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)**

# Annual Report 2009

# Corporate Profile

## New World Department Store: quality merchandise for quality living

New World Department Store China Limited is a Hong Kong-listed company approximately 72%-owned by New World Development Company Limited. We were one of the first investors in the retail sector of the PRC. Today, we are widely esteemed as a supplier of quality merchandise and a symbol of quality living.

## Secured strategic foothold: our network

To become a dominant department store operator in the PRC, we have been growing our store network across the country. As of 30 June 2009, we have secured strategic footholds in 17 major cities, including Beijing, Shanghai, Shenyang and Wuhan, etc. Occupying an aggregate gross floor area of approximately 1,063,470 square metres, our retail chain comprises 22 self-owned stores and 11 managed stores in the PRC. We operate under two brands — "New World" in 26 stores around China and "巴黎春天" (Ba Li Chun Tian) in 7 stores in Shanghai.

## Tapping into China's growing affluence: our target market

We target to develop our stores as Living Galleries for one-stop shopping and Fashion Galleries for themed shopping that offer premium merchandise across the full spectrum of consumer products including fashion, accessories, jewellery and cosmetics as well as providing complementary services, like dining, fitness center, beauty center, bank, entertainment etc. In line with the consumer trend for "one-stop shopping", we have also integrated a supermarket into four of our stores in Beijing, Wuhan and Lanzhou. We derive revenue mainly from four sources: commission income from concessionaire sales, direct sales and rental income in our self-owned stores, and management fees from our managed stores.

## Organized for Top Efficiency: our set-up

Organizationally, we adopt an efficient three-tier structure which consists of central management, regional management and local management. Operation-wise, we group into different geographic regions that draw on a central pool of administrative support in human resources, finance and corporate communications.

## Professionalism from top to bottom: our people

As at 30 June 2009, we employ 3,768 people, with the majority being local recruits. Well trained and motivated, the whole staff is united under the leadership of a management team with experience of over one decade in pursuit of our vision and mission.

# Contents



時尚生活
Enriching Lives Enhancing Character

# 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 return on equity.

# 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

# 2008

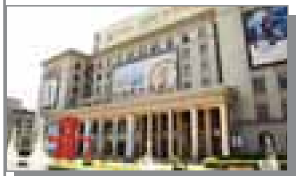
## July

Announced acquisition of properties in Zhengzhou and Shenyang with approximate GFA of 34,500 sq.m. and 32,500 sq.m., respectively, for development as self-owned department stores and scheduled opening in 2011.

15th anniversary and 1st anniversary of listing.

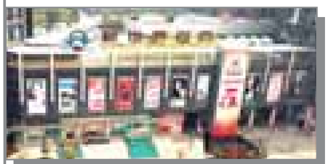
## August

Announced expansion of Harbin Store from about 32,000 sq.m. to about 50,000 sq.m.. The expanded area is expected to be in phased operation in May 2009.



## September

Opening of Beijing Liying Store, the 3rd store in Beijing with GFA of about 52,000 sq.m.

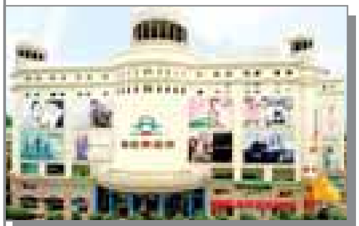


## October

FY2007 Annual Report won five awards for the Group, including Silver Award for "Copywriting: Annual Reports" in 19th Annual International Galaxy Awards Competition.


## November

Opening of Wuhan Hanyang Branch Store, the 6th store in Wuhan, marked the Group's network expansion into Hanyang District among the "Three Towns of Wuhan". The first to fifth level, with a GFA of about 43,000 sq.m. entered into service while the sixth level, with a GFA of about 10,000 sq.m. will commence operation in 2010.



## December

Accredited as "Asia's 200 Best Under A Billion" by *Forbes*, the internationally renowned financial magazine.


# 2009

## January

Announced acquisition of the respective interests of Kunming Store and Ningbo Trendy Store from parent company, further consolidating the Group's market position in Southwestern China and enhancing Group influence in Zhejiang.

## February

FY2008 Annual Report won Bronze Award for "Overall Presentation: Department Store" in 22nd Annual International Mercury Awards Competition.

Accredited by The Hong Kong Council of Social Service as one of the 2008/09 Caring Companies in recognition of Group efforts at corporate citizenship.

# Milestones

## March

Kunming Store officially converted from a managed store to a self-owned store.

## April

Opening of Taizhou Store marked the Group's inroads into Taizhou.

Ningbo Trendy Store officially converted from a managed store to a self-owned store.

FY2008 Annual Report won Bronze Award for "Covers: Annual Reports-Artistic (Graphics/Illustrations)" in 19th International Astrid Awards.

## June

Announced corporate rebranding in the press conference held in Beijing on 16 June 2009. Stores would be positioned either as "Living Gallery" or "Fashion Gallery" and abandoned the conventional positioning by class-basis.

Announced upcoming Beijing Shishang Store, Beijing's first "Feminine Club" department store.

Accredited as 2009-2011 "The Credible Enterprise of China".


## July

FY2008 Annual Report won Honors Award for "Cover Photo/Design: Retail—Convenience & Dept. Store" in 2009 International ARC Awards Competition.

Became principal sponsor of MSF Day for 3 consecutive years. Over 22,000 NWDS staff members contributed HK$300,000 to total donation of HK$480,000 collected by New World Group who was the largest contributor in the private sector.

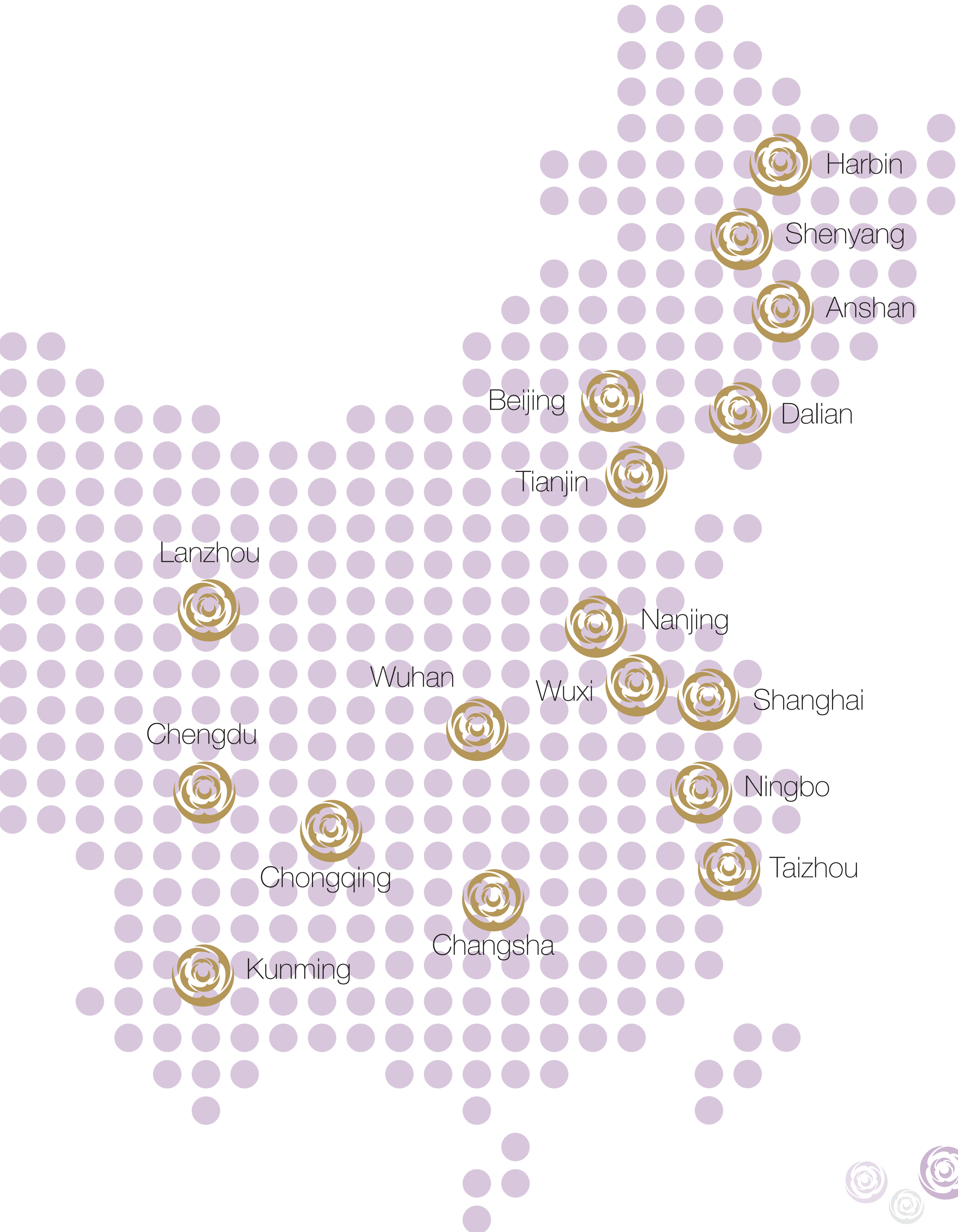
## September

Launching ceremony for nationwide rebranding cum Northeastern Region semi-final of "The 1st NWDS Spokesperson" contest took place in Shenyang on 9 September 2009.

Corporate rebranding to be implemented sequentially in all operational regions, kicking off on 9 September 2009 from Shenyang, the activation city of Northeastern Region.

## 33 Strategic footholds in 17 Major Cities

| | |
|---|---|
| Harbin | 1 |
| Shenyang | 3 |
| Dalian | 1 |
| Anshan | 1 |
| Beijing | 3 |
| Tianjin | 1 |
| Lanzhou | 1 |
| Shanghai | 7 |
| Wuxi | 1 |
| Ningbo | 2 |
| Nanjing | 1 |
| Taizhou | 1 |
| Wuhan | 6 |
| Changsha | 1 |
| Chengdu | 1 |
| Chongqing | 1 |
| Kunming | 1 |


Harbin
Shenyang
Anshan
Beijing
Dalian
Tianjin
Lanzhou
Nanjing
Wuhan
Wuxi
Shanghai
Chengdu
Ningbo
Taizhou
Chongqing
Changsha
Kunming

# Financial Highlights

# ▲15%

increase in profit for the year to

## HK$547,309 thousand

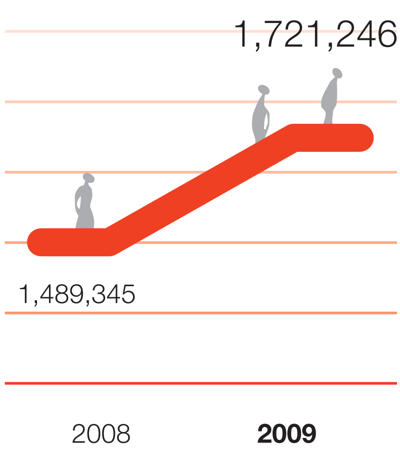
| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| **Operating Result** | | |
| Revenue | **1,721,246** | 1,489,345 |
| Representing: | | |
| Commission income from concessionaire sales | **1,163,257** | 1,017,231 |
| Sales of goods — direct sales | **273,588** | 224,498 |
| Management fees | **184,409** | 165,518 |
| Rental income | **99,992** | 82,098 |
| | **1,721,246** | 1,489,345 |
| Operating profit | **695,032** | 589,394 |
| Profit for the year | **547,309** | 476,575 |
| | **As at 30 June 2009 HK$'000** | As at 30 June 2008 HK$'000 |
| **Financial Position** | | |
| Fixed deposits | **737,529** | 790,909 |
| Cash and cash equivalents | **2,185,992** | 2,336,718 |
| Total assets | **6,298,906** | 5,760,430 |
| Total liabilities | **1,869,485** | 1,653,684 |
| Total equity | **4,429,421** | 4,106,746 |

▲16% Revenue

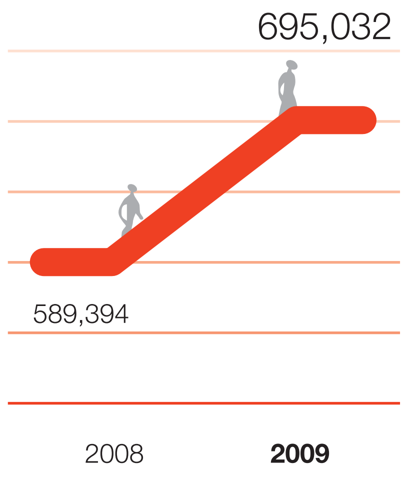
▲18% Operating profit

▲9% Total assets

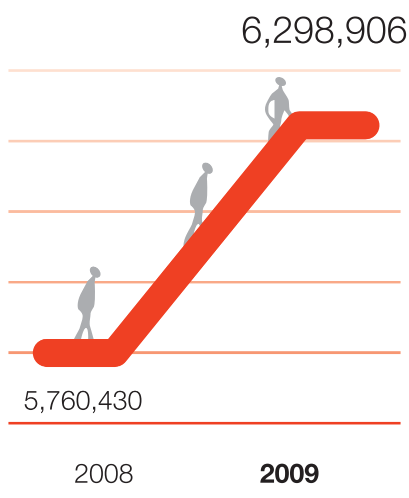
## Revenue
(HK$'000)



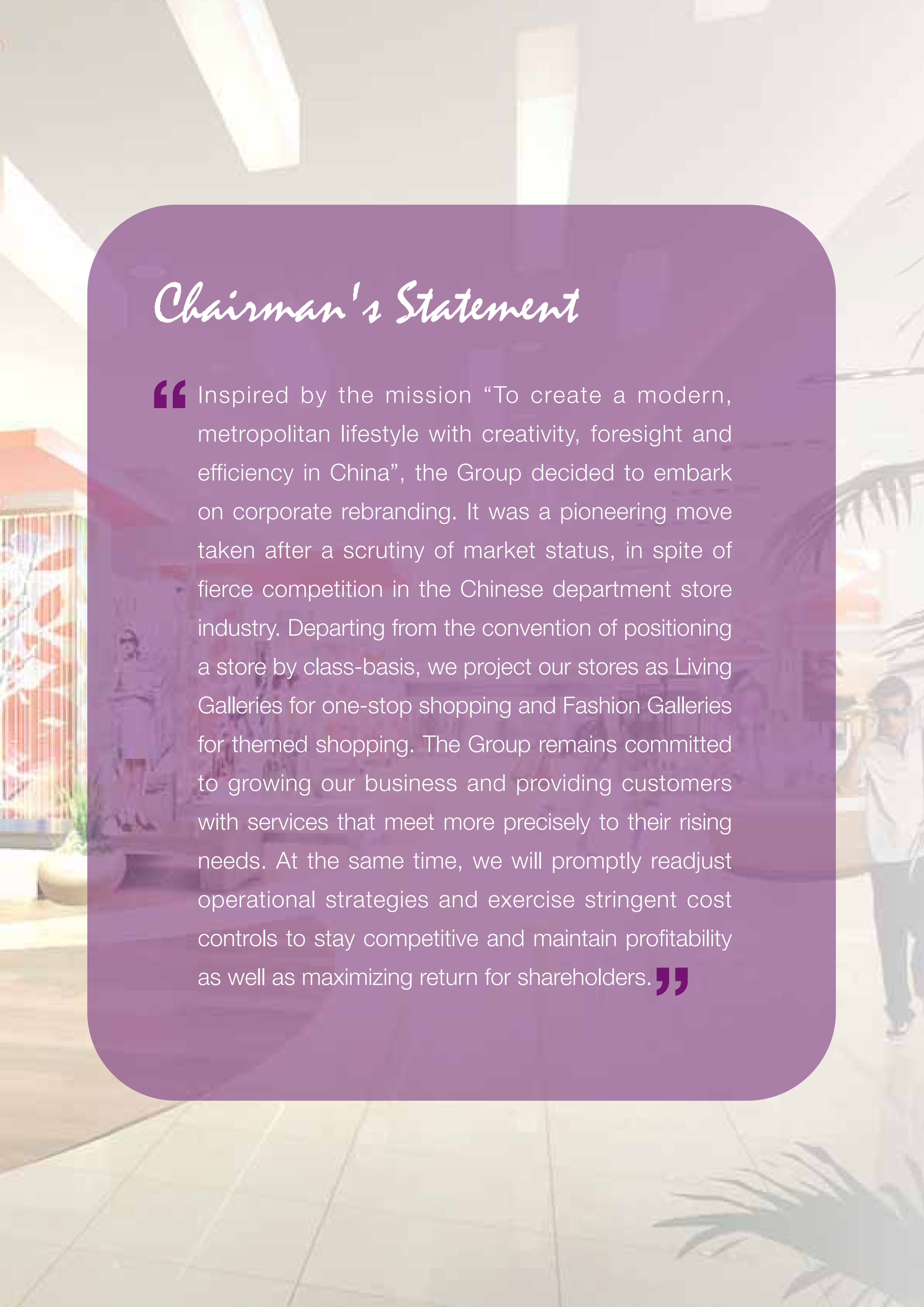

## Operating profit
(HK$'000)




## Total assets
(HK$'000)




| | **2009** | 2008 |
|---|---|---|
| **Financial Ratios** | | |
| Revenue growth | **15.6%** | 42.3% |
| Operating profit margin | **40.4%** | 39.6% |
| Net profit margin | **31.8%** | 32.0% |
| | **As at 30 June 2009** | As at 30 June 2008 |
| Current ratio (times) | **2.45** | 2.78 |



# Chairman's Statement

"Inspired by the mission "To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China", the Group decided to embark on corporate rebranding. It was a pioneering move taken after a scrutiny of market status, in spite of fierce competition in the Chinese department store industry. Departing from the convention of positioning a store by class-basis, we project our stores as Living Galleries for one-stop shopping and Fashion Galleries for themed shopping. The Group remains committed to growing our business and providing customers with services that meet more precisely to their rising needs. At the same time, we will promptly readjust operational strategies and exercise stringent cost controls to stay competitive and maintain profitability as well as maximizing return for shareholders."

# Chairman's Statement

The financial tsunami that broke out in the fourth quarter of 2008 affected national economies around the world and governments responded one after another with stimulus measures. In China, the Central Government had launched a RMB4,000 billion policy package to stimulate the economy, kicking off investment, increasing domestic demand and stabilizing economic growth. Entering 2009, many economic pointers indicated that the stimulus measures were starting to yield results. China's gross domestic product grew 7.9% in the second quarter of 2009, higher than the 6.1% rise registered in the first; the stock market rebounded from early 2009; city and county unemployment rates stood flat at 4.3% in the first two quarters and, with no deterioration in the job market. All reflected a gradually stabilizing economy. Meanwhile, total retail sales of consumer goods registered double-digit growth in the first half of 2009, having risen 15.0% year-on-year. Once weary, consumption sentiments were gradually restoring, bringing glimpses of dawn to the Chinese department store industry. Optimistic about the prospect of the industry, the Group has embarked on a corporate rebranding programme. In departure from industry convention, we are adopting new operational modes that will benefit long-term growth, at an important phase in our development in the Chinese department store industry.

For the year ended 30 June 2009, total revenue of the Group amounted to HK$1,721.2 million, increasing by 15.6% over the Previous Year. Operating profit was HK$695.0 million. Profit attributable to shareholders increased by 14.8% to HK$547.3 million. Earnings per share was about HK$0.32. The Board of Directors resolved to distribute a final dividend of HK$0.07 per share.

The Group remains cautiously optimistic about the Chinese department store industry despite the grim operating environment. In the year under review, we opened two self-owned stores, namely Wuhan Hanyang Branch Store and Taizhou Store; added one managed store called Beijing Liying Store; besides expanding Harbin Store for phased operation starting May 2009. As of 30 June 2009, the Group had 33 department stores with a total gross floor area of about 1,063,470 square metres in a network covering 17 major Chinese cities. In the year reported, we acquired the interests of Kunming Store and Ningbo Trendy Store, respectively, from parent company, and both previously managed stores formally became self-owned. In 2010, the Group will open the first feminine club-style department store in Beijing selling fashionable goods for women. In order to seize the chance of 2010 Shanghai Expo, the eighth and ninth store in Shanghai, Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store will commence operation in 2010. Zhengzhou Store and Shenyang Jianqiao Road Branch Store are also scheduled for opening in 2011.

Inspired by the mission "To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China", the Group decided to embark on corporate rebranding. It was a pioneering move taken after a scrutiny of market status, in spite of fierce competition in the Chinese department store industry. Departing from the convention of positioning a store by class-basis, we project our stores as Living Galleries for one-stop shopping and Fashion Galleries for themed shopping. We are seeking to communicate to all customers a penchant for "taste" and "individuality" in consumption and living. During rebranding, the Group will internally enhance corporate culture and organizational structure with new corporate values. Externally, we will implement comprehensive store rebranding to forge a shopping environment that projects a new corporate image of "Enriching Lives · Enhancing Characters". The corporate rebranding encompasses readjustments in overall planning, product portfolio, in-store configuration and decoration, as well as services for customers and VIP members. Endeavouring to meet consumers' need for quality living, it addresses specific requirements of different customer groups to reinforce their loyalty and expand our customer base.

In business development, we will carry on with current expansion strategies. In the core growth city of each operational region we are adding retail footholds in pursuit of "multiple presences in a single city". Applying the "radiation strategy", we will expand into cities on the periphery of the core growth city. In locating new stores, we make the best choice strictly from among prime locations within the target city.

Meanwhile, we hang on to the ethos of "customers come first" as we actively upgrade service quality and source quality merchandise, strengthen information management system, train up brilliant staff, recruit management experts, perfect operational systems and reinforce partnership with suppliers. Coordinating every effort with a flexible sales strategy that entails introducing multi-purpose "Event Halls" and "Brand Outlet Floors", we deliver prompt, effective responses in coping with intense competition in the department store business.

The Group is keen to partake in charity on the conviction of contributing to the community from which we generate profits. In the year reported, we renewed support for various charity activities including Bright Future Action and as the main sponsor for MSF Day for the 3 consecutive years, shouldering our responsibilities as a corporate citizen by helping people in need.

Looking ahead, after the success of the Beijing Olympics, China is playing host again in the 2010 Shanghai Expo. The event is expected to attract participation from some 200 countries and international organizations, and visitor traffic totaling 70 million people, generating huge demands for retail services and bringing immense opportunities to retailers in China. Seizing the chance, the Group will launch rebranding at our Shanghai stores in 2010 so that five Living Galleries and four Fashion Galleries will promptly commence service to attract more customers and expand market share.

Though uncertainties may continue to loom over the economic horizon, the Group remains committed to growing our business and providing customers with services that meet more precisely to their rising needs. At the same time, we will promptly readjust operational strategies and exercise stringent cost controls to stay competitive and maintain profitability as well as maximizing return for shareholders.

The Group's efforts over the past 16 years have won wide affirmation for our business in China. We owe our achievements to concerted efforts by management and staff, trust from shareholders, support from business partners and patronage by customers. On behalf of the Board, I would like to extend heartfelt thanks to all parties concerned and look forward to their continued contribution towards the Group's long-term growth.

