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)

時尚生活 新個性
Enriching Lives Enhancing Character

Corporate Profile

NEW WORLD DEPARTMENT STORE: QUALITY MERCHANDISE FOR QUALITY LIVING

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

SECURING STRATEGIC FOOTHOLDS: OUR NETWORK

To establish ourselves as a leading department store operator in Mainland China, the Group has been proactively expanding our store network across the country. As at 30 June 2013, we operated and managed 36 self-owned stores and five managed stores in Mainland China with a total gross floor area of approximately 1,513,940 square meters, including 31 "New World" branded department stores and 10 "Ba Li Chun Tian" (巴黎春天) branded department stores in Shanghai, covering 20 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an and Yanjiao.

TAPPING INTO CHINA'S GROWING AFFLUENCE: OUR TARGET MARKET

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

EFFICIENT MANAGEMENT: OUR ORGANIZATIONAL STRUCTURE

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

PROFESSIONALISM FROM TOP TO BOTTOM: OUR PEOPLE

As at 30 June 2013, the Group employed 6,616 people, with the majority being local recruits. Well-trained and motivated, the whole crew is united under the leadership of a management team with over two-decade relevant experience in pursuit of our vision and mission.

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ANNIVERSARY

Seizing the business opportunities aroused from the open door policy and economic reforms of Mainland China, New World Group established New World Department Store in 1993 which opened its first store in Wuhan the following year to storm into China's retail market. Over the past two decades, through employing diligent management and innovative marketing promotions, New World Department Store has become one of the largest department store operators in Mainland China. We will continue to keep up the good work and concurrently, undertaking corporate social responsibilities in a proactive manner to build a brighter future collectively.

Contents

Mission

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

Goal

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

Conviction

- Serve customers with integrity, sense of responsibility and a win-win mindset;
- Develop with innovative, scientific and effective measures;
- Anticipate market changes with foresight, revolutionary move and flexibility;
- Enhance quality with prudence, efficacy and professionalism;
- Nurture talents with respect, care and trust.

Milestones

2012

SEPTEMBER

- Announced the signing of Shanghai 118 self-owned store project ("Shanghai 118 Project") and managed store project in Sanhe City, Hebei Province ("Yanjiao Project"), further strengthening the Group's leading position in its footholds in Shanghai and the Capital Economic Circle
- The new managed Ningbo Beilun Store, positioned as a one-stop shopping "Living Gallery" with a GFA of approximately 60,000 sq. m., commenced operation 1

OCTOBER

- "The 2nd NWDS Spokesperson" Guessing Contest Unveiling cum Contract Signing Ceremony was grandly held at Shanghai Shaanxi Road Branch Store together with the Closing Ceremony of NWDS Chief-Sponsored Movie "Fall in Love"
- Jointly organized an exhibition tour, "Michael Jackson's Wardrobe - Gorgeous 25 Years", with Ponte 16 Resort, Macau once again in three mainland cities, displaying over 50 rare pieces of Michael Jackson collection 2

- Won "Citation for Excellence in Mainland Marketing" in the "HKMA / TVB Awards for Marketing Excellence" once again for our "Super Stars' Memorable Collections Exhibition" marketing campaign 3
- The "Forever Market Pioneer" rebranding program garnered Honorable Award in "The 8th China's Best Brand Building Case Award" 4

- FY2011 Annual Report won the Gold Award in the category of "Copywriting: Annual Reports – Asia" in the 2012 Galaxy Awards

NOVEMBER

- Organized a nationwide sales promotion called "VIP Day" to celebrate the Group's forthcoming 20th anniversary, achieving a record-breaking sales of about RMB400 million 5

DECEMBER

- Accredited as the "Asia's 200 Best Under A Billion" by *Forbes* for the fifth consecutive year 6
- Grandly opened a new self-owned "Living Gallery" with a GFA of approximately 54,000 sq. m. in Yancheng City 7

- A new self-owned store, Xi'an Store, commenced operation. The mega-sized "Living Gallery" aims to operate in a hybrid model and provides "full-category" merchandises targeting at all ages with a GFA of approximately 58,500 sq. m. 8


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2013

FEBRUARY

- FY2012 Annual Report won the Bronze Award in the category of "Annual Reports: Overall Presentation - Department Store" in the 2012 / 13 Mercury Awards

- Received the "Caring Company" logo from the Hong Kong Council of Social Service, in recognition of the Group's commitment in caring for the community, the employees and the environment

MARCH

- NWDS Chief-Sponsored Movie "Fall in Love" premiered across the nation in celebration of the Group's 20^{th} anniversary 9

APRIL

- As the first one-stop "Living Gallery" in East Beijing, Yanjiao Store grandly opened with a GFA of approximately 32,000 sq. m. 10

- NWDS Volunteer Team officially established and launched "NWDS Tutoring Program", the Group's first nationwide volunteer campaign 11

- FY2012 Annual Report won the Silver Award in the category of "Covers: Annual Reports – Artistic" and the Bronze Award in the category of "Annual Reports: Corporate – Traditional" respectively in the 2013 Astrid Awards

MAY

- Held a nationwide sales promotion campaign, "Blast of Joy - Celebrating the 20^{th} Anniversary", to reciprocate the public and VIP members for their support with mega prizes 12

JUNE

- Hong Kong office joined the "Green Hong Kong • Carbon Audit" organized by the Environmental Protection Department and the Electrical and Mechanical Services Department, Hong Kong and was accredited as one of the "Carbon Audit • Green Partners" by signing the Carbon Reduction Charter

JULY

- FY2012 Annual Report garnered the Bronze Award in the category of "Consumer Services" in the LACP 2012 Vision Awards Annual Report Competition

- Became the key sponsor of the "MSF Day" for the seventh consecutive year 13

- Launched "@Dream Sustainable Development Program", the largest nationwide sustainable development program in the Group's history, to help about 5,000 under-resourced children in Mainland China and Hong Kong to pursue their dreams 14

- FY2012 Annual Report received the Gold Award in "Cover Photo / Design" category and the Bronze Award in "Interior Design" category in "Retail: Convenience & Department Store" sector in the 2013 ARC Awards


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Retail Network

41 Strategic Footholds in 20 Major Cities

Harbin 1
Shenyang 2
Dalian 1
Anshan 1
Beijing 5
Tianjin 1
Yanjiao 1
Lanzhou 1
Xi'an 1

Shanghai 10
Ningbo 3
Nanjing 1
Yancheng 1

Wuhan 6
Changsha 1
Zhengzhou 1
Chengdu 1
Chongqing 1
Kunming 1
Mianyang 1

NORTHERN CHINA REGION

HARBIN STORE

Date of Opening NOVEMBER 1996
Approx. Gross Floor Area 50,000 sq. m.
Approx. Operating Floor Area 38,100 sq. m.

TIANJIN STORE

Date of Opening OCTOBER 1997
Approx. Gross Floor Area 57,000 sq. m.
Approx. Operating Floor Area 42,100 sq. m.

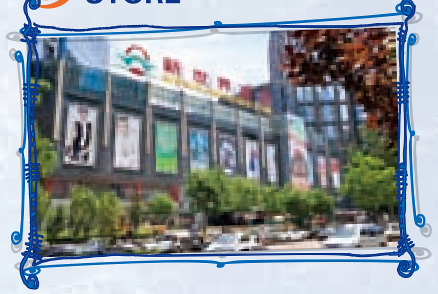
BEIJING STORE

Date of Opening JULY 1998
Approx. Gross Floor Area 95,500 sq. m.
Approx. Operating Floor Area 71,150 sq. m.

SHENYANG ZHONGHUA ROAD BRANCH STORE

Date of Opening DECEMBER 2005
Approx. Gross Floor Area 44,000 sq. m.
Approx. Operating Floor Area 34,100 sq. m.

BEIJING LIYING STORE

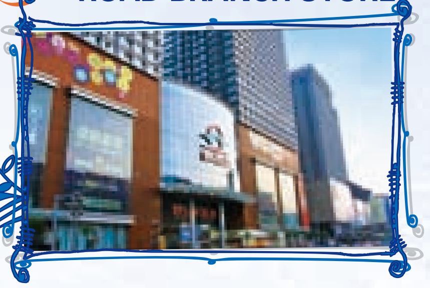


Date of Opening SEPTEMBER 2008
Approx. Gross Floor Area 52,000 sq. m.
Approx. Operating Floor Area 38,000 sq. m.

BEIJING QIANZI STORE

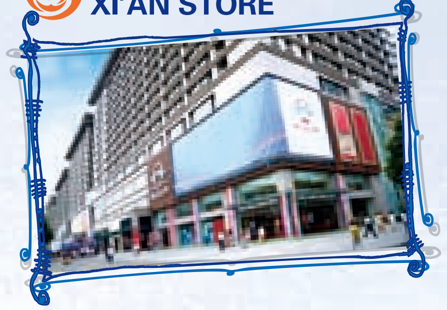
Date of Opening SEPTEMBER 2010
Approx. Gross Floor Area 40,000 sq. m.
Approx. Operating Floor Area 32,200 sq. m.

SHENYANG JIANQIAO ROAD BRANCH STORE



Date of Opening MAY 2011
Approx. Gross Floor Area 68,000 sq. m.
Approx. Operating Floor Area 52,900 sq. m.

XI'AN STORE



Date of Opening DECEMBER 2012
Approx. Gross Floor Area 58,500 sq. m.
Approx. Operating Floor Area 48,160 sq. m.

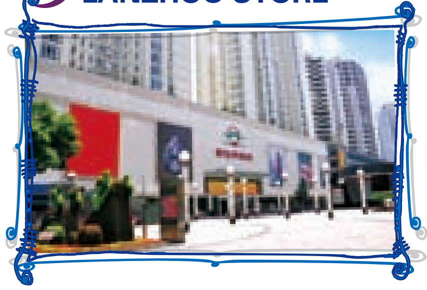
YANJIAO STORE

Date of Opening APRIL 2013
Approx. Gross Floor Area 32,000 sq. m.
Approx. Operating Floor Area 26,590 sq. m.

DALIAN STORE

Date of Opening NOVEMBER 2002
Approx. Gross Floor Area 32,000 sq. m.
Approx. Operating Floor Area 26,400 sq. m.

LANZHOU STORE

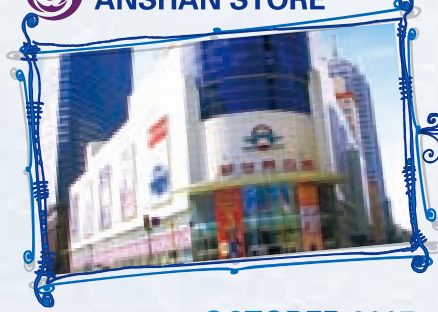


Date of Opening SEPTEMBER 2005
Approx. Gross Floor Area 27,200 sq. m.
Approx. Operating Floor Area 20,100 sq. m.

BEIJING TRENDY STORE

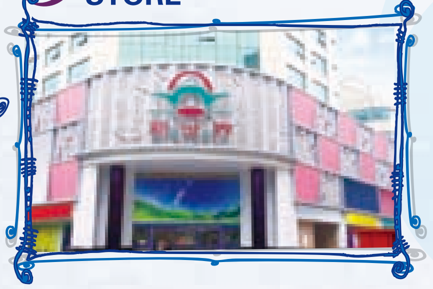
Date of Opening MARCH 2007
Approx. Gross Floor Area 31,200 sq. m.
Approx. Operating Floor Area 23,800 sq. m.

ANSHAN STORE



Date of Opening OCTOBER 2007
Approx. Gross Floor Area 37,250 sq. m.
Approx. Operating Floor Area 34,400 sq. m.

BEIJING SHISHANG STORE



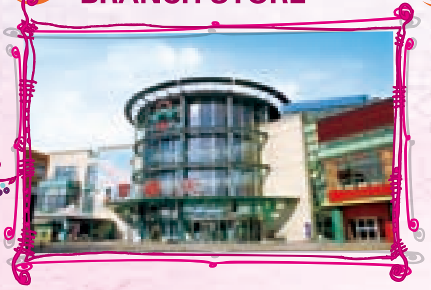
Date of Opening MAY 2010
Approx. Gross Floor Area 40,000 sq. m.
Approx. Operating Floor Area 32,600 sq. m.

TOTAL

Approx. Gross Floor Area 664,650 sq. m.
Approx. Operating Floor Area 520,600 sq. m.

SOUTH EASTERN CHINA REGION

SHANGHAI QIBAO BRANCH STORE



Date of Opening DECEMBER 2005
Approx. Gross Floor Area 36,550 sq. m.
Approx. Operating Floor Area 29,800 sq. m.

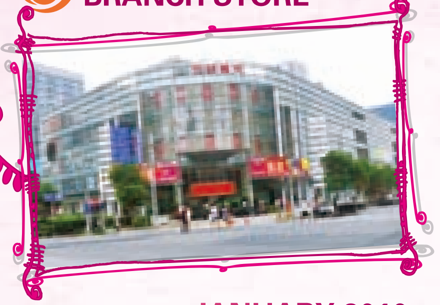
SHANGHAI WUJIAOCHANG BRANCH STORE

Date of Opening DECEMBER 2006
Approx. Gross Floor Area 44,000 sq. m.
Approx. Operating Floor Area 40,300 sq. m.

SHANGHAI PUJIAN BRANCH STORE

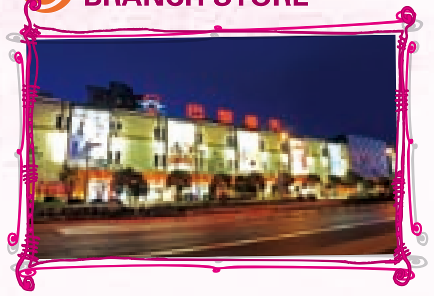
Date of Opening SEPTEMBER 2007
Approx. Gross Floor Area 46,000 sq. m.
Approx. Operating Floor Area 31,200 sq. m.

SHANGHAI BAOSHAN BRANCH STORE



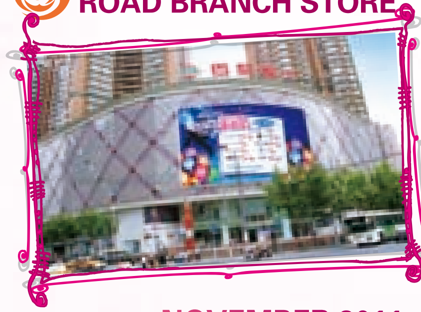
Date of Opening JANUARY 2010
Approx. Gross Floor Area 39,000 sq. m.
Approx. Operating Floor Area 36,100 sq. m.

SHANGHAI CHENGSHAN BRANCH STORE



Date of Opening APRIL 2010
Approx. Gross Floor Area 38,000 sq. m.
Approx. Operating Floor Area 32,900 sq. m.

SHANGHAI SHAANXI ROAD BRANCH STORE



Date of Opening NOVEMBER 2011
Approx. Gross Floor Area 42,000 sq. m.
Approx. Operating Floor Area 27,400 sq. m.

NINGBO BEILUN STORE

Date of Opening SEPTEMBER 2012
Approx. Gross Floor Area 60,000 sq. m.
Approx. Operating Floor Area 56,930 sq. m.

YANCHENG STORE

Date of Opening DECEMBER 2012
Approx. Gross Floor Area 54,000 sq. m.
Approx. Operating Floor Area 47,570 sq. m.

NINGBO STORE

Date of Opening APRIL 1998
Approx. Gross Floor Area 10,000 sq. m.
Approx. Operating Floor Area 9,300 sq. m.

SHANGHAI HUAIHAI BRANCH STORE

Date of Opening DECEMBER 2001

Approx. Gross Floor Area 22,500 sq. m.

Approx. Operating Floor Area 17,000 sq. m.

SHANGHAI XINNING BRANCH STORE

Date of Opening JANUARY 2002

Approx. Gross Floor Area 21,000 sq. m.

Approx. Operating Floor Area 16,200 sq. m.

SHANGHAI HONGKOU BRANCH STORE

Date of Opening OCTOBER 2003

Approx. Gross Floor Area 19,600 sq. m.

Approx. Operating Floor Area 11,800 sq. m.

SHANGHAI CHANGNING BRANCH STORE

Date of Opening SEPTEMBER 2004

Approx. Gross Floor Area 6,680 sq. m.

Approx. Operating Floor Area 6,000 sq. m.

NINGBO TRENDY STORE

Date of Opening NOVEMBER 2004

Approx. Gross Floor Area 11,500 sq. m.

Approx. Operating Floor Area 10,700 sq. m.

NANJING STORE

Date of Opening NOVEMBER 2007

Approx. Gross Floor Area 30,000 sq. m.

Approx. Operating Floor Area 18,300 sq. m.

TOTAL

Approx. Gross Floor Area 480,830 sq. m. Approx. Operating Floor Area 391,500 sq. m.

CENTRAL WESTERN CHINA REGION

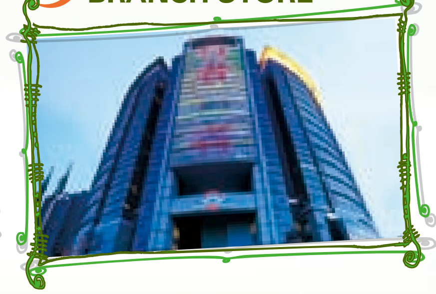
WUHAN STORE

Date of Opening NOVEMBER 1994

Approx. Gross Floor Area 42,000 sq. m.

Approx. Operating Floor Area 25,500 sq. m.

WUHAN QIAOKOU BRANCH STORE



Date of Opening SEPTEMBER 2006

Approx. Gross Floor Area 42,000 sq. m.

Approx. Operating Floor Area 31,400 sq. m.

WUHAN HANYANG BRANCH STORE

Date of Opening NOVEMBER 2008

Approx. Gross Floor Area 53,000 sq. m.

Approx. Operating Floor Area 46,000 sq. m.

ZHENGZHOU STORE

Date of Opening APRIL 2011

Approx. Gross Floor Area 35,500 sq. m.

Approx. Operating Floor Area 28,400 sq. m.

MIANYANG STORE

Date of Opening DECEMBER 2011

Approx. Gross Floor Area 35,000 sq. m.

Approx. Operating Floor Area 30,600 sq. m.

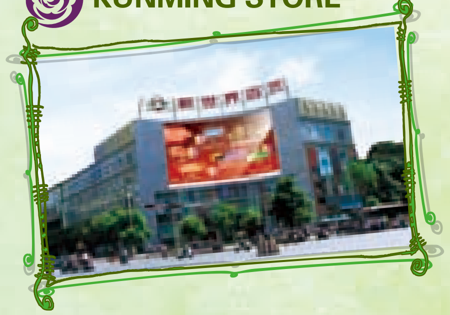
WUHAN TRENDY PLAZA

Date of Opening DECEMBER 2001

Approx. Gross Floor Area 23,000 sq. m.

Approx. Operating Floor Area 18,300 sq. m.

KUNMING STORE

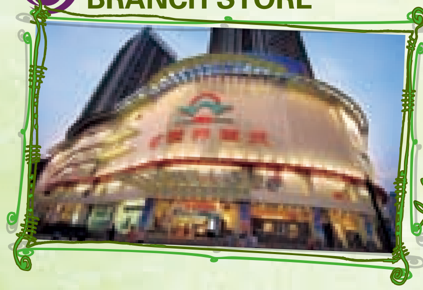


Date of Opening JUNE 2004

Approx. Gross Floor Area 12,600 sq. m.

Approx. Operating Floor Area 9,600 sq. m.

WUHAN WUCHANG BRANCH STORE



Date of Opening OCTOBER 2005

Approx. Gross Floor Area 24,000 sq. m.

Approx. Operating Floor Area 18,100 sq. m.

CHANGSHA TRENDY PLAZA

Date of Opening SEPTEMBER 2006

Approx. Gross Floor Area 35,000 sq. m.

Approx. Operating Floor Area 22,900 sq. m.

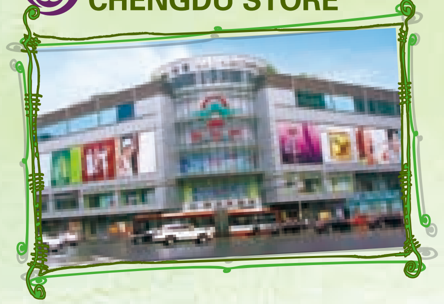
CHONGQING STORE

Date of Opening SEPTEMBER 2006

Approx. Gross Floor Area 42,000 sq. m.

Approx. Operating Floor Area 37,100 sq. m.

CHENGDU STORE



Date of Opening DECEMBER 2006

Approx. Gross Floor Area 29,500 sq. m.

Approx. Operating Floor Area 18,800 sq. m.

WUHAN XUDONG BRANCH STORE

Date of Opening JANUARY 2008

Approx. Gross Floor Area 31,700 sq. m.

Approx. Operating Floor Area 24,800 sq. m.

TOTAL

Approx. Gross Floor Area 405,300 sq. m. Approx. Operating Floor Area 311,500 sq. m.

Living Gallery

Fashion Gallery

Financial Highlights

* Operating profit excluding other losses/gains and changes in fair value of investment properties

	2013	2012
Financial Ratios		
Revenue growth	**14.9%**	27.6%
Commission income rate	**17.7%**	18.5%
Rental income growth	**31.2%**	87.7%
Total assets growth	**8.8%**	22.0%

Profit for the year:

HK$641,503 thousand

	2013 HK$'000	2012 HK$'000
Operating Result		
Revenue	**4,011,545**	3,490,100
Representing:		
Commission income from concessionaire sales	**2,638,907**	2,405,481
Sales of goods – direct sales	**809,626**	676,224
Management and consultancy fees	**52,277**	19,177
Rental income	**510,735**	389,218
Operating profit	**834,457**	786,845
Operating profit excluding other losses/gains and changes in fair value of investment properties	**824,037**	740,450
Profit for the year	**641,503**	607,747
Profit for the year excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi	**615,721**	561,352

	As at 30 June 2013 HK$'000	As at 30 June 2012 HK$'000
Financial Position		
Fixed deposits, cash and cash equivalents	**2,959,470**	3,621,018
Total assets	**12,834,265**	11,801,496
Total liabilities	**6,208,609**	5,828,428
Total equity	**6,625,656**	5,973,068

Chairman's Statement

Year 2013 marks the 20th anniversary of New World Department Store, making it specially meaningful for the Group. In 1993, New World Group leveraged the opportunities brought by China's reform and opening-up to establish New World Department Store and opened its first outlet in Wuhan the following year. At present, the Group is operating 42 stores covering 20 major cities across the country, and has become one of the largest department store operators in Mainland China. Over the past two decades, the Group has had the honour to grow along with mainland consumers and has been a strong witness to China's growing prosperity and improving livelihood of the people.

During the year under review, the international capital markets were still enveloped by the European sovereign debt crisis, thus China's economy and exports have not showed clear signs of recovery. The complicated and ever-changing global and local economic conditions have posed opportunities as well as challenges for China's retail industry. In terms of opportunities, the total retail sales of consumer goods recorded a double-digit growth of 12.7% year-on-year in the first half of 2013 amid economic slowdown while the country's retail areas continued to expand, making domestic consumption the key driver of China's economy. In terms of challenges, as the pace of adjustment in physical retail sector accelerates, industry players are in need to optimize their operating structures and achieve a nationwide scale in order to create greater synergies and sustain a higher growth rate. Hence, the industry has reached its critical stage of elimination. To address Chinese consumers' growing demand for quality goods and services, the Group has launched the rebranding program as early as in 2009 to transform our stores into "Fashion Galleries" – thematic department stores with a focus on clothing and accessories, and "Living Galleries" – one-stop shopping department stores through restructuring our merchandise mix and introducing a series of complementary facilities including restaurants and entertainment facilities.

Except for four stores in Wuhan, the Group's rebranding exercise was mostly completed during the year under review. As at 30 June 2013, approximately 91% of the total gross floor area operated in its brand new image. After revitalization, a stronger business growth was achieved as the rebranding effects came into play, laying a solid foundation for the Group's long-term development. With outstanding performance in business development and profitability, we were accredited as the "Asia's 200 Best Under A Billion" by *Forbes* for the fifth consecutive year, in recognition of our achievements by international media and investors.

For the year ended 30 June 2013, the Group's revenue reached HK$4,011.5 million, an increase of 14.9% from the Previous Year. Profit for the year was HK$641.5 million. Excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi, profit for the year increased by approximately 9.8% from HK$561.3 million in the Previous Year to HK$615.7 million in the Current Year.

During the year under review, the Group carried through the expansion strategies of "radiation city" and "multiple presences within a single city". Through increasing the number of self-owned stores by means of leasing and acquisition, complemented with store expansion and provision of store management service, we actively established our footholds throughout the entire country. In December 2012, two self-owned

"Living Galleries" commenced business in Yancheng City, Jiangsu Province and Xi'an City, Shaanxi Province with Xi'an Store acting as a strategic deployment to extend our network to North Western China. Furthermore, the Group opened two managed stores in Beilun, Ningbo City, Zhejiang Province, and Yanjiao, Sanhe City, Hebei Province, in September 2012 and April 2013 respectively, so as to enter the fast-growing suburban areas at a rapid pace. As at 30 June 2013, the Group operated a total of 36 self-owned stores and five managed stores, with a total gross floor area of about 1,513,940 sq. m.. In addition, the Group successfully completed the acquisition of Shanghai Hongxin Trendy Plaza on 30 July 2013, further reinforcing our position in Shanghai.

Diverse and innovative marketing activities are major means to boost the Group's revenue. During the year under review, the Group initiated more inter-store and thematic "nationwide collaborative activities", including the "VIP Day" and the "Blast of Joy – Celebrating the 20th Anniversary" held in November 2012 and May 2013 respectively. These activities were held in the forms of rebate, giveaway, sweepstake and interactive game, etc. jointly by our 41 stores in 20 cities across the country. Sales were impressive, with a number of stores doubling their foot traffic. The events have given full play to the Group's network advantages and have successfully extended our influence nationally. On the other hand, strategic partnerships were formed with various parties during the year to add new elements into our marketing campaigns. One of these was the "Michael Jackson's Wardrobe – Gorgeous 25 Years" exhibition tour co-organized with Ponte 16 Resort, Macau, which showcased more than 50 Michael Jackson memorable items in three mainland cities. Moreover, the Group sponsored a romance movie called "*Fall in Love*" and became the first department store in Mainland China to crossover with a film company, further strengthening our image as a thematic department store chain. In view of the growing popularity of smartphones, the Group has proactively explored new media channels in recent years to strengthen the interaction with our younger customers. During the year under review, the Group's Weibo fans in Mainland China have soared to over 3.5 million. Many of our stores also established their WeChat accounts, with the number of subscribers rose to nearly 340,000 in just a few months.

The Group has always been committed to sustainable development. Therefore, the Sustainable Development Steering Committee was established in 2012 to promote our work in the aspects of environmental protection, community services, staff benefits and development, and operating practices. During the year under review, the Group launched numerous nationwide green activities, including "Go Green with NWDS" Campaign, "Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign" and "Beauty of Water" Photography Contest. We have also participated in the "Earth Hour" for four consecutive years and encouraged our customers and employees to support the cause by taking part in these events. In terms of community services, we have been the key sponsor of the "MSF Day" for the seventh consecutive year and have raised an accumulative donation of approximately HK$2.48 million throughout the years. We also ran the "Care for Schoolchildren" Campaign to collect school supplies from the public for under-resourced schoolchildren. In addition, to establish a unified volunteer service platform, NWDS Volunteer Team was founded in April 2013 and subsequently held the "NWDS Tutoring Program" that benefited nearly one thousand under-resourced schoolchildren, so as to spread the spirit of caring for the society. For staff benefits and development, the Group organized a number of development programs, including "Core Talents Nurturing Plan", "Operational Management Training Camp for Store Managers", "Certificate Program of Further Studies in Retail Operation and Management" and "Project Xinpeng – NWDS Management Intern Cultivation 2013" etc., to elevate our employees' work skills and nurture retail professionals in all positions. Simultaneously, through the introduction of "Supplier Code of Conduct", we shared our sustainability vision with the suppliers and invited them to support the cause with us.

Looking forward, the Group will continue to grasp the opportunities from China's economic take-off to further expand our business network. The Group plans to increase the total gross floor area of its self-owned stores to about 2 million sq. m. by FY2016. In addition, we will also adjust our operating strategies as needed to provide customers with quality merchandises and services, with a vision of improving people's livelihood in Mainland China.

Over the past 20 years, New World Department Store has received tremendous support and intendance from our shareholders, employees and stakeholders, enabling us to grow along with the rising China and to achieve the resplendent Chinese dream together. On behalf of the Board of Directors, I would like to express my sincere gratitude to all employees, whose hard work and contributions have led the Group through every substantial occasion that made us thrive. With the management and employees tied to the same vision, I believe there is an even brighter future for NWDS for years to come.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong, 25 September 2013

Insightful Market Positioning

Building up Leading
Fashion and Living
Department Store Style

Business Review

During the year under review, the Group's revenue increased by 14.9% from HK$3,490.1 million in FY2012 (or the "Previous Year") to HK$4,011.5 million in FY2013 (or the "Current Year"). Profit for the year was HK$641.5 million. Excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi, profit for the year increased by approximately 9.8% from HK$561.3 million in the Previous Year to HK$615.7 million in the Current Year.

BUSINESS NETWORK

During the Current Year, the Group operated 41 department stores, with a total gross floor area ("GFA") of about 1,513,940 square meters ("sq. m.") and a total operating floor area ("OFA") of about 1,190,360 sq. m.. Located in three operational regions, namely Northern China, South Eastern China and Central Western China, the stores covered 20 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, and Yanjiao with 36 self-owned stores and five managed stores.

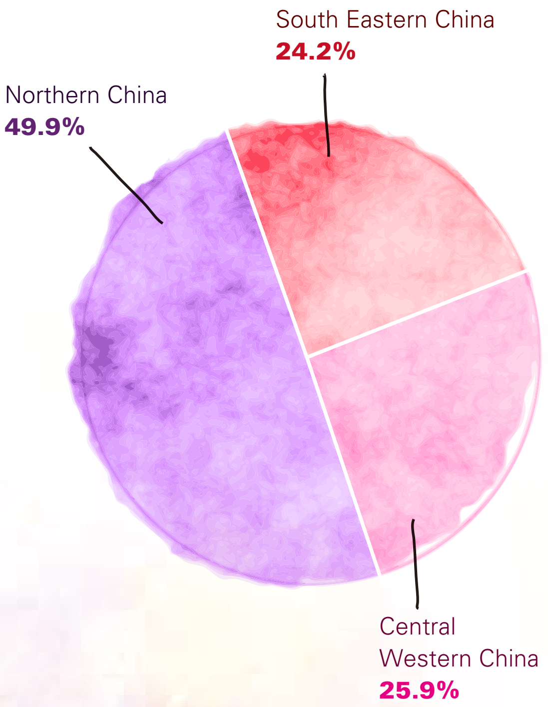
REVENUE CONTRIBUTION

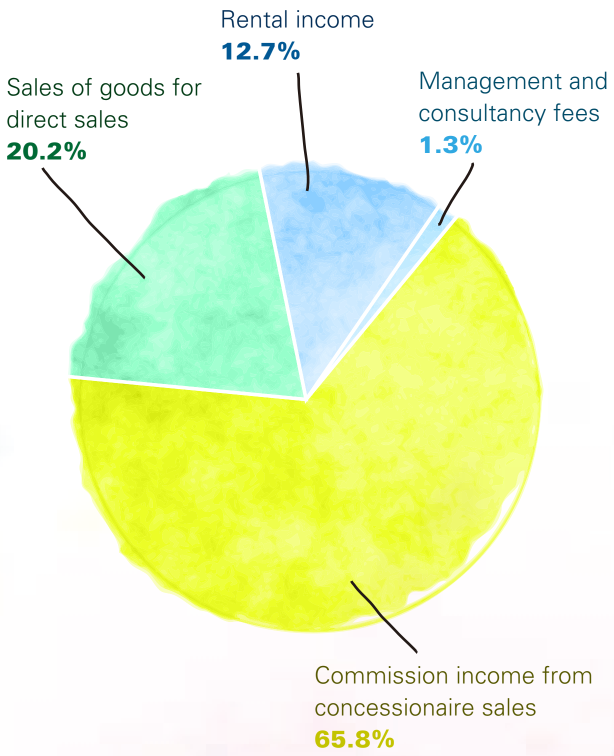
By Region

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 49.9% of total revenue, followed by the Central Western China Region and the South Eastern China Region, accounting for 25.9% and 24.2% of total revenue respectively.

By Segment

Commission income from concessionaire sales was the main source of income, accounting for 65.8% of total revenue. Sales of goods for direct sales and rental income accounted for 20.2% and 12.7% respectively. Management and consultancy fees accounted for 1.3%.





STORE NETWORK DEVELOPMENT

During the year under review, the Group continued to develop its business in the South Eastern China Region and the Northern China Region, and opened two self-owned stores, i.e., Yancheng New World Department Store ("Yancheng Store") and Xi'an New World Department Store ("Xi'an Store") in the namesake cities in December 2012. In addition, the Group opened two managed stores, namely, Ningbo New World Beilun Department Store ("Ningbo Beilun Store") in Beilun, Ningbo City in September 2012 and Yanjiao New World Department Store ("Yanjiao Store") in Yanjiao, Sanhe City in April 2013 respectively.

As at 30 June 2013, the Group's total GFA was approximately 1,513,940 sq. m., up 9.1% from the same period of the Previous Year, in which the total GFA of self-owned stores and managed stores were 1,340,240 sq. m. and 173,700 sq. m. respectively.

Weibo Fans
OVER
3,500,000

VIP Members
APPROX.
3,870,000

WeChat Subscribers
OVER
339,000

Northern China Region

Xi'an Store

Northern China Region		Population As of the End of 2012	Local Gross Domestic Product in 2012 (RMB)	Gross Domestic Product Per Capita in 2012 (RMB)	Per Capita Disposable Income in 2012 (RMB)	Total Retail Sales of Consumer Goods in 2012 (RMB)
Northern District	Beijing	20.69 million	1,780.1 billion	87,091	36,469	770.3 billion
	Tianjin	14.13 million	1,288.5 billion	91,181	29,626	392.1 billion
	Sanhe (inc. Yanjiao)	0.58 million	42.5 billion	74,481	29,295	10.1 billion
North Eastern District	Harbin	9.94 million	455.0 billion	45,810	22,499	239.5 billion
	Shenyang	8.23 million	660.7 billion	80,532	26,431	280.2 billion
	Dalian	5.90 million	700.3 billion	102,216	27,539	222.4 billion
	Anshan	3.67 million	262.9 billion	71,646	24,194	70.3 billion
North Western District	Lanzhou	3.22 million	156.4 billion	43,261	18,443	74.9 billion
	Xi'an	8.55 million	436.9 billion	51,086	29,982	223.6 billion

Source:

Beijing: *Beijing Statistical Information Net*
Tianjin: *Tianjin Statistical Yearbook*
Sanhe: *Governmental Information Opening Platform of SanHe City*
Harbin: *Harbin Municipal Bureau of Statistics*
Shenyang: *ShenYang Statistical Information Net*
Dalian: *Dalian Municipal Bureau of Statistics*
Anshan: *Anshan Municipal Bureau of Statistics, Governmental Portal of Liaoning Province*
Lanzhou: *Lanzhou Municipal Bureau of Statistics*
Xi'an: *Xi'an Municipal Bureau of Statistics, 2012 Statistical Bulletin of the National Economy and Social Development of Xi'an*

THE CIRCUM-BOHAI ECONOMIC ZONE WILL BECOME THE **NEW ENGINE** OF CHINA'S ECONOMIC GROWTH

THE CIRCUM-BOHAI ECONOMIC ZONE BECOMES THE "THIRD POLE" OF COUNTRY'S ECONOMIC GROWTH

Following China's latest development strategy, the Circum-Bohai Economic Zone has gradually become the focus of the country's future development. The government has made it clear that the zone will be the new engine of China's economic growth, after the Yangtze River Delta and the Pearl River Delta. Gross domestic product ("GDP") of Beijing, Tianjin, Shenyang and Dalian and other cities in the Northern China Region grew substantially in 2012. Among them, Tianjin's growth rate of 13.8% ranked number one in the country.

Being the Group's important business footholds in the north, Beijing's and Shenyang's per capita disposal income of urban households were RMB36,469 and RMB26,431 respectively in 2012, with a year-on-year increase of 11% and 13%, reflecting an immense purchasing power.

OPENING DOORS TO THE WEST AS A CORNERSTONE FOR FUTURE BUSINESS DEVELOPMENT

During the year under review, the Group opened two "Living Galleries", namely Xi'an Store and Yanjiao Store, that provide customers with one-stop shopping experience in the Northern China Region. In particular, Xi'an has huge purchasing power with its per capita disposable income at RMB29,982 in 2012 after Beijing, making Xi'an City an important economic gateway to Northwestern China. Hence, in December 2012, the Group entered the Bell Tower and the Drum Tower Business Circle in Xi'an City, a prime area featuring frequent commercial, political, tourist and cultural activities and opened a five-story outlet with a GFA of about 58,500 sq. m.. Targeting the middle and high-end market, it introduced a collection of merchandises including clothing, cosmetics, jewelry, watches and household items, and accommodated complementary facilities, such as, a trendy zone, a 2,000-sq. m. food court and a children's playground, creating an all-round shopping experience to its customers.

BUSINESS REVIEW

Northern China Region

Yanjiao Store

In addition to Xi'an Store, the Group extended its business from Beijing to Yanjiao in April 2013, where is only 30 km from the Capital, to be in line with the Group's expansion strategy of "radiation city". Yanjiao is one of the core areas in the Central Capital Economic Circle, and an increasingly-popular residential area for Beijing people. The four-story "Living Gallery" has a GFA of about 32,000 sq. m.. It is the first and the only large-scale integrated department store in East Beijing. Yanjiao Store is located in Xin Le Hui Shopping Mall, the largest shopping complex in the area, with large residential housing and serviced apartments in its proximity. Featuring a mega supermarket and a pedestrian street, the mall could drive in huge traffic for Yanjiao Store. To fulfill diverse needs of targeted customers aged 18 to 45, Yanjiao Store has collected a variety of international fashion brands and popular merchandises, and has accommodated all kinds of complementary facilities including cinema, specialty cuisines, game center and children's playground under one roof. To be in line with the local environmental policy of "Green Yanjiao, Eco-homes", its interior design integrated the elements of nature to create a decent living space for all family members.

TOTAL GFA APPROX.
664,650 SQ. M.

REBRANDING LIFTS SAME-STORE SALES GROWTH

During the year under review, the Group had a total of 14 stores in the Northern China Region, including: seven in the Northern District, i.e., Tianjin New World Department Store ("Tianjin Store"), Beijing New World Department Store ("Beijing Store"), Beijing New World Trendy Department Store ("Beijing Trendy Store"), Beijing New World Liying Department Store ("Beijing Liying Store"), Beijing Shishang New World Department Store ("Beijing Shishang Store"), Beijing New World Qianzi Department Store ("Beijing Qianzi Store") and Yanjiao Store; five in the North Eastern District, i.e., Shenyang New World Department Store-Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store"), Shenyang New World Department Store-Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store"), Harbin New World Department Store ("Harbin Store"), Dalian New World Department Store ("Dalian Store") and Anshan New World Department Store ("Anshan Store"); and two in the North Western District, i.e., Lanzhou New World Department Store ("Lanzhou Store") and Xi'an Store. With the exception of Dalian Store and Yanjiao Store, all of the other 12 stores are self-owned stores. During the year under review, upon the completion of rebranding in Dalian Store and Anshan Store last year, the rebranding program for all stores were completed. The redevelopment of Shenyang New World Department Store-Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store") has commenced and is expected to complete in FY2017.

