THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **New World Department Store China Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(Stock Code: 825)

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF INTERESTS IN BROAD PARK LIMITED

(2) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER LEASING AGREEMENT AND THE SUPPLEMENTAL MASTER LEASING AGREEMENT

Independent financial adviser to the Independent Board Committee and Independent Shareholders

VEDA | CAPITAL

智略資本

A letter from the Independent Board Committee containing its recommendations in respect of the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 32 of this circular.

A notice convening an extraordinary general meeting of New World Department Store China Limited to be held at Concord I, 8th Floor, Renaissance Harbour View Hotel, No. 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 27 July 2010 at 11:00 am is set out on pages 149 to 150 of this circular. Whether or not you are able to attend the meeting, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Hong Kong, 30 June 2010

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Unless the context otherwise requires, capitalized terms used in this circular shall have the following meanings:

"Acquisition"	the proposed acquisition by the Purchaser from the Vendor of the Sale Interest and the Shareholder's Loan contemplated under the Acquisition Agreement
"Acquisition Agreement"	an agreement dated 18 June 2010 entered into among the Vendor, the Purchaser and Broad Park relating to the sale and purchase of the Sale Interest and the assignment of the Shareholder's Loan
"associates"	has the meaning ascribed to it under the Listing Rules
"Beijing Chong Wen"	Beijing Chong Wen-New World Properties Development Co., Ltd., a co-operative joint venture enterprise established in the PRC in which, Magic Chance Limited, a wholly-owned subsidiary of the NWCL Group, has 70% profit sharing entitlement
"Beijing Chong Yu"	Beijing Chong Yu Real Estate Development Co., Ltd., a co-operative joint venture enterprise established in the PRC in which, Radiant Glow Limited, a wholly-owned subsidiary of the NWCL Group, has 70% profit sharing entitlement
"Beijing Department Store Business"	a department store business in Beijing, the PRC in the name of Beijing New World Department Store (北京新世界百貨) located at the Properties
"Beijing Yixi"	北京易喜新世界百貨有限公司 (Beijing Yixi New World Department Store Co., Ltd.*), a wholly-foreign-owned enterprise incorporated in the PRC and a wholly-owned subsidiary of Broad Park
"Board"	the board of Directors
"Broad Park"	Broad Park Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor
"Broad Park Group"	Broad Park and its subsidiary, namely Beijing Yixi

* *For identification purppose only*

"China New World Electronics"	China New World Electronics Ltd., a company incorporated in the PRC, a co-operative joint venture enterprise established in the PRC in which, True Blue Developments Limited, a wholly-owned subsidiary of the NWCL Group, has 70% profit sharing entitlement
"Company"	New World Department Store China Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition under the Acquisition Agreement
"Completion Date"	1 August 2010 or otherwise agreed between the Vendor and the Purchaser
"connected person"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at Concord I, 8th Floor, Renaissance Harbour View Hotel, No. 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 27 July 2010 at 11:00 am for the purpose of considering and, if thought fit, approving the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement and the transactions contemplated thereunder respectively
"Enlarged Group"	the Group immediately after Completion
"Existing Lease Agreements"	Existing Phase One Lease Agreement and Existing Phase Two Lease Agreement
"Existing Phase One Lease Agreement"	the lease agreement between (1) Beijing Chong Wen and China New World Electronics as landlords and (2) Beijing Yixi as tenant pursuant to which Beijing Chong Wen and China New World Electronics agreed to lease the Phase One Property to Beijing Yixi upon the terms contained therein
"Existing Phase Two Lease Agreement"	the lease agreement between Beijing Chong Yu as landlord and Beijing Yixi as tenant, pursuant to which Beijing Chong Yu agreed to lease the Phase Two Property to Beijing Yixi upon the terms contained therein

"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry
"Independent Financial Adviser" or "Veda Capital"	Veda Capital Limited, a licensed corporation for carrying out type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Shareholders"	Shareholders other than NWD and its associates
"Latest Practicable Date"	25 June 2010, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 June 2011 or such later date as may be agreed among the parties to the Acquisition Agreement
"Master Leasing Agreement"	the master leasing agreement entered into between the Company and NWD dated 22 May 2009
"Master Sales Agreement"	the agreement entered into between the Company and NWD dated 18 June 2010 regarding the sale of goods in the Stores by means of the prepaid shopping cards issued by the Group to the NWD Group (except the Group) which may be presented at the Stores for purchasing goods at the Stores or by other means acceptable to the Company
"NWCL"	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange

"NWCL Group"	NWCL and its subsidiaries from time to time
"NWD"	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange, and is the controlling shareholder of the Company and NWCL
"NWD Group"	NWD and its subsidiaries from time to time
"NWD Properties"	the properties and/or premises owned by the NWD Group (including the Properties) from time to time
"Original Annual Caps"	the annual cap amounts in respect of the Master Leasing Agreement
"Outstanding Registered Capital of Beijing Yixi"	the Registered Capital of Beijing Yixi which is unpaid as at the Completion Date. The unpaid Registered Capital of Beijing Yixi as at the date of the Acquisition Agreement was RMB54,907,970
"Phase One Property"	a portion of the property located at Basement One and the 1st to 4th Floors of Phase One of Beijing New World Center (北京新世界中心) at No. 3 Chongwenmenwai Street, Chong Wen District, Beijing, the PRC and at which Beijing New World Department Store (北京新世界百貨) is located
"Phase Two Property"	a portion of the property located at Basement One and the 1st to 3rd Floors of Phase Two of Beijing New World Center (北京新世界中心) at No. 5 Chongwenmenwai Street, Chong Wen District, Beijing, the PRC and at which Beijing New World Department Store (北京新世界百貨) is located
"PRC"	the People's Republic of China
"Properties"	Phase One Property and Phase Two Property
"Purchaser"	Rainbow Star Resources Limited, a wholly-owned subsidiary of the Company
"Registered Capital of Beijing Yixi"	the amount of the registered share capital of Beijing Yixi being RMB65,000,000

"Revised Annual Caps"	the revised annual cap amounts in respect of the Master Leasing Agreement and the Supplemental Master Leasing Agreement being RMB471,846,000 and RMB544,198,000 for the two years ending 30 June 2012 respectively
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	the one ordinary share with a par value of HK$1.00 each in the issued share capital of Broad Park representing its entire issued share capital of Broad Park
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder of the shares of the Company
"Shareholder's Loan"	the outstanding shareholder's loan of Broad Park owing to the Vendor as at the Completion Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Stores"	the department stores owned and operated by the Group from time to time
"subsidiary"	has the meaning ascribed to it under the Companies Ordinance, Chapter 32 of the Law of Hong Kong
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Supplemental Master Leasing Agreement"	the supplemental agreement to the Master Leasing Agreement entered into between the Company and NWD dated 18 June 2010
"Target Company"	Broad Park
"Target Group"	Broad Park Group
"Vendor"	Solar Leader Limited, a limited liability company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of NWD
"%"	per cent.

Unless otherwise specified in this circular, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK$ at the rate of HK$1=RMB0.88. No representation is made that any amounts in HK$ or RMB can be or could have been converted at the relevant dates at the above rate or any other rates at all.

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)
(Stock Code: 825)

Non-executive Directors:
Dr. Cheng Kar-shun, Henry
Mr. Au Tak-cheong

Executive Directors:
Mr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip
Mr. Lin Tsai-tan, David
Mr. Wong Kwok-kan, Kenneth
Ms. Ngan Man-ying, Lynda

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

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1604-08, 16/F
New World Tower 1
18 Queen's Road Central
Hong Kong

30 June 2010

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF INTERESTS IN BROAD PARK LIMITED

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER LEASING AGREEMENT AND THE SUPPLEMENTAL MASTER LEASING AGREEMENT

(1) INTRODUCTION

The Board refers to the announcement of the Company dated 18 June 2010 in relation to the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement.

The purposes of this circular are, among other things: (i) to provide you with further details of the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, (iii) to set out the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the Independent Financial Adviser in relation to the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, and (iv) to give you the notice of the EGM at which ordinary resolutions will be proposed to approve the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement.

(2) MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF INTERESTS IN BROAD PARK LIMITED

A. Background

By the announcement dated 18 June 2010, the Company announced that the Vendor, the Purchaser and Broad Park entered into the Acquisition Agreement whereby the Purchaser agreed to acquire from the Vendor the Sale Interest and the Shareholder's Loan for an aggregate consideration of RMB150,000,000 less the Outstanding Registered Capital of Beijing Yixi.

B. Acquisition Agreement

Date: 18 June 2010

Parties: (i) the Vendor; (ii) the Purchaser; and (iii) Broad Park

Subject matter to be acquired

The Purchaser has conditionally agreed to acquire from the Vendor the Sale Interest and the Shareholder's Loan. Upon Completion, Broad Park will become a wholly-owned subsidiary of the Company and the amount under the Shareholder's Loan will be owed by Broad Park to the Purchaser.

Broad Park was incorporated in Hong Kong in October 2008 and the subscriber share was transferred to the Vendor in January 2009. Broad Park is an investment holding company which established Beijing Yixi in June 2009 and owns 100% legal and beneficial interests in Beijing Yixi. In August 2009, Beijing Yixi acquired certain assets and liabilities in relation to the Beijing Department Store Business from a company controlled by the Vendor at the then carrying values of the assets and liabilities and Beijing Yixi continues to carry on the Beijing Department Store Business. Beijing Chong Wen and China New World Electronics, and Beijing Chong Yu, co-operative joint venture enterprises of NWCL, hold 100% legal and beneficial interests in the title to Phase One Property and Phase Two Property respectively, both of which have been leased to Beijing Yixi pursuant to the Existing Lease Agreements.

As both Broad Park and Beijing Yixi have not involved in any other business before the acquisition of the Beijing Department Store Business by Beijing Yixi in August 2009, such acquisition is a reorganisation of the company originally carrying on the Beijing Department Store Business. The consolidated financial information of Broad Park is presented using the carrying values of the Beijing Department Store Business for all periods presented. The net liability value of the Broad Park Group as at 31 December 2009 was approximately HK$136,721,000 (as extracted from Appendix II to this circular). The net loss before and after tax attributable to the Broad Park Group for the year ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards were approximately HK$6,224,000 and HK$4,534,000 respectively (as extracted from Appendix II to this circular). The net gain before and after tax attributable to the Broad Park Group for the year ended 30 June 2008 prepared in accordance with the Hong Kong Financial Reporting Standards were approximately HK$11,290,000 and HK$7,066,000 respectively (as extracted from Appendix II to this circular).

Consideration

The consideration for the sale and purchase of the Sale Interest and the Shareholder's Loan shall be RMB150,000,000 less the Outstanding Registered Capital of Beijing Yixi, and shall be apportioned as follows:

(i) the consideration for the Shareholder's Loan shall be an amount equivalent to the Shareholder's Loan; and

(ii) the consideration for the Sale Interest shall be the difference between the amount of the Shareholder's Loan and the consideration payable by the Purchaser.

The consideration for the Shareholder's Loan is determined as at the Completion Date. The consideration for the Sale Interest is RMB150,000,000 less the Outstanding Registered Capital of Beijing Yixi as at the Completion Date and the amount of the Shareholder's Loan as at the Completion Date. As at the Latest Practicable Date, the amount of the outstanding shareholder's loan of Broad Park owing to the Vendor and the amount of the Registered Capital of Beijing Yixi which is unpaid were HK$11,514,911 and RMB54,907,970, respectively.

The consideration was agreed between the parties based on arm's length negotiations by reference to the net liability value of the Broad Park Group, the economic climate and the benefits summarised in this circular. The consideration will be satisfied in whole in cash by the Purchaser or its nominee on Completion. The Acquisition is expected to be funded by the Group's internal resources.

Conditions of the Acquisition Agreement

The Acquisition Agreement is subject to and conditional upon the fulfillment of, inter alia, the following conditions precedent on or before the Long Stop Date:

(i) the Vendor having performed all of the covenants and agreements required to be performed by it under the Acquisition Agreement on or prior to Completion;

(ii) all approvals and consents of third parties (including the Stock Exchange and the landlords of the Properties, if required) which are necessary for the entering into and the implementation of the Acquisition Agreement and all transactions contemplated under the Acquisition Agreement and the consents of the landlords of the Properties on any changes to the Existing Lease Agreements enabling the Company to comply with the relevant requirements of the Listing Rules having been obtained;

(iii) the completion of due diligence of the Broad Park Group by the Purchaser to the Purchaser's satisfaction, including but not limited to the business, assets, accounting, legal and financial position of the Broad Park Group;

(iv) during the period from the date of the Acquisition Agreement to the Completion Date, there not having occurred any material adverse effect on, or there not being in existence on the Completion Date any material adverse change in, the financial position, operating performance and all other material aspects of Broad Park and Beijing Yixi;

(v) the approval of the Acquisition Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM passed in accordance with the requirements of the Listing Rules; and

(vi) the Purchaser being satisfied that any lease agreement entered or to be entered into by Beijing Yixi as tenant in respect of the Properties shall be on terms acceptable to the Purchaser.

The Purchaser may in its absolute discretion at any time waive in writing any of the conditions mentioned above (or any part thereof), other than conditions (ii) and (iv) above. If any of the above conditions shall not have been fulfilled (or, where applicable, waived by the Purchaser in writing) prior to the Long Stop Date, then the Purchaser shall not be bound to proceed with the purchase of the Sale Interest and the assignment of the Shareholder's Loan and the Acquisition Agreement shall cease to be of any effect and save in respect of claims arising out of any antecedent breach of the Acquisition Agreement. The Purchaser has no present intention to waive any of the conditions above.

Completion

Completion is to take place on the Completion Date after the fulfillment of all conditions precedent of the Acquisition Agreement set out above (or such later date as shall be agreed between the Vendor and the Purchaser).

Indemnity and undertaking

Pursuant to the Acquisition Agreement, the Vendor agrees to indemnify and hold harmless the Purchaser and the Broad Park Group from and against (and pay the full amount of) any and all losses which are caused by, result from, arise out of or occur in connection with any material breach by the Vendor of any of the warranties given by the Vendor or any other terms of the Acquisition Agreement.

The Vendor also agrees to indemnify and hold harmless the Purchaser and the Broad Park Group from and against (and pay the full amount of) any and all losses which are caused by, result from, arise out of or occur in connection with any lien, mortgage, security interest, charge or encumbrance of any nature whatsoever on the Properties being exercised by the holders of such lien, mortgage, security interest, charge or encumbrance.

If the Purchaser receives from the Vendor an amount pursuant to any claim in respect of a breach of any of the warranties given by the Vendor and the Purchaser subsequently recovers from a third party a sum which is referable to such a claim, the Purchaser shall forthwith pay to the Vendor such sum it recovered from the third party (net of any costs incurred by the Purchaser in recovering such sum).

C. Reasons for and benefits of the Acquisition

The Company is principally engaged in the operation of department stores in the PRC. The Acquisition is expected to further enhance the Company's influence in the retail market in the PRC as well as to facilitate the Company to lay a good foundation for a new brand and retail roadmap in the PRC. The Directors believe that the Acquisition will further enhance the Group's department store business and enrich the revenue stream of the Group. The Acquisition will provide an opportunity for the Company to increase its interests in department store business in the northern parts of the PRC. Accordingly, the Directors believe that it is now an opportune time to proceed with the Acquisition which, upon Completion, will further enhance the Group's strategy of "multiple presences in a single city" in order to increase market share and enjoy economies of scale and synergy effect within the northern region in the PRC.

Beijing is one of the municipalities which are under the direct administration of the PRC government. In 2009, the PRC government has implemented a package of macro policy measures with expanding domestic demand as one of the aspects to be emphasized. In the northern parts of the PRC, such measures continue to make the region energetic for further economic recovery and growth. According to the website of Beijing Statistical Information

Net, the gross domestic products in Beijing has increased to approximately RMB1,187 billion in 2009, representing a yearly increase of approximately 13%. The retail sales of consumer goods in Beijing have increased to approximately RMB531 billion in 2009, representing an increment of approximately 16%. With a view to such an expansion in the economy and the retail industry plus the downward adjustments in the rental of the Properties, a growth momentum from the Acquisition is thus expected.

Based on the above reasons, the Directors consider the Acquisition Agreement to be on normal commercial terms that are fair and reasonable as far as the Shareholders are concerned, and that the transactions contemplated under the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole. The Directors are not aware of any disadvantage of the Acquisition Agreement.

As set out in the letter from the Independent Board Committee on pages 17 to 18 of this circular, the independent non-executive Directors also consider that the Acquisition Agreement are on normal and commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. Financial effects of the Acquisition of the Group

(i) Net asset value

As reported in the Interim Report 2009/2010 of the Group, the unaudited net asset value of the Group as at 31 December 2009 was approximately HK$4,601,466,000. As set out in Appendix III to this circular, the unaudited net asset value of the Group will be decreased by approximately 0.03% to approximately HK$4,599,966,000 immediately upon Completion and the Directors consider that such decrease in net assets is immaterial and accordingly, there will be no negative impact to the financial position of the Group upon Completion.

(ii) Earnings

In view of the optimistic prospects of the Broad Park Group as mentioned in the section headed "(2) Major transaction and connected transaction – Acquisition of interests in Broad Park Limited – C. Reasons for and benefits of the Acquisition" of this circular, the Directors consider that it is a fair expectation that the Acquisition will have a positive impact on the earnings position of the Group upon Completion.

(3) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER LEASING AGREEMENT AND THE SUPPLEMENTAL MASTER LEASING AGREEMENT

A. Background

Reference is made to the transactions between the Company and NWD under the Master Leasing Agreement dated 22 May 2009, details of which are set out in the joint announcement of the Company and NWD dated 22 May 2009.

B. Master Leasing Agreement

On 22 May 2009, the Master Leasing Agreement was entered into between the Company and NWD, pursuant to which NWD agrees to, and to procure its subsidiaries to, lease the NWD Properties to the Group at the request of any member of the Group from time to time during the duration of the Master Leasing Agreement in accordance with its terms and the terms and conditions of (a) the relevant leasing agreements entered into between members of the NWD Group and members of the Group which are still in force and have not expired; or (b) the relevant leasing agreements to be entered into between members of the Group and members of the NWD Group from time to time for an annual consideration not exceeding the Original Annual Caps for the three years ending 30 June 2012.

The Company has adopted "multiple presence in a single city" in order to increase market share and enjoy economies of scale and synergy effect within the northern region in the PRC. The Acquisition is expected to facilitate the Company to lay a good foundation for a new brand and retail roadmap in the PRC. The Acquisition will provide an opportunity for the Company to increase its interests in department store business in the northern parts of the PRC. The Properties are owned by co-operative joint venture enterprises of NWCL, of which NWCL has a profit sharing ratio of 70% in each of them and are subject to the Existing Lease Agreements. The terms of the Existing Lease Agreements commenced from 1 August 2009 to 30 June 2013. Beijing Yixi has an option to renew the Existing Lease Agreements upon the expiry of the terms from 1 July 2013 and it is entitled to renew the Existing Lease Agreement every three years for a total of 15 years and 11 months from 1 August 2009. As a result of the Acquisition, the Company expects that the fees payable by the Group to NWCL as a member of the NWD Group pursuant to the Master Leasing Agreement will increase and the Original Annual Caps for the two years ending 30 June 2012 will accordingly be insufficient.

The Original Annual Caps in relation to the Master Leasing Agreement is expected to be sufficient for the year ending 30 June 2010 and therefore no revision of the relevant annual caps is required.

The Directors therefore propose to revise the Original Annual Caps for the two years ending 30 June 2012 as follows:

	Original Annual Caps for the year ending 30 June 2011 *(RMB)*	**Original Annual Caps for the year ending 30 June 2012** *(RMB)*	**Revised Annual Caps for the year ending 30 June 2011** *(RMB)*	**Revised Annual Caps for the year ending 30 June 2012** *(RMB)*
Master Leasing Agreement	224,415,000	276,907,000	471,846,000	544,198,000

Historical Amounts

The historical transaction amounts between the Company and NWD relating to the Master Leasing Agreement for the six months ended 31 December 2009 were approximately HK$58,755,000.

The Company confirms that the transaction amounts for the Master Leasing Agreement for the period from 1 July 2009 to the Latest Practicable Date have not exceeded the Original Annual Caps for the same period. The Revised Annual Caps are determined with reference to, amongst other things, the historical transaction amounts, the terms of the Existing Lease Agreements and the expected growth in the number of new department stores.

In order to give effect to the Revised Annual Caps for the two years ending 30 June 2012, it is necessary to amend the terms of the Master Leasing Agreement. Accordingly, the Company and NWD entered into the Supplemental Master Leasing Agreement.

C. Supplemental Master Leasing Agreement

Set out below are the principal terms of the Supplemental Master Leasing Agreement:

Date: 18 June 2010

Parties: (i) The Company and (ii) NWD

Major Terms of the Supplemental Master Leasing Agreement

(i) The Supplemental Master Leasing Agreement is conditional upon the approval of the Independent Shareholders.

(ii) The maximum aggregate consideration payable by the Group to the NWD Group per annum which are governed by the Master Leasing Agreement and the Supplemental Master Leasing Agreement shall not exceed the maximum aggregate annual value set in accordance with Rule 14A.35(2) of the Listing Rules, as amended, from time to time.

