the figure fell below 7% since 1990. During the year under review, regional economies developed in diverging ways, with the main differences manifested in various indicators, including the rate of economic growth, people's consumption power and industrial development, etc.

As the geographical focus of industrialization and urbanization has shifted towards the central western region, the local economy of the area maintained a relatively faster growth. In particular, Chongqing City recorded a GDP of RMB1.5718 trillion in 2015, marking a 11.0% year-on-year growth – the fastest across all municipals and provinces in the country. The provincial GDP of Sichuan was RMB3.0103 trillion, which increased by 7.9% over last year, ranking the sixth nationally. Thanks to the warming up of the real estate market and the increased contribution made by the service industry, the economy of the Yangtze River Delta region maintained steady growth in 2015. The GDP of Jiangsu province was RMB7.0116 trillion, a year-on-year growth of 8.5%, and standing at the second place nationally. Zhejiang province achieved an annual growth of 8.0%, clinching the fourth place across the country with a GDP of RMB4.2886 trillion.

As the core cities of China, the respective GDP growth rate of Beijing and Shanghai synchronized with the national level in 2015, recording a total of RMB2.2969 trillion and RMB2.4965 trillion respectively. The industrial upgrading and transformation towards the service sector was the primary contributor to the decelerated growth of Beijing and Shanghai, as the growth of the service industry was offset by the accelerated outward movement of manufacturing industries. However, the total retail sales of consumer goods of Beijing broke the RMB1 trillion mark in 2015, achieving RMB1.0338 trillion and topping the list of cities with the strongest consumption power for the eighth consecutive year. The top rank was followed by Shanghai, which had a total retail sales of consumer goods of RMB1.0056 trillion. These figures show that Beijing and Shanghai still led the country in terms of the public's consumption power.

In the northeast region, the demand for industrial products dropped significantly as a result of a slowdown in the government's investment and the manufacturing industries, and the weakened demand in real estate properties arising from people's outward migration. The regional economy has entered an deep adjustment period. In 2015, the GDP growths of the three provinces in the northeast region stayed at the lower side of the list for the third consecutive year. Liaoning, Heilongjiang, and Jilin Provinces recorded only 3.0%, 5.7% and 6.5% growths in GDP respectively. With Liaoning Province standing at the end of the national list, the economic situation of the northeast region remained very challenging.

Deploying Refined Management Strategies and Expanding Direct Sales Business

During the year under review, the Group adopted a prudent operations strategy and closed two smaller stores – Beijing Shishang New World Department Store ("Beijing Shishang Store") and Ningbo New World Trendy Department Store ("Ningbo Trendy Store"). The move was to streamline resources for developing stores with bigger retail area and stronger growth potentials. In addition, the Group's marketing strategy was formulated based on the local economic circumstances and consumers' characteristics; a refined management strategy was also adopted to enhance its operational efficiency. At the same time, the Group has increased the proportion of direct sales business. In May 2016, the Group launched n+ Natural Taste Plus, a European-style artisan bread brand that advocates a natural lifestyle, and opened its first store in Hong Kong New World Department Store – Shanghai Huaihai Branch Store ("Shanghai Huaihai Branch Store") to broaden the Group's revenue base.

Staying Abreast of Market Trends to Strengthen Children's, Sports and Cosmetics Categories

In response to the increased demand for children's and sports products as a result of the "two-child policy" and the *National Fitness Plan (2011-2015)* introduced in recent years, the Group expanded the operating area for these categories accordingly during the year under review so as to stay abreast of the market trends and to better address the needs of consumers. For children's category, Beijing New World Qianzi Department Store ("Beijing Qianzi Store") moved its children's floor to the second floor with higher foot traffic, where children's brands such as Balabala and adidas KIDS were introduced with a newly added interactive recreational area and free book corner to prolong the duration of stay of family customers. The children's zone at Hong Kong New World Department Store – Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store") was expanded to accommodate the newly introduced brands of FILA KIDS, SKECHERS Kids and Paw in Paw, etc. while the Carrera remote racing car business was also introduced to the store for the first time to cater for the needs of different family members.

BUSINESS REVIEW

For sports category, Wuhan New World Department Store – Xudong Branch Store ("Wuhan Xudong Branch Store") relocated its sports section to the spacious first floor, introducing outdoor sports and climbing supplies brands such as new balance, NIKE, NORTHLAND and KAILAS to create a dedicated zone of over 1,000 sq.m. for outdoor products. Hong Kong New World Department Store – Shanghai Pujian Branch Store ("Shanghai Pujian Branch Store") restructured the brand mix on the fourth floor, grouping men's leisure sports brands such as TRENDIANO, Jeep and VANS, as well as children's sports brands such as PUMA Kids and ANTA KIDS in one place to encourage family associated spending.

Targeting at beauty-conscious women, the Group further strengthened and enriched its in-store cosmetics brand offerings during the year under review. Chengdu New World Department Store ("Chengdu Store") introduced a number of renowned European and American cosmetics brands, including M·A·C, ORIGINS and ANNA SUI, leveraging on the strong appeal of these brands to attract more customers to spend in the store. Kunming New World Department Store ("Kunming Store"), on the other hand, introduced multi-brand cosmetics stores such as Chunmei Kongjian and Chaose, providing female customers with plenty of cosmetics and skincare choices at different price points.

Enhancing Lifestyle Complementary Facilities to Foster Experiential Consumption

During the year under review, the Group fully reformed the business setting in many of its stores, strengthening lifestyle amenities such as specialty food and beverage ("F&B"), recreation and entertainment, educational and fitness centers, etc. to address the needs for the most in-demand experiential consumption. In the South Eastern China region, Nanjing New World Department Store ("Nanjing Store") strengthened its positioning as a "Trendy Mini Mall" by introducing DM cinema, BreadTalk, HONEYMOON DESSERT and other businesses, and transformed itself into a trendy hotspot in the city attracting the patronage of many young customers and therefore, driving concessionaire sales.

BUSINESS REVIEW

In the Northern China Region, Xi'an New World Department Store ("Xi'an Store") opened the "Silk Road Delicacies", a food court of 2,800 sq.m. which gathered restaurants with regional characters, such as Kwon Geum Sung Korean BBQ, CYGNET HOT POT, Tibetan Secret Recipe Baked Fish and HuangJiHuang Three-Sauce Simmer Pot. In the Central Western China Region, Wuhan New World Department Store ("Wuhan Store") introduced STARBUCKS, TIMI ART and V+ FITNESS and other businesses to take care of the well-being of customers in every aspect.

Themed Interior Design Creates a Recreational Shopping Ambience

Responding to the rising domestic income level and an increasing demand for specialty products and services, the Group refined the market positioning of many of its stores according to the economic circumstances and characteristics of their local consumers during the year under review, and took an active role in drawing customers and stimulating consumption by setting up themed interior design in its stores. In the South Eastern China Region, Shanghai Pujian Branch Store added a list of recreational facilities during the year under review, including the "Happy Slide", "Rooftop Garden" and "Piano Stairways", which further actualized the "Happy New World" project and attracted family customers to spend as they enjoy a relaxing time. In the Northern China Region, High Street at Yantai New World Department Store ("Yantai Store") is decorated with containers, junks, graffiti and sculptures to set up the ambience of a cultural quarter, introducing more than 40 premium stores and F&B outlets, such as fashion, accessories, nail decoration, pet shops, as well as light dining, bars, etc. so that young customers can enjoy the fun of leisure shopping. In the Central Western China Region, Art Gallery 51 at Mianyang New World Department Store ("Mianyang Store") organized exhibitions to showcase the works of renowned Chinese artists such as Liu Yunsheng, Wu Yingqiang, He Duojun and Hua Lin, etc. The art-supporting business model facilitates the promotion of art in the community and attracts art lovers to spend at the store.

BUSINESS REVIEW

Year-round Featured Marketing Campaigns Stimulate Uninterrupted Spending

During the year under review, stores rode on their past success and continued to run festive marketing campaigns featuring sales and PR promotions during high shopping seasons like Christmas and Chinese New Year. These campaigns not only allowed customers to unleash their shopping desires, but also enabled them to immerse themselves in the festivity, so as to offer them an all-round shopping experience. Yantai Store launched the "Christmas Mega Sales" during the Christmas of 2015. In addition to discount offers, it also held various activities such as pyrotechnic show in the plaza, "50m Subway Runway" and Christmas Eve giveaways, etc. and made itself a hotspot for spending and entertainment during Christmas. During the Chinese New Year of 2016, Harbin New World Department Store ("Harbin Store") co-organized the "Happy Chinese New Year Shopping – Circus Story" event with Circus City. An animal show was staged for the first time in a department store, a first-ever in the province, and successfully boosted the store's traffic to grow by double-digit.

As the Qixi Festival, also known as the Chinese Valentine's Day, becomes more widely celebrated, the Group rolled out romantic marketing campaigns in many of its stores for the day. For example, Ningbo New World Beilun Department Store ("Ningbo Beilun Store") launched the "Heart-to-heart Valentine's Day" event in August 2015. Upon spending a certain amount, VIP members could receive lottery scratch cards and win tremendous gifts if the character "heart" is found. An in-store lovers' duet singing contest was also held and attracted a big group of enthusiastic audience. Wuhan New World Department Store – Wuchang Branch Store ("Wuhan Wuchang

BUSINESS REVIEW

Branch Store") organized the "Romantic Qixi Jewellery Festival" and provided discount offers together with a number of jewelry brands. Customers could join the "Qixi Cash Giveaway" lucky draw to stand a chance for winning discount or F&B coupons without having to make any purchase. The event successfully boosted consumer sentiments and sales to grow by 16%.

Brand Collaboration Enhances the Discount Level and Appeal of Nationwide Inter-store Marketing Campaigns

To nurture a year-round shopping habit amongst customers, the Group launched a number of signature nationwide and regionwide inter-store marketing campaigns during non-festive days. "Blast of Joy", "Tailored Feast for You" and "7th Non-stop Mega Sales" have now become one of the highly anticipated annual campaigns for customers. The offers and richness provided by these campaigns bring endless surprises to customers. From late May to early June 2016, the nationwide marketing campaign "23rd Anniversary Blast of Joy IV – Happy New World • Happy Trendy Party" was held in NWDS stores to offer customers with special discounts on apparel, gold and jewellery and cosmetics products. Upon spending a certain amount, customers could receive free trendy gadgets such as Xiaomi Mi Box, Xiaomi Ninebot Self Balancing Scooter, LeTV and iPhone SE, etc. Furthermore, many stores incorporated a variety of new promotional elements in the campaign. Beijing Qianzi Store and Yanjiao New World Department Store ("Yanjiao Store"), for example, used Ali as the decoration theme to create a fairy tale atmosphere in the stores. Beijing New World Trendy Department Store ("Beijing Trendy Store") collaborated with the TV programme "BTV Selection" of Beijing Television and offered mega discounts on a number of brands. The store also worked with another programme of Beijing Television called "Living Face to Face" to host the "Goddess Makeover" event, which was warmly received on site.

BUSINESS REVIEW

From end of June to early July 2016, the Group's stores across the nation rolled out a new campaign known as "630 Your Happiest Day in the Year", which was themed around "NWDS' Theory of Happiness". The campaign comprised special shopping sessions for staff and allies as well as special offer days for customers. In addition to shopping discounts, NWDS stores also collaborated with its tenants to offer dining and entertainment discounts and featured a number of brand promotions. The campaign managed to greet customers with a feeling filled with a sense of blissful happiness and to drive sales to grow by 55% during the campaign period.

Cross-industry Collaboration Effectively Increases Customer Base and Sales Volume

To expand customer base, the Group actively fostered cross-industry collaboration with sizeable banks, telecommunications service providers, catering companies, airlines and travel agents during the year under review. Lanzhou New World Department Store ("Lanzhou Store") took an active role in enriching the contents of the fifth staff sales event by offering special discounts on gold purchase to China Construction Bank credit card users, coupons with Elan Group, and a joint lucky draw with a travel agent. Added with the "Amazing Sales", the number of visitors at the store was record-breaking. With the highly anticipated opening of Shanghai Disneyland on 16 June 2016, Shanghai Pujian Branch Store co-organized the launch ceremony for the special "Shanghai Disneyland" stamp set with China Post Group on that day. The ceremony, officiated by the stamp's designer and government officials of the Pudong district, managed to generate numerous media stories and boosted sales of the day to grow by more than 40% year-on-year.

From Online to Offline – Propelling In-store Popularity

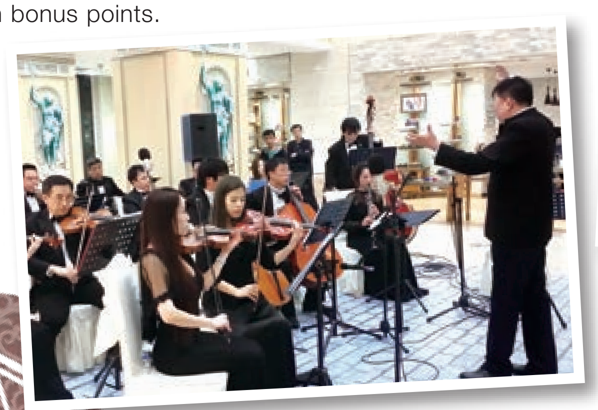
The ever-increasing popularity of mobile phones has made the mobile platform a critical channel to drive offline sales. The Group continued to strengthen its online-to-offline ("O2O") marketing during the year under review by collaborating with various online platforms such as Weibo, WeChat, Meituan.com, Dianping.com, etc. It organized the "Tian Tian Xuan Wu Dance Championship" with China Mobile Games and Entertainment and two offline mobile recording studio activities with emerging mobile karaoke social application Maichang to draw online users to the stores, thus successfully strengthened the interaction with fans. During the "7th Non-stop Mega Sales" period, users of Rongyi.com and Mplife.com could redeem cash vouchers at a discount at Shanghai Huaihai Branch Store which successfully drove its sales.

BUSINESS REVIEW

To enhance the door-to-door shopping experience of its VIP members, Dalian New World Department Store ("Dalian Store") worked with UBER and rebated VIP members with their UBER expenses upon spending in the store. In May 2016, Chengdu Store leveraged on the popularity of live-casting applications such as Huajiao.com, Inke.cn, and ME of YY Inc. and invited four female webcasters to conduct a live-casting visit to the store in which they shared the funny bites of their shopping trips as well as their fashion tips and tricks. The broadcast attracted more than 50,000 viewers and created over a thousand online threads where sparked online users' interest to share their views on fashion.

Keeping Up with VIP Members' Preferences to Strengthen Engagement and Loyalty

During the year under review, the Group revamped its VIP membership structure and upgraded over 70,000 members to Gold Card members, and created a new electronic membership card, N-Joy card, with an aim to engage with young customers. The Group has always attached great importance to maintaining close connection with its VIP members. In addition to providing them with birthday gifts, free manicure, parking offers, free carwash, or one-on-one service privilege, etc., the Group also held a number of members-only shopping events during the year under review. For example, Chongqing New World Department Store ("Chongqing Store") joined up with China Telecom and CQMMGO.com to launch the "Joint Discount Day" where NWDS' and the partners' VIP members could enjoy special privileges such as free cash vouchers or extra bonus points upon spending a certain amount, lucky draw entries upon visiting, and vouchers redemption at big discounts with bonus points.



Addressing consumers' pursuits for cultural and lifestyle experiences, the Group increased the number of cultural experiential activities held during the year under review to share tasteful lifestyle with its VIP members and to strengthen the engagement and loyalty with them. Harbin Store hosted watercolour and oil painting exhibitions for its VIP members. Wuhan Store organized the "Happy Learning", food tastings and art appreciation sessions for its members. It also co-hosted an exclusive press conference with Hubei Theater in late October 2015 for the grand opera "Night in Paris" presented by the French Blue Angel Troupe. A mini show was staged for selected members on the day of the press event as a gesture of appreciation to tasteful and high-spending customers. As at 30 June 2016, the Group had approximately 4.26 million VIP members and approximately 3.76 million Weibo and WeChat fans.