**Dr. Cheng Kar-shun, Henry**
*Chairman*

Hong Kong, 6 October 2009

PERFECT FUSION OF
FASHION AND LIVING STYLE

SETTING THE SCENE FOR
A BRAND - NEW DEPARTMENT
STORE OPERATION

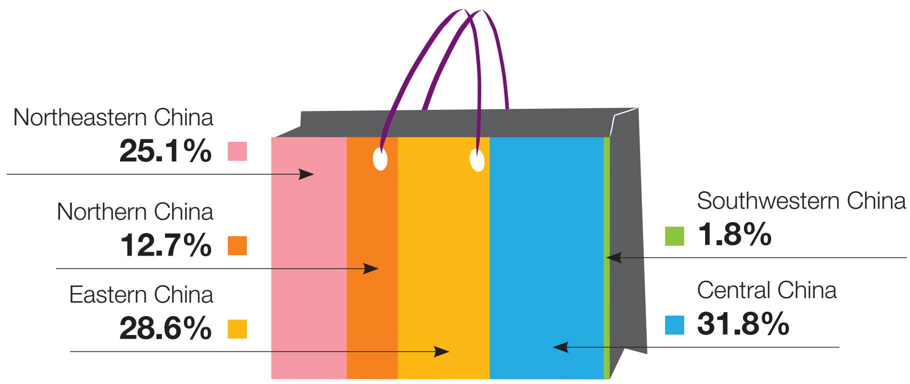
## BUSINESS NETWORK

In the year ended 30 June 2009 (or "the Current Year"), the Group operated 33 department stores, with a total gross floor area (or "GFA") of about 1,063,470 square metres and a total operating floor area (or "OFA") of about 786,500 square metres. Located in five operational regions, namely Northeastern China, Northern China, Eastern China, Central China and Southwestern China, the stores covered 17 major cities in the PRC. These included Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing and Taizhou. Our business network comprised 22 self-owned stores and 11 managed stores.

## REVENUE CONTRIBUTION

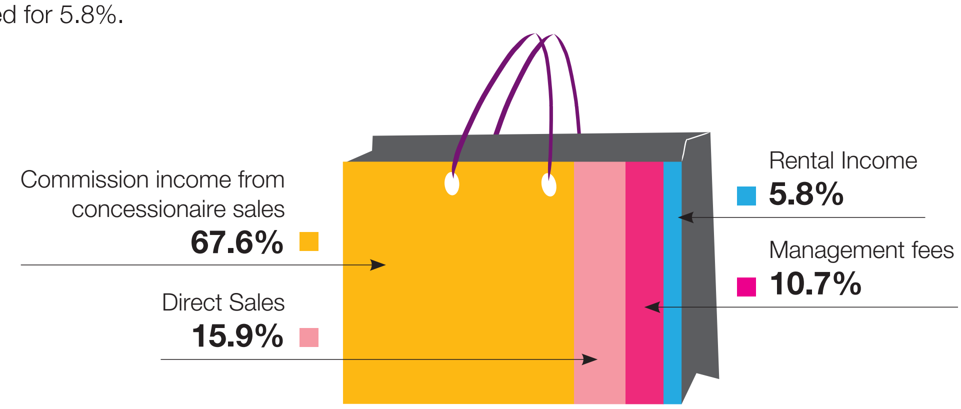
### By region

The Central China Region contributed the most to the Group's revenue during the year under review, accounting for 31.8% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 28.6% and 25.1%, respectively.




### By segment

Commission income from concessionaire sales was the major type of income, accounting for 67.6% of total revenue. Proceeds from direct sales and management fees accounted for 15.9% and 10.7%, respectively. Rental income accounted for 5.8%.



## STORE NETWORK DEVELOPMENT

In the year under review, the Group opened three new stores in Wuhan, Beijing and Taizhou. They included two self-owned stores: Wuhan New World Department Store – Hanyang Branch Store ("Wuhan Hanyang Branch Store") and Taizhou New World Department Store ("Taizhou Store"), as well as one managed store: Beijing New World Liying Department Store ("Beijing Liying Store"). Apart from opening new stores, the Group expanded the Harbin New World Department Store ("Harbin Store") in the Current Year, bringing its total GFA from about 32,000 square metres to about 50,000 square metres. Besides, Hong Kong New World Department Store ("Hong Kong Store") ceased to be the Group's managed store in July 2008, and Xiamen New World Department Store ("Xiamen Store") ceased to be the Group's self-owned store starting June 2009. Therefore, as of 30 June 2009, the Group's total GFA was approximately 1,063,470 square metres, up 10.5% from the Previous Year.

## GROWTH IN NATIONWIDE VIP MEMBERSHIP

In the year under review, there was a continuous rise in the number of both VIP card and platinum VIP card issued, with percentage increase over the Previous Year of 23.1% and 4.3%. The number of our VIP members now exceeds 1.65 million.

# Northeastern China Region


In keeping with changes in the market, the Northeastern China Region undertook an overall integration of its sales platforms and regularized its market operations. By ever adjusting its concessionaire brands and introducing exclusive products with distinctive features, it optimized its portfolio structure. With strategic business re-orientation, it brought store operations in line with current market trend.

| Northeastern China Region | Population | Local Gross Domestic Product (RMB) | Gross Domestic Product Per Capita (RMB) | Per Capita Disposable Income (RMB) | Total Retail Sales of Consumer Goods (RMB) |
|---|---|---|---|---|---|
| Harbin | 9.89 million | 286.82 billion | 29,012 | 14,588.6 | 126.40 billion |
| Shenyang | 7.76 million | 386.05 billion | 54,106 | 17,295.0 | 150.55 billion |
| Dalian | 6.13 million | 385.82 billion | 63,198 | 17,500.0 | 118.26 billion |
| Anshan | 3.51 million | 160.79 billion | 45,830 | 16,143.0 | 36.83 billion |

| Northeastern China Region | No. of Mainland Tourists | No. of Foreign Tourists | Consumption Spending by Mainland Tourists (RMB) |
|---|---|---|---|
| Harbin | 29.90 million | 297,000 | 23.32 billion |
| Shenyang | 51.61 million | 476,000 | 38.74 billion |
| Dalian | 30.00 million | 950,000 | 35.50 billion |
| Anshan | 15.30 million | 155,000 | 10.40 billion |

**Sources**

- *National Statistics Bureau of China*
- *Statistical Information Network of Harbin*
- *Statistical Information Network of Dalian*
- *Statistical Information Network of Anshan*
- *Sina Network*

## INDUSTRY SEEKS INNOVATION AS CONSUMER MARKET CHANGES IN NORTHEASTERN CHINA

In the year under review, growth in China's regional economies slowed down under the impact of the financial crisis. Due to the implementation of the "Revival Plan for Northeastern China", the region maintained steady economic growth. In the first half of 2009, the local gross domestic product of Heilongjiang and Liaoning provinces increased year-on-year by 8.9% and 23.3%, respectively; total retail sales of consumer goods in Heilongjiang and Liaoning exceeded RMB150 billion and RMB64 billion, respectively, with Heilongjiang achieving year-on-year growth of 18.9%, or growth of 15% or above for three consecutive years. The figures showed that spending power and consumption sentiment remained steady in Northeastern China. Yet, the local department store market had grown increasingly competitive, driving market players to seek innovation and breakthrough to maintain their competitive edge.

# 432.0 BILLION

Total Retail Sales of Consumer Goods (RMB)

To cope with changes in the Shenyang market and meeting consumers' need, the three Shenyang stores carried out business adjustments. Each store aimed to achieve a more distinct profile for effective differentiated operations.

## IMPLEMENTING BUSINESS READJUSTMENT TO INCREASE MARKET INFLUENCE

In the year under review, the Group operated five self-owned stores in the Northeastern China Region. They were Harbin Store, Shenyang New World Department Store—Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store"), Shenyang New World Department Store—Taiyuan Street Branch Store ("Shenyang Taiyuan Street Branch Store"), Shenyang New World Department Store—Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store") and Anshan New World Department Store ("Anshan Store"). In addition, we also operated one managed store: Dalian New World Department Store ("Dalian Store").

In keeping with changes in the market, the Northeastern China Region undertook an overall integration of its sales platforms and regularized its market operations. By ever adjusting its concessionaire brands and introducing exclusive products with distinctive features, it optimized its portfolio structure. With strategic business re-orientation, it brought store operations in line with current market trend. In addition, the Region planned

• Dalian Store

• Harbin Store

and implemented large-scale promotions and festive sales, attracting consumption through innovative, flexible marketing tactics. Striving to develop the group purchase segment, it raised total sales by offering complimentary gifts and promoting store revisits.

In the year reported, Harbin Store was expanded from about 32,000 square metres to 50,000 square metres in GFA, the store therefore shifted its focus from internationally branded goods to a one-stop shopping "Living Gallery". It strengthened its dining facilities while Level 6 was converted into a beddings discount outlet and a multi-purpose "Event Hall" to steer store traffic and expand customer groups.

Meanwhile, after the completion of large-scale store extension, a new wing on Level 2 concentrated on merchandise for men including casual wear, golfing series, underwear and accessories. Targeting the demands of family customers, Level 5 gradually transformed into a household goods section with the introduction of a wealth of household products, premium items and small electrical appliances.

To cope with changes in the Shenyang market and meeting consumers' need, the three Shenyang stores carried out business adjustments. Each store aimed to achieve a more distinct profile for effective differentiated operations.

Shenyang Nanjing Street Branch Store fully utilized the advantage of its reputation and expanded its unique operational strategy as an exquisite department store, striving towards the position of an "International Fashion Brand Gallery". During the year under review, it introduced many key fashion labels for both men and women. Currently the store offered more than 20 exclusive concessionaire brands in Shenyang. To strengthen sales in merchandise for men, the store relocated and re-classified the respective section and products for men's footwear and men's baggage.

• Shenyang Nanjing Street Branch Store


• Anshan Store

To facilitate long-term development amidst competition, Shenyang Taiyuan Street Branch Store transformed into a "Fashion Brand Outlet" in May 2009, the first of its kind in Liaoning Province, offering mainly out-seasoned products from renowned brands at attractive prices. In contrast with large conventional discount outlets, where goods were laid out in disarray, the concessionaire counters at Shenyang Taiyuan Street Branch Store featured a product display consistent in style and decoration with that in other stores. The store highlighted branded goods at a discount while maintaining current product zoning on different floors. By stepping up promotions, it greatly enhanced store visit and customer traffic. A spacious multi-purpose "Event Hall" was set up on Level 5, where brand promotions were renewed at half-month intervals. New product categories were also introduced. For instance, the basement was transformed into an integrated dining area offering restaurants, selected snacks and delicacies, as well as health supplements. With enriched choice and enlarged space for dining, the store succeeded in steering customer traffic and extending customer stay in-store.

During the year under review, Shenyang Zhonghua Road Branch Store was committed to strengthening its brand portfolio, introducing labels that were more popular or competitive in a process of elimination and replacement. To enhance operational efficiency, it streamlined existing concessionaire counters and increased the frequency of brand replacement. The store also planned to add service facilities like personal healthcare chainstore and bakery etc. to cater consumers' daily needs which foster the new image of a "Living Gallery".

**To promote use of VIP cards, apart from launching special offers to encourage in-store spending, the Northeastern China Region also held a variety of exclusive VIP activities.**

• Shenyang Taiyuan Street Branch Store

In the Current Year, Anshan Store gradually formed an ambience of a trendy and stylish department store. It strove to enrich its product categories, enliven its merchandise mix and expand its rental business, on the other hand, it also added an outlet area called "Trend Haven" to offer more choices of trendy commodities to customers.

Given the high concentration of commercial establishments, financial institutions and media organizations in the milieu, Dalian Store identified white-collared workers in financial fields and office workers as its key target customer groups. Accordingly, it introduced a coffee shop on the first level and gradually converted the basement floor from an outlet into a popular dining and snack area, in order to meet the needs of stylish urban customers. Moreover, it also upgraded the profile for its lineup of cosmetics and added more brands in ladies' footwear. A new outlet floor was gradually formed with the introduction of discounted concessionaires in the ladies' fashion section. The section occupied a much more prominent position following adjustments to the sections for children's wear, toys and beddings. Such in-store adjustments fully answered consumer needs and conferred a unique identity of a stylish department store in the Dalian market.

## INTENSIFYING PROMOTIONS TO GENERATE BIGGER SALES

In the year reported, the Northeastern China Region planned and organized many large-scale promotions and festive sales. For instance, themed promotions *Firing up for Olympics, New Year Vigor and Fun at New World* and *Sleepless New Year Eve* were held, respectively, for the 2008 Olympics, National Day and Lunar New Year. In the absence of large-scale campaigns, certain stores launched *Weekend Giveaway* promotions instead. Targeting specific customer groups, stores in the region made special offers, for instance, to female consumers during the *Ladies Festival* and *Fragrance Offers at New World* promotions; and to male consumers, during *Fashion for Papa* and *Lucky Papa*. Themed on Valentine's Day were functions such as *Knotted Hearts in Valentine* and *Rose Blessings*.

↑17.6%

TOTAL NUMBER OF VIP MEMBERSHIP


| Northeastern China Region | Date of Commencement of Operation | Approx. Gross Floor Area (sq. m.) | Approx. Operating Floor Area (sq. m.) |
|---|---|---|---|
| ***Self-owned Store*** | | | |
| Shenyang Nanjing Street Branch Store | November 1995 | 13,890 | 10,800 |
| Harbin Store | November 1996 | 50,000 | 37,800 |
| Shenyang Taiyuan Street Branch Store | August 2000 | 10,800 | 7,500 |
| Shenyang Zhonghua Road Branch Store | December 2005 | 44,000 | 34,200 |
| Anshan Store | October 2007 | 35,000 | 29,300 |
| ***Managed Store*** | | | |
| Dalian Store | November 2002 | 32,000 | 26,500 |
| Total | | 185,690 | 146,100 |

Besides, stores in the Northeastern China Region collaborated with banks in the region so that bonus points accumulated on credit cards would entitle cardholders to shopping discounts at New World Department Store, effectively facilitating in-store spending by high-end customer groups. Attracting consumers through innovative, flexible sales tactics and cultivating the group purchase segment through giveaways and store revisit benefits all added up to increase sales.

To promote use of VIP cards, apart from launching special offers to encourage in-store spending, the Northeastern China Region also held a variety of exclusive VIP activities. Examples included *Platinum Dinner* and *Autumn Impressions—Fashion 2008*. The total number of VIP cards issued in Northeastern China Region during the Current Year increased by 17.6% compared with that of last year.

**185,690 SQ.M.**

**TOTAL GFA (APPROX.)**




## INNUMERABLE AWARDS UNDERSCORE BRAND CREDIBILITY

In the year reported, stores in the Northeastern China Region won a wealth of awards. Both Harbin Store and Shenyang Nanjing Street Branch Store were designated "Jin Din Department Store" by the Ministry of Commerce. Harbin Store won high acclaims from Ministry officials during an onsite inspection in July 2008. For embodying civilized services during *Winter Athletics for Undergrads Worldwide*, Harbin Store won designation of "Best Service Enterprise in Winter Athletics for Undergrads".

During the year under review, in addition to the "Jin Din Department Store" designation, Shenyang Nanjing Street Branch Store won acclaims as "2008 Consumer Satisfied Unit" from Shenyang Federation of Consumers. The Customer Service Section of the store also won "Leap in Service Performance Award" in "2008 Secret Customer—Service Quality Evaluation".

The Shenyang Municipal Government conferred honours of "2008 Shenyang Non-public Star Enterprise" to Shenyang Zhonghua Road Branch Store for its immense contribution towards the development of the city's economy, marking community approval for its mode of operation and management.

Keeping a sound taxpaying record in the region, Dalian Store won designation of "2009 Enterprise with Grade A Taxation Credit" in April 2009 from national and local taxation authorities.

Anshan Store was honoured with "First Choice of Branded Mall by Anshan Citizens" by *Liao Shen Evening Post* for its excellent mode of management and operation.

# Eastern China Region

Ever since we set up strong foothold in Shanghai of the Eastern China Region and after radiating into markets in Ningbo, Zhejiang and Nanjing, Jiangsu, the Group further expanded the business into Taizhou, Zhejiang.

| Eastern China Region | Population | Local Gross Domestic Product (RMB) | Gross Domestic Product Per Capita (RMB) | Per Capita Disposable Income (RMB) | Total Retail Sales of Consumer Goods (RMB) |
|---|---|---|---|---|---|
| Shanghai | 18.88 million | 1,369.82 billion | 72,536 | 26,675 | 453.71 billion |
| Wuxi | 6.10 million | 441.95 billion | 73,053 | 23,605 | 139.15 billion |
| Ningbo | 5.68 million | 396.41 billion | 69,997 | 25,304 | 123.80 billion |
| Nanjing | 7.59 million | 377.50 billion | 50,327 | 23,123 | 165.18 billion |
| Taizhou | 5.74 million | 196.53 billion | 46,983 | 22,738 | 70.97 billion |

| Eastern China Region | No. of Mainland Tourists | No. of Foreign Tourists | Consumption Spending by Mainland Tourists (RMB) |
|---|---|---|---|
| Shanghai | 110.06 million | 6,400,000 | 161.24 billion |
| Wuxi | 36.82 million | 650,000 | 52.03 billion |
| Ningbo | 34.65 million | 787,000 | 41.59 billion |
| Nanjing | 49.70 million | 1,195,000 | 65.40 billion |
| Taizhou | 25.95 million | 104,000 | 20.38 billion |

**Sources**

- *2008 Statistical Yearbook of Shanghai*
- *2008 Nanjing Bureau of Statistics for Economic Development*
- *Statistical Data Network of Ningbo*
- *Wuxi Statistical Report*

## CHANGJIANG DELTA RETAINS COMPETITIVE EDGE DESPITE ECONOMIC SETBACK

With a bias in foreign trade and import and export, the economy of the coastal region in the Changjiang Delta suffered relatively severe setback from the financial tsunami. The Government launched a multi-faceted rescue package which, entailing swift responses in investment and taxation policies, lent a boost to domestic demand. By the first half of 2009, the rescue measures began to yield results. On the whole, the financial and retail sectors had shown signs of recovery.

In addition, being geographically gifted, and with a high concentration of talents from around the country, the Changjiang Delta was the “golden triangle” in China wielding the greatest overall strength. In recent years, spearheaded by Shanghai, cities in eastern China were committed to becoming the centre of finance, shipping, trade and commerce. As such, the consumption power of residents in the region could be expected to rise steadily and to exert positive impacts on the development of the retail and department store industry.

Stores in the Eastern China Region re-adjusted their strategies for merchandising and marketing. In merchandise mix, the region stressed more on mass-oriented daily necessities with prices better matching consumer demands. Major efforts were devoted to enlarging the sales area for more popular concessionaires.

## ENTERING NEW ZHEJIANG MARKET TO REINFORCE REGIONAL PRESENCE

Ever since we set up strong foothold in Shanghai of the Eastern China Region and after radiating into markets in Ningbo, Zhejiang and Nanjing, Jiangsu, the Group further expanded the business into Taizhou, Zhejiang in the Current Year by establishing Taizhou Store in April 2009. As the Group's joint venture, the three-level Taizhou Store occupies a GFA of about 30,000 square metres and has a basement carpark. It houses the largest ladies' footwear section in Taizhou, and affords debut for many ladies' fashion labels in the city. There is a "Brand Outlet Floor" on Level 1 for sports labels renowned locally and internationally. By offering trendy labels and merchandise, Taizhou Store has become the latest landmark of fashionable shopping.


• Shanghai Xinning Branch Store

• Nanjing Store

## EVOLVING EFFECTIVE OPERATIONAL MODES IN LINE WITH CHANGING NEEDS

In the year reported, the Group operated twelve stores in the region: ten of them were self-owned stores, including five self-owned stores under the "Ba Li Chun Tian" brand. These included Shanghai – Hong Kong New World Department Store – Huaihai Branch Store ("Shanghai Huaihai Branch Store"), Shanghai – Hong Kong New World Department Store – Xinning Branch Store ("Shanghai Xinning Branch Store"), Shanghai – Hong Kong New World Department Store – Hongkou Branch Store ("Shanghai Hongkou Branch Store"), Shanghai – Hong Kong New World Department Store – Changning Branch Store ("Shanghai Changning Branch Store") and Shanghai – Hong Kong New World Department Store – Qibao Branch Store ("Shanghai Qibao Branch Store"). The five self-owned stores under the "New World" brand were Wuxi New World Department Store ("Wuxi Store"), Ningbo New World Department Store ("Ningbo Store"), Ningbo New World Trendy Department Store ("Ningbo Trendy Store"), Nanjing New World Department Store ("Nanjing Store") and Taizhou Store. In addition, we also managed two stores: Shanghai – Hong Kong New World Department Store – Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store") and Shanghai – Hong Kong New World Department Store – Pujian Branch Store ("Shanghai Puijian Branch Store").

In a rapidly changing economic climate, consumer behaviour on the whole turned rational and conservative. Accordingly, stores in the Eastern China Region re-adjusted their strategies for merchandising and marketing. In merchandise mix, the region stressed more on mass-oriented daily necessities with prices better matching consumer demands. Major efforts were devoted to enlarging the sales area for more popular concessionaires. In marketing, the region increased the frequency of promotions, concentrating more on mass products.

**952.8 BILLION**

**Total Retail Sales of Consumer Goods (RMB)**

• Ningbo Trendy Store


• Shanghai Hongkou Branch Store

• Shanghai Huaihai Branch Store


• Shanghai Changning Branch Store

Among foreign operators of department stores in Shanghai, Shanghai Ba Li Chun Tian owned the largest sales area and the largest quantity of stores. Through this branding, the Group consistently executed a strategy of "multiple stores in a single city" to enhance economy of scale and consumer recognition. In the year under review, apart from optimizing their merchandise mix, many of our Shanghai stores set up "Brand Outlet Floor" that offered branded goods at attractive prices to maximize effectiveness from our strategy of differentiated operation.

In the year reported, Shanghai Huaihai Branch Store focused on strengthening ladies' footwear and cosmetics. More labels were added to expand the section for ladies' footwear on Level 1, and shopper traffic further multiplied following its integration with the cosmetics section. The introduction of world renowned cosmetics operators to Level 1 brought more choices to customers and enhanced the competitiveness of our cosmetics business. Through adjustment, Level 6 became a brand outlet for renowned sportswear labels and fashion footwear for both genders. The venue was positioned as the largest discount outlet of fashionable goods in the Huaihai Road commercial zone.

Shanghai Xinning Branch Store and Shanghai Hongkou Branch Store carried on with current operating modes in the year reported. By promoting a number of international labels in fashion and cosmetics and staging many sale events, they achieved objectives of drawing crowds and stimulating sales.

Seizing an opportunity, Shanghai Changning Branch Store was transformed into a "Fashion Brand Outlet". It attracted patronage by many young customers in the Zhongshan Park commercial zone and grew very popular with those in search of trendy goods.

• Shanghai Qibao Branch Store

In addition to standard VIP gifts and benefits that applicable nationwide, stores in Shanghai offered even more through a wealth of diversified activities.

Shanghai Qibao Branch Store allotted an operating area of over 3,000 square metres to set up an outlet zone, mainly for sportswear and sporting goods. It introduced many discount concessionaires for outdoor sports in satisfaction of local consumer needs. Besides, the store also included bookstore, clothing alteration service and manicure shop to cater local customers' daily needs.

Shanghai Wujiaochang Branch Store maintained its competitive edge. Capitalizing on heavy shopper traffic in the district and offering full arrays of products and service facilities matching the needs of customer groups, it had established a distinct profile as a daily-living department store among locals.

Located in the fast developing Tangqiao commercial zone, Shanghai Pujian Branch Store expanded its discount area in October 2008 by transforming the entire Level 5 into an outlet floor for fashionable products. To meet rising local need for dining facilities, it opened a fast-food zone in the basement, resulting in bigger shopper traffic and in-store spending.

| Eastern China Region | Date of Commencement of Operation | Approx. Gross Floor Area (sq. m.) | Approx. Operating Floor Area (sq. m.) |
|---|---|---|---|
| ***Self-owned Store*** | | | |
| Wuxi Store | January 1996 | 18,600 | 12,500 |
| Ningbo Store | April 1998 | 10,000 | 9,100 |
| Shanghai Huaihai Branch Store | December 2001 | 22,500 | 17,600 |
| Shanghai Xinning Branch Store | January 2002 | 21,000 | 16,400 |
| Shanghai Hongkou Branch Store | October 2003 | 19,600 | 11,800 |
| Shanghai Changning Branch Store | September 2004 | 6,680 | 6,100 |
| Ningbo Trendy Store | November 2004 | 11,500 | 9,100 |
| Shanghai Qibao Branch Store | December 2005 | 36,550 | 23,800 |
| Nanjing Store | November 2007 | 30,000 | 26,400 |
| Taizhou Store | April 2009 | 30,000 | 25,300 |
| ***Managed Store*** | | | |
| Shanghai Wujiaochang Branch Store | December 2006 | 44,000 | 37,200 |
| Shanghai Pujian Branch Store | September 2007 | 46,000 | 32,100 |
| **Total** | | 296,430 | 227,400 |

• Taizhou Store

• Wuxi Store

Ningbo Trendy Store commenced operation in 2004. In the Current Year, when the Group acquired the interest of Ningbo Trendy Store from parent company, the store had formally converted from managed to self-owned since April 2009. In the Current Year, the store was re-positioned for the young and the trendy, with a considerably strengthened footwear section on Level 1. As a result, both shopper traffic and consumer recognition were enhanced. The store pursued differentiated operation with Ningbo Store.