All the existing terms and conditions under the Master Leasing Agreement remain unchanged.

Maximum Consideration

It is expected that the Revised Annual Caps for the two years ending 30 June 2012 will be RMB471,846,000 and RMB544,198,000, respectively.

In view of the above reasons, the Directors consider that the Revised Annual Caps and the Supplemental Master Leasing Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors are not aware of any disadvantage of the Revised Annual Caps and the Supplemental Master Leasing Agreement.

As set out in the letter from the Independent Board Committee on pages 17 to 18 of this circular, the independent non-executive Directors also consider that the Revised Annual Caps and the Supplemental Master Leasing Agreement are on normal and commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(4) INFORMATION RELATING TO THE GROUP, NWCL, NWD, BEIJING CHONG WEN, BEIJING CHONG YU, BEIJING YIXI, BROAD PARK AND CHINA NEW WORLD ELECTRONICS

The Group is principally engaged in the operation of department stores in the PRC. NWCL is principally engaged in the property development, property investment and property related business in the PRC.

NWD Group is principally engaged in investments in the areas of property, infrastructure, hotel operation, department store operation, services as well as telecommunications and technology.

Beijing Chong Wen, Beijing Chong Yu and China New World Electronics are co-operative joint venture enterprises of NWCL incorporated and operating in the PRC and NWCL's profit sharing ratios in these entities are 70%. Beijing Chong Wen and Beijing Chong Yu are each principally engaged in the property development, property investment and property related business in the PRC. China New World Electronics is principally engaged in the property development, property investment, property related and information technology system consulting business in the PRC.

Beijing Yixi is a wholly-owned subsidiary of Broad Park and is principally engaged in the operation of Beijing New World Department Store (北京新世界百貨) located at the Properties.

Broad Park is an investment holding company which owns 100% legal and beneficial interests in Beijing Yixi.

(5) LISTING RULES IMPLICATIONS

(a) Major transaction and connected transaction – Acquisition of interests in Broad Park

The Purchaser is a wholly-owned subsidiary of the Company. The Vendor is an indirect wholly-owned subsidiary of NWD, which is interested in approximately 72.29% of the entire share capital of the Company. Accordingly under the Listing Rules, the Vendor is a connected person of the Company, and the Acquisition Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition are more than 5%, the Acquisition Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. In addition, based on the applicable percentage ratios, the Acquisition Agreement also constitutes a major transaction of the Company under the Listing Rules.

(b) Revision of Annual Caps for Continuing Connected Transactions under the Master Leasing Agreement and the Supplemental Master Leasing Agreement

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transaction, the Company will have to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction. NWD is the controlling shareholder (as defined in the Listing Rules) of the Company, therefore a connected person of the Company under the Listing Rules. As a result, the Revised Annual Caps and the transactions contemplated under the Supplemental Master Leasing Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

Given that the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Revised Annual Caps and the transactions contemplated under the Supplemental Master Leasing Agreement exceed 5% on an annual basis, the Revised Annual Caps and the Supplemental Master Leasing Agreement are subject to reporting, announcement, annual review requirements under Rules 14A.37 to 14A.40 and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The Independent Board Committee has been established to consider the terms of the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, and to advise the Independent Shareholders as to whether the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement are in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

(6) EXTRAORDINARY GENERAL MEETING

Set out on pages 149 to 150 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve, among other things, the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement. At the EGM, the votes of the Independent Shareholders in relation to the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement will be taken by poll on which NWD and its associates and any Shareholders who have material interests in the Acquisition Agreement, the Revised Annual Caps or the Supplemental Master Leasing Agreement will abstain from voting.

A proxy form for use at the EGM is enclosed herein. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28

Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

An announcement of the poll results of the EGM will be published by the Company.

(7) RECOMMENDATIONS

Your attention is drawn to:

(i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders; and

(ii) the letter from the Independent Financial Adviser set out on pages 19 to 32 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the terms of the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, and taken into account the advice of the Independent Financial Adviser, considers that the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM as set out in the EGM notice.

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors are of the view that the terms of the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors also recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement. None of the Directors has a material interest in the Acquisition Agreement.

(8) FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
New World Department Store China Limited
Cheng Kar-shun, Henry
Chairman

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)
(Stock Code: 825)

30 June 2010

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF INTERESTS IN BROAD PARK LIMITED

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER LEASING AGREEMENT AND THE SUPPLEMENTAL MASTER LEASING AGREEMENT

We refer to the circular of the Company dated 30 June 2010 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, (i) the Acquisition Agreement, (ii) the Revised Annual Caps and (iii) the Supplemental Master Leasing Agreement are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of (i) the Acquisition Agreement, (ii) the Revised Annual Caps and (iii) the Supplemental Master Leasing Agreement. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 19 to 32 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 16 of the Circular and the general information set out in the Appendix V.

Having considered (i) the Acquisition Agreement, (ii) the Revised Annual Caps and (iii) the Supplemental Master Leasing Agreement, and taken into account the advice of the Independent Financial Adviser, we consider that (i) the Acquisition Agreement, (ii) the Revised Annual Caps and (iii) the Supplemental Master Leasing Agreement are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve (i) the Acquisition Agreement, (ii) the Revised Annual Caps and (iii) the Supplemental Master Leasing Agreement.

Yours faithfully,
Cheong Ying-chew, Henry
Chan Yiu-tong, Ivan
Tong Hang-chan, Peter
Yu Chun-fai, Henry
Independent Board Committee

The following is the full text of a letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in relation to (i) the Acquisition Agreement, (ii) the Revised Annual Caps and (iii) the Supplemental Master Leasing Agreement prepared for the purpose of incorporation in this circular:

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3214, 32/F
COSCO Tower
183 Queen's Road Central
Hong Kong

30 June 2010

To the Independent Board Committee and the Independent Shareholders of
New World Department Store China Limited

Dear Sirs,

MAJOR TRANSACTION AND CONNECTED TRANSACTION – ACQUISITION OF INTERESTS IN BROAD PARK LIMITED

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER LEASING AGREEMENT AND THE SUPPLEMENTAL MASTER LEASING AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, details of which are set out in the circular to the Shareholders dated 30 June 2010 (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 18 June 2010, the Vendor, the Purchaser (a wholly-owned subsidiary of the Company) and Broad Park entered into the Acquisition Agreement whereby the Purchaser agreed to acquire from the Vendor the Sale Interest and the Shareholder's Loan for an aggregate consideration of RMB150,000,000 less the Outstanding Registered Capital of Beijing Yixi. The Sale Interest represent the entire issued share capital of Broad Park which owns 100% legal and beneficial interests in Beijing Yixi which in turn operates the Beijing Department Store Business.

As the Vendor is an indirect wholly-owned subsidiary of NWD, which is interested in approximately 72.29% of the entire share capital of the Company. Accordingly under the Listing Rules, the Vendor is a connected person of the Company and the Acquisition Agreement constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios in respect of the Acquisition is more than 5%, the Acquisition Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. In addition, based on the applicable percentage ratios, the Acquisition Agreement also constitutes a major transaction of the Company under the Listing Rules.

Upon completion of the Acquisition, Beijing Yixi will become a subsidiary of the Company. The Properties are owned by co-operative joint venture enterprises of NWCL, of which NWCL has a profit sharing ratio of 70% in each of them and are subject to the Existing Lease Agreements. As a result of the Acquisition, the Company expects that the fees payable by the Group to NWCL as a member of the NWD Group pursuant to the Master Leasing Agreement will increase and the Original Annual Caps for the two years ending 30 June 2012 will accordingly be insufficient. The Directors therefore propose to revise the Original Annual Caps for the two years ending 30 June 2012.

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transaction, the Company will have to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction. NWD is the controlling Shareholder (as defined in the Listing Rules), therefore a connected person of the Company under the Listing Rules. As a result, the Revised Annual Caps and the transactions contemplated under the Supplemental Master Leasing Agreement will constitute continuing connected transactions for the Company under the Listing Rules. Given that the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Revised Annual Caps and the transactions contemplated under the Supplemental Master Leasing Agreement exceed 5% on an annual basis, the Revised Annual Caps and the Supplemental Master Leasing Agreement are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The Independent Board Committee, comprising Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry, has been established to advise the Independent Shareholders as to (i) whether the Acquisition Agreement and the Supplemental Master Leasing Agreement are ordinary usual course of business; (ii) whether the terms of the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement are in the interests of the Company and the Independent Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement at the EGM.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Director(s) and have been confirmed by the Directors that no material facts and representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendation regarding the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, we have taken into consideration the following principal factors and reasons:

A. THE ACQUISITION AGREEMENT

1. Information on Broad Park and Beijing Yixi

Broad Park was incorporated in Hong Kong in October 2008 and the subscriber share was transferred to the Vendor in January 2009. Broad Park is an investment holding company which established Beijing Yixi in June 2009 and owns 100% legal and beneficial interests in Beijing Yixi. In August 2009, Beijing Yixi acquired certain assets and liabilities in relation to the Beijing Department Store Business from a company controlled by the Vendor at the then carrying values of the assets and liabilities and Beijing Yixi continues to carry on the Beijing Department Store Business. Beijing Chong Wen, China New World Electronics and Beijing Chong Yu, co-operative joint venture enterprises of NWCL, hold 100% legal and beneficial interests in the title to Phase One Property and Phase Two Property respectively, both of which have been leased to Beijing Yixi pursuant to the Existing Lease Agreements.

As both Broad Park and Beijing Yixi have not involved in any other business before the acquisition of the Beijing Department Store Business by Beijing Yixi in August 2009, such acquisition is a reorganisation of the company originally carrying on the Beijing Department Store Business. The consolidated financial information of Broad Park is presented using the carrying values of the Beijing Department Store Business for all periods presented. The net liability value of the Broad Park Group as at 31 December 2009 was approximately HK$136,721,000 (as extracted from Appendix II to the Circular). The net loss before and after tax attributable to the Broad Park Group were approximately HK$6,224,000 and approximately HK$4,534,000 respectively for the year ended 30 June 2009 (as extracted from Appendix II to the Circular). The net gain before and after tax attributable to the Broad Park Group were approximately HK$11,290,000 and approximately HK$7,066,000 respectively for the year ended 30 June 2008 (as extracted from Appendix II to the Circular). As advised by the Company, the above-mentioned financial figures were prepared in accordance with the Hong Kong Financial Reporting Standards. As advised by the Company, Broad Park did not own other material assets besides the Beijing Department Store Business as at the Latest Practicable Date.

2. Financial information of the Group

According to the Group's annual report for the year ended 30 June 2009 (the "**AR 2009**"), the revenue of the Group was approximately HK$1,721,246,000 for the year ended 30 June 2009, which represented an increase of approximately 15.57% as compared to the revenue for the year ended 30 June 2008 of approximately HK$1,489,345,000. As set out in AR 2009, the growth in revenue was primarily contributed from all sources of revenue including commission income from concessionaire sales, sales of goods for direct sales, management fees and rental income, which increased by approximately 14.4%, approximately 21.9%, approximately 11.4% and approximately 21.8% respectively from the previous financial year. The profit attributable to Shareholders was approximately HK$547,309,000 for the year ended 30 June 2009, representing an increase of approximately 14.84% as compared to the profit attributable to Shareholders for the year ended 30 June 2008 of approximately HK$476,575,000.

According to the Group's 2009/2010 interim report for the six months ended 31 December 2009 (the "**IR 2009/2010**"), the revenue of the Group was approximately HK$988,581,000 for the six months ended 31 December 2009, representing an increase of approximately 11.84% as compared to the corresponding figure of approximately HK$883,899,000 for the six months ended 31 December 2008. As set out in IR 2009/2010, the growth in revenue was primarily contributed from sales of goods for direct sales and rental income, which increased by approximately 78.0% and approximately 18.3% respectively from the same period of previous year. The Group has recorded profit attributable to Shareholders of approximately HK$272,014,000 for the six months ended 31 December 2009, representing an increase of approximately 5.19% as compared to the corresponding figure of approximately HK$258,592,000 for the six months ended 31 December 2008.

3. Background and reasons for the Acquisition

As set out in the Board Letter, the Company is principally engaged in the operation of department stores in the PRC. The Acquisition is expected to further enhance the Company's influence in the retail market in the PRC as well as to facilitate the Company to lay a good foundation for a new brand and retail roadmap in the PRC. The Directors believe that the Acquisition will further enhance the Group's department store business and enrich the revenue stream of the Group. The Acquisition will provide an opportunity for the Company to increase its interests in department store business in the northern part of the PRC. Accordingly, the Directors believe that it is now an opportune time to proceed with the Acquisition which, upon Completion, will further enhance the Group's strategy of "multiple presences in a single city" in order to increase market share and enjoy economies of scale and synergy effect within the northern region of the PRC.

Beijing is one of the municipalities which are under the direct administration of the PRC government. In 2009, the PRC government has implemented a package of macro policy measures with expanding domestic demand as one of the aspects to be emphasized. In the northern part of the PRC, such measures continue to make the region energetic for further economic recovery and growth. According to the website of Beijing Statistical Information Net, the gross domestic products in Beijing has increased to approximately RMB1,187 billion in 2009, representing a yearly increase of approximately 13%. The retails sales of consumer goods in Beijing have increased to approximately RMB531 billion in 2009, representing an increment of approximately 16%. With a view of such an expansion in the economy and the retail industry plus the downward adjustments in the rental of the Properties, a growth momentum form the Acquisition is thus expected.

Based on the above reasons, the Directors consider the Acquisition Agreement to be on normal commercial terms that are fair and reasonable as far as the Shareholders are concerned, and that the transactions contemplated under the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole. The Directors are not aware of any disadvantage of the Acquisition Agreement.

We noted from IR 2009/2010 that the Group has formulated a set of comprehensive growth strategies for the long run. Through opening new stores, acquiring existing managed stores and promising stores and pursuing greenfield projects, the Group seeks to expand its business network. The Group will continue to set up new self-owned stores in line with two main criteria. First, the Group will look for new sites in prime locations of cities with either a booming economy or good growth prospect. Second, the Group will pursue regional growth by implementing expansion strategies of "multiple stores in a single city" and "radiation cities" in various core growth cities within its operational regions. These include Wuhan in Central China Region, Shenyang in Northeastern China Region, Beijing in Northern China Region, Shanghai in Eastern China Region and Chengdu in Southwestern China Region.

With a huge population, the PRC has a large consumer base, in particular in the top-tier urban cities, which would provide tremendous opportunities for distributors of consumer goods as supported by the statistics from the website of Beijing Statistical Information Net (www.bjstats.gov.cn) that the gross domestic products in Beijing increased from approximately RMB1,048.80 billion in 2008 to approximately RMB1,186.59 billion in 2009, representing an increase of approximately 13.14% and the retails sales of consumer goods in Beijing increased from approximately RMB458.90 billion in 2008 to approximately RMB530.99 billion in 2009, representing an increase of approximately 15.71%.

We are aware of the loss making of Broad Park Group for the year ended 30 June 2009 and the net liabilities position of Broad Park Group as at 31 December 2009, however, having considered (i) the Acquisition enables the Group to expand its department store business network and is aligned with its expansion strategy as set out in IR 2009/2010; (ii) Beijing New World Department Store (北京新世界百貨) is located at Beijing, being the capital city of the PRC and one of the top-tier cities of the PRC;

(iii) the huge consumer base in the PRC and the growth of the gross domestic products and retails sales of consumer goods in Beijing; (iv) the Acquisition enables the Company to enhance its revenue by consolidating the accounts of Broad Park with that of the Group; and (v) the Rental Adjustments (as defined under the section headed "4. Consideration for the Acquisition") in relation to the downward adjustments in the rental of the Properties, we concur with the view of the Directors that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

4. Consideration for the Acquisition

The consideration for the sale and purchase of the Sale Interest and the Shareholder's Loan shall be RMB150,000,000 less the Outstanding Registered Capital of Beijing Yixi. The consideration was agreed between the parties based on arm's length negotiations by reference to the net liability value of the Broad Park Group, the economic climate and the benefits as summarised in the Circular. The consideration will be satisfied in whole in cash on Completion.

As set out in Appendix II to the Circular, (i) the net loss generated from the Broad Park Group amounted to approximately HK$4,534,000 for the year ended 30 June 2009; and (ii) the net loss generated from the Broad Park Group amounted to approximately HK$2,153,000 (unaudited) and approximately HK$36,355,000 for the six months ended 31 December 2008 and 2009 respectively. In view that department store business may have different degree of seasonal effect on different financial year, for comparison purposes with the Industry Comparables (as defined hereafter) of which 9 out of 11 Industry Comparables have their respective latest financial year ended 31 December 2009, we will transform the latest financial year of the Broad Park Group to 12 months ended 31 December 2009 by taking out the net loss for the six months period ended 31 December 2008 from the net loss for the year ended 30 June 2009 (the "**2009 First Half Year Performance**") and combine the net loss for the six months period ended 31 December 2009 to the 2009 First Half Year Performance. Accordingly, the adjusted net loss from the Broad Park Group amounted to approximately HK$38,736,000 for 12 months ended 31 December 2009. We were given to understand by the Company, under the Existing Leasing Agreements, there are downward adjustments on the monthly rent of the Properties (the "**Rental Adjustments**") with effect from 1 July 2010. We consider rental expense after taking into account the Rental Adjustments will be more appropriate to reflect the financial performance of Broad Park Group upon Completion and is comparable to the market average and thus, we have incorporated the Rental Adjustments for assessing the reasonableness of the consideration of the Acquisition. For comparison purposes, we have assumed the Rental Adjustments would have taken effect from 1 January 2009 and it would incur a surplus after tax (assuming the maximum tax rate of 25%) of approximately HK$63,969,000 and the corresponding adjusted profit after tax generated from the Broad Park Group for the 12 months ended 31 December 2009 would be approximately HK$25,233,000 (the "**Adjusted Profit**"). Accordingly, the consideration (including the Outstanding Registered Capital of Beijing Yixi) of RMB150,000,000 represents approximately 6.76 times of the Adjusted Profit.

We have identified comparable companies (the "**Industry Comparables**") being listed companies on the Stock Exchange engaging in businesses similar to those of Broad Park Group including, but not limited to, engaging in department store business. To the best of our knowledge, we have identified 11 Industry Comparables by searching through published information on the Stock Exchange's website. We noted that out of the 11 Industry Comparables, 9 of them have their respective latest financial year ended 31 December 2009. In view that department store business may have different degree of seasonal effect on different financial year, we will only include Industry Comparables with latest financial year ended 31 December 2009 in order to take into account the seasonal effect for comparison purposes. The price-earnings ratios ("**PER**"s) are based on their respective market capitalizations as at 18 June 2010, being the date of the Acquisition Agreement, and the profit attributable to the equity holders for the year ended 31 December 2009 as set out in their respective latest annual reports. As the Industry Comparables are engaged in similar business of Broad Park Group and their respective PERs are determined with reference to the date of the Acquisition Agreement, we consider the Industry Comparables are fair and representative samples. Independent Shareholders should note that the stated PERs of the respective companies could be sensitive to, amongst other things, each of their particular businesses, financial position and market price performance of the shares of the respective companies and therefore, the PERs of the Industry Comparables listed below are for information and reference purposes only.

Industry Comparables (Stock code)	**Principal business**	**PER (times)**
Golden Eagle Retail Group Ltd. (3308) *(Note 1)*	Development and operation of a stylish premium department store chain in the PRC	115.34
Guangdong Investment Ltd. (270)	Investment holdings, property holdings and investment, investing in infrastructure and energy projects, water supply, hotel ownership and operations, hotel management and department stores operation	11.06
Henderson Land Development Co. Ltd. (12)	Property development and investment, property management, construction, project management, hotel operation, department store operation, finance, investment holding and infrastructure	7.61 *(Note 2)*
Intime Department Store (Group) Co. Ltd. (1833) *(Note 1)*	Operation and management of department stores in the PRC	26.30

Industry Comparables (Stock code)	Principal business	PER (times)
Lifestyle International Holdings Ltd. (1212)	Operation of lifestyle department stores and other retailing format, and property development and property holding	23.00
Maoye International Holdings Ltd. (848) *(Note 1)*	Operate department store chain in the regions of southern and southwestern China	26.75
New World Development Co. Ltd. (17) *(Note 3)*	Property investment and development, contracting, provision of services, infrastructure operations, telecommunication services, department store, hotel and restaurant operations and telecommunications, media and technology businesses	23.77
Parkson Retail Group Ltd. (3368) *(Note 1)*	Operation and management of department stores in the PRC	35.70
PCD Stores (Group) Ltd. (331) *(Note 1)*	Operate department stores and provide management consultancy services	39.16
Sincere Co. Ltd. (244) *(Note 4)*	Operation of department stores, holding of properties for investment and rental purposes, property development, securities trading, the provision of advertising agency services and the provision of travel agency franchising services	5.71
Wing On Company International Ltd. (289)	Operation of department stores and property investments	4.81
Maximum		**115.34**
Minimum		**4.81**
Mean		**32.19**
Median		**26.30**
Broad Park Group		**6.76** *(Note 5)*

Source: www.hkex.com.hk

Notes:

1. *For calculation purposes, the profit attributable to equity holders recorded in RMB will be converted into HK$ under the exchange rate of RMB0.88 to HK$1.0.*

2. *As set out from the latest annual report of this Industry Comparable, profit attributable to equity holders covered the period from 1 July 2008 to 31 December 2009. As such, for comparison purpose, we took out the profit attributable to equity holders for the six month ended 31 December 2008 from the profit attributable to equity holders for the period from 1 July 2008 to 31 December 2009 for PER calculation.*

3. *This Industry Comparable has its financial year ended 30 June 2009 and hence has been excluded from our analysis.*

4. *The PER of this Industry Comparable is based on its market capitalization as at 18 June 2010 and the profit attributable to the equity holders for the year ended 28 February 2010 as set out in its announcement of results for the year ended 28 February 2010 dated 24 June 2010. However, this Industry Comparable has its financial year ended 28 February 2010 and hence has been excluded from our analysis.*

5. *Based on the consideration (including the Outstanding Registered Capital of Beijing Yixi) of RMB150,000,000 over the Adjusted Profit.*

As indicated in the above table, the PER based on Adjusted Profit, being 6.76 times, is below the mean and falls within the range of the PERs of the Industry Comparables from approximately 4.81 to approximately 115.34 times.