DIRECT SALES BUSINESS

The Group continued to increase its investments in direct sales business during the year under review. In addition to its existing distribution business of high-end fashion brands and its private label LOL (Love • Original • Life) Concept Shop ("LOL"), the Group introduced n+ Natural Taste Plus into its portfolio. Collectively, they offer one of a kind products relating to home decors, apparel and F&B to customers. Thanks to its direct sales business, the Group has gradually gained more experience in procurement and brand operations, and has become a forerunner in the industry in this aspect which helps increase the proportion of revenue from direct sales business and actualize differentiated operations effectively.

During the year under review, LOL continued to source stylish lifestyle products which are "nationally exclusive and limited debuts" and extended its product offerings from household products and home decors, skincare products, digital and technology products, stationery to the categories of tea merchandise, floral displays and artworks.

The quintessence of the LOL's slogan, "Gift Your Life", is completely infused into the brand's culture and its enjoy-life attitude is fully manifested through its exquisite products and fabulous VIP activities held such as "Zuny Leather Coins Bag DIY Workshop", "Dragon Boat Festival Fragrant Sachets DIY Workshop" and "Father's Day Tea Bag DIY Workshop". As at 30 June 2016, the Group operated 10 LOL Concept Shops across the country. Going forward, LOL will further leverage on Internet celebrities and other channels to increase its online sales on Tmall.com as an extension to its physical stores.

DIRECT SALES BUSINESS

As a result of consumption abroad, online shopping and waves of price-reductions of luxury brands, the sales growth of the high-end fashion brands MOSCHINO, LOVE MOSCHINO and REDValentino distributed by the Group have slowed down. To drive sales, the Group strived to maintain its existing customer base and actively reached out to new young customers during the year under review. This attempt was complemented by refined market positioning and product promotion. Concurrently, the Group actively established long-term partnerships with landlords to reduce rental expenses and to secure retail locations in premium shopping centers in first- and second-tier cities. During the year under review, REDValentino tapped into Qingdao market, while MOSCHINO made its name in Dalian and Chongqing, etc. As at 30 June 2016, the Group operated 43 specialty shops of these brands in Beijing, Shanghai, Hangzhou, Nanjing, Qingdao, Chengdu, Shenyang, Tianjin, Harbin, Dalian, Chongqing, Guangzhou and Shenzhen and plans to open five to ten new specialty shops during FY2017.

In May 2016, the Group's newly launched private label, n+ Natural Taste Plus, opened its first specialty shop in Shanghai Huaihai Branch Store. Dedicated to the mission of "Perfect Balance of Health and Taste", n+ Natural Taste Plus produces European-style artisan bread products that are low in oil and fat, without artificial flavoring and preservatives, which are distinctly different from the mainstream Japanese sweet bread available in the market, to effectively implement the strategy of differentiated operations. n+ Natural Taste Plus targets health-conscious young office workers and housewives aged 20 to 35 who are fond of baked delicacies. It has been much acclaimed since its opening. The brand plans to open more new stores in Shanghai in FY2017, and gradually expand to Beijing. When economies of scale is achieved, it will further expand to Eastern and Northern China.

BESPOKE SERVICES

Creating One-Stop
Joyful Shopping and
Entertainment Experience

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$3,659.9 million in FY2016 representing a decline of 9.2% from HK$4,029.4 million in FY2015.

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 14.3% to HK$13,077.0 million in FY2016 from HK$15,258.4 million in FY2015. Gross revenue from concessionaire sales decreased to HK$11,223.9 million from HK$13,502.2 million in the Previous Year. Commission income rate decreased from 18.1% in the Previous Year to 17.6% in the Current Year. The decrease was primarily due to proportionate increase in sales of gold and jewelry as well as sportswear which had lower margins. Sales of goods for direct sales was HK$1,002.9 million in FY2016 compared with HK$895.4 million in FY2015. Direct sales revenue mainly comprised sales of groceries, housewares and perishables (approximately 36.9%), cosmetic products (approximately 28.8%), ladieswear and menswear (approximately 28.8%), as well as accessories and miscellaneous items (approximately 5.5%). Gross margin of direct sales was 24.6% compared to 19.7% in the Previous Year. The increase was mainly due to the inclusion of the distribution business of high-end fashion brands since January 2015 which had a higher gross margin. In FY2016, ladieswear and accessories made up approximately 63.3% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 9.6% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest.

Management and consultancy fees was HK$40.3 million in FY2016 showing a decrease by 24.8% from HK$53.6 million in FY2015. The decrease was primarily due to drop in Group's recognition of fees for the provision of consultancy services for new projects in the Current Year.

Rental income increased slightly by 0.1% to HK$639.5 million in FY2016 from HK$638.7 million in FY2015, mainly due to expanded rentable area and improved tenant mix, which was partially offset by the reduced rentable area as a result of the closure of Wuhan New World Department Store – Qiaokou Branch Store ("Wuhan Qiaokou Branch Store") and Beijing Shishang Store in November 2014 and December 2015 respectively and the downsizing of Shenyang New World Department Store – Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store") in March 2015.

Other Income

Other income of the Group was HK$170.4 million in FY2016 compared with HK$168.6 million in FY2015. Other income in FY2016 mainly comprised HK$76.2 million of income from suppliers, HK$24.8 million of government grants, HK$15.7 million of compensation from a landlord for the termination of lease of Beijing Shishang Store, HK$13.0 million of compensation from a tenant for the termination of sub-lease in Ningbo Trendy Store and HK$9.8 million of one-off income due to the termination of management and consultancy fee agreements for certain new projects.

Other Losses, Net

Net other losses of the Group in the Current Year was HK$25.2 million which was primarily resulted from HK$9.3 million of fair value gain on the indemnification in connection with the acquisition of a subsidiary and HK$30.1 million of impairment loss on property, plant and equipment of the existing stores.

Changes in Fair Value of Investment Properties

A loss in fair value of investment properties in the Current Year was HK$25.4 million which related to the properties of Shenyang Jianqiao Road Branch Store, Hong Kong New World Department Store – Shanghai Tianshan Road Branch Store ("Shanghai Tianshan Road Branch Store") and Tianjin New World Department Store ("Tianjin Store").

Purchases of and Changes in Inventories, Net

The purchases of and changes in inventories primarily represented the cost of sales for direct sales of goods. It increased by 5.1% to HK$756.0 million in FY2016 from HK$719.4 million in FY2015. 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 decreased to HK$633.2 million in FY2016 from HK$747.3 million in FY2015. The decrease in employee benefit expense was primarily due to the continuous efforts by management to carry out cost control measures as well as the closure of Wuhan Qiaokou Branch Store in November 2014 also contributed to the decrease of employee benefit expense in the Current Year.

Though control of expenses, the decrease was partially offset by the recognition of a full-year employee benefit expense of the newly opened Hong Kong New World Department Store – Shanghai 118 Branch Store ("Shanghai 118 Branch Store") in November 2014 and a subsidiary, engaged in the distribution and retailing businesses, which was acquired in January 2015 (the "Acquired Subsidiary").

Depreciation and Amortisation

Depreciation and amortisation expense decreased from HK$344.2 million in FY2015 to HK$300.7 million in FY2016, primarily due to no depreciation was provided in the Current Year for property, plant and equipment impaired for mainly two department stores in FY2015 and some stores with assets that have been fully depreciated. The decrease was partially offset by the recognition of a full-year depreciation and amortisation expense of Shanghai 118 Branch Store opened in FY2015 and the Acquired Subsidiary.

Operating Lease Rental Expense

Operating lease rental expense decreased to HK$1,163.9 million in FY2016 from HK$1,191.7 million in FY2015, primarily due to the reduction of rental rates for certain leased properties in the Current Year and the closure of Wuhan Qiaokou Branch Store and Beijing Shishang Store in November 2014 and December 2015 respectively. However, the decreased was partially offset by the recognition of a full-year rental expense of of Shanghai 118 Branch Store opened in FY2015 and the Acquired Subsidiary.

Other Operating Expenses, Net

Net other operating expenses decreased to HK$716.1 million in FY2016 from HK$788.8 million in FY2015. The decrease was primarily due to the 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 FY2016. The decrease was partially offset by the inclusion of exchange loss for HK$62.4 million mainly arising from the devaluation of Renminbi and compensation to the landlord for HK$12.8 million due to the early termination of lease of Ningbo Trendy Store. In addition, the newly opened Shanghai 118 Branch Store in November 2014 and the Acquired Subsidiary also contributed to a full-year other operating expenses in the Current Year.

Operating Profit

Operating profit was HK$209.7 million in FY2016 compared with HK$230.9 million in FY2015.

Income Tax Expense

Income tax expense of the Group was HK$193.4 million in FY2016 compared with HK$187.2 million in FY2015. A reversal of deferred income tax asset of approximately HK$28.0 million, with respect to previously recognised tax losses which were not utilised or not expected to be utilised before expiry dates based on Group's latest estimate on the profitability of respective stores, was included in the Current Year.

MANAGEMENT DISCUSSION & ANALYSIS

Profit for the Year

As a result of the reasons mentioned above, profit for the year decreased by approximately 34.9% to HK$45.4 million compared with HK$69.7 million in the Previous Year.

Liquidity and Financial Resources

Cash and fixed deposits of the Group amounted to HK$1,202.7 million as at 30 June 2016 (30 June 2015: HK$2,115.9 million).

The Group's borrowings from banks as at 30 June 2016 were HK$995.7 million (30 June 2015: HK$1,707.0 million) of which HK$409.4 million (30 June 2015: HK$524.3 million) was secured by pledge of asset.

At 30 June 2016, the Group's current liabilities exceeded its current assets by HK$1,933.2 million (30 June 2015: HK$709.3 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 commitments of the Group as at 30 June 2016 were HK$116.2 million, of which HK$116.2 million were contracted but not provided for in the consolidated statement of financial position. For the contractual payment of HK$116.2 million, approximately HK$61.6 million is for the redevelopment project of a building in Shenyang City.

Pledge of Assets

As at 30 June 2016, investment properties of HK$1,784.8 million (30 June 2015: a property, land use rights and investment properties of HK$1,952.5 million) of the Group were pledged as securities for bank borrowings and banking facilities of HK$409.4 million (30 June 2015: HK$525.0 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, mainly arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts to hedge its foreign exchange risk during the year. 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 2016.

THE GROUP'S STRATEGIES FOR DEVELOPMENT

In response to the changing consumer behaviour, the Group reinterpreted the definition of physical retailing and shifted its business focus towards consumer experience. The Group innovated its operations, marketing and merchandising for improved efficiency so as to control cost effectively on one hand and to broaden its income base on the other by increasing the proportion of direct sales and leasing businesses. During the year under review, the Group began to reshape its brand positioning by introducing the "NWDS' Theory of Happiness" which strives to establish a new physical retail model that well responds to and meets the needs of consumers. By deploying refined operations strategies, the Group incorporated the elements of happiness into every single detail to provide customers with premium products and spiritual satisfaction.

MANAGEMENT DISCUSSION & ANALYSIS

Operations Strategies

Deploying Refined Management Strategies to Improve Operational Efficiency

Under the ever-changing operating environment with heated competition, the Group exercised stringent cost control measures including closing smaller stores with weaker development potentials during the year under review. The Group also improved its operational efficiency by streamlining administrative processes and adopting a new result-oriented management methodology. Going forward, the Group will formulate more fitted market positioning and operations strategies for each and individual store according to the economic circumstances and the characteristics of consumers at where they are located on top of the existing store classification of "Living Gallery" and "Fashion Gallery". This attempt symbolizes the rollout of the Group's refined management strategies which are believed to strengthen the operational capability of its stores in the long run.

With the Theme of "NWDS' Theory of Happiness" to Craft Happiness-packed Shopping Experience

Consumer behaviour in Mainland China has been upgraded from the mere purchasing of commodities in previous years to a call for an overall customer experience nowadays. The Group, therefore, has introduced "NWDS' Theory of Happiness" with an aim to provide "happiness-inducing" services that cover the social, interactive and experiential aspects of shopping and to shape itself as a new physical retailer that responds to and meets consumer needs.

To carry through the theory, the Group has changed its operations strategies from a brand-oriented one to a customer-oriented one and has continuously optimized its merchandise and service mix. In the light of an increasing demand for children's and sports products as a result of the "two-child policy" and the *National Fitness Plan (2011-2015)*, the Group expanded the operating area for these categories during the year under review. At Beijing Qianzi Store, for example, the children's floor was moved to the second floor with higher foot traffic, where more premium children's wear brands were introduced. At Wuhan Xudong Branch Store, the sports section was moved to the spacious first floor, on which outdoor sports and climbing supplies specialty stores were introduced to create a dedicated zone of over 1,000 sq.m. for outdoor products. Targeting ladies who pursue trendy and quality products, the Group further strengthened the cosmetics category during the year under review. At Chengdu Store, an array of European and American cosmetics brands were introduced so that the Group can leverage their brand appeal to draw more traffic.

Promoting Themed Interior Design to Create a Unique Shopping Ambience

During the year under review, the Group adopted a differentiated operations strategy and set up themed interior design in a number of stores to cater for the cultural and spiritual needs of consumers. The "Happy Slide" at Shanghai Pujian Branch Store aims to spread the message of happy shopping and to boost spending from family customers as they enjoy a leisure time. The High Street at Yantai Store is decorated with containers, junks, graffiti and sculptures to set up the ambience of a cultural quarter, perfectly integrating the elements of originality, art and culture, recreation and trendy lifestyle. Nanjing Store strengthened its positioning as a "Trendy Mini Mall" by introducing DM cinema, HONEYMOON DESSERT and other businesses to stimulate associated spending. Looking ahead, the Group will continue to push forward the operating model which features themed interior design, so as to create a unique shopping ambience and provide customers with all-spectrum, all-customer-group services in addition to premium products.

MANAGEMENT DISCUSSION & ANALYSIS

Expanding Direct Sales Business to Actualize Differentiation in Products and Services

To respond to the increasing demand for quality food and products as a result of the improved living standard in Mainland China, the Group continued to increase the proportion of its direct sales business through product procurement and the establishment of private labels during the year under review to improve gross margin and to enrich the field experience of its procurement team. Following the opening of the first n+ Natural Taste Plus specialty shop in Shanghai, the Group will carry through the "multiple presences within a single city" strategy to increase the number of its outlets in Shanghai with an attempt to gradually expand to other affluent cities like Beijing. The Group plans to open 20 n+ Natural Taste Plus specialty shops in the next three years. On the other hand, LOL continued to offer "nationally exclusive and limited debuts" of stylish lifestyle premiums during the year under review. Its product categories were extended to tea merchandise, floral displays and artworks, etc. In future, the Group will continue to develop its LOL business on Tmall.com by leveraging on the influence of Internet celebrities to stimulate online sales as well as by accelerating the integration of its online and offline businesses to consolidate its dual sales channels.

As the sluggish economy created a stronger blow to the luxury market, the Group's distribution business of high-end fashion brands launched new apparel lines targeting the young customer group during the year under review, such as the collaboration of MOSCHINO with a video game developer on an animated characters series, as a means to expand customer base and to strengthen sales. The brands also implemented effective cost-control measures to secure their profit. Going forward, the Group will continue to identify and sponsor mainland artistes who are stylishly consistent with MOSCHINO, LOVE MOSCHINO and REDValentino as a way to increase their media exposure and national repute to further attract young and other target customer groups.

Merchandising Strategies

Recruiting More Customer-wanted Children's, Sports and Cosmetics Brands

As the execution of "NWDS' Theory of Happiness", the merchandising strategy of the Group has become more customer-oriented with a greater focus on the experience and personality of its customers. During the year under review, the Group focused on recruiting children's, sports and cosmetics brands to further strengthen its merchandise mix. For the children's category, Beijing Qianzi Store and Shanghai Wujiaochang Branch Store introduced children's wear brands such as Balabala, adidas KIDS, FILA KIDS, SKECHERS Kids and Paw in Paw respectively. In the sports category, Wuhan Xudong Branch Store introduced outdoor sports and climbing supplies brands such as new balance, NIKE, NORTHLAND and KAILAS. For the cosmetics category, Chengdu Store introduced famous European and American make-up brands such as M • A • C, ORIGINS and ANNA SUI, etc.