In the year reported, Wuxi Store also re-positioned for the young and trendy market. It confirmed collaboration with celebrated trendy label, ZARA, for the introduction of the first ZARA flagship store in Wuxi with operation commenced in July 2009.

Nanjing Store successfully introduced the “Brand Outlet Floor” with major discounted concessionaire operations in sporting goods, footwear and fashion during the year reported. It focused efforts on expanding the footwear section on Level 1 to reinforce its competitive advantage in the product category within the city.

## DEVISING PROMOTIONS THAT ANSWER CONSUMER NEEDS

In the Current Year, the Eastern China Region was confronted with dampened consumption sentiments and heightened consumption cautiousness. All our stores focused more and more on the needs of the mass market as they planned for marketing activities and joint promotions. The goal was to increase sales by offering benefits to customers in a more direct way.

In March 2009, stores in Shanghai jointly organized *Treasure Hunt Day*, offering merchandise at attractive, uniformed prices on a limited supply basis. The promotion was well received by consumers. In April 2009, the stores created a sensation in Shanghai with *Consumption Coupons*, a joint program that distributed 100,000 books of benefit coupons to Shanghai citizens

**296,430 SQ.M.**

**TOTAL GFA (APPROX.)**

• Ningbo Store


• Shanghai Wujiaochang Branch Store


for free. Each book contained Ba Li Chun Tian shopping coupons and exclusive benefit coupons from some 30 renowned dining, entertainment and educational businesses for use at our Shanghai stores. To the consumer, each book meant a passport to exclusive enjoyment in all aspects of living. The creative mode of promotion generated wide community feedback.

Besides, the Eastern China Region launched a variety of festive promotions to attract more customers and create bigger business opportunities. In the Current Year, on Children's Day, Nanjing Store jointly held *6.1 Parent-Child Gala*, a themed out-store function, with a locally renowned pre-school educational centre. Through games and competitions involving parents and children, the function aimed at boosting traffic at the store and inducing more family spending in-store.

As usual, stores in the region were keen on maintaining sound relationship with VIP members. In return for VIP support, the stores organized a wealth of activities. For instance, in December 2008, under sponsorship from Bank of China, Ningbo Store held the joint function, *Platinum Night*. The function was richly packed with banqueting, luck draw, talent selection and fabulous prizes including a "5 days 4 nights" trip to Hong Kong Disneyland.

During its 4th store anniversary, Ningbo Trendy Store offered a range of benefits including gifts for purchases, VIP extra benefits per purchase and, in collaboration with China Merchants Bank, redemption of NWDS Shopping Coupons with credit-card bonus points.

In the Current Year, in addition to standard VIP gifts and benefits that applicable nationwide, stores in Shanghai offered even more through a wealth of diversified activities. The “Smart Lady Club” prepared *Handbook for the Perfect Bride* detailing one-stop services ranging from wedding-gown shooting to marriage banqueting and honeymoon traveling, exclusively for VIPs planning to get married. The “Perfect House Wife Club” offered club members benefits in foreign-travel services. The “Platinum Style Club” provided a wealth of meticulous, comfortable services and facilities that intensified the sense of prestige for club members. Within the year, the total number of VIP cards issued in the Eastern China Region increased by 9.0%.

## UP-PILING HONOURS AFFIRM INDUSTRY LEADERSHIP

In the Current Year, the Eastern China Region continued to receive numerous honours, which confirmed the Group’s wide approval among consumers, the Government and the public.

In April 2009, Shanghai Huaihai Branch Store passed the reappraisal by Shanghai Federation of Department Store Businesses and retained the designation of “Jin Din Department Store”. The maintenance section of the administrative department of the store also passed the reappraisal for “ISO9001 Quality System” and retained the designation of “ISO9001 Accredited Enterprise”.

In December 2008, Shanghai Hongkou Branch Store was awarded “Certificate of Type A Taxation Credit” by Shanghai State Taxation Bureau and Shanghai Municipal Taxation Bureau. In February 2009, the store was presented with the “2008 Taxation Contribution Award” again by the Shanghai Government in commendation of



its honesty in and contribution to taxation. In May 2009, the store was awarded "Contributing Quality Service in Welcome of Shanghai Expo" jointly by Shanghai Committee on Construction of Spiritual Civilization and Shanghai Command Office for 600-day Social Mobilization in Welcome of Shanghai Expo, being among the first batch of enterprises to be so honoured.

In December 2008, Shanghai Wujiaochang Branch Store was designated Yangpu District Confirmed Top-grade Enterprise of "Quality Service with Five Hearts" by Business Union of Shanghai Yangpu District. In the same month, the store won an award again for the joint promotion of "2008 Honesty and Quality Service in Business" among Yangpu businesses.

↑9.0%

TOTAL NUMBER OF VIP MEMBERSHIP

Ningbo Store won many significant commercial awards in the Current Year. In September 2009, it was designated for the first time "2008 Council Member Unit of Ningbo Council for Promotion of Branded Goods" by Ningbo Council for Promotion of Branded Goods. In December 2009, for the first time the store was rated "Excellent Foreign-invested Enterprise" by Ningbo Jiangdong District Bureau for Foreign Trade and Economic Cooperation. In January 2009, it was designated "Jin Din Department Store" by Ministry of Commerce, PRC. In February 2009, it was designated "2009 Triple Star Pillar Enterprise" by Government of Ningbo Jiangdong District. In March 2009, it was designated "2008 Top Ten Retail Mall" by the Steering Committee on Development of Logistic Services for Commerce and Trade in Ningbo. In the same month, the store won designation of "2008 Advanced Enterprise in Ningbo Commerce and Trade System" from Ningbo Trade Council.

Having won designation of "Best Organization in 2007 Haishu Shopping Festival", Ningbo Trendy Store was again designated "Best Organization in 2008 Haishu Shopping Festival" by the Organizing Committee of Ningbo Haishu Shopping Festival. The store also won designation of "Target-accomplished Department Store" from Ministry of Commerce, PRC, in January 2009.

In September 2008, Wuxi Store won "Most Trendsetting Business Operator Award" in the series of activities on "Welcoming National Day cum 70th Anniversary of Construction of Zhongshan Road". In December 2008, the store was selected as "2008 Honesty Unit in Safeguarding Labour Security in Wuxi", being the first Honesty Enterprise ever selected since the enforcement of the new *Labour Contract Ordinance*. In March 2009, Wuxi Store was designated "Advanced Unit in Creating Hearty Consumption Activities in Jiangsu".

# Central China Region


The opening of Wuhan Hanyang Branch Store marked further extension of the New World Department Store retail network into the Hanyang district of "Three Towns in Wuhan". Adding the sixth outlet in Wuhan significantly reinforced the Group's influence in the city and Central China.

| Central China Region | Population | Local Gross Domestic Product (RMB) | Gross Domestic Product Per Capita (RMB) | Per Capita Disposable Income (RMB) | Total Retail Sales of Consumer Goods (RMB) |
|---|---|---|---|---|---|
| Wuhan | 8.97 million | 396.01 billion | 44,000 | 16,712 | 185.01 billion |
| Changsha | 6.59 million | 300.09 billion | 45,765 | 18,282 | 127.39 billion |

| Central China Region | No. of Mainland Tourists | No. of Foreign Tourists | Consumption Spending by Mainland Tourists (RMB) |
|---|---|---|---|
| Wuhan | 46.13 million | 534,000 | 35.60 billion |
| Changsha | 32.42 million | 549,000 | 27.12 billion |

**Sources**

- *Wuhan Bureau of Statistics*
- *Wuhan Centre of Economic Information*
- *Statistical Information Network of Changsha*
- *2008 Statistical bulletin of domestic economy and society development of Changsha*

## DISCOVERING OPPORTUNITIES AMIDST ADVERSITIES IN CENTRAL CHINA

Under the impact of the global financial tsunami, economic growth slowed down in Central China, depressing income and weakening spending power. Their income having fallen, citizens behaved more rationally in consumption and stressed more the importance of value-for-money. Reasonably priced products and services grew more popular in the market.

To increase domestic demand, the Central Government experimented with integrated reform, or "Dual Mode Society", in the Wuhan City Circle of Hubei. The authority expedited a host of large-scale construction projects, and many advanced projects in manufacturing and contemporary services, kicking off a new round of investment enthusiasm in the region. Capitalizing on effective stimuli in the economic policy, the regional economy in Central China recovered fast. Key consolidated retail enterprises in the region reported bigger percentage growth than small and medium-sized enterprises and the commodities trading market.

# 312.4 BILLION

## Total Retail Sales of Consumer Goods (RMB)

Operating under the strategy of "multiple presences in a single city", the Central China Region carried out resource optimization and integration, and expanded the scale of direct-sales operation. Apart from direct-sales labels launched out by the headquarters, stores in the region gradually developed direct-sales labels of their own that suited the local conditions, thus promoting the growth of the Group's direct-sales business.

## NEW WUHAN HANYANG BRANCH STORE COMPLETES NETWORK COVERAGE OF WUHAN

Wuhan Hanyang Branch Store was opened in the Current Year with a GFA of about 53,000 square metres over six levels and had a basement carpark. Since November 2008, operation had already commenced for Level 1—Level 5, which together offered about 43,000 square metres. Level 6, measuring about 10,000 square metres, was scheduled for opening in 2010. The Hanyang population comprised mainly young families and yet had a shortage of shopping and leisure facilities and related services in the area. Seizing the opportunity, the Group opened up spacious leisure and dining area that include dining outlets, bar and children's playground, positioning Wuhan Hanyang Branch Store as an integrated living department store for shopping, entertainment, dining and services. The opening of Wuhan Hanyang Branch Store marked further extension of the New World Department Store retail network into the Hanyang district of "Three Towns in Wuhan". Adding the sixth outlet in Wuhan significantly reinforced the Group's influence in the city and Central China.


• Changsha Trendy Plaza

• Wuhan Store

## REALIZING POTENTIALITIES TO ENHANCE REGIONAL COMPETITIVE ADVANTAGE

In the year under review, the Group operated five self-owned stores in the region. They were 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") and Wuhan Hanyang Branch Store. The Group also operated two managed stores in the region, namely Changsha New World Trendy Plaza ("Changsha Trendy Plaza") and Wuhan New World Department Store—Xudong Branch Store ("Wuhan Xudong Branch Store").

Operating under the strategy of "multiple presences in a single city", the Central China Region carried out resource optimization and integration, and expanded the scale of direct-sales operation. Apart from direct-sales labels launched out by the headquarters, stores in the region gradually developed direct-sales labels of their own that suited the local conditions, thus promoting the growth of the Group's direct-sales business.

Over the years, Wuhan Store had established a competitive advantage in the region in selling international brands and exclusive labels. In the Current Year, the store carried some 70 exclusive labels and expanded its menswear business by extending the section concerned from Level 4 to Level 5 and increasing the number of concessionaires to over 30. Besides, Wuhan Store enlarged the operating floor area for the beddings section on Level 5 to gradually emerge as an integrated, daily-living department store.

Wuhan Trendy Plaza introduced large cosmetics chains that effectively strengthened the appeal of the labels in the cosmetics section and diversified the choices for customers. On Level 5, following a recast of layout, the rental area was reduced while many discounted concessionaires and a multi-purpose "Event Hall" were added. Offering a variety of out-seasoned merchandise at special prices matching market needs, the store strove to position itself as a hub of youthful, trendy attractions.

• Wuhan Trendy Plaza


• Wuhan Wuchang Branch Store

In the year reported, Wuhan Wuchang Branch Store aimed to become an exquisite, trendy department store. It had re-organized several major product categories including jewellery and international brands, with sections for both categories on Level 1 re-furbished to highlight an ambience of luxurious elegance.

Besides, Wuhan Wuchang Branch Store gradually reduced the operating floor area for products with modest sales and expanded that for those with greater competitiveness. For instance, the operating floor area for the competitively stronger ladies' fashion was expanded. The store also dropped certain sports labels and shrank the sports section to make way for concessionaires for the more competitive casual wear for men. A multi-purpose "Event Hall" was set up on Level 5 to draw more traffic to the top level of the store through regular, themed promotions.


• Wuhan Qiaokou Branch Store

• Wuhan Xudong Branch Store

In the Current Year, Wuhan Qiaokou Branch Store recasted its sectional layout in preparation for seizing opportunities arising from changes in the economic environment. The store expanded Level 5 into a multi-purpose "Event Hall" and added in an outlet zone. By fully utilizing the floor area, a beauty salon was introduced to generate rental income. The store also brought about more heart-felt customer services to pamper consumers. Pursuing a differentiated approach in collaboration with other Wuhan stores, Wuhan Qiaokou Branch Store sought an effective rise in sales with supplier support.

In the year reported, Wuhan Xudong Branch Store devoted greater efforts to grow its direct-sales business. The store also optimized its merchandise mix, set up an outlet zone on Level 3 and integrated the sections for men's casual wear and other goods.

To further reinforce its profile as a trendy department store in the Changsha market and throughout Wuhan, Changsha Trendy Store undertook a series of major re-adjustments on three operating floors: On Level 1, it was replaced with a new section for international branded goods; On Level 2, the ladies' footwear section was slightly expanded; the ladies' fashion section on Level 3 was also expanded. In addition, a manicure shop was added to prepare itself on the way to become a "Fashion Gallery".

↑13.3%

**Total Number of VIP Membership**

## VIP ACTIVITIES ENHANCE CUSTOMER LOYALTY

In the year under review, stores in the Central China Region enhanced customer loyalty by holding innovative, exclusive VIP functions that stimulated store visits and in-store spending. These included *Platinum Dinner Party* which, addressing the needs of VIPs and great-spending concessionaire patrons, afforded in-store shopping in a specific session when the sales venue was closed to ordinary shoppers. The arrangement lent a great boost to the sense of prestige among VIP members.

Besides, stores in the region promoted new products through various VIP salons. Wuhan Xudong Branch Store, for instance, organized *I-Apple Experience Salon*, featuring introduction of *Apple* computers by professional demonstrators. Offering firsthand product trials and the latest knowledge in the digital technology and computer fields, the function effectively attracted many high-end VIPs.

**237,650 SQ.M.**

TOTAL GFA (APPROX.)

| Central China Region | Date of Commencement of Operation | Approx. Gross Floor Area (sq. m.) | Approx. Operating Floor Area (sq. m.) |
|---|---|---|---|
| ***Self-owned Store*** | | | |
| Wuhan Store | November 1994 | 42,000 | 24,800 |
| Wuhan Trendy Plaza | December 2001 | 23,000 | 17,300 |
| Wuhan Wuchang Branch Store | October 2005 | 22,650 | 16,500 |
| Wuhan Qiaokou Branch Store | September 2006 | 42,000 | 30,600 |
| Wuhan Hanyang Branch Store (business on Level 1—Level 5) | November 2008 | 43,000 | 38,000 |
| ***Managed Store*** | | | |
| Changsha Trendy Plaza | September 2006 | 35,000 | 22,700 |
| Wuhan Xudong Branch Store | January 2008 | 30,000 | 23,000 |
| **Total** | | 237,650 | 172,900 |

The region also attracted VIP patronage with various themed promotions. During *Appreciating Jewellery*, for instance, the stores held jewellery shows featuring demonstrations of top diamond brands by professional models, and sharing of fashion trends and tips on jewellery maintenance. Participating VIPs could trial-wear the jewellery to coordinate with their outfits. Complimentary gifts helped stimulate buying urges onsite.

Festive promotions broadened from traditional holidays to popular Western festivals. For instance, *Halloween English Party for Devil Kiddies* combined elements of popular Western festival, child bonding and English learning. It created family shopping traffic by attracting enrolment to activities for parents and their children. Within the year, membership of VIP card in the Central China Region increased by 13.3% over the Previous Year.

In the year under review, stores in the Central China Region enhanced customer loyalty by holding innovative, exclusive VIP functions that stimulated store visits and in-store spending. Stores in the region promoted new products through various VIP salons, offering firsthand product trials and the latest knowledge in the respective fields, effectively attracted many high-end VIPs.

## CENTRAL CHINA REGION SETS INDUSTRY BENCHMARK IN AWARD WINNING

Having developed for years, the Central China Region had achieved market leadership, with a host of honours received within the year confirming its excellence in performance.

In January 2009, Wuhan Store was awarded a certificate of "Target-met Department Store" by the Ministry of Commerce. The store also won designations of "2006/2007 Taxpayer of Grade-A Credit" and "2008 Advanced Taxpaying Unit in Jianghan District".

In March 2009, Wuhan Trendy Plaza was honoured as "2008 Honesty Unit in Labour and Social Security" by Wuhan Jiangan Labour Bureau.

In January 2009, Wuhan Wuchang Branch Store was honoured as "2007/2008 Consumer-satisfied Unit" by Hubei Consumer Council. In April 2009, it was designated "2008 Contract-abiding and Credit-keeping Enterprise in Wuhan" by Wuhan Bureau of Administrative Management for Industry and Commerce and Wuhan Council for Promotion of Contractual Credit.

In April 2009, Wuhan Hanyang Branch Store was designated "Enterprise of Harmonious Labour Relations" by Wuhan Hanyang District Steering Committee for Creation of Enterprise of Harmonious Labour Relations.

In the year under review, Changsha Trendy Plaza was designated "Advanced Group in Creating Civilized City Countrywide" by Chinese Communist Party Committee on Changsha Commerce Bureau and Changsha Commerce Bureau. Besides, the store was designated "2008 Advanced Unit in Safety in Production" by Chinese Communist Party Street Affairs Committee on Fuhou Jie and Street Office of Fuhou Jie.

# Northern China Region

Consistent with the strategy of "multiple presences in a single city", the Group entered the prospering Wangjing commercial zone by setting up a new managed store, Beijing Liying Store.

| Northern China Region | Population | Local Gross Domestic Product (RMB) | Gross Domestic Product Per Capita (RMB) | Per Capita Disposable Income (RMB) | Total Retail Sales of Consumer Goods (RMB) |
|---|---|---|---|---|---|
| Beijing | 16.95 million | 1, 048.80 billion | 63,029 | 24,725 | 458.90 billion |
| Tianjin | 11.76 million | 635.44 billion | 55,473 | 19,423 | 200.03 billion |
| Lanzhou | 3.31 million | 84.63 billion | 25,567 | 11,677 | 39.50 billion |

| Northern China Region | No. of Mainland Tourists | No. of Foreign Tourists | Consumption Spending by Mainland Tourists (RMB) |
|---|---|---|---|
| Beijing | 140.00 million | 3.790,000 | 190.70 billion |
| Tianjin | 69.08 million | 1.030,000 | 81.07 billion |
| Lanzhou | 5.22 million | 46,000 | 3.00 billion |

**Sources**

- *National Statistics Bureau of China*
- *People's Network*
- *Tianjin Administrative Affairs Network*
- *Lanzhou Statistics Bureau*
- *Beijing Tourism Bureau*

## INTERNATIONAL EVENT CREATES OPPORTUNITIES AS REGIONAL ECONOMY KEEPS GROWING

In the Current Year, opportunities and challenges coexisted in the Northern China Region. The success of the 2008 Beijing Olympics created precious opportunities of economic development for the national capital, Tianjin and peripheral cities. Under the impetus of the Olympic economy, the investment and consumption structures in such cities continued to optimize. The mode of economic growth transformed gradually to an economy, predominated by consumerism. As the pull of consumption increasingly strengthened, the consumer market grew more active, creating boundless opportunities for local retailers.

In 2009, the Government implemented a package of macro policy measures with emphases on meeting growth targets, expanding domestic demand, optimizing industry structures and caring for general livelihood. In Northern China, such measures continued to provide momentum for economic recovery and growth.

In the first half of 2009, the regional GDP of Beijing, Tianjin and Lanzhou registered remarkable year-on-year rises of 7.8%, 16.2% and 7.5%, respectively. As a shot in the arm, they infused confidence among consumers and enterprises seeking growth in such regions.

In the Current Year, tying in with the promotion nationwide VIP clubs of "Smart Lady", "Perfect House Wife" and "Platinum Style", the stores organized exclusive activities addressing specific club-member needs.

## ONE-STOP LIVING STORE IN WANGJING COMMERCIAL ZONE

Consistent with the strategy of "multiple presences in a single city", the Group entered the prospering Wangjing commercial zone by setting up a new managed store, Beijing Liying Store, the Group's third store in Beijing, after securing footholds in core sections in Chongwen and Chaoyang districts. Beijing Liying Store has a GFA of about 52,000 square metres over six levels. Offering more than 300 well-known local and international labels, with a third of which making their debuts in Wangjing, the store brought fresh, unique brand experiences to consumers. Considering the prevalence of family shopping in the commercial zone, about 30% of the store area was planned as service facilities including a mix of restaurants offering diverse national ambiences,


• Lanzhou Store

fitness centre, beauty parlour, bank as well as special toy court, parent-child washroom and family playground etc, becoming a destination for shopping, leisure, gathering and holidaying for the whole family.

## IMPLEMENTING BUSINESS RE-ADJUSTMENTS TO MEET MARKET NEEDS

In the Current Year, the Group's Northern China Region operated one self-owned store called Tianjin New World Department Store ("Tianjin Store") and four managed stores, namely Beijing New World Department Store ("Beijing Store"), Beijing New World Trendy Department Store ("Beijing Trendy Store"), Beijing Liying Store and Lanzhou New World Department Store ("Lanzhou Store").

Since late 2008, Beijing Store and Tianjin Store had undertaken large-scale business re-adjustments to cater to market needs. Beijing Trendy Store and Beijing Liying Store had also flexibly optimized merchandise mix to keep in line with market conditions and customer shopping modes, paving the way for the revamp into "Fashion Gallery" and "Living Gallery" in future.

In the year reported, Beijing Store Phase One re-assigned the product categories on Level 3 and Level 4. More new labels were introduced to expand sections for men's casual wear on Level 3, and for children and beddings on Level 4. Concurrently, the ceiling and flooring on Level 4 were re-designed, while the concessionaires were reconfigured to afford faster and more convenient locating of merchandise required by customers.

• Tianjin Store

• Beijing Store


• Beijing Trendy Store

Beijing Store Phase Two had scheduled for comprehensive indoor and outdoor re-decorations as well as merchandise optimization during March to September 2009. Positioned along youthful, trendy, avant-garde and popular themes, the store added many vogue labels in leisure wear for young men and young women. Such labels, for both genders, were made available at the same spot to facilitate joint billing. The store also added many fun facilities such as themed restaurants and outlets for special drinks, hotpots and snacks, besides revamping its ice-skating rink and games pavilion. In future, Beijing Store Phase Two will undergo an overall revamp to assume a streamlined outlook, fitted with large glass walls, in order to highlight its image of one-stop shopping spot that cater needs of all ages and both genders.

Given the conditions in the Chaoyang CBD, where competitors nearby were cultivating the luxuries and high-end market, Beijing Trendy Store committed itself to a differentiated approach. Gradually it transformed into a trendy department store targeting mainly young, white-collared females and businessmen. For a start, it introduced concessionaires of trendy Japanese cosmetics brands, fashionable accessories and handsets on Level 1, winning huge popularity with young customers. From November 2008, it expanded the outlet on Level 7 by adding discounted merchandise from a host of well-known sportswear labels. With the regular staging of large-scale sale of branded accessories in-store, Beijing Trendy Store had become a unique hotspot of brands-at-a-discount in the CBD.