ALL-IN-ONE OUTLET DELIVERS DIVERSE SHOPPING EXPERIENCE

With China's economic development shifting to the north, the per capita income of the Northern China Region has subsequently improved and shaped the style of its consumers to be more in line with the international one. During the year under review, "Living Galleries" in the Northern China Region introduced a number of internationally renowned brands, such as, Longines, New Balance, The North Face, ANNA SUI, CANALI, so as to meet customers' growing demand for middle and high-end merchandises. On the other hand, the booming economy fueled customers' pursuit of fashion, hence, stores added unique fashion brands, such as, lily, Five Plus and eifili, into the stores. Shenyang Jianqiao Road Branch Store particularly changed the use of the area for children's wear and small home appliances to a trendy zone that provides affordable fashion choices for young white collars, generating more traffic and sales successfully. At the same time, as fast fashion craze sweeps the world, stores brought in UNIQLO, MIXXO, E-LAND and other fast fashion brands, and expanded their sales areas. As a result of the reduced family size, parents have devoted more attention on nurturing their children. During the year under review, "Living Galleries" in the region added more "child elements" into the stores by introducing well-known children's concessionaire counters, such as, IKALI Kids, Balabala etc.. With the introduction of children's playground and enhanced families facilities, the sales of children-related merchandises were further lifted.

In recent years, department store has become a preferred place for shopping and entertainment for many consumers. Thus, "Living Galleries" gradually added more in-store complementary facilities and expanded the area to about 20% to 30% of their operating area during the year under review and introduced food and beverage brands in accordance with their market position to retain customers. For example, Shenyang Zhonghua Road Branch Store introduced DQ Ice Cream, Meet Fresh and other popular dessert stalls catering to white collars; on the other hand, Beijing store, targeting affluent families, introduced fine dining brands, such as, Wuchenglucha and Bellagio Café into the store. In addition, stores further strengthened their entertainment and leisure components, for instance, introducing Kudi Pets, Letiancong KTV and game center etc.. As a result, customer's duration of stay in our stores was increased successfully.

CONTINUOUS OPTIMIZATION OF MERCHANDISE MIX TO CONSOLIDATE POSITIONING OF STYLISH DEPARTMENT STORE

In view of the emerging of young consumers, "Fashion Galleries" in the Northern China Region tapped into the youth market and continuously optimized their brand portfolio through introducing young fashion brands, such as, VANS, Phil Morley, OASIS and HONEYS during the year under review, in order to add varieties to their merchandise offerings and to bring customers to the forefront of fashion trends. The rebranding exercise of Dalian Store and Anshan Store was completed during the year under review. Other than interior renovation and layout adjustment to reinforce their images, the stores also underwent a profound restructuring of their merchandise mix. For instance, Dalian Store has strengthened its category killers, such as, jewelry, young ladies' fashion and ladies' footwear, and introduced 85°C Bakery Café, the very first branch in Dalian City, to seize market share of the youth market while Anshan Store established the city's first menswear brand outlet and introduced popular men's and ladies' casual wear brands to strengthen its position as a trendy and young department store. In addition to providing a wide spectrum of trendy merchandises, many stores took the initiatives and strengthened their in-store leisure facilities during the year under review, such as, expanding food and beverage area, adding beauty and body salons and game centers, making "Fashion Gallery" a truly hotspot for fashionistas.

INTEGRATING NEW MEDIA TO PRESENT FABULOUS PROMOTIONAL EVENTS

During the year under review, stores of the Northern China Region successfully drove sales and recorded remarkable results by organizing either classic or exciting activities. The "60-hour Non-stop Mega Sales" held by Beijing Store in November 2012 did not only recreate the classic "grab as the door opens" activity and introduce mega-sized yurt-like outlets, but also launched a big lucky draw with the other four stores in Beijing. The event has achieved a record-high gross sales proceeds of RMB180 million and foot traffic of more than 600,000. Other than nationwide activities, such as the "Blast of Joy – Celebrating the 20th Anniversary", Lanzhou Store, Harbin Store, Anshan

IN VIEW OF THE EMERGING OF YOUNG CONSUMERS, "FASHION GALLERIES" TAPPED INTO THE YOUTH MARKET

Store and others also launched their anniversary sales promotion. To celebrate its 16th anniversary, Harbin Store joined hands with Heilongjiang Television City Channel to present the "Sleepless Night" event. Inviting famous anchors to the store brought highlights to the event and helped create its new single-day sales record.

On the other hand, community-based stores held a number of interesting community activities catering to the interest of the residents to foster deeper engagement during the year under review. In light of Shenyang people's favor of drinking cold beer, Shenyang Jianqiao Road Branch Store hosted "The First Beer-drinking Contest" in 2012. Besides, Beijing Liying Store has organized the "Wangjing 3V3 Basketball Competition" for two consecutive years, which received active participation from the surrounding communities, enterprises and colleges, further promoting community harmony. In addition, stores have been actively seeking cross-sector collaboration opportunities. For instance, Anshan Store collaborated with Ping An Insurance (Group) Company of China, Ltd to hold a six-hour private sale exclusively for customers and employees in December 2012. Sales of the night recorded an almost sevenfold increase year-on-year with traffic grew by more than 170%.

In view of the increasing popularity of new media, many stores have set up their Weibo and WeChat accounts, and many online activities were held on these platforms to interact with the customers. Beijing Store, for instance, presented a live broadcast of a thousand-people speed-dating event on Weibo where users could also share their love experiences with others online. As at 30 June 2013, the Northern China Region had over 1.8 million fans on Weibo and over 110,000 subscribers on WeChat.

WIDE SPREADING OF JOY TO STRENGTHEN INTERACTION WITH VIP MEMBERS

In addition to the exclusive VIP privileges, such as, gift redemption and free giveaways upon purchase, stores in the Northern China Region also held a number of special VIP activities to stay close with VIP members. During the year under review, the newly-opened Yanjiao Store spreaded the festival joy to customers through organizing family activities, for instance, giving away 500 goldfish to VIP members and their babies on Children's Day, and providing Han costumes for photographing during the Dragon Boat Festival. To cater to young VIP members' desire for beauty, stores also cooperated with renowned cosmetic concessionaires to organize makeup and skincare seminars to provide grooming advices for VIP

members. At the same time, a number of exclusive sales promotions were offered to VIP members to enhance their sense of superiority. For example, Anshan Store held "Ladieswear Day" and "Shoes Day" specifically for VIP club members on a monthly basis while Harbin Store served Platinum VIP members with exclusive "Platinum Banquet". Inspired by the romantic and elegant ambience in Aegean Sea, Harbin Store decorated its storefront in accordance with the exotic style for the banquet. The event attracted more than 13,000 VIP members to visit the store and created RMB5 million sales in two days.

During the year under review, the number of VIP members of the Northern China Region increased to approximately 1,833,000, representing a 38% year-on-year growth; compared with last year, the number of VIP club members surged 29% to about 576,000, and VIP members accounted for 65% of gross sales proceeds.

VIP MEMBERS ACCOUNTED FOR 65% OF GROSS SALES PROCEEDS

HEARTFELT SERVICES RECEIVE NUMEROUS HONORS

Creativity and caring services from stores in the Northern China Region won wide recognition from consumers and the public and thus, received a number of awards during the year under review. For instance, Shenyang Jianqiao Road Branch Store was granted the "E-Commerce Innovation Award" in the 2nd Liaoning Online Merchant Summit in 2013. Harbin Store was accredited as the "Outstanding Service Station for 12315 Consumer Rights Protection" by Harbin City Administration for Industry and Commerce, in appreciation of the store's quality service.

South Eastern China Region

Yancheng Store

South Eastern China Region		Population As of the End of 2012	Local Gross Domestic Product in 2012 (RMB)	Gross Domestic Product Per Capita in 2012 (RMB)	Per Capita Disposable Income in 2012 (RMB)	Total Retail Sales of Consumer Goods in 2012 (RMB)
Shanghai District	Shanghai	23.8 million	2,010.1 billion	85,000	40,188	738.7 billion
Eastern District	Ningbo	5.78 million	652.5 billion	85,475	37,902	232.9 billion
	Nangjing	8.16 million	720.2 billion	88,525	36,322	308.1 billion
	Yancheng	7.22 million	312.0 billion	43,221	21,941	102.3 billion

Source:

2012 Statistical Bulletin of the National Economy and Social Development

Shanghai: Shanghai Municipal Statistics Bureau
Ningbo: NingBo Municipal Statistics Bureau
Nanjing: Nanjing Municipal Statistics Bureau
Yancheng: Yancheng Statistical Information Net

ECONOMIC TRANSFORMATION DRIVES ECONOMIC GROWTH IN THE YANGTZE RIVER DELTA

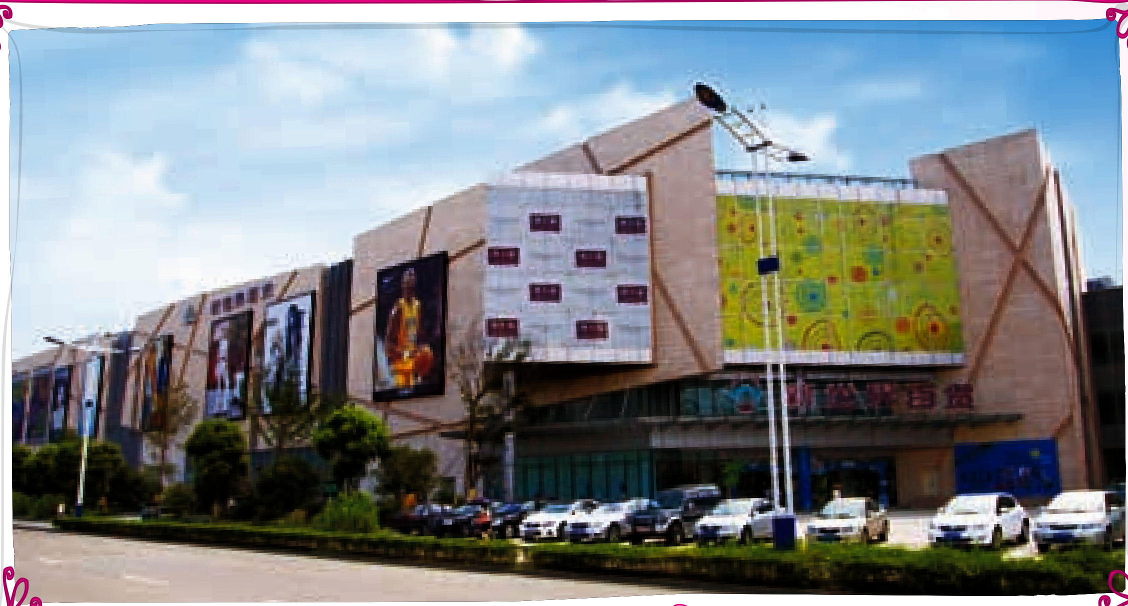
With China's economic transformation, urbanization has replaced exports and investments to be the new growth engine, resulting in an economic slowdown in the well-developed Yangtze River Delta. Despite that, with the accelerated development of advanced technologies and emerging industries, and the deeper level of city integration facilitated by the increasingly-sophisticated railway system in the region, its economy is expected to regain momentum. In 2012, the total retail sales of consumer goods in Zhejiang Province and Jiangsu Province achieved a year-on-year increase of around 13.5% and 15% respectively, outperforming their peers in Mainland China. The combined retail sales of consumer goods in these two provinces and Shanghai amounted to RMB3,914.9 billion, which accounted for 19% of the country's total, further reinforcing Yangtze River Delta's leading position as one of the regions with strongest purchasing power in Mainland China.

THE TOTAL RETAIL SALES OF CONSUMER GOODS IN ZHEJIANG, AND JIANGSU PROVINCES, AND SHANGHAI ACCOUNTED FOR 19% OF THE COUNTRY'S TOTAL

EXTENDING GROUP'S INFLUENCE IN THE YANGTZE RIVER DELTA THROUGH REFINED EXPANSION STRATEGIES

To carry through the expansion strategies of "radiation city" and "multiple presences within a single city", during the year under review, the Group opened two department stores in Yancheng City and Ningbo City respectively. Leveraging Shanghai's advantage as our business foothold, the Group extended its network to a surrounding city, Yancheng, in December 2012 by establishing a six-story "Living Gallery" with a GFA of approximately 54,000 sq. m.. Located in the Pioneer Square, the largest commercial complex on Pioneer Island, the move further strengthened our position in the Yangtze River Delta. To address to the needs of high-incomes and those who desire for quality of life, Yancheng Store has introduced a number of trendy and fashion brands around the world into the store, with the provision of many choices for international cuisines and complementary facilities. Coupled with the interior design inspired by nature, Yancheng Store is set to create a comfortable shopping space for the customers.

South Eastern China Region



Ningbo Beilun Store

The Group entered Ningbo City as early as in 1998. Following the expansion strategy of "multiple presences within a single city", the Group set up its third Ningbo store in September 2012, further expanding our influence in the area. Ningbo Beilun Store is situated in the Central Business District of Beilun. With convenient transportation, and being proximity to plenty of leisure facilities, commercial and residential buildings, this district is filled with huge consumption potential. The four-story Ningbo Beilun Store is a large-scale "Living Gallery" that targets middle and high-income households and high-income white collars who pursue a high quality lifestyle. Therefore, other than trendy apparel and jewelry brands acquired from international and domestic market, the store has also introduced plenty of private labels and designer brands to enrich its product portfolio. Furthermore, about 40 popular ladies' footwear labels were brought into the store to highlight its position of "NWDS-Shopping Paradise for Shoe Lovers". Besides, the store is equipped with comprehensive complementary facilities to cater to the needs of people from all walks of life.

TOTAL GFA APPROX.
480,830 SQ. M.

REBRANDING UNVEILS TRENDY NEW IMAGE

During the year under review, the Group had a total of 15 stores in the South Eastern China Region, including: ten under the "Ba Li Chun Tian" brand in the Shanghai District, i.e., Hong Kong New World Department Store-Shanghai Huaihai Branch Store ("Shanghai Huaihai Branch Store"), Hong Kong New World Department Store-Shanghai Xinning Branch Store ("Shanghai Xinning Branch Store"), Hong Kong New World Department Store-Shanghai Hongkou Branch Store ("Shanghai Hongkou Branch Store"), Hong Kong New World Department Store-Shanghai Changning Branch Store ("Shanghai Changning Branch Store"), Hong Kong New World Department Store–Shanghai Qibao Branch Store ("Shanghai Qibao Branch Store"), Hong Kong New World Department Store–Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store"), Hong Kong New World Department Store–Shanghai Pujian Branch Store ("Shanghai Pujian Branch Store"), Hong Kong New World Department Store–Shanghai Baoshan Branch Store ("Shanghai Baoshan Branch Store"), Hong Kong New World Department Store-Shanghai Chengshan Branch Store ("Shanghai Chengshan Branch Store") and Hong Kong New World Department Store–Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store"); and five department stores under the "New World" brand in the Eastern District, i.e., Ningbo New World Department Store ("Ningbo Store") and Ningbo New World Trendy Department Store ("Ningbo Trendy Store"), Ningbo Beilun Store, Nanjing New World Department Store ("Nanjing Store") and Yancheng Store. Other than Shanghai Wujiaochang Branch Store and Ningbo Beilun Store, all the other 13 stores are self-owned. During the year under review, following the completion of the renovation works at Nanjing Store in February 2013, the rebranding in the region has come to an end. All of the stores are now operating in their brand new images with gradual improvement in sales.

QUALITY MERCHANDISES AND SERVICES ADD TASTE TO ONE-STOP "LIVING GALLERIES"

With well-developed economy, consumers in the South Eastern China Region generally have higher income and purchasing power. The long-term exposure to European and American cultures has shaped its unique "Shanghai Culture" and therefore, international fashion brands are more in demand. Because of that, many "Living Galleries" in the region are positioned as high-end department stores and introduced world-renowned brands, such as, Swarovski, Tissot, Emporio Armani, MARC BY MARC JACOBS, DKNY to elevate their profile during the year under review. Together with excellent complementary facilities, the stores are set to create an extraordinary shopping experience for the customers. For young white collars, the stores added trendy brands, such as, Teenie Weenie and E-LAND etc., supplemented with renovated storefronts and creative decorations, to create a stylish shopping ambience. In view of people's pursuit of healthy lifestyle, a number of stores included The North Face, Jeep and other sport brands in their brand portfolios.

Shanghai Baoshan Branch Store also expanded the sales area for sports merchandises accordingly. In response to consumers' desire for quality living, Shanghai Pujian Branch Store took the lead to set up Love • Original • Life, the Group's direct sales arm, selling exclusive tasteful home-related commodities to create differentiation advantages. On the other hand, many stores brought in children fashion brands, including E-LAND KIDS and BOBDOG House, and set up education centers to attract household consumers while establishing brand outlets to draw wise-spending consumers.

In addition to shopping, "Living Galleries" in the South Eastern China Region have also enhanced their complementary facilities catering to the needs of different customer groups, so as to project an image as the preferred places for entertainment and dining. During the year under review, our community-based department stores introduced children's playground,

"LIVING GALLERIES" HAVE SET UP VARIOUS COMPLEMENTARY FACILITIES TO BE THE PREFERRED PLACES FOR ENTERTAINMENT AND DINING

children's SPA, post-natal rehabilitation center, and provided convenience service, such as, self-service cashier counters, to satisfy all kinds of needs of household consumers. At the same time, stores tried to prolong customer's duration of stay through continuous perfection of their restaurant portfolio and enlargement of catering areas. In this regard, the community-based department stores introduced popular food stalls including I Love Hotpot, Xin Feng Ji and Xintangyidong while stores targeting middle and high-income households brought in delicacies, such as, Famous Master Coffee, Neolithic Barbecue and Hua Bi He, into the stores.

INTRODUCTION OF CAREFULLY-SELECTED BRANDS TO SET FASHION TREND

The South Eastern China Region has long been recognized as the "Fashion Capital" and its people are well abreast of the most up-to-date fashion sense and develop a unique lifestyle. Therefore, "Fashion Galleries" in the region act as trendsetters to incessantly bring in edge-cutting and unique clothing and brands into the stores. Shanghai Huaihai Branch Store and Ningbo Store both primarily target at high-income women, who pursue unique character. Hence, the stores added a number of designer and exclusive brands for mature ladies, such as, ELLASSAY, O2LIFE etc. during the year under review. On the other hand, "Fashion Galleries" targeting younger groups and nearby communities introduced fashion brands, such as, A02, GOZO, DAZZLE, coupled with new concessionaire counters featuring famous ladies'

footwear and cosmetics brands so that fashionistas could find everything they desire in the store. Adopting the outlet-like operations model, Shanghai Changning Branch Store and Shanghai Xinning Branch Store increased their competitiveness in the business circles they operate in with sales promotion and popular restaurants. Also, stores enhanced their attractiveness with unique interior decoration. For instance, the recently–revamped Nanjing Store differentiated itself with a glamorous "Hong Kong Style" image by using Cantonese as the chosen language in its in-store broadcasts, with furnishings, concessionaire counters and floor names featuring Hong Kong lifestyle.