To provide customers with an omni-channel shopping experience, the Group stepped up its efforts in introducing online brands to its stores. It successfully worked with INMAN, one of the top three online ladieswear brands and craftsmen for linen and cotton, and opened six physical stores in the mainland with synchronized online and offline pricing. The move has been critically acclaimed. In FY2017, the Group will start its cooperation with INMAN's associated high-end women's fashion brand, A Life On The Left, and put forward its store opening plan in the mainland.

Introducing Lifestyle-related Tenants to Enhance Amenities Offerings

To attract customers in different age groups, the Group strategically adjusted the tenant mix of its in-store lifestyle complementary facilities during the year under review based on the economic circumstances of where the stores are located. The Group placed its tenant recruitment focus on specialty F&B, recreation and entertainment, educational organizations and fitness centers, etc. to elevate its in-store amenities offerings. Xi'an Store, for example, opened the "Silk Road Delicacies", a food court of 2,800 sq.m. which gathered restaurants with regional characters, such as Kwon Geum Sung Korean BBQ, CYGNET HOT POT, Tibetan Secret Recipe Baked Fish and HuangJiHuang Three-Sauce Simmer Pot. Beijing New World Department Store ("Beijing Store"), on the other hand, brought on board tenants of integrated functions, including hosa Fitness, MINISO, Xize Travels, the fresh fruit bouquet shop Edible Arrangements, etc. to cater for different customer needs. In FY2017, the Group will step up its efforts in exploring the interactive experience sector and introducing tenants specializing in room escape games, virtual reality games, etc. to inject new elements into consumer experience.

Exploring New Operating Models and Introducing Joint-venture F&B Projects

During the year under review, the Group launched a few joint-venture F&B projects and successfully collaborated with two caterers to jointly operate the Korean fast food store Aza Aza! and the Korean honeycomb ice-cream specialty store Sweetruck, further actualizing its differentiated operations. In future, the Group will enhance its efforts in seeking potential brands and introducing projects operated in new models.

Marketing Strategies

Headquarters-led Marketing Campaigns to Foster Sales and Brand Promotions

During the year under review, the Group organized a number of signature regionwide and nationwide inter-store marketing campaigns, including "Blast of Joy", "Tailored Feast for You" and "Non-stop Mega Sales", to continually stimulate foot traffic and sales all year round. In particular, the campaign "630 Your Happiest Day in the Year", which was themed around "NWDS' Theory of Happiness" and took place during late June to early July 2016, comprised special shopping sessions for staff and allies as well as special offer days for customers. Coupled with the provision of multiple incentives on dining and entertainment spending, sales grew 55% during the campaign period. In future, the Group plans to increase the number of nationwide inter-store marketing campaigns to four per year, stepping up its efforts in providing stores with detailed guidance and support from the headquarters which includes framework and implementation proposal for the overall campaign, as well as the highlights and details of its daily activities. The headquarters will also take the lead to engage with key brands to seize competitive discounts in order to drive transactions. On the other hand, the Group also plans to feature highly-recommended products at different times of the campaign period, so as to strengthen its collaboration with concessionaire counters on promotion and to drive sales throughout the campaign period to achieve a win-win outcome.

Cross-industry Marketing Cooperation with Renowned Enterprises to Boost Customer Base and Transaction

During the year under review, the Group actively undertook cross-industry cooperation. It partnered with renowned mobile game operator China Mobile Games and Entertainment to organize online traffic directing campaign "Tian Tian Xuan Wu" to push stores' promotional information to its players, and draw them to the stores where an offline "Tian Tian Xuan Wu Dance Championship" was held. Furthermore, the Group worked with emerging mobile karaoke social application Maichang and organized two offline mobile recording studio activities, which were enthusiastically received by young communities and successfully boosted foot traffic. On top of continuing the use of WeChat and Weibo as traffic directing tools, the Group will run its upcoming campaigns with a focus on facilitating transactions and plans to launch cross-industry marketing campaigns with banks and financial institutions to attract their widespread and affluent customers to the stores by providing exclusive shopping offers.

MANAGEMENT DISCUSSION & ANALYSIS

The Digitization of VIP Membership and Marketing Tactics to Enable Target Marketing

To foster and maintain its relationship with VIP members, the Group plans to step up its efforts in driving the digitization progress of its VIP membership and marketing. For membership, the Group plans to provide digitized membership services with third party payment service providers such as Alipay, WeChat Pay and banks, that enable the attachment of VIPs' memberships with their debit or third party payment accounts. Riding on the foundation of digitized membership, all member-related data will be segmented for storage in the database by multiple tags, enabling an effective and scientific analysis to take place to generate a clearer picture on the spending patterns and habits of VIP members, which can help the Group to carry out target marketing to facilitate transactions. Concurrently, the Group will leverage on various digital marketing platforms to push notifications featuring bonus point redemption, vouchers, latest special offers and product information to VIP members to foster engagement.

Expansion Strategies

The growth of the total retail sales of consumer goods in Mainland China slowed down to about 10% during the year under review. The decline was mainly a result of weakened consumer sentiments arising from the sustained deceleration of the Chinese economy. Moreover, sales in the physical retail sector were struck twice by online shopping and consumption abroad. Amidst such a challenging operating environment, the Group maintains a cautious and conservative attitude, striving to refine its operations strategies to improve operational efficiency, so as to offer the best merchandise and service mix and shopping environment to consumers.

Consumption Upgrade is one of the important agendas in the "13th Five-Year Plan", which envisions to unleash domestic consumption by improving the consumption environment, thus giving momentum to the overall economic growth. With the launch of the "two-child policy" and the new urbanization policy, added with favourable factors such as the emergence of the middle class, China's consumption market will receive powerful support in the long run. To capture future opportunities, the Group will gradually complete its self-owned stores in the pipeline from FY2017 onwards. The Group also plans to open two managed stores in third- and fourth-tier cities with the "low risk, low investment" approach.

Carrying Through the "Radiation City" Strategy to Capture Urbanization Opportunities

Benefiting from the new urbanization policy, the economies of third- and fourth-tier cities in Mainland China are growing at an accelerated rate. The Group will carry through its "radiation city" expansion strategy and plans to open a self-owned store, with a total GFA of 35,000 sq.m., in Jingmen City which is adjacent to Wuhan City.

To respond to the phenomenon of increasing lifestyle-related spending, the Group is conducting the construction of Shenyang Nanjing Street Branch Store Phase I Redevelopment Project and the expansion of Shenyang Nanjing Street Branch Store Phase II Project. Upon completion, the two projects will form a department store with a total GFA of nearly 52,000 sq.m. and create a premium shopping experience for consumers.

Provision of Third Party Management Services to Enter Third- and Fourth-tier Cities With Great Flexibility

To speed up entrance into new markets and to lower the relevant operational risks, the Group provides third party management and consultancy services to a number of real estate retail projects. In addition to receiving a steady flow of management fees income, the Group can also get familiarized with the local consumer market through day-to-day operations, while enjoying the opportunity to invest in or develop local projects or to acquire currently-managed projects at an appropriate time, increasing its flexibility in both operations and business development. Going forward, the Group plans to open managed stores in Yibin City, Sichuan Province and Tongliang District, Chongqing City respectively.

MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK

The international economic landscape of 2016 is an intricately complicated one. Due to the weakened household consumption and corporate investments of developed countries, demand of the global commodities market is weak and trade has continued to shrink. Added with the concussions of the international financial market, China's economy has been constantly pressured by external factors. China's GDP in the first half of 2016 only rose 6.7% year-on-year, the lowest since 1990. The weak impetus provided by the "Troika", namely investment, exports and consumption, resulted in an overall weak economic performance. Looking forward to the second half of the year, the market does not expect the global economy to resume significant growth in the short term, which will continue to affect China's export trade. The overcapacity in the mainland, intensifying pressure on Renminbi depreciation, as well as corporate profits being dragged by the economy may lead to increased debts, the possibility of a wave of company closures and escalating bad and doubtful debts for banks. The viscous cycle could worsen the downward pressure on the Chinese economy and affect consumer sentiments. Amidst the above-stated gloomy economic circumstances, added with the influence of industrial factors such as heated competition in the department store sector, the impact from e-commerce and the ever-increasing operating costs, the prospects for China's physical retail industry remains challenging.

Although China's retail industry faces a long list of challenges, it is also welcoming opportunities from expanded and upgraded consumption in the long run. In 2016, the first year of the "13th Five-Year Plan", the government is implementing a number of consumption-boosting measures. The full implementation of the "two-child policy", for example, will unleash much domestic consumption potentials; the integrated development amongst rural industries, on the other hand, will increase farmers' per capita disposable income; the accelerated urbanization in third- and fourth-tier cities will speed up their economic development; and the reform and refinement of the social welfare system will improve the overall standard of living. All these measures are believed to be effective in continually expanding domestic consumption. With constant improvement in people's standard of living, their consumer behaviour is upgrading and transforming towards the directions of high quality, personalization, diversification and convenience. To cope with the market trend, the Group strives to strengthen the themed interior design and lifestyle complementary facilities of its stores, including F&B, recreation, entertainment, fitness, etc., to create an appealing shopping ambience. The enhanced deployment of the Group's omni-channel marketing also further enriches customers' shopping experience. The Group is well positioned and equipped to embrace various challenges ahead and to grasp future development opportunities with a pragmatic and cautious attitude.

DIRECTORS' PROFILE

Chairman and Non-executive Director
Dr. Cheng Kar-shun,
Henry, GBS
Aged 69

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 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 and FSE Engineering Holdings Limited, an independent non-executive director of HKR International Limited and Hang Seng Bank Limited, a non-executive director of SJM Holdings Limited. He is the chairman and the managing director of New World China Land Limited (a listed public company in Hong Kong, until its delisting on 4 August 2016. He was a non-executive director of Lifestyle International Holdings Limited, up to his retirement on 4 May 2015. 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, JP
Aged 36

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 an executive vice-chairman and joint general manager of New World Development Company Limited, an executive director of each of 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. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. 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.

DIRECTORS' PROFILE

Managing Director and
Executive Director

Mr. Cheung Fai-yet, Philip

Aged 61

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 over 40 years of experience in the 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 64

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 is a director of certain subsidiaries of New World Development Company Limited and possesses over 30 years of experience in finance and accounting and treasury.

Non-executive Director

Ms. Ngan Man-ying, Lynda

Aged 50

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 chief financial officer and the company secretary of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. She has over 29 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.

DIRECTORS' PROFILE

Independent Non-executive Director

Mr. Cheong Ying-chew, Henry

Aged 68

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, Cheung Kong (Holdings) Limited, the listing status on The Stock Exchange of Hong Kong Limited of which was replaced by CK Hutchison Holdings Limited on 18 March 2015, and Kirin Group Holdings Limited (formerly known as "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 62

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.

DIRECTORS' PROFILE

Independent Non-executive Director

Mr. Tong Hang-chan, Peter

Aged 71

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 54

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 2016, 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 2016.

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 38 to 41 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 2016.

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 meetings 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	0/1
Executive Directors		
Dr. Cheng Chi-kong, Adrian	4/4	1/1
Mr. Cheung Fai-yet, Philip (*Managing Director*)	4/4	1/1
Independent non-executive Directors		
Mr. Cheong Ying-chew, Henry	4/4	1/1
Mr. Chan Yiu-tong, Ivan	4/4	1/1
Mr. Tong Hang-chan, Peter	4/4	1/1
Mr. Yu Chun-fai	4/4	1/1

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.

CORPORATE GOVERNANCE REPORT

Audit Committee

The audit committee of the Company (the "Audit Committee") has been established with written terms of reference being revised with effect from 1 July 2016 and 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, risk management 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 2015 and the unaudited interim financial information for the six months ended 31 December 2015 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 2016 and internal audit report, including the effectiveness of the internal control system, with recommendation to the Board for approval. The Audit Committee met three times during the year ended 30 June 2016.

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 risk management and 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	3/3
Mr. Cheong Ying-chew, Henry	3/3
Mr. Tong Hang-chan, Peter	3/3
Mr. Yu Chun-fai	3/3

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 2016, 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 2016 are set out in note 11 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. Cheong Ying-chew, Henry	2/2
Mr. Chan Yiu-tong, Ivan	2/2
Mr. Yu Chun-fai	2/2

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 2016, 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.

CORPORATE GOVERNANCE REPORT

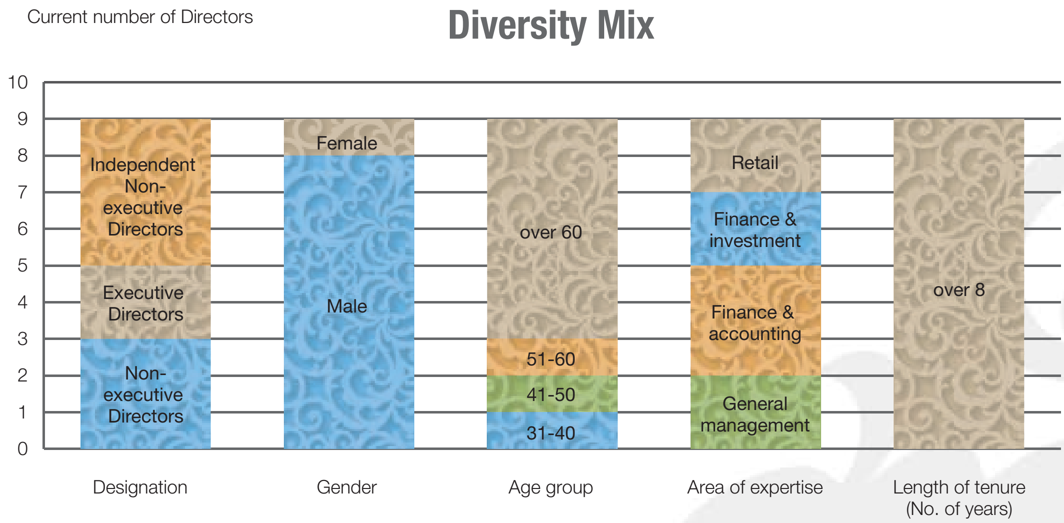
During the year, the members' attendance of the meetings of the Nomination Committee is set out as follows:

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.



CORPORATE GOVERNANCE REPORT

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*)	✓
Independent non-executive Directors	
Mr. Cheong Ying-chew, Henry	✓
Mr. Chan Yiu-tong, Ivan	✓
Mr. Tong Hang-chan, Peter	✓
Mr. Yu Chun-fai	✓

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, RISK MANAGEMENT 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.

CORPORATE GOVERNANCE REPORT

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 72 to 73 of this annual report.

The Board has overall responsibility for the Group's system of risk management and 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 risk management and internal control system of the Group. In the year under review, the Audit Committee and the Board had also reviewed the Group's risk management and 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 2016, 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 2016, 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 NWDS, 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 actively in touch with institutional investors and analysts in both domestic and overseas capital markets, mainly by means of one-on-one meetings, conference calls and store visits. During the year under review, numerous meetings and store visits were organized for investors. Every year, the Group hosts analyst briefings after its annual and interim results announcements to proactively disclose information to analysts and investment institutions. Research reports regarding the Group are issued by prominent investment research institutions such as Macquarie Securities and DBS Vickers Securities.

CORPORATE GOVERNANCE REPORT

Moreover, the Group participated investor conferences organized by major banks or securities companies in an active manner, including the "Macquarie Greater China Consumer Corporate Day 2015" by Macquarie Securities in Hong Kong in October 2015 and the "Morgan Stanley Second Annual China Summit" by Morgan Stanley in Beijing in May 2016.

To ensure shareholders' timely access to the Group's information, an "Investors" section was 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 of the Group's business development strategies and the latest operating condition.