Having considered the consideration of the Acquisition represents PER which is below the mean and falls within the range of those of the Industry Comparables, we consider the consideration is fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial effect of the Acquisition

(i) Net asset value

As reported in the IR 2009/2010, the unaudited net asset value of the Group as at 31 December 2009 was approximately HK$4,601,466,000. As set out in Appendix III to the Circular, upon completion of the Acquisition, the unaudited net asset value of the Group will have an immaterial decrease of approximately 0.03% and amounted to approximately HK$4,599,966,000.

(ii) Earnings

In view of the optimistic prospects of Broad Park Group as mentioned in the section headed “3. Background and reasons for the Acquisition”, we consider that it is a fair expectation that the Acquisition will have a positive impact on the earnings position of the Group upon Completion.

Although the net assets will decrease upon completion of the Acquisition, taking into account the optimistic prospects of Broad Park Group, the benefits from the Acquisition as mentioned in the section headed "3. Background and reasons for the Acquisition" and the decrease in net assets is immaterial, we consider the decrease in net assets is acceptable.

6. Recommendation

Having considered the above-mentioned principal factors and reasons, in particular, taking into account that:

(i) the Acquisition enables the Group to expand its department store business network and is aligned with its expansion strategy as set out in IR 2009/2010;

(ii) Beijing New World Department Store (北京新世界百貨) is located at Beijing, being the capital city of the PRC and one of the top-tier cities of the PRC;

(iii) the huge consumer base in the PRC and the growth of the gross domestic products and retails sales of consumer goods in Beijing;

(iv) the Acquisition enables the Company to enhance its revenue by consolidating the accounts of Broad Park with that of the Group;

(v) the Rental Adjustments in relation to the downward adjustments in the rental of the Properties;

(vi) the consideration of the Acquisition represents PER which is below the mean and falls within the range of those of the Industry Comparables; and

(vii) the positive impacts from the Acquisition on the financial position of the Group,

we consider (i) the Acquisition is in ordinary usual course of the Company; (ii) the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Acquisition Agreement and the terms thereof are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Acquisition Agreement to be proposed at the EGM.

B. REVISED ANNUAL CAPS AND SUPPLEMENTAL MASTER LEASING AGREEMENT

1. Reasons for the Revised Annual Caps

As set out in the Board Letter, the Company has adopted "multiple presence in a single city" in order to increase market share and enjoy economies of scale and synergy effect within the northern region in the PRC. The Acquisition is expected to facilitate the Company to lay a good foundation for a new brand and retail roadmap in the PRC. The Acquisition will provide an opportunity for the Company to increase its interests in department store business in the northern parts of the PRC. The Properties are owned by co-operative joint venture enterprises of NWCL, of which NWCL has a profit sharing ratio of 70% in each of them and are subject to the Existing Lease Agreements. The terms of the Existing Lease Agreements commenced from 1 August 2009 to 30 June 2013 and Beijing Yixi has an option to renew the Existing Lease Agreements upon the expiry of the terms. As a result of the Acquisition, the Company expects that the fees payable by the Group to NWCL as a member of the NWD Group pursuant to the Master Leasing Agreement will increase and the Original Annual Caps for the two years ending 30 June 2012 will accordingly be insufficient. The Directors therefore propose to revise the Original Annual Caps.

As advised by the Company, Beijing New World Department Store (北京新世界百貨) has been operating in the Properties for more than 10 years and the cost to be incurred and the adverse impact on the operation of the department store may be substantial in the event of reallocation. As set out in the Board Letter, the historical transaction amounts between the Company and NWD relating to the Master Leasing Agreement for the six months ended 31 December 2009 were approximately HK$58,755,000 (equivalent to approximately RMB51,704,000 under the exchange rate of RMB0.88 to HK$1.0) (the "**2009 Transaction**"). Accordingly, the 2009 Transaction (under an annualized basis) represents approximately 66.94% of the Original Annual Caps for the year ended 30 June 2010 of approximately RMB154,479,000.

We also noted from Appendix II to the Circular, the operating lease rental expense of the Broad Park Group (the "**Lease Expense**") amounted to approximately HK$252,837,000 (equivalent to approximately RMB222,497,000 under the exchange rate of RMB0.88 to HK$1.0) for the year ended 30 June 2009. We also noted that the Original Annual Caps for the year ending 30 June 2011 and 2012 amounted to approximately RMB224,415,000 and RMB276,907,000 respectively.

Having consider (i) reallocation may incur adverse impact for the operation of the department store given Beijing New World Department Store (北京新世界百貨) was located in the Properties for more than 10 years and its customers have already been familiar with such location; (ii) Beijing Yixi will be consolidated into the Group's accounts upon completion of the Acquisition; (iii) the rental payments under the

Existing Lease Agreements are based on the monthly sales turnover of Beijing Yixi and it is unlikely Beijing Yixi will have no sales turnover recorded; and (iv) the Original Annual Caps for the two years ending 30 June 2012 may not be sufficient upon completion of the Acquisition given the historical percentage of the transactions under the Master Leasing Agreement as shown by the annualized amount of the 2009 Transaction and the significant historical Lease Expense of the Broad Park Group as compared to the Original Annual Caps for the two years ending 30 June 2012, we consider it is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole to increase the Original Annual Caps.

2. The Revised Annual Caps

The Directors proposed to revise the Original Annual Caps or the two years ending 30 June 2012 as follows:

	Original Annual Caps for the year ending 30 June 2011 *(RMB)*	**Original Annual Caps for the year ending 30 June 2012** *(RMB)*	**Revised Annual Caps for the year ending 30 June 2011** *(RMB)*	**Revised Annual Caps for the year ending 30 June 2012** *(RMB)*
Master Leasing Agreement	224,415,000	276,907,000	471,846,000	544,198,000

As set out in the Board Letter, the Revised Annual Caps are determined with reference to, amongst other things, the historical transaction amounts, the terms of the Existing Lease Agreements and the expected growth in the number of new department stores.

As advised by the Company, the monthly rent of Phase One Property and Phase Two Property are based on the monthly sales of Beijing Yixi. We noted from Appendix II to the Circular, the Lease Expense of the Broad Park Group amounted to approximately HK$252,837,000 (equivalent to approximately RMB222,497,000 under the exchange rate of RMB0.88 to HK$1.0) for the year ended 30 June 2009 and approximately HK$157,421,000 (equivalent to approximately RMB138,530,000 under the exchange rate of RMB0.88 to HK$1.0) for the six months ended 31 December 2009. The Lease Expense for the six months ended 31 December 2009 represented an increase of approximately 7.76% as compared to the Lease Expense for the same period in the previous year. We also noted that the difference between the Revised Annual Caps and the Original Annual Caps for the years ending 30 June 2011 and 2012 amounted to approximately RMB247,431,000 and RMB267,291,000 (the "**Increment Amounts**") respectively.

We noted from IR 2009/2010, revenue of the Group amounted to approximately HK$988,581,000 for the six months ended 31 December 2009, representing a growth of approximately 11.84% as compared to the same period in year 2008. We also noted from the website of the National Bureau of Statistics of China (www.stats.gov.cn) that the gross domestic products in PRC has increased by approximately 6.79% from approximately RMB31,404.5 billion for the year 2008 to approximately RMB33,535.3 billion for the year 2009 and the retails sales of consumer goods in PRC has increased by approximately 15.54% from approximately RMB10,848.8 billion for the year 2008 to approximately RMB12,534.3 billion for the year 2009.

In addition, we were given to understand that opening new stores in prime locations has long been a key expansion strategy of the Group. For the financial years ended 30 June 2009, the Group added 2 stores which increased the gross floor area of the Group's stores from approximately 962,570 square meters as at 30 June 2008 to approximately 1,063,470 square meters as at 30 June 2009.

We noted that the Lease Expense of the Broad Park Group amounted to approximately HK$252,837,000 (equivalent to approximately RMB222,497,000 under the exchange rate of RMB0.88 to HK$1.0) for the year ended 30 June 2009 represented approximately 89.92% of the Increment Amounts for the year ending 30 June 2011 and the Increment Amount for the year ending 30 June 2012 represented an increase of approximately 8.03% as compared to the Increment Amount for the year ending 30 June 2011. We are aware of the Rental Adjustments, however, taking into account (i) the potential increase in the revenue and hence the rental expense of the Group's department stores and Beijing Yixi as supported by the growth of the gross domestic products and retail sales of consumer goods in PRC; (ii) the Lease Expense for the six months ended 31 December 2009 represented an increase of approximately 7.76% as compared to the Lease Expense for the same period in the previous year; and (iii) the expansion strategy of the Group, we are of the view that the bases adopted to determine the Revised Annual Caps and the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

3. The Supplemental Master Leasing Agreement

In order to give effect to the Revised Annual Caps for the two years ending 30 June 2012, it is necessary to amend the terms of the Master Leasing Agreement. Accordingly, the Company and NWD entered into the Supplemental Master Leasing Agreement. A summary of the terms of the Supplemental Master Leasing Agreement has been set out in the section headed "**C. Supplemental Master Leasing Agreement**" under the Board Letter.

Given that we are of the view that that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole and save for the Revised Annual Caps, all the existing terms and conditions under the Master Leasing Agreement remain unchanged, we concur with the Directors that the Supplemental Master Leasing Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Recommendation

Having considered the above-mentioned principal factors and reasons, we consider (i) the Supplemental Master Leasing Agreement is in ordinary usual course of business; (ii) the terms of the Revised Annual Caps and the Supplemental Master Leasing Agreement are normal and commercial and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Revised Annual Caps and the Supplemental Master Leasing Agreement are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Revised Annual Caps and the Supplemental Master Leasing Agreement to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Chairman	*Managing Director*

A. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 30 JUNE 2007, 2008 AND 2009 AND FOR EACH OF THE SIX MONTHS ENDED 31 DECEMBER 2008 AND 2009

The following is a summary of the audited consolidated financial information of the Group for each of the three years ended as extracted from the 2007/2008 and 2008/2009 annual reports of the Company and the unaudited consolidated financial information of the Group for each of the six months ended 31 December 2008 and 2009 as extracted from the 2009/2010 interim report of the Company.

Consolidated Income Statement

	Year ended 30 June			Six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Unaudited
Revenue	1,046,885	1,489,345	1,721,246	883,899	988,581
Other income	32,327	119,250	112,939	61,995	28,621
Other gains	57,984	3,156	62,093	16,717	–
Purchases of and changes in inventories	(85,272)	(176,575)	(209,275)	(116,008)	(198,034)
Employee benefit expense	(147,393)	(214,920)	(252,971)	(139,667)	(112,466)
Depreciation and amortisation	(97,456)	(125,620)	(170,603)	(82,236)	(93,457)
Operating lease rental expense	(267,675)	(310,079)	(325,075)	(157,048)	(166,844)
Other operating expenses	(188,603)	(195,163)	(243,322)	(143,304)	(93,699)
Operating profit	350,797	589,394	695,032	324,348	352,702
Finance income	5,300	10,789	–	–	–
Share of loss of an associated company	–	–	(2,066)	–	(203)
Profit before income tax	356,097	600,183	692,966	324,348	352,499
Income tax expense	(53,332)	(123,608)	(145,657)	(65,756)	(80,485)
Profit for the year/period	302,765	476,575	547,309	258,592	272,014
Attributable to equity holders of the Company	302,765	476,575	547,309	258,592	272,014
Dividend	–	151,753	252,922	134,892	134,892
Earnings per share for profit attributable to the equity holders of the Company during the year/period (expressed in HK$ per share)					
– Basic and diluted	0.25	0.29	0.32	0.15	0.16

Consolidated Statements of Comprehensive Income

	Year ended 30 June			Six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited	Unaudited
Profit for the year/period	302,765	476,575	547,309	258,592	272,014
Fair value gain on available-for-sale financial assets	–	–	32,085	759	10,214
Translation differences	22,352	140,683	5,514	6,339	42
Other comprehensive income for the year/period	22,352	140,683	37,599	7,098	10,256
Total comprehensive income for the year/period	325,117	617,258	584,908	265,690	282,270
Total comprehensive income attributable to equity holders of the Company	325,117	617,258	584,908	265,690	282,270

Consolidated Balance Sheets

	As at 30 June			As at 31 December
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited
Assets				
Non-current assets				
Property, plant and equipment	563,723	1,147,114	1,225,977	1,241,461
Land use rights	168,449	787,371	764,928	753,706
Goodwill	–	172,435	172,435	172,435
Investment in an associated company	–	–	203	–
Non-current other assets	–	–	386,830	534,188
Long-term prepaid rent and rental deposits	43,989	37,136	99,595	105,440
Financial assets at fair value through profit or loss	–	60,154	–	–
Available-for-sale financial assets	–	–	108,955	119,169
Deferred income tax assets	24,658	27,133	31,052	32,727
	800,819	2,231,343	2,789,975	2,959,126
Current assets				
Inventories	29,705	57,472	53,448	60,332
Debtors	19,192	25,656	14,354	129,131
Prepayments, deposits and other receivables	143,978	257,363	489,555	479,329
Amount due from an associated company	–	–	690	676
Amounts due from fellow subsidiaries	96,750	60,969	27,363	31,115
Fixed deposits	7,143	790,909	737,529	846,202
Cash and cash equivalents	960,391	2,336,718	2,185,992	2,567,477
	1,257,159	3,529,087	3,508,931	4,114,262
Total assets	2,057,978	5,760,430	6,298,906	7,073,388

	As at 30 June			As at 31 December
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited	Audited	Unaudited
Equity				
Share capital	6,095	168,615	168,615	168,615
Reserves	851,134	3,786,378	4,142,776	4,297,959
Proposed dividend	–	151,753	118,030	134,892
	857,229	4,106,746	4,429,421	4,601,466
Liabilities				
Non-current liabilities				
Accruals and deferred income	163,229	237,981	282,960	298,096
Deferred income tax liabilities	10,577	147,334	154,601	153,628
	173,806	385,315	437,561	451,724
Current liabilities				
Creditors, accruals and other payables	949,564	1,208,562	1,377,040	1,949,881
Amounts due to fellow subsidiaries	38,368	8,669	6,432	5,098
Tax payable	39,011	51,138	48,452	65,219
	1,026,943	1,268,369	1,431,924	2,020,198
Total liabilities	1,200,749	1,653,684	1,869,485	2,471,922
Total equity and liabilities	2,057,978	5,760,430	6,298,906	7,073,388
Net current assets	230,216	2,260,718	2,077,007	2,094,064
Total assets less current liabilities	1,031,035	4,492,061	4,866,982	5,053,190

B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 30 JUNE 2009

The following is the audited consolidated financial statements of the Group for the year ended 30 June 2009 together with the accompanying notes as extracted from the annual report of the Company for the year ended 30 June 2009.

Consolidated Income Statement
For the year ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	5	1,721,246	1,489,345
Other income	6	112,939	119,250
Other gains	7	62,093	3,156
Purchases of and changes in inventories		(209,275)	(176,575)
Employee benefit expense	10	(252,971)	(214,920)
Depreciation and amortisation	15&16	(170,603)	(125,620)
Operating lease rental expense		(325,075)	(310,079)
Other operating expenses	8	(243,322)	(195,163)
Operating profit		695,032	589,394
Finance income	9	–	10,789
Share of loss of an associated company	31	(2,066)	–
Profit before income tax		692,966	600,183
Income tax expense	11	(145,657)	(123,608)
Profit for the year		547,309	476,575
Attributable to equity holders of the Company	27(a)	547,309	476,575
Dividends	13	252,922	151,753
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– Basic and diluted	14	0.32	0.29

Consolidated Balance Sheet
As at 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	1,225,977	1,147,114
Land use rights	16	764,928	787,371
Goodwill	17	172,435	172,435
Investment in an associated company	31	203	–
Non-current other assets	19	386,830	–
Long-term prepaid rent and rental deposits	18	99,595	37,136
Financial assets at fair value through profit or loss	20	–	60,154
Available-for-sale financial assets	21	108,955	–
Deferred income tax assets	28	31,052	27,133
		2,789,975	2,231,343
Current assets			
Inventories		53,448	57,472
Debtors	22	14,354	25,656
Prepayments, deposits and other receivables	18	489,555	257,363
Amount due from an associated company	31	690	–
Amounts due from fellow subsidiaries	23	27,363	60,969
Fixed deposits	24	737,529	790,909
Cash and cash equivalents	25	2,185,992	2,336,718
		3,508,931	3,529,087
Total assets		6,298,906	5,760,430
Equity			
Share capital	26	168,615	168,615
Reserves	27	4,142,776	3,786,378
Proposed dividend	13	118,030	151,753
		4,429,421	4,106,746

	Note	2009 HK$'000	2008 HK$'000
Liabilities			
Non-current liabilities			
Accruals and deferred income	*29*	282,960	237,981
Deferred income tax liabilities	*28*	154,601	147,334
		437,561	385,315
Current liabilities			
Creditors, accruals and other payables	*29*	1,377,040	1,208,562
Amounts due to fellow subsidiaries	*23*	6,432	8,669
Tax payable		48,452	51,138
		1,431,924	1,268,369
Total liabilities		1,869,485	1,653,684
Total equity and liabilities		6,298,906	5,760,430
Net current assets		2,077,007	2,260,718
Total assets less current liabilities		4,866,982	4,492,061

Company Balance Sheet

As at 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Assets			
Non-current assets			
Subsidiaries	30	1,346,148	1,063,062
Current assets			
Prepayments	18	256	332
Amounts due from subsidiaries	30	2,343,974	2,635,669
Cash and cash equivalents	25	20,210	9,728
		2,364,440	2,645,729
Total assets		3,710,588	3,708,791
Equity			
Share capital	26	168,615	168,615
Reserves	27	3,182,272	3,311,288
Proposed dividend	13	118,030	151,753
Total equity		3,468,917	3,631,656
Liabilities			
Current liabilities			
Accruals and other payables	29	2,578	4,788
Amounts due to subsidiaries	30	239,093	72,347
		241,671	77,135
Total liabilities		241,671	77,135
Total equity and liabilities		3,710,588	3,708,791
Net current assets		2,122,769	2,568,594
Total assets less current liabilities		3,468,917	3,631,656

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2007	6,095	–	337,568	11,360	–	17,680	484,526	857,229
Translation differences	–	–	–	–	–	140,683	–	140,683
Net income recognised directly in equity	–	–	–	–	–	140,683	–	140,683
Profit for the year	–	–	–	–	–	–	476,575	476,575
Total recognised income and expense for the year	–	–	–	–	–	140,683	476,575	617,258
Issue of shares in connection with the Listing *(Note 26)*	46,725	2,663,296	–	–	–	–	–	2,710,021
Capitalisation of share premium account *(Note 26)*	115,795	(115,795)	–	–	–	–	–	–
Share issuance costs	–	(149,251)	54,020	–	–	–	–	(95,231)
Share-based payments	–	–	–	–	17,469	–	–	17,469
Lapse of share options	–	–	–	–	(21)	–	21	–
Transfer to statutory reserve	–	–	–	24,316	–	–	(24,316)	–
At 30 June 2008	168,615	2,398,250	391,588	35,676	17,448	158,363	936,806	4,106,746

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Available-for- sale investments HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2008	168,615	2,398,250	391,588	35,676	17,448	–	158,363	936,806	4,106,746
Fair value gain on available-for-sale financial assets	–	–	–	–	–	32,085	–	–	32,085
Translation differences	–	–	–	–	–	–	5,514	–	5,514
Net income recognised directly in equity	–	–	–	–	–	32,085	5,514	–	37,599
Profit for the year	–	–	–	–	–	–	–	547,309	547,309
Total recognised income and expense for the year	–	–	–	–	–	32,085	5,514	547,309	584,908
Share-based payments	–	–	–	–	24,412	–	–	–	24,412
Lapse of share options	–	–	–	–	(1,783)	–	–	1,783	–
Interim dividend for the period ended 31 December 2008	–	–	–	–	–	–	–	(134,892)	(134,892)
Final dividend for the year ended 30 June 2008	–	–	–	–	–	–	–	(151,753)	(151,753)
Transfer to statutory reserve	–	–	–	43,579	–	–	–	(43,579)	–
At 30 June 2009	168,615	2,398,250	391,588	79,255	40,077	32,085	163,877	1,155,674	4,429,421

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Profit before income tax and share of loss of an associated company		695,032	600,183
Adjustments for:			
– Interest income		(76,662)	(104,909)
– Amortisation of land use rights		22,443	9,190
– Depreciation of property, plant and equipment		148,160	116,430
– Fair value gain of financial assets at fair value through profit or loss		(16,716)	(3,156)
- Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries		(35,622)	–
– Gain on disposal of a subsidiary		(9,755)	–
– Loss on disposal of property, plant and equipment		321	1,089
– Share-based payments		24,412	17,469
Operating profit before working capital changes		751,613	636,296
Changes in:			
Inventories		4,291	(16,680)
Debtors		11,854	(3,267)
Prepayments, deposits and other receivables		(674,316)	(63,116)
Creditors, accruals and other payables		156,526	180,098
Amount due from an associated company		(690)	–
Amounts due from/(to) fellow subsidiaries		33,269	(11,218)
Cash generated from operations		282,547	722,113
Overseas tax paid		(155,802)	(146,130)
Net cash generated from operating activities		126,745	575,983

	Note	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Net cash inflow/(outflow) from acquisition of subsidiaries	*33(b)*	79,257	(616,982)
Net cash outflow from acquisition of assets	*33(a)*	–	(262,006)
Net cash outflow from disposal of a subsidiary	*33(c)*	(800)	–
Capital injection to an associated company		(2,269)	–
Purchase of property, plant and equipment		(203,113)	(244,490)
Purchase of financial assets at fair value through profit or loss		–	(53,004)
Proceeds from disposal of property, plant and equipment	*33(d)*	520	449
Fixed deposits		53,380	(783,766)
Interest received		76,662	104,909
Net cash generated from/(used in) investing activities		3,637	(1,854,890)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		–	2,710,021
Payment of share issuance costs		–	(95,231)
Dividend paid		(286,621)	–
Net cash (used in)/generated from financing activities		(286,621)	2,614,790
Effect of foreign exchange rate changes		5,513	40,444
Net (decrease)/increase in cash and cash equivalents		(150,726)	1,376,327
Cash and cash equivalents at beginning of the year		2,336,718	960,391
Cash and cash equivalents at end of the year		2,185,992	2,336,718

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 operations in Mainland China.