REGIONAL COLLABORATIVE MARKETING ACTIVITIES BLAST WITH CREATIVITY

During the year under review, stores in the South Eastern China Region leveraged its extensive network and jointly launched a series of regional marketing activities with great creativity, successfully boosting its sales and traffic. At the end of 2012, 10 stores in Shanghai co-organized a large-scale "Non-stop Mega Sales" promotion with highlights including iPhone 5 giveaway, online mega sales which customers could enjoy the same great deals easily at home and the introduction of comfortable version of mega sales that exclusive timeslots were assigned to selected consumers with the supply of refreshments. All these aimed to create a comfortable shopping environment to the shoppers. During the event, the stores gave nearly 270 iPhone 5 away and achieved gross sales proceeds of about RMB500 million, representing an increase of more than 70% year-on-year. During the year under review, stores such as Ningbo Store and Shanghai Xinning Branch Store, celebrated their

anniversaries concurrently by offering extra discounts and shopping privileges with banks for consumers who use credit cards to settle their bills. In addition, during peak shopping seasons such as traditional and contemporary festivals, stores organized a number of festival-themed events accordingly. For instance, Shanghai Huaihai Branch Store held "A New Year of Unbeatable Weekly Prices" Promotion during Chinese New Year; in October 2012, Ningbo Beilun Store organized a "Trick or Treat" Halloween costume party with an English school, in which parents and children had great fun in the intriguing activities, including pumpkins carving, candy seeking, treasure hunt in haunted houses, etc, successfully driving traffic and sales of the store.

WEIBO FANS APPROX.
492,000
WECHAT SUBSCRIBERS OVER
174,000

During the year under review, our stores also made good use of social media platforms, such as, Weibo and WeChat, for marketing purpose, with the objective of achieving "Online promotion, Offline Purchase". Among them, Shanghai Wujiaochang Branch Store launched its "Wei-life Membership Card" during the International Women's Day period, in which models arrived at the store to interact with the customers. Over 5,000 card applications were received and a year-on-year sales increase of approximately 20% was recorded. As at 30 June 2013, the South Eastern China Region had about 490,000 fans on Weibo and over 170,000 subscribers on WeChat.

FABULOUS CUSTOMIZED ACTIVITIES TO DEEPLY ENGAGE WITH VIP MEMBERS

During the year under review, stores in the South Eastern China Region hosted numerous exciting VIP events catering to their diverse needs to further consolidate the relationship between the stores and their VIP members. For example, stores worked with Avene, AUPRES and other well-known cosmetic brands on grooming seminars for beauty-savvy VIP members. Our stores were keen to be a match maker and organized speed-dating activities to help our single members to find true love, for instance, Shanghai Baoshan Branch Store partnered with *Shanghai Morning Post* to organize "Shanghai Community's Love Season", which successfully matched a few couples together. To better serve the high-earning households, stores often organize family activities on weekends and holidays to draw them into our stores.

Besides organizing warmhearted birthday parties for its members and their families, during Christmas, Shanghai Shaanxi Road Branch Store held a Santa Clause Parade while Shanghai Pujian Branch Store organized the "Christmas GAGA's Painting Contest" with *U+Weekly*, which were well received by the consumers. Stores in the region also further improved their VIP facilities during the year under review. Shanghai Chengshan Branch Store, for instance, set up a lounge area exclusively for its Platinum members, where is supplied with free Internet service, massage armchairs, coffee grinding machines, card games and board games etc., to provide our valued members with the maximum comfort and convenience.

During the year under review, the number of VIP members of the South Eastern China Region increased to approximately 860,000, representing a 33% year-on-year growth; compared with 2012, the number of VIP club members jumped 20% to approximately 319,000, and VIP members accounted for 57% of gross sales proceeds.

ESTABLISHING BRAND INTEGRITY WITH WHOLEHEARTED SERVICES

During the year under review, stores in the South Eastern China Region won customers' appreciation and public recognition with their innovative marketing strategies and superb customer services. In November 2012, Shanghai Changning Branch Store and Shanghai Xinning Branch Store were granted the "Shanghai Shopping Festival – Best Promotion" Award by the Commission of Commerce of Changning District; in March 2013, the two stores were named "Advanced Entities" while Shanghai Pujian Branch Store was given the "Best Marketing Award" in 2012 Pudong's Year-End Thematic Marketing Promotions and Shanghai Huaihai Branch Store was named one of the "Top 100 Enterprises of the Year" by China Construction Bank; besides, Ningbo Store garnered "The Most Powerful Advertisement Award" and "2012 Consumers' Most-Trusted Enterprise" Award from *Ningbo Evening News*. In addition, our stores have demonstrated exceptional performance in integrity. Shanghai Hongkou Branch Store earned the third-class award in the "Business Integrity, Start with Me" Contest organized by the Commission of Commerce of Hongkou District.

Central Western China Region

Chengdu Store

Central Western China Region		Population As of the End of 2012	Local Gross Domestic Product in 2012 (RMB)	Gross Domestic Product Per Capita in 2012 (RMB)	Per Capita Disposable Income in 2012 (RMB)	Total Retail Sales of Consumer Goods in 2012 (RMB)
Central District	Wuhan	10.12 million	800.4 billion	79,089	27,061	343.2 billion
Central Southern District	Changsha	7.15 million	640.0 billion	89,903	30,288	245.5 billion
	Zhengzhou	9.03 million	554.7 billion	63,328	24,246	229.0 billion
South Western District	Chengdu	14.18 million	813.9 billion	57,624	27,194	331.8 billion
	Chongqing	29.45 million	1,145.9 billion	39,083	22,968	396.1 billion
	Kunming	6.53 million	301.1 billion	46,256	25,240	149.4 billion
	Mianyang	4.64 million	134.6 billion	29,018	20,755	57.3 billion

Source:

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

INDUSTRIAL TRANSFER POLICIES ACCELERATE ECONOMIC GROWTH

Thanks to the issuance of *Guiding Opinions of the State Council on Central and Western Regions' Undertaking of Industrial Transfer* by the State Council of China in 2010 accelerating the industrial transfer from the Eastern coastal region to Central Western China, Central Western China's secondary industries have become the driver for its growth. Benefited from it, the economy of Central Western China continued its rapid growth momentum in 2012. The economic growth rates of Hubei Province, Hunan Province, Henan Province, Sichuan Province and Yunnan Province ranged from 10% to 13%, which were higher than the country's average of 7.8%. The growth of the total retail sales of consumer goods in the major cities of Central Western China, such as, Wuhan, Chongqing and Chengdu in 2012 was higher than the country's average, indicating the region's increasing purchasing power.

Following the implementation of differentiated regional development policies, the government will strengthen its support to Central Western China by increasing investments toward major infrastructure and livelihood enhancement projects. The region's late-mover advantage will be further distinguished and is expected to lead to a faster economic and consumption growth, outpacing its peers in Eastern China.

THE ECONOMIC GROWTH RATES OF HUBEI, HUNAN, HENAN, SICHUAN AND YUNNAN PROVINCES WERE HIGHER THAN THE COUNTRY'S AVERAGE GROWTH OF 7.8%

SHARP POSITIONING TO CREATE BOUTIQUE DEPARTMENT STORES

During the year under review, the Group had a total of 12 stores in the Central Western China Region, including: six in the Central District, i.e., Wuhan New World Department Store ("Wuhan Store"), Wuhan New World Trendy Plaza ("Wuhan Trendy Plaza"), Wuhan New World Department Store-Wuchang Branch Store ("Wuhan Wuchang Branch Store"), Wuhan New World Department Store-Qiaokou Branch Store ("Wuhan Qiaokou Branch Store"), Wuhan New World Department Store-Xudong Branch Store ("Wuhan Xudong Branch Store"), and Wuhan New World Department Store-Hanyang Branch Store ("Wuhan Hanyang Branch Store"); two in the Central Southern District, i.e., Changsha New World Trendy Plaza ("Changsha Trendy Plaza") and Zhengzhou New World Department Store ("Zhengzhou Store"); and four in the South Western District, i.e., Chengdu New World Department Store ("Chengdu Store"), Chongqing New World Department Store ("Chongqing Store"), Kunming New World Department Store ("Kunming Store") and Mianyang New World Department Store ("Mianyang Store"). With the exception of Wuhan Xudong Branch Store as a managed store, all the other 11 stores in the Central Western China Region are self-owned stores.

During the year under review, the rebranding of Wuhan Wuchang Branch Store, Changsha Trendy Plaza, Kunming Store and Chongqing Store was completed while Wuhan Trendy Plaza and Wuhan Xudong Branch Store completed theirs in September 2013 as well. On the other hand, the rebranding and business revamp of Wuhan Store and Wuhan Qiaokou Branch Store is expected to finish by 2014.

ENHANCED COMPLEMENTARY FACILITIES TRANSFORM STORES INTO LEISURE AND SHOPPING HOTSPOTS

The government's increasing support to the Central Western China Region in recent years gradually nurtured a huge consumption power in the region. Consumers are more brand-conscious with higher expectation on product quality. Thus, "Living Galleries" in the Central Western China Region are positioned as boutique department stores, providing quality services and products for consumers with an acute fashion sense. Considering the huge growth potential in the ladieswear market, the stores actively imported more ladies' brands and expanded their operating areas accordingly during the year under review. For example, the first to the third floors of Wuhan Qiaokou Branch Store were renovated into a showroom for ladies-related merchandises, while Changsha Trendy Plaza expanded the sales area of gold and jewelry, and introduced HONEYS, [eni: d], La Chapelle and other young ladies' fashion brands into the store. In addition to shopping, in view of the fact that the consumption behavior in Mainland China has changed over time, consumers have started carrying out learning and leisure activities such as entertainment, dining and grooming in a department store. Hence, during the year under review, a number of "Living Galleries" in the region further expanded their leasing areas with an upgrade on their in-store complementary facilities. In terms of dining, other than cafes, Chinese and Western restaurants, stores in the region also added diverse flavors including Hunan and Cantonese cuisines, hotpot and food court, providing a wider selection of dining options to customers.

In terms of entertainment, stores in the region further strengthened their leisure facilities. Wuhan Hanyang Branch Store, for instance, added a famous cinema to screen Chinese and Western movies with the purpose of attracting and retaining customers so as to boost concessionaire sales. On the other hand, a number of "Living Galleries" in the Central Western China Region are community-based department stores targeting young families which attach great importance to their children's learning and development. Therefore, during the year under review, stores included children education centers and recreational facilities in their premises to attract household consumers. For instance, Wuhan Hanyang Branch Store introduced Happy King Children's Playground while Wuhan Xudong Branch Store added education and training centers.

"LIVING GALLERIES"
FURTHER EXPANDED THEIR LEASING AREAS WITH AN UPGRADE ON THEIR IN-STORE COMPLEMENTARY FACILITIES

CUTTING-EDGE "FASHION GALLERIES" SIT ON TOP OF FASHION TRENDS

The population of young consumers in the Central Western China Region has grown rapidly in recent years, therefore, "Fashion Galleries" in the region are positioned as young, trendy and fashionable department stores to attract young consumers aged 18 to 35. During the year under review, in response to the rising popularity of fast fashion, stores in the region imported more corresponding brands, such as, Uniqlo, WHO A U and HOT WIND, to catch up with the younger consumers' fast-changing fashion preference. At the same time, stores continued to optimize their brand mix to upgrade store profile. For example, Wuhan Wuchang Branch Store expanded the sales area of branded merchandises in view of consumers' growing purchasing power. As a result, CHARRIOL, S.T. Dupont and other well-known brands landed at the stores. Since gold and jewelry, ladies' footwear and ladieswear have always been the Group's category killers, stores in the region expanded the corresponding sales area of these categories with careful maintenance. Therefore, Wuhan Trendy Plaza enlarged its operating area for jewelry, cosmetics, ladies' footwear, men's and ladies' casual wear accordingly; Kunming Store increased the number of concessionaire counters for ladies' footwear, thus strengthening its position as "NWDS-Shopping Paradise for Shoe Lovers". In addition to optimizing the merchandise mix, "Fashion Galleries" in the region enhanced their dining facilities to transform themselves into the go-to places for young customers.

UNIQUE MARKETING CAMPAIGNS CRAFT ALL-YEAR-ROUND SURPRISES TO THE CUSTOMERS

During the year under review, be it a regular or festive day, stores organized thematic marketing activities on a regular basis to deliver surprises to the customers. During Christmas in 2012, the Group displayed large-scale "Christmas GAGA's Lapland Tour" themed Christmas decorations at Wuhan Qiaokou Branch Store and was the first mover to introduce Finnish Lapland Santa Claus Office to Mainland China while six Wuhan stores treated customers a big Christmas feast together with the Finnish Santa Claus. VIP members and Weibo fans of Chengdu Store and Chongqing Store were given the chance to meet and greet with the Finnish Santa Claus, who also led children to sing Christmas songs in the Christmas carol, making stores the must-go places for festive celebrations.

In addition to traditional festivals, stores have also organized a lot of promotional activities in emerging festivals. During the year under review, Wuhan Wuchang Branch Store held the "Halloween Night – Meeting Earl Dracula" event, teaching children on how to make pumpkin lamps and Halloween masks while holding interactive game shows for children. On Valentine's Day, Zhengzhou Store presented the "Love Arriving at New World: A Valentine's Date" event to stimulate more non-peak season sales.

Central Western China Region

During the year under review, stores in the region deepened their cross-sector collaboration with banks, telecommunication companies and other corporations to inject new elements into their marketing campaigns. Through these projects, stores in the region could utilize partners' marketing and customer resources to increase the breadth and depth of the promotions so as to help explore new customers. In July 2012, Wuhan Store cooperated with CITIC Bank to organize a VIP event called "NWDS-CITIC Bank's Appreciation Meeting – Exclusive Privileges for Card Holders". Also, a press conference called "Cats at NWDS" of the classic Broadway musical "Cats" (Chinese version) was held in the same store in November 2012 and obtained extensive media coverage. In December 2012, Zhengzhou Store, Bank of Communications, China Minsheng Bank Corporation and Guangdong Development Bank jointly organized a series of "Christmas Carnival" activities with a bunch of credit card offers exclusively for VIP members. During the "Blast of Joy – Celebrating the 20th Anniversary" in May 2013, Chengdu Store invited 20 leading consumer brands from various industries including Gome Electrical Appliances and Tencent to set up in-store promotion booths and largely increased the publicity of the event.

During the year under review, stores in the region actively promoted themselves on social media platforms, such as, Weibo and WeChat and further strengthened the interaction with their fans through online prize-winning games, such as cracking golden eggs, Wei chats and big lucky wheels, all of which boosted the number of Weibo fans and their active level. As at 30 June 2013, there were over 1.1 million Weibo fans and over 40,000 WeChat subscribers in the region.

HEARTFELT SERVICES AND SPECIAL EVENTS ENHANCE MEMBER LOYALTY

During the year under review, stores in the region outlined a variety of special club activities tailoring for VIP members with different interests. These included "Birthday Party" for Perfect House Wife Club, "Keeping Fit – Weight-loss Summer Camp" for Smart Lady Club, "DIY Diamond Heels" for Crystal High Heels Club and "Financial Management – Secret Tips to Managing Your Gold Portfolio" for Platinum VIP Club. All of these activities aimed to enhance VIP loyalty to the Group.

Stores in the region also organized grooming seminars with renowned cosmetics brands for beauty passionates, for example, "Revlon VIP Grooming Class" by Chongqing Store and "Carslan's Spring Makeup Trends" by Zhengzhou Store, which successfully drove the sales of cosmetic products.

During the year under review, "Living Galleries" in the Central Western Region held numerous art-related VIP club activities enabling customers to enjoy a tasteful lifestyle. For instance, Wuhan Qiaokou Branch Store held a series of thematic events called "City Oasis". In these events, celebrities and instructors were invited to give talks on four selected topics, namely, "Photography", "The 'New' Tour", "Stylish Fashion" and "Playful Life", which have received active participation from club members. On the other hand, stores in the region completed a number of VIP facility enhancement projects, including the installation of free Wi-Fi, VIP lounge, free parking, tele-purchase and delivery, and "Reward Point Marketplace" redemption service, so as to further strengthen the relationship with their VIP members.

VIP MEMBERS APPROX.
1,175,000

During the year under review, the number of members in the Central Western China Region increased 30% to approximately 1,175,000, which accounted for 55% of gross sales proceeds of the region. The number of VIP club members also increased 29% to approximately 612,000.

WIDE RECOGNITIONS REINFORCE THE IMAGE AS TRENDY DEPARTMENT STORE

Stores in the region made remarkable achievements during the year under review. Their stylish market position received enormous recognition, including "The Most Fashionable Brand" Award in Trendsetting – City Life Style Award 2012 for Chongqing Store jointly presented by *City Life*, *Modern Weekly* and Baidu Chongqing, and the "2012 Award for Trendy Department Store" for Chengdu Store from Chengdu City Chamber of Commerce and others. In addition, their persistence on quality service was highly appreciated by consumers. For example, Wuhan Wuchang Branch Store was accredited as the "2011–2012 Consumer Satisfaction Entity" by the Hubei Province Consumers Association.

Diverse Heartfelt Services

Creating One-stop Joyful Shopping and Entertainment Experience

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$4,011.5 million in FY2013, representing an increase of 14.9% from HK$3,490.1 million in FY2012. The growth was primarily contributed from commission from concessionaire sales, sales of goods for direct sales and rental income.

Gross sales revenue, comprising gross revenue from concessionaire sales, sales of goods for direct sales, management and consultancy fees, rental income and other income increased by 15.5% to HK$16,414.4 million in FY2013 from HK$14,207.2 million in FY2012. Gross revenue from concessionaire sales increased to HK$14,895.5 million from HK$13,010.0 million in the Previous Year. Commission income rate was declined from 18.5% in the Previous Year to 17.7% in the Current Year. The decline was primarily due to the lower commission rates recorded by new stores and the sales growth of jewelry and gold, electronic products with lower commission rate and the number of promotions increased in the competitive market. Sales of goods for direct sales was HK$809.6 million in FY2013 compared with HK$676.2 million in FY2012. Direct sales turnover mainly comprised of groceries, housewares and perishables (approximately 50.9%), cosmetic products (approximately 39.9%), ladieswear and menswear (approximately 5.9%), accessories, handbags and underwears (approximately 1.9%). Gross margin of direct sales was 14.4% compared to 15.5% in the Previous Year. The drop was mainly due to the increase in sales contribution from supermarkets which had a lower margin. In FY2013, ladieswear and accessories made up approximately 64.0% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 17.8% and sportswear, bread and snacks, electrical appliances, children's wear and personal care products largely made up the rest.

Management and consultancy fees was HK$52.3 million in FY2013, showing an increase from HK$19.2 million in FY2012. The increase was primarily due to the contribution of management fees from new managed stores, namely Ningbo Beilun Store and Yanjiao Store opened in September 2012 and in April 2013 respectively. Also, the Group received fees for the provision of consultancy services for some new managed store projects which were at pre-opening stage in the Current Year.

Rental income increased by 31.2% to HK$510.7 million in FY2013 mainly due to increased leasing area from firstly, recognising a full-year operation of Lanzhou Store and Shanghai Shaanxi Road Branch Store, and Beijing Liying Store acquired in November 2011 and January 2012 respectively, Mianyang Store opened in December 2011 and the completed expansion of Shenyang Jianqiao Road Branch Store in April 2012; and secondly, the opening of new self-owned Yancheng Store and Xi'an Store in December 2012.

Other Income

Other income of the Group was HK$146.3 million in FY2013 compared with HK$112.6 million of FY2012. The increase was mainly due to the increase in government grants and income from suppliers in FY2013.

Other Losses/Gains, net

Loss on disposal of property, plant and equipment and land use rights of the Group in the Current Year was HK$60.4 million (2012: HK$12.8 million). Other gains, net in FY2012 comprised a gain of HK$47.1 million on disposal of certain portion of property and land use right situated in Wuxi City.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Year was HK$70.9 million and related to the properties of Shanghai Shannxi Road Branch Store, Zhengzhou Store and Tianjin Store.

Purchases of and Changes in Inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It increased by 21.3% to HK$693.1 million in FY2013 from HK$571.2 million in FY2012. The percentage of increase was approximately in line with the increase in sales of goods for direct sales.

Employee Benefit Expense

Employee benefit expense increased to HK$572.3 million in FY2013 from HK$541.6 million in FY2012. This increase was primarily due to the increase in wages and salaries, retirement benefit costs and other employee benefits as a result of recognising a full-year operation of Lanzhou Store, Shanghai Shaanxi Road Branch Store, Beijing Liying Store and Mianyang Store acquired or opened in FY2012. In addition, the expansion of Shenyang Jianqiao Road Branch Store in April 2012 and the newly opened Yancheng Store and Xi'an Store in December 2012 also contributed to the increase of employee benefit expense in the Current Year.

Depreciation and Amortisation

Depreciation and amortisation expense increased from HK$293.8 million in FY2012 to HK$320.3 million in FY2013. This increase was primarily due to a result of recognising a full-year operation of Mianyang Store opened in FY2012, the conversion of Lanzhou Store and Beijing Liying Store from managed stores to self-owned stores in November 2011 and January 2012 respectively, the expansion of Shenyang Jianqiao Road Branch Store in April 2012 and the newly opened Yancheng Store and Xi'an Store in December 2012.

Operating Lease Rental Expense

Operating lease rental expense increased to HK$980.4 million in FY2013 from HK$863.1 million in FY2012, primarily due to recognising a full-year operation of Mianyang Store opened in December 2011, the expansion of Shenyang Jianqiao Road Branch Store in April 2012, the conversion of Lanzhou Store and Beijing Liying Store from managed stores to self-owned stores in November 2011 and January 2012 respectively and the newly opened Yancheng Store and Xi'an Store in December 2012.

Other Operating Expenses, net

Other operating expenses increased to HK$767.6 million in FY2013 from HK$592.5 million in FY2012. The increase in other operating expenses was primarily due to recognising a full-year operation of Lanzhou Store, Shanghai Shaanxi Road Branch Store, Beijing Liying Store and Mianyang Store acquired or opened in FY2012. Moreover, the increase was also due to the expansion of Shenyang Jianqiao Road Branch Store in April 2012 and the newly opened Yancheng Store and Xi'an Store in December 2012.

With regard to the increase in selling, promotion, advertising and related expenses from HK$123.9 million in FY2012 to HK$232.2 million in FY2013, that was mainly due to increased promotional expenses in connection with promotion of our newly opened stores and promotion activities in line with the market situation. An increase in other tax expenses from HK$128.5 million in FY2012 to HK$175.6 million in FY2013 was mainly due to the increase of consumption tax arising from sales of gold related products.

Operating Profit

Operating profit was HK$834.5 million in FY2013 compared with HK$786.8 million in FY2012. Operating profit, excluding other losses/gains and changes in fair value of investment properties, increased by approximately 11.3% to HK$824.0 million from HK$740.4 million in the Previous Year.

Income Tax Expense

Income tax expense of the Group was HK$233.8 million in FY2013 compared with HK$204.8 million in FY2012. The effective tax rate of the Group in FY2013 was 26.7%.

Profit for the Year

As a result of the reasons mentioned above, profit for the year was HK$641.5 million compared with HK$607.7 million in the Previous Year. Profit for the year, excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi, increased by approximately 9.8% to HK$615.7 million from HK$561.3 million in the Previous Year.

Liquidity and Financial Resources

Cash and fixed deposits of the Group amounted to HK$2,959.5 million as at 30 June 2013 (30 June 2012: HK$3,621.0 million).

The Group's borrowings from banks as at 30 June 2013 was HK$659.3 million (30 June 2012: HK$1,007.7 million) of which HK$632.9 million (30 June 2012: HK$682.9 million) was secured by pledge of assets.

At 30 June 2013, the Group's current liabilities exceeded its current assets by HK$690.0 million. The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitment of the Group as at 30 June 2013 was HK$1,006.6 million which was contracted but not provided for in the statement of financial position. For the contractual payment of HK$1,006.6 million, approximately HK$105.1 million was related to the acquisition of land and building located in Shenyang City, approximately HK$533.7 million for the property redevelopment project in Shenyang City and approximately HK$314.6 million for the acquisition of entire equity interest in Shanghai Hongxin Properties Company Limited.

Pledge of Assets

As at 30 June 2013, investment properties of HK$1,913.9 million (30 June 2012: HK$1,792.7 million) of the Group were pledged as securities for bank borrowings of HK$632.9 million (30 June 2012: HK$682.9 million).

Treasury Policies

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2013.

OUTLOOK

In 2013, the international capital markets were still enveloped by the European sovereign debt crisis. China's economy managed to maintain a steady growth and make gradual progress amid global economic uncertainties. According to National Bureau of Statistics of China, GDP in the first half of 2013 amounted to RMB24,800.9 billion, representing a year-on-year increase of 7.6%; the total retail sales of consumer goods rose 12.7% year-on-year to RMB11,076.4 billion. Consumption accounted for 45.2% of China's GDP growth, demonstrating that domestic consumption has become the main driver of China's economic growth.

The government has announced its intention of unleashing effective demand in the second half of the year, which will further encourage consumer spending and expand domestic consumption. On the other hand, the government will push forward the people-oriented modern urbanization. Urbanization and urban-rural integration will increase the scale of China's overall consumption and raise the purchasing power of third-tier and fourth-tier cities, thus exposing a large potential market. The Group has already developed strategies in this regard to strengthen its business development in those cities so as to seize the opportunities from urbanization. These government policies will further unleash China's consumption potential, providing strong support to the long-term development of the retail industry. Hence, the Group is prudent but optimistic about the prospect of the industry.

STRATEGIES FOR FUTURE DEVELOPMENT

During the year under review, despite the changes in the operating environment of China's department store sector, a slowdown of retail growth and other challenges, the Group was able to maintain a steady growth with our excellent operations management, diverse marketing promotions and the uplifting effects resulted from the rebranding exercise. Looking forward, to further grasp the opportunities brought by China's economic development and the emergence of the middle class, the Group will continue to evaluate our operations, merchandise, marketing and expansion strategies in a timely manner, and is determined to provide quality merchandises and services to a wider group of customers, and to maximize returns to our shareholders through stringent cost control, more strategic cooperation and store network expansion in order to achieve greater economies of scale.

Operations Strategies

Optimizing Operating Structure to Enhance National Efficiency

The Group has been committed to exercising stringent cost control and enhancing operating efficiency. Following the comprehensive operational restructuring in 2012, which divided our national store network into three operating regions and nine operating districts, the Group will continue to optimize the three-region operations framework to enable higher level of flexibility on resource deployment, regional cost reduction and localization to boost operating efficiency. At the same time, we will further speed up our business expansion through acquisition and provision of store management services to achieve economies of scale. When it comes to determining new store location, we will consider carefully whether the prospective store can generate greater operating synergies with our existing network, in order to maximize the advantages of resource sharing.

Growing Effects from Rebranding Lay Solid Foundation for Development

The Group launched a forward-looking "rebranding program" in 2009 to maintain stores' competitiveness in the highly competitive retail market and bring new excitements to our customers. The Group has categorized the stores into "Fashion Galleries" as thematic department stores with a focus on clothing and accessories as well as "Living Galleries" as one-stop shopping department stores by means of restructuring the merchandise mix and introducing more complementary facilities, such as, dining, leisure and entertainment, into the outlets. These moves were taken to strengthen our brand image through differentiated positioning and to fuel the growth momentum. During the year under review, the

Group's rebranding exercise has largely completed except for four stores, namely Wuhan Store, Wuhan Qiaokou Branch Store, Wuhan Trendy Plaza and Wuhan Xudong Branch Store, with that of the latter two to be completed in September 2013. Taking the new stores into account, as at 30 June 2013, 37 stores were operating in brand new images, which was about 91% of the total GFA. Rebranded stores recorded remarkable increase in their same-store sales growths and have become a confidence booster for the Group's long-term development. In the long run, the Group will accelerate store localization, for instance, when planning for a new store, factors like consumption power, economic condition and industrial structure of the operating area will be taken into consideration to determine its market positioning and interior layout, striving to make a comprehensive plan from the very start. Constant optimization will be made, so as to project a vibrant brand image that caters to the local market. To address the desire for one-stop shopping experience, the Group will give priority to "Living Galleries" projects, aiming to create a more spacious and comfortable shopping environment for consumers.

Comprehensive Talent Development Programs to Support Future Growth

To support the rising demand for talents due to the fast-paced development, the Group will continue to implement comprehensive talent development program with the conviction of "Nurture Talents with Respect, Care and Trust". The Group will provide our staff in all positions with tailor-made training programs, for instance, organizing "Core Talents Nurturing Plan" and "Certificate Program of Further Studies in Retail Operation and Management" with Shanghai Jiao Tong University to nurture middle and senior management, arranging visits to overseas leading department stores, in which staff can pick up some advanced operations philosophies and management methodologies from their foreign counterparts and to bring more new mindsets into the Group. For store-based staff, "Operational Management Training Camp for Store Managers" and skill-enhancing courses are arranged regularly to elevate their professional skills and integrated operating ability, as well as enhancing the Group's customer service quality. On the other hand, "Project Xinpeng – NWDS Management Intern Cultivation" is in place to replenish the Group's talent pool for our development in the long run.

Wider and Deeper Technology Applications to Enhance Shopping Experience

The Group will continue to keep abreast of the latest technologies and enhance their applications in stores to improve operating efficiency and customer experience. In terms of operations, we will comprehensively optimize our operations management systems, for instance, increasing office automation and introducing enterprise resource planning system etc. Internal control will also be strengthened to enhance operating efficiency. At the same time, the Group plans to increase the integration level of back-end systems of concessionaires, direct-sales and e-shopping divisions to create an integrated online and offline platform. As for customer service, the Group will implement a series of initiatives, including VIP system optimization and promotion on multi-purpose VIP cards; more online promotions to address the growing popularity of new media; store information system upgrade, such as, installing mobile cash registers and launching push notifications so that customers can receive discount information anywhere, anytime, to make shopping easier and more convenient.

Merchandise Strategies

Special Maintenance on Categories Killers to Build Strong Merchandise Mix

As a trendsetter, the Group consistently optimizes our merchandise mix to keep up with international and local fashion trends. In addition to bringing in renowned international brands, the Group also rides on the wave of fast fashion and introduces respective clothing lines into our merchandise mix. Also, the Group will continue to introduce new brands and exclusive merchandises in the business circle where the stores located to create a merchandise portfolio with competitive edge. In addition, we will continue to expand our product categories and attach great importance to carefully maintain the category killers, such as, gold and jewelry, ladies' casual wear and footwear, to realize greater revenue. In order to provide a selection of unique merchandises and create differentiation advantages, the Group established a direct sales subsidiary in 2011 to develop our own private labels, which are in high quality but at affordable price, introducing more selected merchandises to customers.

Strengthening Ties with Affiliates to Bolster Collaborative Synergies

The Group will establish closer strategic cooperation with Chow Tai Fook, K11 and other affiliated companies of New World Group, for instance, introducing Chow Tai Fook concessionaires into our stores, to bolster synergies for mutual benefits.

Targeted Supplier Management Mechanism to Foster Strong Partnership

The Group will continue to consolidate and optimize the "Head Office – Region – Store" three-tier supplier management system to carry out targeted brand management and maintenance; besides, the Group will further integrate our supplier data, so that stores can easily access and utilize the information accordingly. The Group has always attached great importance to supplier partnership. In addition to the "New World Net" communication platform, the Group also develops "Strategic Brand Management Approach" to provide guidelines on how to foster closer partnerships, explore collaboration opportunities as well as broaden and deepen bilateral cooperation with major brands in a systematic way.

National Merchandising Team Formed to Handle Leasing Projects

Other than concessionaire sales, the Group will continue to operate in a hybrid model integrating the elements of shopping malls into our stores. Striving to deliver an enriched shopping experience to customers, we will further expand leasing area and incorporate complementary facilities, such as, restaurants, cinemas, beauty salons and education centers, into stores. At the same time, the Group also establishes a national merchandising team as a central office to coordinate the management and planning of leasing projects, aiming to facilitate tenant acquisition and achieve economies of scale.

Marketing Strategies

Optimizing VIP Membership Structure to Retain Top-tier Customers

The Group has always given priorities to VIP relationship management. To foster closer relationship, the Group will further optimize our existing VIP structure to put top-tier VIP customers under special treatment. Also, the Group will continue to perfect in-store member facilities and offer more exclusive discounts to enhance their sense of superiority as a VIP member. During the year under review, the Group held the "Nationwide VIP Day" at the end of November 2012, the largest VIP rewarding campaign as of date, offering exclusive VIP discounts and has successfully generated up to RMB400 million of sales proceeds.

Launching Inter-Store Thematic Sales Promotion Across the Country

To avoid being a sole fighter in the battlefield of sales promotion, the Group will leverage our large retail network to initiate more inter-store thematic promotions nationally and regionally by pooling in the strengths and resources of all stores, enabling to create bigger noise and to offer greater discounts to our customers. During the year under review, the Group held numerous nationwide promotions including the "Nationwide VIP Day" and the "Blast of Joy – Celebrating the 20th Anniversary". In the latter campaign, which was organized in celebration for approaching 20th anniversary, the Group gave away nearly 2,000 Samsung GALAXY S4 smartphones and achieved sales proceeds of RMB670 million with sales growth of over 180% during the campaign period.

New Media Channels to Engage Young Customers

In recent years, the Group has been exploring new media channels to tap into the trend of growing use of online platforms and smartphones to access information. With the extensive use of social media sites, video clips, Weibo, WeChat and mobile platforms for marketing purpose, we aim to be more engaged with the younger segment, and to enhance cost efficiency through improving information transmission efficiency while reducing dependence on traditional advertising channels. During the year under review, the Group has attracted over 3.5 million fans on Weibo and the number of WeChat subscribers soared to nearly 340,000 within a few months after the launch.

Foster Strategic Cross-Industry Collaboration to Deliver Surprises and Privileges

The Group will continue to work with strategic partners from different sectors to bring customers with more diverse and creative promotional activities, which helps expand customer bases and create win-win for both parties. In particular, the Group plans to deepen cooperation with affiliated companies of New World Group, including New World China Land, Chow Tai Fook, K11 and Rosewood Hotel Group, introducing more exclusive promotions and activities to maximize our synergies.

Expansion Strategies

Prudent Expansion Strategies to Accelerate National Expansion

Benefiting from the more-established infrastructure and transportation network as well as the favorable policies encouraging domestic consumption and urbanization, the economy of third-tier and fourth-tier cities are undergoing rapid development. Riding on this momentum, the Group will continue to carry through our expansion strategies of "radiation city" and "multiple presences within a single city". On one hand, the Group will actively seek for potential projects in first-tier and second-tier cities, such as, Beijing, Shanghai, Wuhan, Shenyang and Chengdu to further strengthen our regional competitive advantages; on the other hand, the Group will extend our presence to the surrounding third-tier and fourth-tier cities, and make these high-potential markets as the focus of our future development. Looking ahead, the Group aims to increase the total GFA of our self-owned stores to about 2 million sq. m. by FY2016.

Addition of Self-Owned Stores through Leasing and Acquisition

The Group will continue to increase the number of self-owned stores by means of leasing and acquisition. During our 20 years of operation in Mainland China, the Group has established long-term strategic relationship with many landlords and property developers, which enables us to enjoy competitive leasing terms and stable rentals. Other than leasing, we are also actively gaining access to prime locations in emerging markets quickly through acquisition. In addition, the Group plans to further foster cooperation with industry organizations to acquire high-potential department store projects and suitable lands for development. These strategies will accelerate the Group's entry into the target markets and enlarge our influence in the existing markets.

During the year under review, the Group announced the acquisition of Shanghai Hongxin Trendy Plaza with a GFA of approximately 43,000 sq. m.. The acquisition has been completed at the end of July 2013. In terms of opening self-owned stores, a "Living Gallery" in Yantai City, Shandong Province, will commence business in FY2014, with a GFA of approximately 55,000 sq. m.. Furthermore, Shanghai 118 Project in Putuo District, Shanghai will be opened in FY2015, with a GFA of approximately 62,600 sq. m.. Also in FY2015, in addition to the existing Changsha Trendy Plaza, a new "Living Gallery" in Hengyang City, Hunan Province, will be set up with a GFA of approximately 42,200 sq. m..

In addition to the above, the Group also plans to enlarge our operating area through store expansion to provide customers with a more comfortable and spacious shopping environment. During the year under review, Shenyang Nanjing Street Branch Store Phase II Project, with a GFA of approximately 25,400 sq. m., was under expansion and will be completed in FY2015; the Shenyang Nanjing Street Branch Store Phase I Redevelopment Project will be completed and commence operation in FY2017, with a GFA of approximately 26,300 sq. m..

Managed Stores Expedite Entry to Emerging Markets

Supported by the urbanization policy, third-tier and fourth-tier cities have become the new engines for the country's economic growth. Hence, the consumption potential of these cities should not be overlooked. To lower investment risks, the Group will continue to speed up our moves in entering emerging markets by increasing managed projects. This lays a solid foundation for our development in these markets as it allows us to extend our store network at a rapid pace while earning stable management fees. To increase the attractiveness of their shopping malls, property developers often proactively approach and acquire well-known retailers into their premises, which have made it easier for the Group to negotiate good leasing terms. When the business matures, the Group will thoroughly consider acquiring the managed stores and converting them to self-owned stores to broaden our geographical network. In terms of opening managed stores, the Group's Yantai Shopping Mall Project will commence operation in FY2014, with a GFA of approximately 46,000 sq. m.. In the same year, in view of the strong retail growth in Zhejiang Province, a "Living Gallery" will be set up in Keqiao, Shaoxing City, with a GFA of approximately 42,300 sq. m., as a means to strengthen the Group's influence in the South Eastern China Region. In addition, the Group's managed project in Jiamusi City, Heilongjiang Province will commence operation in FY2016 with a GFA of approximately 40,000 sq. m..

The Group has always been committed in corporate sustainable development. Hence, the NWDS Sustainability Steering Committee was established in March 2012 and formulated corresponding policies to promote works in the aspects of environmental protection, community services, staff benefits and development, and operating practices, with an ultimate goal to mitigate environmental impacts and improve the livelihood of the community. While pursuing profits, we are dedicated to care more for the society and help build a better future. Therefore, taking the moment of the 20th anniversary, the Group will go an extra mile to be more engaged with the community by allocating more resources and time to take part in sustainability activities in various forms to better serve the under-privileged people and others in need.

ESTABLISHMENT OF NWDS VOLUNTEER TEAM

In the past, our stores often initiated store-based volunteer activities and received a lot of positive feedbacks from local communities. In view of this, the Group set up the NWDS Volunteer Team in April 2013 to unify our caring and power to better serve the society. As at 30 June 2013, about 1,500 volunteers were recruited and contributed more than 2,500 service hours in total. In April 2013, the Group subsequently launched its first nationwide volunteer campaign, "NWDS Tutoring Program", to provide a two-month free tutorial for under-resourced schoolchildren in small group settings in order to help them resolve difficulties encountered in their studies. Over 530 NWDS volunteers supported the activity which benefited approximately 1,600 children across the country. Carrying through the spirit of love and adhering to our vision of "social responsibility, innovation, people-oriented, pursuit of excellence", the Group will continue to carry out more volunteer services in a wide spectrum covering education, caring for the elderly, helping the under-privileged groups, environmental protection and assisting the disabled, etc..

COMMUNITY SERVICES

NWDS has been actively involved in social welfare activities and has participated in a large number of charitable events taking place in Mainland China and Hong Kong. The Group's effort has been widely endorsed by our customers and the public, and was repeatedly awarded the "Caring Company" logo in 2013.

"@Dream Sustainable Development Program" Launched to Help Under-resourced Children to Pursue Their Dreams

To give back to society, the Group kicked off "@Dream Sustainable Development Program", the largest nationwide sustainable development community project in its history, in July 2013. The program consists of four core components, namely, "@Sports – Hope Walkathon", "@Music – Rainbow Orchestra", "@Learning – Education Initiation" and "@Soul – Distant Calls", and a series of activities and workshops are organized in accordance with the themes. The program lasts for one year, with an objective of helping under-resourced children to pursue their dreams, and to develop a balanced mental and physical health and thus a positive attitude toward life, with the ultimate goal of increasing social mobility. It is expected that as many as about 5,000 children in Mainland China and Hong Kong will be benefited.

Supporting Under-resourced Schoolchildren

Building sustainable community and helping schoolchildren in need are high on the Group's sustainability agenda. Hence, the Group held the "Care for Schoolchildren" Campaign in March 2013 to collect school supplies for under-resourced schoolchildren, in which shopping privileges were offered to customers as an incentive to encourage participation. With enthusiastic support from the customers, the Group successfully gathered about 20,000 pieces of school supplies, all of which were donated to charitable organizations or schools in the neighborhood subsequently. Concurrently, 10 stores in the South Eastern China Region cooperated with Love Children Autism Welfare Center to launch the "Love Makes the Sky Blue" Donation Campaign to echo with the "World Autism Awareness Day". The campaign has raised approximately RMB35,000 in donations and gathered 3,500 pieces of stationeries for autism children.

Key Sponsor of the "MSF Day" for Seven Consecutive Years

On 7 July 2013, NWDS became the key sponsor of the "MSF Day" organized by Médecins Sans Frontières ("MSF") for seven consecutive years. The Group appealed to more than 25,000 employees in Mainland China and Hong Kong to donate their one day's salaries to support MSF's global relief efforts. As a result, the Group raised a donation of HK$450,000 in just a few days and became the top corporate fundraiser for the seventh consecutive year, fully demonstrating that our love is irrespective of race and boundaries.

Hand-in-hand Support to Ya'an Victims

With the spirit of "when one suffers, help comes from all directions", the Group always renders support to disaster relief works. In April 2013, an earthquake of magnitude 7.0 on the Richter scale struck Ya'an, Sichuan Province, taking away tens and thousands of lives and destroying countless homes. Our employees have taken immediate action by raising a generous donation of up to RMB480,000. And the proceeds raised went to Shenzhen One Foundation to help the earthquake victims. In addition, Nanjing store, Chongqing Store and stores in Wuhan organized commemorative activities respectively, in which the touching ambience moved the pedestrians and attracted them to join our loving force voluntarily.

Organizing Elderly Caring and Poverty-relief Activities

During the year under review, our stores held a number of caring events, for instance, home visits and donations, where massive care was delivered to the elderly, the poor and the under-resourced people. 10 stores in the South Eastern China Region collaborated with SAIC Motor Corporation in June 2013 and organized a charitable dinner themed "Exchange • Love", in which more than RMB100,000 was raised to subsidize school bus purchase in poverty areas. On the other hand, our stores also held numerous elderly-oriented activities during festivals, in which we shared warmth and distributed festive items to the elderly, such as, Chinese New Year food, spring couplets, dumplings, etc.. Moreover, volunteers of Beijing Qianzi Store offered one-on-one caring service for each elderly in September 2012 to ensure every one of them is well taken care of.

ENVIRONMENTAL PROTECTION

Environmental protection has always been a core task in the Group's sustainable development agenda. During the year under review, we executed various green measures on operations level, including recycling and reuse of disposable items, reduction of food waste and energy conservation. On the other hand, we encouraged our employees and customers to adopt green lifestyle by taking part in environmental protection activities supported or initiated by the Group.

In-store Lighting System Revamp to Lessen Carbon Emission

To effectively reduce emission, the Group adopted large-scale energy saving measures during the year under review. A nationwide lighting revamp was completed in our stores by replacing the basic lighting with LED lighting devices. Not only the shopping environment has improved, it also helps cut down the annual energy consumption by more than 31% and achieves a RMB7 million savings on electricity expense and maintenance. Most importantly, 34,343 tonnes of carbon emission can be reduced annually. All of them contribute to energy saving and emission reduction in a practical and effective way.

Promoting Green Living

To encourage customers to practice green living, the Group echoed the United Nations' "World Environment Day" on 5 June and organized a nationwide environmental protection activity called "Go Green with NWDS" in early June 2013. Through a series of spin-off activities, including "Green Causal Wear Day", "Green Rewards GO GO GO" and "Seedlings Adoption Program", complemented with the provision of shopping discounts and environmental gifts, we aimed to raise customers' and employees' awareness on environmental protection issues.

Promoting Resource Recycling

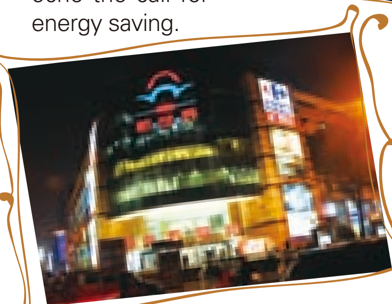
Following the success of the "NWDS Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign" in 2011, the Group launched the nationwide recycling campaign again during Mid-Autumn Festival in 2012 to promote resource recycling. All of the 5,800 moon cake boxes collected were transferred to recyclers and the proceeds gathered were donated to charitable organizations or used for other charitable causes. For instance, Wuhan Wuchang Branch Store made use of the money to purchase stationeries for children in need in the kindergartens.

Advocating Water Preservation

Besides the signature green activities, the Group held a nationwide "Beauty of Water" Photography Contest in September 2012 for the first time to promote water resource preservation and contributed to the cause of protecting the earth. With enthusiastic response from amateur photographers and green-conscious customers, around 22,000 submissions were collected across the country. To further encourage community participation, a public voting session was specially introduced to the contest, with over 130,000 people casted their votes. Furthermore, the Group launched the "Office and Home Water Conservation Ideas" Collection Contest in the same month to gather employees' suggestions on how to preserve our water resources. The contest received over 180 entries, showing employees' attention on water conservation issues.

Supporting the "Earth Hour" for Four Consecutive Years

The Group responded to the call from World Wide Fund for Nature and took part in the "Earth Hour" for the fourth consecutive year. On 23 March 2013, unnecessary lights at 36 NWDS stores and regional offices across the country were switched off for an hour from 8:30p.m. to 9:30p.m. to echo the call for energy saving.



STAFF BENEFITS AND DEVELOPMENT

The Group believes that talent development plays a vital role in the success of corporate sustainable development. Therefore, apart from offering a competitive remuneration and welfare package, the Group carries through the conviction of "Nurture Talents with Respect, Care and Trust" and provides a comprehensive training system and talent development program to help our employees advance their career. To foster relationship with our fellow staff, the Group also holds staff-caring activities frequently to enhance corporate coherence.

Comprehensive Staff Training Builds a Winning Team

The Group pays attention to each and every employee's development and therefore, constructs a comprehensive training system to address the needs. During the year under review, we organized a number of customized training courses covering all positions and technical areas to elevate employees' skills and their professional level. The courses included the "Core Talents Nurturing Plan" for senior managers, "Operational Management Training Camp for Store Managers" tailor-made for store managers, and "Project Xinpeng – NWDS Management Intern Cultivation 2013" which was in place to nurture new blood. To be in line with the Group's growing business, NWDS Management Academy and Shanghai Jiao Tong University co-organized the "Certificate Program of Further Studies in Retail Operation and Management" (Advanced Level) in July 2013 to advance middle to senior employees' management capacity so as to meet the Group's demand for retail professionals. Furthermore, the Group organized a business tour to Korea for middle and senior managers in April 2013, in which they visited a few famous department stores to broaden their horizons.

"Caring Our Staff" Campaign Creates Pleasant Working Environment

To further promote harmony between the Group and employees, in April 2013, the Group launched a cultural campaign called "Caring Our Staff", which comprises a series of activities, including "Management as Care Leader", "Enhanced Welfare Benefits", "Caring for Staff's Health", "Store Manager as Care Ambassador", "Caring Tea Breaks", "Caring Bank Accounts" and "Caring Role Model" etc.. Through deploying senior management to frontline position, distributing health tips, setting up interactive tea breaks and commending outstanding employees, the Group demonstrates its attention on employees' total well-being and determination to create a harmonious workplace.

Acknowledgement of Outstanding Employees, Improving Service Quality

During the year under review, the Group organized numerous staff commendation programs to recognize our staff's hard work so as to boost their morale. In September 2012, the "NWDS Smile Campaign" was launched. Besides providing customer service training programs, frontline and back-office "Smile Experts" were elected among themselves to recognize their endeavor in delivering a pleasant shopping experience to customers. In addition, our stores constantly held work skill-related contests on customer service, cashier and industry know-how to enhance employees' professionalism and service quality so as to motivate them to excel further in a proactive manner. Riding on the Group's 20th anniversary, some stores specially held commendation meetings to encourage staff to keep up the good work and be well-prepared for the upcoming peak season.

Enhanced Employee Welfare and Promotion on Work-life Balance

As a responsible employer, the Group attaches great importance to employees' work-life balance. During the year under review, our stores helped employees relieve their work pressure by organizing a wide range of recreational activities, interest classes and competitions, including "The Voice of New World KTV Singing Contest", Chinese Medicine Treatments, the establishment of NWDS Reading Club and the "Staff's Make-up Season" Creative Grooming Workshop etc.. To further enhance employees' sense of belonging to the Group, stores often offered exclusive staff privileges with selected brands and merchants, and distributed festive gifts to the employees in major holidays.

GROUP HONORS

With two decades of hard work, the Group has obtained numerous awards for our outstanding performance in marketing promotion, corporate governance, environmental protection and community services. During the year under review, the Group garnered more than 10 international awards in recognition and appreciation of our efforts.

Asia's 200 Best Under A Billion

The Group was accredited as the "Asia's 200 Best Under A Billion" by *Forbes* for the fifth consecutive year, which was an international recognition of the Group's profitability, market position, corporate governance and future development. All enterprises on the list are Asia-Pacific companies that have shown exceptional performance in their earnings growth, sales growth and shareholders' return on equity in the past 12 months and for at least three years.

Top 20 China Corporate Training Program

With its "Professional Tutor Training" program, NWDS Management Academy won the honorary title of "Top 20 China Corporate Training Program", which was jointly presented by Shanghai Jiao Tong University and *National Business Daily*.

Carbon Audit • Green Partner

The Group's Hong Kong Office has participated in the "Green Hong Kong • Carbon Audit" organized by the Environmental Protection Department and the Electrical and Mechanical Services Department, Hong Kong and signed the Carbon Reduction Charter. The Group was accredited as one of the "Carbon Audit • Green Partners" to carry out activities in support of carbon dioxide and greenhouse gas emission reduction by reducing paper use, energy saving and waste reduction.

Honorable Award in "China's Best Brand Building Case Award"

The Group's "Forever Market Pioneer" rebranding program garnered Honorable Award in "The 8th China's Best Brand Building Case Award".

Citation for Excellence in Mainland Marketing

With the "Super Stars' Memorable Collections Exhibition" marketing campaign, the Group once again won "Citation for Excellence in Mainland Marketing" in the "HKMA / TVB Awards for Marketing Excellence".

Ruby Award in "Web Care Award 2011-12"

The Group's website, www.nwds.com.hk, won the Ruby Award in "Web Care Award 2011-12" organized by Internet Professional Association.

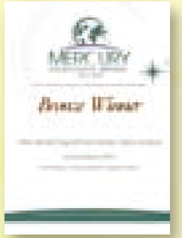
"Caring Company" for 2012/13

In 2013, the Group was repeatedly awarded as one of the "Caring Companies" from the Hong Kong Council of Social Service for 2012 / 13, recognizing our outstanding performance in fulfilling corporate social responsibility.

Region	Department Store	Awards
Northern China Region	Shenyang Nanjing Street Branch Store	• The 2nd Trustworthy Enterprise of Liaoning Province
	Shenyang Zhonghua Road Branch Store	• Top Notch Enterprise and Advanced Enterprise
	Shenyang Jianqiao Road Branch Store	• E-Commerce Innovation Award in the 2nd Liaoning Online Merchant Summit in 2013 • Emerging Business Civilization Award
	Harbin Store	• Outstanding Service Station for 12315 Consumer Rights Protection
	Dalian Store	• Compliance Entity with Standardized Production – Safety Procedure • 2011 Grade 2A Labour Law Compliance Enterprise
	Anshan Store	• 2011 Trustworthy Entity
	Beijing Store	• 2012 Advanced Unit on Road Safety in Dongcheng District of Beijing
	Beijing Trendy Store	• The 5th Anniversary Memorial Cup of 111 Helping and Relieving Project
	Lanzhou Store	• 2012 "Best Workplace" Medal • Advanced Enterprise in Statistical Survey in Commercial Sector

FY2011-2012 Annual Report Honors:

With innovative and stylish designs, fine illustrations and vivid choice of colors, the Group's annual reports for FY2011 and FY2012 received numerous international awards during the year under review, in recognition of our efforts in corporate communications.



2012/13 Mercury Awards
Annual Reports: Overall Presentation – Department Store
Bronze Award

LACP 2012 Vision Awards
Annual Report Competition
Annual Report: Consumer Services
Bronze Award

2013 Astrid Awards
Covers: Annual Reports – Artistic
Silver Award
Annual Reports: Corporate – Traditional
Bronze Award

2012 Galaxy Awards
Copy Writing: Annual Reports – Asia
Gold Award

2013 ARC Awards
Cover Photo / Design: Retail – Convenience & Department Store
Gold Award
Interior Design: Retail – Convenience & Department Store
Bronze Award

Region	Department Store	Awards
South Eastern China Region	Ningbo Store	• "2012 Consumers' Most-Trusted Enterprise" Award among *Ningbo Evening News* Readers' Favourite Enterprises • The Most Effective Advertisement Award • The Most Powerful Advertisement Award
	Shanghai Huaihai Branch Store	• "Top 100 Enterprises of the Year" Honorable Certificate • Advanced Entity in "Harmanized Business Development" Contest
	Shanghai Changning Branch Store	• Harmonious Labor Relations Entity
	Shanghai Changning Branch Store/ Shanghai Xinning Branch Store	• Advanced Entity • Shanghai Shopping Festival – Best Promotion Award
	Shanghai Hongkou Branch Store	• The Third-class Award in "Business Integrity, Start with Me" Contest
	Shanghai Qibao Branch Store	• 2011 Safe Entity in Shanghai
	Shanghai Wujiaochang Branch Store	• "Workers' Vanguard" Honorary Title
	Shanghai Pujian Branch Store	• The "Best Marketing Award" of 2012 Pudong's Year-End Thematic Marketing Promotions • "Workers' Vanguard" Honorary Title in Pudong
	Shanghai Chengshan Branch Store	• 2012 Advanced Enterprise in Beicai Town • Advanced Business Entity of the District
	Shanghai Shaanxi Road Branch Store	• Outstanding Entity on Commercial Service in Shanghai

Region	Department Store	Awards
Central Western China Region	Zhengzhou Store	• "The Most Energetic and Mass-market Thematic Department Store" Award in 2012 Commercial Oscar Awards
	Kunming Store	• Advanced Enterprise
	Chengdu Store	• 2012 Award for Trendy Department Store
	Chongqing Store	• "The Most Fashionable Brand" Award in Trendsetting – City Life Style Award 2012 • 2012 Marketing Award on Credit Card Promotion in Chongqing • Leading Party Organization • Advanced Enterprise in Statistical Survey in Commercial Sector
	Wuhan Store	• 2011 Wuhan Harmonious Enterprise
	Wuhan Wuchang Branch Store/ Wuhan Hanyang Branch Store	• 2011-2012 Consumer Satisfaction Entity
	Wuhan Qiaokou Branch Store	• Civilized Entity
	Wuhan Xudong Branch Store	• 2012 Wuhan Harmonious Enterprise

Directors' Profile

Chairman and Non-executive Director

DR. CHENG KAR-SHUN,

Henry *GBS*

Aged 66,

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

Executive Director

MR. CHENG CHI-KONG,

Adrian

Aged 33,

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

Managing Director and Executive Director

MR. CHEUNG FAI-YET,

Philip

Aged 58,

has been the Managing Director and an executive Director since June 2007. He is also a member of the Executive Committee and the Remuneration Committee and a director of a number of the subsidiaries of the Company. Mr. Cheung joined the Group in 1993 and has been responsible for the overall management of the Group. He had over 30 years of experience in the retail industry and possesses extensive experience in managing retailing stores in the PRC, Hong Kong and Taiwan. Prior to joining the Group, Mr. Cheung has held various senior management positions in large retail groups in Hong Kong and Taiwan including worked as a general manager in a large Japanese department store and as a general manager in the retail division of a UK based conglomerate in Hong Kong and as a general manager in a large pharmaceutical retail company in Taiwan.

Executive Director

MR. WONG KWOK-KAN,

Kenneth

Aged 49,

has been a Director since January 2007 and designated as an executive Director since June 2007. He is also a member of the Executive Committee and the Remuneration Committee and a director of a number of the subsidiaries of the Company. Mr. Wong joined the Group in 1995 and has been the chief financial officer of the Group. He is responsible for the financial management and corporate finance matters of the Group. Mr. Wong has over 15 years experience in the retail industry in the PRC. Prior to joining the Group, Mr. Wong held a senior position in a large retail group in Hong Kong. He holds a Bachelor of Business Administration Degree from The Chinese University of Hong Kong, a Bachelor of Law Degree from Tsinghua University and a Master of Business Administration Degree from University of Strathclyde. Mr. Wong is 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.

Non-executive Director

MS. NGAN MAN-YING,

Lynda

Aged 47,

has been a Director since January 2007, designated as an executive Director since June 2007 and re-designated as a non-executive Director since December 2012. Ms. Ngan is a director of certain subsidiaries of the Company. She joined the Group in 2007 and is responsible for the financial planning and corporate governance of the Group. Ms. Ngan is also an executive director, the financial controller and the company secretary of New World China Land Limited. She has over 25 years of experience in auditing, accounting, business advisory and tax consultancy. Ms. Ngan has previously worked for an international accounting firm in Hong Kong and a tax consulting company in Australia. She possesses a Bachelor Degree in Business from University of Southern Queensland and is a Practising Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom.

Non-executive Director

MR. AU TAK-CHEONG,

Aged 61,

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

Independent Non-executive Director

MR. CHEONG YING-CHEW, Henry

Aged 65,

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

Mr. Cheong is an independent non-executive director of each of Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, SPG Land (Holdings) Limited, TOM Group Limited, CNNC International Limited and Creative Energy Solutions Holdings Limited. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed on the Stock Exchange of Thailand. Mr. Cheong was an independent non-executive director of Hong Kong Jewellery Holding Limited (formerly known as "Excel Technology International Holdings Limited"). Mr. Cheong is also a member of the Securities and Futures Appeals Tribunal, a member of the Advisory Committee of the Securities and Futures Commission and was previously a member of Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants.

Independent Non-executive Director

MR. CHAN YIU-TONG, Ivan

Aged 59,

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

Independent Non-executive Director

MR. TONG HANG-CHAN,

Peter

Aged 68,

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

Independent Non-executive Director

MR. YU CHUN-FAI,

Aged 51,

has been an independent non-executive Director since June 2007. He is also the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. He has over 28 years of experience in the financial industry. Mr. Yu is also an independent non-executive director of Jun Yang Solar Power Investments Limited (formerly known as "China Gogreen Assets Investment Limited"). He is the founder, and was the chairman and executive director of Oriental City Group Holdings Limited, a company listed on the Stock Exchange of Hong Kong. Prior to establishing Oriental City Group, Mr. Yu worked for Morgan Stanley, AIG Asset Management (Asia) Ltd, and Allianz Dresdner Asset Management.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). During the year ended 30 June 2013, the Company has applied and complied with all the code provisions set out in the Code except for the deviation from code provision E.1.2.

Code provision E.1.2 provides, among other things, that the chairman of the board should attend annual general meeting. Dr. Cheng Kar-shun, Henry, the chairman of the Board (the "Chairman") and a non-executive Director was not able to attend the annual general meeting of the Company held on 20 November 2012 (the "AGM") owing to other commitment in the People's Republic of China (the "PRC"). Mr. Cheng Chi-kong, Adrian, who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Upon the Company's specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company during the year ended 30 June 2013.

EMPLOYEES' SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

As at the date of this report, the Board comprises three non-executive Directors, three executive Directors and four independent non-executive Directors. Their names, biographical details and respective relationships with other Directors are set out on pages 54 to 58 of this annual report.

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

The Board will have at least four meetings a year at approximately quarterly intervals and will meet at other times as and when required to review business strategies and financial and operating performance. The Board met four times during the year ended 30 June 2013.

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

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

	Number of meetings attended/held		
Name	**Board Meetings**	**Annual General Meeting**	**Extraordinary General Meeting**
Non-executive Directors			
Dr. Cheng Kar-shun, Henry *(Chairman)*	4/4	0/1	1/1
Mr. Au Tak-cheong	4/4	1/1	0/1
Ms. Ngan Man-ying, Lynda [(1)]	4/4	1/1	0/1
Executive Directors			
Mr. Cheng Chi-kong, Adrian	4/4	1/1	0/1
Mr. Cheung Fai-yet, Philip *(Managing Director)*	4/4	1/1	1/1
Mr. Lin Tsai-tan, David [(2)]	0/0	0/0	0/0
Mr. Wong Kwok-kan, Kenneth	4/4	1/1	1/1
Independent non-executive Directors			
Mr. Cheong Ying-chew, Henry	4/4	1/1	1/1
Mr. Chan Yiu-tong, Ivan	4/4	1/1	1/1
Mr. Tong Hang-chan, Peter	4/4	1/1	1/1
Mr. Yu Chun-fai	4/4	1/1	1/1

Notes:

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

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

The Roles of the Chairman and Managing Director

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

Non-executive Directors

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

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

Audit Committee

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

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

During the year, the Audit Committee reviewed with auditor of the Company the audited financial statements for the year ended 30 June 2012 and the unaudited interim financial information for the six months ended 31 December 2012 as well as internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget with recommendations to the Board for approval. The Audit Committee also reviewed the financial statements for the year ended 30 June 2013 and internal audit report, including the effectiveness of the internal control system, with recommendation to the Board for approval. The Audit Committee met five times, including a store visit, during the year ended 30 June 2013.

The corporate management services department of the Group (the "Corporate Management Services Department") has conducted audits of the Company and its subsidiaries. The Corporate Management Services Department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key businesses and operational risks are identified and managed. The work carried out by the Corporate Management Services Department will ensure the internal controls are carried out appropriately and functioning as intended. The Corporate Management Services Department shall report its findings and make recommendations to improve and to plan the internal control of the Group.

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

Name	Number of meetings of the Audit Committee attended/held
Mr. Chan Yiu-tong, Ivan	5/5
Mr. Cheong Ying-chew, Henry	5/5
Mr. Tong Hang-chan, Peter	5/5
Mr. Yu Chun-fai	5/5

Remuneration Committee

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

The primary duties of the Remuneration Committee include review of and determining, with delegated responsibility, and making recommendations on the remuneration structure for individual Directors and the Group. During the year ended 30 June 2013, the Remuneration Committee met five times to review the remuneration policy for Directors and the Group, assessing performance of executive Directors and approving terms of executive Directors' service contracts. The Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive Directors and management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also to make recommendations to the Board on the remuneration of non-executive Directors and to ensure that no Directors or any of their associates are involved in deciding their own remuneration.

Details of the amount of emoluments of Directors for the year ended 30 June 2013 are set out in note 10 to the consolidated financial statements.

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

Name	Number of meetings of the Remuneration Committee attended/held
Mr. Tong Hang-chan, Peter	5/5
Mr. Cheng Chi-kong, Adrian	2/5
Mr. Cheung Fai-yet, Philip	5/5
Mr. Wong Kwok-kan, Kenneth	5/5
Mr. Cheong Ying-chew, Henry	5/5
Mr. Chan Yiu-tong, Ivan	5/5
Mr. Yu Chun-fai	5/5

Executive Committee

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

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") has been established on 1 April 2012 with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board, the Nomination Committee comprises Mr. Cheng Chi-kong, Adrian, Mr. Yu Chun-fai and Mr. Tong Hang-chan, Peter. Mr. Yu Chun-fai is the chairman of the Nomination Committee. The Nomination Committee meeting will be held at least once a year. The primary duties of the Nomination Committee include review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board, and to assess the independence of the independent non-executive Directors. The Nomination Committee is also to determine the policy and to adopt the nomination procedures and the process and criteria, such as experience and independence, to select and recommend candidates for directorship. During the year ended 30 June 2013, the Nomination Committee met once. To codify board diversity and to comply with the revised Code that has been implemented in September 2013, the terms of reference of the Nomination Committee, and the nomination policy and procedures of Directors have been revised and adopted.

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

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

Corporate Governance Functions

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

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

Name	Training records received by the Company
Non-executive Directors	
Dr. Cheng Kar-shun, Henry *(Chairman)*	√
Mr. Au Tak-cheong	√
Ms. Ngan Man-ying, Lynda (1)	√
Executive Directors	
Mr. Cheng Chi-kong, Adrian	√
Mr. Cheung Fai-yet, Philip *(Managing Director)*	√
Mr. Lin Tsai-tan, David (2)	N/A
Mr. Wong Kwok-kan, Kenneth	√
Independent non-executive Directors	
Mr. Cheong Ying-chew, Henry	√
Mr. Chan Yiu-tong, Ivan	√
Mr. Tong Hang-chan, Peter	√
Mr. Yu Chun-fai	√

Notes:

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

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

Remuneration of Directors

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

FINANCIAL REPORTING AND INTERNAL CONTROL

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

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 83 to 84 of this annual report.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness and procedures. The Board, through the Audit Committee, conducted regular reviews regarding internal control system of the Group. In the year under review, the Audit Committee and the Board had also reviewed the Group's internal control system to ensure that effective and reasonable measures were in place.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing financial statements of each financial period, giving a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 30 June 2013, the Directors had:

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

2. selected and applied consistently appropriate accounting policies; and

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

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an employee of the Company and has day-to-day knowledge of the Company's affairs. During the year ended 30 June 2013, the Company Secretary has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

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

The Shareholder shall deposit a requisition in writing to require an extraordinary general meeting and to put forward proposals at the Company's head office at 7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong (attention to: Company Secretary) or the Company's branch share registrar and transfer agent in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (attention to: Mr. Ricky Lee).

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

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

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

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

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

The investor relations team of the Group is formed by senior management executives. Ever since the Group was listed on the main board of Hong Kong Stock Exchange in July 2007, the team has been contacting institutional investors and analysts actively both in domestic and overseas capital markets, mainly by means of one-on-one meetings, conference calls and store visits. A total of 288 meetings and store visits were organized for investors during the year under review. Every year, the Group hosts analyst briefings after its annual and interim results announcements to disclose information to analysts and investment institutions proactively. Research reports regarding the Group are also issued by prominent investment research institutions, including Deutsche Bank, HSBC, Barclays Capital, CLSA, CICC, Morgan Stanley, Goldman Sachs, DBS Vickers, Macquarie Securities, Nomura International, Fubon Securities, and China Galaxy International.

Upon the release of its annual and interim results, the Group also carries out overseas roadshows and visits to major investment institutions. The New World Department Store management carried out roadshows in Hong Kong in September 2012 and February 2013, and in Europe and the US in November 2012 and December 2012 respectively. Apart from the roadshow in Singapore in March 2013, and some others in Taiwan in January and May 2013, the New World Department Store management was also invited to a number of investor conferences held by major banks and securities companies. In total, the management met more than 250 investment institutions. The conferences were "APAC Retail Corporate Day" by Credit Suisse, "HSBC 2nd Annual China Consumption Conference" by HSBC, and "Greater China CEO Summit 2012" by Goldman Sachs in Hong Kong in October 2012; "11th Annual Asia Pacific Summit" by Morgan Stanley in Singapore in November 2012; "dbAccess China Conference 2013" by Deutsche Bank in Beijing in January 2013; "Asian Investment Conference 2013" by Credit Suisse in Hong Kong in March; "dbAccess Asia Conference 2013" by Deutsche Bank in Singapore in May; "Greater China Conference" by Macquarie and "Fourth Annual Hong Kong Investor Summit" by Morgan Stanley in Hong Kong in May.

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

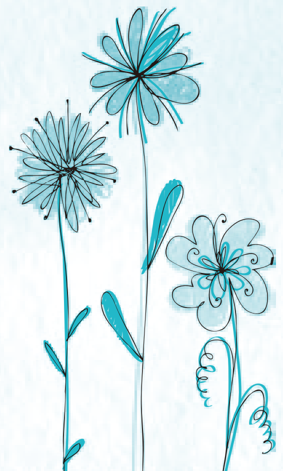
The Group attaches great importance to corporate transparency. Therefore, during the year under review, the Group established Disclosure Committee and set up corresponding internal policy on fair disclosure of the Group's information. The investor relations team of New World Department Store will continue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

AUDITOR'S REMUNERATION

Fees for auditing services and non-auditing services amounted to approximately HK$5,800,000 (2012: approximately HK$5,000,000) and approximately HK$1,656,000 (2012: approximately HK$2,293,000) respectively were provided in the Group's consolidated income statement for the year ended 30 June 2013.

Contents

FINANCIAL SECTION



Report of the Directors

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

PRINCIPAL ACTIVITIES

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

RESULTS

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

FINAL DIVIDEND

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

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

FIVE-YEAR FINANCIAL SUMMARY

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

CHARITABLE DONATIONS

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Non-executive Directors

Dr. Cheng Kar-shun, Henry *(Chairman)*
Mr. Au Tak-cheong
Ms. Ngan Man-ying, Lynda [(1)]

Executive Directors

Mr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip *(Managing Director)*
Mr. Lin Tsai-tan, David [(2)]
Mr. Wong Kwok-kan, Kenneth

Independent Non-executive Directors

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

Notes:

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

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

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

AUDIT COMMITTEE

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

DEED OF NON-COMPETITION

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

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

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

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

CONNECTED TRANSACTIONS

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

A Master leasing agreement

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

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

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

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

B Master concessionaire counter agreement

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

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

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

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

CONNECTED TRANSACTIONS (continued)

C Master sales agreement

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

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

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

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

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

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

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

CONNECTED TRANSACTIONS (continued)

D Master services agreement

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

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

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

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

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

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

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

CONNECTED TRANSACTIONS (continued)

E Annual review of the continuing connected transactions

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

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

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

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SECURITIES

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

(a) Long positions in the shares of the Company

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

Note:

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options

i The Company

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

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

Notes:

(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.

(4) Mr. Lin Tsai-tan, David resigned as executive Director with effect from 1 August 2012, any unexercised share options held by him lapsed with effect from 1 November 2012.

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

ii New World China Land Limited

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

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

Notes:

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

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

(3) Divided into 2 tranches, exercisable from 30 January 2011 and 30 January 2012 respectively to 29 January 2013.

(4) Exercisable from 30 January 2012 to 29 January 2013.

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

iii New World Development Company Limited

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

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

Notes:

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

(2) NWD declared final dividend for the year ended 30 June 2012 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$9.769 to HK$9.764 on 31 December 2012.

(3) NWD declared interim dividend for the six month ended 31 December 2012 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$9.764 to HK$9.756 on 22 May 2013.

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

iv *NWS Holdings Limited*

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

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

Notes:

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

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

Long positions in the shares of the Company

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

Notes:

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

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

(3) CTFC holds 74.07% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.

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

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

OTHER PERSONS' INTERESTS IN SECURITIES

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

Long positions in the shares of the Company

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

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

SHARE OPTION SCHEME

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

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

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

SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS

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

Notes:

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

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

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

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

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

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

ACQUISITION AND DISPOSAL

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Cheng Kar-shun, Henry
Chairman and Non-executive Director

Hong Kong, 25 September 2013

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 85 to 141, which comprise the consolidated and company statements of financial position as at 30 June 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 September 2013

Consolidated Income Statement

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	5	**4,011,545**	3,490,100
Other income	6	**146,274**	112,614
Other (losses)/gains, net	7	**(60,432)**	34,303
Changes in fair value of investment properties		**70,852**	12,092
Purchases of and changes in inventories		**(693,086)**	(571,244)
Employee benefit expense	10	**(572,348)**	(541,602)
Depreciation and amortisation		**(320,310)**	(293,768)
Operating lease rental expense		**(980,394)**	(863,107)
Other operating expenses, net	8	**(767,644)**	(592,543)
Operating profit		**834,457**	786,845
Finance income		**89,998**	60,770
Finance costs		**(49,159)**	(35,050)
Finance income, net	9	**40,839**	25,720
Profit before income tax		**875,296**	812,565
Income tax expense	11	**(233,793)**	(204,818)
Profit for the year		**641,503**	607,747
Attributable to equity holders of the Company		**641,503**	607,747
Dividends	13	**320,367**	303,506
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	**0.38**	0.36

The notes on pages 93 to 141 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**641,503**	607,747
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property upon reclassification from property, plant and equipment to investment properties	**96,287**	12,797
– Deferred tax thereof	**(24,072)**	(3,199)
	72,215	9,598
Item that may be reclassified subsequently to profit or loss		
Translation differences	**241,540**	71,630
Other comprehensive income for the year, net of tax	**313,755**	81,228
Total comprehensive income for the year	**955,258**	688,975
Total comprehensive income attributable to equity holders of the Company	**955,258**	688,975

The notes on pages 93 to 141 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**2,036,213**	2,266,553
Investment properties	16	**2,431,611**	1,996,639
Land use rights	17	**622,831**	903,284
Goodwill	18	**1,332,947**	1,284,182
Other non-current assets	20	**1,965,009**	457,828
Long-term prepaid rent and rental deposits	19	**488,231**	339,632
Deferred income tax assets	28	**141,463**	159,640
		9,018,305	7,407,758
Current assets			
Inventories		**152,269**	158,772
Debtors	21	**98,365**	59,589
Prepayments, deposits and other receivables	19	**605,098**	552,305
Amounts due from fellow subsidiaries	22	**455**	2,054
Amounts due from related companies	22	**303**	–
Fixed deposits	23	**485,518**	378,099
Cash and cash equivalents	24	**2,473,952**	3,242,919
		3,815,960	4,393,738
Total assets		**12,834,265**	11,801,496
Equity			
Share capital	25	**168,615**	168,615
Reserves	26	**6,301,916**	5,666,189
Proposed dividend	13, 26	**155,125**	138,264
		6,625,656	5,973,068
Liabilities			
Non-current liabilities			
Long-term borrowings	27	**608,993**	998,617
Accruals	29	**581,942**	640,100
Deferred income tax liabilities	28	**511,751**	466,711
		1,702,686	2,105,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Current liabilities			
Creditors, accruals and other payables	29	**4,292,484**	3,622,636
Amounts due to fellow subsidiaries	22	**8,766**	4,721
Amounts due to related companies	22	**14,131**	28,268
Current portion of long-term borrowings	27	**50,304**	9,098
Tax payable		**140,238**	58,277
		4,505,923	3,723,000
Total liabilities		**6,208,609**	5,828,428
Total equity and liabilities		**12,834,265**	11,801,496
Net current (liabilities)/assets		**(689,963)**	670,738
Total assets less current liabilities		**8,328,342**	8,078,496

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 93 to 141 are an integral part of these consolidated financial statements.

Company Statement of Financial Position

As at 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Assets			
Non-current assets			
Subsidiaries	30	**1,754,541**	1,458,380
Current assets			
Prepayments and deposits	19	**25**	54
Amounts due from subsidiaries	30	**2,466,929**	2,282,375
Cash and cash equivalents	24	**4,037**	12,361
		2,470,991	2,294,790
Total assets		**4,225,532**	3,753,170
Equity			
Share capital	25	**168,615**	168,615
Reserves	26	**3,499,095**	3,242,007
Proposed dividend	13,26	**155,125**	138,264
Total equity		**3,822,835**	3,548,886
Liabilities			
Current liabilities			
Accruals and other payables	29	**4,899**	2,247
Amounts due to subsidiaries	30	**397,798**	183,303
Tax payable		**–**	18,734
		402,697	204,284
Total liabilities		**402,697**	204,284
Total equity and liabilities		**4,225,532**	3,753,170
Net current assets		**2,068,294**	2,090,506
Total assets less current liabilities		**3,822,835**	3,548,886

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 93 to 141 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2011	168,615	2,398,250	1,990	391,588	187,361	54,395	397,955	1,972,274	5,572,428
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	607,747	607,747
Other comprehensive income									
Revaluation of property upon reclassification from property, plant and equipment to investment properties	–	–	12,797	–	–	–	–	–	12,797
– Deferred tax thereof	–	–	(3,199)	–	–	–	–	–	(3,199)
Translation differences	–	–	–	–	–	–	71,630	–	71,630
Total comprehensive income for the year ended 30 June 2012	–	–	9,598	–	–	–	71,630	607,747	688,975
Transactions with owners									
Share-based payments	–	–	–	–	–	3,368	–	–	3,368
Lapse of share options	–	–	–	–	–	(10,833)	–	10,833	–
Final and special dividend relating to the year ended 30 June 2011	–	–	–	–	–	–	–	(126,461)	(126,461)
Interim dividend relating to the period ended 31 December 2011	–	–	–	–	–	–	–	(165,242)	(165,242)
Transfer to statutory reserve	–	–	–	–	49,648	–	–	(49,648)	–
	–	–	–	–	49,648	(7,465)	–	(330,518)	(288,335)
At 30 June 2012	168,615	2,398,250	11,588	391,588	237,009	46,930	469,585	2,249,503	5,973,068

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2012	168,615	2,398,250	11,588	391,588	237,009	46,930	469,585	2,249,503	5,973,068
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	641,503	641,503
Other comprehensive income									
Revaluation of property upon reclassification from property, plant and equipment to investment properties	–	–	96,287	–	–	–	–	–	96,287
– Deferred tax thereof	–	–	(24,072)	–	–	–	–	–	(24,072)
Translation differences	–	–	–	–	–	–	241,540	–	241,540
Total comprehensive income for the year ended 30 June 2013	–	–	72,215	–	–	–	241,540	641,503	955,258
Transactions with owners									
Share-based payments	–	–	–	–	–	836	–	–	836
Lapse of share options	–	–	–	–	–	(6,718)	–	6,718	–
Final dividend relating to the year ended 30 June 2012	–	–	–	–	–	–	–	(138,264)	(138,264)
Interim dividend relating to the period ended 31 December 2012	–	–	–	–	–	–	–	(165,242)	(165,242)
Transfer to statutory reserve	–	–	–	–	66,390	–	–	(66,390)	–
	–	–	–	–	66,390	(5,882)	–	(363,178)	(302,670)
At 30 June 2013	168,615	2,398,250	83,803	391,588	303,399	41,048	711,125	2,527,828	6,625,656

The notes on pages 93 to 141 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Profit before income tax		**875,296**	812,565
Adjustments for:			
– Finance income		**(89,998)**	(60,770)
– Finance costs		**49,159**	35,050
– Amortisation of land use rights		**25,332**	28,445
– Depreciation of property, plant and equipment		**294,978**	265,323
– Changes in fair value of investment properties		**(70,852)**	(12,092)
– Gain on disposal of assets held for sale		**–**	(47,099)
– Loss on disposal of property, plant and equipment and land use rights		**60,432**	12,796
– Share-based payments		**836**	3,368
Operating profit before working capital changes		**1,145,183**	1,037,586
Changes in:			
Inventories		**12,531**	12,177
Debtors		**(36,512)**	(12,924)
Prepayments, deposits and other receivables		**(167,126)**	3,122
Creditors, accruals and other payables		**354,772**	109,395
Amounts due from/(to) fellow subsidiaries		**5,541**	(222,985)
Amounts due to related companies		**(15,512)**	(29,586)
Cash generated from operations		**1,298,877**	896,785
Mainland China tax paid		**(188,425)**	(190,910)
Net cash from operating activities		**1,110,452**	705,875
Cash flows from investing activities			
Net cash outflow from acquisition of subsidiaries	33(a)	**–**	(975,153)
Additions to investment properties		**(3,221)**	(513)
Additions to property, plant and equipment and other non-current assets		**(1,579,325)**	(420,891)
Proceeds from disposal of assets held for sale		**–**	54,216
Proceeds from disposal of property, plant and equipment, and land use rights	33(b)	**300,385**	2,589
(Increase)/decrease in fixed deposits		**(93,060)**	842,064
Interest received		**89,998**	60,770
Net cash used in investing activities		**(1,285,223)**	(436,918)
Cash flows from financing activities			
Drawdown of bank borrowings		**–**	324,788
Repayment of bank borrowings		**(374,352)**	(24,390)
Finance costs paid		**(49,159)**	(35,050)
Dividends paid		**(303,506)**	(291,703)
Net cash used in financing activities		**(727,017)**	(26,355)
Effect of foreign exchange rate changes		**132,821**	52,743
Net (decrease)/increase in cash and cash equivalents		**(768,967)**	295,345
Cash and cash equivalents at beginning of the year		**3,242,919**	2,947,574
Cash and cash equivalents at end of the year		**2,473,952**	3,242,919

The notes on pages 93 to 141 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together, the "Group") are engaged in department store and property investment operations in Mainland China.