Since late 2008, Tianjin Store had gradually carried out a series of large-scale transformation works, which aimed at bringing comprehensive improvements to the sales venue, strengthening its daily-living facilities to raise competitiveness. All these paved its way for the revamp into a “Living Gallery”. In line with market needs, the store optimized its merchandise mix, adding certain brands while replacing others to upgrade the store profile. More interesting and novel products

698.4 BILLION

TOTAL RETAIL SALES OF CONSUMER GOODS (RMB)

were introduced to address local preferences. The transformation was scheduled for completion by the end of 2010, when the store would be serving customers in a brand new look.

With its clear-cut market positioning, Lanzhou Store had been targeting mainly young, fashionable and trend-seeking white-collared workers. In the year reported, further introductions of labels in casual wear for both sexes, fragrances, perfumes and watches helped induce spending by more customers. Concurrently, the store increased a number of fashion labels for both men and women. An outlet zone was also set up on Level 5, where a diversity of novel promotions kept customers lingering. While competitors in the commercial zone gradually reduced the sales area and brand number for casual wear, Lanzhou Store expanded the very category by introducing mainstream labels for both genders to enhance its competitiveness and influence in the local market.

## BRILLIANT PROMOTIONS STIMULATE CONSUMPTION SENTIMENTS

In the Current Year, stores in the Northern China Region attracted in-store spending, stimulated sales and strengthened share in respective local market through a variety of brilliant promotions.

Apart from activities for conventional festivals and store anniversary, Beijing Store held the 8th *New World Seedlings Festival* in March 2009. During the festival, customers were entitled to a gift of potted plant when their in-store or supermarket spending reached a specified amount. The function also entailed gifts for recycled batteries. Being held eight years in a row, the festival promoted environmental conservation while stimulating consumption sentiments and was well received among consumers.

# 259,600SQ.M.

TOTAL GFA (APPROX.)

Similarly, Beijing Liying Store launched many functions aimed at establishing an image of being a one-stop living department store among Wangjing residents. In May 2009, the store held *Today I'm a Star*, which provided a series of parent-child activities during the 5.1 school holidays. The whole family enjoyed festive joys in-store over ceramics crafting, color painting, English language challenges, family games and talent shows.

Tianjin Store capitalized on the 2008 Olympics in *Carry on China 2008*, the first T-shirt design competition in Tianjin jointly held with the Fashion Channel of Northern Network, *Tonight Economic Weekly* and Sports 100 in July 2008. Promoted on the Internet, the competition invited T-shirt designs for selection. The winning submission, produced for sale later by Tianjin Store, became a symbolic outfit and talk of the town. When the whole store staff dressed up in the winning design for publicity, sales were enhanced by considerable gains in media exposure.

Apart from launching ingenious promotions, stores in the region strove to attract in-store spending by VIP customers by offering a variety of shopping benefits and exclusive services. In the Current Year, tying in with the promotion nationwide VIP clubs of "Smart Lady", "Perfect House Wife" and "Platinum Style", the stores organized exclusive activities addressing specific club-member needs.

| Northern China Region | Date of Commencement of Operation | Approx. Gross Floor Area (sq. m.) | Approx. Operating Floor Area (sq. m.) |
|---|---|---|---|
| ***Self-owned Store*** | | | |
| Tianjin Store | October 1997 | 56,000 | 35,600 |
| ***Managed Store*** | | | |
| Beijing Store | July 1998 | 93,000 | 63,200 |
| Lanzhou Store | September 2005 | 27,200 | 22,400 |
| Beijing Trendy Store | March 2007 | 31,400 | 22,300 |
| Beijing Liying Store | September 2008 | 52,000 | 36,500 |
| **Total** | | 259,600 | 180,000 |

For instance, through *Learning English with Mommy*, a child-bonding program jointly held with local schools, Lanzhou Store invited selected members of "Perfect House Wife Club" to bring along children aged between three and ten and to accompany them during English listening sessions.

Beijing Liying Store organized high-level gatherings for "Platinum Style Club" members through attendance at equestrian tournaments, as well as theatre and cinema shows. The store also offered special benefits in beauty, fitness and makeup services for members of "Smart Lady Club". To meet club members' needs, the store also co-organized *Spotlights on Job Market* with professional recruitment websites and agencies, offering seminars and related services.

To enhance the sense of prestige of being a VIP member, the stores launched more diversified activities exclusively for current members, such as seminars on professional knowledge and skills in beauty treatment, makeup, body fitness and fashion mix and match, with gifts for attendees. The stores could stimulate in-store spending through various activities and benefits, such as sale sessions for premium products, thanksgiving parties for VIPs, free birthday coupons, multiple birthday

## ↑53.0%

**TOTAL NUMBER OF VIP MEMBERSHIP**

To enhance the sense of prestige of being a VIP member, the stores launched more diversified activities exclusively for current members, such as seminars on professional knowledge and skills in beauty treatment, makeup, body fitness and fashion mix and match, with gifts for attendees.

bonuses, VIP-only bonus point redemptions and exclusive VIP discounts during major promotions. During the year under review, membership of VIP Card in the Northern China Region grew by 53.0% over the Previous Year.

## WINNING BROAD APPROVAL AS AN INDUSTRY PIONEER

In the Current Year, stores in the Northern China Region continued to achieve excellence in service and management that won wide recognition among the public. In 2008, in commendation of its contributions during the Olympics, Beijing Store received awards of "Advanced Group in Olympics Security by Volunteers from Key Industries" and "2008 Third-class Group Contribution to Olympics Security" from Beijing Security Bureau.

Besides, the store won "Award for Quality Leaps in Service Performance in General Sales Halls in Beijing" in the 2008 Service Quality Evaluation.

Being designated "Role-model of Honesty in Service" by Beijing Chongwen District Federation of Consumers, and "Role-model of Honesty among Beijing Stores" by the Coordinating Committee of "No Fakes at 10,000 Stores in 100 Cities" confirmed repeatedly its excellent reputation.

In 2009, the store was commended as "2008 Most Socially Concerned Mall in People's Star Chart of Beijing Businesses" by Beijing Morning Post Corporation and as "2008 Top 50 Enterprises in Chongwen District" by Government of Chongwen District.

In October 2008, Beijing Trendy Store received "Group Award for Outstanding Contribution to 2008 Olympics" from Chinese Communist Party Beijing Chaoyang District Committee-appointed Working Committee for Street Affairs of Jianwai Street and Beijing Chaoyang District Government Office of Street Affairs of Jianwai Street. In November 2008, Chinese Communist Party Beijing Chaoyang District Committee and Beijing Chaoyang District Government honoured 63 store staff members partaking in Olympics security works with "Individual Award for Contribution to Beijing Olympics and Paralympics".

In 2009, Beijing Trendy Store was designated "Enterprise of Grade A Taxation Credit" by the national and local taxation authorities in Beijing.

Following joint assessment of taxation credit grading by rating committees of national and local taxation authorities, Tianjin Store was rated with Grade A taxation credit and received honorary awards and certificates in December 2008. The cashier division of the store's administrative department was designated "2008 Tianjin General Labour Union 5.1 Labour Advanced Group".

In September 2008, Lanzhou Store was awarded "Consumer-satisfied Enterprise" by Gansu Federation of Consumers, based on consumer votes. In 2008, the store was designated "Lanzhou Honesty Unit" after qualifying for integrated assessments by Lanzhou Consumption Federation.

# Southwestern China Region


Sustaining optimization of merchandise mix and deploying effective marketing promotion with flexibility, the three stores had kept on enhancing their market influence and customer recognition.

| Southwestern China Region | Population | Local Gross Domestic Product (RMB) | Gross Domestic Product Per Capita (RMB) | Per Capita Disposable Income (RMB) | Total Retail Sales of Consumer Goods (RMB) |
|---|---|---|---|---|---|
| Chengdu | 12.71 million | 390.10 billion | 30,855 | 16,943 | 162.19 billion |
| Chongqing | 28.39 million | 509.67 billion | 18,025 | 14,368 | 206.41billion |
| Kunming | 6.24 million | 160.54 billion | 25,826 | 14,482 | 70.07 billion |

| Southwestern China Region | No. of Mainland Tourists | No. of Foreign Tourists | Consumption Spending by Mainland Tourists (RMB) |
|---|---|---|---|
| Chengdu | 41.06 million | 500,000 | 36.36 billion |
| Chongqing | 100.01 million | 872,000 | 53.00 billion |
| Kunming | 26.64 million | 700,700 | 18.32 billion |

**Sources**

- *2008 Statistical Report released by Chengdu Bureau of Statistics, Chongqing Bureau of Statistics, Kunming Bureau of Statistics*

## ECONOMY STABILIZES AS SOCIAL RECONSTRUCTION ACCELERATES

In the year under review, though the Southwestern China Region was severely hit by earthquakes and the financial tsunami, the regional economy had gradually stabilized with the launch of a series of disaster relief and reconstruction measures by the Government. In the first half of 2009, the local GDP of Chengdu amounted to RMB195.13 billion, growing 14.3% year-on-year, while that of Chongqing totalled RMB232.05 billion, up 12.5% year-on-year, and that of Kunming, RMB77.02 billion, up 8.8% year-on-year. The figures indicated signs of economic recovery in major cities in the region.

Besides, there was marked rebound in standard of living. The per capita disposable income of Chengdu, Kunming and Chongqing in the first half of 2009 increased year-on-year by 12.5%, 19.1% and 9.9%, respectively. With the economy fast recovering, infrastructure and tourism steadily growing, and tourist traffic in the cities rising, the retail industry in the Southwestern China Region would be receiving boosts over the long run.

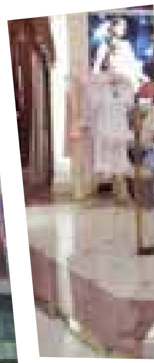
## BUSINESS GROWS FAST AS OPERATIONAL PROFILE STRENGTHENS

In the year under review, the Group operated one self-owned store called Kunming New World Department Store ("Kunming Store") and two managed stores, namely Chongqing New World Department Store ("Chongqing Store") and Chengdu New World Department Store ("Chengdu Store"), in the Southwestern China Region.

Sustaining optimization of merchandise mix and deploying effective marketing promotion with flexibility, the three stores had kept on enhancing their market influence and customer recognition.

• Kunming Store

• Chengdu Store



**In the Current Year, all stores stepped up interaction with customers by means of ingeniously conceived and flexibly executed topical promotions that addressed the needs of target customer groups. The stores embedded promotion of competitive products in everyday operations to induce impulsive buying in-store.**

**438.7 BILLION**

**TOTAL RETAIL SALES OF CONSUMER GOODS (RMB)**

Kunming Store was opened in June 2004. Following acquisition of the interest of Kunming Store from parent company in the year reported, the store converted from a managed store to a self-owned store in March 2009. As the first such store of the Group in the Southwestern China Region, it laid down the foundation for our long-term growth in the region.

In the year under review, Kunming Store maintained its market positioning for the young and trendy and kept on perfecting its own operational profile, making its way to become a "Fashion Gallery". Carrying on with the optimization of its merchandise mix, it consolidated on the one hand categories in which it had an advantage, and introduced popular mainstream products on the other hand. Within the year, the store adjusted and replaced the product categories on Level 2 and Level 4, and re-configured the merchandise mix for the two competitively advantaged categories of ladies' footwear and jewellery. In introduction of new brands, it sought trendy labels that better suited local market needs to further enhance its fashionable and trendy positioning. Besides, Kunming Store converted the basement floor from an arena of sports into a haven of dining, better matching the preferences of key customer groups. Special rental operations such as restaurant, personal healthcare chainstore and Italian ice cream vendor were very popular with young customers.

In the Current Year, Chongqing Store strove to transform into a trendy, themed department store that are full of fun and diversified with different commodities. Accordingly, the store vigorously optimized its product portfolio, and formed tight partnerships with a number of nationally renowned suppliers of fashion and ladies' footwear. The store also expanded the rental area, adding combos of diverse merchandise and services on various floors. For instance, Level 1 featured mainly cosmetics, ladies' footwear and jewellery, complemented by themed sale section, personal healthcare chainstore, dispensary of Chinese medicine and ice cream vendor. Level 3 featured mainly trendy and personalized ladies' fashion and lingerie, complemented by Japanese sushi shop, Korean restaurant, coffee shop and women healthcare units. Dining facilities, as key components of the diversified concessionaires in-store, were available on almost every level. They included ice cream vendor, Hong Kong-styled eatery, fast food outlet and restaurants of various national flavours, targeting the new shopping style of trendy consumers.

In the Current Year, Chongqing Store relocated the jewellery section from Level 2 to Level 1. The section expanded with the opening of a Chow Tai Fook flagship outlet, and branding effect began to build up. In addition, the ladies' footwear section on the same floor was also expanded. Along with readjustments to the brand portfolio, the section was being positioned as the largest outlet of ladies' footwear in Chongqing Jiangbei District to enhance the store's competitive advantage and market share.

Committed to strengthening its positioning as a trendy department store, Chengdu Store continued with optimization of product portfolio, highlighting the specialties in its merchandise mix. It introduced 100 bestselling brands and a variety of new, fashionable fun products, in categories including cosmetics, children's wear, small household electrical appliances and fashion.

With its ongoing efforts at portfolio optimization, Chengdu Store had established a distinct business profile of being fashionable and trendy among industry practitioners in the Yanshikou commercial zone. It held a competitive advantage in terms of both sales and merchandise mix, in ladies' casual wear, ladies' footwear, cosmetics and men's casual wear. As the fastest growing department store in the commercial zone, it enjoyed wide acclaim in the industry.

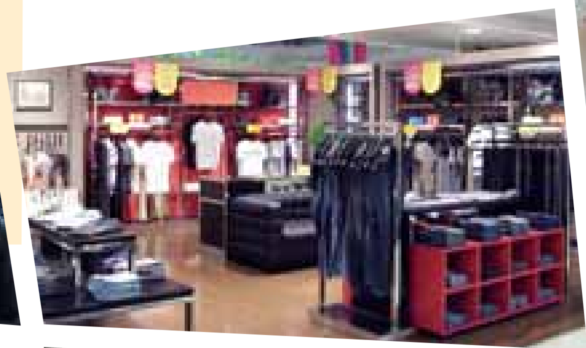
## TOPICAL MARKETING ENHANCES STORE RECOGNITION

Each store in the Southwestern China Region had formulated a detailed, comprehensive marketing plan in line with its own market positioning. In the Current Year, all stores stepped up interaction with customers by means of ingeniously conceived and flexibly executed topical promotions that addressed the needs of target customer groups.

The stores embedded promotion of competitive products in everyday operations to induce impulsive buying in-store. Concurrently, it tailor-made promotions for major product categories, exclusive brands and competitive items to encourage stable consumption by key customers.

In the year under review, the stores also teamed up in regional joint promotions covering major festive periods. While trying their best to meet the needs and satisfy the preferences of local customers, they were keen on making appropriate operational arrangements to maximize the effectiveness of the promotions.

During Women's Day, Kunming Store held a promotion themed on *Pampering Women*, kicking off six brand new services in facial treatment, accessories cleaning, art of tea, haircare, manicure and apparel maintenance. Available to female customers in-store, these endearing services fully met the special needs of female customer groups. Tying in with sensational offers and new-product road shows, the promotion was a success in increasing customer traffic.

In 2008, Chengdu Store held a series of promotions themed on festive and social occasions, including Olympics, Mother's Day, Father's Day and Dragon Boat Festival. In 2009, the store achieved a breakthrough in advertising and promotion by collaborating with partners in different industries. Such collaborations enabled the use of resource advantage in other industries in launching popular activities to enhance customers' shopping fun and further interaction with target customer groups. Examples included *Happy Trip to Happy Valley* and *Previewing Transformers 2*.

In addition, at 2008 year-end, Chengdu Store teamed up with a celebrated cosmetics brand to invite famous singer for in-store publicity. Through interactive activities more customers got to know about New World Department Store. Such cultural elements in marketing activities increased awareness of the trendy positioning of the Group among young customers in Chengdu.

Within the year, the store also cultivated relationship with local mainstream media to enhance visibility in the press. With well-coordinated publicity, Chengdu Store effectively engaged public concern from Chengdu residents and projected a sound corporate profile.

| Southwestern China Region | Date of Commencement of Operation | Approx. Gross Floor Area (sq. m.) | Approx. Operating Floor Area (sq. m.) |
|---|---|---|---|
| ***Self-owned Store*** | | | |
| Kunming Store | June 2004 | 12,600 | 8,700 |
| ***Managed Store*** | | | |
| Chongqing Store | September 2006 | 42,000 | 32,500 |
| Chengdu Store | December 2006 | 29,500 | 18,900 |
| **Total** | | 84,100 | 60,100 |

**84,100 SQ.M.**

**TOTAL GFA (APPROX.)**

**↑4.6%**

**TOTAL NUMBER OF VIP MEMBERSHIP**

Within the year, Chongqing Store organized many promotions themed on festive and store-anniversary celebrations. For instance, *Great X'mas Rally* was a large-scale shopping promotion packed with great gifts. Well received by customers, it brought significant increases to store visit by VIPs, transaction volume and total shopper traffic.

In the year under review, stores in the Southwestern China Region continued to grow their VIP customer groups through various shopping benefits, gift offers and exclusive activities. The total number of VIP cards issued in Southwestern China Region this year increased 4.6% compared with that of the Previous Year.

Chengdu Store designated the 11th calendar day of each month as "VIP Reward Day". VIP customers making in-store consumption on this day would be treated to homely services and entitled to a range of exclusive benefits, including VIP privilege discount, VIP fans group, VIP bonus rewards, gifts for VIPs' accompanying friends, recommended goods for VIPs and multiple bonus points. All these made shopping great value-for-money, and a superb joy.

Kunming Store celebrated its fifth store anniversary in the year reported. During the anniversary, it launched VIP club activities that recruited many new members in a short time. Through customer surveys the store further understood the views and needs of different customer groups, facilitating perfection of the VIP strategy and relevant provisions in future.

Chongqing Store also launched various VIP salon activities, exclusively for VIPs, to enhance their sense of superiority and reinforce their loyalty.

## SOUND CORPORATE IMAGE WINS UNANIMOUS APPLAUSE

The achievements of stores in the Southwestern China Region in the Current Year received unanimous approval from all parties concerned. In 2009, Kunming Store was presented with "2008 Award for Labour Union Duties and Tasks Accomplished" by Kunming Wuhua District Labour Union. In the same year, it was presented with "2008 Award for Five Improvements in Publicity for Fire Prevention" by Kunming Municipal Committee and Kunming Municipal Government.

Chengdu Store was well acclaimed by Government and the industry for its outstanding performance in product quality, service quality, safeguarding staff welfare, internal management and taxation management. In August 2008, it was awarded "Star Enterprise of Modern Trade and Commerce" jointly organized by District Committee of Jinjiang and District Government of Jinjiang. The store's designation of "Top 100 Honesty Brand" by Chengdu Federation of Consumers in March 2009 was an indication of its excellent product quality, low complaint rate, high credibility and sound reputation.

In May 2009, Chongqing Store was presented with "Award for Excellence in Themed Promotion" by Chongqing Business Committee and District Government of Jiangbei.

# INTRIGUING ULTIMATE SHOPPING EXPERIENCE WITH HEARTFELT SERVICE

## FINANCIAL REVIEW

### Revenue

Revenue of the Group was HK$1,721.2 million in FY2009 (or the "Current Year") representing an increase of 15.6% from HK$1,489.3 million in FY2008 (or the "Previous Year"). The growth was primarily contributed from all sources of revenue including commission income from concessionaire sales, sales of goods for direct sales, management fees and rental income, which increased by 14.4%, 21.9%, 11.4% and 21.8% respectively from the Previous Year.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 18.5% to HK$5,994.5 million in the Current Year from HK$5,057.7 million for the Previous Year. The performance of gross sales revenue was primarily due to firstly, SSS growth of approximately 5% for stores having operations for more than two years; secondly, the gross sales revenue contribution of recognising a full year's operations of certain stores expanded, opened and acquired in the Previous Year. Those stores include Anshan Store, Nanjing Store, expanded floor of Shanghai Hongkou Branch Store and Wuhan Store; thirdly, the gross sales revenue contribution of Wuhan Hanyang Branch Store opened in the Current Year. The Kunming Store and Ningbo Trendy Store, which we acquired from Solar Leader Limited, a fellow subsidiary of the Company and became our self-owned stores during the Current Year, also contributed to the increase in gross sales revenue. Commission income rate was 20.3% in FY2009, 0.7% below the rate of 21.0% for the Previous Year, mainly due to the increase in promotion of sales activities during the Current Year. In the Current Year, ladieswear and accessories made up approximately 56.4% of gross sales revenue. Menswear and accessories made up approximately 28.2% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue. Direct sales mainly covered cosmetic products (approximately 49.6%), groceries, housewares and perishables (approximately 17.6%), accessories, handbags and underwears (approximately 12.4%).

Management fees increased by 11.4% to HK$184.4 million in the Current Year, primarily as a result of recognising a full year's management fees from certain managed stores which became our new managed stores in the Previous Year. The opening of Beijing Liying Branch Store in the Current Year also contributed to the growth of management fees in the Current Year. However, these increases were partially offset by the decrease in management fees from Kunming Store and Ningbo Trendy Store which had converted from managed stores to self-owned stores in March 2009 and April 2009 respectively and as a result of the cessation of management consultancy service for Hong Kong New World Department Store in July 2008, as compared with the management fee for full period in the same period of the Previous Year. In addition, Wuhan Store had converted from managed store to a self-owned store in February 2008 and had no contribution to the management fee in the Current Year as compared with the management fee for approximately seven months in the Previous Year.

Rental income increased by 21.8% to HK$100.0 million in the Current Year mainly due to leasing area in newly opened and newly acquired self-owned stores and recognizing a full year's rental income of certain stores expanded, opened and acquired in the Previous Year.

### Other income

Other income of the Group was HK$112.9 million in the Current Year slightly below HK$119.3 million in the Previous Year mainly because of the decrease in interest income on bank deposits. Interest income on bank deposits was HK$76.7 million in the Current Year compared with HK$94.1 million in the Previous Year. The decrease was due to low deposit interest rates prevailing in current market. However, this was mitigated by dividend income from Renhe Commercial Holdings Company Limited (or "Renhe").

### Other gains

Other gains of the Group was HK$62.1 million in the Current Year comprised firstly, the excess of fair values of net assets acquired over costs of acquisition of Kunming Store and Ningbo Trendy Store in the amounts of HK$22.9 million and HK$12.7 million respectively; secondly, the fair value gain of HK$16.7 million of investment in Renhe; thirdly, the disposal gain of HK$9.8 million on disposing the entire interest in Xiamen Store to Independent Third Parties as Xiamen Store is not matching the strategic development of the Group and is not expected to generate profit in the near future. The disposal can further improve the Group's liquidity and financial resources.

## Purchases of and changes in inventories

The purchases of and changes in inventories represent the cost of sales for direct sales of goods. The purchases of and changes in inventories increased by 18.5% to HK$209.3 million in the Current Year from HK$176.6 million for the Previous Year. As a percentage to direct sales of goods, gross profit margin in the Current Year was 23.5% which was 2.2% higher than 21.3% for the Previous Year.

## Employee benefit expense

Employee benefit expense increased from HK$214.9 million in the Previous Year to HK$253.0 million in the Current Year. This increase was primarily due to the increase in wages and salaries, retirement benefit costs, share option expenses and other employment benefits as a result of recognising a full year's operations of self-owned stores expanded, opened and acquired in the Previous Year. Those stores include Anshan Store, Nanjing Store, expanded floor of Shanghai Hongkou Branch Store and Wuhan Store. The increase in employee benefit expense was also contributed by newly opened Wuhan Hanyang Branch Store and newly acquired Kunming Store and Ningbo Trendy Store.