The Company's shares were listed on the The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2007 (the "Listing").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 6 October 2009.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

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.

The following new interpretations are mandatory for the first time for the financial period beginning 1 July 2008:

HKAS 39 and HKFRS 7 (Amendment)	Financial Instruments: Reclassification and Measurement – Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Amendments on Embedded Derivatives

The adoption of HK(IFRIC)-Int 13 does not have significant impact on the Group's financial statements. HKAS 39 and HKFRS 7 (Amendment), HK(IFRIC)-Int 12, HK(IFRIC)-Int 14, HK(IFRIC)-Int 9 and HKAS 39 (Amendments) are not relevant to the Group's operations.

In addition, the Group has early adopted the following revised standards for the year ended 30 June 2009:

HKFRS 3 (Revised)	Business Combination
HKAS 27 (Revised)	Consolidated and Separate Financial Statements

Certain new or revised standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 July 2009 or later periods but which the Group has not early adopted, are as follows:

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

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset acquired or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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 Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

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

(b) Associated company

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

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

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

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 to 40 years
Plant and machinery	5 years
Motor vehicles	5 years
Leasehold improvements	2 to 10 years
Furniture and fixtures	3 to 5 years
Office equipment	2 to 5 years
Computer	2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets under construction represents buildings or leasehold improvements on which construction work has not been completed and plant, machinery and equipment pending installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, assets under construction is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for assets under construction until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.5 Land use rights

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

2.6 Goodwill

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

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

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Investments

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

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

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

(b) Available-for-sale financial assets

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

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

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

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

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

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

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

2.9 Trade and other receivables

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

2.10 Inventories

Inventories comprise finished goods and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Operating leases

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

2.12 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2.13 Cash and cash equivalents

Cash and bank balances are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the balance sheet.

2.14 Provisions

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

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

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

2.15 Trade payables

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

2.16 Employee benefits

(a) 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 balance sheet date.

(b) Pension obligations

The Group makes contributions to defined contribution retirement schemes under the Mandatory Provident Fund Schemes ("MPF") Ordinance and the Occupational Retirement Scheme Ordinance ("ORSO") in Hong Kong, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by payments from employees and by the Group. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

The Group also contributes to employee retirement schemes established by municipal governments in Mainland China. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

(c) *Bonus plans*

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

(d) *Share-based compensation*

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2.17 Revenue recognition

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

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

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

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

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

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

Other commission income and entry fee are recognised on an accrual basis.

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

Receipts in advance on sale of stored value cards that are related to sales of goods not yet delivered are deferred in the balance sheet. Revenue is recognised when goods are delivered to the customers. After expiry of prepaid stored value cards, the corresponding receipts in advance are normally recognised as income.

2.18 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The functional currency of the Company is Renminbi (or "RMB"). The consolidated financial statements are presented in Hong Kong dollars, the Company's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

(c) *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:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) 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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.19 Government grants

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

2.20 Dividend distribution

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

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and interest rate risk.

(a) Foreign exchange risk

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

At 30 June 2009, if Renminbi had strengthened/weakened by 2% (2008: 3%) against the Hong Kong dollars with all other variables held constant, profit for the year would have been approximately HK$3,313,000 lower/higher (2008: approximately HK$5,494,000 higher/lower) and equity holders' equity would have been approximately HK$19,792,000 lower/higher (2008: approximately HK$35,885,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of Hong Kong dollars-denominated bank balances of certain subsidiaries and amounts due from/to subsidiaries of the Group's entities of which functional currency is Renminbi.

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

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, debtors, deposits and other receivables, amounts due from fellow subsidiaries and amount due from an associated company. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2009, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

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

For receivables related to stored value card from banks and card companies, the Group carries out regular review on these balances and follow-up action on any overdue amounts and receives deposits in certain circumstances to minimise exposures to credit risk. Under the current circumstances of the global financial turmoil, the Group will further strengthen its credit control procedures and policies.

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

(c) Liquidity risk

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

All of the Group's financial liabilities mature within 1 year from the balance sheet date.

(d) Interest rate risk

Except for the fixed deposits and short-term bank deposits as at 30 June 2009 of HK$737,529,000 and HK$1,068,041,000 (2008: HK$790,909,000 and HK$1,713,506,000), which are held at interest rates of ranging from 0.30% to 4.14% per annum (2008: 0.90% to 4.14% per annum), the Group has no significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. At the reporting date, management does not anticipate significant impact resulted from the changes in interest rates.

At 30 June 2009, if interest rates on cash and cash equivalents had been 50 basis points higher/lower with all other variables held constant, the Group's interest income would have been approximately HK$5,548,000 higher/lower (2008: approximately HK$3,068,000 higher/lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date.

3.2 Fair value estimation

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

3.3 Capital risk management

The Group's objectives on managing capital are to finance its operations with its own capital and to safeguard the Group's ability to continue as a going concern in order to enhance returns and benefits for shareholders and other stakeholders.

With regard to the maintenance and enhancement of capital structure, the Group considers relevant economic and market conditions and takes necessary measures for the beneficial interests of the Group and its shareholders.

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

	2009	**2008**
	HK$'000	*HK$'000*
Cash and cash equivalents	2,185,992	2,336,718
Current ratio (i)	2.45	2.78

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

Note:

(i) Current assets divided by current liabilities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

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

(b) Net realisable value of inventories

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

(c) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the 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.

(d) Business combinations and allocation of purchase price amongst identifiable assets

The Group accounts for business combinations in accordance with HKFRS 3 "Business Combinations". It is required to recognise separately, at the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria regardless of whether they had been previously recognised in the acquiree's financial statements. The valuation in respect of the identifiable assets (including intangible assets recognised upon an acquisition during the year) and liabilities was referenced to the inflow of future economic benefits associated to the asset and the outflow of future economic resources required to settle the obligation based on fair value assessment. The assumptions adopted in the valuation include the revenue growth and the general market conditions.

(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 value-in-use calculations. These calculations require the use of estimates which are subject to change of economic environment in future.

(f) Employee benefits – share-based payments

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

5. REVENUE AND SEGMENT INFORMATION

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

	2009	2008
	HK$'000	*HK$'000*
Commission income from concessionaire sales	1,163,257	1,017,231
Sales of goods – direct sales	273,588	224,498
Management fees	184,409	165,518
Rental income	99,992	82,098
	1,721,246	1,489,345

The income from concessionaire sales is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	5,720,890	4,833,230
Commission income from concessionaire sales	1,163,257	1,017,231

No segment analysis for business segment is presented as the Group principally operates in one business segment, which is the operation of department stores.

No segment analysis for geographical segment is presented as substantially all of the revenue, operating results, assets and liabilities are in Mainland China.

6. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest income on bank deposits	76,662	94,120
Dividend income from available-for-sale financial assets	3,994	–
Government grants	12,239	8,804
Other commission income	7,060	6,009
Sundries	12,984	10,317
	112,939	119,250

7. OTHER GAINS

	2009	2008
	HK$'000	*HK$'000*
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	35,622	–
Gain on disposal of a subsidiary	9,755	–
Fair value gain of financial assets at fair value through profit or loss	16,716	3,156
	62,093	3,156

8. OTHER OPERATING EXPENSES

	2009	2008
	HK$'000	*HK$'000*
Water and electricity	100,708	85,736
Promotion, advertising and related expenses	60,726	51,647
Net exchange losses	7,604	3,053
Share-based payments	5,948	4,125
Auditor's remuneration	3,499	3,454
Loss on disposal of property, plant and equipment	321	1,089
Provision for doubtful debts	23,953	–
Others	40,563	46,059
	243,322	195,163

9. FINANCE INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest income from deposits relating to share subscription under the Listing	–	10,789
	–	10,789

10. EMPLOYEE BENEFIT EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Wages and salaries	146,499	133,373
Retirement benefit costs		
– defined contribution plans	24,012	17,155
Share-based payments	18,464	13,344
Other employment benefits	63,996	51,048
	252,971	214,920

(a) Directors' emoluments

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

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

The remuneration of every Director for the year ended 30 June 2008 is set out below:

Name of Director	Fees	Salary, allowances and benefits in kind	Retirement schemes contributions	Bonus	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-executive directors						
Dr. Cheng Kar-shun, Henry	100	–	–	–	792	892
Mr. Au Tak-cheong	100	–	–	–	198	298
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	396	546
Mr. Cheung Fai-yet, Philip	150	3,570	354	1,000	1,351	6,425
Mr. Lin Tsai-tan, David	150	1,462	99	994	439	3,144
Mr. Wong Kwok-kan, Kenneth	150	1,295	126	414	478	2,463
Ms. Ngan Man-ying, Lynda	150	–	–	–	396	546
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	198	398
Mr. Chan Yiu-tong, Ivan	200	–	–	–	198	398
Mr. Tong Hang-chan, Peter	200	–	–	–	198	398
Mr. Yu Chun-fai, Henry	200	–	–	–	198	398
	1,750	6,327	579	2,408	4,842	15,906

No Director waived or agreed to waive any emoluments during the year (2008: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2008: three) Directors for the year ended 30 June 2009, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year ended 30 June 2009 are as follows:

	2009	2008
	HK$'000	*HK$'000*
Basic salaries, other allowances and other benefits in kind	2,555	2,608
Retirement benefit costs		
– defined contribution plans	225	227
Bonus	864	399
Share-based payments	1,211	722
	4,855	3,956

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
HK$1,500,000 – HK$2,000,000	–	2
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	1	–
	2	2

11. INCOME TAX EXPENSE

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

	2009	2008
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	–	1,033
– Mainland China taxation	146,929	119,972
Over provision in prior years	(4,620)	(1,885)
Deferred income tax *(Note 28)*	3,348	4,488
	145,657	123,608

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which members of the Group are domiciled and operates. No provision for Hong Kong profits tax as the Group has no estimated assessable profit in Hong Kong for the year ended 30 June 2009. For the year ended 30 June 2008, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

Subsidiaries of the Group in Mainland China are subject to enterprise income tax at a rate of 25% (2008: 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:

	2009	**2008**
	HK$'000	*HK$'000*
Profit before income tax and share of loss of an associated company	695,032	600,183
Tax calculated at applicable tax rate	173,758	172,493
Expenses not deductible for taxation purpose	26,388	27,009
Income not subject to taxation	(40,140)	(58,074)
Effect of income charged on deemed basis	(21,606)	(29,643)
Deferred income tax not recognised	14,369	16,373
Utilisation of previously unrecognised tax losses	(2,492)	(2,426)
Effect of changes in tax rate	–	(239)
Over provision in prior years	(4,620)	(1,885)
Income tax expense	145,657	123,608

	2009	**2008**
Weighted average domestic applicable tax rates	25%	29%

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$101,562,000 (2008: loss of approximately HK$78,029,000).

13. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.08 (2008: Nil) per share	134,892	–
Final dividend proposed of HK$0.07 (2008: HK$0.09) per share	118,030	151,753
	252,922	151,753

At a meeting held on 6 October 2009, the Directors recommended a final dividend of HK$0.07 (2008: HK$0.09) per share for the year ended 30 June 2009. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2009.

14. EARNINGS PER SHARE

(a) Basic

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

	2009	2008
Profit attributable to the equity holders of the Company (HK$'000)	547,309	476,575
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,667,773
Basic earnings per share (HK$ per share)	0.32	0.29

(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 2008 and 2009, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

15. PROPERTY, PLANT AND EQUIPMENT

	Group								
	Buildings	**Plant and machinery**	**Motor vehicles**	**Leasehold improvements**	**Furniture and fixtures**	**Office equipment**	**Computer**	**Assets under construction**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost									
At 1 July 2008	483,099	59,348	3,484	1,047,324	9,009	9,609	75,812	34,454	1,722,139
Additions	–	4,080	619	173,238	887	916	14,384	8,989	203,113
Disposals	–	(8,466)	(164)	(33,768)	(667)	(257)	(1,884)	–	(45,206)
Reclassification	–	506	–	33,286	–	–	88	(33,880)	–
Acquisition of subsidiaries *(Note 33(b))*	–	–	–	27,183	93	54	949	–	28,279
Disposal of a subsidiary	–	–	–	(7,194)	(74)	(90)	(1,395)	–	(8,753)
At 30 June 2009	483,099	55,468	3,939	1,240,069	9,248	10,232	87,954	9,563	1,899,572
Accumulated depreciation									
At 1 July 2008	29,071	39,135	1,450	448,361	5,006	5,957	46,045	–	575,025
Charge for the year	14,980	8,383	656	110,028	1,539	1,249	11,325	–	148,160
Written back on disposals	–	(8,466)	(164)	(33,193)	(665)	(212)	(1,665)	–	(44,365)
Disposal of a subsidiary	–	–	–	(4,423)	(30)	(48)	(724)	–	(5,225)
At 30 June 2009	44,051	39,052	1,942	520,773	5,850	6,946	54,981	–	673,595
Net book amount									
At 30 June 2009	439,048	16,416	1,997	719,296	3,398	3,286	32,973	9,563	1,225,977

	Group								
	Buildings	Plant and machinery	Motor vehicles	Leasehold improvements	Furniture and fixtures	Office equipment	Computer	Assets under construction	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost									
At 1 July 2007	98,821	53,475	2,015	753,916	4,982	8,077	55,222	3,078	979,586
Translation differences	22,324	5,126	254	84,284	737	821	6,438	375	120,359
Additions	–	729	952	191,443	1,985	2,226	13,679	33,476	244,490
Acquisition of assets *(Note 33(a))*	86,709	8	–	–	–	–	–	–	86,717
Acquisition of subsidiaries *(Note 33(b))*	275,245	90	372	18,631	952	148	2,368	378	298,184
Reclassification	–	–	–	2,789	950	(943)	57	(2,853)	–
Disposals	–	(80)	(109)	(3,739)	(597)	(720)	(1,952)	–	(7,197)
At 30 June 2008	483,099	59,348	3,484	1,047,324	9,009	9,609	75,812	34,454	1,722,139
Accumulated depreciation									
At 1 July 2007	21,448	27,368	963	323,298	3,095	5,481	34,210	–	415,863
Translation differences	950	2,673	134	39,101	482	636	4,415	–	48,391
Charge for the year	6,673	9,153	437	88,330	1,665	849	9,323	–	116,430
Reclassification	–	–	–	–	311	(311)	–	–	–
Written back on disposals	–	(59)	(84)	(2,368)	(547)	(698)	(1,903)	–	(5,659)
At 30 June 2008	29,071	39,135	1,450	448,361	5,006	5,957	46,045	–	575,025
Net book amount									
At 30 June 2008	454,028	20,213	2,034	598,963	4,003	3,652	29,767	34,454	1,147,114

16. LAND USE RIGHTS

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
At 1 July	787,371	168,449
Acquisition of assets *(Note 33(a))*	–	224,858
Acquisition of subsidiaries *(Note 33(b))*	–	372,872
Amortisation	(22,443)	(9,190)
Translation differences	–	30,382
At 30 June	764,928	787,371

	2009	**2008**
	HK$'000	*HK$'000*
In Mainland China held on:		
Leases of land use rights between 10 to 50 years	764,928	787,371

17. GOODWILL

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
At 1 July	172,435	–
Business combination *(Note 34(b))*	–	161,431
Translation differences	–	11,004
At 30 June	172,435	172,435

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified. For the purpose of impairment test, the recoverable amount of CGU is determined based on value-in-use calculations, which uses cash flow projections based on financial estimates covering a period of five years and a pre-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rates and discount rates used in the value-in-use calculations are based on management best estimates. Growth rates of 3.0% (2008: 5.0%) are determined by considering both internal and external factors relating to the relevant businesses. Discount rates used also reflect specific risks relating to the relevant segments at 14.3% (2008: 17.5%).

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid rent and rental deposits	147,697	69,269	–	–
Prepaid construction fee	–	2,467	–	–
Management fee receivables	101,025	86,768	–	–
Dividend receivables	3,994	–	–	–
Deposits placed for issuance of stored value cards	190,778	12,224	–	–
Others	145,656	123,771	256	332
	589,150	294,499	256	332
Less: long-term prepaid rent and rental deposits	(99,595)	(37,136)	–	–
At 30 June	489,555	257,363	256	332

There were no other receivables past due but not impaired as of 30 June 2009.

The balances are mainly denominated in Renminbi. The carrying amounts of deposits approximate their fair values and due within 2 to 23 years from 30 June 2009.

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

19. NON-CURRENT OTHER ASSETS

Balance mainly represents the following transactions:

(a) On 7 July 2008, Wuhan New World Department Store Co., Ltd. (formerly known as Wuhan New Eagle Development Co., Ltd.), a wholly-owned subsidiary of the Company entered into an agreement with a third party to acquire a building and land use rights located in Zhengzhou City. As at 30 June 2009, the Group has made progress payment of approximately HK$214,471,000 in connection with such acquisition.

(b) On 25 July 2008, Shenyang New World Department Store Ltd., a wholly-owned subsidiary of the Company, entered into agreements with a third party to acquire a building, land use rights and right of use of carpark located in Shenyang City. As at 30 June 2009, the Group has made progress payment of approximately HK$145,748,000 in connection with such acquisition.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted shares and investments, at fair value	–	60,154

On 14 December 2007, Skybird International Limited, a wholly-owned subsidiary of the Company, acquired 5,000 preferred shares of Renhe Commercial Holdings Company Limited ("Renhe") at a consideration of approximately RMB50,000,000. Renhe is an operator and developer of underground shopping centers for wholesale of apparel and accessories in Mainland China.

The financial assets at fair value through profit or loss are denominated in Renminbi.

On 22 October 2008, Renhe was listed on the Stock Exchange. The 5,000 preferred shares were converted into 68,096,801 ordinary shares of Renhe. The investment in the ordinary shares of Renhe was recognised as available-for-sale financial assets (Note 21).

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Listed securities, at fair value		
Equity securities – Hong Kong	108,955	–

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
At 1 July	–	–
Transferred from financial assets at fair value through profit or loss *(Note 20)*	76,870	–
Fair value gain transferred to equity	32,085	–
At 30 June	108,955	–

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

The fair value of equity securities is based on their bid prices in an active market at the balance sheet date.

22. DEBTORS

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Trade receivables	38,307	25,656
Less: provision for impairment of receivables	(23,953)	–
Trade receivables – net	14,354	25,656

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

Aging analysis of debtors is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within period for		
0-30 days	11,797	18,438
31-60 days	965	2,326
61-90 days	707	1,196
Over 90 days	24,838	3,696
At 30 June	38,307	25,656

Trade debtors of HK$2,557,000 (2008: HK$7,218,000) were past due but not impaired. The total amount includes HK$965,000 of less than 30 days past due, HK$707,000 of 31-60 days past due and HK$885,000 of 61-90 days past due. These relate to companies for whom there is no recent history of default.

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

As of 30 June 2009, trade receivables of HK$23,953,000 were impaired and fully provided for as of 30 June 2009 (2008: HK$ Nil). These impaired receivables are over 90 days old.