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group values the development for talents and the mutual growth of staff. The Group strictly complies with the requirements of the law of the People's Republic of China and the labour legislation of the Hong Kong Special Administrative Region, and abides by the open and fair principles while providing employment opportunities, remuneration, leave, benefits and so on. All of the labour standards and recruitment procedures are conducted in strict compliance with the relevant labour laws of the PRC and Hong Kong.

The Group also understands the importance of training and development for the employees. Starting from the employment of new staff members, induction courses on corporate culture, business operation, regulations and so on are provided. Staff members are further provided with different training to enhance the comprehensive capabilities to solve their problems encountered at work.

The Group strives to take care of the interests of customers and maintain a desirable shopping environment. The Group would operate in compliance with the regulations and requirements of regulatory authorities.

In addition, the Group maintained good and stable working relationship with the major suppliers.

AUDITORS' REMUNERATION

Fees for auditing services amounted to approximately HK$7,080,000 (2015: approximately HK$6,540,000) and fees for non-auditing services, including primarily interim review, accounting, tax advisory and other related services, amounted to approximately HK$2,323,000 (2015: approximately HK$2,837,000).

CORPORATE SUSTAINABILITY

The Group is an advocate of corporate social responsibilities. During the year under review, the Group published its second standalone sustainability report to keep stakeholders informed about its sustainability performance in FY2015. Furthermore, the Group formulated "Green Office Policy" and *Sustainable Office Guide* and managed to reduce its carbon emission intensity by 7.8% and electricity consumption per sq.m. by 5.1%, achieving significant results in environmental protection. The Group's efforts in different scopes were well recognized and garnered numerous local and international awards. Going forward, the Group will put the "Artisanal spirit" into full play and continue to optimize its sustainability policies and programs to pursue further excellence.

COMMUNITY SERVICES

During the year under review, the Group relentlessly developed its existing community projects to benefit more under-resourced children. The Group also worked hard to draw public attention towards them through initiating and sponsoring events.

"NWDS @Dream Annual Games" Provides Skill Matching Platforms

Since the Group launched the "@Dream Sustainable Development Program" ("@Dream Program" or the "Program") in 2013 to offer under-resourced children with diversified training, over 7,000 children have been benefited. During the year under review, the Program entered its third year and the Group strived to assess its effectiveness and decided to concentrate its resources on enhancing the contents of the sports and music training programs and thus, carried on the "@Music – Rainbow Orchestra", "@Sports – Tennis Academy" tennis training program and "@Sports – Cool Soccer" training program. The Group also expanded the breadth and depth of the relevant programs to further elevate the technical standards of the benefited trainees.

During July to September 2015, the Group co-hosted the "NWDS @Dream Annual Games" (the "Games") with various organizations to create a skill matching and exchange platform for the benefited trainees, boosting their confidence and skill level. The Games' activity series generated 125 pieces of media coverage. Furthermore, the "@Dream Sunshine Teen" Voting Campaign received over 770,000 votes from the public and successfully promoted the importance of children's all-round development online and offline.

Title-sponsoring "NWDS Sowers Action Challenging 12 Hours Charity Marathon" for the Second Year

During the year under review, the Group title-sponsored the "NWDS Sowers Action Challenging 12 Hours Charity Marathon" ("Sowers Action Challenging 12 Hours") for the second year and raised HK$450,000 for the cause. A team comprising mainland employees and customers were invited to Hong Kong for the first time to take part in the marathon. The team performed with excellence and won the third place in the 42km Individual Men Open. The marathon attracted a record-breaking participation from more than 2,300 athletes and raised education-aiding funds of over HK$3 million for under-resourced children in Mainland China.

To bring the excitement of the marathon to customers in the Mainland, the Group initiated the first "LOL X Sowers Action Charity Bazaar" and hosted the "Take the Challenge! Battle Arena Games!" at NWDS stores. The latter attracted many teams comprising more than 660 customers to accept challenges at stores.

CORPORATE SUSTAINABILITY

Also, the promotion campaign "Face • Challenge" and the retweeting activity "NWDS CSR Weibo • Bless Challenge" were held on NWDS CSR Weibo, which successfully attracted the attention of about 62,000 online users and managed to increase the presence of the "Sowers Action Challenging 12 Hours" in the mainland.

Stores Take Part in Caring for Under-resourced Children

To echo with the marathon held in Hong Kong, stores in the Northern China Region co-organized a 5km Wucaiqian Mountain Challenge called "5-year Companionship with Lasting Love" with China Charities Aid Foundation for Children in October 2015. The race walking event was held to draw public attention to orphans in Yushu and was supported by more than 300 participants. On the other hand, "Ba Li Chun Tian" branded stores in Shanghai continued to focus their attention on sick children and co-organized a charity bazaar "Share Your Heart, Double the Impact" with Shanghai Aihao Children Rehabilitation Center, raising approximately RMB100,000 for autistic patients and children in poverty to subsidize their medical and day-to-day expenses.

VOLUNTEER TEAM

NWDS Volunteer Team has been growing stronger every day since its inception in 2013. The third volunteer recruitment exercise was held during the year under review with its recruitment target extended to customers for the first time, taking the total number of volunteers to more than 2,400. During the year under review, NWDS Volunteer Team organized 344 voluntary activities and contributed 7,477 service hours, marking an 11.6% year-on-year increase. As a gesture of appreciation to the selfless contribution of volunteers, the Group held the "2014-2015 Outstanding Volunteers and Volunteer Stars Selection Contest" in November 2015 to commend outstanding volunteers.

Since 2014, the Group has been organizing two annual nationwide voluntary activities. A theme and executional guidance is provided to NWDS stores to elevate the national presence of the activities. In December 2015, NWDS stores organized a voluntary activity named "Busy Ping Pong" with more than 150 volunteers participating to play ping pong-inspired games with over 650 under-resourced children. In June 2016, the third "Volunteer Month" was held around the theme of "Let's Get Going, Happy Young Carpenters", where more than 250 volunteers throughout the country ran a diverse array of art-related activities for over 730 under-resourced children. In addition, charitable events such as bazaars, fund-raisers and visits were frequently organized by stores locally to deliver heart-warming care for under-privileged groups.

ENVIRONMENTAL PROTECTION

The Group has always been active in driving environmental protection initiatives. During the year under review, the Group formulated "Green Office Policy" and *Sustainable Office Guide* to guide stores and offices on how to conserve energy and reduce wastes. Therefore, significant results were yielded in both aspects. At the same time, the Group is putting its "Artisanal spirit" into full play, adding creative and online elements to its four iconic nationwide green events to better engage with customers.

Meticulously Organized Nationwide Green Activities Empowered by Online and Offline Promotion

During September to October 2015, the Group held the nationwide green activity "Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign" for the fifth year and successfully collected more than 2,800 redundant mooncake boxes. The event was themed round "green lanterns" for the first time. More than 700 customers were successfully drawn to re-purpose redundant mooncake boxes into green lanterns, which were displayed at the in-store "Green Lantern Exhibitions". On the other hand, the "NWDS CSR Weibo • Find Mooncake Boxes" retweeting activity was held on NWDS CSR Weibo to spread the message of recycling and upcycling resources in everyday lives.

For the seventh year, the Group took part in the "Earth Hour" lights-off campaign where NWDS stores shut down non-essential lights for one hour at 8:30 p.m. on 19 March. Among them, four stores held the "unplugged concerts" and attracted an audience of customers with music. The Group also made good use of online platforms and hosted the "NWDS • Second Unplugged Concerts" retweeting activity on NWDS CSR Weibo. The event was supported by close to 20,000 online users, further encouraging the public to practice a low-carbon lifestyle.

In the spring of 2016, the Group rode on its past success and held a nationwide outdoor green activity, the second "Reaching Out to Nature", leading over 2,400 customers to get closer to nature by visiting nearby ecological attractions and farms, picking organic fruits and vegetables, as well as planting trees; participation recorded a 26% year-on-year increase. The Group's green efforts were also evident across online platforms. The first "NWDS • Reaching Out to Nature" retweeting activity was held on NWDS CSR Weibo to spread green information to about 9,000 online users effectively.

In June 2016, the Group organized the fifth "Go Green with NWDS" nationwide green activity. The event featured a new highlight called "I am Master Chef • Delicious Low-Carbon Diet" cooking competition which attracted more than 180 customers to showcase their culinary skills. The Group also prepared some green surprises for online users in the "NWDS • Go Green Together" retweeting activity held concurrently on NWDS CSR Weibo and encouraged close to 12,000 online users to forward its messages.

CORPORATE SUSTAINABILITY

Reaching Out to Communities to Promote Environmental Protection

During the year under review, volunteer teams from stores reached out to the communities and took actions in promoting the ideas of environmental protection to the public. In addition to hosting tree planting activities, Beijing Qianzi Store and Yantai Store rolled out community and beach clean-up events to keep the local environment clean. Tianjin Store ran a green planting activity called "I am a Junior Environmentalist" during the tree planting festival period to nurture the eco-awareness of the next generation. Shenyang New World Department Store – Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store") and Shenyang Jianqiao Road Branch Store launched a green activity named "From Your Heart, Turn Waste to Treasure", calling the public to reuse discarded plastic water bottles.

STAFF DEVELOPMENT AND BENEFITS

The Group believes staff is a company's invaluable asset, and has always placed much importance to their career development and job satisfaction. As such, the Group organized 1,507 staff training programs and more than 900 staff caring activities to create a desirable working environment during the year under review.

Embracing the Artisanal Spirit and Carrying on Key Training Programs

During the year under review, the Group launched its second key talent pool building project called "Advanced Project Feipeng – NWDS Management 'Golden Ladder' Nurturing Program" and co-organized the "Certificate Program of Further Studies in Retail Operation and Management" with Shanghai Jiao Tong University for the third consecutive year. Through internship and classroom lecture on merchandise management, visual aesthetics and marketing strategy, these programs aimed to train a number of middle and senior managerial staff to become retail professionals.

To further deepen staff's understanding of the Group's new corporate branding – "The Artisanal Movement", a thematic nurturing program about the "Artisanal spirit" was held during the year under review. Relevant contents were also added into the induction and other training programs to nurture staff into "artisans" who offer bespoke services to customers.

Encouraging Staff to Unleash Their Hidden Talents

During March to August 2016, the Group held a sales service contest known as "I'm an Artisan in Sales – Striving for Excellence in Sales through Bespoke Services", in which artisans in sales and services were selected, to encourage staff to demonstrate the "Artisanal spirit" in the workplace. At the same time, various skills contests were organized at stores. For example, in the Central Western China Region, the first "NWDS Star of Service – Happy Competition for Staff" was held. Three Wuhan stores jointly presented the "Services and Skills Contest" to enhance the service quality and team rapport of their frontline staff. In addition to skills enhancement, the Group also places much importance to the mind-training of staff and their abilities to propose improvement solutions. To this end, the "Think Tank Presentation Session" was convened in May 2016, in which more than 250 staff members across the country submitted ideas for the Group's development. As a result, more than 100 distinguished proposals were collected.

CORPORATE SUSTAINABILITY

Caring for Staff
Advocating Work-life Balance

During the year under review, the Group organized its very first cultural festival, "NWDS' Got Talent", as a platform for staff to showcase their performing talents. The four-month event attracted participation from more than 500 staff members. With the fabulous drum and dancing performance, NWDS team clinched the "Best Overall Performance Award" at the "New World Group Talent Show 2016". On top of it, staff activities such as sports games, outings and festive celebrations were also held frequently, alongside with staff-only shopping offers, to enhance their sense of belonging to the Group.

GROUP HONORS

The Group has obtained numerous awards for its excellent performance in the aspects of corporate social responsibility, staff training, investor relations, environmental protection and corporate communications. During the year under review, the Group garnered over 40 local and international awards, in recognition of its holistic outstanding performance.

Corporate Social Responsibility

1. "Charity Festival – 5-year Special Tribute Award", "2015 China Charity – Group Award" and "2015 Best Green Project" in the "2015 China Charity Festival"
2. "Outstanding Charity Award" in the "2014-2015 China Marketing Awards"
3. "Outstanding Organization Award" in the "China Homework" charity event
4. "2015/16 5 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service
5. "Corporate Citizenship Logos" in the categories of "Enterprise" and "Volunteer" respectively in the "6th Hong Kong Outstanding Corporate Citizenship Award"
6. "Hong Kong Community Volunteers (Corporate Member) Certificate of Appreciation" by the Agency for Volunteer Service
7. "Bronze Award for Volunteer Service" by the Social Welfare Department
8. "Bronze Award in Corporate Participation" in the "NWDS Sowers Action Challenging 12 Hours Charity Marathon 2015"

Staff Training

1. "2015 China's Best Corporate University", "2015 China's Best Corporate Training Program", "2015 Most Newsworthy Award" and "2015 Most Popular Corporate University" in the award ceremony of the "Chinese Corporate University Rankings"
2. "Top Ten Chinese Corporate Universities" and "Retail Innovation Award" in the "China Chain Store & Franchise Association (CCFA) Top Ten Corporate Universities"

CORPORATE SUSTAINABILITY

Investor Relations

1. Gold Award in the category of "Financial Performance, Corporate Governance, Social Responsibility and Investor Relations" in "The Asset Corporate Awards 2015"
2. "Best Investor Relations Company (Hong Kong)" and "Best CSR" in the "6th Asian Excellence Recognition Awards"

Environmental Protection

1. "Green Office" Label and the UNMDG's "Better World Company" Label in the "Green Office Awards Labelling Scheme"
2. "Wastewi$e Certificate" in the "Wastewi$e Certificate" scheme under the "Hong Kong Green Organisation Certification"
3. "Energywi$e Certificate" in the "Energywi$e Certificate" scheme under the "Hong Kong Green Organisation Certification"

FY2014 AND FY2015 ANNUAL REPORTS

2015 Galaxy Awards
- Annual Reports – Print: Retail – Department Store
  Honors Award

Mercury 2015/2016 Awards
- Annual Reports – Cover Design: Drawings/Illustrations
  Gold Award

Astrid 2016 Awards
- Annual Reports – Covers: Illustrations
  Gold Award
- Annual Reports – Covers: Artistic
  Silver Award

LACP 2015 Vision Awards Annual Report Competition
- Annual Report: Best Report Cover
  Platinum Award
- Annual Report: Retailing – Multi-line Retail
  Gold Award
- Annual Report: Consumer Services – Other
  Bronze Award

2016 International ARC Awards
- Cover Photo/Design in Retail: Convenience & Dept. Stores
  Silver Award
- Interior Design in Retail: Convenience & Dept. Stores
  Honors Award
- Traditional Annual Report in Retail: Convenience & Dept. Stores
  Honors Award

FY2015 SUSTAINABILITY REPORT

Astrid 2016 Awards
- Annual Reports – Specialized: Sustainability Report
  Grand Award
- Annual Reports – Specialized: Sustainability Report
  Gold Award

LACP 2015 Vision Awards Annual Report Competition
- Sustainability Report: Retailing – Multi-line Retail
  Gold Award
- Sustainability Report: Consumer Services – Other
  Bronze Award
- Top 100 Sustainability Reports Worldwide
- Top 80 Sustainability Reports in the Asia-Pacific Region
- Top 50 Chinese Sustainability Reports of 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 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in department store and other related businesses, and property investment operations in the PRC. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated income statement on page 74 of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended 30 June 2016 is set out in the section headed "Chairman's Statement", "Business Review", "Management Discussion and Analysis", "Corporate Governance Report", "Corporate Sustainability" and "Notes to Financial Statements" sections of this annual report.

FINAL DIVIDEND

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2016 (2015: HK$0.018 per share).

SHARES/DEBENTURES ISSUED

During the year, no shares or debentures were issued by the Company.

EQUITY-LINKED AGREEMENTS

Save as share option scheme of the Company disclosed in this annual report, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2016, amounted to HK$2,002.9 million (2015: HK$1,963.9 million).

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years of 2012 to 2016 are set out on page 140.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$339,000 (2015: approximately HK$1,267,000).

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

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*)

Independent Non-executive Directors

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

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

AUDIT COMMITTEE

The Audit Committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and risk management and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal control and the financial statements for the year ended 30 June 2016 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.