## Depreciation and amortisation

Depreciation and amortisation expense increased from HK$125.6 million in the Previous Year to HK$170.6 million in the Current Year. This was primarily due to the acquisition of Wuhan Store property and Shenyang Nanjing Street Branch Store property in 2HFY2008 and the acquisition of Kunming Store and Ningbo Trendy Store in 2HFY2009 which brought with them a total depreciation and amortisation of HK$32.5 million in the Current Year. In addition, the recognition of a full year's operations of certain stores expanded, opened and acquired in the Previous Year and the opening of new self-owned Wuhan Hanyang Branch Store in the Current Year also contributed to the increase in overall depreciation and amortisation.

## Operating lease rental expense

Operating lease rental expense increased from HK$310.1 million in the Previous Year to HK$325.1 million in the Current Year, primarily due to the effect of recognising a full year's operations of Anshan Store, Nanjing Store and expanded floor of Shanghai Hongkou Branch Store opened in the Previous Year. In addition, Wuhan Hanyang Branch Store opened in November 2008 as well as Kunming Store and Ningbo Trendy Store acquired in 2HFY2009 also contributed to the increase of overall operating lease rental expense. Operating lease rental expense as a percentage to revenue decreased by 1.9% in the Current Year mainly as a result of operating leverage of the expense.

## Other operating expenses

Other operating expenses increased by HK$48.1 million from HK$195.2 million in the Previous Year to HK$243.3 million in the Current Year. This increase was primarily due to HK$24.0 million provision for the recovery of receivables from a store-valued card issuing company in North-eastern Region of the Group. The provision represents full amount outstanding and no further provision will be required for the card issuing company. The Group has taken all necessary measures to recover the debt by means of court in Mainland China. With regard to the increase in advertising and promotion expenses, utility and other operating expenses, that was mainly due to Wuhan Hanyang Branch Store opened in November 2008 as well as Kunming Store and Ningbo Trendy Store acquired in 2HFY2009. Moreover, the effect of recognising a full year's operations of Anshan Store, Nanjing Store and expanded floor of Shanghai Hongkou Branch Store opened in the Previous Year also contributed to the increase of relevant expenses.

## Operating profit

Operating profit increased by 17.9% to HK$695.0 million in the Current Year from HK$589.4 million in the Previous Year. Operating profit, including the excess of fair values of net assets acquired over costs of acquisition of Kunming Store and Ningbo Trendy Store and the disposal gain in relation to Xiamen Store, as a percentage to revenue in the Current Year was 40.4% compared with 39.6% in the Previous Year.

## Finance income

No finance income was reported for the Current Year as compared with HK$10.8 million interest income from deposits relating to share subscription under the listing of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2007 reported in the Previous Year.

### Share of results of an associated company

During the year ended 30 June 2009, the Group had entered into an agreement with a third party to establish Taizhou New World Department Store Co., Ltd. ("Taizhou Co") and contributed RMB2.0 million or 25% of equity interest of Taizhou Co. The share of results of an associated company of HK$2.1 million represents 25% share of the loss of Taizhou Co in the Current Year.

### Income tax expense

Income tax expense increased by 17.9% from HK$123.6 million in the Previous Year to HK$145.7 million in the Current Year, primarily as a result of the increase in profit before income tax. Effective income tax rate of the Current Year was 21.0%.

### Profit for the year

As a result of the reasons mentioned above, profit for the Current Year was HK$547.3 million or 14.8% increase over the Previous Year.

### Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK$2,923.5 million as at 30 June 2009 (30 June 2008: HK$3,127.6 million). The financial resources are sufficient for the operation and development of the Group.

The Group had no borrowings as at 30 June 2009.

The capital commitments of the Group as at 30 June 2009 were HK$330.5 million, of which HK$328.4 million were contracted but not provided for in the balance sheet. Approximately HK$323.7 million for the contractual payment to acquire a building, land use rights located in Zhengzhou City and a building, land use rights and right of use of carpark located in Shenyang City.

### Pledge of assets

Assets of the Group were not pledged as at 30 June 2009.

### 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 or currency borrowings to hedge its foreign exchange risk.

### Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2009.

### Acquisition of subsidiaries

During the year ended 30 June 2009, the Group entered into the agreements with Solar Leader Limited, being an indirect wholly-owned subsidiary of New World Development Company Limited, a controlling shareholder of the Company, to acquire 100% of the equity interest in Kunming Store and Ningbo Trendy Store at a consideration of HK$3.0 million and RMB2.0 million respectively.

## OUTLOOK

Since the outbreak of the financial crisis in October 2008, many national economies had remained shrouded in gloom. However, as the Government launched in late 2008 a RMB4,000 billion policy package to stimulate the economy, domestic demand had been rising gradually ever since. Banks overflowed with cash and total investment increased, whilst the properties and stock markets also rebounded. All these fully indicated that the Chinese economy was steadily recovering. Besides, the Central Government continued to accelerate urbanization, promoting integration of cities and villages. With low-income population decreasing, and the gap between urban and rural income narrowing, the quality of living and power of consumption of the Chinese people were improved on the whole. All such factors benefited development of the domestic market. According to National Statistics Bureau of China, the country's gross domestic product ("GDP") increased 7.1% year-on-year in the first half of 2009. GDP growth reached 6.1% in the first quarter, rising to 7.9% in the second, reflecting a steady recovery in the national economy during the period. Consumption sentiments were also improving steadily, judging from the 15.0% rise year-on-year in total retail sales of consumer goods, which benefited the development of the retail market. The Group believes that the Chinese economy will rise steadily in the latter half of the year, offering more opportunities to the department store industry in China.

## STRATEGIES FOR FUTURE DEVELOPMENT

For 16 years since our founding, the Group has been developing the department store business in China as we pursue the corporate mission of becoming the dominant department store operator in the PRC. Given the conditions and trends in the Chinese retail market, we have formulated timely, comprehensive strategies for future development.

## OPERATIONAL STRATEGY

### New operational modes of "Fashion style" and "Living style" introduced in rebranding

In June 2009, the Group announced its rebranding program of adopting the new operational modes of "fashion style" and "living style" to project a new corporate image of "Enriching Lives · Enhancing Character". Our nationwide stores will no longer be positioned by class-basis. Instead, they will operate either as a "Fashion Gallery" or a "Living Gallery". A Living Gallery is a "one-stop shopping spot" combining operational characteristics of a department store and a shopping mall. Around 20%-30% of the GFA will be earmarked for service facilities catering fully to the needs in all aspects of daily living and entertainment of both genders at all ages. A Fashion Gallery is a "themed department store" selling mainly fashion items, with an emphasis on a "Mix & Match" style. It will introduce exclusive brands and designer labels, and build up signature product categories as it aspires to become a hotspot of trends in the city in which it operates. The Group expects that with the implementation of the rebranding program, the stores can increase their transaction volume, per ticket sales and customer traffic. The rebranding is also expected to help reinforcing customer loyalty and expanding customer groups.

生活馆 时尚馆

*To tie in with the rebranding, NWDS has specially designed 2 remarkable icons for "Fashion Gallery" and "Living Gallery". The design idea came from "Hundred Birds Forwarding to the Sun". Eight flying birds form a blooming flower implies that the corporate ethos of NWDS will be enhanced and glorified. The blooming flower represents happiness, reflecting the pleasure and joy that customers can enjoy when shopping. The largest bird lies at the bottom of the icon embracing the bud, showing a kind of reliability and supportiveness. At the same time, the bud is opening upward symbolizes the stable and glorious future of NWDS. The icon of "Fashion Gallery" is purple in color delivering a feel of trendy and modern while that of "Living Gallery" is red which means happiness and cheerfulness, truly reflect the outstanding image of the two galleries.*

The Group will implement rebranding across the operational regions in phases, kicking off in the Northeastern China Region, with Shenyang as the launching city. The Northern China Region and Eastern China Region will activate rebranding in 2010, from Beijing and Shanghai, respectively. Rebranding will continue in 2011 in the Central China Region and Southwestern China Region with Wuhan and Chengdu as the launching cities, respectively.

Each store will gradually carry out rebranding in three stages. Initially, it will readjust merchandise mix. In the second stage, it will reconfigure in-store graphics and decoration. In the third stage, it will refresh interior design and shopping ambience.

### Introducing Event Halls and Brand Outlet Floors

The Group will continue to adopt flexible and effective operational strategies. We will set up a multi-purpose Event Hall on the top level of larger stores in which themed promotions are staged and refreshed once every two weeks. Apart from increasing customer traffic, the Event Hall can channel traffic to the top level and enable top-to-bottom showering to even out the traffic to areas on different floors.

Selected floor of certained stores combining with Event Hall concept will be transformed into Brand Outlet Floors, where a variety of out-seasoned products from fashionable brands will be offered at attractive prices. It will offer more choices to customers in search of fashionable, branded goods at discounted prices. In the year under review, Dalian Store turned its third floor into a Brand Outlet mainly for ladies' fashion.

### Enhanced VIP services expand customer base and reinforce customer loyalty

To attract more potentially big-spending customers and reinforce loyalty of current customer groups, the Group will focus on enhancing services for VIP members. Tying in with the corporate rebranding, the Group launched three service schemes in the form of VIP clubs. They include the "Smart Lady Club" targeted at young females; the "Perfect House Wife Club" targeted at mothers; and the "Platinum Style Club" exclusively for platinum VIP members. With these clubs the Group is committed to offering suitable activities and endearing services to VIPs of different backgrounds.

Perfect House Wife Club will hold talks on seasonal travel, run cooking and housekeeping courses, introduce festive dishes and give guidance in home decoration. Smart Lady Club offers specialized services for brides-to-be, guide to wedding gifts, in-season styling, trend advice and talk on Mix & Match fashion. Platinum Style Club provides services and benefits exclusively to platinum VIPs, including guided shopping/escorted shopping, 12% shopping discount, multiple bonus points for birthday shopping, "VIP of New World Group – Sharing of Benefits Programme" and exclusive sale sessions for new club members.

### Increasing proportion of direct-sales goods to raise gross profit

The Group will enlarge the proportion of direct-sales goods. Based on operational requirements, the direct-sales operations will be organized in a three-tier structure of headquarters, region and branch. The mode of product sourcing will be determined according to the nature of individual products to afford greater flexibility, ensuring sufficient, stable supply to raise gross profit and optimize profit structure.

### Advanced and effective information management system

The Group will further strengthen the information management system, improving, in particular, functions for VIP and financial management. Upgrade in these areas will support our stores in operations, sales and promotions, providing Management with even more precise, real-time analysis data for timely formulation of operational strategies. The upgrade will enhance our capability in market respond and accuracy in decision-making, enhancing overall operational sophistication. The Group will also upgrade the management system for direct-sales products, aiming at effective reduction of stock, greater accuracy in sales analysis and marked improvement in working efficiency. In addition, we will raise the speed and strengthen the stability of our computer network, and provide prompt maintenance for cash registers to ensure smoothness in sales transaction and all backup tasks, further improving operational efficacy.

### Securing long-term partnership with concessionaires and suppliers

The Group has always valued sound partnership with concessionaire operators and direct-sales suppliers. We will continue to identify new partners among quality suppliers with good market potential. Through "Top 150 Brands Retainer Scheme" and "Strategic Partnership Scheme" we maintain ongoing, in-depth communication with important suppliers as we seek mutual growth. By the business communication platform of "New World Net", we will keep on promoting sound, long-term relationship with suppliers and partners, achieving a win-win scenario amidst fierce competition in the market.

### Promoting management talents to maintain high management standard

Composed of experienced retail specialists, the Group's management team is not only familiar with everyday operations but also farseeing and competitive in formulating growth strategies. Apart from grooming management talents for internal promotion, the Group also recruits seasoned management executives from the community to consolidate the pool of human resources and maintain high growth efficiency and management standard.

### Stressing HR training to ground future growth on firm footing

Faced with the impact of the global economic crisis and rising competition in the Chinese department store industry, New World Department Store Management Academy is committed to improving the overall operational efficiency of the Group as it develops specialized training courses for our staff. The courses of the Academy will focus on knowledge, skills and attitude so that our staff can acquire simultaneously professional expertise, management capabilities and a positive mindset at work. Besides, new courses are developed to enhance the competence of senior management, ensuring adequate competency among those in charge of store operations. In training for the optimizing of service quality, our cashiers receive special training entailing examinations and competitions. In training for training instructors, four courses on "Tour of New Culture", "Raising Market Capabilities", "Customer Service" and "Product Planning and Negotiation Skills" are held for a team of about 120 training instructors.

They will, in turn, conduct relevant training courses at the branch stores. In regular training, the Academy continues to run courses on store pre-opening and compulsory courses on everyday operations and service management for stores in operation. The ultimate goal is to provide enterprises with an endless supply of specialists at various levels of operation and management, laying a firm foundation for future growth.

## EXPANSION STRATEGY

### Adding self-owned stores according to clear-cut site-locating criteria

The Group will carry on with the expansion strategy of opening two to three self-owned stores in each financial year. In locating new self-owned stores, the Group will focus strictly on prime locations in cities with good growth potential. For top-tier cities, the criterion is to concentrate mainly on those prime commercial circles within the city. For second-tier cities, we will evaluate data such as GDP per capita, total retail sales of consumer goods and per capita disposable income in determining the opportune moment for entry into their department-store markets.

### Pursuing strategies of "multiple stores in a single city" and "radiation city" with consistency

The Group has designated a core growth city for each operational region. With the strategy of "multiple stores in a single city", we are setting up multiple branch operations in each core growth city.

In the Northeastern China Region, for instance, in the core growth city of Shenyang, besides current operations at Nanjing Street, Taiyuan Street and Zhonghua Road, we will open Shenyang New World Department Store—Jianqiao Road Branch Store in the Zhong Street commercial zone in 2011, with a GFA of about 32,500 square metres. In Beijing, the core growth city of the Northern China Region, after setting up Beijing Store, Beijing Trendy Store and Beijing Liying Store, we will open Beijing Shishang New World Department Store ("Beijing Shishang Store") in 2010. It will be the first feminine club-style department store in Beijing offering fashionable products for women. In addition, we will open two new self-owned stores, Shanghai – Hong Kong New World Department Store – Baoshan Branch Store ("Shanghai Baoshan Branch Store") and Shanghai – Hong Kong New World Department Store – Chengshan Branch Store ("Shanghai Chengshan Branch Store") in 2010 in Shanghai, where we are running seven stores. By adopting the strategy of "multiple stores in a single city" we can increase market share, pursue differentiated operation, and organize joint functions with fellow city stores to exploit economy of scale and achieve synergy.

The Group also seeks to minimize the risks associated with entering new markets by applying the "radiation city" strategy as we expand our business from a core growth city into other cities on the periphery. For instance, Zhengzhou, where we have scheduled a new store-Zhengzhou New World Department Store ("Zhengzhou Store") with about 34,500 square metres in GFA for opening in 2011, is a radiation city on the periphery of Wuhan, the core growth city of the Central China Region. From Shanghai, the core growth city of the Eastern China Region, we have expanded into peripheral radiation cities of Wuxi, Nanjing, Ningbo and Taizhou. Thus, we have formed a vast sales network in the Changjiang Delta in Eastern China, centered on Shanghai and comprising other major Delta regions of Wuxi, Ningbo and Nanjing. Establishing footholds in the department-store markets of major commercial zones in the Changjiang Delta enables the Group to undertake resource integration effectively.

### Keeping an edge through extensions and growing by acquisitions

In addition to opening self-owned stores, the Group also maintains competitive advantage by extension of current stores. Extended floor areas at Harbin Store have entered service by phases starting May 2009. Meanwhile, the Group will actively seek worthwhile acquisition targets to facilitate quick inroads into new markets with good growth potential. Considerations include potential-rich stores currently under Group management. We have acquired the respective interests of Kunming Store and Ningbo Trendy Store from parent company in the year reported.

### Adding managed stores at opportune moments

Aside from opening self-owned stores, extending current stores and making acquisitions, the Group also seeks to add managed stores at opportune moments to ensure steady income from management fees.

The Group has always been keen on charitable activities and active in shouldering our responsibilities as a corporate citizen, contributing whatever we can to the achievement of social harmony.



## 1) CHARITABLE ACTIVITIES

### MSF Day 2009

In support of Medecins Sans Frontieres ("MSF") for the third consecutive year, the Group became the principal sponsor of *MSF Day 2009* with participation from 22,000 staff members. Of the total donation of HK$480,000 raised by the New World Group, the biggest contributor in the private sector in Hong Kong, staff of New World Department Store contributed HK$300,000.


### Bright Future Action brought a new world to children with amblyopia

Amblyopia is one of the common and harmful illnesses afflicting children around the world. It seriously affects a child's physical and mental development but many people lack understanding of the ailment. The Group supported again the *Bright Future Action* organized by Duke of St. John Hong Kong Foundation (聖約翰爵士香港兒童弱視基金會) for Children with Amblyopia. We placed donation boxes in over 30 stores across our network, put up posters and played video on amblyopia, all aimed at disseminating accurate knowledge about the ailment and providing a chance of free treatment for children in Hong Kong and China who were suffering from the malady.

### Charity for 1st anniversary of Sichuan earthquakes

To mark the first anniversary of the Sichuan earthquakes, many of our stores organized fundraising, including charity sales of concert tickets by Chongqing Store, charity sales and donation of lottery tickets by Beijing Liying Store and donation of schoolbags by Shanghai Huaihai Branch Store. Beijing Store jointly held *5.12 Earthquakes 1st Anniversary Charity Sales* with "Li Lian Jie One Fund" (李連杰壹基金) and raised about RMB200,000 through charity sales of Jiangzu handicrafts. Wuhan Qiaokou Branch Store co-organized *5.12 Candle Light Charity* with Southern City Daily (南方都市報) and New Life Weekly of Changjiang Press Group (長江報業集團) and attracted participation from about 1,000 customers and kind-hearted people.

## Festive warmth and care for the elderly

On 2009 Chinese New Year Eve, Beijing Liying Store and Wangjing Street Office (望京街道辦事處) jointly held heartwarming activities for 205 families within the Office's administrative authority. The store distributed for free festive items including 1,025 litres of cooking oil, 2,050 kilograms of rice and tailor-made woollen jackets to minimally protected families and physically handicapped elders. Warmth and care were communicated through making of dumplings and posting of spring couplets for the elders during individual visits.

Through *Springtime Warmth and Blessings* for Elders, Shanghai Wujiaochang Branch Store collected winter clothing donated by customers and prepared healthy food for subsequent distribution at Wujiaochang Home for the Elderly (五角場街道敬老院). Our staff shared heartwarming moments chatting with the elders and tidying up their rooms.

## "Give a Child a Future" charity donation day

On 22 June 2009, Wuhan Store organized *Give a Child a Future*, a charity donation day for Chinese children at Wuhan Children Welfare Home (武漢市兒童福利院). Air-conditioners and study tools were donated in loving care of orphaned and physically handicapped children, and in the hope of improving the conditions of living and studying at the Home.

## Supporting China Poverty Relief Foundation on "Jiangning, Xiqiao charity project"

On 14 December 2008, China Poverty Relief Foundation staged its large-scale *Jiangning*, *Xiqiao charity project* at the public square of Kunming Store. Initiated by the Foundation back in 2007, the project aimed at providing funding for the building of bridges for the convenience of residents in poverty-stricken regions in China. It also encompassed publicity for charity donation of winter clothing and school textbooks.

## 2) COMMUNITY ACTIVITIES

### Conservation activities

The Group has always promoted environmental awareness. Within the year, many stores held a diversity of conservation functions. For instance, Beijing Store launched *Technology and Conservation Week*, setting up recycle bins for used batteries and information boards on food safety inside the store. Similarly, Dalian Store held a conservation charity, *Finding a Home for Used and Old Batteries*. Wuhan Qiaokou Branch Store staged a party at which some 50 creative teams gathered for the paving of a creative, trendy street to promote a new concept in environmental conservation among the public.



### Blackout for One Hour on Earth

Beijing Store and Shanghai Huaihai Branch Store pitched in on *Blackout for One Hour on Earth* (地球一小時), turning off external lighting for an hour to mitigate global warming through energy conservation and emission reduction.

## 3) GROUP HONOURS

### Accredited by Forbes in listing of Asia's 200 Best Under A Billion

In 2008, Forbes, the internationally renowned financial publication, selected the Group in its listing of "Asia's 200 Best Under A Billion". Each year, Forbes compiled the list from companies that were listed in Asia and with an annual turnover not exceeding US$1 billion, considering their total sales, net profit, profit margin, return on equity and earnings per share in the three preceding years. The 2008 selections were made from among 25,864 listed companies in China, Hong Kong, Taiwan, Japan, Southeast Asia, Australia and New Zealand.



### Becoming a 2008/09 Caring Enterprise

The Group was honoured by The Hong Kong Council of Social Service as one of the 2008/09 Caring Enterprises in commendation of our practice in corporate citizenship. The Group believes in contributing to the community in which we generate profits and is committed to conservational and charitable activities.

### Accreditation for 2009-2011 "The Credible Enterprise of China"

In June 2009, the Group was jointly accredited as "The Credible Enterprise of China" 2009-2011 by China Enterprise Reputation & Credibility Association (Overseas) Limited and Reputation Institute China. It was an affirmation of the Group's excellence in marketing, consumer rights protection, product and service quality, corporate governance, financial strength, investor relations, HR policy and corporate publicity.



### Winning awards in FY2008 international annual report competitions

The Group's FY2008 Annual Report won many awards in international annual report competitions. They included Bronze Award for "Overall Presentation: Department Store" in the 22nd Annual International Mercury Awards Competition; Bronze Award for "Covers: Annual Reports-Artistic (Graphics/Illustrations)" in the 19th International Astrid Awards; and Honors Award for "Cover Photo/Design: Retail – Convenience & Dept. Store" in the 2009 International ARC Awards competition.


| Region | Department Store | Award |
|---|---|---|
| **Eastern China Region** | Shanghai Huaihai Branch Store | "Advanced Unit in Management of Civic Security Project in Luwan" |
| | | "Advanced Unit in Fire Prevention in Luwan" |
| | | "ISO9001 Accredited Enterprise" |
| | | "Jin Din Department Store" |
| | Shanghai Hongkou Branch Store | "Certificate of Grade-A Taxation Credit" |
| | | "2008 Award for Contribution to Taxation" |
| | | "Award for Contributing Quality Service to Upcoming Shanghai Expo" |
| | Shanghai Qibao Branch Store | "Unit of Safety" |
| | Shanghai Wujiaochang Branch Store | "Top-grade Enterprise of Quality Service with Five Hearts" |
| | | "Winner in joint promotion of Honesty and Quality Service in Business" |
| | | "Vanguard of Workers" |
| | | "Bronze Award in 2008 Wanda Plaza Best Management Award for Excellent Anchored Store" |
| | | "2008 Advanced Group in Fire Prevention" |
| | Shanghai Pujian Branch Store | "2008 Advanced Group in Union Affairs" |
| | | "Self-disciplined Unit in Safe Production" |
| | Wuxi Store | "2008 Honesty Unit in Safeguarding Labour Security in Wuxi" |
| | | "Trendsetting Business Operator Award" |
| | | "Advanced Unit in Creating Hearty Consumption Activities in Jiangsu" |
| | Ningbo Store | "Vanguard of Workers" |
| | | "Excellent Foreign-invested Enterprise" |
| | | "2008 Council Member Unit of Ningbo Council for Promotion of Branded Goods" |
| | | "2008 Role Model of Hassle-free Credit-card Transaction in Ningbo" |
| | | "Jin Din Department Store" |
| | | "2008 Harmonious Enterprise" |
| | | "2008 Top Ten Retail Malls" |
| | | "2008 Advanced Enterprise in Ningbo Commerce and Trade System" |
| | | "2009 Triple Star Pillar Enterprise" |
| | | "Member Unit" of Ningbo Association of Immigrant Businesses |
| | Ningbo Trendy Store | "Best Organization in 2008 Haishu Shopping Festival" |
| | | "2008 Role Model of Hassle-free Credit-card Transaction in Ningbo" |
| | | "On Target Department Store" |
| | | "2008 Advanced Enterprise in Ningbo Commerce and Trade System" |
| **Southwestern China Region** | Chongqing Store | "Honesty-based Enterprise" |
| | | "Award for Excellence in Themed Promotion" |
| | Chengdu Store | "Star Enterprise of Modern Trade and Commerce" |
| | | "Top 100 Honesty Brands" |
| | Kunming Store | "2008 Award for Labour Union Duties and Tasks Accomplished" |
| | | "2008 Five Improvements Advanced Unit in Publicity for Fire Prevention" |

| Region | Department Store | Award |
|---|---|---|
| Central China Region | Wuhan Store | "On Target Department Store" |
| | | "2008 Role Model of Hassle-free Credit-card Transaction Countrywide" |
| | | "2008 Advanced Group in Safeguarding Municipal Economy" |
| | | "2008 Jianghan District Advanced Unit in Taxation" |
| | Wuhan Trendy Plaza | "2008 Honesty Unit in Labour and Social Security" |
| | Wuhan Wuchang Branch Store | "2007 – 2008 Consumer-satisfied Unit" |
| | | "2008 Hongshan District Advanced Unit in Taxation" |
| | | "2008 Wuhan Contract-abiding and Credit-keeping Enterprise" |
| | Wuhan Xudong Branch Store | "2007 – 2008 Consumer-satisfied Unit" |
| | Wuhan Hanyang Branch Store | "Enterprise (Unit) of Harmonious Labour Relations" |
| | Changsha Trendy Plaza | "Checkpoint of Optimized Economic Environment and Organizational Effectiveness in Hunan" |
| | | "2008 Advanced Unit in Production Safety" |
| | | "Advanced Group in Creating Civilized Cities Countrywide" |
| Northeastern China Region | Harbin Store | "2008 Top Ten Commercial Enterprises" |
| | | "Best Service Enterprise of Ta Dong Hui" |
| | | "Jin Din Department Store" |
| | | "On Target Department Store" |
| | Shenyang Nanjing Street Branch Store | "2008 Consumer-satisfied Unit" |
| | | "Jin Din Department Store" |
| | Shenyang Taiyuan Street Branch Store | "Shenyang Non-public Star Economic Enterprise" |
| | Shenyang Zhonghua Road Branch Store | "Shenyang Non-public Star Economic Enterprise" |
| | Dalian Store | "2009 Certificate of Grade-A Taxation Credit" |
| | Anshan Store | "First Choice of Branded Mall by Anshan Citizens" |
| Northern China Region | Beijing Store | "Advanced Group in Olympics Security by Volunteers from Key Industries" |
| | | "Role Model of Honesty in Service" |
| | | "Advanced Unit of Patriotic Hygiene in Beijing " |
| | | "2008 Third-class Group Contribution to Olympics Security" |
| | | "Enterprise of Grade-A Taxation Credit" |
| | | "Advanced Unit of Militia Works" |
| | | "2008 Most Socially Concerned Mall in People's Chart of Star Businesses in Beijing" |
| | | "2008 Top 50 Enterprises in Chongwen District" |
| | | "Role Model of Honesty among Beijing Stores" |
| | | "2008 Ankang Cup" |
| | | "Excellent Group in Chongwen District Ankang Cup" |
| | | "Winner of 2008 Ankang Cup" |
| | Beijing Trendy Store | "Group Award for Outstanding Contribution to 2008 Olympics" |
| | | "Enterprise of Grade-A Taxation Credit" |
| | | "Five Excellences Checkpoint in Social Construction by Chinese Communist Party in Beijing Chaoyang District" |
| | Tianjin Store | "2008 Certificate of 5.1 Labour in Tianjin" |
| | Lanzhou Store | "Consumer-satisfied Enterprise" |
| | | "Consumer-satisfied Brand" |
| | | "2008 Role Model of Trendy Sales Venue" |

## 4) CARE FOR STAFF

### "NWDS Value System Re-creation Project"

The Group has devised the *NWDS Value System Re-creation Project* for our staff to boost teamwork morale, enhance identification with corporate values, and promote sense of belonging through book clubs, questionnaire surveys, seminars and training courses. From December 2008 to June 2009, the project unfolded in four phases: "defrosting/advocacy", "change/exploration", "remoulding/definition" and "consolidation and intensification".

### "New Youth New World" Summer Internship Programme

In the Current Year, the Group offered on-the-spot training at our Shanghai headquarters to 20 undergraduates from Hong Kong with the summer internship programme, *New Youth New World*. The five-week training commenced with an induction gathering on 19 June 2009. Accompanied by our customer service staff, the interns took a course on "Enhancing Floor Management Abilities", gained an understanding of the daily routines for different posts at a sales venue, and had a go at being cashiers and concessionaire sales representatives. Guided by training instructors, the trainees could apply what they had learnt to handle tasks that they encountered during their internship, ranging from product display for concessionaires and communication at work to implementation of company regulations and coordination of departmental operations. The training laid a sound foundation for undergraduates about to start their working career.

## Emphasizing staff training and all-round development

The Group stressed quality upgrade for staff and held various training courses on a regular basis. General training in customer service and management skills included courses on job induction, fire prevention, customer service, effective and quality service, sales venues, behaviour training, sales techniques, elementary and advanced supervisory skills, enhancement of management abilities for floor managers, drilling in commercial operations, and business development. To enable coping with routines requiring a diversity of knowledge and skills, special training courses were also held on frequently used sign language, anti-robbery and anti-theft for jewellery concessionaires, jewellery assessment, quality control for woollen products and consumer rights protection laws.

Besides, the Group also held many competitions to enhance the quality of service offered by customer service staff and to excite enthusiasm at work. They included "Regional Competition for Customer Service Staff", "Competition on Quality Service", "Job Skills Competition" and "Star Service Representative".

The Group also arranged a variety of leisure activities for our staff, including tugs-of-war, karaoke contests, table-tennis and badminton tournaments, birthday parties, athletics and travels. They enhanced the sense of belonging, facilitated understanding among staff members and brought relief physically and mentally.

### Dr. Cheng Kar-shun, Henry *GBS*

*Aged 62,*

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 managing director of New World Development Company Limited, the chairman and the managing director of New World China Land Limited, the chairman of NWS Holdings Limited, Taifook Securities Group Limited and International Entertainment Corporation, and a non-executive director of Lifestyle International Holdings Limited and an independent non-executive director of HKR International Limited. He is also the managing director of New World Hotels (Holdings) Limited, a director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited and Chow Tai Fook Enterprises Limited, all of which are substantial shareholders of the Company. Dr. Cheng was the chairman of New World Mobile Holdings Limited and a director of New World TMT Limited. He acts as the chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Eleventh 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. Au Tak-cheong

*Aged 57,*

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 the deputy chief financial officer of New World Development Company Limited. He possesses over 30 years of experience in the area of finance and accounting.

## Mr. Cheng Chi-kong, Adrian

*Aged 29,*

has been an executive Director since June 2007. He is also a member of the Remuneration Committee. Mr. Cheng joined the Group in 2007 and is responsible for overseeing the corporate affairs of the Group. He is an executive director of each of New World Development Company Limited, New World China Land Limited and International Entertainment Corporation. Mr. Cheng is also a director of Centennial Success Limited and Chow Tai Fook Enterprises Limited, both of which are substantial shareholders of the Company. He is a committee member of All-China Youth Federation, a member of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference, a consultant of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation and the Honorary Chairman of Fundraising Committee, Wu Zhi Qiao (Bridge to China) Charitable Foundation. Mr. Cheng has 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, Chairman.

## Mr. Cheung Fai-yet, Philip

*Aged 54,*

has been the Managing Director and an executive Director since June 2007. He is also a member of the Remuneration Committee and a director of a number of the subsidiaries of the Company. He joined the Group in 1993 and has been responsible for the overall management of the Group. Mr. Cheung 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.

### Mr. Lin Tsai-tan, David

*Aged 58,*

has been an executive Director and the chief operating officer of the Group since June 2007. He is also a director of a number of the subsidiaries of the Company. Mr. Lin joined the Group in 2001 and has been responsible for the operation and management of the stores. He had over 25 years of experience in the retail industry and possesses substantial experience in the operation and business development of retail chains. Prior to joining the Group, Mr. Lin established and operated a major retail chain in Taiwan. Mr. Lin holds a bachelor of business administration degree from Soochow University.

### Mr. Wong Kwok-kan, Kenneth

*Aged 45,*

has been a Director since January 2007 and designated as an executive Director since June 2007. He is also the company secretary of the Company 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.

### Ms. Ngan Man-ying, Lynda

*Aged 43,*

has been a Director since January 2007 and designated as an executive Director since June 2007. 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 22 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 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.

### Mr. Cheong Ying-chew, Henry

*Aged 61,*

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 the 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, Excel Technology International Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, SPG Land (Holdings) Limited, TOM Group Limited and CNNC International Limited. He was an independent non-executive director of Forefront Group Limited (formerly known as "Forefront International Holdings Limited") and FPP Japan Fund Inc. (formerly known as "FPP Golden Asia Fund Inc." and "Jade Asia Pacific Fund Inc."), a company listed in Ireland. He is also a member of the Securities and Futures Appeals Tribunal, a member of the Advisory Committee of the Securities and Futures Commission and a member of Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants.

### Mr. Chan Yiu-tong, Ivan

*Aged 55,*
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 19 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.

### Mr. Tong Hang-chan, Peter

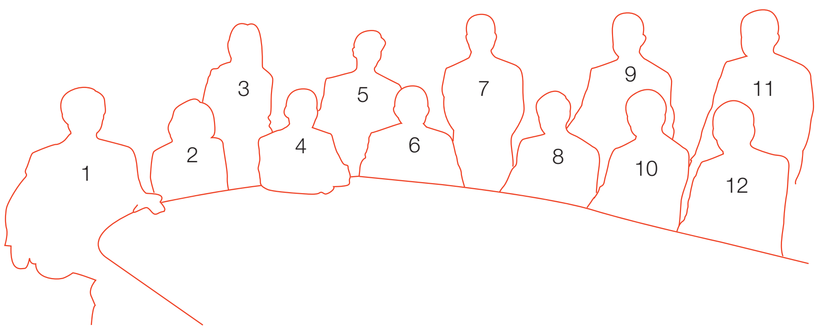
*Aged 64,*
has been an independent non-executive Director since June 2007. He is also the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Tong is currently the managing director of Global Corporate Services Limited. He has more than 40 years of management experience with 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 member of Scout Supply Services Committee and a member of executive committee of Scout Association of Hong Kong.

**Mr. Yu Chun-fai, Henry**

*Aged 47,*

has been an independent non-executive Director since June 2007. He is also a member of the Audit Committee and the Remuneration Committee. Mr. Yu has over 20 years of experience in the financial services industry and he is currently the chairman and the executive director of Oriental City Group Holdings Limited, a company listed on the GEM of the Stock Exchange. He is also the chairman and a director of Oriental City Group plc., a company listed on PLUS market in London, United Kingdom. Prior to joining Oriental City Group plc., Mr. Yu was a Vice President in the Private Wealth Management Division of Morgan Stanley (Asia) Ltd., a Vice President of AIG Asset Management (Asia) Ltd. and the Head of Marketing of Allianz Dresdner Asset Management. He holds a Bachelor of Business Administration degree from University of North Texas, USA and a candidate of Master of Business Administration degree of Golden Gate University, USA.

# Senior Management




1. Mr. Lin Tsai-tan, David
2. Ms. Lau Lai-ying, Johanna
3. Ms. Woo Yuk-kwan, Rebecca
4. Mr. Wong Kwok-kan, Kenneth
5. Mr. Ma Wing-keung, Ringo
6. Mr. Cheung Fai-yet, Philip
7. Mr. Liu Yun-kuang, Paul
8. Mr. Lai On, Eddie
9. Mr. Niu Wei, David
10. Mr. Lee Ting-chung, Charles
11. Mr. Hung Tik
12. Mr. Lai Hung-sing, Kenny

**Mr. Cheung Fai-yet, Philip, aged 54,**

has been the Managing Director and an executive Director since June 2007. He is also a member of the Remuneration Committee and a director of a number of the subsidiaries of the Company. He joined the Group in 1993 and has been responsible for the overall management of the Group. Mr. Cheung 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.

**Mr. Lin Tsai-tan, David, aged 58,**

has been an executive Director and the chief operating officer of the Group since June 2007. He is also a director of a number of the subsidiaries of the Company. Mr. Lin joined the Group in 2001 and has been responsible for the operation and management of the stores. He had over 25 years of experience in the retail industry and possesses substantial experience in the operation and business development of retail chains. Prior to joining the Group, Mr. Lin established and operated a major retail chain in Taiwan. Mr. Lin holds a bachelor of business administration degree from Soochow University.

**Mr. Wong Kwok-kan, Kenneth, aged 45,**

has been a Director since January 2007 and designated as an executive Director since June 2007. He is also the company secretary of the Company 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.

**Ms. Lau Lai-ying, Johanna, aged 50,**

has been the director — commercial since 1996. She joined the Group in 1993 and has been responsible for product and supplier sourcing, concessionaire management and tendering for new projects. Ms. Lau has more than 20 years of experience in emporium retailing, particularly in all aspects of pre-opening preparation, supplier sourcing, product planning and point-of-sales operations. Prior to joining the Group, Ms. Lau had served in a number of well-known retail stores and retail groups in Hong Kong. Ms. Lau holds a MBA degree from Murdoch University of Australia.

**Mr. Ma Wing-keung, Ringo, aged 53,**

has been the director — human resources and administration since 1997. He joined the Group in 1996 and has been responsible for overall human resources management and development of the Group. Mr. Ma has more than 20 years of experience in human resources, training and administration. Mr. Ma graduated from City University of Hong Kong with a Bachelor of Arts degree and is a member of Hong Kong Institute of Human Resources Management, Institute of Training Professionals of Hong Kong and Hong Kong Institute of Company Secretaries. Prior to joining the Group, Mr. Ma worked for a number of well-known companies in various industry sectors, specializing in human resources management.

**Ms. Woo Yuk-kwan, Rebecca, aged 43,**

is the director — corporate affairs. She joined the Group in 1993 and is now responsible for corporate promotion, investor relations, legal affairs, contract administration and planning of the Group. Ms. Woo has over 10 years of experience in project administration and business development. Ms. Woo holds an associate degree in arts from Ohio University and a Bachelor of Business Administration degree from University of Technology, Sydney, Australia. Prior to joining the Group, Ms. Woo held marketing and administrative responsibilities in various international financial institutions.

**Mr. Lai Hung-sing, Kenny, aged 43,**

is the director — project development and is in charge of all matters in project planning and management. He joined the Group in 1996. Mr. Lai has more than 10 years of experience in project planning and project management. Prior to joining the Group, Mr. Lai had served in a number of large property developers and construction companies in Hong Kong. Mr. Lai graduated from the Department of Building and Construction of City University of Hong Kong.

**Mr. Lee Ting-chung, Charles, aged 53,**

is the regional general manager — Northern China. He joined the Group in 1999 where he was the general manager of Beijing New World Department Store. Mr. Lee has more than 10 years of experience in retail industry. Mr. Lee graduated from Fu-Jen University, Taiwan with a bachelor's degree in mass communications. Prior to joining the Group, Mr. Lee worked for various retailing business operators and gained substantial operational experience in the retail industry.

**Mr. Hung Tik, aged 48,**

is the regional general manager — Eastern China. He joined the Group in 1996 and has served as finance and administration manager and assistant general manager in different stores. Mr. Hung has more than 10 years of experience in the retail industry. He also worked in various companies funded by Japanese, American and Hong Kong capital in China and Hong Kong prior to joining the Group. He graduated from the Faculty of Business of Lingnan College, Hong Kong.

**Mr. Lai On, Eddie, aged 57,**

is the regional general manager — Central China. He joined the Group in 1998. Mr. Lai has about 30 years of experience in the retail industry. He holds a Master of Business Administration degree from Shanghai Jiao Tong University. Prior to joining the Group, Mr. Lai had served in various key emporia in Hong Kong.

**Mr. Liu Yun-kuang, Paul, aged 52,**

is the regional general manager – Northeastern China. He joined the Group in June 2009. Mr. Lau has over 20 years of experience in the retail industry. He graduated from Taiwan Taichung Feng Chia University. Prior to joining the Group, Mr Lau worked for various department stores in China and Taiwan, accumulating a wealth of experience in retail operation and management.

**Mr. Niu Wei, David, aged 47,**

is the regional general manager — Southwestern China. He joined the group in 1996 and has served in various senior positions in our stores such as administration manager, operation manager and general manager. Mr. Niu has more than 12 years of experience in retail operations management. He graduated from the Department of Law of Nanjing University. Prior to joining the Group, Mr. Niu worked for various companies gaining rich experience in management.

## 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 of the Company (the "Shareholders").

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In addition to the mandatory Code, the Board will also continuously enhance the corporate governance standard of the Company by reference to certain recommended best practices contained in Appendix 14 to the Listing Rules whenever suitable and appropriate. The Company has applied the principles and complied with all the applicable code provisions set out in the Code during the year ended 30 June 2009.

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 2009.

## EMPLOYEES' SECURITIES TRANSACTIONS

The Code provision A.5.4 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 two non-executive Directors, five executive Directors and four independent non-executive Directors. Their names, biographical details and respective relationships with other Directors and senior management of the Group are set out on pages 82 to 87 and whose respective interests in the Company are set out on pages 108 to 113 of this annual report.

The Board sets directions and formulates overall strategies 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 management are delegated the authority and responsibilities by the Board for the day-to-day 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 independent non-executive Directors have been appointed for a specific term of service. They are also subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles").

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.

## The Roles of the Chairman and Managing Director

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

## Non-executive Directors

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

## Audit Committee

The audit committee (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, Henry. Mr. Chan Yiu-tong, Ivan is the chairman of the Audit Committee and possesses financial management expertise. The Audit Committee meeting will be held at least twice a year.

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

During the year, the Audit Committee reviewed with auditor the audited financial statements for the year ended 30 June 2008 and the unaudited interim financial statements for the six months ended 31 December 2008 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 2009 and internal audit report with recommendation to the Board for approval. The Audit Committee met three times during the year ended 30 June 2009.

## Remuneration Committee

The remuneration committee (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. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Yu Chun-fai, Henry and 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 recommendations to the Board on the remuneration structure for directors and senior management of the Group. During the year ended 30 June 2009, the Remuneration Committee met twice to review the remuneration policy for Directors and senior management of the Company.

Details of the amount of emoluments of Directors for the year ended 30 June 2009 are set out in note 10 to the consolidated financial statements.

## Attendance at Meetings of the Board, the Audit Committee and the Remuneration Committee

| | Number of Meetings Attended/Eligible to attend for the year ended 30 June 2009 | | |
|---|---|---|---|
| **Name of Directors** | **Board** | **Audit Committee** | **Remuneration Committee** |
| ***Non-executive Directors*** | | | |
| Dr. Cheng Kar-shun, Henry *(Chairman)* | 4/4 | | |
| Mr. Au Tak-cheong | 4/4 | | |
| ***Executive Directors*** | | | |
| Mr. Cheng Chi-kong, Adrian | 4/4 | | 2/2 |
| Mr. Cheung Fai-yet, Philip *(Managing Director)* | 4/4 | 3/3 | 2/2 |
| Mr. Lin Tsai-tan, David | 3/4 | | |
| Mr. Wong Kwok-kan, Kenneth | 4/4 | 3/3 | |
| Ms. Ngan Man-ying, Lynda | 3/4 | | |
| ***Independent Non-executive Directors*** | | | |
| Mr. Cheong Ying-chew, Henry | 4/4 | 3/3 | 2/2 |
| Mr. Chan Yiu-tong, Ivan | 4/4 | 3/3 | 2/2 |
| Mr. Tong Hang-chan, Peter | 4/4 | 3/3 | 2/2 |
| Mr. Yu Chun-fai, Henry | 4/4 | 3/3 | 2/2 |

### 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.

### Nomination of Directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of the independent non-executive Directors. The structure, size and composition of the Board will be reviewed from time to time to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the Group's business. All the 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 the Directors may seek independent professional advice and consultation when necessary. A candidate to be appointed as an independent non-executive Director must also meet the independence requirement set out in Rule 3.13 of the Listing Rules. During the year under review, the Company had not established a nomination committee.

## FINANCIAL REPORTING AND INTERNAL CONTROL

The annual and interim results of the Company are 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 true and fair presentation in accordance with the applicable laws and accounting standards. The Directors consider that in preparing the accounts, the Group has applied appropriate accounting policies that are consistently adopted and made judgments that are reasonable and prudent, in accordance with the applicable accounting standards.

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 2009, the Directors had:

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

2. selected and applied consistently appropriate accounting policies;

3. made judgements and estimates that were reasonable; and

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

The statement about the Directors' reporting responsibilities is set out in the Independent Auditor's Report on pages 118 to 119 of this annual report.

## COMMUNICATION WITH SHAREHOLDERS

The Company has established and maintained various channels of communication with the Shareholders and the public to ensure that they are kept abreast of the Company's latest development. Information relating to the Company's financial results, corporate details and major events will be disseminated through the publication of annual and interim reports, announcements, circulars and press releases. These publications can also be downloaded from the Company's website (www.nwds.com.hk).

In addition, the Chairman, 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 office 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 were subsequently posted on the websites of the Company and the Stock Exchange (www.hkexnews.hk). The Company will also hold press and analysts conferences following the release of annual results at which the executive Directors will be available to answer questions regarding the performance of the Group. The Group has participated in a number of roadshows and meetings with investors and organised a number of store visits during the year under review.

## AUDITOR'S REMUNERATION

Fees for auditing services and non-auditing services amounted to HK$3,499,000 (2008: HK$3,454,000) and HK$720,000 (2008: HK$864,000) respectively were provided in the Group's consolidated income statement for the year ended 30 June 2009.

# Contents

## FINANCIAL SECTION

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 2009.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the Group are engaged in department store operation in the People's Republic of China (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 2009 are set out in the consolidated income statement on page 120 of this annual report.

## DIVIDENDS

The Directors have resolved to recommend a final dividend of HK$0.07 per share (2008: HK$0.09 per share) for the year ended 30 June 2009 to Shareholders whose names appear on the register of members of the Company on 8 December 2009. The proposed final dividend will be paid on or about 29 December 2009 subject to Shareholders' approval at the forthcoming annual general meeting of the Company.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

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

## RESERVES

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

## FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years of 2005 to 2009 are set out on page 178.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$6,000 (2008: approximately HK$170,000).

## 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

### Executive Directors

Mr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip *(Managing Director)*
Mr. Lin Tsai-tan, David
Mr. Wong Kwok-kan, Kenneth
Ms. Ngan Man-ying, Lynda

### Independent Non-executive Directors

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

In accordance with articles 87(1) and 87(2) of the Articles, Mr. Cheung Fai-yet, Philip, Mr. Lin Tsai-tan, David, Mr. Wong Kwok-kan, Kenneth and Mr. Chan Yiu-tong, Ivan will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The remaining current Directors continue in office.

## AUDIT COMMITTEE

The Audit Committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 30 June 2009 and discussed those related matters with 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 2009 or at any time during the year ended 30 June 2009.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2009, the following Directors had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group 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 | New World Development Company Limited ("NWD") | Department store operations | Director and Shareholder |
| | Lifestyle International Holdings Limited group of companies | Department store operations | Director |
| Mr. Cheng Chi-kong, Adrian | New World Development Company Limited | Department store operations | Director |

## DEED OF NON-COMPETITION

Under the deed of non-competition dated 22 June 2007 given by 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 (the "Prospectus"), NWD has undertaken not to engage or carry on (including through any associate, subsidiary, body corporate or other contractual arrangement) the following businesses ("Restricted Business(es)") in the PRC:

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

## DEED OF NON-COMPETITION (continued)

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.

In addition, under the Deed, NWD has undertaken, among other things, to use its best endeavour to transfer Beijing New World Shopping Mall (the "Beijing Shopping Mall"), Kunming New World Department Store (the "Kunming Store"), Ningbo New World Trendy Department Store (the "Ningbo Trendy Store"), Hong Kong New World Department Store (the "Hong Kong Store") and Wuhan New Eagle Development Co., Ltd. Wuhan New World Department Store (the "Wuhan Store") (collectively the "Excluded Stores") (save and except the Hong Kong Store) to the Company as soon as practicable and in any event no later than three years from 12 July 2007 (the date of listing of the Company's shares on the main board of the Stock Exchange (the "Listing Date")) and to keep the Company informed every six months from the Listing Date as regards the progress on the resolution of the difficulties in transferring the Excluded Stores to the Company. NWD has also undertaken to provide to the Company all information necessary for the annual review by the independent non-executive Directors to determine whether the Deed has been complied with by NWD.

As regards the Wuhan Store, the Board announced that on 17 December 2007, New Bright Resources Limited ("New Bright"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Solar Leader Limited ("Solar Leader"), a limited liability company incorporated in the British Virgin Islands and an indirect-wholly-owned subsidiary of NWD, whereby New Bright agreed to acquire from Solar Leader the entire issued share capital of Uphill Group Limited ("Uphill Group") and the outstanding shareholder's loan of Uphill Group owed to Solar Leader in the total amount of approximately HK$586,356,000 as of 30 November 2007 for an aggregate consideration of HK$885,417,000. Uphill Group is an investment holding company which owns 100% legal and beneficial interests in Wuhan New World Department Store Co., Ltd. ("Wuhan New World", a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, formerly known as "Wuhan New Eagle Development Co., Ltd."), which owns 100% legal and beneficial interests in the Wuhan Store and its property. Such acquisition has been completed.

As regards the Kunming Store, the Board announced that on 20 January 2009, New World Department Stores Investment (China) Co., Ltd. ("NWDSIC"), a wholly-foreign-owned enterprise established in the PRC wholly-owned by the Company, entered into a sale and purchase agreement with Solar Leader, NWD and Yunnan New World Department Store Co., Ltd. ("Yunnan Co"), a limited liability company incorporated in the PRC and the operator of Kunming Store, whereby NWDSIC agreed to acquire from Solar Leader all interests and rights of Solar Leader arising or derived from the trust agreement entered into between Solar Leader and the registered owners of the registered capital of Yunnan Co on 1 January 2007, including any beneficial interest in the entire equity interest in the registered capital of Yunnan Co, for a consideration of HKD3,000,000. Such transfer has been completed. The legal title of the entire equity interest in the registered capital of Yunnan Co has been subsequently transferred to NWDSIC.

As regards the Ningbo Trendy Store, the Board also announced that on 20 January 2009, NWDSIC entered into a sale and purchase agreement with Solar Leader and Ningbo New World Trendy Department Store Co., Ltd. ("Ningbo Co"), a limited liability company incorporated in the PRC and the operator of Ningbo Trendy Store, whereby NWDSIC agreed to acquire from Solar Leader the entire equity interest in the registered capital of Ningbo Co for a consideration of RMB2,000,000. Such acquisition has been completed.

## DEED OF NON-COMPETITION (continued)

As regards the Beijing Shopping Mall, NWD currently holds the entire beneficial ownership of the company which holds this store. The legal title of this company has not yet been transferred. Pursuant to the Deed, NWD has undertaken to use its best endeavors to transfer the Beijing Shopping Mall to the Company as soon as practicable and in any event not later than three years from the Listing Date and to continue procuring resolutions of this issue as soon as practicable. In light of the above, the independent non-executive Directors have decided not to exercise the relevant rights (the "Acquisition Rights") granted to the Company under the Deed to acquire the Beijing Shopping Mall. The Acquisition Rights will continue to subsist until the earlier of the date of completion of the Company's acquisition of the Beijing Shopping Mall and if this shopping mall ceases to operate prior to such acquisition, the date of such cessation. The independent non-executive Directors may appoint an independent financial adviser as necessary to advise them relating to the Acquisition Rights.

## CONNECTED TRANSACTIONS

The Group has entered into the following connected transactions during the year and up to the date of this report:

### i. Master Management Agreement

As NWD is a connected person of the Company under the Listing Rules, transactions between the Company and members of the NWD Group constitute connected transactions of the Company under the Listing Rules.

On 22 June 2007, the Company and NWD entered into the master management agreement (the "Old Master Management Agreement") pursuant to which the Company agreed to provide various management services to the NWD Group. As one of the management agreements has not expired as at the date of the Master Management Agreement (as defined below), the Group and the NWD Group wish to continue the management agreement and may from time to time enter into new management agreements relating to the provision of various management services and any other services in relation to the management of department store as the Company and NWD may agree from time to time (the "Management Consultancy Services") by the Group to the NWD Group.

On 22 May 2009, the Company and NWD agreed to terminate the Old Master Management Agreement with effect from 1 July 2009 and entered into the master management agreement (the "Master Management Agreement"), for a term of three years from 1 July 2009, pursuant to which the Company agreed to, and to procure its subsidiaries to, provide the Management Consultancy Services to the NWD Group at the request of any member of the NWD Group from time to time during the duration of the Master Management Agreement. The Directors believe that the Old Master Management Agreement and the Master Management Agreement will serve to protect the interests of the Group, to facilitate possible acquisition by the Group of the store owned by the NWD Group at a future date and to regulate the existing and future operations agreements under a common framework agreement.

## CONNECTED TRANSACTIONS (continued)

### i. Master Management Agreement (continued)

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Mater Management Agreement for the three years ending 30 June 2012 will not exceed RMB110,402,000, RMB126,962,000 and RMB146,006,000, respectively.

The total amount received from the NWD Group under the Old Master Management Agreement was approximately RMB52,215,000 (2008: approximately RMB71,686,000) for the year ended 30 June 2009.

### ii. Master Leasing Agreement

On 22 June 2007, the Company and NWD entered into the master leasing agreement (the "Old Master Leasing Agreement") pursuant to which the Company agreed to continue to lease from the NWD Group certain premises, and may from time to time lease new premises.

As the corresponding projected aggregate amount of the transactions contemplated under the Old Master Leasing Agreement for the years ended 30 June 2008 and 30 June 2009 were expected to exceed the respective original leasing annual cap as set out in the Prospectus, on 19 March 2008, the Company entered into a supplemental agreement (the "Supplemental Agreement") with NWD to revise the annual caps for the transactions contemplated under the Old Master Leasing Agreement for the two years ended 30 June 2009 to RMB135,700,000 and RMB212,000,000, respectively.

On 22 May 2009, the Company and NWD agreed to terminate the Old Master Leasing Agreement with effect from 1 July 2009 and entered into the master leasing agreement (the "Master Leasing Agreement"), for a term of three years from 1 July 2009, pursuant to which NWD agrees to, and to procure its subsidiaries to, lease the premises owned by members of the NWD Group from time to time (the "Premises") to the Group at the request of any member of the Group from time to time during the duration of the Master Leasing Agreement.

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 Old Master Leasing Agreement, the Supplemental Agreement and 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.

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Master Leasing Agreement for the three years ending 30 June 2012 will not exceed RMB154,479,000, RMB224,415,000 and RMB276,907,000, respectively.

The total amount paid to the NWD Group under the Old Master Leasing Agreement was approximately RMB100,935,000 (2008: approximately RMB123,595,000) for the year ended 30 June 2009.

## CONNECTED TRANSACTIONS (continued)

### iii. Concessionaire Counter Arrangements

Chow Tai Fook Enterprises Limited ("CTF"), being a substantial shareholder of NWD and the controlling shareholder of the Company whereas Chow Tai Fook Jewellery Company Limited ("CTF Jewellery"), or any one of its subsidiaries, is an associate of CTF and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions between the Group and CTF Jewellery or any of its subsidiaries constitute connected transactions of the Company.

Members of the Group entered into certain concessionaire counter agreements with CTF Jewellery or its subsidiaries or agent pursuant to which members of the Group provide floor space to CTF Jewellery or its subsidiaries or agent to exhibit and sell jewellery (the "Concessionaire Counter Arrangements"). Pursuant to the Concessionaire Counter Arrangements, commissions and basic usage costs are payable by CTF Jewellery or its subsidiaries or agent to members of our Group for the use of the concessionaire counters.

As the corresponding projected aggregate amount of the transactions contemplated under the Concessionaire Counter Arrangements for the two years ended 30 June 2009 were expected to exceed the respective original concessionaire annual cap as set out in the Prospectus, both the directors of NWD and the Company agreed to revise the annual caps for the Concessionaire Counter Arrangements for the two years ended 30 June 2009 to RMB24,600,000 and RMB53,100,000, respectively. The Directors believe it is in our best interest to provide the above mentioned services to CTF Jewellery or any of its subsidiaries and to enter into the Concessionaire Counter Arrangements so that the Group may regulate the existing and future concessionaire counter agreement(s) under a common framework agreement.

On 22 May 2009, the Company and CTF Jewellery entered into the master concessionaire counter agreement (the "Master Concessionaire Counter Agreement"), for a term of three years from 1 July 2009, pursuant to which the Company agreed to, and to procure its subsidiaries to, provide floor space in the Stores to members of the CTF Jewellery Group from time to time for exhibiting and selling jewellery during the duration of the Master Concessionaire Counter Agreement. The Directors believe that including CTF Jewellery 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.

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Master Concessionaire Counter Agreement for the three years ending 30 June 2012 will not exceed RMB 51,208,000, RMB74,734,000 and RMB107,878,000, respectively.

The total amount received from CTF Jewellery or any of its subsidiaries under the Concessionaire Counter Arrangements was approximately RMB15,065,000 (2008: approximately RMB16,652,000) for the year ended 30 June 2009.

## CONNECTED TRANSACTIONS (continued)

### iv. Master Services Agreement

On 11 October 2007, the Company and NWS Holdings Limited ("NWSH", and together with its subsidiaries, the "NWSH Group") entered into the master services agreement (the "Old Master Services Agreement") regarding the provision of various electrical and mechanical services and such other types of services as may be agreed upon from time to time in writing by the Company and NWSH (collectively the "Services") for the Stores for an initial term of two years. The entering into of the Old Master Services Agreement would enable the Group to regulate the provision of the Services by the NWSH Group under a common framework agreement.

On 22 May 2009, the Company and NWSH agreed to terminate the Old Master Services Agreement with effect from 1 July 2009 and entered into the master services agreement (the "Master Services Agreement"), for a term of three years from 1 July 2009, pursuant to which NWSH agreed to, and to procure its associates to, provide the Services to the Group for the Stores at the request of any member of the Group from time to time during the duration of the Master Services Agreement. The Directors believe that the entered into of the Master Services Agreement would enable the Group to regulate the provision of the Services by the NWSH Group to the Group under a common framework agreement.

By virtue of the interest of NWD in NWSH as at the date of the Old Master Services Agreement and the Master Services Agreement, NWSH is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Old Master Services Agreement and the Master Services Agreement constitute connected transactions of the Company.

The maximum annual aggregate service fees in respect of the Services to be provided by the NWSH Group to the Group, as set out in the Old Master Services Agreement, for each of the two years ended 30 June 2009 will not exceed RMB90,000,000 and RMB125,000,000, respectively.

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Master Services Agreement for the three years ending 30 June 2012 will not exceed RMB 141,998,000, RMB420,164,000 and RMB413,766,000, respectively.

The total amount paid to the NWSH Group under the Old Master Services Agreement was approximately RMB36,678,000 (2008: approximately RMB69,642,000) for the year ended 30 June 2009.

### v. Master Sales Agreement

On 22 May 2009, the Company, New World China Land Limited ("NWCL", together with its subsidiaries, the "NWCL Group") and CTF Jewellery entered into the master sales agreement (the "Master Sales Agreement"), for a term of three years from 1 July 2009, pursuant to which the Company agrees to, and to procure its subsidiaries to, sell the goods in the Stores by means of accepting the various cash equivalent gift coupons, gift cards and stored value shopping cards of the NWCL Group which may be presented at the Stores, including the floor space where the CTF Jewellery Group operates its business, for purchasing goods at the Stores (the "Shopping Vouchers") presented at the Stores from time to time during the duration of the Master Sales Agreement on condition that the value represented by the Shopping Vouchers will subsequently be settled by members of the NWCL Group. The entering into of the Master Sales Agreement would bring more customers to and enhance the sales of the Stores.

## CONNECTED TRANSACTIONS (continued)

### v. Master Sales Agreement (continued)

On 21 September 2009, the Company, NWCL and CTF Jewellery entered into a supplemental agreement (the "Supplemental Master Sales Agreement") to amend the terms of the Master Sales Agreement such that references to the arrangement for the amount being a percentage as agreed under the individual sales agreements to be entered into between members of the Group, members of the NWCL Group and members of the CTF Jewellery Group, on the purchase amounts of customers by means of presenting the Shopping Vouchers for such purchases on the floor space where CTF Jewellery Group operates its business at the Stores (the "Rebates") are deleted and that the value represented by the Shopping Vouchers will be settled by members of the NWCL Group instead of by members of the NWCL Group and members of the CTF Jewellery Group as previously provided in the Master Sales Agreement.

As both the Company and NWCL are subsidiaries of NWD, and CTF Jewellery is an associate of CTF which is a substantial shareholder of NWD. NWD is a controlling shareholder of the Company, NWCL and CTF are connected persons of the Company and the transactions contemplated under the Master Sales Agreement constitute continuing connected transactions of the Company.

It is expected that the annual consideration receivable under the Master Sales Agreement will not exceed HK$3,500,000 for each of the three years ending 30 June 2012.

### vi. Acquisition of Interests

***Yunnan New World Department Store Co., Ltd. and Ningbo New World Trendy Department Store Co., Ltd.***

On 20 January 2009, NWDSIC, entered into the agreement with Solar Leader, NWD and Yunnan Co, whereby NWDSIC agreed to acquire from Solar Leader all interests and rights of Solar Leader arising or derived from the trust agreement entered into between Solar Leader and the registered owners of the registered capital of Yunnan Co dated 1 January 2007 including any beneficial interest in the entire equity interest in the registered capital of Yunnan Co for a consideration of HK$3,000,000 (the "Kunming Acquisition"). Yunnan Co operates a department store business in Kunming, the PRC in the name of Kunming Store.

On 20 January 2009, NWDSIC also entered into the agreement with Solar Leader and Ningbo Co, whereby NWDSIC agreed to acquire from Solar Leader the entire equity interest in the registered capital of Ningbo Co for a consideration of RMB2,000,000 (the "Ningbo Acquisition"). Ningbo Co operates a department store business in Ningbo, the PRC in the name of Ningbo Store.

The Directors believe that the Kunming Acquisition and the Ningbo Acquisition will further enhance the Group's strategy of expanding its department store network in the PRC.

By virtue of the interest of NWD in Solar Leader, Solar Leader is a connected person of the Company under the Listing Rules. Accordingly, each of the Kunming Acquisition and Ningbo Acquisition constitutes connected transaction of the Company.

## CONNECTED TRANSACTIONS (continued)

### vii. Annual review of the continuing connected transactions

The independent non-executive Directors had reviewed the continuing connected transactions arising from (i) Master Management Agreement (paragraph i above); (ii) Master Leasing Agreement (paragraph ii above); (iii) Concessionaire Counter Arrangements (paragraph iii above); and (iv) Master Services Agreement (paragraph iv above) for the year ended 30 June 2009 and confirmed that the transactions were:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In accordance with Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the continuing connected transactions mentioned above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board that the transactions:

(a) had received the approval of the Board;

(b) were entered into in accordance with the relevant agreements governing the transactions; and

(c) had not exceeded the relevant caps disclosed in the previous announcements relating to the aforesaid transactions.

## 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.

## UPDATE ON DIRECTORS' INFORMATION

Mr. Cheong Ying-chew, Henry has been appointed a member of the Advisory Committee of the Securities and Futures Commission in June 2009 and an independent non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited, a company listed on the main board of the Stock Exchange, in April 2009. He ceased to be a member of the Corporate Advisory Council of the Hong Kong Securities Institute since 2009.

Mr. Yu Chun-fai, Henry has been appointed the chairman and the executive director of Oriental City Group Holdings Limited, a company listed on the GEM of the Stock Exchange, in August 2009.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2009, the interests and short positions, if any, of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO); or (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in shares

| | Number of shares | | | | Approximate |
|---|---|---|---|---|---|
| | Personal Interests | Family Interests | Corporate Interests | Total | percentage of shareholding |
| **The Company** | | | | | |
| (Ordinary shares of HK$0.10 each) | | | | | |
| Mr. Cheng Chi-kong, Adrian | – | – | 1,107,000[(1)] | 1,107,000 | 0.07 |
| Mr. Cheung Fai-yet, Philip | 660,000 | – | – | 660,000 | 0.04 |
| **Mega Choice Holdings Limited** | | | | | |
| (Ordinary shares of HK$1.00 each) | | | | | |
| Dr. Cheng Kar-shun, Henry | – | – | 3,710[(2)] | 3,710 | 34.61 |
| **New World China Land Limited** | | | | | |
| (Ordinary shares of HK$0.10 each) | | | | | |
| Dr. Cheng Kar-shun, Henry | 12,500,000 | 1,950,000 | 52,271,200[(3)] | 66,721,200 | 1.74 |
| Ms. Ngan Man-ying, Lynda | 100,000 | – | – | 100,000 | 0.003 |
| **New World Development Company Limited** | | | | | |
| (Ordinary shares of HK$1.00 each) | | | | | |
| Dr. Cheng Kar-shun, Henry | – | 300,000 | – | 300,000 | 0.01 |
| **NWS Holdings Limited** | | | | | |
| (Ordinary shares of HK$1.00 each) | | | | | |
| Dr. Cheng Kar-shun, Henry | 9,179,199 | – | 8,000,000[(3)] | 17,179,199 | 0.83 |

Notes:

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

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

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

## DIRECTORS' INTERESTS IN SECURITIES (continued)

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

*i The Company*

| Name | Date of grant | Exercisable period (Note) | Number of share options: Balance as at 1 July 2008 | Granted during the year | Exercised during the year | Lapsed during the year | Balance as at 30 June 2009 | 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 |
| 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) | 459,000 | – | – | – | 459,000 | 8.660 |
| | 25 March 2008 | (2) | 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 |
| Ms. Ngan Man-ying, Lynda | 27 November 2007 | (1) | 500,000 | – | – | – | 500,000 | 8.660 |
| 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, Henry | 27 November 2007 | (1) | 250,000 | – | – | – | 250,000 | 8.660 |
| | | | 6,690,000 | – | – | – | 6,690,000 | |

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.

## DIRECTORS' INTERESTS IN SECURITIES (continued)

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

*ii New World China Land Limited*

Under the share option scheme of a fellow subsidiary, NWCL, adopted on 26 November 2002, share options were granted to the undermentioned Directors which entitle them to subscribe for shares of NWCL and accordingly they are regarded as interested in the underlying shares of NWCL respectively. Certain details of the share options of NWCL held by them are as follows:

| Name | Date of grant | Exercisable period (Note) | Number of share options: Balance as at 1 July 2008 | Granted during the year | Exercised during the year | Lapsed during the year | Balance as at 30 June 2009 | Exercise price per share *HK$* |
|---|---|---|---|---|---|---|---|---|
| Dr. Cheng Kar-shun, Henry | 7 January 2008 | (1) | 2,000,000 | – | – | – | 2,000,000 | 6.972 |
| | 29 December 2008 | (3) | – | 1,600,000 | – | – | 1,600,000 | 1.500 |
| Mr. Cheng Chi-kong, Adrian | 25 July 2006 | (2) | 331,600 | – | – | – | 331,600 | 2.865 |
| | 7 January 2008 | (1) | 1,500,000 | – | – | – | 1,500,000 | 6.972 |
| | 29 December 2008 | (3) | – | 1,200,000 | – | – | 1,200,000 | 1.500 |
| Ms. Ngan Man-ying, Lynda | 7 January 2008 | (1) | 1,000,000 | – | – | – | 1,000,000 | 6.972 |
| | 29 December 2008 | (3) | – | 900,000 | – | – | 900,000 | 1.500 |
| | | | 4,831,600 | 3,700,000 | – | – | 8,531,600 | |

Notes:

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

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

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

(4) The closing price per share immediately before 29 December 2008, the date of grant, was HK$2.21.

(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, adopted on 24 November 2006, share options were granted to the undermentioned Directors which entitle them to subscribe for shares of NWD and accordingly they are regarded as interested in the underlying shares of NWD respectively. Certain details of the share options of NWD held by them are as follows:

| Name | Date of grant | Exercisable period (Note) | Number of share options: Balance as at 1 July 2008 | Granted during the year | Adjusted during the year[3] | Lapsed during the year | Balance as at 30 June 2009 | Exercise price per share *HK$*[3] |
|---|---|---|---|---|---|---|---|---|
| Dr. Cheng Kar-shun, Henry | 19 March 2007 | (1) | 36,500,000 | – | 210,652 | – | 36,710,652 | 17.654 |
| Mr. Cheng Chi-kong, Adrian | 19 March 2007 | (2) | 500,000 | – | 2,885 | – | 502,885 | 17.654 |
| Mr. Au Tak-cheong | 19 March 2007 | (2) | 1,200,000 | – | 6,925 | – | 1,206,925 | 17.654 |
| | | | 38,200,000 | – | 220,462 | – | 38,420,462 | |

Notes:

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

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

(3) NWD declared final dividend for the year ended 30 June 2008 and interim dividend for the six months ended 31 December 2008 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$17.756 to HK$17.659 on 21 January 2009, and further to HK$17.654 on 15 June 2009.

(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, adopted on 6 December 2001 and certain rules of this scheme were amended on 12 March 2003 and 24 November 2006, share options were granted to the undermentioned Director which entitle him to subscribe for shares of NWSH and accordingly he is regarded as interested in the underlying shares of NWSH. Certain details of the share options of NWSH held by him are as follows:

| | | | Number of share options | | | | | Exercise |
|---|---|---|---|---|---|---|---|---|
| Name | Date of grant | Exercisable period (Note) | Balance as at 1 July 2008 | Granted during the year | Exercised during the year | Lapsed during the year | Balance as at 30 June 2009 | price per share *HK$* |
| Dr. Cheng Kar-shun, Henry | 21 August 2007 | (1) | 3,001,277 | – | – | – | 3,001,277 | 16.193 |

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.

### (c) Long positions in underlying shares – debentures

*New World China Land Finance Limited ("NWCLF")*

| | Amount of debentures in RMB issued by NWCLF | | | | Percentage of the total amount of debentures |
|---|---|---|---|---|---|
| Name | Personal Interests | Family Interests | Corporate Interests | Total | in issue as at 30 June 2009 |
| Mr. Cheng Chi-kong, Adrian | – | – | 2,000,000 (Note) | 2,000,000 | 0.08 |

Note:

These debentures are convertible into 260,034 shares of HK$0.1 each of NWCL, representing approximately 0.01% of its issued share capital as at 30 June 2009, for the period from 26 June 2007 to 26 May 2012, which are beneficially held by a company wholly-owned by Mr. Cheng Chi-Kong, Adrian.

## DIRECTORS' INTERESTS IN SECURITIES (continued)

Save as disclosed above, as at 30 June 2009, none of the Directors and chief executive of the Company or any of their associates had or deemed to have 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2009, the following persons (not being Directors or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

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

Notes:

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

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

(3) CTF together with its subsidiaries hold an aggregate of approximately 38.61% interest in NWD and is accordingly deemed to have an interest in the shares of the Company interested by NWD.

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES (continued)

Save as disclosed above, the Directors are not aware of any person (not being Directors or the chief executive of the Company) who, as at 30 June 2009, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

## 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 138,392,500 shares of the Company, representing approximately 8.21% 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 one year upon the grant of options by the Directors. |

## SHARE OPTION SCHEME (continued)

| | |
|---|---|
| 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

| | | Number of share options | | | | | Exercise |
|---|---|---|---|---|---|---|---|
| Date of grant | Exercisable period (Note) | Balance as at 1 July 2008 | Granted during the year | Exercised during the year | Lapsed during the year | Balance as at 30 June 2009 | price per share *HK$* |
| 27 November 2007 | (1) | 14,215,000 | – | – | (1,155,000) | 13,060,000 | 8.660 |
| 25 March 2008 | (2) | 3,153,000 | – | – | (168,000) | 2,985,000 | 8.440 |
| | | 17,368,000 | – | – | (1,323,000) | 16,045,000 | |

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 2009, total number of employees for the Group was 3,768 (2008: 3,893). 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

### i. Acquisition of Property in Zhengzhou City

On 7 July 2008, Wuhan New World, entered into the Framework Agreement for Sale and Purchase of Property (the "Framework Agreement") with Henan Yuhong Property Company Limited ("Henan Yuhong"), a company established in the PRC with limited liability, pursuant to which, inter alia, Henan Yuhong has agreed to sell and Wuhan New Eagle has agreed to acquire the building ownership right and land use right of Level 1 to Level 4 of Block A of the commercial podium building of the project to be developed by Henan Yuhong on the parcel of land numbered GC1-459-16 located at Shangcheng Road North and Zijingshan Road East, Zhengzhou City, Henan Province, the PRC (the "Project") to be erected, including all the building area, the right of use of the outer wall and the outer space thereof, certain prescribed area between the roof and the staircase outside the building, the building ownership right and/or the right of use of certain prescribed area at the lower ground first floor, the lower ground second floor and other areas and facilities as prescribed in the Framework Agreement (the "Property") for a consideration of RMB307,317,000, subject to adjustments (the "Consideration"). Henan Yuhong has agreed to provide 100 carpark spaces for use by Wuhan New Eagle for free for a period of two years from the date of the handover of the Property in accordance with the Framework Agreement and the signing of a confirmation on the handover by Henan Yuhong and Wuhan New Eagle. Henan Yuhong has also agreed to ensure that the roof of Level 1 to Level 4 of the podium building, the front door square and certain space outside the Property shall be exclusively managed and used by Wuhan New Eagle until the expiry of the land use right of the Project.

### ii. Acquisition of Property in Shenyang City

On 25 July 2008, Shenyang New World Department Store Ltd. ("Shenyang New World"), a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, entered into the Co-operation Agreement for Property Project Development and the Agreement for the assignment of the right of use of the carpark (the "Carpark") located at the upper basement of the building to be erected on the land parcel of Jinqiao Road South, Dadong District, Shenyang City (the "Land") (collectively, the "Agreements") with Shenyang Fengrui Property Company Limited ("Shenyang Fengrui"), a company established in the PRC with limited liability, pursuant to which , inter alia, Shenyang Fengrui has agreed to sell and Shenyang New World has agreed to acquire the building ownership right and land use right of the prescribed area of Level 1 to Level 7 of the building to be erected on the Land, including the right of use of the outer wall of Level 1 to Level 7 of the Land and the roof of the Property and the right of use of the Carpark for an aggregate consideration of RMB287,540,000, subject to adjustments.

On 17 November 2008, Shenyang New World and Shenyang Fengrui entered into the Agreement for Sale and Purchase of Commercial Housing together with an agreement supplemental thereto (the "SP Agreements") pursuant to the Agreements. As additional time is required for Shenyang Fengrui to obtain or apply for certain documents as specified in the SP Agreements, on 24 July 2009, Shenyang Fengrui and Shenyang New World had entered into a supplemental agreement to amend the SP Agreements such that the deadlines specified under the SP Agreements for obtaining or application of certain documents by Shenyang Fengrui were extended.

## 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 33.8% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and 8.8% 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 2009 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, 6 October 2009

PRICEWATERHOUSECOOPERS

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

We have audited the consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 120 to 177, which comprise the consolidated and Company balance sheets as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

## 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 2009 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, 6 October 2009

# Consolidated Income Statement

For the year ended 30 June 2009

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

The notes on pages 128 to 177 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

As at 30 June 2009

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 15 | **1,225,977** | 1,147,114 |
| Land use rights | 16 | **764,928** | 787,371 |
| Goodwill | 17 | **172,435** | 172,435 |
| Investment in an associated company | 31 | **203** | – |
| Non-current other assets | 19 | **386,830** | – |
| Long-term prepaid rent and rental deposits | 18 | **99,595** | 37,136 |
| Financial assets at fair value through profit or loss | 20 | **–** | 60,154 |
| Available-for-sale financial assets | 21 | **108,955** | – |
| Deferred income tax assets | 28 | **31,052** | 27,133 |
| | | **2,789,975** | 2,231,343 |
| Current assets | | | |
| Inventories | | **53,448** | 57,472 |
| Debtors | 22 | **14,354** | 25,656 |
| Prepayments, deposits and other receivables | 18 | **489,555** | 257,363 |
| Amount due from an associated company | 31 | **690** | – |
| Amounts due from fellow subsidiaries | 23 | **27,363** | 60,969 |
| Fixed deposits | 24 | **737,529** | 790,909 |
| Cash and cash equivalents | 25 | **2,185,992** | 2,336,718 |
| | | **3,508,931** | 3,529,087 |
| Total assets | | **6,298,906** | 5,760,430 |
| Equity | | | |
| Share capital | 26 | **168,615** | 168,615 |
| Reserves | 27 | **4,142,776** | 3,786,378 |
| Proposed dividend | 13 | **118,030** | 151,753 |
| | | **4,429,421** | 4,106,746 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Accruals and deferred income | 29 | **282,960** | 237,981 |
| Deferred income tax liabilities | 28 | **154,601** | 147,334 |
| | | **437,561** | 385,315 |

The notes on pages 128 to 177 are an integral part of these consolidated financial statements.

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Current liabilities | | | |
| Creditors, accruals and other payables | 29 | **1,377,040** | 1,208,562 |
| Amounts due to fellow subsidiaries | 23 | **6,432** | 8,669 |
| Tax payable | | **48,452** | 51,138 |
| | | **1,431,924** | 1,268,369 |
| Total liabilities | | **1,869,485** | 1,653,684 |
| Total equity and liabilities | | **6,298,906** | 5,760,430 |
| Net current assets | | **2,077,007** | 2,260,718 |
| Total assets less current liabilities | | **4,866,982** | 4,492,061 |

**Dr. Cheng Kar-shun, Henry**
Director

**Mr. Cheung Fai-yet, Philip**
Director

The notes on pages 128 to 177 are an integral part of these consolidated financial statements.

# Company Balance Sheet

As at 30 June 2009

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

**Dr. Cheng Kar-shun, Henry**
Director

**Mr. Cheung Fai-yet, Philip**
Director

The notes on pages 128 to 177 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

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

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

The notes on pages 128 to 177 are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

For the year ended 30 June 2009

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit before income tax and share of loss of an associated company | | **695,032** | 600,183 |
| Adjustments for: | | | |
| – Interest income | | **(76,662)** | (104,909) |
| – Amortisation of land use rights | | **22,443** | 9,190 |
| – Depreciation of property, plant and equipment | | **148,160** | 116,430 |
| – Fair value gain of financial assets at fair value through profit or loss | | **(16,716)** | (3,156) |
| – Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries | | **(35,622)** | – |
| – Gain on disposal of a subsidiary | | **(9,755)** | – |
| – Loss on disposal of property, plant and equipment | | **321** | 1,089 |
| – Share-based payments | | **24,412** | 17,469 |
| Operating profit before working capital changes | | **751,613** | 636,296 |
| Changes in: | | | |
| Inventories | | **4,291** | (16,680) |
| Debtors | | **11,854** | (3,267) |
| Prepayments, deposits and other receivables | | **(674,316)** | (63,116) |
| Creditors, accruals and other payables | | **156,526** | 180,098 |
| Amount due from an associated company | | **(690)** | – |
| Amounts due from/(to) fellow subsidiaries | | **33,269** | (11,218) |
| Cash generated from operations | | **282,547** | 722,113 |
| Overseas tax paid | | **(155,802)** | (146,130) |
| Net cash generated from operating activities | | **126,745** | 575,983 |
| Cash flows from investing activities | | | |
| Net cash inflow/(outflow) from acquisition of subsidiaries | 33(b) | **79,257** | (616,982) |
| Net cash outflow from acquisition of assets | 33(a) | **–** | (262,006) |
| Net cash outflow from disposal of a subsidiary | 33(c) | **(800)** | – |
| Capital injection to an associated company | | **(2,269)** | – |
| Purchase of property, plant and equipment | | **(203,113)** | (244,490) |
| Purchase of financial assets at fair value through profit or loss | | **–** | (53,004) |
| Proceeds from disposal of property, plant and equipment | 33(d) | **520** | 449 |
| Fixed deposits | | **53,380** | (783,766) |
| Interest received | | **76,662** | 104,909 |
| Net cash generated from/(used in) investing activities | | **3,637** | (1,854,890) |

| | **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| Cash flows from financing activities | | |
| Proceeds from issuance of ordinary shares | **–** | 2,710,021 |
| Payment of share issuance costs | **–** | (95,231) |
| Dividend paid | **(286,621)** | – |
| Net cash (used in)/generated from financing activities | **(286,621)** | 2,614,790 |
| Effect of foreign exchange rate changes | **5,513** | 40,444 |
| Net (decrease)/increase in cash and cash equivalents | **(150,726)** | 1,376,327 |
| Cash and cash equivalents at beginning of the year | **2,336,718** | 960,391 |
| Cash and cash equivalents at end of the year | **2,185,992** | 2,336,718 |

The notes on pages 128 to 177 are an integral part of these consolidated financial statements.

## 1 GENERAL INFORMATION

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

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

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

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

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

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

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

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

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Consolidation

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

#### *(a) Subsidiaries*

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Consolidation (continued)

#### *(b) Associated company*

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

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

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

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

### 2.3 Segment reporting

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

### 2.4 Property, plant and equipment

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.4 Property, plant and equipment (continued)

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

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

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

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

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

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

### 2.5 Land use rights

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

### 2.6 Goodwill

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

### 2.8 Investments

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

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

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

#### *(b) Available-for-sale financial assets*

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

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.8 Investments (continued)

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

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

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

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

### 2.9 Trade and other receivables

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.10 Inventories

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

### 2.11 Operating leases

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

### 2.12 Current and deferred income tax

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

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

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

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

### 2.13 Cash and cash equivalents

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.14 Provisions

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

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

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

### 2.15 Trade payables

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

### 2.16 Employee benefits

#### *(a) Employee leave entitlements*

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

#### *(b) Pension obligations*

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.16 Employee benefits (continued)

#### *(c) Bonus plans*

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

#### *(d) Share-based compensation*

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

### 2.17 Revenue recognition

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

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

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

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

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

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

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

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.18 Foreign currency translation

#### (a) *Functional and presentation currency*

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

#### (b) *Transactions and balances*

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

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

#### (c) *Group companies*

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

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

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

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

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

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

## 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.19 Government grants

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

### 2.20 Dividend distribution

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

### 2.21 Share capital

Ordinary shares are classified as equity.

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

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

#### *(a) Foreign exchange risk*

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

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

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

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors (continued)

#### (b) *Credit risk*

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

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

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

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

#### (c) *Liquidity risk*

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

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

#### (d) *Interest rate risk*

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

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

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.2 Fair value estimation

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

### 3.3 Capital risk management

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

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

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

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

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

*Note:*

(i) Current assets divided by current liabilities.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Useful lives of property, plant and equipment

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

### (b) Net realisable value of inventories

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

### (c) Provision for impairment of trade and other receivables

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

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

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (e) Impairment of goodwill

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

### (f) Employee benefits – share-based payments

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

## 5 REVENUE AND SEGMENT INFORMATION

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

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

The income from concessionaire sales is analysed as follows:

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

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

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

## 6 OTHER INCOME

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

## 7 OTHER GAINS

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

## 8 OTHER OPERATING EXPENSES

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

## 9 FINANCE INCOME

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

## 10 EMPLOYEE BENEFIT EXPENSE

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

### (a) Directors' emoluments

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

| Name of Director | Fees 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 | – | – | – | 1,014 | 1,114 |
| Mr. Au Tak-cheong | 100 | – | – | – | 254 | 354 |
| *Executive directors* | | | | | | |
| Mr. Cheng Chi-kong, Adrian | 150 | – | – | – | 507 | 657 |
| Mr. Cheung Fai-yet, Philip | 150 | 3,742 | 372 | 620 | 2,080 | 6,964 |
| Mr. Lin Tsai-tan, David | 150 | 1,540 | 102 | 773 | 723 | 3,288 |
| Mr. Wong Kwok-kan, Kenneth | 150 | 1,378 | 132 | 275 | 787 | 2,722 |
| Ms. Ngan Man-ying, Lynda | 150 | – | – | – | 507 | 657 |
| *Independent non-executive directors* | | | | | | |
| Mr. Cheong Ying-chew, Henry | 200 | – | – | – | 254 | 454 |
| Mr. Chan Yiu-tong, Ivan | 200 | – | – | – | 254 | 454 |
| Mr. Tong Hang-chan, Peter | 200 | – | – | – | 254 | 454 |
| Mr. Yu Chun-fai, Henry | 200 | – | – | – | 254 | 454 |
| | 1,750 | 6,660 | 606 | 1,668 | 6,888 | 17,572 |

## 10 EMPLOYEE BENEFIT EXPENSE (continued)

### (a) Directors' emoluments (continued)

The remuneration of every Director for the year ended 30 June 2008 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 | – | – | – | 792 | 892 |
| Mr. Au Tak-cheong | 100 | – | – | – | 198 | 298 |
| *Executive directors* | | | | | | |
| Mr. Cheng Chi-kong, Adrian | 150 | – | – | – | 396 | 546 |
| Mr. Cheung Fai-yet, Philip | 150 | 3,570 | 354 | 1,000 | 1,351 | 6,425 |
| Mr. Lin Tsai-tan, David | 150 | 1,462 | 99 | 994 | 439 | 3,144 |
| Mr. Wong Kwok-kan, Kenneth | 150 | 1,295 | 126 | 414 | 478 | 2,463 |
| Ms. Ngan Man-ying, Lynda | 150 | – | – | – | 396 | 546 |
| *Independent non-executive directors* | | | | | | |
| Mr. Cheong Ying-chew, Henry | 200 | – | – | – | 198 | 398 |
| Mr. Chan Yiu-tong, Ivan | 200 | – | – | – | 198 | 398 |
| Mr. Tong Hang-chan, Peter | 200 | – | – | – | 198 | 398 |
| Mr. Yu Chun-fai, Henry | 200 | – | – | – | 198 | 398 |
| | 1,750 | 6,327 | 579 | 2,408 | 4,842 | 15,906 |

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

## 10 EMPLOYEE BENEFIT EXPENSE (continued)

### (b) Five highest paid individuals

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

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

The emoluments fell within the following bands:

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

## 11 INCOME TAX EXPENSE

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

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

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

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

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

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

| | 2009 | 2008 |
|---|---|---|
| Weighted average domestic applicable tax rates | 25% | 29% |

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

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

## 13 DIVIDENDS

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

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

## 14 EARNINGS PER SHARE

### (a) Basic

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

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

### (b) Diluted

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

During the years ended 30 June 2008 and 2009, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

## 15 PROPERTY, PLANT AND EQUIPMENT

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

## 15 PROPERTY, PLANT AND EQUIPMENT (continued)

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

## 16 LAND USE RIGHTS

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

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

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

## 17 GOODWILL

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

### Impairment tests for goodwill

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

## 18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

## 19 NON-CURRENT OTHER ASSETS

Balance mainly represents the following transactions:

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

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

## 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

## 21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

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

## 22 DEBTORS

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

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

Aging analysis of debtors is as follows:

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

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

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

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

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

## 23 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

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

## 24 FIXED DEPOSITS

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

## 25 CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents are denominated in the following currencies:

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

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

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

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

## 26 SHARE CAPITAL

Movements were:

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

*Notes:*

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

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

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

## 26 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 year ended 30 June 2009 are as follows:

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

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

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

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

## 27 RESERVES

### (a) Group

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

## 27 RESERVES (continued)

### (a) Group (continued)

*Note:*

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

### (b) Company

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

## 28 DEFERRED INCOME TAX

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

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

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

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

## 28 DEFERRED INCOME TAX (continued)

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

**Group**

Deferred income tax assets:

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

**Group**

Deferred income tax liabilities:

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

## 28 DEFERRED INCOME TAX (continued)

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

## 29 CREDITORS, ACCRUALS AND OTHER PAYABLES

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

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

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

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

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

## 29 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

Nature of accruals and other payables are as follows:

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

## 30 SUBSIDIARIES

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

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

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

## 31 INVESTMENT IN AN ASSOCIATED COMPANY

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

*Notes:*

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

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

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

Details of the associated company are as follows:

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

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

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

## 32 COMMITMENTS

### (a) Capital commitments

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

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

### (b) Operating lease commitments

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

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

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

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

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

## 33 CONSOLIDATED CASH FLOW STATEMENTS

### (a) Acquisition of assets

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

Details of the net assets acquired are as follows:

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

## 33 CONSOLIDATED CASH FLOW STATEMENTS (continued)

### (b) Acquisition of subsidiaries

Details of the net assets acquired are as follows:

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

## 33 CONSOLIDATED CASH FLOW STATEMENTS (continued)

### (c) Disposal of a subsidiary

Details of the net liabilities disposed of are as follows:

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

*Note:*

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

## 33 CONSOLIDATED CASH FLOW STATEMENTS (continued)

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

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

## 34 BUSINESS COMBINATION

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

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

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

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

Details of net assets acquired and goodwill are as follows:

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

## 34 BUSINESS COMBINATION (continued)

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

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

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

## 34 BUSINESS COMBINATION (continued)

### (b) Acquisition of Uphill Group Limited

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

Details of net assets acquired and goodwill are as follows:

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

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

## 34 BUSINESS COMBINATION (continued)

### (b) Acquisition of Uphill Group Limited (continued)

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

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

## 35 RELATED PARTY TRANSACTIONS

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

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

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

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

*Notes:*

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

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

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

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

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

## 35 RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

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

## 36 PRINCIPAL SUBSIDIARIES

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

| Name | Place of incorporation/ establishment | Principal activities and place of operation | Issued and fully paid up share capital/ registered capital | Percentage of equity interests held directly | Percentage of equity interests held indirectly |
|---|---|---|---|---|---|
| New World Department Store (Investment) Limited | Hong Kong | Investment holding/ Hong Kong | HK$3 | 100 | – |
| New World Department Stores Limited | Hong Kong | Provision of management services to department stores/Hong Kong | HK$2 | 100 | – |
| Harbin New World Department Store Co., Ltd. | Mainland China | Department store operation/ Mainland China | RMB126,000,000 | – | 100 |
| Hubei New World Department Store Co., Ltd. | Mainland China | Department store operation/ Mainland China | RMB50,000,000 | 100 | – |
| New World Department Store (China) Co., Ltd. | Mainland China | Department store operation/ Mainland China | RMB50,000,000 | 100 | – |
| New World Department Stores Investment (China) Co., Ltd. | Mainland China | Investment holding company/ Mainland China | US$69,265,711 | 100 | – |

## 36 PRINCIPAL SUBSIDIARIES (continued)

| Name | Place of incorporation/ establishment | Principal activities and place of operation | Issued and fully paid up share capital/ registered capital | Percentage of equity interests held directly | indirectly |
|---|---|---|---|---|---|
| Ningbo Firm Success Consulting Development Co., Ltd. | Mainland China | Investment holding and provision of consultancy services/Mainland China | US$5,000,000 | – | 100 |
| Ningbo New World Department Store Co., Ltd. | Mainland China | Department store operation/ Mainland China | RMB40,000,000 | 100 | – |
| Ningbo New World Trendy Department Store Co., Ltd. | Mainland China | Department Store operation/ Mainland China | RMB11,801,474 | – | 100 |
| Shanghai New World Department Store Co., Ltd. | Mainland China | Department store operation/ Mainland China | RMB18,000,000 | – | 100 |
| Shanghai New World Trendy Plaza Co., Ltd. | Mainland China | Department store operation/ Mainland China | RMB50,000,000 | – | 100 |
| Shanghai New World Caixuan Department Store Co., Ltd. | Mainland China | Department store operation/ Mainland China | RMB30,000,000 | – | 100 |
| Shanghai New World Caizi Department Store Co., Ltd. | Mainland China | Department Store operation/ Mainland China | RMB50,000,000 | 100 | – |
| Shenyang New World Department Store Ltd. | Mainland China | Department store operation/ Mainland China | RMB30,000,000 | – | 100 |
| Shenyang Trendy Property Company Limited | Mainland China | Property investment/ Mainland China | RMB27,880,000 | – | 100 |
| Tianjin New World Department Store Co., Ltd. | Mainland China | Department store operation/ Mainland China | US$5,000,000 | 100 | – |
| Tianjin New World Trendy Plaza Co., Ltd. | Mainland China | Department store operation/ Mainland China | RMB30,000,000 | – | 100 |

## 36 PRINCIPAL SUBSIDIARIES (continued)

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

## 37 ULTIMATE HOLDING COMPANY

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

# Five-year Financial Summary

| | For the year ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Results** | | | | | |
| Revenue | **1,721,246** | 1,489,345 | 1,046,885 | 806,742 | 646,861 |
| Operating profit | **695,032** | 589,394 | 350,797 | 171,627 | 128,181 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | **547,309** | 476,575 | 302,765 | 157,938 | 100,751 |

| | As at 30 June | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Assets, liabilities and equity** | | | | | |
| Total assets | **6,298,906** | 5,760,430 | 2,057,978 | 1,623,293 | 1,126,335 |
| Total liabilities | **1,869,485** | 1,653,684 | 1,200,749 | 1,434,844 | 1,090,862 |
| Total equity | **4,429,421** | 4,106,746 | 857,229 | 188,449 | 35,473 |

# 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 |
| MOC | : | 中華人民共和國商務部, the Ministry of Commerce of the PRC |
| NWD | : | New World Development Company Limited |
| sq. m. or m2 | : | Square metre |
| CBD | : | Central Business District |

## FINANCIAL TERMS

Operating profit margin :

$$\frac{\text{Operating profit}}{\text{Revenue}} \times 100\%$$

Net profit margin :

$$\frac{\text{Profit for the year}}{\text{Revenue}} \times 100\%$$

Current ratio (times) :

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Earnings per share or EPS :

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

## BOARD OF DIRECTORS

### Non-executive Directors

Dr. Cheng Kar-shun, Henry *(Chairman)*
Mr. Au Tak-cheong

### Executive Directors

Mr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip *(Managing Director)*
Mr. Lin Tsai-tan, David
Mr. Wong Kwok-kan, Kenneth
Ms. Ngan Man-ying, Lynda

### Independent Non-executive Directors

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

## COMPANY SECRETARY

Mr. Wong Kwok-kan, Kenneth

## AUDITOR

PricewaterhouseCoopers

## SOLICITORS

Stephen Mok & Co. in association with Eversheds LLP
Woo, Kwan, Lee & Lo

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1403, 14th Floor, West Wing Office Building
New World Centre, 20 Salisbury Road
Tsimshatsui, Kowloon, Hong Kong
Tel: (852) 2753 3988
Fax: (852) 2318 0884

## PRINCIPAL BANKERS

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

## STOCK CODE

Hong Kong Stock Exchange 825

## INVESTOR INFORMATION

For more information about the Group,
please contact the Corporate Affairs Department of
New World Department Store China Limited at:
Room 1403, 14th Floor, West Wing Office Building
New World Centre, 20 Salisbury Road
Tsimshatsui, Kowloon, Hong Kong
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Fax: (852) 2318 0884
e-mail: nwdscad@nwds.com.hk

## WEBSITE

www.nwds.com.hk

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)**

Room 1403, 14/F, West Wing Office Building, New World Centre,
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