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

23. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

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

24. FIXED DEPOSITS

The interest rates on fixed bank deposits range from 1.98% to 4.14% per annum (2008: 3.78% to 4.14% per annum), these deposits have maturities ranging from 183 to 730 days (2008: 180 to 365 days).

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Short-term bank deposits	1,068,041	1,713,506	–	–
Cash at bank and in hand	1,117,951	623,212	20,210	9,728
	2,185,992	2,336,718	20,210	9,728
Maximum exposure to credit risk	2,177,656	2,327,191	20,210	9,728

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	882,607	1,160,945	20,210	9,728
Renminbi	900,177	783,381	–	–
US dollars	403,208	392,392	–	–
	2,185,992	2,336,718	20,210	9,728

The interest rates on short-tem bank deposits range from 0.30% to 4.14% per annum (2008: 0.90% to 3.78% per annum), these deposits have maturities ranging from 7 to 90 days (2008: 2 to 90 days).

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

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

26. SHARE CAPITAL

Movements were:

	Note	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.1 each, authorised:			
At 30 June 2008 and 2009		10,000,000	1,000,000
Ordinary shares of HK$0.1 each, issued and fully paid:			
At 1 July 2007 and 2008		60,946	6,095
Issue of shares in connection with the Listing	*(i)*	467,245	46,725
Capitalisation of share premium account	*(ii)*	1,157,954	115,795
At 30 June 2008 and 2009		1,686,145	168,615

Notes:

(i) On 12 July 2007, the Company issued 406,300,000 ordinary shares of HK$0.1 each at HK$5.8 per share in connection with the Listing, and raised gross proceeds of approximately HK$2,356,540,000.

On 7 August 2007, pursuant to the exercise of the over-allotment option, the Company issued 60,945,000 ordinary shares of HK$0.1 each at HK$5.8 per share and raised gross proceeds of approximately HK$353,481,000.

(ii) On 12 July 2007, 1,157,954,000 ordinary shares of the Company were alloted and issued, credited as fully paid at par value of HK$0.1 each to New World Development Company Limited ("NWD"), the ultimate holding company of the Group, the shareholder of the Company in proportion to NWD's then shareholding in the Company. The amount was paid up in full by applying an amount of HK$115,795,400 standing to the credit of share premium account of the Company.

Share option scheme

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

Movement of the number of share options granted and their related exercise prices for the year ended 30 June 2009 are as follows:

		Number of options '000						
Date of grant	**Exercise price per share** *HK$*	**At 1 July 2007**	**Granted during the year**	**Lapsed during the year**	**At 30 June 2008**	**Granted during the year**	**Lapsed during the year**	**At 30 June 2009**
27 November 2007 *(Note iii)*	8.660	–	19,995	(70)	19,925	–	(1,155)	18,770
25 March 2008 *(Note iv)*	8.440	–	4,133	–	4,133	–	(168)	3,965
		–	24,128	(70)	24,058	–	(1,323)	22,735
Weighted average exercise price of each category (HK$)		–	8.622	8.660	8.622	–	8.632	8.622

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

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

The fair value of the share options granted during the year ended 30 June 2008 with exercise price per share ranging from HK$8.440 to HK$8.660 are estimated at ranging from HK$2.775 to HK$3.002 by using the Binomial pricing model. Values are estimated based on Hong Kong government bonds which will mature in November 2013 and February 2014 and the market yield as of date of grant ranging from 2.065% to 2.920%, a six years period historical volatility ranging from 39% to 40% based on the price volatility of the shares of the comparable companies with additional criterion that they must have public trading history of at least 6 years counted backward from the date of grant, assuming dividend yield at 1.5% per annum based on the market indication from the companies comparable with the Company and an expected option life of 6 years. The Binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

27. RESERVES

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compen-sation reserve HK$'000	Available-for-sale investments HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2007	–	337,568	11,360	–	–	17,680	484,526	851,134
Issue of shares in connection with the Listing *(Note 26(i))*	2,663,296	–	–	–	–	–	–	2,663,296
Capitalisation of share premium account *(Note 26(ii))*	(115,795)	–	–	–	–	–	–	(115,795)
Share issuance costs	(149,251)	54,020	–	–	–	–	–	(95,231)
Share-based payments	–	–	–	17,469	–	–	–	17,469
Lapse of share options	–	–	–	(21)	–	–	21	–
Transfer to statutory reserve *(Note i)*	–	–	24,316	–	–	–	(24,316)	–
Profit for the year	–	–	–	–	–	–	476,575	476,575
Translation differences	–	–	–	–	–	140,683	–	140,683
At 30 June 2008	2,398,250	391,588	35,676	17,448	–	158,363	936,806	3,938,131
Fair value gain on available-for-sale financial assets	–	–	–	–	32,085	–	–	32,085
Share-based payments	–	–	–	24,412	–	–	–	24,412
Lapse of share options	–	–	–	(1,783)	–	–	1,783	–
Final dividend for the year ended 30 June 2008	–	–	–	–	–	–	(151,753)	(151,753)
Interim dividend for the period ended 31 December 2008	–	–	–	–	–	–	(134,892)	(134,892)
Transfer to statutory reserve *(Note i)*	–	–	43,579	–	–	–	(43,579)	–
Profit for the year	–	–	–	–	–	–	547,309	547,309
Translation differences	–	–	–	–	–	5,514	–	5,514
At 30 June 2009	2,398,250	391,588	79,255	40,077	32,085	163,877	1,155,674	4,260,806
Representing:								
Proposed final dividend *(Note 13)*							118,030	
Others							1,037,644	
At 30 June 2009							1,155,674	

Note:

(i) Upon conversion of the Group's PRC subsidiaries into wholly-owned foreign enterprises in 2007 and pursuant to the relevant PRC Law and articles of association of the subsidiaries of the Company established in the PRC, they are required to appropriate 10% of their statutory net profit to the enterprise expansion fund. The enterprise expansion fund can only be used to increase capital of group companies or to expand their production operations upon approval by the relevant authority. Accordingly 10% of statutory net profit of each entity was appropriated to this reserve for the year ended 30 June 2008 and 2009.

(b) Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2007	–	–	820,385	–	–	820,385
Issue of shares in connection with the Listing *(Note 26(i))*	2,663,296	–	–	–	–	2,663,296
Capitalisation of share premium account *(Note 26(ii))*	(115,795)	–	–	–	–	(115,795)
Share issuance costs	(149,251)	–	54,020	–	–	(95,231)
Share-based payments	–	17,469	–	–	–	17,469
Lapse of share options	–	(21)	–	–	21	–
Loss for the year	–	–	–	–	(78,029)	(78,029)
Translation differences	–	–	–	250,946	–	250,946
At 30 June 2008	2,398,250	17,448	874,405	250,946	(78,008)	3,463,041
Share-based payments	–	24,412	–	–	–	24,412
Lapse of share options	–	(1,783)	–	–	319	(1,464)
Profit for the year	–	–	–	–	101,562	101,562
Final dividend for the year ended 30 June 2008	–	–	(151,753)	–	–	(151,753)
Interim dividend for the period ended 31 December 2008	–	–	(134,892)	–	–	(134,892)
Translation differences	–	–	–	(604)	–	(604)
At 30 June 2009	2,398,250	40,077	587,760	250,342	23,873	3,300,302
Representing:						
Proposed final dividend *(Note 13)*			118,030			
Others			469,730			
At 30 June 2009			587,760			

28. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	Group 2009	2008
	HK$'000	*HK$'000*
Deferred income tax assets	31,052	27,133
Deferred income tax liabilities	(154,601)	(147,334)
At 30 June	(123,549)	(120,201)

The movement of net deferred income tax (liabilities)/assets account is as follows:

	Group 2009	2008
	HK$'000	*HK$'000*
At 1 July	(120,201)	14,081
Translation differences	–	(4,338)
Acquisition of assets *(Note 33(a))*	–	(42,093)
Acquisition of subsidiaries *(Note 33(b))*	–	(83,363)
Charged to consolidated income statement *(Note 11)*	(3,348)	(4,488)
At 30 June	(123,549)	(120,201)

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

Group

Deferred income tax assets:

	Tax losses	Accrued expenses	Pre-operating expenses	Tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2007	11,240	30,907	35	5,861	48,043
Translation differences	819	4,113	39	778	5,749
Recognised in the consolidated income statement	(8,068)	9,176	617	(1,372)	353
At 30 June 2008	3,991	44,196	691	5,267	54,145
Recognised in the consolidated income statement	(206)	7,678	(220)	1,224	8,476
At 30 June 2009	3,785	51,874	471	6,491	62,621

Group

Deferred income tax liabilities:

	Tax depreciation	Fair value adjustment on business combination	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2007	32,020	–	1,942	33,962
Translation differences	6,684	3,127	276	10,087
Acquisition of assets *(Note 33(a))*	42,093	–	–	42,093
Acquisition of subsidiaries *(Note 33 (b))*	37,497	45,866	–	83,363
Recognised in the consolidated income statement	5,264	–	(423)	4,841
At 30 June 2008	123,558	48,993	1,795	174,346
Recognised in the consolidated income statement	12,092	(1,998)	1,730	11,824
At 30 June 2009	135,650	46,995	3,525	186,170

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$26,309,000 (2008: approximately HK$21,706,000) in respect of accumulated losses amounting to approximately HK$105,236,000 (2008: approximately HK$86,825,000), that can be carried forward against future taxable profit with expiry date of five years.

29. CREDITORS, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Creditors	800,136	858,383	–	–
Accruals and other payables	859,864	588,160	2,578	4,788
Less: long-term accruals and deferred income	(282,960)	(237,981)	–	–
At 30 June	1,377,040	1,208,562	2,578	4,788

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within period for		
0-30 days	350,772	341,584
31-60 days	247,754	271,985
61-90 days	64,048	74,794
Over 90 days	137,562	170,020
At 30 June	800,136	858,383

At 30 June 2009, included in creditors was a trading amount due to a related company of HK$12,707,000 (2008: HK$16,815,000) which was unsecured, interest free and repayable within 90 days.

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

Nature of accruals and other payables are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental accruals	272,527	257,485	–	–
Deposits from concessionaire suppliers	120,672	110,253	–	–
Deferred income	22,422	–	–	–
Payables for capital expenditures	16,856	10,288	–	–
Accruals for staff costs	38,424	35,932	–	–
Valued-added taxes and other taxes payables	68,865	35,194	–	–
Utilities payables	9,984	10,689	–	–
Receipts in advance	269,234	70,458	–	–
Others	40,880	57,861	2,578	4,788
At 30 June	859,864	588,160	2,578	4,788

30. SUBSIDIARIES

	Company 2009	Company 2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	1,373,489	1,091,599
Provision for impairment	(27,341)	(28,537)
	1,346,148	1,063,062
Amounts due from subsidiaries	2,343,974	2,635,669
Amounts due to subsidiaries	239,093	72,347

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

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

31. INVESTMENT IN AN ASSOCIATED COMPANY

	Group 2009	Group 2008
	HK$'000	*HK$'000*
Capital injection	2,269	–
Share of loss	(2,066)	–
At 30 June	203	–
Amount due from an associated company *(Note iii)*	690	–

Notes:

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

	2009	2008
	HK$'000	*HK$'000*
Revenue	596	–
Loss after income tax	(2,066)	–

	2009	2008
	HK$'000	*HK$'000*
Non-current assets	3,322	–
Current assets	1,990	–
Current liabilities	(5,674)	–
Net liabilities	(362)	–

Details of the associated company are as follows:

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

(ii) New World Department Stores Investment (China) Co., Ltd. ("NWDSIC"), a wholly-owned subsidiary of the Company, has entered into an agreement with a third party to establish Taizhou New World Department Store Co., Ltd. ("Taizhou Co"). As at 30 June 2009, NWDSIC and the third party have contributed RMB2,000,000 and RMB4,000,000 to Taizhou Co respectively. The third party further injects RMB2,000,000 to Taizhou Co on 16 September 2009.

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

32. COMMITMENTS

(a) Capital commitments

Capital commitments in respect of land use rights, property, plant and equipment of the Group at the balance sheet dates are as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Contracted but not provided for	328,421	62,879
Authorised but not contracted for	2,062	6,112
	330,483	68,991

(b) Operating lease commitments

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	299,501	265,335
In the second to fifth year	1,198,305	1,088,742
After the fifth year	3,263,425	3,542,958
	4,761,231	4,897,035

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	62,613	50,891
In the second to fifth year	119,979	118,806
After the fifth year	24,796	31,346
	207,388	201,043

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.

33. CONSOLIDATED CASH FLOW STATEMENTS

(a) Acquisition of assets

On 30 June 2008, the Group acquired 100% of the equity interest in Billion Glory Group Limited from New World Development (China) Limited, a fellow subsidiary of the Company, at a consideration of HK$270,000,000. The transaction is an acquisition of assets instead of a business combination as there are no business activities conducted by Billion Glory Group Limited at the date of acquisition. Accordingly, the cost of acquisition is allocated between the individual identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition.

Details of the net assets acquired are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Property, plant and equipment *(Note 15)*	–	86,717
Land use right *(Note 16)*	–	224,858
Prepayments, deposits and other receivables	–	7,034
Cash and cash equivalents	–	7,994
Other payables	–	(14,510)
Deferred income tax liabilities *(Note 28)*	–	(42,093)
Net assets acquired	–	270,000
Purchase consideration settled in cash	–	(270,000)
Cash and cash equivalents in subsidiaries acquired	–	7,994
Net cash outflow from acquisition of assets	–	(262,006)

(b) Acquisition of subsidiaries

Details of the net assets acquired are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Property, plant and equipment *(Note 15)*	28,279	298,184
Land use rights *(Note 16)*	–	372,872
Inventories	1,265	11,087
Debtors	730	3,197
Prepayment, deposits and other receivables	9,396	36,382
Amounts due from fellow subsidiaries	1,737	–
Cash and cash equivalents	84,527	268,435
Creditors and accruals	(74,018)	(139,142)
Amounts due to fellow subsidiaries	(217)	(17,300)
Tax payable	(10,807)	(26,366)
Deferred income tax liabilities *(Note 28)*	–	(83,363)
Net assets acquired	40,892	723,986
Analysis of net cash flow from acquisition of subsidiaries		
Purchase consideration settled in cash	(5,270)	(885,417)
Cash and cash equivalents in subsidiaries acquired	84,527	268,435
Net cash inflow/(outflow) from acquisition of subsidiaries	79,257	(616,982)

(c) Disposal of a subsidiary

Details of the net liabilities disposed of are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Property, plant and equipment	3,528	–
Inventories	998	–
Debtors	178	–
Prepayments, deposits and other receivables	2,231	–
Cash and cash equivalents	5,345	–
Creditors and accruals	(39,902)	–
Amounts due to fellow subsidiaries	(380)	–
	(28,002)	–
Add: Deferred income *(Note i)*	22,792	–
Add: Gain on disposal of a subsidiary	9,755	–
Cash consideration	4,545	–
Analysis of net cash flow from disposal of a subsidiary		
Cash consideration received	4,545	–
Cash and cash equivalents disposed of	(5,345)	–
Net cash outflow from disposal of a subsidiary	(800)	–

Note:

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

(d) Analysis of loss on disposal of property, plant and equipment

	2009 *HK$'000*	2008 *HK$'000*
Net book amount	841	1,538
Loss on disposal of property, plant and equipment	(321)	(1,089)
Proceeds from disposal of property, plant and equipment	520	449

34. BUSINESS COMBINATION

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

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

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

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

Details of net assets acquired and goodwill are as follows:

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

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

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

(b) Acquisition of Uphill Group Limited

On 31 January 2008, the Group acquired 100% of the equity interest in Uphill Group Limited from Solar Leader Limited, a fellow subsidiary of the Company, at a consideration of HK$885,417,000. The acquired business contributed revenues of HK$101,771,000 and net profit of HK$42,876,000 to the Group for the period from 1 February 2008 to 30 June 2008. If the acquisition had occurred on 1 July 2007, Group's revenue would have been HK$1,625,529,000; profit for the year would have been HK$482,842,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the business to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 July 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	885,417
Fair value of net assets acquired-shown as below	(723,986)
Goodwill *(Note 17)*	161,431

The goodwill is attributable to the department store located in Wuhan and operated under a wholly-owned subsidiary of Uphill Group Limited.

The assets and liabilities as of 31 January 2008 arising from the acquisition are as follows:

	Fair value *HK$'000*	**Acquiree's carrying amount** *HK$'000*
Property, plant and equipment	298,184	154,500
Land use rights	372,872	333,091
Inventories	11,087	11,087
Debtors	3,197	3,197
Prepayment, deposits and other receivables	36,382	36,382
Cash and cash equivalents	268,435	268,435
Creditors and accruals	(139,142)	(139,142)
Amounts due to fellow subsidiaries	(17,300)	(17,300)
Tax payable	(26,366)	(26,366)
Deferred income tax liabilities	(83,363)	(37,497)
Net assets acquired	723,986	586,387
Purchase consideration settled in cash		(885,417)
Cash and cash equivalents in subsidiaries acquired		268,435
Net cash outflow from acquisition of subsidiaries		(616,982)

35. RELATED PARTY TRANSACTIONS

(a) During the year ended 30 June 2009, the Group acquired 100% equity interest in Yunnan New World Department Store Co., Ltd. from Solar Leader Limited, a fellow subsidiary of the Company, at a consideration of HK$3,000,000.

(b) During the year ended 30 June 2009, the Group acquired 100% equity interest in Ningbo New World Trendy Department Store Co., Ltd. from Solar Leader Limited, a fellow subsidiary of the Company, at a consideration of approximately HK$2,270,000 (equivalent to RMB2,000,000).

(c) 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	**2009** *HK$'000*	**2008** *HK$'000*
Fellow subsidiaries			
Management fee income	*(i)*	59,335	77,082
Operating lease rental expenses	*(ii)*	73,850	94,743
Building management expenses	*(iii)*	11,296	11,097
Purchase of leasehold improvements	*(iv)*	41,680	79,139
Related companies			
Concessionaire commissions	*(v)*	17,119	17,905
Operating lease rental expenses	*(ii)*	29,553	27,058

Notes:

(i) The income is charged in accordance with master management agreement and terms of service fees in accordance with respective operational agreements.

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

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

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

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

(d) Key management compensation

	2009	2008
	HK$'000	*HK$'000*
Basic salaries, other allowances and other benefits in kind	11,770	11,310
Bonus	2,367	3,300
Share-based payments	5,970	3,713
Retirement benefit costs – defined contribution plans	1,030	987
	21,137	19,310

36. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2009 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital/ registered capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK$3	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/Hong Kong	HK$2	100	–
Harbin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB126,000,000	–	100
Hubei New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/ Mainland China	US$69,265,711	100	–
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/Mainland China	US$5,000,000	–	100
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	100	–
Ningbo New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB11,801,474	–	100
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000	–	100

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital/ registered capital	Percentage of equity interests held directly	indirectly
Shanghai New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	–	100
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
Shenyang New World Department Store Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Shenyang Trendy Property Company Limited	Mainland China	Property investment/ Mainland China	RMB27,880,000	–	100
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000	100	–
Tianjin New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and Department store operation/Mainland China	US$15,630,000	–	100
Wuhan New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	–	100
Wuhan New World Trendy Department Store Co,, Ltd	Mainland China	Department store operation/ Mainland China	RMB80,000,000	100	–
Wuhan New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB75,000,000	–	100
Wuxi New World Department Store Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000	100	–
Yunnan New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB10,000,000	–	100

37. ULTIMATE HOLDING COMPANY

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

C. OTHER FINANCIAL INFORMATION OF THE GROUP

(i) Statement of Indebtedness

The Enlarged Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee at the close of business of 30 April 2010.

The Directors are not aware of any material changes in the Enlarged Group's indebtedness and contingent liabilities position since the close of business on 30 April 2010.

(ii) Working Capital

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the expected Completion and the financial resources available to the Enlarged Group, including the cash generated from our operations, the Enlarged Group has sufficient working capital for its requirements for at least the next twelve months from the date of this circular.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

30 June 2010

The Directors
New World Department Store China Limited

Dear Sirs,

We report on the financial information of Broad Park Limited (the "Target Company") and its subsidiary (together, the "Target Group") which comprises the consolidated balance sheets of the Target Company as at 30 June 2007, 2008 and 2009 and 31 December 2009, company balance sheets of the Target Company as at 30 June 2009 and 31 December 2009, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Company for each of the years ended 30 June 2007, 2008 and 2009 and the six months ended 31 December 2009 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of New World Department Store China Limited (the "Company") and is set out in Sections A to C below for inclusion in Appendix II to the circular of the Company dated 30 June 2010 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was incorporated in Hong Kong on 27 October 2008 with limited liability under the Hong Kong Companies Ordinance.

As at the date of this report, the Target Company has direct interests in the subsidiary as set out in Note 21 of Section B below.

The financial information has been prepared based on the unaudited consolidated financial statements of the Target Company with no adjustment made thereon.