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 25 September 2013.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements of the Company for the year ended 30 June 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

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

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

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

2.2 Subsidiaries

(i) Consolidation

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

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(i) Consolidation (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset acquired or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

(ii) Separate financial statements

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

2.3 Associated company

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

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

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

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

2.4 Segment reporting

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

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

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

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

Buildings	20 to 40 years
Plant and machinery	5 years
Motor vehicles	5 years
Leasehold improvements	2 to 15 years
Furniture and fixtures	3 to 5 years
Office equipment	2 to 5 years
Computer	2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

2.6 Investment property

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.7 Land use rights

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

2.8 Goodwill

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

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

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

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

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

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

2.10 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.11 Inventories

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

2.12 Operating leases

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

2.13 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.14 Borrowings

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

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

2.15 Cash and cash equivalents

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

2.16 Provisions

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

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

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

2.17 Trade payables

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

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

2.18 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leaves are recognised when they accrue to employees. Provisions are made for the estimated liability for annual leaves as a result of services rendered by employees up to the end of the reporting period.

(ii) Pension obligations

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(iii) Bonus plans

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

(iv) Share-based compensation

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

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

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

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after elimination of sales within the Group. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

Revenue from management and consultancy fees is recognised when management and advisory services are rendered.

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

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.19 Revenue recognition (continued)

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

2.20 Borrowings costs

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

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

2.21 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.22 Government grants

Government grants are recognised at their fair values where there is a reasonable assurance that grant will be received and all attaching conditions will be complied with.

2.23 Dividend distribution

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

2.24 Share capital

Ordinary shares are classified as equity.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

At 30 June 2013, if Renminbi had strengthened/weakened by 2% (2012: 2%) against the Hong Kong dollars with all other variables held constant, profit for the year would have been approximately HK$7,518,000 higher/lower (2012: approximately HK$12,909,000 higher/lower) and equity holders' equity would have been approximately HK$7,043,000 higher/lower (2012: approximately HK$6,832,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars-denominated bank balances of certain subsidiaries and balances with group companies of the Group's entities of which functional currency is Renminbi.

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

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, debtors, deposits, other receivables and amounts due from fellow subsidiaries. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2013, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

(c) Liquidity risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk

Except for the fixed deposits and short-term bank deposits as at 30 June 2013 of HK$485,518,000 and HK$1,012,863,000 (2012: HK$378,099,000 and HK$1,182,600,000), which are held at interest rates of ranging from 0.50% to 4.60% per annum (2012: 0.70% to 5.00% per annum), the Group has no significant interest-bearing assets. The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates of HK$659,297,000 (2012: HK$1,007,715,000) expose the Group to cash flow interest rate risk which is partially offset by cash at bank held at variable rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. At the reporting date, management does not anticipate significant impact resulted from the changes in interest rates.

At 30 June 2013, if interest rates on cash and cash equivalents and bank borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$2,891,000 higher/lower (2012: approximately HK$3,848,000 higher/lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

3.2 Capital risk management

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

With regard to the maintenance and enhancement of capital structure, the Group regularly reviews and manages its capital structure and makes adjustments to it taking into consideration of changes in economic and market conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected investment opportunities.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Useful lives of property, plant and equipment

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

(b) Valuation of investment properties

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Net realisable value of inventories

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

(d) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(e) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on fair value less cost to sell calculations (Note 18). These calculations require the use of estimates which are subject to change of economic environment in future.

(f) Employee benefits – share-based payments

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

5 REVENUE AND SEGMENT INFORMATION

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

The income from concessionaire sales is analysed as follows:

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

The chief operating decision-maker ("CODM") has been identified as executive Directors. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

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

5 REVENUE AND SEGMENT INFORMATION (continued)

For the year ended 30 June 2013

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue	3,905,109	106,436	4,011,545
Segment results	686,759	83,458	770,217
Changes in fair value of investment properties	–	70,852	70,852
Unallocated corporate expenses			(6,612)
Operating profit			834,457
Finance income			89,998
Finance costs			(49,159)
Finance income, net			40,839
Profit before income tax			875,296
Income tax expense			(233,793)
Profit for the year			641,503
For the year ended 30 June 2012			
Segment revenue	3,418,263	71,837	3,490,100
Segment results	720,183	59,149	779,332
Changes in fair value of investment properties	–	12,092	12,092
Unallocated corporate expenses			(4,579)
Operating profit			786,845
Finance income			60,770
Finance costs			(35,050)
Finance income, net			25,720
Profit before income tax			812,565
Income tax expense			(204,818)
Profit for the year			607,747

5 REVENUE AND SEGMENT INFORMATION (continued)

As at 30 June 2013

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

Note:

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

6 OTHER INCOME

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

7 OTHER (LOSSES)/GAINS, NET

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

Note:

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

8 OTHER OPERATING EXPENSES, NET

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

9 FINANCE INCOME, NET

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

10 EMPLOYEE BENEFIT EXPENSE

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

(a) Directors' emoluments

The remuneration of Directors for the year ended 30 June 2013 is set out below:

Name of Director	Fees HK$'000	Salary, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Non-executive directors						
Dr. Cheng Kar-shun, Henry	100	–	–	–	49	149
Mr. Au Tak-cheong	100	–	–	–	12	112
Ms. Ngan Man-ying, Lynda (Note i)	56	–	–	–	–	56
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	24	174
Mr. Cheung Fai-yet, Philip	150	4,263	425	126	114	5,078
Mr. Lin Tsai-tan, David (Note ii)	–	267	12	–	28	307
Mr. Wong Kwok-kan, Kenneth	150	1,563	151	244	45	2,153
Ms. Ngan Man-ying, Lynda (Note i)	66	–	–	–	24	90
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	12	212
Mr. Chan Yiu-tong, Ivan	200	–	–	–	12	212
Mr. Tong Hang-chan, Peter	200	–	–	–	12	212
Mr. Yu Chun-fai	200	–	–	–	12	212
	1,572	6,093	588	370	344	8,967

10 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

Notes:

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

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

The remuneration of Directors for the year ended 30 June 2012 is set out below:

Name of Director	Fees HK$'000	Salary, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Non-executive directors						
Dr. Cheng Kar-shun, Henry	100	–	–	–	182	282
Mr. Au Tak-cheong	100	–	–	–	45	145
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	91	241
Mr. Cheung Fai-yet, Philip	150	4,139	412	639	379	5,719
Mr. Lin Tsai-tan, David	150	1,765	147	304	132	2,498
Mr. Wong Kwok-kan, Kenneth	150	1,491	144	70	144	1,999
Ms. Ngan Man-ying, Lynda	150	–	–	–	91	241
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	45	245
Mr. Chan Yiu-tong, Ivan	200	–	–	–	45	245
Mr. Tong Hang-chan, Peter	200	–	–	–	45	245
Mr. Yu Chun-fai	200	–	–	–	45	245
	1,750	7,395	703	1,013	1,244	12,105

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

10 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals

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

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

The emoluments fell within the following bands:

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

11 INCOME TAX EXPENSE

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

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

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

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

11 INCOME TAX EXPENSE (continued)

The taxation of the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average tax rates prevailing in the territories in which the Group operates, as follows:

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

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

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of profit of approximately HK$206,377,000 (2012: loss of approximately HK$8,130,000).

13 DIVIDENDS

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

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

14 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

15 PROPERTY, PLANT AND EQUIPMENT

Group

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

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer HK$'000	Assets under construction HK$'000	Total HK$'000
Cost									
At 1 July 2012	879,840	57,977	9,702	2,308,615	24,631	11,964	167,117	10,122	3,469,968
Translation differences	31,257	2,202	368	87,669	935	454	6,346	385	129,616
Additions	–	677	953	204,318	4,173	1,313	19,536	14,488	245,458
Disposals	(96,587)	(4,046)	–	(140,254)	(1,966)	(1,050)	(7,689)	–	(251,592)
Reclassification	–	–	–	7,121	–	–	93	(7,214)	–
Transfer to investment properties	(110,242)	–	–	(24,961)	–	–	–	–	(135,203)
At 30 June 2013	704,268	56,810	11,023	2,442,508	27,773	12,681	185,403	17,781	3,458,247
Accumulated depreciation									
At 1 July 2012	90,957	54,150	3,398	941,177	12,719	7,615	93,399	–	1,203,415
Translation differences	2,954	2,078	152	38,708	542	314	3,886	–	48,634
Charge for the year	23,832	1,296	1,787	234,774	4,607	1,926	26,756	–	294,978
Written back on disposals	(15,764)	(3,951)	–	(79,490)	(1,551)	(1,033)	(7,645)	–	(109,434)
Transfer to investment properties	(12,580)	–	–	(2,979)	–	–	–	–	(15,559)
At 30 June 2013	89,399	53,573	5,337	1,132,190	16,317	8,822	116,396	–	1,422,034
Net book amount									
At 30 June 2013	614,869	3,237	5,686	1,310,318	11,456	3,859	69,007	17,781	2,036,213

16 INVESTMENT PROPERTIES

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

16 INVESTMENT PROPERTIES (continued)

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

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

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

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

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

17 LAND USE RIGHTS

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

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

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

18 GOODWILL

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

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified. For the purpose of impairment test, the recoverable amount of CGU is determined based on fair value less cost to sell calculations, which uses cash flow projections based on financial estimates covering a period of five years and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rate and discount rate used in the fair value less cost to sell calculations are based on management best estimates. Long term growth rate ranging from 2% to 5% (2012: 2% to 5%) are determined by considering both internal and external factors relating to the relevant businesses. Discount rate of 16.15% (2012: 14.82%) also reflects specific risks of the business. If the revenue growth rate and gross margin had been 5% lower than management's current estimates and the discount rate had been 1% higher than management's current estimates, there is still enough headroom and no impairment loss on goodwill is required.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

The balances are mainly denominated in Renminbi.

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

20 OTHER NON-CURRENT ASSETS

Balances as at 30 June 2013 represent the following transactions:

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

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

(c) On 27 May 2013, New World Department Stores Investment (China) Co., Ltd. ("NWDSI"), a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties to acquire the entire equity interest in Shanghai Hongxin Properties Company Limited ("Hongxin Co"), a limited liability company incorporated in the PRC, for a gross consideration of RMB1,250,000,000 (subject to further adjustments). As at 30 June 2013, the Group has made payment of approximately HK$1,217,088,000 and recognised progress payable of approximately HK$50,633,000 in connection with such acquisition.

21 DEBTORS

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

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

21 DEBTORS (continued)

Aging analysis of the debtors is as follows:

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

Trade debtors of HK$20,267,000 (2012: HK$2,531,000) were past due but not impaired. The total amount includes HK$1,728,000 (2012: HK$603,000) of less than 30 days past due, and HK$821,000 (2012: Nil) of 31-60 days past due and HK$17,718,000 (2012: HK$1,928,000) of over 90 days past due. These relate to companies for whom there is no recent history of default.

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

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

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

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

23 FIXED DEPOSITS

Fixed deposits are denominated in the following currencies:

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

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

24 CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents are denominated in the following currencies:

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

The interest rates on short-term bank deposits was ranging from 0.50% to 4.60% per annum (2012: 0.70% to 3.50% per annum), these deposits have maturities ranging from 4 to 89 days (2012: 2 to 89 days).

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

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

25 SHARE CAPITAL

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

25 SHARE CAPITAL (continued)

Share option scheme

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

Movement of the number of share options granted and their related exercise prices for the years ended 30 June 2012 and 2013 are as follows:

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

Notes:

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

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

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

26 RESERVES

(a) Group

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

26 RESERVES (continued)

(a) Group (continued)

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

Note:

(i) Upon conversion of the Group's PRC subsidiaries into wholly-owned foreign enterprises in 2007 and pursuant to the relevant PRC Law and articles of association of the subsidiaries of the Company established in the PRC, they are required to appropriate 10% of their statutory net profit to the enterprise expansion fund. The enterprise expansion fund can only be used to increase capital of group companies or to expand their production operation upon approval by the relevant authority. Accordingly 10% of statutory net profit of each entity should be appropriated to this reserve for the year ended 30 June 2012 and 2013.

26 RESERVES (continued)

(b) Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2011	2,398,250	54,395	73,486	375,130	755,375	3,656,636
Share-based payments	–	3,368	–	–	–	3,368
Lapse of share options	–	(10,833)	–	–	3,671	(7,162)
Loss for the year	–	–	–	–	(8,130)	(8,130)
Final and special dividend relating to the year ended 30 June 2011	–	–	–	–	(126,461)	(126,461)
Interim dividend relating to the period ended 31 December 2011	–	–	–	–	(165,242)	(165,242)
Translation differences	–	–	–	27,262	–	27,262
At 30 June 2012	2,398,250	46,930	73,486	402,392	459,213	3,380,271
Share-based payments	–	836	–	–	–	836
Lapse of share options	–	(6,718)	–	–	569	(6,149)
Profit for the year	–	–	–	–	206,377	206,377
Final dividend relating to the year ended 30 June 2012	–	–	–	–	(138,264)	(138,264)
Interim dividend relating to the period ended 31 December 2012	–	–	–	–	(165,242)	(165,242)
Translation differences	–	–	–	376,391	–	376,391
At 30 June 2013	2,398,250	41,048	73,486	778,783	362,653	3,654,220
Representing:						
Proposed final dividend (Note 13)	–	–	–	–	155,125	155,125
Others	2,398,250	41,048	73,486	778,783	207,528	3,499,095
At 30 June 2013	2,398,250	41,048	73,486	778,783	362,653	3,654,220

27 LONG-TERM BORROWINGS

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

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

The effective interest rates of borrowings are analysed as follows:

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

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

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

The bank loans are repayable as follows:

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

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

28 DEFERRED INCOME TAX

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

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

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

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

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

Deferred income tax assets:

	Tax losses HK$'000	Accrued expenses HK$'000	Pre-operating expenses HK$'000	Tax depreciation HK$'000	Total HK$'000
At 1 July 2011	42,591	132,717	2,718	10,115	188,141
Translation differences	162	1,399	23	112	1,696
Acquisition of subsidiaries	74,263	22,494	855	–	97,612
Recognised in the consolidated income statement	(15,961)	2,468	(851)	(285)	(14,629)
At 30 June 2012	**101,055**	**159,078**	**2,745**	**9,942**	**272,820**
Translation differences	**3,541**	**5,959**	**113**	**(183)**	**9,430**
Recognised in the consolidated income statement	**10,809**	**8,827**	**668**	**1,057**	**21,361**
At 30 June 2013	**115,405**	**173,864**	**3,526**	**10,816**	**303,611**

28 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities:

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

Pursuant to the Corporate Income Tax Law with effect from 1 January 2008, withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in Mainland China. The requirement applies to earnings accumulated after 31 December 2007.

As at 30 June 2013, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately HK$52,469,000 (2012: HK$54,072,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$73,649,000 (2012: HK$56,075,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$294,597,000 (2012: HK$224,296,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

29 CREDITORS, ACCRUALS AND OTHER PAYABLES

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

29 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

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

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

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

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

Nature of accruals and other payables are as follows:

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

30 SUBSIDIARIES

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

30 SUBSIDIARIES (continued)

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

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

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

31 INVESTMENT IN AN ASSOCIATED COMPANY

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

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

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

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

Details of the associated company are as follows:

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

32 COMMITMENT

(a) Capital commitment

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

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

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

(b) Operating lease commitment

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

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

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

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

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

33 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

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

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

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

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

34 BUSINESS COMBINATION

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

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

Details of net liabilities acquired and goodwill were as follows:

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

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

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

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

34 BUSINESS COMBINATION (continued)

(b) Acquisition of Moral High Limited

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

Details of net assets acquired and goodwill were as follows:

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

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

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

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

34 BUSINESS COMBINATION (continued)

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

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

Details of net liabilities acquired and goodwill were as follows:

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

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

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

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

35 RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

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

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

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

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

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

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

35 RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

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

(c) Key management compensation

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

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

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

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

36 PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK$3	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/Hong Kong	HK$2	100	–
China Sincere Limited	British Virgin Islands	Financing/ Hong Kong	US$1	100	–
Anshan New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB25,000,000	–	100
Beijing New World Liying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB8,787,930	–	100
Beijing New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$60,000,000	–	100
Beijing New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB25,000,000	–	100
Beijing Shishang New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100
Beijing Yixi New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB65,000,000	–	100
Changsha New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB60,000,000	–	100
Chengdu New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB20,000,000	–	100
Chongqing New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB100,000,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
Harbin New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB126,000,000	–	100
Hubei New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB16,000,000	100	–
Lanzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB22,282,260	–	100
Mianyang New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB14,000,000	–	100
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/Mainland China	US$80,000,000	100	–
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/Mainland China	US$5,000,000	–	100
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB40,000,000	100	–
Ningbo New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB20,000,000	–	100
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	Mainland China	Property investment and shopping mall operation/ Mainland China	US$40,000,000	–	100
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB30,000,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB18,000,000	–	100
Shenyang New World Department Store Ltd.	Mainland China	Property investment and department store operation/Mainland China	RMB30,000,000	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB40,000,000	–	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$50,000,000	–	100
Shanghai New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$100,000,000	–	100
Shenyang Trendy Property Company Limited	Mainland China	Property investment/ Mainland China	RMB27,880,000	–	100
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	US$5,000,000	100	–
Tianjin New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB30,000,000	–	100
Wuhan New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB75,000,000	–	100
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and department store operation/Mainland China	US$15,630,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

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

37 EVENTS AFTER THE REPORTING PERIOD

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

Details of net assets acquired and goodwill are as follows:

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

37 EVENTS AFTER THE REPORTING PERIOD (continued)

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

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

Note:

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

38 ULTIMATE HOLDING COMPANY

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

Five-year Financial Summary

	For the year ended 30 June				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**4,011,545**	3,490,100	2,736,197	1,872,905	1,721,246
Operating profit	**834,457**	786,845	1,056,754	811,507	695,032
Profit attributable to:					
Equity holders of the Company	**641,503**	607,747	855,588	577,607	547,309

	As at 30 June				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**12,834,265**	11,801,496	9,673,512	7,271,994	6,298,906
Total liabilities	**6,208,609**	5,828,428	4,101,084	2,502,801	1,869,485
Total equity	**6,625,656**	5,973,068	5,572,428	4,769,193	4,429,421

Glossary of Terms

GENERAL TERMS

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

FINANCIAL TERMS

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

Earnings per share or EPS : $$\frac{\text{Profit attributable to equity holders of the Company}}{\text{Weighted average number of ordinary shares in issue}}$$

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

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

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Miss Wu Yuk-kwai, Catherine

AUDITOR

PricewaterhouseCoopers

SOLICITORS

Eversheds
Woo, Kwan, Lee & Lo

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4th Floor, Royal Bank House
24 Shedden Road
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Fax: (852) 2318 0884

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

STOCK CODE

Hong Kong Stock Exchange 825

INVESTOR INFORMATION

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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)

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