Non-executive Directors

Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong have respectively renewed a service contract with the Company for a fixed term from 1 July 2016 to 30 June 2019, whereas Ms. Ngan Man-ying, Lynda has renewed a service contract with the Company for a fixed term from 1 July 2014 to 30 June 2017, unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any law, requirements, rules, regulations, practices and/or direction under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

Executive Directors

Dr. Cheng Chi-kong, Adrian and Mr. Cheung Fai-yet, Philip have respectively renewed a service contract with the Company for a fixed term from 1 July 2014 to 30 June 2017, unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any law, requirements, rules, regulations, practices and/or direction under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

REPORT OF THE DIRECTORS

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai have respectively renewed a service contract with the Company for a fixed term from 1 July 2016 to 30 June 2019 unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any law, requirements, rules, regulations, practices and/or direction under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company, its parent company or any of its subsidiaries or its fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2016 or at any time during the year.

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, no Director had interests in the 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 according to the Listing Rules.

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 RMB275,604,000 (2015: approximately RMB315,398,000) 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 Counter 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 RMB63,201,000 (2015: approximately RMB81,843,000) during the year.

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (Continued)

C. Master sales agreement

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 joint venture(s) jointly controlled by CTF and New World China Land Limited ("NWCL") ("N/C JVs") 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 JVs 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 RMB3,022,000 and approximately RMB43,000 respectively (2015: approximately RMB29,462,000 and approximately RMB12,000 respectively) during the year.

NWD is a substantial Shareholder and hence a connected person of the Company. 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.

CONNECTED TRANSACTIONS (Continued)

D. Master services agreement (Continued)

On 20 November 2015, Mr. Doo and the Company agreed to enter into a supplemental agreement to the Master Services Agreement, with FSE Engineering Holdings Limited ("FSE Engineering") and FSE Management Company Limited ("FSE Management") join in as parties, as a definitive agreement to better reflect the provision and receipt of the abovementioned operational and rental services by FSE Engineering and FSE Management, both of which are members of the Services Group.

The aggregate consideration under the Master Services Agreement was approximately RMB1,466,000 (2015: approximately RMB35,137,000) 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.

E. Termination of existing continuing connected transaction

On 11 December 2015, Beijing Shishang New World Department Store Co., Ltd. ("Beijing Shishang"), an indirect wholly-owned subsidiary of the Company, entered into the termination agreement with Huamei Wealth (Beijing) Technology Co., Ltd. ("Huamei Technology"), an indirect wholly-owned subsidiary of NWCL for termination of the lease agreement dated 12 April 2010 entered into between Beijing Shishang and Huamei Technology in respect of the leasing of the property located at Chongwen District, Beijing, the PRC, with an aggregate gross floor area of 40,286 square metres for an initial term of three years which can be automatically renewed for a successive period of three years thereafter up to a maximum of fifteen years for the entire lease term ("Lease Agreement") (the "Termination Agreement"), pursuant to which Beijing Shishang and Huamei Technology agreed to terminate the Lease Agreement with effect from 1 January 2016. A total sum of RMB25,000,000 is payable by Huamei Technology to Beijing Shishang as compensation payment for the early termination of the Lease Agreement.

Huamei Technology is an indirect wholly-owned subsidiary of NWCL which in turn is a subsidiary of NWD. NWD is a substantial Shareholder and hence a connected person of the Company. As such, Huamei Technology is an associate of the connected person of the Company under Rule 14A.13 of the Listing Rules. The transaction under the Termination Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of 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); and (iv) Master Services Agreement (paragraph D 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (Continued)

F. Annual review of the continuing connected transactions (Continued)

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 (Revised) "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 37 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 2016, 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 Divisions 7 and 8 of Part XV of the SFO or 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	0.79
	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 the 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 2015	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2016	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.

REPORT OF THE DIRECTORS

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 2015	Adjusted during the year(6)	Granted during the year	Lapsed during the year	Balance as at 30 June 2016	Exercise price per share(6) HK$
Dr. Cheng Kar-shun, Henry	19 March 2012	(1)	10,664,813	10,824	–	(10,675,637)	–	9.152
	10 June 2016	(5)	–	–	10,675,637	–	10,675,637	7.540
Dr. Cheng Chi-kong, Adrian	19 March 2012	(1)	3,732,683	3,788	–	(3,736,471)	–	9.152
	9 March 2016	(4)	–	–	4,500,000	–	4,500,000	7.200
	10 June 2016	(5)	–	–	3,736,471	–	3,736,471	7.540
Mr. Au Tak-cheong	19 March 2012	(2)	1,345,328	1,365	–	(1,346,693)	–	9.152
	22 January 2014	(3)	532,442	540	–	–	532,982	9.756
	10 June 2016	(5)	–	–	1,346,693	–	1,346,693	7.540
			16,275,266	16,517	20,258,801	(15,758,801)	20,791,783	

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. All unexercised share options lapsed on 19 March 2016.

(2) Divided into 3 tranches exercisable from 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016. All unexercised share options lapsed on 19 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) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

(5) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(6) NWD declared final dividend for the year ended 30 June 2015 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$9.161 to HK$9.152 on 29 December 2015. The exercise price per share of the share options granted on 22 January 2014 was adjusted from HK$9.766 to HK$9.756 on 29 December 2015.

(7) 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 2015	Granted during the year	Adjusted during the year(2)	Lapsed during the year	Balance as at 30 June 2016	Exercise price per share(2) HK$
Dr. Cheng Kar-shun, Henry	9 March 2015	(1)	7,401,080	–	10,978	–	7,412,058	14.137
			7,401,080	–	10,978	–	7,412,058	

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 final dividend for the year ended 30 June 2015 and interim dividend for the six months ended 31 December 2015, both in scrip form (with cash option), during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$14.158 to HK$14.145 on 29 December 2015 and further to HK$14.137 on 16 May 2016.*

(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 2016, none of the Directors and chief executive of the Company had any interests or short positions 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 Division 7 and 8 of Part XV of the SFO or the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, 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, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV 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 2016, 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, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV 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 Company has not been notified of any other person (other than the Directors or chief executives of the Company) who, as at 30 June 2016, 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, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

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

Purpose of the Scheme	The purpose of the Scheme is to attract and retain the best available personnel and to provide additional incentives 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 the total number of issued shares 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 total number of issued shares of the Company as at the date of this report.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

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.
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 2016, the total number of employees of the Group was 4,957 (31 December 2015: 5,133). 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.

REPORT OF THE DIRECTORS

ACQUISITION AND DISPOSAL

The Group did not have any significant acquisition and disposal for the year ended 30 June 2016.

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 40% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and approximately 10% 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 total number of issued shares of the Company as at 30 June 2016 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, 20 September 2016

INDEPENDENT AUDITOR'S REPORT

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 set out on pages 74 to 139, which comprise the consolidated statement of financial position as at 30 June 2016, 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 Hong Kong Companies Ordinance, 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 financial position of the Company and its subsidiaries as at 30 June 2016, and of the their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 September 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**3,659,896**	4,029,351
Other income	6	**170,424**	168,589
Other losses, net	7	**(25,164)**	(176,422)
Changes in fair value of investment properties		**(25,437)**	766
Purchases of and changes in inventories, net		**(756,036)**	(719,380)
Employee benefit expense	10	**(633,223)**	(747,285)
Depreciation and amortisation		**(300,730)**	(344,248)
Operating lease rental expense		**(1,163,895)**	(1,191,665)
Other operating expenses, net	8	**(716,135)**	(788,844)
Operating profit		**209,700**	230,862
Finance income		**67,240**	74,850
Finance costs		**(38,031)**	(48,819)
Finance income, net	9	**29,209**	26,031
		238,909	256,893
Share of result of an associated company		**(130)**	–
Profit before income tax		**238,779**	256,893
Income tax expense	12	**(193,381)**	(187,152)
Profit for the year		**45,398**	69,741
Attributable to:			
Shareholders of the Company		**45,643**	69,741
Non-controlling interests		**(245)**	–
		45,398	69,741
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in HK$ per share)			
– Basic and diluted	14	**0.03**	0.04

The notes on pages 82 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	45,398	69,741
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	20,113	29,750
– Deferred income tax thereof	(5,028)	(7,437)
	15,085	22,313
Items that may be reclassified subsequently to profit or loss		
Release of exchange reserve upon liquidation of a subsidiary	–	(10,097)
Fair value changes of available-for-sale financial asset	(4,399)	–
Translation differences	(405,776)	(1,839)
	(410,175)	(11,936)
Other comprehensive income for the year, net of tax	(395,090)	10,377
Total comprehensive income for the year	(349,692)	80,118
Attributable to:		
Shareholders of the Company	(349,454)	80,118
Non-controlling interests	(238)	–
	(349,692)	80,118

The notes on pages 82 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 HK$'000	2015 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**1,482,758**	1,794,395
Investment properties	16	**4,567,522**	4,717,926
Land use rights	17	**671,759**	803,474
Intangible assets	18	**1,748,725**	1,869,132
Interests in associated companies	19	**361**	–
Other non-current assets	20	**616,336**	314,707
Prepayments, deposits and other receivables	21	**332,816**	395,627
Available-for-sale financial asset	22	**35,893**	–
Financial asset at fair value through profit or loss	23	**9,040**	–
Deferred income tax assets	33	**150,866**	162,571
		9,616,076	10,057,832
Current assets			
Inventories	24	**231,117**	230,412
Debtors	25	**114,183**	98,206
Prepayments, deposits and other receivables	21	**542,733**	637,139
Amounts due from fellow subsidiaries	26	**2,842**	27,207
Amounts due from related companies	26	**2,210**	365
Fixed deposits	27	**39,269**	26,806
Cash and cash equivalents	28	**1,163,409**	2,089,111
		2,095,763	3,109,246
Total assets		**11,711,839**	13,167,078
Equity and liabilities			
Equity			
Share capital	29	**168,615**	168,615
Reserves	30	**5,744,224**	6,124,022
Shareholders' funds		**5,912,839**	6,292,637
Non-controlling interests		**(4)**	–
Total equity		**5,912,835**	6,292,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 HK$'000	2015 HK$'000
Liabilities			
Non-current liabilities			
Accruals and other payables	34	**527,499**	601,043
Obligation under finance leases	31	**47**	62
Borrowings	32	**385,965**	1,578,056
Deferred income tax liabilities	33	**856,502**	876,775
		1,770,013	3,055,936
Current liabilities			
Creditors, accruals and other payables	34	**3,313,310**	3,583,344
Amounts due to fellow subsidiaries	26	**6,735**	4,086
Amounts due to related companies	26	**12,163**	12,356
Amount due to an associated company	26	**477**	–
Obligation under finance leases	31	**16**	16
Borrowings	32	**609,687**	128,970
Tax payable		**86,603**	89,733
		4,028,991	3,818,505
Total liabilities		**5,799,004**	6,874,441
Total equity and liabilities		**11,711,839**	13,167,078

The consolidated financial statements on pages 74 to 139 were approved by the Board of Directors on 20 September 2016 and were signed on its behalf

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 82 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2015	168,615	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,292,637	-	6,292,637
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	45,643	45,643	(245)	45,398
Other comprehensive income											
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	-	-	20,113	-	-	-	-	-	20,113	-	20,113
– Deferred income tax thereof	-	-	(5,028)	-	-	-	-	-	(5,028)	-	(5,028)
Fair value changes of available-for-sale financial asset	-	-	-	-	-	(4,399)	-	-	(4,399)	-	(4,399)
Translation differences	-	-	-	-	-	-	(405,776)	-	(405,776)	7	(405,769)
Total comprehensive income for the year ended 30 June 2016	-	-	15,085	-	-	(4,399)	(405,776)	45,643	(349,447)	(238)	(349,685)
Transactions with owners											
Final dividend relating to the year ended 30 June 2015	-	(30,351)	-	-	-	-	-	-	(30,351)	-	(30,351)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	234	234
Transfer to statutory reserve	-	-	-	-	29,836	-	-	(29,836)	-	-	-
Total transactions with owners	-	(30,351)	-	-	29,836	-	-	(29,836)	(30,351)	234	(30,117)
At 30 June 2016	168,615	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,912,839	(4)	5,912,835

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'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	–	6,416,543
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	69,741	69,741	–	69,741
Other comprehensive income											
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	–	–	29,750	–	–	–	–	–	29,750	–	29,750
– Deferred income tax thereof	–	–	(7,437)	–	–	–	–	–	(7,437)	–	(7,437)
Release of exchange reserve upon liquidation of a subsidiary	–	–	–	–	–	–	(10,097)	–	(10,097)	–	(10,097)
Translation differences	–	–	–	–	–	–	(1,839)	–	(1,839)	–	(1,839)
Total comprehensive income for the year ended 30 June 2015	–	–	22,313	–	–	–	(11,936)	69,741	80,118	–	80,118
Transactions with owners											
Final dividend relating to the year ended 30 June 2014	–	(101,169)	–	–	–	–	–	–	(101,169)	–	(101,169)
Interim dividend relating to the period ended 31 December 2014	–	(102,855)	–	–	–	–	–	–	(102,855)	–	(102,855)
Transfer to statutory reserve	–	–	–	–	15,007	–	–	(15,007)	–	–	–
Total transactions with owners	–	(204,024)	–	–	15,007	–	–	(15,007)	(204,024)	–	(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	–	6,292,637

The notes on pages 82 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Profit before income tax	238,779	256,893
Adjustments for:		
– Finance income	(67,240)	(74,850)
– Finance costs	38,031	48,819
– Amortisation of operating rights	290	133
– Amortisation of land use rights	26,285	28,276
– Depreciation of property, plant and equipment	274,155	315,839
– Changes in fair value of investment properties	25,437	(766)
– Loss on disposal of property, plant and equipment	4,330	63,372
– Impairment loss on property, plant and equipment	30,146	123,147
– Gain on liquidation of a subsidiary	–	(10,097)
– (Reversal of inventory write-down, net)/inventory write-down	(2)	7,013
– Provision for doubtful debts, net	2,187	12,152
– Fair value gain on financial asset at fair value through profit or loss	(9,312)	–
– Share of result of an associated company	130	–
– Net foreign exchange difference	48,123	–
Operating profit before working capital changes	611,339	769,931
Changes in:		
Inventories	(15,992)	4,712
Debtors	(25,163)	12,408
Prepayments, deposits and other receivables	58,916	113,762
Creditors, accruals and other payables	(145,530)	(477,686)
Amounts due from/(to) fellow subsidiaries	29,209	(27,699)
Amounts due from/(to) related companies	159	(30,137)
Cash generated from operations	512,938	365,291
Mainland China tax paid	(153,576)	(159,263)
Net cash from operating activities	359,362	206,028

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiaries	36	–	16,935
Additions to investment properties		(46,709)	(15,274)
Additions to property, plant and equipment		(155,279)	(309,794)
Net proceeds on disposal of property, plant and equipment		13,997	234
(Increase)/decrease in fixed deposits		(14,188)	603,768
Interest received		74,692	74,850
Purchase of available-for-sale financial asset		(39,466)	–
Additions to other non-current assets		(308,222)	–
Net cash (used in)/from investing activities		(475,175)	370,719
Cash flows from financing activities			
Drawdown of bank borrowings		338,428	1,003,947
Repayment of bank borrowings		(992,565)	(130,034)
Finance costs paid		(43,871)	(52,119)
Dividends paid		(30,351)	(204,024)
Net cash (used in)/from financing activities		(728,359)	617,770
Net (decrease)/increase in cash and cash equivalents		(844,172)	1,194,517
Cash and cash equivalents at beginning of the year		2,089,111	896,538
Effect of foreign exchange rate changes		(81,530)	(1,944)
Cash and cash equivalents at end of the year	28	1,163,409	2,089,111

The notes on pages 82 to 139 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

New World Department Store China Limited (the "Company") was incorporated in the Cayman Islands on 25 January 2007 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are engaged in department store and 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 ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 September 2016.

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 2016 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, available-for-sale financial asset and financial asset at fair value through profit or loss, which have been measured at fair value.

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 2016, the Group's current liabilities exceeded its current assets by HK$1,933,228,000 (2015: HK$709,259,000). 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.

There are no standards, amendments to standards or interpretations that are effective for the first time for the year ended 30 June 2016.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The following new or revised standards and amendments to existing standards are mandatory for the accounting periods beginning on or after 1 July 2016 which the Group has not early adopted:

Effective for the year ending 30 June 2017:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
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 2018 or after:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes

Effective date to be determined:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(i) Consolidation (continued)

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 in consolidated income statement. 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).

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.

Non-controlling interests is the equity in a subsidiary which is not attributable, directly or indirectly, to a parent.

(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 companies

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. Interest in an associated company is accounted for using the equity method of accounting. Under the equity method, the interest 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 result 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 interest 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 result 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 interest in the associated company. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of the associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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 of the Company 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.

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 properties

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Investment properties (continued)

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.

2.7 Land use rights

All lands in Mainland China are 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 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, interests in associated companies 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.9 Impairment of investments in subsidiaries, interests in associated companies and non-financial assets (continued)

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

2.10 Investments

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

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

Financial asset at fair value through profit or loss is financial asset held for trading and that designated as at fair value through profit or loss at inception under certain circumstances. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Asset in the category is classified as current asset when it is expected to be settled within twelve months after the end of the reporting period; otherwise, it is classified as non-current assets.

(ii) Loans and receivables

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.

(iii) Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated in this category or not classified in any of the other categories. It is included in non-current asset unless management intends to dispose of the investment within twelve months after the end of the reporting period.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.10 Investments (continued)

Available-for-sale financial asset and financial asset at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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.

The fair value of listed investment is based on quoted bid prices at the end of the reporting period. If the market for a financial asset is not active and for unlisted financial asset, the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.11 Impairment of financial assets

(i) Assets carried at amortised cost

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.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement, is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

2.13 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 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Borrowings costs (continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred income 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 income 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.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.20 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 Scheme 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. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

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) 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 HKAS 37 and involves the payment of termination benefits.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.22 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 stored value cards by customers.

2.23 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.

2.24 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 HK$, the Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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 or capitalised as cost of qualifying assets, as applicable (Note 2.18).

Translation differences on financial assets and liabilities held at fair value through profit or loss is reported as part of the fair value gain or loss. Translation difference on non-monetary available-for-sale financial asset is included in equity.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.24 Foreign currency translation (continued)

(iii) Group companies

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

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

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

(c) all resulting 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.

2.25 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 all 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 property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities. 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.

2.26 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.

NOTES TO THE FINANCIAL STATEMENTS

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, interest rate risk and price risk.

(a) Foreign exchange risk

The Group is mainly exposed to foreign exchange risk arising from RMB against HK$, United States dollar ("USD") and Euro ("EUR"). This foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the functional currencies of the Company and each of the subsidiaries. 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 during the year.

At 30 June 2016, if RMB had strengthened/weakened by 5% (2015: 5%) against the HK$, EUR and USD with all other variables held constant, profit before income tax and capitalisation of borrowing costs for the year would have been approximately HK$22,255,000 (2015: HK$76,742,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK$-denominated, EUR-denominated and USD-denominated bank balances, other receivable and payable, borrowings and balances with group companies of the Group's entities of which functional currency is RMB.

At 30 June 2016, if HK$ had strengthened/weakened by 5% (2015: 5%) against the RMB and EUR with all other variables held constant, profit before income tax and capitalisation of borrowing costs for the year would have been approximately HK$2,536,000 (2015: HK$2,399,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated and EUR-denominated bank balances, other receivable and payable, borrowings and balances with group companies of the Group's entities of which functional currency is HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to USD.

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 RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by Mainland China government.

(b) Credit risk

The credit risk of the Group mainly arises from debtors, deposits, other receivables, amounts due from fellow subsidiaries and related companies, fixed deposits and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2016, all the bank deposits are deposited in high credit-rated financial institutions without significant credit risk.

Retail sales are usually paid in cash or by major credit/debit cards. At the reporting date, management considers the Group does not have a significant concentration of credit risk. No single customer accounted for more than 3% (2015: 3%) of the Group's total revenue during the year.

For debtors related to rental income, other receivables and amounts due from fellow subsidiaries and related companies, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

At 30 June 2016, the Group's current liabilities exceeded its current assets by HK$1,933,228,000 (2015: HK$709,259,000). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and to fulfil its liabilities and commitments as and when they fall due.

The table below analyses the Group's 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
At 30 June 2016				
Creditors, accruals and other payables	**2,758,428**	**2,758,428**	**2,758,428**	**–**
Amounts due to fellow subsidiaries	**6,735**	**6,735**	**6,735**	**–**
Amounts due to related companies	**12,163**	**12,163**	**12,163**	**–**
Amount due to an associated company	**477**	**477**	**477**	**–**
Obligation under finance leases	**63**	**63**	**16**	**47**
Borrowings	**995,652**	**1,073,737**	**645,488**	**428,249**
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	–
Obligation under finance leases	78	78	16	62
Borrowings	1,707,026	1,871,261	184,464	1,686,797

(d) Interest rate risk

Except for the fixed deposits and short-term bank deposits as at 30 June 2016 of HK$39,269,000 and HK$599,977,000 (2015: HK$26,806,000 and HK$1,783,198,000) respectively, which are held at interest rates of ranging from 0.20% to 4.25% (2015: 1.35% to 5.30%) 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$995,652,000 (2015: HK$1,707,026,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk (continued)

At 30 June 2016, if interest rates on fixed deposits, short-term bank deposits and bank borrowings subject to variable rate had been 100 (2015: 100) basis points higher/lower with all other variables held constant, the Group's profit before income tax and capitalisation of borrowings cost for the year would have been approximately HK$3,602,000 lower/higher (2015: HK$1,030,000 higher/lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

(e) Price risk

The Group is exposed to equity securities price risk arising from the listed equity investments held by the Group. Gains and losses arising from changes in the fair value of available-for-sale financial assets are dealt with in equity. The performance of the Group's listed equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

At 30 June 2016, if the price of listed equity investments in available-for-sale financial assets had been 50% higher/lower with all other variables held constant, the Group's investment revaluation reserve would have been approximately HK$17,947,000 (2015: HK$Nil) higher/lower, without taking into consideration the tax and impairment effects. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next twelve months.

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 2016 and 2015, taking into accounts its borrowings, cash and cash equivalents and fixed deposits.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The carrying amounts of the financial instruments of the Group are as follows:

(i) Listed instrument is stated at market price. The quoted market price used for financial asset held by the Group is the bid price at the end of the reporting period. It is included in level 1.

(ii) Unlisted instrument is stated at fair value which is estimated using valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2016:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial asset	35,893	–	–	35,893
Financial asset at fair value through profit or loss	–	–	9,040	9,040
	35,893	–	9,040	44,933

The Group had no financial assets that are measured at fair value as at 30 June 2015.

There were no significant transfer of financial assets between level 1 and level 2 fair value hierarchy classification and changes in valuation techniques during the year.

The following table presents the changes in level 3 financial instrument for the year ended 30 June 2016:

	Financial asset at fair value through profit or loss HK$'000
At 1 July 2015	–
Fair value gain recognised in the consolidated income statement	9,312
Translation difference	(272)
At 30 June 2016	9,040

The Group prepares and updates detailed forecasts on the business on a semi-annual basis as part of its normal operating processes. These forecasts use external market forecasts, management's evaluation of the revenue, costs and expected margins, based on past experiences, and are subject to detailed review at entity and group level.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The key unobservable assumptions used in the valuation include the projected cumulative loss under the indemnification clause in connection with the acquisition of a subsidiary and discount rate.

The projected cumulative loss is based on financial estimates of the subsidiary. The average gross margin of direct sales used to estimate the fair value is 53.6%. The higher the projected cumulative loss is, the higher the fair value will be.

The discount rate used to compute the fair value is 34.7%. The lower the discount rate is, the higher the fair value will be.

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. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

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.

(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. 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 2016, if the market value of investment properties had been 8% (2015: 8%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been approximately HK$365,402,000 (2015: HK$377,434,000) higher/lower.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 income tax assets

Deferred income tax assets recognised on unused tax losses of The People's Republic of China ("PRC") subsidiaries and other deductible temporary differences involve business assumptions and projections in determining the estimated future taxable profits available against which tax losses and other deductible temporary differences can be utilised before they expire, if applicable. 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 2016, if the estimated future taxable profits had been 10% (2015: 10%) lower with all other variables held constant, there is no significant adverse impact to the deferred income tax assets recognised on unused tax losses and other deductible temporary differences of the Group.

5 REVENUE AND SEGMENT INFORMATION

	2016 HK$'000	2015 HK$'000
Commission income from concessionaire sales	**1,977,219**	2,441,660
Sales of goods – direct sales	**1,002,932**	895,410
Management and consultancy fees	**40,288**	53,565
Rental income	**639,457**	638,716
	3,659,896	4,029,351

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (continued)

The income from concessionaire sales is analysed as follows:

	2016 HK$'000	2015 HK$'000
Gross revenue from concessionaire sales	**11,223,896**	13,502,152
Commission income from concessionaire sales	**1,977,219**	2,441,660

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 business. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of net other losses, changes in fair value of investment properties and unallocated corporate expenses. In addition, net finance income and share of result of an associated company are not allocated to segments. The measurement of segment assets excludes interests in associated companies, 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.

	Department store and other related businesses HK$'000	Property investment HK$'000	Consolidated HK$'000
For the year ended 30 June 2016			
Segment revenue	**3,494,906**	**164,990**	**3,659,896**
Segment results	**158,725**	**108,687**	**267,412**
Other losses, net	**(25,164)**	**–**	**(25,164)**
Changes in fair value of investment properties	**–**	**(25,437)**	**(25,437)**
Unallocated corporate expenses			**(7,111)**
Operating profit			**209,700**
Finance income			**67,240**
Finance costs			**(38,031)**
Finance income, net			**29,209**
			238,909
Share of result of an associated company			**(130)**
Profit before income tax			**238,779**
Income tax expense			**(193,381)**
Profit for the year			**45,398**

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

	Department store and other related businesses HK$'000	**Property investment HK$'000**	**Consolidated HK$'000**
As at 30 June 2016			
Segment assets	**6,108,770**	**5,450,310**	**11,559,080**
Interests in associated companies	**361**	**–**	**361**
Deferred income tax assets	**150,866**	**–**	**150,866**
Unallocated corporate assets:			
Cash and cash equivalents			**1,300**
Others			**232**
Total assets			**11,711,839**
For the year ended 30 June 2016			
Additions to non-current assets (Note)	**477,937**	**47,158**	**525,095**
Depreciation and amortisation	**298,639**	**2,091**	**300,730**
Impairment loss on property, plant and equipment	**30,146**	**–**	**30,146**

NOTES TO THE FINANCIAL STATEMENTS

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	–	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

Note:

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

6 OTHER INCOME

	2016 HK$'000	2015 HK$'000
Government grants	**24,827**	21,036
Income from suppliers	**76,228**	83,217
Compensation for termination of lease (Note 37(a)(vii))	**15,667**	26,410
Sundries	**53,702**	37,926
	170,424	168,589

7 OTHER LOSSES, NET

	2016 HK$'000	2015 HK$'000
Fair value gain on financial asset at fair value through profit or loss	9,312	–
Gain on liquidation of a subsidiary	–	10,097
Loss on disposal of property, plant and equipment (Note (i))	(4,330)	(63,372)
Impairment loss on property, plant and equipment (Note (ii))	(30,146)	(123,147)
	(25,164)	(176,422)

Notes:

(i) During the year ended 30 June 2015, loss on disposal of property, plant and equipment of approximately HK$4,432,000 was derived taking into account the compensation amount from the termination of lease (Note 37(a)(vii)).

(ii) The impairment provision was made to reflect management's latest plan for mainly one department store (2015: two department stores) in light of the latest market environment and the management's assessment on the business prospect thereof.

8 OTHER OPERATING EXPENSES, NET

	2016 HK$'000	2015 HK$'000
Water and electricity	129,058	159,052
Selling, promotion, advertising and related expenses	165,887	250,956
Cleaning, repairs and maintenance	91,730	102,062
Auditors' remuneration		
– Audit services	7,080	6,540
– Non-audit services (Note (i))	1,141	1,524
Net exchange losses/(gains) (Note (ii))	62,446	(9,798)
Other tax expenses	169,974	201,996
Provision for doubtful debts, net	2,187	12,152
Others	86,632	64,360
	716,135	788,844

Notes:

(i) The amount excluded professional fees capitalised to property, plant and equipment of HK$1,182,000 (2015: HK$1,313,000).

(ii) The amount excluded exchange losses arising from foreign currency borrowings capitalised to other non-current assets of HK$3,140,000 (2015: HK$Nil), which represented the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies.

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE INCOME, NET

	2016 HK$'000	2015 HK$'000
Interest income on bank deposits	**67,240**	74,850
Interest on bank loans	**(48,543)**	(58,415)
Less: Amount capitalised (Note)	**10,512**	9,596
	(38,031)	(48,819)
	29,209	26,031

Note:

To the extent funds are borrowed generally and used for the purpose of financing the qualifying assets, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation, including the effect of capitalisation of exchange difference (Note 8), is 3.9% (2015: 3.5%) for the year.

10 EMPLOYEE BENEFIT EXPENSE

	2016 HK$'000	2015 HK$'000
Wages, salaries and other benefits	**569,291**	659,979
Retirement benefit costs – defined contribution plans	**63,932**	87,306
	633,223	747,285

Employee benefit expense includes Directors' emoluments (Note 11).

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of Directors for the year ended 30 June 2016 is set out below:

Name of Directors	As Director (Note (i)) HK$'000	As management (Note (ii)) HK$'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	4,946	5,096
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
	1,400	4,946	6,346

NOTES TO THE FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

Certain of the comparative information of Directors' emoluments for the year ended 30 June 2015 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

Name of Directors	As Director (Note (i)) HK$'000	As management (Note (ii)) HK$'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	4,946	5,096
Mr. Wong Kwok-kan, Kenneth (Note (iii))	63	1,193	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	6,139	7,602

Notes:

(i) The amounts represented directors' fees paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, discretionary bonus, employer's contributions to retirement benefit schemes, housing allowance, other allowances and other benefits in kind.

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

(iv) No Director waived or agreed to waive any emoluments during the years ended 30 June 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes one (2015: one) Director for the year ended 30 June 2016, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2015: four) individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	6,800	6,959
Discretionary bonus	965	1,374
Retirement benefit costs – defined contribution plans	223	326
	7,988	8,659

The emoluments fell within the following bands:

	Number of individuals 2016	2015
Emolument bands		
HK$1,500,001 – HK$2,000,000	3	2
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	–	1
	4	4

12 INCOME TAX EXPENSE

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

	2016 HK$'000	2015 HK$'000
Current income tax		
– Mainland China taxation	159,277	161,637
– Under/(over)-provision in prior years	108	(2,571)
Deferred income tax (Note 33)		
– Undistributed retained earnings	1,819	(6,962)
– Other temporary differences	32,177	35,048
	193,381	187,152

NOTES TO THE FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE (continued)

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 2016 and 2015.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2015: 25%).

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:

	2016 HK$'000	2015 HK$'000
Profit before income tax and share of result of an associated company	238,909	256,893
Tax calculated at applicable tax rate	59,727	64,223
Expenses not deductible for taxation purpose	39,597	55,000
Income not subject to taxation	(12,829)	(20,055)
Effect of income charged on deemed basis	(195)	(294)
Reversal of previously recognised tax losses	27,981	–
Tax losses not recognised	77,821	103,577
Utilisation of previously unrecognised tax losses	(5,716)	(5,766)
Under/(over)-provision in prior years	108	(2,571)
PRC withholding income taxes	6,887	(6,962)
Income tax expense	193,381	187,152

	2016	2015
Weighted average domestic applicable tax rates	25%	25%

13 DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim dividend paid of HK$Nil (2015: HK$0.061) per share	–	102,855
Final dividend proposed of HK$Nil (2015: HK$0.018) per share	–	30,351
	–	133,206

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2016 (2015: HK$0.018 per share).

14 EARNINGS PER SHARE

(a) Basic

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

	2016	2015
Profit attributable to shareholders of the Company (HK$'000)	**45,643**	69,741
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.03**	0.04

(b) Diluted

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

During the years ended 30 June 2016 and 2015, there was no dilutive potential ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

	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 2015	738,302	59,463	11,382	2,584,061	40,899	14,533	243,366	74,799	3,766,805
Translation differences	(49,845)	(4,117)	(771)	(181,446)	(2,891)	(1,083)	(17,764)	(4,811)	(262,728)
Additions	–	1,849	1,187	114,772	1,037	439	38,344	15,715	173,343
Disposals	–	(6)	(976)	(62,501)	(1,389)	(491)	(9,316)	–	(74,679)
Reclassification	–	–	–	54,627	–	–	–	(54,627)	–
Transfer to investment properties	(59,640)	–	–	(17,592)	–	–	–	–	(77,232)
At 30 June 2016	628,817	57,189	10,822	2,491,921	37,656	13,398	254,630	31,076	3,525,509
Accumulated depreciation and impairment									
At 1 July 2015	106,120	54,548	8,230	1,605,009	25,479	10,715	162,309	–	1,972,410
Translation differences	(9,783)	(3,847)	(614)	(125,993)	(2,050)	(879)	(13,656)	–	(156,822)
Charge for the year	20,706	1,587	1,556	211,205	4,712	1,413	32,976	–	274,155
Written back on disposals	–	(6)	(976)	(44,570)	(1,320)	(432)	(9,048)	–	(56,352)
Impairment	–	–	–	30,146	–	–	–	–	30,146
Transfer to investment properties	(17,899)	–	–	(2,887)	–	–	–	–	(20,786)
At 30 June 2016	99,144	52,282	8,196	1,672,910	26,821	10,817	172,581	–	2,042,751
Net book amount									
At 30 June 2016	529,673	4,907	2,626	819,011	10,835	2,581	82,049	31,076	1,482,758

15 PROPERTY, PLANT AND EQUIPMENT (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 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 36)	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

As at 30 June 2016, a building with a carrying value of approximately HK$Nil (2015: HK$10,215,000) is pledged to secure bank borrowings of the Group (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2016 HK$'000	2015 HK$'000
Capitalised finance leases		
Cost	78	78
Less: amortisation	(15)	–
Carrying amount	63	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.

Impairment tests for property, plant and equipment

Property, plant and equipment is allocated to the Group's CGUs identified. For the purpose of impairment test, the recoverable amount of CGUs is determined based on value in use calculations, which uses cash flow projections based on financial estimates covering a period over the lease term, and a post-tax discount rate.

For each of the CGUs with significant amount of property, plant and equipment, the key assumptions on discount rates used in the value in use calculations as at 30 June 2016 and 2015 are based on management's best estimates.

The discount rate of 12.7% (2015: 13.6%) is post-tax and reflect specific risks relating to the relevant businesses.

During the year ended 30 June 2016, impairment loss of HK$30,146,000 (2015: HK$123,147,000) was recognised.

If the annual gross sales revenue had been 3% (2015: 3%) lower than management's current estimates, the gross margin had been 1% (2015: 1%) lower than management's current estimates and the discount rate had been 1% (2015: 1%) higher than management's current estimates, there is no significant adverse impact to the consolidated financial statements.

16 INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At beginning of the year	**4,717,926**	4,339,656
Translation differences	**(302,748)**	(119)
Additions	**46,709**	15,274
Transfer from property, plant and equipment	**56,532**	188,455
Transfer from land use rights	**74,540**	134,325
Acquisition of a subsidiary (Note 36)	**–**	39,569
Changes in fair value (charged)/credited to consolidated income statement	**(25,437)**	766
At end of the year	**4,567,522**	4,717,926

Amounts transferred from property, plant and equipment and land use rights to investment properties are as follows:

	2016 HK$'000	2015 HK$'000
Net book value at the date of transfer of:		
– Property, plant and equipment (Note 15)	**56,446**	200,471
– Land use rights (Note 17)	**54,513**	92,559
Revaluation gain recognised in other comprehensive income	**20,113**	29,750
	131,072	322,780
Representing fair value of investment properties transferred from:		
– Property, plant and equipment	**56,532**	188,455
– Land use rights	**74,540**	134,325
	131,072	322,780

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

	2016 HK$'000	2015 HK$'000
Rental income	**164,990**	147,751
Direct operating expenses from properties that generated rental income	**(56,086)**	(63,462)
	108,904	84,289

As at 30 June 2016, investment properties with carrying value of approximately HK$1,784,795,000 (2015: HK$1,922,500,000) is pledged to secure bank borrowings of the Group (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (continued)

Valuation processes of the Group

Investment properties have been revalued as at 30 June 2016 and 30 June 2015 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and BMI Appraisals Limited, 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 valuer.

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 levels 1, 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.

16 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (continued)

Information about fair value measurements using significant unobservable inputs:

As at 30 June 2016

Valuation technique	Range of significant unobservable inputs	
	Rental rates	**Capitalisation rate**
Income capitalisation approach	**HK$2.7 to HK$13.3 per sq.m. per day**	**4.5% to 7.5%**

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%

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:

	2016 HK$'000	2015 HK$'000
At beginning of the year	**803,474**	899,678
Translation differences	**(50,917)**	(62)
Transfer to investment properties	**(54,513)**	(92,559)
Acquisition of a subsidiary (Note 36)	**–**	24,693
Amortisation	**(26,285)**	(28,276)
At end of the year	**671,759**	803,474

As at 30 June 2016, land use rights with a carrying value of approximately HK$Nil (2015: HK$19,745,000) is pledged to secure bank borrowings of the Group (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	Goodwill HK$'000	Operating rights HK$'000	Total HK$'000
Cost			
At 1 July 2015	1,868,570	695	1,869,265
Translation differences	(120,114)	(20)	(120,134)
At 30 June 2016	1,748,456	675	1,749,131
Accumulated amortisation			
At 1 July 2015	–	133	133
Translation differences	–	(17)	(17)
Amortisation	–	290	290
At 30 June 2016	–	406	406
Net book amount			
At 30 June 2016	1,748,456	269	1,748,725

	Goodwill HK$'000	Operating rights HK$'000	Total HK$'000
Cost			
At 1 July 2014	1,867,241	–	1,867,241
Translation differences	–	(1)	(1)
Acquisition of a subsidiary (Note 36)	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

18 INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified. The following is a summary of goodwill allocation for each CGU with significant amount of goodwill:

	2016 HK$'000	2015 HK$'000
Shanghai Wujiaochang Branch Store	**507,834**	542,747
Shanghai Shaanxi Road Branch Store	**250,704**	267,940
Beijing Store	**242,710**	259,396
Wuhan Store	**177,477**	189,679

For the purpose of impairment test, the recoverable amount of each CGUs is determined based on fair value less costs of disposal calculations. The fair value less costs of disposal is measured using discounted cash flow projections or fair values of the underlying assets and liabilities. The cash flow projections are based on financial estimates covering a five-year period and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The fair value estimation is included in level 3 fair value hierarchy.

No impairment loss on goodwill was recognised for the years ended 30 June 2016 and 2015.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the cash flow projections, namely average commission income rates from concessionaire sales ranging from 14.6% to 23.0% (2015: from 15.8% to 24.5%), are determined by considering both internal and external factors relating to the businesses of each CGUs; the long term growth rate of 5% (2015: 5%) is consistent with the forecast of the businesses and the discount rate of 12.7% (2015: 13.6%) is post-tax and reflects specific risks relating to the relevant businesses.

If the annual gross sales revenue had been 3% (2015: 3%) lower than management's current estimates, the gross margin had been 1% (2015: 1%) lower than management's current estimates, the discount rate had been 1% (2015: 1%) higher than management's current estimates and the long term growth rate had been 3% (2015: 3%) lower than management's current estimates, there is no significant adverse impact to the consolidated financial statements.

19 INTERESTS IN ASSOCIATED COMPANIES

	2016 HK$'000	2015 HK$'000
The Group's share of net assets, unlisted	**361**	–

There is no associated company that is individually material to the Group. The Group's share of result of an associated company is as follows:

	2016 HK$'000	2015 HK$'000
For the year ended 30 June		
Loss for the year	**(130)**	–

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

	2016 HK$'000	2015 HK$'000
Revenue	**210**	–
Loss for the year	**(162)**	(277)

NOTES TO THE FINANCIAL STATEMENTS

19 INTERESTS IN ASSOCIATED COMPANIES (continued)

	2016 HK$'000	2015 HK$'000
Non-current assets	**1,645**	1,604
Current assets	**823**	505
Current liabilities	**(11,769)**	(12,402)
Net liabilities	**(9,301)**	(10,293)

The Group has not recognised losses amounting to approximately HK$32,000 (2015: HK$277,000) for Taizhou New World Department Store Co., Ltd. for the year ended 30 June 2016. The accumulated losses not recognised were approximately HK$9,940,000 (2015: HK$9,908,000).

Details of the associated companies are as follows:

Name	Place of establishment	Principal activity	Registered capital	Attributable interest (%)
Shanghai Xinqi Catering Management Co., Ltd. (Note)	Mainland China	Catering	RMB850,000	49
Taizhou New World Department Store Co., Ltd.	Mainland China	Inactive	RMB8,000,000	25

Note:

The associated company was incorporated during the year ended 30 June 2016.

20 OTHER NON-CURRENT ASSETS

Balances as at 30 June 2016 and 2015 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 2016, the balance in connection to this transaction and the costs capitalised was approximately HK$616,336,000 (2015: HK$314,707,000).

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepaid rent and rental deposits	455,339	561,131
Other tax recoverable	162,794	192,023
Prepaid expenses	57,714	66,870
Management fee receivables	1,725	309
Deposits placed for issuance of stored value cards	849	1,229
Others	197,128	211,204
	875,549	1,032,766
Less: long-term prepayments, deposits and other receivables	(332,816)	(395,627)
	542,733	637,139

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

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.

22 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2016 HK$'000	2015 HK$'000
Listed securities, at fair value		
Equity securities – Korea	35,893	–

The available-for-sale financial asset is denominated in Korean Won.

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

23 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Indemnification in connection with the acquisition of a subsidiary	9,040	–

The financial asset at fair value through profit or loss is denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

24 INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	**231,117**	230,412

The cost of inventories recognised as expense and included in 'purchases of and changes in inventories, net' amounted to HK$756,036,000 (2015: HK$719,380,000), which included reversal of inventory write-down, net of approximately HK$2,000 (2015: inventory write-down, net of approximately HK$7,013,000).

25 DEBTORS

	2016 HK$'000	2015 HK$'000
Debtors	**132,521**	121,524
Less: provision for doubtful debts	**(18,338)**	(23,318)
Debtors, net	**114,183**	98,206

The Group grants credit terms within 30 days in majority.

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

	2016 HK$'000	2015 HK$'000
Within period for		
0-30 days	**69,384**	69,423
31-60 days	**16,709**	6,198
61-90 days	**3,736**	2,697
Over 90 days	**24,354**	19,888
	114,183	98,206

As at 30 June 2016, debtors of approximately HK$69,384,000 (2015: HK$69,423,000) were fully performing.

Debtors of approximately HK$44,799,000 (2015: HK$28,783,000) were past due but not impaired. The total amount includes approximately HK$16,709,000 (2015: HK$6,198,000) of less than 30 days past due, approximately HK$3,736,000 (2015: HK$2,697,000) of 31-60 days past due and approximately HK$24,354,000 (2015: HK$19,888,000) of over 60 days past due. These relate to companies for whom there is no recent history of default.

25 DEBTORS (continued)

Debtors of approximately HK$18,338,000 (2015: HK$23,318,000) were impaired. It was assessed that the receivables is expected to be irrecoverable. The ageing of these receivables is as follows:

	2016 HK$'000	2015 HK$'000
Within period for		
0-30 days	**27**	520
31-60 days	**22**	442
61-90 days	**20**	436
Over 90 days	**18,269**	21,920
	18,338	23,318

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

	2016 HK$'000	2015 HK$'000
At beginning of the year	**23,318**	11,166
Translation differences	**(1,564)**	–
Provision for doubtful debts	**2,525**	12,152
Reversal of provision for doubtful debt	**(338)**	–
Amount written off	**(5,603)**	–
At end of the year	**18,338**	23,318

Debtors included amounts due from fellow subsidiaries of approximately HK$Nil (2015: HK$9,804,000), which were unsecured, interest free and repayable on demand.

The carrying amounts of debtors approximate their fair values. The debtors are primarily denominated in RMB. 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 relevant receivables can be partly set off by the rental deposits.

26 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES, RELATED COMPANIES AND AN ASSOCIATED COMPANY

As at 30 June 2016, the balances are unsecured, interest free, repayable on demand and denominated in RMB.

As at 30 June 2015, except for the amount due from a fellow subsidiary of approximately HK$24,004,000, which was repayable in accordance with the termination agreement (Note 37(a)(vii)), the remaining balances with fellow subsidiaries and related companies were unsecured, interest free, repayable on demand and denominated in Renminbi.

The carrying amounts of amounts due from/(to) fellow subsidiaries, related companies and an associated company approximate their fair values.

The related companies represent the investee companies of the ultimate holding company of the Group, Chow Tai Fook Jewellery Group Limited and its subsidiaries ("CTFJ Group"), joint venture(s) jointly controlled by Chow Tai Fook Enterprises Limited, a substantial shareholder of New World Development Company Limited ("NWD"), and NWCL ("N/C JVs") and members of the companies controlled by Mr. Doo Wai-hoi ("Mr. Doo"), an associate of certain Directors.

NOTES TO THE FINANCIAL STATEMENTS

27 FIXED DEPOSITS

Fixed deposits are denominated in RMB.

The interest rates on fixed bank deposits were ranging from 1.55% to 4.25% (2015: 3.00% to 4.25%) per annum. These deposits have maturities ranging from 182 to 366 days (2015: 94 to 365 days).

28 CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Short-term bank deposits	599,977	1,783,198
Cash at bank and in hand	563,432	305,913
	1,163,409	2,089,111

Cash and cash equivalents are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK$	56,769	43,966
RMB	1,102,746	2,044,914
Others	3,894	231
	1,163,409	2,089,111

The interest rates on short-term bank deposits were ranging from 0.20% to 3.50% (2015: 1.35% to 5.30%) per annum, these deposits have maturities ranging from 7 to 92 days (2015: 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.

NOTES TO THE FINANCIAL STATEMENTS

29 SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each, issued and fully paid:		
At 1 July 2014, 30 June 2015 and 2016	1,686,145	168,615

30 RESERVES

	Attributable to shareholders of the Company							
	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2015	1,856,997	109,049	391,588	359,388	–	617,470	2,789,530	6,124,022
Profit for the year	–	–	–	–	–	–	45,643	45,643
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties, net of tax	–	15,085	–	–	–	–	–	15,085
Fair value changes of available-for-sale financial asset	–	–	–	–	(4,399)	–	–	(4,399)
Translation differences	–	–	–	–	–	(405,776)	–	(405,776)
Final dividend relating to the year ended 30 June 2015	(30,351)	–	–	–	–	–	–	(30,351)
Transfer to statutory reserve	–	–	–	29,836	–	–	(29,836)	–
At 30 June 2016	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,744,224

NOTES TO THE FINANCIAL STATEMENTS

30 RESERVES (continued)

	Attributable to shareholders of the Company							
	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Investment revaluation 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
Profit for the year	–	–	–	–	–	–	69,741	69,741
Revaluation of 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)
Translation differences	–	–	–	–	–	(1,839)	–	(1,839)
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)	–
At 30 June 2015	1,856,997	109,049	391,588	359,388	–	617,470	2,789,530	6,124,022

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.

31 OBLIGATION UNDER FINANCE LEASES

As at 30 June 2016 and 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.

	2016 HK$'000	2015 HK$'000
Gross and present value of finance lease liabilities		
– minimum lease payments		
No later than 1 year	**16**	16
Later than 1 year and no later than 5 years	**47**	62
	63	78

As at 30 June 2016 and 2015, the finance lease of the Group carries an insignificant amount of future finance charges.

32 BORROWINGS

	2016 HK$'000	2015 HK$'000
Non-current		
Secured bank loans	385,965	500,000
Unsecured bank loans	–	1,078,056
	385,965	1,578,056
Current		
Secured bank loans	23,392	24,257
Unsecured bank loans	586,295	104,713
	609,687	128,970
	995,652	1,707,026

The effective interest rates of borrowings are analysed as follows:

	2016	2015
HK$	2.07%	2.03%
RMB	4.68%	5.90%
USD	2.97%	3.71%
Others	2.80%	3.24%

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

	2016 HK$'000	2015 HK$'000
HK$	483,052	1,129,856
RMB	414,954	507,948
USD	20,368	16,847
Others	77,278	52,375
	995,652	1,707,026

The bank loans are repayable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	609,687	128,970
In the second year	81,871	1,165,556
In the third to fifth year	304,094	412,500
	995,652	1,707,026

NOTES TO THE FINANCIAL STATEMENTS

32 BORROWINGS (continued)

The bank loans of approximately HK$995,652,000 (2015: HK$1,707,026,000) are wholly repayable within five years.

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

	2016 HK$'000	2015 HK$'000
Within six months	586,295	1,207,026
In the seventh month to one year	409,357	500,000
	995,652	1,707,026

As at 30 June 2016, the bank borrowings of approximately HK$409,357,000 (2015: HK$524,257,000) was secured by a property, land use rights and investment properties of approximately HK$Nil (2015: HK$10,215,000), HK$Nil (2015: HK$19,745,000) and HK$1,784,795,000 (2015: HK$1,922,500,000) respectively.

As at 30 June 2016, the Group has undrawn borrowing facilities of approximately HK$119,249,000 (2015: HK$40,574,000), which carry interest at floating rates and are expiring within one year.

33 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:

	2016 HK$'000	2015 HK$'000
Deferred income tax assets	150,866	162,571
Deferred income tax liabilities	(856,502)	(876,775)
	(705,636)	(714,204)

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

	2016 HK$'000	2015 HK$'000
At beginning of the year	(714,204)	(672,568)
Translation differences	47,592	316
Acquisition of a subsidiary (Note 36)	–	(6,429)
Taxation charged directly to equity	(5,028)	(7,437)
Charged to consolidated income statement (Note 12)	(33,996)	(28,086)
At end of the year	(705,636)	(714,204)

33 DEFERRED INCOME TAX (continued)

The movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Deferred income tax assets:

	Tax losses HK$'000	Accrued expenses HK$'000	Pre-operating expenses HK$'000	Tax depreciation HK$'000	Total HK$'000
At 1 July 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**
Translation differences	**(5,434)**	**(10,524)**	**(493)**	**(79)**	**(16,530)**
(Charged)/credited to consolidated income statement	**(33,066)**	**(13,206)**	**1,511**	**(224)**	**(44,985)**
At 30 June 2016	**70,047**	**148,767**	**7,996**	**1,114**	**227,924**

Deferred income tax liabilities:

	Tax depreciation HK$'000	Fair value adjustment on business combination HK$'000	Revaluation of properties HK$'000	Undistributed profits of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 July 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**
Translation differences	**(16,561)**	**(42,282)**	**(3,998)**	**(53)**	**(1,228)**	**(64,122)**
Recognised in equity	**–**	**–**	**5,028**	**–**	**–**	**5,028**
Charged/(credited) to consolidated income statement	**(5,685)**	**(1,495)**	**(5,143)**	**1,819**	**(485)**	**(10,989)**
At 30 June 2016	**237,740**	**614,845**	**59,838**	**2,093**	**19,044**	**933,560**

NOTES TO THE FINANCIAL STATEMENTS

33 DEFERRED INCOME TAX (continued)

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 2016, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred income tax liabilities have not been recognised totaled approximately HK$178,694,000 (2015: HK$174,938,000), 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$356,702,000 (2015: HK$292,234,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$1,426,809,000 (2015: HK$1,168,936,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years or indefinitely.

34 CREDITORS, ACCRUALS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Creditors	**1,950,241**	2,028,801
Accruals and other payables	**1,890,568**	2,155,586
	3,840,809	4,184,387
Less: long-term accruals and other payables	**(527,499)**	(601,043)
	3,313,310	3,583,344

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

	2016 HK$'000	2015 HK$'000
Within period for		
0-30 days	**764,708**	914,025
31-60 days	**687,984**	567,276
61-90 days	**148,757**	147,174
Over 90 days	**348,792**	400,326
	1,950,241	2,028,801

Creditors included amounts due to related companies of approximately HK$78,162,000 (2015: HK$59,452,000) which were unsecured, interest free and repayable within 90 days.

34 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

The carrying amounts of the creditors, accruals and other payables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
RMB	**3,772,407**	4,135,145
HK$	**27,758**	21,605
USD	**8,700**	7,647
Others	**31,944**	19,990
	3,840,809	4,184,387

Nature of accruals and other payables are as follows:

	2016 HK$'000	2015 HK$'000
Rental accruals	**663,601**	723,591
Deposits from concessionaire suppliers	**371,008**	365,446
Interest payable	**1,241**	2,344
Payables for capital expenditures	**38,707**	48,445
Accruals for staff costs	**86,594**	102,408
Valued-added taxes and other taxes payables	**92,195**	96,041
Utilities payables	**17,785**	23,808
Receipts in advance	**367,504**	487,253
Others	**251,933**	306,250
	1,890,568	2,155,586

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

35 COMMITMENTS

(a) Capital commitments

Capital commitments 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:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for	**116,225**	474,364

NOTES TO THE FINANCIAL STATEMENTS

35 COMMITMENTS (continued)

(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:

	2016 HK$'000	2015 HK$'000
Within one year	814,558	886,552
In the second to fifth year	3,146,125	3,162,523
After the fifth year	3,536,553	5,184,252
	7,497,236	9,233,327

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

(c) Operating lease receivable

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

	2016 HK$'000	2015 HK$'000
Within one year	480,779	456,475
In the second to fifth year	1,023,305	949,170
After the fifth year	161,410	244,822
	1,665,494	1,650,467

36 BUSINESS COMBINATION

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 for the year ended 30 June 2015 would have been approximately HK$4,218,071,000; profit for the year ended 30 June 2015 would have been approximately HK$11,034,000. These amounts had been calculated using the Group's accounting policies.

36 BUSINESS COMBINATION (continued)

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:

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.

NOTES TO THE FINANCIAL STATEMENTS

37 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 business:

	Note	2016 HK$'000	2015 HK$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	**(55,085)**	(79,571)
Building management expenses	(ii)	**(20,605)**	(30,593)
Reimbursement of shopping vouchers	(iii)	**–**	21,557
Sales of goods, prepaid shopping cards and vouchers	(iv)	**2,858**	5,483
Purchase of goods	(v)	**(49)**	(6)
Payments for purchase of building and land use rights	(vi)	**(308,322)**	–
Compensation for termination of lease and the refurbishment and enhancement work	(vii)	**30,120**	50,414
Related companies			
Commission income from concessionaires sales	(viii)	**76,146**	102,304
Operating lease rental expenses	(i)	**(228,894)**	(255,413)
Building management expenses	(ii)	**(27,469)**	(28,670)
Sales of goods, prepaid shopping cards and vouchers	(iv)	**579**	9,560
Purchase of goods	(v)	**(3)**	(9)
Rebates on prepaid shopping cards and vouchers	(ix)	**204**	228
Purchase of leasehold improvement	(x)	**(1,529)**	(43,724)
Rental income	(xi)	**178**	185
Other service fee expenses	(xii)	**(14)**	(10)

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 2.25.

(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 NWD and its subsidiaries ("NWD Group") (except the Group), the CTFJ Group and the N/C JVs.

(iv) This represents the amounts received 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 purchase of goods and settlement of the relevant value by the NWD Group (except the Group), the CTFJ Group and the N/C JVs.

(v) This represents the amount paid in respect of the sale of goods by the NWD Group (except the Group), the CTFJ Group and the N/C JVs.

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

(vii) This represents the aggregate amounts of compensation received from wholly-owned subsidiaries of NWCL in accordance with termination agreements dated 11 December 2015 and dated 28 November 2014 in connection with the early termination of the leases of the stores in Beijing and Wuhan City respectively, compensating the Group for the related payments and the refurbishment and enhancement work made to the properties of approximately HK$30,120,000 and HK$50,414,000 for the stores in Beijing and Wuhan City respectively.

37 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

(viii) The income is charged in accordance with concessionaire counter agreements with the CTFJ 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 CTFJ Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and the CTFJ Group.

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

(xi) The income is charged in accordance with rental agreements with members of the companies controlled by Mr. Doo.

(xii) This represents other services provided by members of the companies controlled by Mr. Doo.

(b) Related party balances

The details for balances with related parties are disclosed in Notes 26 and 34 to the consolidated financial statements.

(c) Key management compensation

All Directors are considered as key management and their emoluments have been disclosed in Note 11(a) to the financial statements. The emoluments payable to other key management are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	12,853	13,958
Discretionary bonus	1,092	958
Retirement benefit costs – defined contribution plans	473	664
	14,418	15,580

NOTES TO THE FINANCIAL STATEMENTS

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Assets		
Non-current assets		
Investments in subsidiaries	**2,062,170**	2,203,955
Current assets		
Prepayments and deposits	**232**	230
Amounts due from subsidiaries	**2,059,849**	2,179,607
Cash and cash equivalents	**1,300**	5,485
	2,061,381	2,185,322
Total assets	**4,123,551**	4,389,277
Equity and liabilities		
Equity		
Share capital	**168,615**	168,615
Reserves (Note)	**2,551,896**	2,698,077
Total equity	**2,720,511**	2,866,692
Liabilities		
Current liabilities		
Accruals and other payables	**7,668**	7,977
Amounts due to subsidiaries	**1,395,372**	1,514,608
Total liabilities	**1,403,040**	1,522,585
Total equity and liabilities	**4,123,551**	4,389,277

The statement of financial position of the Company was approved by the Board of Directors on 20 September 2016 and was signed on its behalf

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2015	**1,856,997**	**73,486**	**734,218**	**33,376**	**2,698,077**
Profit for the year	**–**	**–**	**–**	**69,362**	**69,362**
Translation differences	**–**	**–**	**(185,192)**	**–**	**(185,192)**
Final dividend relating to the year ended 30 June 2015	**(30,351)**	**–**	**–**	**–**	**(30,351)**
At 30 June 2016	**1,826,646**	**73,486**	**549,026**	**102,738**	**2,551,896**
At 1 July 2014	2,061,021	73,486	730,892	93,955	2,959,354
Loss for the year	–	–	–	(60,579)	(60,579)
Translation differences	–	–	3,326	–	3,326
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)
At 30 June 2015	1,856,997	73,486	734,218	33,376	2,698,077

39 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2016 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	indirectly
China Sincere Limited	The British Virgin Islands	Financing/Hong Kong	US$1	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	–
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB16,000,000	100	–
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–

NOTES TO THE FINANCIAL STATEMENTS

39 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
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/ Mainland China	US$150,000,000	100	–
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	100	–
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000	100	–
Wuhan New World Trendy Department Store Co., Ltd	Mainland China	Department store operation/ Mainland China	RMB80,000,000	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 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	RMB70,000,000	–	100

39 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
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
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/ Mainland China	US$5,000,000	–	100
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	Mainland China	Property investment and shopping mall operation/ Mainland China	US$40,000,000	–	100
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
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	RMB240,000,000	–	100
Shanghai New World Huiyan Department Store Co., Ltd.	Mainland China	Property investment and shopping mall operation/ Mainland China	RMB85,000,000	–	100

NOTES TO THE FINANCIAL STATEMENTS

39 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 Huiying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB93,970,000	–	100
Shanghai New World Huizi Department Store 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
Shanghai Nplus Catering Management Co., Ltd.	Mainland China	Catering/ Mainland China	RMB16,000,000	–	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
Silver Grow Investment Limited	Hong Kong	Investment holding/ Hong Kong	HK$1	–	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

39 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
Scienward Fashion and Luxury (Shanghai) Co., Ltd.	Mainland China	Fashion retailing and trading/ Mainland China	US$6,460,000	–	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
Shanghai Luxba Trading Ltd.	Mainland China	Properties investment and fashion trading/ Mainland China	US$7,150,000	–	100
Well Metro Group Limited	The British Virgin Islands	Investment holding/ Hong Kong	US$14,000	–	100

40 ULTIMATE HOLDING COMPANY

The Directors regard NWD, a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, as being the ultimate holding company of the Company.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**3,659,896**	4,029,351	4,136,206	4,011,545	3,490,100
Operating profit	**209,700**	230,862	677,209	834,457	786,845
Profit for the year	**45,398**	69,741	520,525	641,503	607,747
Non-controlling interests	**(245)**	–	–	–	–
Profit attributable to shareholders of the Company	**45,643**	69,741	520,525	641,503	607,747

	As at 30 June				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**11,711,839**	13,167,078	12,678,540	12,834,265	11,801,496
Total liabilities	**5,799,004**	6,874,441	6,261,997	6,208,609	5,828,428
Total equity	**5,912,835**	6,292,637	6,416,543	6,625,656	5,973,068

PRINCIPAL INVESTMENT PROPERTIES SUMMARY

MAJOR COMPLETED INVESTMENT PROPERTIES IN MAINLAND CHINA

No.	Name of Investment Properties	Total GFA (sq.m.)	Total Attributable GFA (sq.m.)	Retail (sq.m.)	Land Lease Expiry
1	Changshou Commercial Plaza, Shanghai City	41,090	41,090	41,090	2045
2	Hongxin Trendy Plaza, Shanghai City	43,016	43,016	43,016	2053
3	Yuhong International – A portion on Levels 1 to 4, Zhengzhou City	18,820	18,820	18,820	2046
		102,926	102,926	102,926	

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

Net cash position : Fixed deposits + Cash and cash equivalents – Borrowings

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
4th Floor
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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
7th Floor, 88 Hing Fat Street
Causeway Bay, Hong Kong
Tel: (852) 2753 3988
Fax: (852) 2318 0884

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

STOCK CODE
Hong Kong Stock Exchange 825

INVESTOR INFORMATION
For more information about the Group,
please contact the Corporate Affairs Department of
New World Department Store China Limited at:
7th Floor, 88 Hing Fat Street
Causeway Bay, Hong Kong
Tel: (852) 2753 3988
Fax: (852) 2318 0884
e-mail: nwdscad@nwds.com.hk

WEBSITE
www.nwds.com.hk

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 approximately 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 endeavor, 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 itself as a leading department store operator in Mainland China, the Group has been proactively expanding its store network across the country. As at 30 June 2016, the Group operated and managed 37 self-owned stores and four managed stores in Mainland China with a total gross floor area of approximately 1,614,180 square meters, including 29 “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 BUSINESS

The Group adopts a hybrid business model comprising department store and shopping mall and has introduced lifestyle complementary facilities such as restaurants and children’s playgrounds to provide customers with a one-stop shopping experience. The Group’s revenue is mainly derived from four sources: commission income from concessionaire sales, sales of goods for direct sales, rental income, 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 a higher level of flexibility on resource deployment.

PROFESSIONALISM FROM TOP TO BOTTOM: OUR PEOPLE

As at 30 June 2016, the Group employed 4,957 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 the Group’s vision and mission.

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)

7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong
Tel : (852) 2753 3988 Fax : (852) 2318 0884
Email : nwdscad@nwds.com.hk

Website : www.nwds.com.hk
WeChat : nwds-china
Weibo : e.weibo.com/xinshijiebaihuo
CSR Weibo : e.weibo.com/xinbaigongyi

MIX
Paper from responsible sources
FSC™ C021898
www.fsc.org

PRINTED WITH SOY INK