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting policies presently adopted by the Company and its subsidiaries (together, the “Group”) as set out in the audited annual consolidated financial statements of the Company for the year ended 30 June 2009 as set out in Appendix I to the Circular and the new accounting standards introduced that are effective for the six months ended 31 December 2009, where applicable. This responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANT’S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of the Circular, a true and fair view of the state of affairs of the Target Company as at 30 June 2009 and 31 December 2009 and of the Target Group as at 30 June 2007, 2008 and 2009 and 31 December 2009 and of the Target Group’s results and cash flows for each of the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections A to C below included in Appendix II to the Circular which comprises the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Company for the six months ended 31 December 2008 and a summary of significant accounting policies and other explanatory notes (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section B below which are in conformity with HKFRSs and accounting policies presently adopted by the Group as set out in the audited annual consolidated financial statements of the Company for the year ended 30 June 2009 as set out in Appendix I to the Circular and the new accounting standards introduced that are effective for the six months ended 31 December 2009, where applicable.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the Circular, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section B below which are in conformity with HKFRSs.

A. FINANCIAL INFORMATION

Consolidated Income Statements

		For the year ended 30 June			For the six months ended 31 December	
		2007	**2008**	**2009**	**2008**	**2009**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Unaudited	
Revenue	*5*	454,436	565,617	616,810	323,202	327,479
Other income	*6*	26,828	42,126	44,209	25,814	13,819
Purchases of and changes in inventories		(156,666)	(189,476)	(213,531)	(111,563)	(121,505)
Employee benefit expense	*8*	(31,648)	(39,397)	(46,192)	(23,760)	(20,778)
Depreciation		(4,637)	(7,292)	(8,892)	(4,444)	(6,654)
Operating lease rental expense		(198,155)	(249,327)	(252,837)	(146,091)	(157,421)
Other operating expenses	*7*	(100,616)	(110,961)	(145,791)	(66,196)	(74,978)
(Loss)/profit before income tax		(10,458)	11,290	(6,224)	(3,038)	(40,038)
Income tax credit/(expense)	*9*	813	(4,224)	1,690	885	3,683
(Loss)/profit for the year/period		(9,645)	7,066	(4,534)	(2,153)	(36,355)
Attributable to equity holder of the Target Company	*18*	(9,645)	7,066	(4,534)	(2,153)	(36,355)
Basic and diluted (loss)/earnings per share	*10*	(9,645)	7,066	(4,534)	(2,153)	(36,355)

Consolidated Statements of Comprehensive Income

		For the year ended 30 June			For the six months ended 31 December	
		2007	**2008**	**2009**	**2008**	**2009**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Unaudited	
Comprehensive income						
(Loss)/profit for the year/period		(9,645)	7,066	(4,534)	(2,153)	(36,355)
Other comprehensive income						
Translation differences		(4,922)	(10,025)	–	–	18
Total comprehensive income for the year/period		(14,567)	(2,959)	(4,534)	(2,153)	(36,337)
Total comprehensive income attributable to equity holder of the Target Company		(14,567)	(2,959)	(4,534)	(2,153)	(36,337)

Consolidated Balance Sheets

		As at 30 June			As at 31 December
		2007	**2008**	**2009**	**2009**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets					
Property, plant and equipment	*11*	15,273	30,518	73,985	75,744
Deferred income tax assets	*19*	830	–	–	2,222
		16,103	30,518	73,985	77,966
Current assets					
Inventories		14,278	26,188	26,667	58,206
Debtors	*13*	37,548	30,308	9,901	28,658
Prepayments, deposits and other receivables	*12*	26,320	36,583	36,163	37,794
Advances to third parties	*14*	223,033	330,764	308,605	297,810
Amounts due from fellow subsidiaries	*15*	568	120	54	54
Amount due from a related company	*15*	–	–	13	8
Cash and cash equivalents	*16*	81,870	100,747	176,134	164,700
		383,617	524,710	557,537	587,230
Total assets		399,720	555,228	631,522	665,196
Equity					
Share capital	*17*	–	–	–	–
Reserves	*18*	(91,755)	(94,714)	(99,248)	(136,721)
		(91,755)	(94,714)	(99,248)	(136,721)
Liabilities					
Non-current liabilities					
Deferred income tax liabilities	*19*	–	3,540	1,461	–
		–	3,540	1,461	–

		As at 30 June			As at 31 December
		2007	2008	2009	2009
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Creditors, accruals and other payables	*20*	491,475	646,402	728,908	790,402
Amount due to immediate holding company	*15*	–	–	12	11,515
Tax payable		–	–	389	–
		491,475	646,402	729,309	801,917
Total liabilities		491,475	649,942	730,770	801,917
Total equity and liabilities		399,720	555,228	631,522	665,196
Net current liabilities		(107,858)	(121,692)	(171,772)	(214,687)
Total assets less current liabilities		(91,755)	(91,174)	(97,787)	(136,721)

Balance Sheets of Target Company

	Note	As at 30 June 2009 HK$'000	As at 31 December 2009 HK$'000
Assets			
Non-current assets			
Investment in subsidiary	21	–	11,450
Current assets			
Cash and cash equivalents	16	–	52
Total assets		–	11,502
Equity			
Share capital	17	–	–
Reserves	18	(12)	(13)
		(12)	(13)
Liabilities			
Current liabilities			
Amount due to immediate holding company	15	12	11,515
Total liabilities		12	11,515
Total equity and liabilities		–	11,502
Net current liabilities		(12)	(11,463)
Total assets less current liabilities		(12)	(13)

Consolidated Statements of Changes in Equity

	Note	Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2006		–	935	(1,434)	(76,689)	(77,188)
Comprehensive income						
Loss for the year		–	–	–	(9,645)	(9,645)
Other comprehensive income						
Translation differences		–	–	(4,922)	–	(4,922)
Total comprehensive income for the year		–	–	(4,922)	(9,645)	(14,567)
At 30 June 2007		–	935	(6,356)	(86,334)	(91,755)
At 1 July 2007		–	935	(6,356)	(86,334)	(91,755)
Comprehensive income						
Profit for the year		–	–	–	7,066	7,066
Other comprehensive income						
Translation differences		–	–	(10,025)	–	(10,025)
Total comprehensive income for the year		–	–	(10,025)	7,066	(2,959)
At 30 June 2008		–	935	(16,381)	(79,268)	(94,714)
At 1 July 2008		–	935	(16,381)	(79,268)	(94,714)
Comprehensive income						
Loss for the year		–	–	–	(4,534)	(4,534)
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	(4,534)	(4,534)
Issue of share	*17*	–	–	–	–	–
At 30 June 2009		–	935	(16,381)	(83,802)	(99,248)

	Note	Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Unaudited						
At 1 July 2008		–	935	(16,381)	(79,268)	(94,714)
Comprehensive income						
Loss for the period		–	–	–	(2,153)	(2,153)
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(2,153)	(2,153)
Issue of share	*17*	–	–	–	–	–
At 31 December 2008		–	935	(16,381)	(81,421)	(96,867)
At 1 July 2009		–	935	(16,381)	(83,802)	(99,248)
Comprehensive income						
Loss for the period		–	–	–	(36,355)	(36,355)
Other comprehensive income						
Translation differences		–	–	18	–	18
Total comprehensive income for the period		–	–	18	(36,355)	(36,337)
Deemed distribution arising from reorganisation	*2.1*	–	(935)	–	(201)	(1,136)
At 31 December 2009		–	–	(16,363)	(120,358)	(136,721)

Consolidated Cash Flow Statements

		For the year ended 30 June			For the six months ended 31 December	
		2007	2008	2009	2008	2009
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Cash flows from operating activities						
(Loss)/profit before income tax		(10,458)	11,290	(6,224)	(3,038)	(40,038)
Adjustments for:						
– Interest income		(6,769)	(19,493)	(19,639)	(12,972)	(1,459)
– Depreciation of property, plant and equipment		4,637	7,292	8,892	4,444	6,654
– (Gain)/loss on disposal of property, plant and equipment		(36)	–	1,229	3	555
Operating loss before working capital changes		(12,626)	(911)	(15,742)	(11,563)	(34,288)
Changes in:						
Inventories		(1,428)	(11,910)	(479)	(2,272)	(31,539)
Debtors		(22,693)	7,240	20,407	(243)	(18,757)
Prepayments, deposits and other receivables		(3,652)	(10,263)	420	(17,282)	(1,631)
Creditors, accruals and other payables		224,859	134,423	82,506	163,739	61,512
Amount due to immediate holding company		–	–	12	4	11,503
Amount due from a related company		–	–	(13)	–	5
Amounts due from/(to) fellow subsidiaries		(120)	448	66	45	–
Cash generated from/(used in) operations		184,340	119,027	87,177	132,428	(13,195)
Mainland China tax paid		–	–	–	–	(389)
Net cash from/(used in) operating activities		184,340	119,027	87,177	132,428	(13,584)
Cash flows from investing activities						
Purchase of property, plant and equipment		(5,111)	(21,215)	(53,890)	(5,966)	(8,968)
Proceeds from disposal of property, plant and equipment		65	–	302	–	–
(Increase)/decrease in advances to third parties		(223,033)	(107,731)	22,159	14,659	10,795
Interest received		6,769	19,493	19,639	12,972	1,459
Net cash (used in)/from investing activities		(221,310)	(109,453)	(11,790)	21,665	3,286

		For the year ended 30 June			For the six months ended 31 December	
		2007	2008	2009	2008	2009
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Unaudited	
Cash flows from financing activities						
Deemed distribution arising from reorganisation		–	–	–	–	(1,136)
Net cash used in financing activities		–	–	–	–	(1,136)
Net (decrease)/increase in cash and cash equivalents		(36,970)	9,574	75,387	154,093	(11,434)
Cash and cash equivalents at beginning of the year/period		111,984	81,870	100,747	100,747	176,134
Translation differences		6,856	9,303	–	–	–
Cash and cash equivalents at end of the year/period		81,870	100,747	176,134	254,840	164,700

B. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Broad Park Limited (the "Target Company") was incorporated in Hong Kong on 27 October 2008 with limited liability under the Hong Kong Companies Ordinance. The Target Company established Beijing Yixi New World Department Store Co., Ltd. ("Beijing Yixi"), a wholly foreign owned entity, in the People's Republic of China on 18 June 2009. The immediate holding company of the Target Company is Solar Leader Limited, which is a wholly-owned subsidiary of New World Development Company Limited. Accordingly, the Directors regard New World Development Company Limited, a company incorporated and listed in Hong Kong, as being the ultimate holding company of the Target Company.

On 1 August 2009, Beijing Yixi acquired certain assets and liabilities in relation to the department store operation in Beijing (the "Beijing Business") from a company controlled by Solar Leader Limited (the "Transaction") at the then carrying values of the assets and liabilities. Beijing Yixi continues to carry on the Beijing Business in the name of Beijing New World Department Store (北京新世界百貨).

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Beijing Business comprises the core business of the Target Group. Prior to and following the Transaction, the Beijing Business is controlled by Solar Leader Limited, a wholly-owned subsidiary of New World Development Company Limited. As the Target Company and Beijing Yixi has not involved in any other business before the Transaction, the Transaction is a reorganisation of the company originally carrying on the Beijing Business. The consolidated financial information of the Target Company is presented using the carrying values of the Beijing Business for all periods presented as if the current structure existed on 1 July 2006.

Pursuant to the reorganisation, the assets and liabilities of the Beijing Business were transferred to Beijing Yixi except for the paid-in capital of the Company originally carrying on the Beijing Business of RMB1,000,000 (equivalent to approximately HK$1,136,000). The retention of the paid-in capital is treated as deemed distribution.

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention.

As at each balance sheet date of the Relevant Period, the Target Group had a deficit on shareholder's funds and net current liabilities, New World Development Company Limited, its ultimate holding company, has confirmed its intention to provide continuing financial support to the Target Group so as to enable the Target Group to meet its liabilities and obligations as and when they fall due until the completion of the proposed acquisition of the Target Company by the Company. Thereafter, the Company will provide financial support to the Target Group. Accordingly, the Directors have prepared the financial information on a going concern basis.

The preparation of the financial information 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 Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information, are disclosed in Note 4.

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

HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs Amendments	Improvements to HKFRSs 2009
HKFRSs Amendments	Improvements to HKFRSs 2010

The Target Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Target Group's operations and may give rise to changes in accounting policies, changes in disclosures and re-measurement of certain items in the financial information. The Target Group is not yet in a position to ascertain their impact on its results of operations and financial position.

2.2 Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Target Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Target Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset acquired or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Target Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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 Target Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant and machinery	5 years
Motor vehicles	5 years
Leasehold improvements	2 to 10 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.5 Impairment of investments in subsidiary and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investment in subsidiary is required upon receiving dividends from it if the dividend exceeds the total comprehensive income of the subsidiary 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.

2.6 Trade and other receivables

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

2.7 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.

2.8 Operating leases

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

2.9 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Target Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiary, except where the timing of the reversal of the temporary difference is controlled by the Target Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2.10 Cash and cash equivalents

Cash and bank balances are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the balance sheet.

2.11 Provisions

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

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

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

2.12 Trade payables

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

2.13 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 balance sheet date.

(ii) Pension obligations

The Target Group makes contributions to defined contribution retirement scheme under the Occupational Retirement Scheme Ordinance ("ORSO") in Hong Kong, the assets of which are generally held in separate trustee administered funds. The pension plan is generally funded by payments from employees and by the Target Group. The Target Group's contributions to the defined contribution retirement scheme are expensed as incurred.

The Target 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 Target Group. Contributions to these schemes are charged to the income statement as incurred.

(iii) Bonus plans

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

2.14 Revenue recognition

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

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

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

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

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

Other commission income is recognised on an accrual basis.

Payments received in advance that are related to sales of goods not yet delivered are deferred in the balance sheet. Revenue is recognised when goods are delivered to the customers. After expiry of prepaid stored value cards, the corresponding receipts in advance are recognised as income.

2.15 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The functional currency of the Target Company is Renminbi (or "RMB"). The consolidated financial information are presented in Hong Kong dollars, the Target Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

(iii) Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign exchange risk.

(a) Credit risk

The credit risk of the Target Group mainly arises from cash and cash equivalents, debtors, deposits and other receivables, advances to third parties, amounts due from fellow subsidiaries and amount due from a related company. The carrying amounts of these balances represent the Target Group's maximum exposure to credit risk in relation to financial assets. At the end of each reporting period, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

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

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

The advances to third parties carry interest at rates with reference to prevailing market interest rates. At 30 June 2007, there was no concentration of credit risk as the advances were made to a number of parties. At 30 June 2008 and 2009 and 31 December 2009, the advances made to one party amounted to approximately 98% of total advances. The Target Group has monitoring procedures over the advances to third parties and follows up on any overdue amounts to minimize exposures to credit risk. It also reviews regularly the recoverable amount of the advances to individual third parties to ensure that adequate impairment losses are made for irrecoverable amounts.

In addition, the Target Group monitors the exposure to credit risk in respect of the financial assistance provided to the subsidiary through exercising control over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

(b) Liquidity risk

The Target Group regularly monitors current and expected liquidity requirements to ensure that adequate funding is available for operating, investing and financing activities.

All of the Target Group's financial liabilities mature within 1 year from the balance sheet date.

(c) Interest rate risk

The Target Group is exposed to interest rate risk due to the impact of interest rate changes on interest bearing assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Target Group's floating rate interest bearing assets mainly include bank balances.

If interest rates on bank balances had been 50 basis points higher/lower with all other variables held constant, the Target Group's profit before taxation and equity would have been HK$406,000, HK$500,000, HK$874,000 and HK$820,000 higher/lower as at 30 June 2007, 2008 and 2009 and 31 December 2009 respectively. The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year/period and has been applied to the exposure to interest rate risk for financial instruments in existence at the balance sheet date.

(d) Foreign exchange risk

The Target Group operates in Mainland China and its revenue and expenditure are mainly denominated in Renminbi. The Target Group and the Target Company are subject to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities which are not denominated in the functional currencies of the entities. The Target Group and the Target Company currently do not have a foreign currency hedging policy. The Target Group and the Target Company manage their foreign currency risk by closely monitoring the movement of the foreign currency rates.

At 30 June 2007, 2008 and 2009, the Target Group's entities with functional currency of Renminbi did not have assets and liabilities denominated in non-functional currency. At 31 December 2009, the Target Group's entities with functional currency of Renminbi had net monetary liabilities denominated in Hong Kong dollar of HK$387,000. If Renminbi had strengthened/weakened by 2% against Hong Kong Dollars with all other variables unchanged, the Target Group's loss before taxation and accumulated losses would have been HK$7,000 lower/higher respectively.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by group companies at each reporting period that are denominated in a non-functional currency. Currency risks 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 Target Group's presentation currency are not taken into consideration.

3.2 Fair value estimation

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

3.3 Capital risk management

The Target Group's objectives on managing capital are to finance its operations with its owned capital and to safeguard the Target 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 Target Group may consider relevant economic and market conditions and take necessary measures for the beneficial interests of the Target Group and its shareholders.

The Target Group monitors capital on the basis of available cash and current ratio as shown in and derived from the balance sheet. The table below analyses the Target Group's capital structure as at each of the reporting period:

	As at 30 June			As at 31 December
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	81,870	100,747	176,134	164,700
Current ratio *(i)*	0.78	0.81	0.76	0.73

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

Note:

(i) Current assets divided by current liabilities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realisable value of inventories

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

(b) Impairment of receivables

The Target Group assesses whether there is objective evidence that loans and receivables are impaired. It recognises impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

(c) Recognition of deferred tax assets

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

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

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

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 lower than its recoverable amount which is the greater of its net selling price or 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.

5 REVENUE AND SEGMENT INFORMATION

Revenue comprise turnover, which includes commission income from concessionaire sales and sales of goods from direct sales, and rental income.

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
Commission income from concessionaire sales	254,743	323,492	347,787	182,943	182,506
Sales of goods – direct sales	179,959	223,675	250,442	129,947	138,233
Rental income	19,734	18,450	18,581	10,312	6,740
	454,436	565,617	616,810	323,202	327,479

The income from concessionaire sales is analysed as follows:

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
Gross revenue from concessionaire sales	1,167,119	1,473,054	1,613,722	854,810	883,269
Commission income from concessionaire sales	254,743	323,492	347,787	182,943	182,506

The chief operating decision-maker has been identified as the management committee. This committee reviews the Target Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The committee considers that the Target Group has a single operating and reportable segment – the operation of a department store. The committee assesses the performance of this single segment based on a measure of revenue and operating result before income tax.

A measure of total assets for this single segment is the total assets on the consolidated balance sheet.

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

The additions to non-current assets other than financial instruments and deferred income tax assets for each of the reporting periods are the addition to the property, plant and equipment as set out in note 11.

6 OTHER INCOME

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
Interest income from bank deposits	1,844	3,151	2,725	1,451	1,311
Interest income from advances to third parties	4,925	16,342	16,914	11,521	148
Other commission income	10,231	12,482	14,084	7,404	7,535
Sundries	9,828	10,151	10,486	5,438	4,825
	26,828	42,126	44,209	25,814	13,819

7 OTHER OPERATING EXPENSES

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
Water and electricity	14,727	13,192	12,813	7,121	6,264
Promotion, advertising and related expenses	23,405	21,436	16,777	9,782	15,575
Management fee *(note 23(a)(i))*	31,613	39,669	54,306	28,598	34,142
Auditor's remuneration	89	98	102	51	174
(Gain)/loss on disposal of property, plant and equipment	(36)	–	1,229	3	555
Waiver of interest receivables on advances to third parties *(note)*	–	–	21,506	–	–
Others	30,818	36,566	39,058	20,641	18,268
	100,616	110,961	145,791	66,196	74,978

Note: The outstanding interest receivables on advances to a third party were waived on 30 April 2009 pursuant to a supplemental agreement signed with the party.

8 EMPLOYEE BENEFIT EXPENSE

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
Wages and salaries	25,900	31,324	36,041	18,755	17,226
Retirement benefit costs – defined contribution plans	2,075	2,786	3,603	1,884	1,898
Other employment benefits	3,673	5,287	6,548	3,121	1,654
	31,648	39,397	46,192	23,760	20,778

(a) Directors' emoluments

None of the directors of the Target Company received any emoluments in respect of their services rendered to the Target Group during the years ended 30 June 2007, 2008 and 2009 and during the six months ended 31 December 2008 and 2009.

(b) Five highest paid individuals

The emoluments payable to the five highest paid individuals during the respective years/periods are as follows:

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000* Unaudited	*HK\$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	2,171	2,337	2,568	1,317	1,334
Retirement benefit costs – defined contribution plans	75	81	88	42	56
Bonus	494	1,061	1,427	1,427	313
	2,740	3,479	4,083	2,786	1,703

The emoluments fell within the following bands:

	Number of individuals				
	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000* Unaudited	*HK\$'000*
Emolument bands					
Nil – HK\$1,500,000	5	4	4	4	5
HK\$1,500,001 – HK\$2,000,000	–	–	–	1	–
HK\$2,000,001 – HK\$2,500,000	–	1	–	–	–
HK\$2,500,001 – HK\$3,000,000	–	–	1	–	–
	5	5	5	5	5

During the Relevant Periods, no director or the five highest paid individuals received any emoluments from the Target Group as an inducement to join, upon joining the Target Group, leave the Target Group or as compensation for loss of office.

9 INCOME TAX (CREDIT)/EXPENSE

The amounts of taxation charged/(credited) to the consolidated income statement represent:

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000* Unaudited	*HK\$'000*
Current income tax – Mainland China taxation	–	–	389	–	–
Deferred income tax *(Note 19)*	(813)	4,224	(2,079)	(885)	(3,683)
	(813)	4,224	(1,690)	(885)	(3,683)

Mainland China enterprise income tax has been made at the rate of 25% for the year ended 30 June 2009. No provision for Mainland China income tax has been made in the remaining years/periods as there have been no assessable profits for the respective years/periods.

The taxation of the Target Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the applicable tax rates in the respective tax jurisdiction, as follows:

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
(Loss)/profit before income tax	(10,458)	11,290	(6,224)	(3,038)	(40,038)
Tax calculated at applicable tax rate	(3,451)	3,274	(1,556)	(760)	(10,010)
Expenses not deductible for taxation purpose	3,259	2,483	–	–	2,772
Income not subject to taxation	(9)	–	(134)	(125)	(515)
Other temporary differences not recognised	–	–	–	–	4,070
Recognition of previously unrecognised tax losses	(612)	(1,332)	–	–	–
Effect of changes in tax rate	–	(201)	–	–	–
Income tax (credit)/expense	(813)	4,224	(1,690)	(885)	(3,683)
Weighted average domestic applicable tax rates	33%	29%	25%	25%	25%

10 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the equity holder of the Target Company by the weighted average number of shares in issue during the Relevant Periods:

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
				Unaudited	
(Loss)/profit attributable to equity holder of the Target Company (HK$'000)	(9,645)	7,066	(4,534)	(2,153)	(36,355)
Weighted average number of share in issue	1	1	1	1	1
Basic (loss)/earnings per share (HK$'000)	(9,645)	7,066	(4,534)	(2,153)	(36,355)

In computing the weighted average number of share in issue, 1 share of the Target Company issued is deemed to have been in issue throughout the Relevant Periods.

There is no dilutive potential share during the Relevant Periods. Diluted (loss)/earnings per share equal the basic (loss)/earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Motor vehicles	Leasehold improvements	Furniture and fixtures	Office equipment	Computer	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 July 2006	1,694	538	7,754	3,938	1,879	17,376	33,179
Translation differences	104	33	475	241	115	1,063	2,031
Additions	–	268	3,373	526	321	623	5,111
Disposals	(153)	(306)	–	(94)	(47)	(3,230)	(3,830)
At 30 June 2007	1,645	533	11,602	4,611	2,268	15,832	36,491
Accumulated depreciation							
At 1 July 2006	1,694	236	1,251	2,777	1,240	11,921	19,119
Translation differences	104	17	120	176	81	766	1,264
Charge for the year	–	111	2,169	318	263	1,776	4,637
Written back on disposals	(153)	(307)	–	(94)	(43)	(3,205)	(3,802)
At 30 June 2007	1,645	57	3,540	3,177	1,541	11,258	21,218
Net book amount							
At 30 June 2007	–	476	8,062	1,434	727	4,574	15,273

	Plant and machinery	Motor vehicles	Leasehold improvements	Furniture and fixtures	Office equipment	Computer	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 July 2007	1,645	533	11,602	4,611	2,268	15,832	36,491
Translation differences	187	60	1,318	524	257	1,799	4,145
Additions	–	–	19,186	917	68	1,044	21,215
Disposals	(1,023)	–	–	(316)	(371)	(162)	(1,872)
At 30 June 2008	809	593	32,106	5,736	2,222	18,513	59,979
Accumulated depreciation							
At 1 July 2007	1,645	57	3,540	3,177	1,541	11,258	21,218
Translation differences	187	13	630	408	194	1,391	2,823
Charge for the year	–	112	4,024	838	322	1,996	7,292
Written back on disposals	(1,023)	–	–	(316)	(371)	(162)	(1,872)
At 30 June 2008	809	182	8,194	4,107	1,686	14,483	29,461
Net book amount							
At 30 June 2008	–	411	23,912	1,629	536	4,030	30,518

	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	Total HK$'000
Cost							
At 1 July 2008	809	593	32,106	5,736	2,222	18,513	59,979
Additions	1,890	–	51,141	37	48	774	53,890
Disposals	(809)	–	(6,173)	(1,335)	(132)	(1,846)	(10,295)
Reclassification	–	–	518	(518)	–	–	–
At 30 June 2009	1,890	593	77,592	3,920	2,138	17,441	103,574
Accumulated depreciation							
At 1 July 2008	809	182	8,194	4,107	1,686	14,483	29,461
Charge for the year	236	119	5,765	568	227	1,977	8,892
Written back on disposals	(809)	–	(4,739)	(1,425)	(129)	(1,662)	(8,764)
At 30 June 2009	236	301	9,220	3,250	1,784	14,798	29,589
Net book amount							
At 30 June 2009	1,654	292	68,372	670	354	2,643	73,985

	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	Total HK$'000
Unaudited							
Cost							
At 1 July 2008	809	593	32,106	5,736	2,222	18,513	59,979
Additions	786	–	5,020	37	42	80	5,965
Disposals	(809)	–	(147)	(719)	(83)	(39)	(1,797)
Reclassification	–	–	518	(518)	–	–	–
At 31 December 2008	786	593	37,497	4,536	2,181	18,554	64,147
Accumulated depreciation							
At 1 July 2008	809	182	8,194	4,107	1,686	14,483	29,461
Charge for the period	65	59	2,754	369	140	1,057	4,444
Written back on disposals	(809)	–	(52)	(815)	(81)	(38)	(1,795)
At 31 December 2008	65	241	10,896	3,661	1,745	15,502	32,110
Net book amount							
At 31 December 2008	721	352	26,601	875	436	3,052	32,037

	Plant and machinery	Motor vehicles	Leasehold improvements	Furniture and fixtures	Office equipment	Computer	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 July 2009	1,890	593	77,592	3,920	2,138	17,441	103,574
Additions	–	–	8,474	242	25	227	8,968
Disposals	–	–	(2,195)	(2,648)	(1,416)	(9,177)	(15,436)
At 31 December 2009	1,890	593	83,871	1,514	747	8,491	97,106
Accumulated depreciation							
At 1 July 2009	236	301	9,220	3,250	1,784	14,798	29,589
Charge for the period	189	59	5,286	144	73	903	6,654
Written back on disposals	–	–	(1,722)	(2,587)	(1,409)	(9,163)	(14,881)
At 31 December 2009	425	360	12,784	807	448	6,538	21,362
Net book amount							
At 31 December 2009	1,465	233	71,087	707	299	1,953	75,744

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June			As at 31 December
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Valued-added taxes receivables	18,077	22,161	29,017	34,568
Interest receivables	1,718	13,120	–	–
Others	6,525	1,302	7,146	3,226
	26,320	36,583	36,163	37,794

The balances are mainly denominated in Renminbi and their carrying amounts approximate their fair values.

Other receivables and interest receivables were neither past due nor impaired as at each of the reporting period.

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

13 DEBTORS

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

Aging analysis of debtors is as follows:

	As at 30 June			As at 31 December
	2007	2008	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within period for				
0-30 days	37,548	30,308	9,901	15,081
31-60 days	–	–	–	13,577
	37,548	30,308	9,901	28,658

As at 30 June 2007, 2008 and 2009, trade debtors were neither past due nor impaired. As at 31 December 2009, trade debtors of HK$13,577,000 were past due but not impaired, and were past due for less than 30 days. These relate to companies for whom there is no recent history of default.

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

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

14 ADVANCES TO THIRD PARTIES

The balances carry interest, and are unsecured and repayable within one year in accordance with the terms of agreements.

Pursuant to a supplemental agreement signed with a third party on 30 April 2009, the outstanding advances receivable from this third party of HK$302,810,000 and HK$292,014,000 as at 30 June 2009 and 31 December 2009 respectively became interest free effective from 30 April 2009 and the outstanding interest receivable from this third party as at 30 April 2009 was waived.

The outstanding advances receivable were fully settled subsequent to 31 December 2009.

15 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES, RELATED COMPANIES AND IMMEDIATE HOLDING COMPANY

The balances with fellow subsidiaries, related companies and immediate holding company are unsecured, interest free and repayable on demand. Their carrying amounts approximate their fair values.

16 CASH AND CASH EQUIVALENTS

	As at 30 June			As at 31 December
	2007	2008	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	81,870	100,747	176,134	164,700

Cash and cash equivalents are denominated in the following currencies:

	Target Group				Target Company	
		As at 30 June		As at 31 December	As at 30 June	As at 31 December
	2007	2008	2009	2009	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	–	–	–	11,128	–	52
Renminbi	81,870	100,747	176,134	153,572	–	–
	81,870	100,747	176,134	164,700	–	52

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

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

The maximum exposure to credit risk is the carrying amount of the cash and cash equivalents excluding cash in hand.

17 SHARE CAPITAL

	As at 30 June 2009	As at 31 December 2009
	HK$'000	*HK$'000*
Authorised:		
10,000 shares of HK$1 each	10	10
Issued and fully paid:		
1 share of HK$	–	–

At the date of incorporation, 1 share of HK$1 was issued at par value.

18 RESERVES

Target Group

	Note	**Capital reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 July 2006		935	(1,434)	(76,689)	(77,188)
Translation differences		–	(4,922)	–	(4,922)
Loss for the year		–	–	(9,645)	(9,645)
At 30 June 2007		935	(6,356)	(86,334)	(91,755)
At 1 July 2007		935	(6,356)	(86,334)	(91,755)
Translation differences		–	(10,025)	–	(10,025)
Profit for the year		–	–	7,066	7,066
At 30 June 2008		935	(16,381)	(79,268)	(94,714)
At 1 July 2008		935	(16,381)	(79,268)	(94,714)
Loss for the year		–	–	(4,534)	(4,534)
At 30 June 2009		935	(16,381)	(83,802)	(99,248)
Unaudited					
At 1 July 2008		935	(16,381)	(79,268)	(94,714)
Loss for the period		–	–	(2,153)	(2,153)
At 31 December 2008		935	(16,381)	(81,421)	(96,867)
At 1 July 2009		935	(16,381)	(83,802)	(99,248)
Translation differences		–	18	–	18
Loss for the period		–	–	(36,355)	(36,355)
Deemed distribution arising from reorganisation		(935)	–	(201)	(1,136)
At 31 December 2009		–	(16,363)	(120,358)	(136,721)

Target Company

	Accumulated losses
	HK$'000
Loss for the period from date of incorporation	(12)
At 30 June 2009	(12)
At 1 July 2009	(12)
Loss for the period	(1)
At 31 December 2009	(13)
Loss for the period from date of incorporation	(4)
At 31 December 2008	(4)

(Loss)/profit attributable to equity holders of the Target Company is dealt with in the financial statements of the Target Company to the extent of approximately loss of HK$12,000, HK$4,000 and HK$1,000 for the year ended 30 June 2009 and for the six months ended 31 December 2008 and 2009 respectively.

19 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:

		As at 30 June		**As at 31 December**
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets	830	–	–	2,222
Deferred income tax liabilities	–	(3,540)	(1,461)	–
	830	(3,540)	(1,461)	2,222

The movement of net deferred income tax (liabilities)/assets account is as follows:

		As at 30 June		**As at 31 December**
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the year/period	–	830	(3,540)	(1,461)
Translation differences	17	(146)	–	–
Credited/(charged) to income statement *(Note 9)*	813	(4,224)	2,079	3,683
End of the year/period	830	(3,540)	(1,461)	2,222

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
At 1 July 2006	706
Translation differences	50
Recognised in the income statement	337
At 30 June 2007	1,093
Translation differences	85
Recognised in the income statement	(685)
At 30 June 2008	493
Recognised in the income statement	(481)
At 30 June 2009	12
Recognised in the income statement	6,461
At 31 December 2009	6,473

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

Deferred income tax liabilities:

	Accelerated depreciation	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2006	(706)	–	(706)
Translation differences	(33)	–	(33)
Recognised in the income statement	476	–	476
At 30 June 2007	(263)	–	(263)
Translation differences	(47)	(184)	(231)
Recognised in the income statement	(292)	(3,247)	(3,539)
At 30 June 2008	(602)	(3,431)	(4,033)
Recognised in the income statement	(792)	3,352	2,560
At 30 June 2009	(1,394)	(79)	(1,473)
Recognised in the income statement	(2,684)	(94)	(2,778)
At 31 December 2009	(4,078)	(173)	(4,251)

20 CREDITORS, ACCRUALS AND OTHER PAYABLES

	As at 30 June			As at 31 December
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Creditors				
Third parties	227,276	271,529	271,489	366,104
Fellow subsidiaries *(note)*	16,000	48,165	25,728	30,310
Related companies *(note)*	186,449	228,304	283,832	259,340
	429,725	547,998	581,049	655,754
Accruals and other payables	61,750	98,404	147,859	134,648
	491,475	646,402	728,908	790,402

Note: Outstanding payables to fellow subsidiaries and related companies of HK$30,293,000 and HK$218,451,000 respectively as at 31 December 2009 were settled up to the date of this report.

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

	As at 30 June			As at 31 December
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within period for				
0-30 days	80,973	192,634	157,518	247,902
31-60 days	93,779	46,943	65,968	58,227
61-90 days	18,354	19,950	22,397	39,645
Over 90 days	236,619	288,471	335,166	309,980
	429,725	547,998	581,049	655,754

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

21 INVESTMENT IN SUBSIDIARY

	As at 30 June 2009	As at 31 December 2009
	HK$'000	*HK$'000*
Unlisted investment, at cost	–	11,450

Details of the subsidiary are as follows:

Name	Place of incorporation and operation	Particulars of registered capital	Direct interest held as at 31 December 2009	Principal activities	Statutory auditors
Beijing Yixi New World Department Store Co., Ltd.	Mainland China	RMB10,092,030	100%	Operation of department store	北京華慶興會計師事務所有限責任公司 Beijing Hua Qing Xing CPA Co., Ltd.

The subsidiary is a wholly foreign-owned enterprise.

22 COMMITMENTS

(a) Capital commitments

Capital commitments in respect of property, plant and equipment of the Target Group at the balance sheet date are as follows:

	As at 30 June			As at 31 December
	2007	2008	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for	1,291	457	286	1,560

(b) Operating lease commitments

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

	As at 30 June			As at 31 December
	2007	2008	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	1,624	1,625
In the second to fifth year	–	–	6,498	5,956
After the fifth year	–	–	271	–
	–	–	8,393	7,581

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

	As at 30 June			As at 31 December
	2007	2008	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	9,443	6,044	7,476	4,896
In the second to fifth year	9,931	5,027	3,864	5,406
	19,374	11,071	11,340	10,302

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.

23 RELATED PARTY TRANSACTIONS

(a) The following is a summary of significant related party transactions during the Relevant Periods carried out by the Target Group in the normal course of its business:

		For the year ended 30 June			For the six months ended 31 December	
		2007	**2008**	**2009**	**2008**	**2009**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					Unaudited	
Fellow subsidiaries						
Management fee expenses	*(i)*	31,613	39,669	54,306	28,598	34,142
Purchase of goods	*(ii)*	6,363	770	676	436	–
Related companies						
Concessionaires commissions	*(iii)*	575	616	566	348	344
Operating lease rental expenses	*(iv)*	198,155	249,327	252,837	146,091	157,421
Building management expenses	*(v)*	16,888	18,232	19,365	9,639	9,719

Notes:

(i) The management fee expense is charged in accordance with respective operational agreements.

(ii) Purchase of goods is charged in accordance with the terms of respective contracts.

(iii) The income is charged in accordance with concessionaire counter agreements with Chow Tai Fook Jewellery Company Limited or its subsidiaries, an associate of Chow Tai Fook Enterprises Limited, a shareholder of New World Development Company Limited. The commissions are mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(iv) The operating lease rental expense is mainly charged based on specific percentages on the after-tax sales and rental income of the operation in accordance with respective tenancy agreements, by jointly controlled entities of a fellow subsidiary.

(v) The building management fee is charged at fixed monthly amounts in accordance with respective contracts, by a jointly controlled entity of a fellow subsidiary.

(b) Key management compensation

	For the year ended 30 June			For the six months ended 31 December	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
Basic salaries, housing allowances, other allowances and benefits in kind	2,933	3,185	3,571	1,883	1,880
Bonus	588	1,112	1,507	1,507	395
Retirement benefit costs – defined contribution plans	75	81	88	42	56
	3,596	4,378	5,166	3,432	2,331

24 EVENT AFTER THE BALANCE DATE

On 18 June 2010, the Target Company, Solar Leader Limited (the "Vendor") and Rainbow Star Resources Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into an agreement whereby the Purchaser agreed to acquire from the Vendor the entire interest of the Target Company and its shareholder's loan owing to the Vendor for an aggregate consideration of RMB150,000,000 less the unpaid registered capital of Beijing Yixi at the date of completion of the acquisition.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or its subsidiary in respect of any period subsequent to 31 December 2009. No dividends or distributions have been declared or paid by the Target Company or its subsidiary in respect of any period subsequent to 31 December 2009.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of 100% interest in Broad Park (the "Acquisition"), as if it had taken place on 31 December 2009.

This unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2009 has been prepared using the accounting policies consistent with that of the Group and based on the unaudited consolidated balance sheet of the Group as at 31 December 2009 as extracted from the Company's published interim report for the six months ended 31 December 2009 as set out in Appendix I to this circular, after making pro forma adjustments as set out in the notes below.

This unaudited pro forma statement of assets and liabilities of the Enlarged Group have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2009 or at any future date.

Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2009

	Unaudited consolidated assets and liabilities of the Group as at 31 December 2009	Pro forma adjustments: Audited consolidated assets and liabilities of Target Group as at 31 December 2009	Pro forma adjustments: Other pro forma adjustments	Note	Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*	*Notes 3 & 4*		
Assets					
Non-current assets					
Property, plant and equipment	1,241,461	75,744	–		1,317,205
Land use rights	753,706	–	–		753,706
Goodwill	172,435	–	233,265	*5*	405,700
Other non-current assets	534,188	–	–		534,188
Long-term prepaid rent and rental deposits	105,440	–	–		105,440
Available-for-sale financial assets	119,169	–	–		119,169
Deferred income tax assets	32,727	2,222	–		34,949
	2,959,126	77,966	233,265		3,270,357
Current assets					
Inventories	60,332	58,206	–		118,538
Debtors	129,131	28,658	–		157,789
Prepayments, deposits and other receivables	479,329	37,794	–		517,123
Advance to third parties	–	297,810	–		297,810
Amount due from an associated company	676	–	–		676
Amounts due from fellow subsidiaries	31,115	54	(30,310)	*6*	859
Amount due from a related company	–	8	–		8
Fixed deposits	846,202	–	–		846,202
Cash and cash equivalents	2,567,477	164,700	(108,059)	*3*	2,624,118
	4,114,262	587,230	(138,369)		4,563,123
Total assets	7,073,388	665,196	94,896		7,833,480

	Unaudited consolidated assets and liabilities of the Group as at 31 December 2009	Audited consolidated assets and liabilities of Target Group as at 31 December 2009	Other pro forma adjustments	Note	Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2009
		Pro forma adjustments			
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*	*Notes 3 & 4*		
Liabilities					
Non-current liabilities					
Accruals and deferred income	298,096	–	–		298,096
Deferred income tax liabilities	153,628	–	–		153,628
	451,724	–	–		451,724
Current liabilities					
Creditors, accruals and other payables	1,949,881	790,402	(28,810)	*6 & 8*	2,711,473
Amounts due to fellow subsidiaries	5,098	–	–		5,098
Amount due to immediate holding company	–	11,515	(11,515)	*7*	–
Tax payable	65,219	–	–		65,219
	2,020,198	801,917	(40,325)		2,781,790
Total liabilities	2,471,922	801,917	(40,325)		3,233,514
Net current assets/(liabilities)	2,094,064	(214,687)	(98,044)		1,781,333
Total assets less current liabilities	5,053,190	(136,721)	135,221		5,051,690

Notes to unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2009

1. The balances for the unaudited consolidated assets and liabilities of the Group as at 31 December 2009 are extracted from the unaudited consolidated balance sheet of the Company as at 31 December 2009 included in the published interim report of the Company for the six months ended 31 December 2009 as set out in Appendix I to this circular.

2. The adjustment represents the inclusion of the balances for the assets and liabilities of Target Group as at 31 December 2009 as extracted from the accountant's report of Target Group as set out in Appendix II to this circular.

3. In accordance with the Acquisition Agreement, the Group will acquire 100% of the issued share capital of Broad Park and the amount due to immediate holding company of Broad Park (approximately HK$11,515,000) for a consideration of RMB150,000,000 (equivalent to approximately HK$170,454,000) less the amount of unpaid registered share capital of Beijing Yixi of approximately RMB54,908,000 (equivalent to approximately HK$62,395,000). If the Acquisition has taken place on 31 December 2009, the consideration would be approximately HK$108,059,000. The adjustment represents the payment of the cash consideration for the Acquisition.

4. Upon completion of the Acquisition, the identifiable assets and liabilities of Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting.

   The identifiable assets and liabilities of the Target Group are recorded in the unaudited pro forma consolidated balance sheet of the Enlarged Group at their fair values estimated by the directors of the Company with reference to the valuation performed by an independent firm of professional valuer, Jones Lang LaSalle Sallmanns Limited as at 31 December 2009.

5. The adjustment reflects the recognition of the goodwill of approximately HK$233,265,000 being the excess of the consideration for the Acquisition as set out in note 3 above over the fair values of the net identifiable liabilities of Target Group.

   Since the fair values of the net identifiable liabilities of the Target Group at the date of completion of the Acquisition may be substantially different from the fair values used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group, the final amount of goodwill to be recognised in connection with the Acquisition will be different from the estimated goodwill stated herein.

6. The adjustments represent the elimination of intercompany balances.

7. The adjustment represents the assignment of the amount due to immediate holding company of Broad Park of an aggregate amount of approximately HK$11,515,000 as at 31 December 2009 from Solar Leader Limited to Rainbow Star Resources Limited, a wholly-owned subsidiary of the Group, in relation to the Acquisition.

8. Balance represents the estimated directly attributable transaction costs incurred for the Acquisition.

9. No adjustments have been made to reflect any trading result or other transactions of the Group and Target Group entered into subsequent to 31 December 2009.

10. For illustration purpose, translation of Renminbi (or "RMB") into Hong Kong dollars (or "HKD") have made in this unaudited pro forma statement of assets and liabilities, at the rate RMB0.88 to HKD1.0.

B. REPORT FROM THE REPORTING ACCOUNTANT

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED

We report on the unaudited pro forma financial information set out on pages 126 to 130 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 30 June 2010 (the "Circular") of New World Department Store China Limited (the "Company"), in connection with the proposed acquisition of 100% equity interest in Broad Park Limited (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 126 to 130 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the consolidated assets and liabilities of the Group as at 31 December 2009 with the published unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2009, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2009 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 June 2010

MANAGEMENT DISCUSSION AND ANALYSIS OF BROAD PARK GROUP

The following discussion and analysis of Broad Park Group's financial condition and results of operations should be read in conjunction with Broad Park Group's financial statements and the related notes included in Appendix II to this circular.

(i) Financial performance and position

Revenue

Revenue included commission income from concessionaire sales, sales of goods from direct sales and rental income. For the six months ended 31 December 2009, revenue of the Target Group was HK$327,479,000 (six months ended 31 December 2008: HK$323,202,000). For the year ended 30 June 2009, revenue of the Target Group was HK$616,810,000 (2008: HK$565,617,000 and 2007: HK$454,436,000). The increases in revenue were mainly due to the increases in commission income from concessionaire sales and sales of goods from direct sales as mentioned below.

Commission income from concessionaire sales for the six months ended 31 December 2009 was HK$182,506,000 (six months ended 31 December 2008: HK$182,943,000). For the year ended 30 June 2009, commission income from concessionaire sales of the Target Group was HK$347,787,000 (2008: HK$323,492,000 and 2007: HK$254,743,000).

Sales of goods from direct sales for the six months ended 31 December 2009 was HK$138,233,000 (six months ended 31 December 2008: HK$129,947,000). For the year ended 30 June 2009, sales of goods from direct sales of the Target Group was HK$250,442,000 (2008: HK$223,675,000 and 2007: HK$179,959,000).

Profits before operating lease rental expenses

The Target Group recorded losses mainly due to the inclusion of operating lease rental expenses. Operating lease rental expense for the six months ended 31 December 2009 was HK$157,421,000 (six months ended 31 December 2008: HK$146,091,000). For the year ended 30 June 2009, operating lease rental expense of the Target Group was HK$252,837,000 (2008: HK$249,327,000 and 2007: HK$198,155,000). The following table shows the profits before operating lease rental expenses of the Target Group:

	For the year ended 30 June			**For the six months ended 31 December**	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
(Loss)/profit after operating lease rental expense	(9,645)	7,066	(4,534)	(2,153)	(36,355)
Operating lease rental expense	198,155	249,327	252,837	146,091	157,421
Profit before operating lease rental expense	188,510	256,393	248,303	143,938	121,066

(ii) Segment information

The Target Group was primarily engaged in the operation of department store.

(iii) Liquidity and financial resources

The Target Group's capital expenditure and daily operations are mainly funded by cash generated from its operations. Cash and cash equivalents of the Target Group amounted to HK$164,700,000 as at 31 December 2009 (30 June 2009: HK$176,134,000, 30 June 2008: HK$100,747,000 and 30 June 2007: HK$81,870,000). According to the information provided by the Vendor, as at the Latest Practicable Date, the financial resources are sufficient for the operation of the Target Group.

(iv) Borrowings

The Target Group had no borrowing as at 31 December 2009, 30 June 2009, 30 June 2008 and 30 June 2007.

(v) Significant investments

The Target Group had no significant investment as at 31 December 2009, 30 June 2009, 30 June 2008 and 30 June 2007.

(vi) Future plans for material investments or capital assets

According to the information provided by the Vendor, as at the Latest Practicable Date, the Target Group has no future plan for material investments or capital assets.

(vii) Material acquisition or disposal of subsidiaries and affiliated companies

According to the information provided by the Vendor, the Target Group did not engage in material acquisition or disposal of subsidiaries and associated companies for the three financial years ended 30 June 2009 and six months ended 31 December 2009.

(viii) Employees

As at 31 December 2009, the Target Group employed 694 (2008: 683) employees. As at 30 June 2009, the total number of employees of the Target Group was 667 (2008: 706 and 2007: 716). According to the information provided by the Vendor, the Target Group maintained the company policy that all levels of employees were paid competitively within the standard in the market and employees were rewarded on performance related basis within the framework of the Target Group's salary and incentives.

(ix) Charges on Broad Park Group's assets

Assets of the Target Group were not pledged as at 31 December 2009.

(x) Foreign currency risk

The Target Group operates in the PRC and its revenue and expenditure are mainly denominated in Renminbi. The Target Group will be subject to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities which are not denominated in the functional currencies of the Target Group. The Target Group did not use any forward contract or currency borrowing to hedge its foreign exchange risk.

(xi) Contingent liabilities

The Target Group did not have any significant contingent liability as at 31 December 2009, 30 June 2009, 30 June 2008 and 30 June 2007.

(xii) Capital commitments

The capital commitments in respect of property, plant and equipment of the Target Group amounted to HK$1,560,000 as at 31 December 2009 (30 June 2009: HK$286,000, 30 June 2008: HK$457,000 and 30 June 2007: HK$1,291,000).

(xiii) Future Plan and prospects

With the impetus of the Beijing 2008 Olympic Games and the related investment and consumption structures in Beijing, the PRC has continued to optimize. The mode of economic growth has transformed gradually to an economy, predominated by consumerism. As the pull of consumption increasingly strengthened, the consumer market grew more active, creating many opportunities for local retailers.

According to the statistics from the website of Beijing Statistical Information Net (www.bjstats.gov.cn), the gross domestic products in Beijing, the PRC increased from approximately RMB1,048.80 billion in 2008 to approximately RMB1,186.59 billion in 2009, representing an increase of approximately 13.14% and the retails sales of consumer goods in Beijing, the PRC increased from approximately RMB458.90 billion in 2008 to approximately RMB530.99 billion in 2009, representing an increase of approximately 15.71%. As a shot in the arm, they infused confidence among consumers and enterprises seeking growth in Beijing, the PRC.

The Target Group has undertaken large-scale business enhancements of its store in Beijing, the PRC to cater to market needs. Beijing New World Department Store (北京新世界百貨) at Phase One Property re-assigned the product categories on Level 3 and Level 4. More new labels were introduced to expand sections for men's casual wear on Level 3, and for children and beddings on Level 4. Concurrently, the ceiling and flooring on Level 4 were re-designed, while the concessionaires were reconfigured to afford faster and more convenient locating of merchandise required by customers. Beijing New World Department Store at Phase Two Property carried out comprehensive indoor and outdoor re-decorations as well as merchandise optimization. Positioned along youthful, trendy, avant-garde and popular themes, the store added many vogue labels in leisure wear for young men and young women. Such labels, for both genders, were made available at the same spot to facilitate such as themed restaurants and outlets for special drinks, hotpots and snacks, besides revamping its ice-skating rink and games pavilion. In future, it will undergo an overall revamp to assume a streamlined outlook, fitted with large glass walls, in order to highlight its image of one-stop shopping spot that cater needs of all ages and both genders.

FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the operation of department stores in the PRC. The Acquisition is expected to further enhance the Group's influence in the retail market in the PRC as well as to facilitate the Group to lay a good foundation for a new brand and retail roadmap in the PRC. The Acquisition will provide an opportunity for the Group to increase its interests in department store business in the Northern Region of the PRC and accordingly, will further enhance the Group's strategy of "multiple presences in a single city" in order to increase market share and enjoy economies of scale and synergy effect within the Northern Region of the PRC. As under the Existing Lease Agreements, there are downward adjustments on the monthly rent of the Properties with effect from 1 July 2010, the Acquisition would further enhance the Group's department store business, enrich the revenue stream of the Group and have a positive impact on the earnings position of the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained in this circular or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and the 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 SFO) which were required pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO); or (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares

	Number of shares				Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests	Total	
The Company					
(Ordinary shares of HK$0.10 each)					
Mr. Cheng Chi-kong, Adrian	–	–	1,107,000(1)	1,107,000	0.07
Mega Choice Holdings Limited					
(In liquidation)					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	–	420,585,070(2)	420,585,070	34.61
New World China Land Limited					
(Ordinary shares of HK$0.10 each)					
Dr. Cheng Kar-shun, Henry	18,750,000	2,925,000	78,406,800(3)	100,081,800	1.74
Ms. Ngan Man-ying, Lynda	100,000	–	–	100,000	0.00
New World Development Company Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	300,000	–	300,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	9,179,199	–	8,000,000(3)	17,179,199	0.79

Notes:

1. These shares are beneficially owned by a company wholly-owned by Mr. Cheng Chi-kong, Adrian.

2. These shares are beneficially owned by certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.

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

(b) Long positions in underlying shares – share options

(i) The Company

Name	Date of grant	Exercisable period *(Notes)*	Number of share options held	Exercise price per share *HK$*
Dr. Cheng Kar-shun, Henry	27/11/2007	(1)	1,000,000	8.660
Mr. Au Tak-cheong	27/11/2007	(1)	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27/11/2007	(1)	500,000	8.660
Mr. Cheung Fai-yet, Philip	27/11/2007	(1)	1,500,000	8.660
	25/3/2008	(2)	500,000	8.440
Mr. Lin Tsai-tan, David	27/11/2007	(1)	459,000	8.660
	25/3/2008	(2)	230,000	8.440
Mr. Wong Kwok-kan, Kenneth	27/11/2007	(1)	501,000	8.660
	25/3/2008	(2)	250,000	8.440
Ms. Ngan Man-ying, Lynda	27/11/2007	(1)	500,000	8.660
Mr. Cheong Ying-chew, Henry	27/11/2007	(1)	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27/11/2007	(1)	250,000	8.660
Mr. Tong Hang-chan, Peter	27/11/2007	(1)	250,000	8.660
Mr. Yu Chun-fai, Henry	27/11/2007	(1)	250,000	8.660

Notes:

(1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(2) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(3) The cash consideration paid by each Director for each grant of the share options is HK$1.00.

(ii) New World China Land Limited

Name	**Date of grant**	**Exercisable period** *(Notes)*	**Number of share options held**	**Exercise price per share** *HK$*
Dr. Cheng Kar-shun, Henry	7/1/2008	(1)	2,238,806	6.228
	29/12/2008	(3)	1,791,045	1.340
Mr. Cheng Chi-kong, Adrian	25/7/2006	(2)	371,194	2.559
	7/1/2008	(1)	1,679,104	6.228
	29/12/2008	(3)	1,343,284	1.340
Ms. Ngan Man-ying, Lynda	7/1/2008	(1)	1,119,403	6.228
	29/12/2008	(3)	1,007,463	1.340

Notes:

(1) Divided into 3 tranches, exercisable from 8 February 2008, 8 February 2009 and 8 February 2010 respectively to 7 February 2011.

(2) Divided into 5 tranches, exercisable from 26 August 2006, 26 August 2007, 26 August 2008, 26 August 2009 and 26 August 2010 respectively to 25 August 2011.

(3) Divided into 4 tranches, exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.

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

(iii) New World Development Company Limited

Name	Date of grant	Exercisable period *(Notes)*	Number of share options held	Exercise price per share *HK$*
Dr. Cheng Kar-shun, Henry	19/3/2007	(1)	36,710,652	17.654
Mr. Cheng Chi-kong, Adrian	19/3/2007	(2)	502,885	17.654
Mr. Au Tak-cheong	19/3/2007	(2)	1,206,925	17.654

Notes:

(1) Exercisable from 19 March 2007 to 18 March 2012.

(2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.

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

(iv) NWS Holdings Limited

Name	Date of grant	Exercisable period *(Note)*	Number of share options held	Exercise price per share *HK$*
Dr. Cheng Kar-shun, Henry	21/8/2007	(1)	3,026,828	16.055

Notes:

(1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or any of their associate had or deemed to have any interest or short position in the shares, underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors were aware, as at the Latest Practicable Date, the following persons (not being Directors or the chief executive of the Company) had an interest or a short position in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO, or who (other than a member of the Group was) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

	Number of shares held			Approximate percentage of shareholding
Name	Beneficial interests	Corporate interests	Total	(direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("**CYTFH**")(1)	–	1,218,900,000	1,218,900,000	72.29
Centennial Success Limited ("**Centennial**")(2)	–	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited ("**CTF**")(3)	–	1,218,900,000	1,218,900,000	72.29
New World Development Company Limited	1,218,900,000	–	1,218,900,000	72.29

Notes:

1. CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by Centennial.

2. Centennial 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.

3. CTF together with its subsidiaries hold an aggregate of approximately 40.03% interest in NWD and is accordingly deemed to have an interest in the shares of the Company interested by NWD.

Save as disclosed herein, the Directors are not aware of any person (not being Directors or the chief executive of the Company) who, as at the Latest Practicable Date, have an interest or a short position in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group was) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2009, being the date to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, other than service contracts expiring or terminable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

7. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 30 June 2009, being the date to which the latest published audited financial statements of the Group were made up.

8. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

9. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group (the "**Competing Businesses**") other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group:

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

Name	Name of entity	Description of business	Nature of interest of the Director in the entity
Dr. Cheng Kar-shun, Henry	New World Development Company Limited	Department store operation	Director and shareholder
	Lifestyle International Holdings Ltd. group of companies	Department store operation	Director
Mr. Cheng Chi-kong, Adrian	New World Development Company Limited	Department store operation	Director

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors, and their respective associates had interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Company does not rely on any of the Competing Businesses in carrying on the Company's business. The Directors are of the view that the Company is capable of carrying on its business independently of, and at arm's length from the Competing Businesses.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Veda Capital	a licensed corporation for carrying out type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

Each of Veda Capital and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of Veda Capital and PricewaterhouseCoopers did not have any direct or indirect interest in any assets which had since 30 June 2009 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, each of Veda Capital and PricewaterhouseCoopers was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

(a) a framework agreement for sale and purchase dated 7 July 2008 and entered into between Wuhan New Eagle Development Co., Ltd. ("**Wuhan New Eagle**"), a wholly-owned subsidiary of the Company, and Henan Yuhong Property Company Limited ("**Henan Yuhong**"), pursuant to which, inter alia, Henan Yuhong agreed to sell and Wuhan New Eagle agreed to acquire the building ownership right and land use right of Level 1 to Level 4 of Block A of the commercial podium building of the project to be developed by Henan Yuhong to be erected, including all the building areas, the right of use of the outer wall and the outer space thereof, certain prescribed area between the roof and the staircase outside the building, the building ownership right and/or the right of use of certain prescribed area at the lower ground first floor, the lower ground second floor and other areas and facilities as prescribed in such agreement on the parcel of land numbered GC1-459-16 located at Shangcheng Road North and Zijingshan Road East, Zhengzhou City, Henan Province for an aggregate consideration of approximately RMB307,317,000;

(b) agreements dated 25 July 2008 and entered into between Shenyang New World Department Store Co., Ltd. ("**Shenyang New World**"), a wholly-owned subsidiary of the Company, and Shenyang Fengrui Property Company Limited ("**Shenyang Fengrui**"), pursuant to which, among other things, Shenyang Fengrui agreed to sell and Shenyang New World agreed to acquire the building ownership right and land use right of the prescribed area of Level 1 to Level 7 of the building to be erected on 瀋陽市大東區津橋路南側地塊 (the land parcel of Jinqiao Road South, Dadong District, Shenyang City, the "**Land**"), including the right of use of the outer wall of Level 1 to Level 7 of the Land and the roof of the Property, as defined herein (the "**Property**") and the right of use of the carpark located at the upper basement of the building to be erected on the Land (the "**Carpark**") for an aggregate consideration of approximately RMB287,540,000;

(c) a sale and purchase supplemental agreement dated 24 July 2009 and entered into between Shenyang New World and Shenyang Fengrui, to amend the terms of 商品房買賣合同 (Agreement for Sale and Purchase of Commercial Housing), together with an agreement supplemental thereto (the "**SP Agreements**") such that the deadlines specified under the SP Agreements for obtaining or application of certain documents by Shenyang Fengrui were extended;

(d) another supplemental agreement dated 16 April 2010 and entered into between Shengyang New World and Shenyang Fengrui to amend the supplemental agreement dated 24 July 2009 entered into between Shenyang New World and Shenyang Fengrui (the "**Supplemental Agreement**") such that the deadlines specified under the Supplement Agreement for the handover of, inter alias, the Property and Carpark and for obtaining or application of certain documents by Shenyang Fengrui were extended;

(e) an agreement dated 20 January 2009 and entered into between New World Department Stores Investment (China) Co., Ltd. ("**NWDS(I)**"), a wholly-owned subsidiary of the Company, and Solar Leader Limited ("**Solar Leader**"), an indirect-wholly-owned subsidiary of NWD and Yunnan New World Department Store Co., Ltd. ("**Yunnan Co**"), pursuant to which, among other things, NWDS(I) agreed to acquire from Solar Leader all interests and rights of Solar Leader arising or derived from the trust agreement entered into between Solar Leader and the registered owners of the registered capital of Yunnan Co dated 1 January 2007 including any beneficial interest in the entire equity interest in the registered capital of Yunnan Co for a consideration of HK$3,000,000;

(f) an agreement dated 20 January 2009 and entered into between NWDS(I), Solar Leader and Ningbo New World Trendy Department Store Co., Ltd. ("**Ningbo Co**"), pursuant to which, among other things, NWDS(I) agreed to acquire from Solar Leader the entire equity interest in the registered capital of Ningbo Co for a consideration of RMB2,000,000; and

(g) the Acquisition Agreement.

12. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Wong Kwok-kan, Kenneth, a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and an associate member of The Hong Kong Institute of Certified Public Accountants.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays) at the head office and principal place of business of the Company in Hong Kong at Room 1604-08, 16/F, New World Tower 1, 18 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the Memorandum of Association and Articles of Association of the Company;

(b) the Acquisition Agreement;

(c) the Master Leasing Agreement;

(d) the Supplemental Master Leasing Agreement;

(e) the Master Sales Agreement;

(f) other material contracts referred to in the paragraph headed "11. Material Contracts" in this appendix;

(g) the Company's annual reports for the two financial years ended 30 June 2009;

(h) the accountant's report from PricewaterhouseCoopers dated 30 June 2010 on the financial information of Broad Park, the text of which is set out in Appendix II to this circular.

(i) the report from PricewaterhouseCoopers dated 30 June 2010 in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(j) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;

(k) the letter issued by the Independent Financial Adviser dated 30 June 2010 setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, the Revised Annual Caps and the Supplemental Master Leasing Agreement, the full text of which is set out on pages 19 to 32 of this circular;

(l) the written consents from the experts referred to in paragraph headed "10. Experts and Consents" in this appendix; and

(m) this circular.

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)
(Stock Code: 825)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of the shareholders of New World Department Store China Limited (the "**Company**") will be held at Concord I, 8th Floor, Renaissance Harbour View Hotel, No. 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 27 July 2010 at 11:00 am for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the Acquisition Agreement (as defined and described in the circular of the Company dated 30 June 2010 (the "**Circular**"), a copy of the Circular marked "**A**" together with a copy of the Acquisition Agreement marked "**B**" are tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated under the Acquisition Agreement and the implementation thereof be and are hereby approved, ratified and confirmed; and

   (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto."

2. "**THAT:**

   (a) the Supplemental Master Leasing Agreement (as defined and described in the Circular, a copy of the Supplemental Master Leasing Agreement marked "**C**" is tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated under the Supplemental Master Leasing Agreement and the implementation thereof be and are hereby approved, ratified and confirmed; and

   (b) the Revised Annual Caps (as defined and described in the Circular) be and are hereby approved; and

(c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Supplemental Master Leasing Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto."

By order of the Board
Wong Kwok-kan, Kenneth
Company Secretary

Hong Kong, 30 June 2010

Notes:

(1) Any member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.

(2) Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.

(3) A form of proxy for use at the Meeting is enclosed.

(4) To be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude members from attending and voting in person at the Meeting.

(5) The Ordinary Resolutions as set out above will be determined by way of a poll.

(6) The translation into Chinese Language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

(7) As at the date of this notice, the non-executive directors of the Company are Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong; the executive directors of the Company are Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Lin Tsai-tan, David, Mr. Wong Kwok-kan, Kenneth and Ms. Ngan Man-ying, Lynda; and the independent non-executive directors of the Company are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry.