

Annual Report 2010



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 2010, we have secured strategic footholds in 17 major cities, including Beijing, Shanghai, Shenyang, Wuhan, Harbin, Dalian, Anshan, Tianjin, Lanzhou, Wuxi, Ningbo, Nanjing, Taizhou, Changsha, Chengdu, Chongqing and Kunming. Occupying an aggregate gross floor area of approximately 1,174,530 square metres, our retail chain comprised 25 self-owned stores and 10 managed stores in the PRC. We operated under two brands — "New World" in 26 stores around China and "巴黎春天" (Ba Li Chun Tian) in 9 stores in Shanghai.

Tapping into China's growing affluence: our target market

We develop our stores as Living Galleries for one-stop shopping and Fashion Galleries for themed shopping. "Living Gallery" targets people of all ages and both genders, 20%-30% of the store area is reserved for providing complementary services, like supermarket, dining, fitness centre, spa centre, bank etc, satisfying people's needs from all walks of life. "Fashion Gallery" is positioned as "Trendy" and full of "Characters" and "Taste", emphasising "Mix & Match" with exclusive brands and designer labels introduced. 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 2010, we employed 4,842 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.



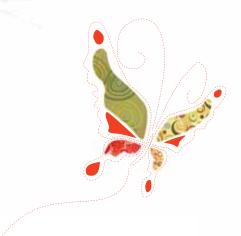






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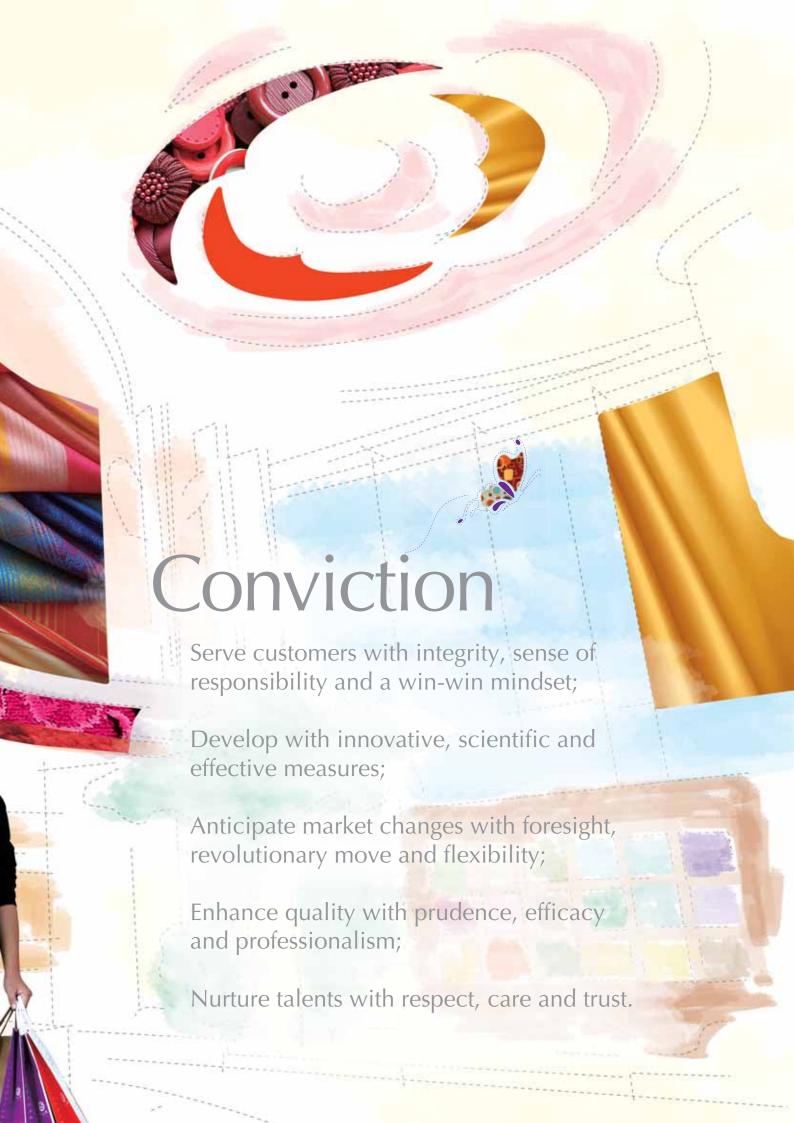
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Milestones

2009

July

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.



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



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 is implemented sequentially in all operational regions, kicking off from Shenyang, the activation city of Northeastern Region.



November

Accredited as "Asia's 200 Best Under A Billion" by Forbes, the internationally renowned financial magazine for 2 consecutive years.





Northern Region and Southwestern Region semi-final of "The 1st NWDS Spokesperson" contest took place in Beijing and Chengdu respectively.





January Acquisition of Shanghai Pujian Branch Store as self-owned store with a GFA of approximately 46,000 sq. m., further strengthening Shanghai as the core city.



Opening of the first brand new 'Living Gallery', Shanghai Baoshan Branch Store, in Shanghai, striding forward an important step for the rebranding program.



Eastern Region semi-final of "The 1st NWDS Spokesperson" contest took place ceremoniously in Shanghai.

Imposing CNY decoration with unified theme in five stores of different cities in China, delivering the atmosphere of universal jubilation to customers. Photo competition was also held in line with the large-scale decoration to increase the customer traffic.



FY2009 Annual Report won Grand Award for "Best of Design: Annual Report", Gold Award for "Annual Report: Overall Presentation – Dept. Store", Gold Award for "Annual Report: Interior Design – Between 130 to 200 Pages" and Honour Award for "Annual Report: Cover Design – Abstract/Graphics" in 23rd

International Mercury Awards Competition.



March

Became one of the enterprises of "Caring Company" in Hong Kong Council of Social Service 2009/10, our effort on outstanding corporate citizenship has been recognized.

Aprıl

With the position of one-stop shopping "Living Gallery", the ninth department store in Shanghai, Shanghai Chengshan Branch Store commenced operation, entering the potential community zone.



FY2009 Annual Report won Silver Award for "Annual Report: Corporations - Between 101-200 Pages" and Bronze Award for "Annual Report: Photography" in 20th International Astrid Awards Competition.

Annual Report 2010

Milestones



- Central Region semi-final of "The 1st NWDS Spokesperson" contest took place ceremoniously in Wuhan.
- Deploying the exclusive brand strategy and introducing the symbol of "N-only". Brands and products



sold on the counters with the symbol of "N-only" indicates that they are NWDS monopolies within the located district.

May

 The first brand new "Fashion Gallery" of NWDS, Beijing Shishang Store, commenced operation. Themed as "Feminine Club", it targets whitecollar elites as the main group of customers.



June

All stores of NWDS organized "Used book donation campaign". Over 70,000 used books were collected and donated to hillside schools and charitable organizations.



"The 1st NWDS Spokesperson"
 National Final concluded successfully,1st spokesperson was born, and will go to all stores in China to spread the new image of "Enriching Lives · Enhancing Character".



- HK\$410,000 collected by New World Group who was the largest contributor in the private sector.
- FY2009 Annual report won Bronze Award for "Overall Annual Report: Retail – Convenience & Dept. Store" in International ARC Awards Competition.
- FY2009 Annual report won Bronze Award for "Annual Report: Retail Industry" in LACP's 2009 Vision Awards Competition.

August

 With a GFA of about 93,000 sq.m., Beijing Store converted from managed store to self-owned store, further enhancing Beijing as the core city.

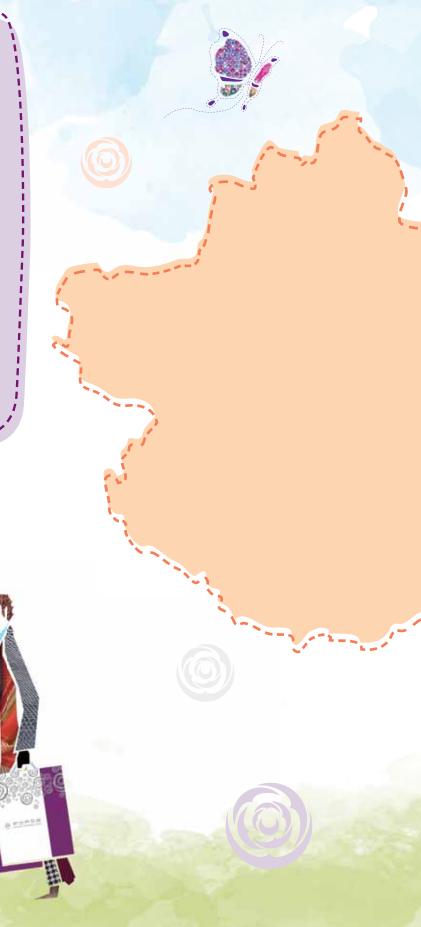
September

Grand opening of the fifth department store in Beijing, Beijing Qianzi Store, demonstrating the edge brought by "multiple stores in a single city" strategy.

Retail Network

35 Strategic footholds in 17 Major Cities

Harbin 1 2 Shenyang Dalian 1 Anshan 1 Beijing 4 Tianjin 1 Lanzhou 1 Shanghai 9 Wuxi 1 Ningbo 2 Nanjing 1 Taizhou 1 Wuhan 6 Changsha Chengdu Chongqing Kunming





Retail Network



Financial Highlights



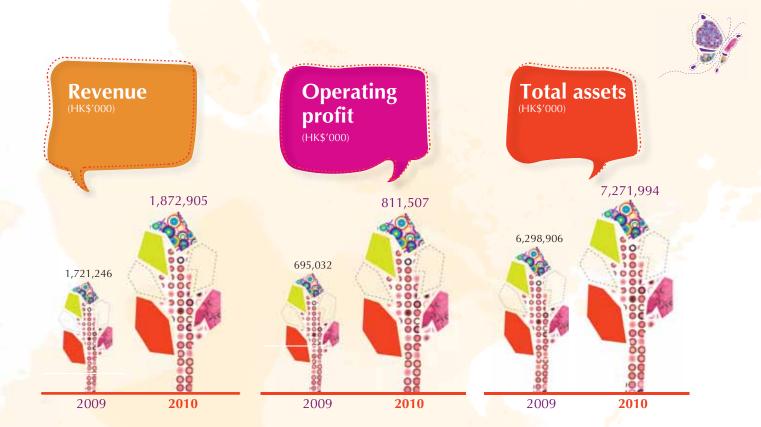


	2010 HK\$'000	2 <mark>009</mark> HK\$'000
Operating Result Revenue	1,872,905	1,721,246
Representing: Commission income from concessionaire sales Sales of goods – direct sales Management fees Rental income	1,197,085 397,419 154,247 124,154	1,163,257 273,588 184,409 99,992
	1,872,905	1,721,246
Operating profit Profit for the year	811,507 577,607	695,032 547,309
	As at 30 June 2010 HK\$'000	As at 30 June 2009 HK\$'000
Financial Position Fixed deposits, cash and cash equivalents Total assets Total liabilities Total equity	3,596,699 7,271,994 2,502,801 4,769,193	2,923,521 6,298,906 1,869,485 4,429,421

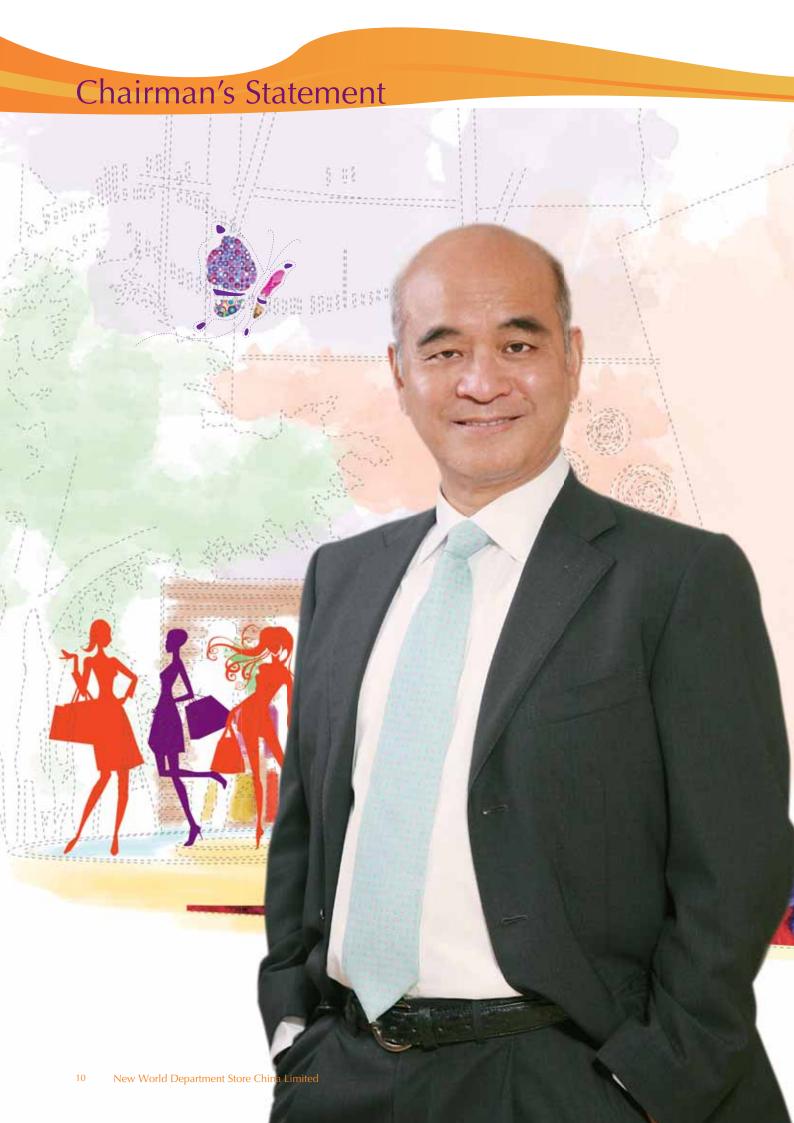




Financial Highlights



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	2010	2009
Financial Ratios Revenue growth Operating profit margin Net profit margin	8.8% 43.3% 30.8%	15.6% 40.4% 31.8%
	As at 30 June 2010	As at 30 June 2009
Current ratio (times)	2.01	2.45







After the sub-prime mortgage crisis and financial tsunami, the Group still upholds the leading position in Chinese department store industry, indicating that we already have a solid foundation against future challenges. In face of fierce competition, the Group is actively making a breakthrough for innovation. We embarked a full-fledged rebranding program in September last year with forward-looking perspectives to project a new image of "Enriching Lives • Enhancing Character", creating "Living Gallery" for onestop shopping and "Fashion Gallery" for themed shopping, which introduces the concept of "Taste" and "Character" to customers.



Chairman's Statement

The rebranding program unveils the new chapter of the retail industry. In the year under review, the Group endeavored to create an unprecedented shopping experience by stipulating operational strategies and implementing marketing strategies in line with our rebranding program:

- Abandon the old and initiate the new by categorizing department stores into "Fashion Gallery" and "Living Gallery";
- ~ Develop innovative maneuvers by giving birth to 2 one-stop shopping department stores and 1 feminine club style department store;
- ~ Drive trend by holding "The 1st NWDS Spokesperson" contest;
- ~ Breakthrough by deploying the symbol of "N-only" and exclusive brand strategy;
- ~ Serve customers by three tailored VIP clubs;
- Respond to market changes by launching sensational marketing strategy...

For the year ended 30 June 2010, total revenue of the Group amounted to HK\$1,872.9 million, with a 8.8% increase over the year under review. Operating profit was HK\$811.5 million. Profit attributable to shareholder increased by 5.5% to HK\$577.6 million. Earnings per share was about HK\$0.34. The Board of Director resolved to distribute a final dividend of HK\$0.07 per share.

After the sub-prime mortgage crisis and financial tsunami, the Group still upholds the leading position in Chinese department store industry, indicating that we already have a solid foundation against future challenges. In face of fierce competition, the Group is actively making a breakthrough for innovation. We embarked a full-fledged rebranding program in September last year with forward-looking perspectives to project a new image of "Enriching Lives • Enhancing Character", creating "Living Gallery" for one-stop shopping and "Fashion Gallery" for themed shopping, which introduces the concept of "Taste" and "Character" to customers. The rebranding of Shenyang has been completed in the Current Year; while the program concerning other cities is expected to complete in 2012.

In the year under review, we opened three self-owned stores, including Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store, seizing the opportunity of 2010 Shanghai Expo. Both stores are positioned as "Living Gallery" to provide customers with one-stop shopping experience regardless of their age and gender, as well as catering their needs in terms of "Clothing", "Dining", "Living", "Travelling" and "Entertainment". In addition, we have opened the first feminine club style department store in Beijing, Beijing Shishang Store. It is a "Fashion Gallery" targeted OL group. As of 30 June 2010, the Group operated 35 department stores with a total gross floor area of about 1,174,530 sq.m. covering 17 major cities in China. The Group has acquired the operating right of Shanghai Pujian Branch Store in January 2010, converting the store from managed to self-owned. In August of the same year, the Group successfully acquired the operating right of Beijing Store and agreed to acquire Chengdu Store as self-owned store with the application on progress. Located at Shunyi district, Beijing Qianzi Store has recently opened in this September; while Zhengzhou Store and Shenyang Jianqiao Road Branch Store are scheduled for opening in 2011, further expanding the Group's market share in the industry.

As the retail industry in China grows more and more sophisticated, competition becomes fierce as well. In view of this, the Group has formulated a thong of new marketing strategies befitting the market situation. The Group has held "The 1st NWDS Spokesperson" contest to echo with the rebranding program in the year reported. The spokesperson with unique character selected in this 11-month contest help promote the new image of "Enriching Lives • Enhancing Character" to the public. Moreover, we have also launched the symbol of "N-only" and the exclusive brand strategy in order to stand out in the highly competitive market. In order to uplift the overall stores' ambience, the Group introduces the sensory marketing strategy which attracts different customers and stimulates their shopping desires through visual display, lighting effect, aroma, music and an open-style display. Guided by the ethos of "customers come first", customer services and VIP programs have been enhanced to provide tailored services catering to different needs, intensifying the sense of prestige for club members as well as attracting new customers.







Chairman's Statement





In business development, we will stick on our expansion strategies of "multiple presences in a single city", continuing to add retail footholds in a single city or region. Applying the "radiation strategy", our business is also expanding into cities on the periphery of the core city with strong presence. We will hold fast to our expansion strategy by adding 2-3 self-owned stores with total gross floor area of approximately 100,000-120,000 sq.m. in prime locations of target cities to our retail portfolio every fiscal year.

The Group endeavors to maintain corporate governance with a flawless management mechanism comprises not only the board of directors, but also the audit committee and the salary committee. We strive to enhance transparency by releasing updated company information timely as well as initiating activities that help strengthen the Group's relations with investors.

Following the philosophy of "give-and-take" spirit in the community, we make it our mission to maintain corporate citizenship responsibilities by supporting various social welfare and green initiatives. In June this year, all of our stores partook in the "Used Book Donation Campaign" through which over 70,000 copies were donated to hillside schools and charitable organizations. By being a main sponsor of MSF Day for 4 consecutive years and an ardent supporter of the Bright Future Action, the Group actively fulfills its goal of contributing to the community.

Since the outbreak of the financial tsunami in 2008, China has maintained a steady economic growth thanks to Chinese Government's swift and proactive endeavors to cope with the crisis. In 2010, proactive fiscal policy and loose monetary measures are adopted to boost per capita income, spending desire and hence internal consumption. Such maneuvers help accelerate the pace of economic development, creating a favorable atmosphere for the development of domestic retail industry. Hence, the Group remains cautiously optimistic on the future development of the department store industry. We believe that the Chinese economy will rise steadily in the latter half of 2010. It is vital for department stores to stay innovative and open for reforms since the Chinese retail industry is full of variables. Given the conditions and trends in the market and national policies, the Group will keep venturing out into uncharted lands.

Looking ahead, the Group will continue to seize the opportunities brought by the vast Chinese market and ride the tide of the substantial economic growth in China. Through our strategies of business network expansion, stringent cost control, thoughtful services and quality merchandising, we strive to promptly readjust operational strategies to stay competitive and maintain profitability as well as maximizing return for shareholders.

With visionary mindset, the Group has grasped the opportunity to expand our network in the PRC retail market as well as maintaining a strong foothold in 17 major cities, becoming a distinguished chain operator with reputable fame in the industry. We owe our outstanding achievements to concerted efforts by management and staffs, trust from shareholders, support from business partners and patronage by customers. On behalf of the Board, I would like to extend heartfelt gratitude to all parties concerned.

We will continue on our path to build a new brand roadmap and lead the industry.

Dr. Cheng Kar-shun, Henry

Chairman

Hong Kong, 4 October 2010







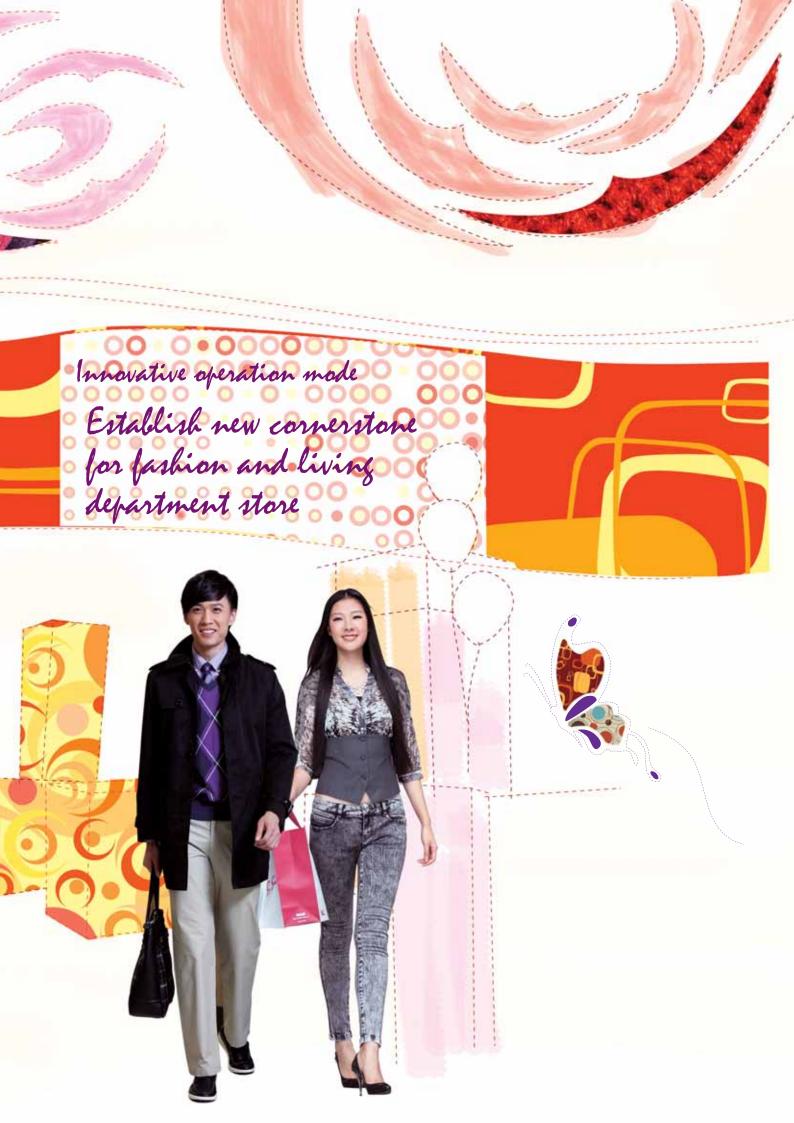












Business Review

BUSINESS NETWORK

In the year ended 30 June 2010 (or "the Current Year"), the Group operated 35 department stores, with a total gross floor area (or "GFA") of about 1,174,530 square metres and a total operating floor area (or "OFA") of about 904,900 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 25 self-owned stores and 10 managed stores.

REVENUE CONTRIBUTION

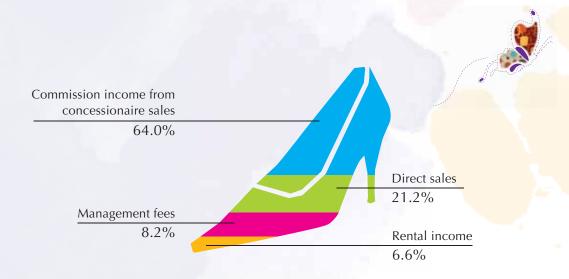
By region

The Central China Region contributed the most to the Group's revenue during the year under review, accounting for 32.4% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 31.5% and 20.7% of total revenue, respectively.



By segment

Commission income from concessionaire sales was the major type of income, accounting for 64.0% of total revenue. Proceeds from direct sales and management fees accounted for 21.2% and 8.2%, respectively. Rental income accounted for 6.6%.







STORE NETWORK DEVELOPMENT

In the year under review, the Group opened three new self-owned stores in Shanghai and Beijing, including Shanghai – Hong Kong New World Department Store – Baoshan Branch Store ("Shanghai Baoshan Branch Store"), Shanghai – Hong Kong New World Department Store – Chengshan Branch Store ("Shanghai Chengshan Branch Store") and Beijing Shishang New World Department Store ("Beijing Shishang Store"). Besides, Shenyang New World Department Store – Taiyuan Street Branch Store ("Shenyang Taiyuan Street Branch Store") ceased to be the Group's self-owned store since April 2010.

Therefore, as of 30 June 2010, the Group's total GFA was approximately 1,174,530 square metres, up 10.44% from the Previous Year.

GROWTH IN NATIONWIDE VIP MEMBERSHIP

In the year under review, the Group especially launched three VIP clubs: namely the "Smart Lady Club", "Perfect House Wife Club" and "Platinum VIP Club". With only one year ever since these VIP clubs were launched, the number of our VIP club members was over 400,000, whereas club activities also successfully attracted more new VIP members. In the Current Year, the total number of VIP and platinum VIP members increased by 13.7% and 5.8% respectively when comparing with that of the Previous Year. The number of our VIP members now exceeds 1.88 million.

VIP Club Members 400,000 (approx.)

VIP Card +13.7%

Platinum VIP Card +5.8%



Northeastern China Region



Starting from September 2009, the Northeastern China Region has pioneered in the new operation mode of 'Fashion Style' and 'Living Style'. Stores in Shenyang, Harbin, Anshan and Dalian have been gradually rebranding into "Fashion Gallery" and "Living Gallery".

Northeastern China Region





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	9.90 million	325.81 billion	33,000	15,887	150.79 billion
Shenyang	7.86 million	435.92 billion	55,000	18,560	177.86 billion
Dalian	6.17 million	441.77 billion	72,000	19,014	139.67 billion
Anshan	3.61 million	191.50 billion	52,000	16,580	46.00 billion

Northeastern China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Harbin	37.49 million	240,000	30.03 billion
Shenyang	52.90 million	500,000	42.80 billion
Dalian	34.12 million	1,050,000	43.05 billion
Anshan	17.16 million	137,000	9.30 billion



Source:

- National Statistics Bureau of China
- Statistical Information Network of Harbin
- Statistical Information Network of Dalian
- Statistical Information Network of Anshan
- Si<mark>na</mark> Network
- 2009 National Economic and Social Development Statistic Bulletin
- Statistical Information Network
- Statistical Data Network

Improving Economy in Northeastern Region Boosts Internal Consumption

Although the economy of the Northeastern China Region underwent a setback in the shadow of global financial meltdown in 2009, it regained upward momentum with master development plans of Government including "Redevelopment of Northeastern Industrial District", "8 Major Economic Zones" and "Ten Engineering Projects" implemented in full swing. The overall economy of the two provincial governments were given gradual growth impetus through which economic indicators registered a satisfactory rebound: the first half of 2010 saw Liaoning's total GDP grew by 17.6% as compared to the same period last year; while that for Heilongjiang was 12.9%.

Thanks to the effort of the provincial governments to promote domestic consumption and the development of service industry, the retail sales of consumer goods of Liaoning and Heilongjiang reached 320.06 billions and 181.54 billions respectively in the first half of 2010. While Heilongjiang saw a year-on-year growth of 19% with a year-on-year increase of 3.1 percentage points, the consumer goods market in Northeastern China Region was on a continuing trend of expansion, and

the development of consumption in both rural and urban districts was elevating. To cope with fierce competition, retail department stores were eagerly enhancing their brand images and positioning. Apart from the conventional merchandises like fashion and accessories, department stores now provide food and beverage, entertainment and other latest leisure options. This new trend changes the shopping habits and consumption modes of the Northeastern China market, dealing a heavy blow to traditional department stores.

514.3 BILLION

Total Retail Sales of Consumer Goods (RMB)

As the first store rebranded into "Fashion Gallery", Shenyang Nanjing Street Branch Store prided itself on featuring renowned international and stylish brands.



Differentiated Operation Mode Highlights Stores' Character

In the year under review, the Group operated four self-owned stores in the Northeastern China Region. They were Harbin New World Department Store ("Harbin Store"), Shenyang New World Department Store—Nanjing Street Branch Store ("Shenyang Nanjing 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").

Starting from September 2009, the Northeastern China Region has pioneered in the new operation mode of 'Fashion Style' and 'Living Style'. Stores in Shenyang, Harbin, Anshan and Dalian have been gradually rebranding into "Fashion Gallery" and "Living Gallery".



As the first store rebranded into "Fashion Gallery", Shenyang Nanjing Street Branch Store prided itself on featuring renowned international and stylish brands. Striving to implement a differentiated operation, the store highlighted its edges with its strong presence of branded goods and highly acclaimed VIP services. VIP members can enjoy tailor-made privileges such as multiple bonus scheme, guided shopping, wine tasting gatherings, etc. The interior also played an important role in the rebranding program. The men's fashion section at the third floor of Shenyang Nanjing Street Branch Store has undergone a lighting enhancement which boosted the sleek and chic visual merchandizing effect through tactful uses of lighting and displays.





• Shenyang Zhonghua Road Branch Store

Business Review -

Northeastern China Region







• Dalian Store

Shenyang Zhonghua Road Branch Store, on the other hand, was revamped as the one-stop shopping "Living Gallery" with living facilities enlarged and new themed restaurants, snack corners and other complementary services introduced. In the year under review, we have renovated the store's health food & snack area and enlarged the dedicated area for sporting goods, leisure product, outdoor equipments, sportswear and swimwear to meet the need of consumers. Moreover, the store stressed on humanistic concern that human-oriented designs included greenery and rest area were added inside store to show our care to customers' needs. An Event



Hall was also set up in which regular themed promotion activities were held. For interior décor, the latest revamp saw a more spacious and sleek counter design. The atrium was rediscovered as a dedicated area for visual merchandizing and festive decorations that constituted a pleasant shopping experience.

Targeting to be a "Living Gallery", a one-stop department store for all walks of life, in the year reported, Harbin Store offered a diversified merchandise mix with special emphasis on increasing the brand for cosmetics, jewellery and expanded the watch and mature ladies' wear sections. Another key change was the conversion of bedding & houseware area into outerwear & outdoor equipments and stylish fashion and accessories sections. Moreover, new children's wear and pre-school education sections were launched to establish the store as the preferred family-oriented shopping spot.

With the goal of becoming a themed "Fashion Gallery", Anshan Store has gradually evolved its unique fashionable shopping ambience. In the year under review, Anshan Store boasted a new concessionaire planning for men's and ladies' shoe and apparel area. Leveraging the growing need for



• Anshan Store

Northeastern China Region

mature ladies' wear, a new section was especially dedicated to this product category. The lingerie area was also redesigned into an elegant boudoir to highlight the edges of Anshan Store. The newly conceived dining area also refreshed customers' taste buds with new restaurants and dining outlets.

Also heading to revamp as a "Fashion Gallery", Dalian Store stayed ahead of local retail industry in the year reported by positioning ladies' footwear as its category killer product. To further enhance its competitiveness, its young ladies' fashion area has doubled the size in operation and new brands were introduced. As Dalian Store targets local office ladies, it especially adjusted its cosmetics area to achieve the goal as a retail spot with the most comprehensive brands, the best image as well as the best sales returns for this product category.



177,140_{SQ.M.}

Total GFA (approx.)

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	36,800
Shenyang Zhonghua Road Branch Store	December 2005	44,000	33,800
Anshan Store	October 2007	37,250	34,200
Managed Store Dalian Store	November 2002	32,000	26,500
	Total	177,140	142,100

Bountiful Promotion Activities to Draw Customers' Patronage

In the year reported, the Northeastern China Region has done a lot to retain VIP customers and stimulate customers' patronage and spending. Shenyang Nanjing Street Branch Store, among all, was renowned for its powerful VIP activities and privileges. The store offered two hotel boutique and luxury goods sales event every year. These activities helped enhance VIP loyalty and boost revisit rate to a record high. Starting from February 2010, Shenyang Nanjing Street Branch Store has been hosting "VIP days" on the first Saturday of every month during which VIPs can earn multiple bonus points. The activity has been well-received since then. In addition, the "Platinum Night" for platinum VIPs created a sense of prestige among VIP members and became a powerful tool for member retention and customer loyalty enhancement. During the "Platinum Night", the store offered attractive VIP program through which members could redeem hotel accommodation and dining offers upon certain amount of purchase, a surge in sale among members was thus resulted. The number of platinum VIP members in Northeastern China Region increased by 3.4% in the Current Year.



Business Review -

Northeastern China Region







The Northeastern China Region has done a lot to retain VIP customers and stimulate customers' patronage and spending.
Stores were renowned for its powerful VIP activities and privileges, which helped enhance VIP loyalty and boost revisit rate to a record high.

To encourage VIP members to join our newly-developed VIP clubs, Northeastern China Region organized specialized activities to attract specific customer groups, such as "Pink Ribbon-Breast Cancer Awareness Talk" for Smart Lady Club members held in Shenyang Nanjing Street Branch Store, "Happy Family Day Trip" organized for Perfect House Wife Club members by Harbin Store as well as "Platinum Style Skincare Seminar" for Platinum VIP Club members by Shenyang Zhonghua Road Branch Store. Stores in Northeastern China Region further introduced 5 times bonus for shopping on birthday and other attractive gifts for its club member solicitation. During the year reported, the total number of VIP club members in the region was over 66,000.

Apart from the above maneuvers, the Northeastern China Region also hosted a thong of sizable promotion activities. The "New World Carnival" held by Anshan Store was one of the examples. The event delivered a festive atmosphere through a dressed parade of the store staff. During the event, customers who spent in the store received ballots by which they could cast for their favorite carnival counters and enjoyed chances to win in the lucky draw. The event drew in a lot of customers who contributed to the rise of sale. Moreover, Harbin Store and Shenyang Nanjing Street Branch Store also hosted the "Nocturnal Spree" and the "Starry Night" respectively, in which customers received gifts and instant rebate for designated amounts of spending. Both events ended in great success with overwhelming customer support. On April 2010, Shenyang Zhonghua Road Branch Store held a "60 hour non-stop shopping event" where customers could win an ipod-touch when they have reached certain amount of spending. The event also offered VIP-only 20 times bonus points for designated brands within designated time interval. The result was a rise in both the number of pedestrian flow and sales.

The Accoladed Leader in the Northeast

During the year under review, stores in the Northeastern China Region have always been accoladed by the regional retail sector. Shenyang Nanjing Street Branch Store was awarded the "Favorite Brand Among Consumers in Shenyang" in the "Service Industry – Integrated Arcade and Shopping Center" category for 2009 by "Lifestyle" & Trend Magazine". Moreover, the store was recognized as the "Paragon of Prolonged Business Growth in Heping District for 2009" by the People's Committee of Shenyang Heping District and the People's Government of Shenyang Heping District. It was also acclaimed as the "Harmonious Consumption Model Unit for 2009" and the "Advanced Consumer Right Promotion Unit for 2009" awarded by the Consumers' Committee of Shenyang City and the Consumers' Committee of Heping District respectively. Moreover, both Shenyang Nanjing Street Branch Store and Shenyang Zhonghua Road Branch Store won the "Corporation for Hassle-free Patronizing" title in the "Shenyang National Day Thankful Corporations for Customers Event" co-hosted by Consumers' Committee of Shenyang City and Hua Shang Chen Bao; while Shenyang Zhonghua Road Branch Store also won "The Most Popular Event" prize.

In the year reported, Harbin Store received the title of "2009 Advanced Public Security Integrated Management Conglomerate" from the Community Office of Harbin Nangang District. The store also won the excellent organization prize in the "2009 Harbin Excellent Service Month for Business Sector" hosted by the Commerce Committee of Harbin.

In addition, Anshan store was crowned the "Caring Enterprise" by the Anshan Municipal Government together with Anshan Red Cross.

66,000 (approx.)

Total Number of VIP Club Members



Eastern China Region



Following Northeastern China Region, Eastern China Region is our second operational region to undergo store rebranding. Since the end of 2009, stores in Eastern China Region has been gradually preparing and launching the revamp according to consumer demands and the characteristics of specific business circle where stores are located in.





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	19.21 million	1,504.65 billion	78,225	28,838	517.32 billion
Wuxi	4.65 million	499.20 billion	78,989	25,027	165.14 billion
Ningbo	5.71 million	421.46 billion	73,808	27,368	143.44 billion
Nanjing	6.30 million	423.03 billion	55,290	25,504	196.16 billion
Taizhou	5.79 million	202.55 billion	35,148	24,429	81.79 billion

Eastern China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Shanghai	123.61 million	6,289,000	191.35 billion
Wuxi	43.10 million	662,000	61.90 billion
Ningbo	39.62 million	801,000	49.73 billion
Nanjing	55.20 million	1,135,000	76.25 billion
Taizhou	25.95 million	104,000	20.37 billion



Source:

- 2009 Statistical Yearbook of Shanghai
- 2009 Nanjing Bureau of Statistics for Economic Development

Structural Change in Economy of Yangtze River Delta Corporation In Search of New Opportunities

Stricken by the global economic tsunami in 2008 – 2009, the economy of Yangtze River Delta Region stumbled with significantly reduced exports. Shanghai posted a humble GDP growth of 8.2% in 2009, the lowest since 1992. To actively tackle the crisis, National Development and Reform Commission launched Regional Plan for Yangtze River Delta (YRD), aiming to, through a series of programs, steered the Eastern China Region out of the economic crisis, and promoted the economic model transformation of YRD into an international hub as well as centre of modern services and leading manufacturing in the Asian Pacific region. Boosted by governmental economic stimulus plans on all levels, economy in Eastern China cities was already showing signs of recovery, revitalizing finance and retail industries in the year reported. However, in view of structural change in economy, the pressure from unemployment rate and inflation,

- Statistical Data Network of Ningbo
- Wuxi Statistical Report

retail industry in Eastern China Region will still have a tough time. Industry players in department store therefore must seize new opportunities leveraging on their sound business foundation and strong innovative spirit.



Total Retail Sales of Consumer Goods (RMB)



The design of "Living Gallery" is themed as 'Eco Paradise', elements of nature and greenery have been incorporated into every corner of the store. Moreover, spacious areas are retained on each floor and lift lobby for shoppers to relax, showing heartfelt care to the customers.





"Multiple Presences in a Single City" Fosters Development in Core Cities

In line with our "multiple presences in a single city" strategy, the Group has opened two self-owned stores in Shanghai in January 2010 and April 2010 respectively: they were Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store. Shanghai Baoshan Branch Store is located at a newly-developed community – Baoshan commercia<mark>l</mark> circle. It has 7 storeys with a GFA of approximately 39,000 sq.m. It is the first newly developed 'Living Gallery' providing one-stop shopping, leisure, dining & integrated services that targets people of all ages and both genders. Around 30% of the store's area is reserved for providing complementary services, such as beauty & hair salon, pre-school children centre and food & beverage outlets. The design of "Living Gallery" is themed as 'Eco Paradise', elements of nature and greenery have been incorporated into every corner of the store. Moreover, spacious areas are retained on each floor and lift lobby for shoppers to relax, showing heartfelt care to the customers.

Situated in the centre of Dahua Jinxiu in Pudong District, Shanghai Chengshan Branch Store is adjacent to the site of World Expo Shanghai, taking the advantage of this strategic location. The store has 4 storeys with a GFA of approximately 38,000 sq.m. The store renders a spa centre exclusively provided for female customers as well as a household item galleria with bountiful household supplies. Moreover, there are children's playground, pre-school children centre as well as photography facilities, providing comprehensive care for children. To cater the needs of tourists visiting World Expo, the store also houses numerous specialty counters for customers to purchase souvenirs. Shanghai Chengshan Branch Store has been designed with the reddish-orange theme colour designated to Living Gallery, nature's elements were incorporated into every corner of the store, delivering an unprecedented shopping environment to customers.



Business Review - Eastern China Region





Innovative Operational Model Brought New Store Image

In the year reported, the Group operated fourteen stores in the Eastern China Region: nine of them were under the "Ba Li Chun Tian" brand, including eight self-owned stores: 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"), Shanghai - Hong Kong New World Department Store - Qibao Branch Store ("Shanghai Qibao Branch Store"), Shanghai - Hong Kong New World Department Store - Pujian Branch Store ("Shanghai Puijian Branch Store"), Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store; and one managed store: Shanghai - Hong Kong New





World Department Store – Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store"). In addition, there were also five self-owned stores under the "New World" brand in this region: 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 New World Department Store ("Taizhou Store").

Following Northeastern China Region, Eastern China Region is our second operational region to undergo store rebranding. Since the end of 2009, stores in Eastern China Region has been gradually preparing and launching the revamp according to consumer demands and the characteristics of specific business circle where stores are located in.



Business Review Eastern China Region

Refreshing Store Profile to extend market recognition

During the year reported, Shanghai Huaihai Branch Store has been gradually modifying towards the goal of Fashion Gallery. Shanghai Huaihai Branch Store put its emphasis on ladies' shoes as its category killer which was accompanied by the enhancement of ladies' wear. The store also introduced many best-selling hot brands of ladies' shoes, in which included some most sought-after lapanese labels popular among female customers.



• Shanghai Huaihai Branch Store







Shanghai Xinning Branch Store has gradually developed itself into the mode of Fashion Gallery, appealing to young consumers with best-selling brands in market, aiming to establish it as the center of fashion hub in the region. In the year reported, the store reduced the number of brands of men's formal and business suits whereas expanded operating area for men's casual wear to suit young generation's style. Shanghai Changning Branch Store was revamped into a Fashion Brand Outlet in Zhongshan Park Commercial Circle, featuring lower price yet high-quality fashion merchandises. Its regular discounted concessionaires are highly competitive within the business circle. Also targeting to be a Fashion Gallery in future store development, Shanghai Hongkou Branch Store in Sichuan North Road strived to further extend its direct sales merchandise in the year under review.

In the Current Year, Shanghai Qibao Branch Store focused on enhancing the images of its ladies' shoes, jewellery, mature ladies' wear, and men's business suits concessionaires, laying a solid groundwork

Business Review - Eastern China Region





for establishment towards a Fashion Gallery with kaleidoscopic fashion merchandises.

During the year reported, Shanghai Wujiaochang Branch Store opened trendy brand flagship store on second floor, whilst Event Hall and brand outlet were launched on the seventh floor. The store turned out to be the most popular department store in Wujiaochang Business District.

Located in Tangqiao Commercial Circle, Shanghai Pujian Branch Store bears in mind the goal of developing into a community-type Living Gallery, catering the needs of residents on all levels in terms of "Clothing", "Dining", "Living", "Travelling" and







Ningbo Store







"Entertainment". In the Current Year, Shanghai Pujian Branch Store expanded the dining area on first floor and re-arranged the fashion accessories

In the year under review, Ningbo Store refurbished its branded goods zone, and introduced new category like fragrance and smoking sets product. Handicraft gift, wine cellar and tea products were also showcased on the top floor, all of which showed its endeavor to become a fashionable department store with distinguished character in Ningbo.

Ladies' wear floor in Ningbo Trendy Store was enriched with health and beauty concept products, stretching the women's merchandise into a more

Business Review Eastern China Region

diverse end. Moreover, in order to attract higher traffic flow, Ningbo Trendy Store enlarged the size of its discounted outlet area, so that consumers in Ningbo could find ideal products at affordable prices.

During the year under review, Wuxi Store was revamped into Fashion Gallery with a brand-new image. Wuxi Store endeavored to enlarge its first-floor ladies' shoes section, which contributed to an ever stronger ladies' shoes merchandise. Moreover, the store rebranding also included interior redecoration which generates modernity in the overall store atmosphere.

Nanjing Store is preparing for its transformation into Fashion Gallery spotlighting ladies' shoes, ladies' wear. Nanjing Store also grabbed every



• Nanjing Store





• Taizhou Store

chance to strengthen its sporting goods sector. By introducing the discount outlet of international sports brands rarely seen in the region, Nanjing Store stands out with another unique feature.

Ladies' shoes and discounted sportswear concessionaire were set as the category killer for Taizhou Store. On the other hand, its sportswear discounted concessionaires are the only one of its kind in Taizhou until now and therefore greatly enhance the store's competitiveness. Taizhou Store will continue to consolidate the category's leading role in Taizhou city by expanding and developing it in terms of size and products.







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	12,100
Ningbo Store	April 1998	10,000	9,100
Shanghai Huaihai Branch Store	December 2001	22,500	16,800
Shanghai Xinning Branch Store	January 2002	21,000	16,200
Shanghai Hongkou Branch Store	October 2003	19,600	11,800
Shanghai Changning Branch Store	September 2004	6,680	6,000
Ningbo Trendy Store	November 2004	11,500	10,100
Shanghai Qibao Branch Store	December 2005	36,550	29,700
Shanghai Pujian Branch Store	September 2007	46,000	30,800
Nanjing Store	November 2007	30,000	20,300
Taizhou Store	April 2009	30,000	25,000
Shanghai Baoshan Branch Store	January 2010	39,000	36,100
Shanghai Chengshan Branch Store	April 2010	38,000	35,300
Managed Store Shanghai Wujiaochang Branch Store	December 2006	44,000	37,200
	Total	373,430	296,500

373,430 sq.m.

Total GFA (approx.)









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Integrating Regional Resources for Brilliant Joint Campaigns

During the year under review, Eastern China Region exerted itself to develop VIP customer groups and launched a variety of VIP tailored events and featured club activities to enhance sales after having integrated all shared resources under multiple stores in a single city. In 2009, all Shanghai stores allied with a renowned toddler learning center and held a series of childcare activities, such as bubble game, parachute program, baby dance campaign, baby crawling game, music game, puttee run and so on. Members of Perfect House Wife Club and their babies all had good time partaking in these interesting games, and were effectively encouraged VIP's patronage and stimulated in-store spending. VIP club of the stores in Ningbo also went on a trip of "Red Bayberry Picking Day" in June 2010. Members could socialize in picturesque scenery of green nature. During the year under review, the Eastern China Region's total number of VIP club members was over 95,000. Moreover, Eastern China stores all jointly cooperated and launched a "VIP Return Day". On such day, VIP member were privileged with many benefits, like new products introduction, VIP welcoming gifts, VIP extra bonus reward, VIP priority checking counter, VIP afternoon tea, and so on. The activity was well received among members. In the Current Year, the total number of VIP members in Eastern China Region increased by





In the Current Year, Eastern China Region exerted itself to develop VIP customer groups and launch a variety of VIP tailored events and featured club activities to enhance sales after having integrated all shared resources under the circumstance of multiple stores in a single city.



95,000 (approx.)

Total Number of VIP Club Members

Apart from VIP programs, more creative and interesting events and activities of Eastern China Region came along in the year under review, like "Mid-Summer Enjoyable Season" in Shanghai Xinning Branch Store, "Gifts for Your School Opening Day" in Shanghai Wujiaochang Branch Store, "Non-stop shopping event" throughout all Shanghai stores, "Golden Week Exciting Prices" and so on. All these promotional activities became talk of the town and therefore helped boost pedestrian flow. Among all the activities, two major ones were worth noticing: the joint celebration by all Shanghai stores for "The 2nd Anniversary of Shanghai Pujian Branch Store" and "Count Down to the Opening of Expo". These two activities received overwhelming feedback and attracted numerous citizens to join. Another outstanding activity was "New-Concept Sports" held by Nanjing Store in April, 2010. It was a very special event, in which the entire Nanjing Store was redecorated into a sports-theme exhibition hall and a street dancing competition added dynamic vitality to the activity, successfully gathered up huge crowd of visitors.



Business Review - Eastern China Region





Winning More Prizes than Ever

During the year under review, prizes awarded to stores in Eastern China Region reached a record high, reflecting our endeavors as well-received by consumers. Shanghai Huaihai Branch Store was honored as "Excellent Patriotic Health Unit welcoming Expo in Luwan District" by Patriotic Health Campaign Committee of Luwan District, "Model Store of Credits in Shanghai" by Shanghai Commercial Association. The store was also awarded as "Model Store with Civil and Standard Public Signs in Welcome of Shanghai Expo".

Shanghai Xinning Branch Store won the title of "Outstanding Team" in Service Competition for Young Practitioners in 2009 Changning District's "Welcoming Expo, Promoting Culture" activities. Moreover, Shanghai Changning Branch Store and Shanghai Xinning Branch Store were both awarded with "Model Store for Credit Cards Friendly Service" by Shanghai Municipal Commission of Economy and Information, Shanghai Municipal Commission of Commerce, and Shanghai Federation of Trade Unions.







Shanghai Wujiaochang Branch Store won the title of "Youth Civilization Team in Welcoming Shanghai Expo" awarded by Expo Service Headquarters at Yangpu District, Communist Youth League Yangpu Branch Committee, Commission of Commerce of Yangpu District, Construction Committee Office of Wujiaochang and Sub-street Office of Wujiaochang. On the other hand, Shanghai Baoshan Branch Store was awarded with the title of "Fire Protection Model Unit" and an honor flag by Shenxin Group in Baoshan District.

In the year reported, Ningbo Store was awarded with titles of "2009 Harmonious Enterprise" and "2010 Backbone Enterprise" by Jiangdong District Government of Ningbo City. Ningbo Trendy Store won the "Best Organizing Prize" again on 2010 Ningbo Shopping Season by Haishu District Government of Ningbo City. Meanwhile, it was also recognized as the "2009 Outstanding Enterprise in Ningbo Commerce System" by Ningbo Bureau of Trade and Commerce.

Wuxi Store was acclaimed as "Ten Best Overseas Chinese ventures and Hong Kong-invested Enterprises in Wuxi" chosen by Wuxi Municipal Government Office and "2006-2008 Best Overseas Chinese ventures and Hong Kong-invested Enterprises in Jiangsu Province" by Overseas Chinese Affairs Office of Jiangsu Province.



Central China Region

Facing fierce competitions among the industry players, all stores in Wuhan were dedicated in integrating all the resources in the city, expanding their scope of direct sales and putting emphasis on key commodities in order to achieve differentiated operation effectively and maintaining the Group's leading role in the region.



• Wuhan Qiaokou Branch Store





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	9.10 million	503.77 billion	55,359	19,826	234.73 billion
Changsha	6.64 million	374.48 billion	56,620	20,238	152.49 billion
•					

Central China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Wuhan	63.60 million	669,000	48.62 billion
Changsha	38.37 million	578,000	32.48 billion



Source:

- Wuhan Bureau of Statistics
- Wuhan Centre of Economic Information
- Statistical Information Network of Changsha
- 2009 Statistical bulletin of domestic economy and society development of Changsha

Better Development Expected as Domestic Consumption Improved in Central China

As the "Rising Strategy of Central China" and the "Western China Development" were gradually rolled out by the Central government, Wuhan, the economic and political centre of Central China, was actively expanding its economic and technological development zone outward whilst urban area also continued to expand and sprawl. The rate of urbanization was accelerating, attracting more inhabitants and mobile population to different cities in Central China. These were a prominent impetus to local retail market development. The improvements in domestic consumption and the change of mode of living have resulted in 200 billion and 150 billion annual retail sales

• Wuhan Hanyang Branch Store

of consumer goods recorded for Wuhan and Changsha respectively in 2009. Citizens in Central China were thirst for retail and consumer goods. The government's stimulus plan has successfully boosted the domestic demands and the consumption demand of cities in Central China, providing an ideal breeding ground for the further development of department stores.



• Wuhan Store

387.2BILLION

Total Retail Sales of Consumer Goods (RMB)

Business Review Central China Region

To cater the need of hosting more promotional programs for VIPs and families, Wuhan Store converted the fifth floor to an Event Hall that is suitable for holding events like luxury goods promotions, fashion shows and product launching, thus in turn attracted larger customer flow and upper-floor traffic rate, sales volume of the floor also greatly improved.



• Wuhan Wuchang Branch Store



Intense Competition Calls for Store Revamp

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 New World Department Store – Hanyang Branch Store ("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").

Facing fierce competitions among the industry players, all stores in Wuhan were dedicated in integrating all the resources in the city, expanding their scope of direct sales and putting emphasis on key commodities in order to achieve differentiated operation effectively and maintaining the Group's leading role in the region.

Wuhan Store, previously with its emphasis on the sale of prestigious brands, was gradually extending its portfolio into a one-stop living department store. In the year under review, the store focused on the introduction of home appliances area, providing a new shopping spot of home appliances to Wuhan citizens. In addition, to cater the need of hosting more promotional programs for VIPs and families, Wuhan Store converted the fifth floor to an Event Hall that is suitable for holding events like luxury goods promotions, fashion shows and product launching, thus in turn attracted larger customer flow and upper-floor traffic rate, sales volume of the floor also greatly improved.



Business Review - Central China Region





To achieve differentiated operation with other stores, Wuhan Trendy Plaza focused on strengthening its market advantages in footwear and jewellery in the year reported. The store expanded the scale of footwear section and jewellery section. In order to become a hip and chic department store, the store underwent restructuring in brand portfolio which was now domineered by apparel brands with large market shares and accessible price.



• Wuhan Xudong Branch Store

As a sleek and chic department store, Wuhan Wuchang Branch Store has introduced Moschino Women during the year under review. Since then, the store has built a more diverse portfolio with renowned international fashion brands which has greatly improved the sales atmosphere of its ladies' wear area. The store has gradually increased the proportion of mature ladies' wear as well as introducing a number of renowned fashion brands. It has also reduced operating area of sportswear in men's wear section to make room for an expanded area for men's suits to further enhance its competitive edge.

In the year reported, a number of young ladies' wear settled in Wuhan Qiaokou Branch Store and a dedicated private area has incorporated into the lingerie area. Young female customers find the store more appealing after these adjustments. To improve the store's complementary facilities, Wuhan Qiaokou Branch Store has expanded its branded outlet area on fifth floor, whilst concessionaires of household items, small home appliances and digital products were also

redistributed to increase traffic rate on higher floors of the store and diversified merchandise arrangement on each floor.

Wuhan Xudong Branch Store is positioned as a fashion department store in Xudong commercial circle. The store stressed on the development of nationwide renowned brand, in which the image and decoration of a number of both men's and ladies' wear concessionaires were enhanced in the year under review. These concessionaires were highly improved in terms of style and image, which contributed to create a more intriguing presence to customers as well as enhancing the trendy ambience for the entire store.





Business Review Central China Region

Wuhan Hanyang Branch Store aimed at providing caring service to Hanyang citizens. Ever since its opening, the store has gradually developed into an integrated community department store, which offers shopping, entertainment, leisure, food and beverage under one roof. In the year under review, the store further enhanced its facilities by introducing chained restaurants, café and fitness center, aiming at improving store traffic flow and generate better sales.



• Changsha Trendy Plaza



During the year under review, Changsha Trendy Plaza focused on developing its direct sales portfolio by expanding the size of "Home of New World" direct sales section. It successfully brought more diverse trendy living products for customers. The store also strived to upgrade men's and ladies' underwear section. In face of challenges from counterparts in the city, Changsha Trendy Plaza strived to consolidate its position by dedicating its effort to exploring young fashion brands and introduced exclusive brands within the business circle in almost every floor of the store.









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	25,400
Wuhan Trendy Plaza	December 2001	23,000	18,100
Wuhan Wuchang Branch Store	October 2005	22,650	16,900
Wuhan Qiaokou Branch Store	September 2006	42,000	34,300
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	23,000
Wuhan Xudong Branch Store	January 2008	31,700	24,800
	Total	239,350	180,500

239,350_{SQ.M.}

Total GFA (approx.)





Promotional activities in Central China Region have fully made use of the advantages of festivals to increase traffic flow.

Colorful Promotion Activities to Draw in Customers

In the year under review, stores in Central China Region has organized various innovative VIP activities and has done a lot to improve their interaction with customers, raising customers' recognition towards New World Department Store. Special VIP events included "Grown Up Memories Photos Collection" jointly held by all stores in Wuhan, parenting activity - "Who is the brightest and bravest child?" organized by Wuhan Store, "I Love Watermelon and Watermelon Loves Me" in Wuhan Trendy Plaza. Central China Region also endeavored to develop different VIP club activities, for examples, "Wine Tasting for Platinum VIPs" for Platinum Style Club members in Wuhan Wuchang Branch Store, "Chinese New Year Feng Shui Seminar", "Valentine's Day Chocolate DIY" and "Mix & Match N-only Styling Seminar" targeting Smart Lady Club members were held in Wuhan Qiaokou Branch Store, whilst Changsha Trendy Plaza also hosted "Cake DIY program" for Perfect House Wife Club members and "Goodbye! Single life" social gathering for Smart Lady Club members. Furthermore, VIP clubs of Changsha Trendy Plaza was the pioneer in the Changsha department store industry. All the aforementioned VIP club programs utilized games or engaging activities, so that VIP club members can actively participate in the event and fostered their interaction with experts, brand salespersons and New World Department Store, therefore successfully attracted more VIP customers and stimulated their spending, which eventually increased sales volume. During the year reported, the number of VIP members and platinum VIP members

129,000 (approx.)

Total Number of VIP Club Members



in Central China Region increased by 16.1% and 20.6% respectively, whilst the region's number of VIP club members was over 129,000.

Promotional activities in Central China Region have fully made use of the advantages of festivals to increase traffic flow. In 2009, Wuhan Wuchang Branch Store hosted "Christmas Spree" in collaboration with numerous renowned brands. The event successfully established a record high sales, its brand engagement rate was also the top of the year. The event gained mass support from customers. In addition, Wuhan Xudong Branch Store nailed on Halloween, which is gaining its popularity in recent years. The store hosted "Magic Halloween" with "magic" and popular Halloween feature -- "pumpkin" as the theme, as well as offering festive gifts and set a lower threshold to encourage the mass to participate and celebrate Halloween together. The event also hosted "The









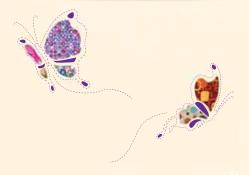
2nd Pumpkin lantern DIY" as a parenting activity to attract families' spending.

Paragon of Regional Retail Service Raises New Bar

In the year under review, stores in Central China Region have always been accoladed by the regional retail sector, proving its leading role in the region. In 2009, Wuhan Store was awarded the "Union Assessment Focus Advanced Unit in the City in 2009" by Wuhan Federation of Trade Unions and obtained "2009 Excellent Business Credit Card Accessibility" honoured by China Union Pay. In addition, Wuhan Store received the title of "The City's Advanced Group in Economic Security 2009" awarded by Economic Security Division of Wuhan Security Bureau. The store also obtained "12315 Consumer's Rights Protection Liaison & Model Shop" awarded by Wuhan Administrator for Industry & Commerce, on the other hand, it was also awarded the "2009 Outstanding Tax Contribution Enterprise in Jianghan District" by People's Government of Wuhan Jianghan District, .

In 2009, Wuhan Trendy Plaza, Wuhan Xudong Branch Store and Wuhan Qiaokou Branch Store were awarded "2009 Best Business Ethnics Labor and Social Security Employer Award" from Wuhan Bureau of Human Resources and Social Security. Meanwhile, Wuhan Qiaokou Branch Store also obtained the honour of "2009 Advanced Tax-paying Unit in Wuhan Qiaokou District".







Wuhan Hanyang Branch Store was designated "2008 Entrance Showcase Unit" by Leadership Group of Municipal Government of Wuhan and awarded the title of "2006-2008 Model Enterprise of Ideological Infrastructure Construction" by People's Government of Wuhan Hanyang District.

As for Changsha Trendy Plaza, it was awarded as "Top Ten Socially Responsible Store for Designated Area outside the Unit Building in Changsha" by Changsha Planning Board. Moreover, the store was awarded as "Advanced Unit" from Furong District Office of Changsha City, "Advanced Unit on Consumption Festival" from Changsha City Bureau of Commerce as well as "2009 Bank of China Excellence Merchant" from Bank of China.



• Wuhan Trendy Plaza

Northern China Region



Consistent with the strategy of "multiple presences in a single city" and to form a strong "golden triangle" with Beijing Store, the Group opened a brand new self-owned store, Beijing Shishang Store, in Chongwen District in Beijing in May 2010, creating the first feminine club department store in the capital city.





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	19.72 million	1186.5 billion	68,788	26,738	531.00 billion
Tianjin	12.30 million	750.0 billion	62,403	21,430	240.00 billion
Lanzhou	3.24 million	92.6 billion	28,616	12,761	46.98 billion

Northern China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Beijing	160.00 million	3,430,000	154.20 billion
Tianjin	76.13 million	220,000	95.83 billion
Lanzhou	4.66 million	40,000	3.31 billion



Sources:

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

Economic Structure Adjusted to Stimulate Retail Consumption

With a rapid change in economic environment both at home and abroad, the government has adjusted, this year, the economic structure of the Northern China Region to focus on the development of rural market. Since urban residents have gradually moved out of downtown to the outskirts, there was a remarkable increase in the number of newly-opened department stores in suburbs. This has changed the developmental direction of the retail department store industry in the region.

Besides, in 2009 the government continued to launch a series of consumption stimulus programs, as a result, the retail market in the Northern China Region kept growing at a balanced pace. In the first half year of 2010, Beijing, Tianjin and Lanzhou experienced a significant increase in Gross Regional Product by 12%, 26% and 13% respectively. However, as competition in the Northern China Region's retail industry became intense, department store operator must establish its competitive edges to foster a breakthrough in development.

818.0 BILLION

Total Retail Sales of Consumer Goods (RMB)

Debut of the First Feminine Club Department Store in Beijing Chongwen Business District

Consistent with the strategy of "multiple presences" in a single city" and to form a strong "golden triangle" with Beijing New World Department Store ("Beijing Store"), the Group opened a brand new self-owned store, Beijing Shishang Store, in Beijing Chongwen District in May 2010. This new Fashion Gallery, with a GFA of about 40,000 sq.m., is the first feminine club department store in the capital city. It is targeting urban female white-collars, hence, the merchandise mix, promotions and club activities are all tailored to meet the expectations of female customers. As for merchandise mix, it emphasizes "Mix & Match" elements by introducing exclusive brands and designer's labels, accentuating the features of "individuality" and "taste". Besides, unique Japanese & Korean style concessionaires are introduced inside store, offering a variety of trendy products to satisfy fashionista's demands. Beijing Shishang Store also houses a flagship pet shop that integrates pet beauty parlor and display area which serves to meet all-round needs of female pet lovers. Furthermore, it does not follow a traditional department store layout of categorization. Instead, it adopts a mixed store model, for instance, it has a niche book pub offering not only snacks and drinks, but also themed movie programs and

Northern China Region

professional seminars as well. Therefore, it has become a preferred gathering place for women. As for the services, the store hires all male frontline salesperson to provide attentive services for customers, providing our female customers with heartfelt services from the perspective of males. The store even adds more value by organizing a series of carefully-tailored culture program in its VIP classrooms. In all aspects, from the private and carefree space to the passionate, considerate and professional services; from the accessible network coverage to the comfortable and elegant platinum VIP lounge, and to the natural and green decoration and design, reflect the unique taste and fashionable style of the store.



• Beijing Shishang Store



Since 2010, stores in the region have been moving steps by steps towards the rebranding program, in which stores gradually started preparing for the store revamp into "Fashion Gallery" and "Living Gallery" from phase to phase in order to win a place in the market competition in Northern China.





Business Review -

Northern China Region





Gradual Store Revamp to Drive Business

In the Current Year, Northern China Region operated two self-owned stores: Beijing Shishang Store and 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 New World Liying Department Store ("Beijing Liying Store") and Lanzhou New World Department Store ("Lanzhou Store").

Since 2010, stores in the Northern China Region have been moving steps by steps towards the rebranding program, in which stores gradually started preparing for the store revamp into "Fashion Gallery" and "Living Gallery" from phase to phase in order to win a place in the market competition in Northern China Region.

The reform in Tianjin Store first began at the end of 2008 and has completed by end of July 2010. To cater for the market needs in Tianjin, Tianjin Store targets at young family as their major customers. Following this direction, the store put its emphasis on developing fashionable living goods. In the year under review, it introduced digital product concept concessionaire, increased the number of brand flagships inside store to differentiate from major competitors and thus greatly enhanced its relationships with the customers and suppliers. Besides, Tianjin Store especially expanded the ratio of catering services in store. Among the recentlyintroduced catering service providers, many were entering the Tianjin market for the first time. Their presence has attracted many customers to visit the store. Footwear is also a dominant category in Tianjin Store. This section included all mainstream and popular brands after the merchandise adjustment. The rebranding has created a customer-friendly shopping environment making Tianjin Store a real one-stop "Living Gallery".







In the Current Year, Beijing Store-Phase I focused more on diversification of merchandise mix. This included expanding the floor area for direct-sales accessories products with attractive price, which resulted in better pedestrian flow. In men's wear section, the store expanded the operating area for men's suit as well. It also enhanced the amenities on the top floor, such as hairdressing salons and manicure shops; re-segmented the household products and telecommunication sections, and thus constituted a merchandise mix that reflected the atmosphere of a diverse Living Gallery. For Beijing Store – Phase II, to preserve its fashionable features and to attract more young consumers, the store increased the number of popular domestic and international brands. To complement the diet habit of youngsters, the store had proactively presented customers with hamburger, cafes and other trendy catering service. The area of Beijing Store-Phase I and Phase II is huge, with such an expansion and the comprehensive development of product offers as well as complementary amenities, Beijing Store has gradually transformed from a traditional department store into a "Living Gallery" which focuses on enhancing lifestyle.

To cater customers' needs within the business circle, Beijing Trendy Store has increased the percentage of its casual wear brands and has enhanced collaboration with leading brands in the year reported. At the beginning of 2010, the living product chainstore in collaboration with the Group have formally entered into Beijing Trendy Store, which remarkably increased the number of product categories. The store successfully created contrast with the adjacent department stores who are selling luxuries and high-end brands.

As a department store which targets to serve neighborhoods and local communities in Wangjing District in Beijing, the consumption pattern in Beijing Liying Store is characterized by "family" and "youth". To meet young customers' needs, the store has introduced favorite casual wear brands to capture the market share of this category. The underwear section has also been re-designed and renovated, and has introduced more brands well-received by young people. Considering the buying pattern of families, Beijing Liying Store has expanded the children's section, and introduced concept outlets of famous Japanese digital products. Thus each member of the family can enjoy their time at our store. The top floor of the store was adjusted and turned into an "Event Hall" which provided customers with a cashmere



discount section and men's casual wear discount section. All these rearrangements offer our customers with more product options, and fully embody an enjoyable shopping experience of family in terms of "clothing", "eating", "living" and "travelling".

In the year reported, Lanzhou Store continued to enhance its distinctive feature of selling exquisite fashion commodities. It is dedicated to be created as a "Fashion Gallery" aligned with customers' consumption concept. Some brands catering for





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	57,110	38,600
Beijing Shishang Store	May 2010	40,000	33,600
Managed Store Beijing Store*	July 1998	93,000	63,200
Lanzhou Store	September 2005	27,200	25,800
Beijing Trendy Store	March 2007	31,200	23,300
Beijing Liying Store	September 2008	52,000	36,500
	Total	300,510	221,000

Beijing Store has converted to self-owned store since August 2010.

Northern China Region





the needs of local population at a moderate price was introduced for the footwear section. Besides, the store has expanded the floor area for ladies' wear and men's casual wear sections. This had significantly changed the store interior layout. Also, the ladies' casual wear section has fashion accessories, underwear and cosmetics included to diversify the product mix on the same floor. The fifth floor, on the other hand, housed a trendy sports gallery, a large discount outlet and a food plaza. The trendy sports gallery not only gathered world-famous sports brands but also decorated with plastic racetrack and sports music in place to accentuate a sporting atmosphere. This is the first department store to demonstrate such innovative interior design and product display among all its local counterparts in the city.

In order to increase customers' recognition towards the newly-developed VIP clubs, stores in Northern China Region proactively organized featured club activities, fully utilizing its club activities to attract customers' patronage in the year reported.



• Beijing Liying Store

300,510 sq.m.

Total GFA (approx.)



Creative Promotions Gained Mass Support

In the year under review, stores in Northern China Reg<mark>ion st</mark>rived to consolidate VIP membership and stimulate spending through various fabulous VIP activities. Beijing Store and Beijing Trendy Store both hosted spring VIP exclusive events in 2010. Events such as exclusive multiple rewards, cash bonus from different banks, exclusive gifts for the season, birthday gifts, and special gift redemption offer received mass support from members, therefore successfully increasing VIPs' revisit rate and consolidated their loyalty towards New World Department Store. In the Current Year, the number of VIP members and platinum VIP members of Northern China Region was increased by 22.7% and 9.1% respectively. Besides, in order to increase customers' recognition towards the newly-developed VIP clubs, stores in Northern China Region proactively organized featured club activities, fully utilizing its club activities to attract customers' patronage in the year reported.





81,000 (approx.)

Total Number of VIP Club Members

For instance, Beijing Shishang Store hosted "International Pure Breed Cats Show and Scottish Fold Cat Contest" in 2010. Members from Smart Lady Club, Perfect House Wife Club and KudiPets were invited. Collaborated with KudiPets and Pets World Magazine, numerous owners with pedigreed cats entered the contest. VIPs who joined this event could have close contact with pets while shopping; the store also hosted promotions with counter suppliers to attract more VIPs. In the Current Year, the region's VIP club member was over 81,000.

Moreover, stores seized the opportunities to host various festive promotions. Beijing Trendy Store hosted "Thanksgiving Promotion" in November 2009, offering free photo taking with turkey during the period of Thanksgiving; and on the day of thanksgiving, customer could redeem a gift, a turkey from a five-star hotel and red wine simply by spending in store. This activity successfully raised customers' desire for shopping in store. Beijing Trendy Store also hosted "Beijing Babies Crawling Contest", a thematic Children's Day celebration held at the eve of Children's Day in 2010. Over 200 little contestants and their relatives attended the event, greatly boosting the store customer flow. Tianjin Store hosted a festive event called "Trendy Rice Dumpling Making Contest" to celebrate Dragon Boat festival. The event not only created strong festive mood for the store, but also attracted many customers to stop by and spent longer time inside store, store traffic flow was then greatly improved.





Beijing Trendy Store

Business Review -

Northern China Region





During the 2010 FIFA World Cup South Africa, Lanzhou Store made use of this international event to host a series of World Cup themed promotional activities including publishing a guidebook called "Zeal World Cup Total" which was exclusively for VIPs. VIP could enjoy exclusive discounts upon their spending, and with this guidebook, they could participate in match result prediction game to earn multiple bonus points. This integrated and continuous event was full of fun and successfully retained VIPs patronage to store and stimulated their spending.

In order to promote the Group's nationwide rebranding program, "The 1st NWDS Spokesperson" National Final was held in Beijing on June 2010. Through the competition of questionand-answer session, Latin dance performance, N-only fashion show, 1 male and 1 female spokespersons were selected to promote the new image of "Enriching Lives • Enhancing Character" of New World Department Store into the public.











The Accoladed Leader in the Northern China

Stores in Northern China are well known by their excellent services. Beijing Liying Store was awarded the title of "Green Channel for Quick Resolution of Consumer Issues" by Beijing Administration of Industry and Commerce. Lanzhou Store was named "National Model Merchants for Credit Card Handling" by UnionPay and China Merchants Union.

Moreover, quality products and overall management of Northern China stores have earned public approvals. Beijing Store was named "2009 Top 50 Enterprises in Chongwen District" by People's government of Chongwen District. Beijing Trendy Store was awarded "Advanced Unit of Trendsetting Civility for Upcoming National Day in Chaoyang District" by Beijing Chaoyang District Committee for Promotion of Civility. To honour the store's contributions to community, Beijing Chaoyang District Bei Lang Dong Community Party, Public Security Committee of Bei Lang Dong Community and Jian Wai Police Station jointly awarded Beijing Trendy Store with a flag stating "Maintain High - Level Security for Celebrating the National Day". Tianjin Store was also named "2009 Meritorious Enterprise, Star Enterprise and Key Enterprise in Nankai District".

Southwestern China Region



The three stores in the region all made clear plans for business optimization and merchandise integration in the year reported, to cater for different needs from different customers. Since there are an increasing number of large shopping malls incorporated with international brands proliferating in the region, our stores in Southwestern China Region must speed up its process in highlighting its competitive edges in line with the rebranding to be launched soon.



Chengdu Store





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	11.40 million	450.26 billion	39,510	18,659	195.0 billion
Chongqing	32.55 million	652.87 billion	22,916	15,749	247.9 billion
Kunming	6.28 million	180.87 billion	28,894	16,496	87.0 billion

Southwestern China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Chengdu	55.06 million	590,000	48.52 billion
Chongqing	122.00 million	1,050,000	66.63 billion
Kunming	30.37 million	780,000	21.15 billion



Sources: 2009 Statistical Report released by Chengdu, Chongqing, Kunming Bureau of Statistics



Recovering Economy Supports Retail Market in Southwestern China Region

In the year under review, governments played an active role in promoting urban construction and tourism in Southwestern China Region, which has been proven to be fruitful. GDP of Chengdu in 2009 hit RMB450.26 billion, with a 13% year-on-year growth; Chongqing's GDP reached RMB652.87 billion with a 11.2% year-on-year growth; and Kunming's GDP at 180.87 billion with a 9% year-on-year growth. Economic figures suggested a concrete upturn of this region, which led to a steady increase of people's income. More money in local people's pockets, together with more inbound residents and travelers, fuels the growth of retail industry in Southwestern China Region.

529.9 BILLION

Total Retail Sales of Consumer Goods (RMB)

Enhance Competitive Edges Ready for Rebranding

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 Chengdu New World Department Store ("Chengdu Store") and Chongqing New World Department Store ("Chongqing Store"), in the Southwestern China Region.

The three stores in the region all made clear plans for business optimization and merchandise integration in the year reported, to cater for different needs from different customers. Since there are an increasing number of large shopping malls incorporated with international brands proliferating in the region, our stores in Southwestern China Region must speed up its process in highlighting its competitive edges in line with the rebranding to be launched soon.

Chengdu Store is positioned as a "Fashion Gallery". During the year under review, it aimed at expanding the operation of its advantageous product category like ladies' wear, ladies' shoes and cosmetics to achieve larger scales and higher sales shares. For example, stylish young ladies' fashion items and delicate underwear outlet have been set up in ladies' wear section to solicit female customers with fine tastes. On the floor of young ladies' wear, fashionable accessories and cosmetics counters were located side by side, facilitating customers to find the perfect accessories to match with their just-bought new clothes on the same floor. Moreover, Chengdu Store paid close attention to a balanced merchandise composition among floors, such as cosmetics, ladies's shoes and jewellery were complemented with theme outlets, young ladies' wear was matched by accessories and cosmetics, and trendy men's wear and casual wear co-existed with small home appliances, highlighting the unique features of the store.

During the year under review, Chongqing Store endeavored to create a one-stop department store environment combining fashion, diverse styles, different operational traits and various interesting themes. Bit by bit, the store is turning into the mode of a Living Gallery. Therefore, Chongqing Store boldly made the decision of renovating the top floor into a brand new catering floor, differentiating

itself from competitors. Moreover, it grabbed the opportunity that no competition opponent in the region had achieved a mature operational state in running ladies' shoes business, it thus began to attach great importance onto this subject. Ladies' shoes area was enlarged and famous brands were introduced accordingly, establishing the status of the biggest ladies' shoes trading center in Jiangbei District as well as spotlighting in Chongging with a catchphrase popular among locals: "Want Shoes? Go to New World!" In the Current Year, under the guidance of merchandise optimization and integration, together with all kinds of effective promotions, Chongqing Store has set up two pillar edges in Jiangbei commercial circle: food delicacies and ladies' shoes, effectively raised customers' recognition of Chongqing Store.





84,100_{SQ.M.}

Total GFA (approx.)

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	8,300
Managed Store Chongqing Store	September 2006	42,000	37,600
Chengdu Store	December 2006	29,500	18,900
	Total	84,100	64,800

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Southwestern China Region







In the year reported, competition in Kunming market became increasingly furious, which drove key department stores to speed up their adjustments to cope with market changes. Kunming Store held tight onto its key strategy of consolidating its goal to be a hotspot with young trendy products. Operation strategy in relation to "Young, Fashion, Leader and Change" was deeply implanted in customers' mind. The store strived to extend the market status of its advantageous category like ladies' shoes and jewellery. While in the adjustment of ladies' wear and femalerelated product category, Kunming Store marched further into the market targeting young people. It introduced many loyally-pursued fashion brands and created direct-sales accessories, which elevated the influence of Kunming Store in the ladies' wear and accessories market. The strategy not only attracted more young fashion enthusiasts in Kunming, but also established a clear brand position of Kunming Store that stands out from its competitors.



Store promotional activities in Southwestern China Region were always the talk of the town during festivals and holidays. Besides traditional gift upon purchase, the promotion events also gave special offers to highly recommended products and partnered with banks to encourage credit card consumption, which yielded successful sales result.



Diversified Promotions Strengthened Market Position

Southwestern China Region was committed to getting in line with VIP club development of the Group across the nation during the year under review. Based on this, stores in this region launched various promotional campaigns, in which VIP consumers actively interacted with stores, and were encouraged to revisit our stores and enhanced VIP sales. Take Kunming Store for example, it presented both informative and interactive VIP club program called "Eco-friendly, Live Healthier", introducing some daily tips on a water-saving and low-carbon lifestyle. Moreover, an activity called "Private Kitchen" was launched to bring members with tips on choosing best food to promote female's longevity as well as making springtime diet for healthy skin, which were well received by female

Southwestern China Region

members. Chengdu Store arranged a series of exclusive seminars, like Hair Style Seminar, Beauty and Health Seminar and Practical Color Makeup Seminar. In these activities, the store collaborated with famous brands to draw in female VIP. Chongqing Store, on the other hand, presented "Beauty In & Out – Get Ready to Change Your Look VIP Program" exclusively for Smart Lady Club, where senior fashion counselors shared the latest fashion tips with female members and conducted on-site demonstration to show VIP customers the technique of changing one's image and style instantly. These regular club activities provide a platform where stores and customers communicate and interact, delivering a sense of caring to the Group's VIP that makes them feel privileged. During the year under review, the number of VIP club members of Southwestern China Region was over 28,000.

Store promotional activities in Southwestern China Region were always the talk of the town during festivals and holidays. For example, in 2010, Chongqing Store presented "Fashion Around Mid-Year" program. Besides traditional gift upon



Stores in Southwestern China Region also actively engaged in cooperative opportunities with New World Group and Chow Tai Fook in terms of VIP special programs, reaching the goal of sharing VIP resources with New World Group's subsidiaries and brother company.



purchase, this program also gave special offers to highly recommended products including fashion merchandises such as accessories, ladies' wear and cosmetics. The store also partnered with banks in the program to encourage credit card consumption, which yielded successful sales result.

Stores also actively engaged in cooperative opportunities with New World Group and Chow Tai Fook in terms of VIP special programs, reaching the goal of sharing VIP resources with New World Group's subsidiaries and brother company. For example, Chengdu Store jointly hosted an evening party with New World China Land and Chow Tai Fook. With generous gifts-giving and multiple bonus privilege, VIP members' prestige were



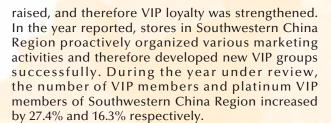
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Southwestern China Region









Take the Lead in the Region with Unsurpassed Services

To honor the excellent performance of stores in Southwestern China Region and their contributions to local economic growth, local governments awarded stores with prizes. Chengdu Store was awarded the title of "2009 Outstanding Taxpaying Enterprise" by Jinjiang District People's Government of Chengdu City.

On the other hand, Chongqing Store was awarded with "Group Third Prize" in 2009 Best Service Techniques in Retail Industry Competition



28,000 (approx.)

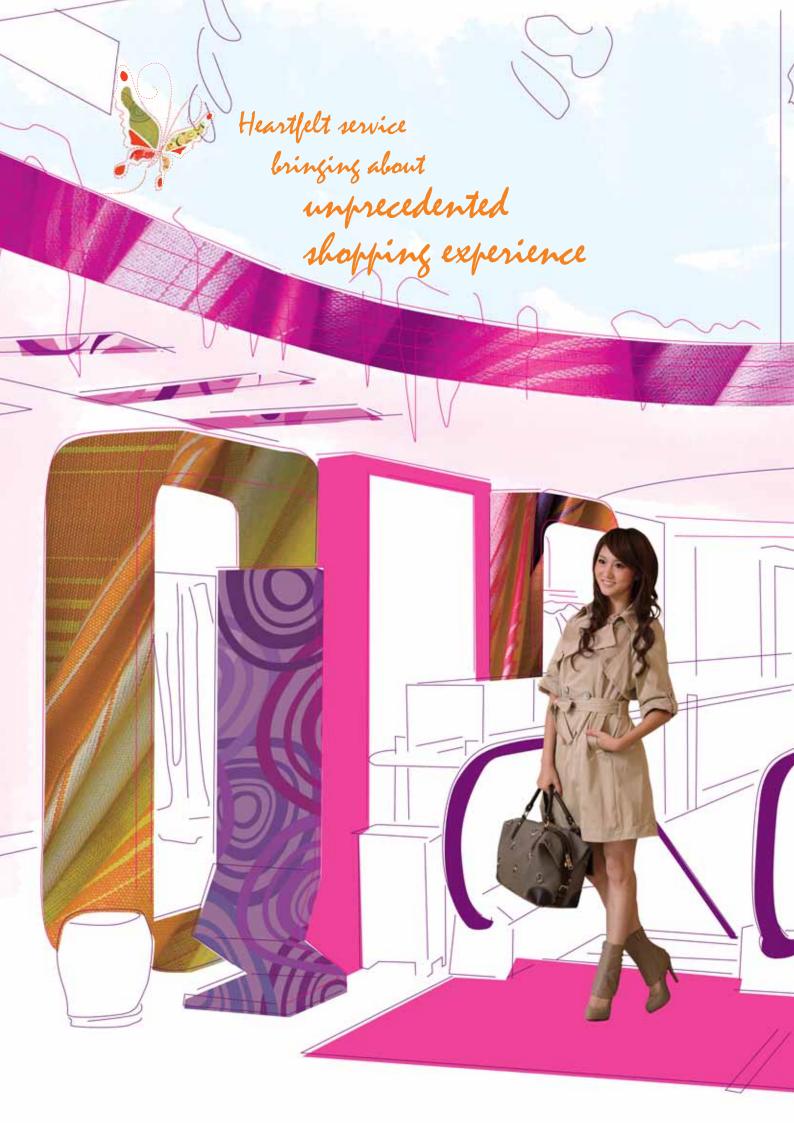
Total Number of VIP Club Members

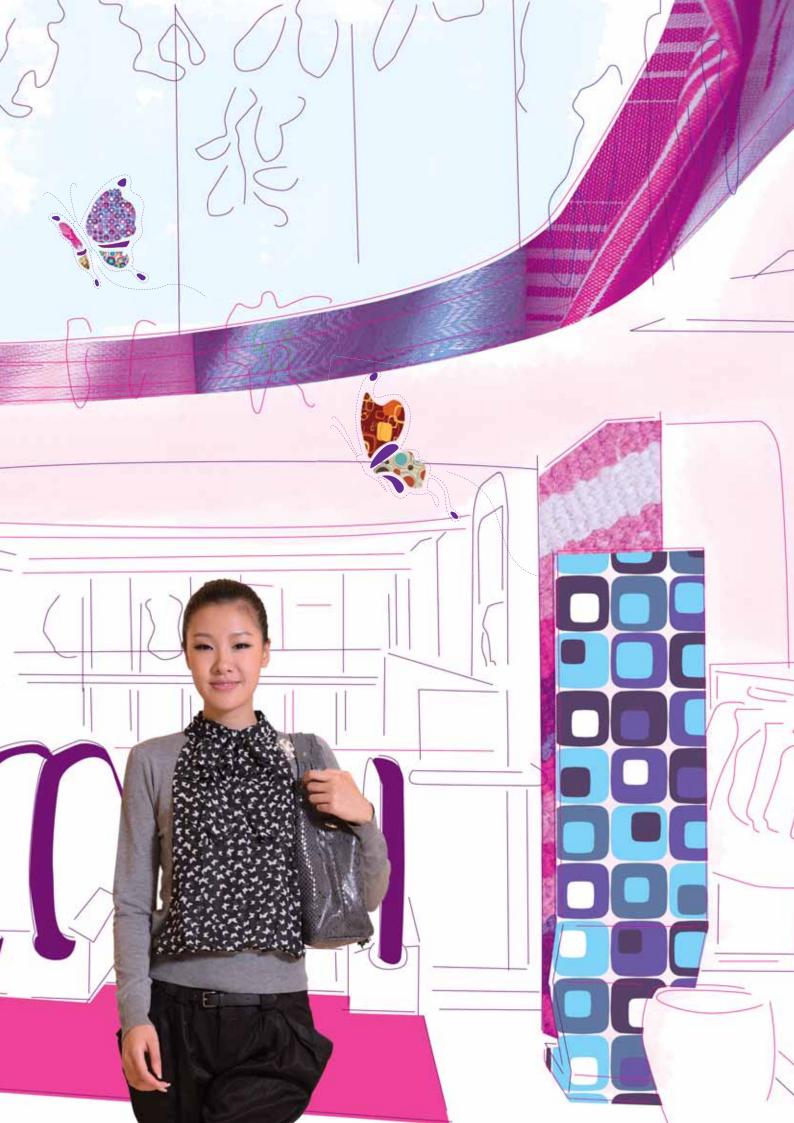


of Chongqing City organized by Chongqing Commerce Commission.

At the same competition, the store also won Fourth Prize and Sixth Prize in "Best Outfits Mix & Match of All Department Stores" and "Best Recommendation in Outfits of All Department Stores" respectively, applauding the store's excellence in merchandise as well as service quality.







FINANCIAL REVIEW

Revenue

Revenue of the Group was HK\$1,872.9 million in FY2010 representing an increase of 8.8% from HK\$1,721.2 million in FY2009. The growth was primarily contributed from commission from concessionaire sales, sales of goods for direct sales and rental income.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 9.3% to HK\$6,554.1 million in FY2010 from HK\$5,994.5 million in FY2009. The increase was due to firstly, the increase in sales of goods for direct sales of 45.2% to HK\$397.4 million in the Current Year from HK\$273.6 million in the Previous Year. Direct sales turnover was mainly comprised of cosmetic products (approximately 38.0%), ladieswear and menswear (approximately 27.5%), groceries, housewares and perishables (approximately 14.5%), accessories, handbags and underwears (approximately 10.4%). Gross margin of direct sales in the Current Year achieved 25.5% compared to 23.5% of the Previous Year; secondly, the increase in gross revenue from concessionaire sales to HK\$6,156.7 million in the Current Year from HK\$5,720.9 million in the Previous Year. Commission income rate was 19.4% compared with 20.3% in the Previous Year. In FY2010, ladieswear and accessories made up approximately 57.3% of gross sales revenue. Menswear and accessories made up approximately 26.7% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue.

Management fees was HK\$154.2 million in FY2010 showing a decrease from HK\$184.4 million in FY2009. The decrease was primarily due to the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively and there was no contribution to the management fee in the Current Year as compared with the management fee for approximately nine months in FY2009. Moreover, Shanghai Pujian Branch Store was converted from managed store to self-owned store in January 2010 and there was only management fee for approximately six months in the Current Year as compared with the management fee for full period in the Previous Year.

Rental income increased by 24.2% to HK\$124.2 million in FY2010 mainly due to increased leasing area from firstly, the opening of new self-owned Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store

in the Current Year and secondly, the conversion of Shanghai Pujian Branch Store to self-owned store in the Current Year and thirdly, recognising a full year operation of certain stores opened and acquired in the Previous Year.

Other income

Other income of the Group was HK\$72.7 million in FY2010 and primarily comprised interest income on bank deposits for HK\$37.6 million in the Current Year compared with HK\$76.7 million in the Previous Year. The decrease was due to low deposit interest rates prevailing in the Current Year.

Other gains, net

Other gains of the Group was HK\$166.0 million in the Current Year compared with HK\$61.8 million in the Previous Year. Other gains in the Current Year included HK\$167.6 million gain before deduction of related income tax expense on disposal of land use right and a property at which Shenyang Taiyuan Street Branch Store was situated. Related income tax expense was HK\$69.3 million including land appreciation tax expense of HK\$35.9 million and corporate income tax expense of HK\$33.4 million which were classified into income tax expense mentioned below. Net gain after deduction of related income tax expense on disposal of land use right and the property was HK\$98.3 million.

Purchases of and changes in inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It increased by 41.5% to HK\$296.2 million in FY2010 from HK\$209.3 million for FY2009. The percentage of increase was in line with the increase in sales of goods for direct sales. Gross margin of direct sales in the Current Year was 25.5% compared with 23.5% for the Previous Year.

Employee benefit expense

Employee benefit expense decreased to HK\$239.6 million in FY2010 from HK\$253.0 million in FY2009. The improvement was primarily due to the decrease of employee share option expenses to HK\$9.4 million in the Current Year from HK\$18.5 million in the same period of Previous Year, the decrease in employee benefit expense as a result of disposal of Xiamen New World Department Store in May 2009 and the continuous efforts by management to carry





out cost control measures in the Current Year. However, the improvement was partially offset by the increase in employee benefit expenses as a result of recognising a full year's operation of Wuhan Hanyang Branch Store opened in November 2008, the conversion of Kunming Store, Ningbo Trendy Store and Shanghai Pujian Branch Store from managed stores to self-owned stores in March, April 2009 and January 2010 respectively, and the opening of new self-owned Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store in January, April and May 2010 respectively.

Depreciation and amortisation

Depreciation and amortisation expense increased to HK\$199.0 million in FY2010 from HK\$170.6 million in FY2009. The increase was primarily due to additional depreciation and amortisation as a result of the capital expenditure for expansion of Harbin Store. The recognition of a full year's operation of Wuhan Hanyang Branch Store opened in November 2008, the conversion of Kunming Store, Ningbo Trendy Store and Shanghai Pujian Branch Store from managed stores to self-owned stores in March, April 2009 and January 2010 respectively and newly opened Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store also contributed to the increase of depreciation and amortisation in the Current Year.

Operating lease rental expense

Operating lease rental expense increased to HK\$362.3 million in FY2010 from HK\$325.1 million in FY2009, primarily due to the effect of recognising a full year's operation of Wuhan Hanyang Branch Store opened in November 2008, the conversion of Kunming Store and Ningbo Trendy Store and Shanghai Pujian Branch Store from managed stores to self-owned stores in March, April 2009 and January 2010 respectively and newly opened Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store in the Current Year. Operating lease rental expense as a percentage of revenue was 19.3% in the Current Year slightly above 18.9% in the Previous Year.

Other operating expenses, net

Other operating expenses decreased from HK\$243.0 million in FY2009 to HK\$203.0 million in FY2010 mainly due to firstly, a write-back of

provision of HK\$5.3 million, primarily in relation to the provision of HK\$24.0 million made in FY2009 for the recovery of receivables on stored value card; secondly, effective control of advertising, promotion expenses and other operating expenses by management in the Current Year. However, the decreases were partially offset by the increase in expenses due to the recognition of a full year's operation of Wuhan Hanyang Branch Store opened in November 2008, the conversion of Kunming Store, Ningbo Trendy Store and Shanghai Pujian Branch Store from managed stores to self-owned stores in March and April 2009 and January 2010 respective<mark>ly, and newly opened Shanghai Baoshan</mark> Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store in the Current Year.

Operating profit

Operating profit was HK\$811.5 million in FY2010 compared with HK\$695.0 million of FY2009. Operating profit as a percentage of revenue was 43.3% compared with 40.4% of FY2009.

Share of results of an associated company

In FY2009, 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 the equity interest of Taizhou Co. The share of results of an associated company of HK\$0.2 million in the Current Year represents the Group's share of the loss of Taizhou Co in the Current Year.

Income tax expense

Income tax expense increased to HK\$233.7 million in FY2010 from HK\$145.7 million in FY2009. Income tax expense in the Current Year included related income tax expense on disposal of land use right and a property at which Shenyang Taiyuan Street Branch Store was situated. Related income tax expense was HK\$69.3 million including land appreciation tax expense of HK\$35.9 million and corporate income tax expense of HK\$33.4 million.

Excluding the gain of HK\$167.6 million on disposal of land use right and a property at which Shenyang Taiyuan Street Branch Store was situated in the Current Year and its related income tax expense of HK\$69.3 million, effective income tax rate in the Current Year was 25.5% compared with 21.0% in the Previous Year.

Profit for the Year

As a result of the reasons mentioned above, profit for the Current Year was HK\$577.6 million compared with HK\$547.3 million for the Previous Year.

Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK\$3,596.7 million as at 30 June 2010 (30 June 2009: HK\$2,923.5 million). The financial resources are sufficient for the operation and development of the Group.

The Group had no borrowings as at 30 June 2010.

The capital commitment of the Group as at 30 June 2010 were HK\$249.5 million, of which HK\$248.7 million were contracted but not provided for in the statement of financial position. For the contractual payment of HK\$248.7 million, approximately HK\$130.4 million to acquire a building, land use right and right of use of carpark located in Shenyang City, and approximately HK\$108.1 million for the acquisition of 100% the equity interest in Broad Park Limited ("Broad Park") and its outstanding shareholder's loan from Solar Leader Limited ("Solar Leader"), a fellow subsidiary of the Company. Broad Park is a company incorporated in Hong Kong and a wholly-owned subsidiary of Solar Leader.

Pledge of assets

Assets of the Group were not pledged as at 30 June 2010.

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 2010.

OUTLOOK

Domestic consumption has walked out of global economic slump since the second half of 2009, and is back on track now. According to National Statistics Bureau of China, total retail sales of consumer goods and per capita disposable income of urban residents also increased in the first half of 2010. In December 2009, the Central Economic Working Conference delivered the State's major concerns and guidelines to stimulate economic growth through the policy of "To Stabilize Development, To Adjust Structures and To Prevent Inflation". Among them, "To Adjust Structures" brings opportunities for the development of Chinese consumption market. Retail industry will be greatly enhanced as well. The Chinese retail industry has already seen the silver lining after financial crisis, hence, we are cautiously optimistic about the development of the industry. We will formulate our long-term and comprehensive development strategies timely in response to the domestic consumption conditions and trends, as well as in line with our rebranding program launched in June 2009.

STRATEGIES FOR FUTURE DEVELOPMENT

For 17 years since our founding, the Group has never ceased pursuing the corporate mission of becoming one of the dominant department store operators in the PRC. After the rebranding program was launched in June 2009, the Group abandons the conventional store positioning by "Class Basis" and initiates "Fashion style" & "Living Style" concept in the retail industry by categorizing the stores into one-stop shopping department store and themed department store, namely "Living Gallery" and "Fashion Gallery" respectively, creating the brand new concept of "Enriching Lives • Enhancing Character". The rebranding program was first launched in Shenyang and has then been carrying out in different cities in an orderly schedule, targeting for completion in 2012.

To echo with the implementation of the rebranding program, the Group hosted the 11-month contest of "The 1st NWDS Spokesperson" since July 2009. A male and a female were selected as spokesperson from 21,000 applicants to represent the innovative and ever-energetic New World Department Store. The whole rebranding program including the subsequent contest of "The 1st NWDS Spokesperson" has won 600 media coverage,





whereas the contest has attracted 4 million online and in-store votes, bringing the new image of New World Department Store to the public successfully.

OPERATIONAL STRATEGY

In the course of rebranding program, the Group has built a benign corporate culture and structure through brand-new corporate values internally; while externally renovating the image of all stores, striving to create an unprecedented shopping environment with "Enriching Lives • Enhancing Character". The rebranding program reforms merchandise mix, optimizes VIP services and enhances staff quality as well as revamping store interior decoration and shopping ambience, in order to meet discerning customers' needs for a quality living.

Reform Merchandise Mix

Merchandise mix is the key to stand out from the furious competitive department store market in China. To complement our rebranding endeavors, we keep reforming our merchandise mix according to different markets, creating customized quality shopping environment for our customers.

Abandon the old and initiate the new by introducing "Fashion Gallery" and "Living Gallery"

The Group took the lead to introduce "Fashion Style" and "Living Style" as the core positioning of our stores. All stores are therefore categorized into "Fashion Gallery" and "Living Gallery" coupled with the optimization of merchandise mix and complementary services in line with the positioning.

"Fashion Gallery" is a "Themed Department Store" selling fashion and accessories with its focus on "Trendy" and "Character". It emphasizes "Mix & Match" element with exclusive brands and designer brands introduced, striving to become the "Trendy" landmark in the cities. In the year under review, the Group opened a "Fashion Gallery", Beijing Shishang Store, in Beijing, targeting female customers. In order to seek resonance from white-collar elites, Beijing Shishang Store makes a breakthrough to hire all male frontline salesperson to provide attentive services and shopping advices for female customers from male perspectives. Moreover, the largest and comprehensive indoor pet flagship store is set up specially for female

pet lovers. The store also adopts an innovative composite operation mode which combines bookstore and coffee shop to create a unique book bar for vogue enthusiasts. All of these break new ground in the industry, bringing unprecedented shopping experience to customers. With a theme of "Fashion Brand Outlet", Shanghai Changning Branch Store takes good care of customers who look for high quality goods with lower price. It maintains its competitive edge within the corresponding business circle by selling ladies' wear, sporting goods and shoes in discount prices. Shenyang Nanjing Street Branch Store is positioned as "Fashion Brand Gallery", focusing on selling not only international renowned brands, but also popular fashion brands and exclusive designer brands.

"Living Gallery" is a "One-stop Shopping Department Sore" that targets people of all ages and both genders, catering for their needs in terms of "Clothing", "Dining", "Living", "Travelling" and "Entertainment". In the year under review, the Group opened 2 brand new "Living Gallery" in Shanghai, namely Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store. With gross floor area of approximately 40,000 sq.m. of each store, around 20%-30% of the store area is reserved for complimentary facilities, providing supermarket, children's playground, education centre, spa & beauty centre, laundry and shoe repair services, etc.. Beijing Store also has an ice-skating rink, whilst the complex where Beijing Qianzi Store which was opened in September 2010 located boasts an international cinema, meeting families' needs as well as extending the time they spend in store.

In addition to setting up "Fashion Gallery" and "Living Gallery", we also renovate the existing stores. Shenyang Nanjing Street Branch Store and Shenyang Zhonghua Road Branch Store are positioned as "Fashion Gallery" and "Living Gallery" respectively, their same store sales growth improved significantly after completion of the rebranding program in March 2010.

Re-structure Floors to Increase Customer Traffic

Further to the new shopping experience brought by "Living Gallery" and "Fashion Gallery", the Group sets up multi-purpose Event Hall on the top level of some stores as "Brand Outlet Floors", where a variety of out-seasoned products of fashionable brands are offered at attractive prices. In the year under review, sport outlet and household product outlet were set up in Shanghai Chengshan Branch

Store; while Beijing Liying Store opened cashmere outlet and men's casual wear outlet. Beddings discount corner and household product discount corner in Shanghai Qibao Branch Store mainly provided household items, forming a differentiated operation mode with the themed outlet located on 6th floor, driving customer flow by attractive prices and further improving the sales performances. In addition, "Living Gallery" provided complimentary facilities such as food and beverage, fitness centre, spa and beauty centre, bank, education centre and laundry, extending consumers' spending time in store.

In future, the Group will continue to set up multi-purpose Event Hall in certain stores in which themed promotions will be staged with topics changed regularly. Apart from increasing customer traffic, the Event Hall can successfully attract customers to top floors and create the top-down customer flow diversion effect, evening out the traffic to areas on different floors. Moreover, we will build different themed discount area on different floors, further increasing customer traffic.

Breakthrough Tight Market Competition by Deploying the Symbol of "N-only" and Exclusive Brand Strategy

Striving to achieve a differentiated business operation mode from competitors as well as demonstrating the concept of Mix & Match and personal character, starting from April 2010, the symbol of "N-only" was introduced to enable customers to differentiate the exclusive brands of New World Department Store easily. Brands and products sold on the counters with the symbol of "N-only" indicate that they are monopolies of New World Department Store within the located district. We hope customers can be able to "Mix & Match" with our exclusive brands, dressing in their personal style so as to deliver a unique individual image. This strategy is expected to draw in customers on a regular basis effectively. Besides increasing customer traffic, it also helps strengthen customer loyalty. We will continue to introduce more quality products, exclusive brands and designer brands to boost competitiveness.

Recombine Merchandise Mix and Introduce Killer Category

Rebranding program emphasizes enhancing the competitive edges by flexibly adjusting merchandise mix and defining killer product categories. In the year under review, many stores have participated in weeding out the least popular categories and introduced pillar brands in market, as well as optimizing and recombining key categories. For instance, stores including Taizhou Store, Chengdu Store, Chongqing Store, Wuhan Xudong Branch Store, Ningbo Trendy Store, Nanjing Store, Shanghai Qibao Branch Store identified women's shoes as their key category. They drew customers' attentions by promotion the concept of "Want Shoes? Go to New World" in line with the enlargement of women's shoes portfolio, striving to create the largest women's shoes outlet in their respective business districts.

In future, the Group will keep adjusting the merchandise mix according to the ever-changing market in order to strengthen our competitive edges.

Increase Proportion of Direct-sales Goods to Raise Gross Profit

The Group endeavors to enlarge the proportion of direct-sales goods, for instance, many stores are equipped with direct-sales "one price shop" selling commodities from kitchenware to stationary suppliers while Changsha Trendy Plaza has expanded its direct-sales counter, Home of New World, selling household products and beddings. Based on operational requirements, the direct-sales operations are organized in a three-tier structure of headquarters, region and store. The ode of product sourcing is determined according to the nature of individual products to afford greater flexibility, ensuring sufficient and stable supply to raise gross profit margin and optimize profit structure.

Secure Close Relations with Concessionaires and Suppliers

The Group endeavors to maintain cooperative relationships with concessionaires and suppliers in order to provide excellent quality products to customers. We will stick to our heritage to identify new partners among quality suppliers with good market potential while maintaining sound partnership with existing suppliers so as to gain support from them. By the business communication platform of "New World Net", the Group will keep on promoting sound, long-term relationship with suppliers and partners, achieving a win-win scenario. In addition, we will co-host various promotional activities and programs, as well as providing suppliers with latest market information and government policies so as to assist them with selling.





Optimize VIP Services and Enhance Staff Quality

Tying in with our new mission of "To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China", the Group puts lots of efforts in providing sincere VIP services that help boost members' senses of belonging and esteem externally; while internally enhancing staff training to provide the best services to customers.

Enhance VIP Services to Expand Customer Base and Reinforce Customer Loyalty

To complement the corporate rebranding, the Group launched three VIP clubs during the year reported. Targeted young females, "Smart Lady Club" offers joint programs with well-known cosmetic brands, such as makeup classroom and beauty salon as well as providing bride services, wedding gift advices, seasonal fashion and grooming tips, fashion trend advices and Mix & Match seminars; Targeted mothers, "Perfect House Wife Club" invites mommies and babies into regular parental activities like English class and baby crawling games, as well as seasonal travel talks, cooking and housekeeping courses, festival delicacies introductions and home décor talks; "Platinum VIP Club" benefits platinum VIPs with privileged programs like wine-tasting party, private guided shopping, 12% off discount. The Group is committed to offering customized activities and endearing services to VIPs of different backgrounds, strengthening the loyalty and senses of privilege of club members. With only one year ever since these VIP clubs were launched, the number of our VIP club was over 400,000 whereas club activities also successfully attracted more new VIP members, the total number of VIP members therefore increased to 1.88 million in the Current Year from 1.65 million in the Previous Year.

Under the year of review, the Group has created brand new deluxe VIP lounge with internet access service and massage chair facility provided in new stores. We will continue to renovate the existing Customer Service Centres, VIP lounges and washrooms to upgrade the pleasant shopping experience for customers.

To expand the VIP base, New World Department Store, together with the subsidiaries of New World Group including New World China Land, New World Hotel and our brother company, Chow Tai Fook, present joint VIP membership, which allows sharing of VIP privileges among multiple parties. Meanwhile, we will further our collaboration with

Bank of Communications in the development of cobranded card to enrich our customer base.

Nurture Talents to Lay a Robust Foundation

The Group values employees as the most precious assets. Following the new philosophy of "nurturing talents with respect, care and trust", we strive to nurture talents who, in turn, lay a robust foundation for future business development.

Our experienced and insightful management team is capable of initiating forward-looking and competitive development strategies according to market changes. Apart from keeping abreast of local market situations, the team has also partaken in a business field trip to Japan in the Current Year to visit renowned Isetan and Mitsukoshi department stores, fostering exchange of insights into operational opportunities and challenges of department stores in the two countries. By exchanging experiences, excellent talent management and entrepreneurship were able to be maintained.

In line with the rebranding program, the group has invited a renowned Japanese designer to conduct a visual merchandising and display design course through which our staff can acquire general design skills. The course was followed by a visual merchandising contest where staff across all stores could showcase their talents and demonstrate what they have learnt by decorating individual stores and their windows according to different themes. Besides, training courses and programs are offered including Intern Management Training Plan, Post Shifting Plan, Benefit Training Plan, Overseas Training Plan, etc. All employees are eligible for training programs regardless of their position senior management, mid-level management, office secretaries or front-line staff. The Group also hire world-class consulting companies periodically to design training programs tailored for different staff, such as Excellent Management Training, Team Work Training and Business Negotiation Training. During the year under review, a contest was conducted among cashiers. Cashiers who had been excellent at their jobs were rewarded a trip to South Korea experiencing the advanced operational models in Korean department stores as well as learning how to serve customers. The group also hosted an "Innovative Rewarding Program" in the Current Year collecting outstanding ideas on how to improve sales performance from all staffs. By encouraging employees to provide ideas on innovative operation and marketing strategy as well as adopting their ideas, we are able to boost employees' loyalty towards the Company.

What's more, we also hosted the "2010 Summer Internship in New World" program. 12 university students from Hong Kong spent their summer holiday in Shanghai Management Office in Shanghai, taking courses like Customer Services and Floor Management, engaging in field practices at different posts, helping them quickly adapt to society after graduation. Moreover, in order to implement the nurturing talents strategy of New World Group, we carried out the Pre-post Training for Trainees in Shanghai Management Office as well as in our stores in Shanghai in March 2010. We aimed to nurture new generation talents by equipping trainees with operational knowledge in department store industry.

Enhance Interior Decoration and Shopping Ambience of Stores

Typing in with the new image of the Group, we have adopted a sensory marketing strategy through which different elements concerning atmosphere (sight), catering (taste), scent (smell), music (sound) and an open display (touch) are used to attract different customers.

Enhance Atmosphere to Achieve Unparalleled Shopping Environment

"Fashion Gallery" embodies an avant-garde and dynamic design which projects individuality by using sharp contrast in terms of color and form. Multi-media areas are incorporated to convey latest fashion information. All recreational areas are also decorated with abstract artifacts to manifest our distinguished image of chic, novelty and excellence. For "Living Gallery", the theme of "Eco Paradise" is adopted. Using a reddish-orange palette, the stores are decorated with butterfly, flower, forest, rainbow, grassland, river and other design elements inspired by the nature, creating a lively and relaxing shopping environment that helps promote green concept. The Group will keep on adhering to these two design direction to create quality shopping environment with an accent.

During Lunar New Year in 2010, the Group has conceived a unified theme decoration for 5 stores. Under the guidance of a creative director from a renowned HK advertising firm, all 5 stores were decorated into the most excellent shopping environment steeped in festive atmosphere, drawing in endless customer traffic. To complement the New Year decoration theme, we have hosted

a photo competition, which attracted more than 4,000 contestants and 16,000 votes, underlining the popularity of the event. In the future, we will host more full-fledge activities and create festive atmosphere for customers.

Background Music to Go with Store Themes

In terms of sensory of sound, the Group will assign different music playlist based on different store themes. Listening to appealing music, customers will feel relaxed while enjoying shopping fun.

Multitude of Catering Services to Suit Different Tastes

The group strives to bring in a large variety of dining options to the stores to satisfy the needs of different customers. As a department store for family, the "Living Gallery" like Shanghai Baoshan Branch Store boasts nearly 100 food and dining outlets, providing a plethora of options including snack stores, Taiwanese noodles restaurants, HK style restaurants and dessert cafés. For "Fashion Gallery", quality catering and themed restaurants are featured. A prominent example is the innovative composite operation mode of book bar in Beijing Shishang Store, which combines bookstore and café to form a unique space for discerning modern ladies to unwind, have snack and enjoy life.

Pleasant Scent to Ignite Shopping Urges

Pleasant scent can refresh your mind and boost your well-being. In view of this, the Group will use different scents for different areas, creating a unique shopping experience accompanied by an olfactory enjoyment. Smell can also spark the desire for shopping. For example, Beijing Shishang Store combines a book store with a café helps ignite the patronized desire of customers reading in the bar with the stimulation of strong and delicious scent of coffee.

Open Display to Allow First-hand Experience

For sensory of touch, all stores of New World Department Store boast open-style counters and displays, which encourage self-help fittings that allow Mix & Match of customers' own accord to demonstrate individual styles.



New World Department Store China Limited



Management Discussion & Analysis

EXPANSION STRATEGY

Select Site-location Strictly to Complement a Gradual Expansion Strategy

The Group will carry on with the expansion strategy of opening 2 to 3 self-owned stores per fiscal year, amounting to about 100,000 – 120,000 sq.m. in total. In locating new self-owned stores, we will focus strictly on prime locations in cities with good development potential. The criterion on site selection concentrates mainly on prime commercial circles and gradually expands into community circles. Shanghai Chengshan Branch Store opened in April 2010 and Beijing Qianzi Store opened in Shunyi district of Beijing this September are two examples of entering community zone. In addition, the Group will evaluate figures such as GDP per capita, total retail sales of consumer goods and per capita disposable income in determining the opportune moment for entering into appropriate department store market. Shenyang New World Department Store - Jiangiao Road Branch Store ("Shenyang Jianqiao Road Branch store") and Zhengzhou New World Department Store ("Zhengzhou Store") which will commence operation in 2011, are new footholds in second-tier cities.

Apart from exploring other outstanding development opportunities in existing cities, such as Beijing, Sichuan, Harbin and Liaoning Province, the Group will seek for the right occasions to expand into new cities, like Xian in Shaanxi, Taiyuan in Shanxi and Guangzhou in Guangdong.

Stick to "Multiple Presences in a Single City" and "Radiation City" Strategies

The Group has designated a core city for each operational region. With the strategy of "multiple stores in a single city", we increase our footholds in each core city.

The Group gained a footing on Beijing, the core city of the Northern China Region, as early as 1998. After setting up Beijing Store, Beijing Trendy Store and Beijing Liying Store, we have opened Beijing Shishang Store and Beijing Qianzi Store in May and September 2010 respectively. In the Eastern China Region, for instance, we are running 9 stores in Shanghai after the opening of Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store in the Current Year. After opening of 2 stores

in Shenyang, we will open Shenyang Jinqiao Road Branch Store in Zhong Street Commercial Circle in 2011. By adopting the strategy of "multiple stores in a single city", we can increase market share and organize joint functions with fellow city stores to exploit economy of scale and achieve synergy effect.

To minimize the risks associated with entering new markets, the Group will continue to deploy the "radiation city" strategy as we expand our business from a core city into other cities on the periphery. For instance, Zhengzhou, where we have scheduled a new store, Zhengzhou Store, for opening in 2011, is a radiation city on the periphery of Wuhan, the core city of Central China Region.

Seize Opportunity to Acquire Project with Potential

During the year under review, the Group has acquired the operating right of Shanghai Pujian Branch Store in January 2010, converting the store from managed to self-owned. In August of the same year, the Group successfully acquired the operating right of Beijing Store and agreed to acquire Chengdu Store as self-owned store with the application on progress. In future, the Group will continue to actively seek worthwhile acquisition targets including existing managed stores and potential greenfield projects.

Increase Managed Stores at Opportune Moments

Meanwhile, the Group will seek to add potential managed stores at opportune moments to maintain steady income from management fees.

Moreover, the Group will also expand existing stores after careful evaluation of local market needs and potential to maintain competitive advantage.



CHARITY

In accordance with the spirit of "give-and-take", the Group has always dedicated its effort to community and environmental activities, in order to build a better society for next generations.

MSF Day 2010

As the principal sponsor of MSF Day for four consecutive years, over 26,000 New World Department Store staff contributed HK\$330,000 to total donation of HK\$410,000 collected by New World Group, fully manifesting the love and caring spirits of New World Department Store staff. New World Department Store will continue to provide enormous supports to volunteers of Médecins Sans Frontières and their humanitarian actions to regions suffering from plagues, hazards and war, helping more people in need.



Caring for Yushu

On 16 April 2010, Ningbo Store hosted a fundraising activity for the distressed area, Yushu, Qianhai, gaining full support from the community and all staff. On 19 April 2010, Lanzhou Store organized a uniform donation campaign in which 3500 pieces of clothes, including 227 pieces of old uniforms, were donated to the distressed area. In addition, Beijing Store also organized fundraising for Yushu disaster on 22 April 2010 to raise money to China Red

Cross. On 25 April 2010, a fundraising activity called "Great Love Sees No Limit", organized by Anshan Branch, Red Cross was held at the main entrance of Anshan Store.





Sending regards to poor children

In February 2010, Harbin Store visited Children Care Station in Zhaodong, Heilongjiang Province and donated gifts that worth over ten thousands dollars for poor children. In June 2010, Nanjing Store organized a charity event called "Give Warmth in the Joyful June 1", 2 representatives of each department were dispatched to visit poor children as well as sending them greetings and blessings. The event not only brought love and caring to those poor children, but also inspired the staff to participate in community events as well.







Caring elderly with clothes donations

In October 2009, staff representatives from Dalian Store demonstrated their regards by visiting elders of Dalian Dragon Temple Staff Sanatorium and donating winter clothing to them; Wuxi Store also prepared gift items including down scarves and reading glasses for elders in Wuxi Wuhe Elderly Home at the same month. On 21 June 2010, Ningbo Store organized a event called "Clothing Donation for the Elderly" in Baihe Institute of Welfare, Jiangdong.



ENVIRONMENTAL ACTIVITIES

Organized used books donation campaign

New World Department Store hosted "Used books donation campaign" in all stores across China in June 2010. Over 70,000 books were collected and distributed to schools or charitable organizations including Red Cross, Hope School, Hubei Youth Development Foundation, China Environmental Protection Foundation, etc. The overwhelming response showed a growing awareness of environmental protection of our customers. Books collected by stores in Central China were donated to Hope Schools which were sponsored by the Group in early years. "New World reading corner" were also set up to help youngsters who thirst for knowledge to lift their horizon.





Participated in New World Green Week – Green Wear Day

New World Department Store is an advocate of plastic bag use cut as well as an active supporter of environmental protection and charitable events. All stores participated in "New World Green Week – Green Wear Day", an event organized by New World Group on 11 June 2010, all staff wore green causal wear or green accessories at work to promote environmental awareness.





CARE FOR STAFF

Emphasizing staff training and all-round development

The Group emphasized on staff development by organizing various training courses on a regular basis. Apart from general trainings in customer services and management skills, there are also practical courses like practical operations, anti-robbery and anti-theft for jewellery concessionaires, jewellery assessment, quality control for cashmere products and consumer rights protection laws, etc. Staff is thus able to cope with routines requiring a diversity of knowledge and skills. Moreover, contests such as "Quality Service Contest", "Business Skills Contest", "Outstanding Store Assistants" were held to enhance customer services of staff through competitions.

Internship Training Programme

In accordance with the programme of New World Group, New World Department Store Shanghai Management Office and flagship store in Shanghai jointly organized "New World Group Trainee NWDS (Shanghai) Internship Programme" in March 2010. The one-week intensive training course had effectively equipped three management trainees with knowledge and working experience. Through communications, seminars and market research, the programme broadened the horizons of them; granting them a deeper understanding of the department store industry, internal management, operations and work flow of an enterprise, therefore greatly enhanced their competitiveness.



Field trip to Tokyo, Japan for management team

On 19 March 2010, management officers from middle to senior positions of New World Department Store had participated in a four day field trip to department stores in Tokyo. Aiming at studying Japan department stores in a systematic and comprehensive aspect, the field trip reinforced the Group's customer-oriented operation mode and specialized marketing research. With tight schedule, the management visited 0101 and 109 department stores which symbolize youth, trend and change; as well as Isetan and Mitsukoshi representing elegance, classics, and unique services, fostering exchange of insights into operational opportunities and challenges of department stores in the two countries.

Field trip to Korea for "Happy Cashier Ambassadors"

On 9 March, 2010, 33 cashiers of New World Department Store who had been excellent at their jobs were rewarded a 4-day trip to Seoul. Ambassadors experienced the genuine VIP services and meticulous customer services and learned the concepts of quality services during the visit. The event had successfully improved the quality of customer services provided by our staff.

Value the health of our staff

The Group organizes different leisure activities and contests including tug-of-war, ping pong, badminton, birthday parties, sports games, travels, etc. These activities help improve the sense of belongings of our staff as well as promoting physical and mental well-being during spare time.







HONOURS

In the year under review, with customer-oriented services and unique quality commodities, the Group has won recognitions from government and social organizations. Awards from different fields have proven the Group's endless pursuits of excellence.



New World Department Store was accredited as "Asia's 200 Best Under a Billion" by renowned international financial magazine, Forbes, for 2 consecutive years. The 2009 Forbes' "Asia's 200 Best Under A Billion" were

culled from among 25,326 listed companies with sales under USD \$1 billion in Asia Pacific region, considering their profitability, growth, modest indebtedness and future prospects. Cited by Forbes Magazine, the unprecedented dislocations in the global economy disrupted supply chains, froze lines of credit and depleted consumer coffers, with a result of only a third of last year's shortlisted companies left in the list this year testifying their fearless management and persistence in exercising the exceptional operational capability.



The Group has been recognized as one of the 2009/10 Caring Companies for its efforts in caring for the community and commitments to corporate citizenship. New World Department Store practices the spirit of "give-and-take" in the community, thus it is dedicated to work on environmental conservation and charitable initiatives, supporting activities for the benefits of the community.

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

The Group was accredited as "The Credible Enterprise of China" by China Enterprise Reputation & Credibility Association (Overseas) in 2009-2011. The accreditation reassured the Group's excellence and achievements in marketing, consumers' rights protection, products and services quality, corporate governance, building sound financial strength and formulating sound investor relations and human resources policies as well as promoting corporate image.

The NWDS FY2009 Annual Report won numerous awards

Category	Prize	
nternational Mercury Awards —	Grand Award	0.0000000000000000000000000000000000000
"Best of Design: Annual Report"		9 9 0
nternational Mercury Awards —	Gold Award	0.
"Annual Report: Overall Presentation: Department Store"		0 = 0
nternational Mercury Awards —	Gold Award	
"Annual Report Interior: Design — Between 130 to 200 Pages"		0 3
nternational Mercury Awards —	Honour Award	1900
"Annual Report: Cover Design — Abstract / Graphics"		
2010 Astrid Awards —	Sliver Award	162 02
"Annual Report: Corporations — Between 101 to 200 Pages"		-170° A.III
2010 Astrid Awards —	Bronze Award	247
"Annual Report: Photography"		
_ACP's 2009 Vision Awards —	Bronze Award	e C Appeal Court sees
"Annual Report: Retail Industry"		Se Se a seport 2009
2010 International ARC Awards —	Bronze Award	O
"Overall Annual Report: Retail: Department & Convenient Store"		(0





Region	Department Store	Award		
Northeastern China Region	Harbin Store	Advanced Individual on Comprehensive Management of Social Security in 2009 Advanced Group on Comprehensive Management of Social Security in 2009 Advanced Individual Award		
		Advanced Individual / Ward Advanced Enterprise Award		
		Jin Din Department Store		
		Harbin Commercial Service Excellent Technique Competition: Champion in "Serving in English"		
		Harbin Commercial Service Excellent Technique Competition: 1st runner-up in "Serving in Russian"		
		Harbin Commercial Service Excellent Technique Competition: 1st runner-up in "Mix & Match of clothing" Company of the		
	Cl. N. ". Ct. I.B. I.Ct.	Best Organization of Harbin Quality Commercial Service Month in 2009		
	Shenyang Nanjing Street Branch Store	 Consumer Harmonious Demonstration Unit in 2009 Advanced Unit on Consumer Rights in 2009 		
		Relieved Consumption Enterprise		
		Ideal Brands Among Shenyang Consumers in 2009 Great Contribution to the Consumer of Use Pipe Principle in 2000		
	Cl 7l l p lp l c	Great Contribution to the Growth of He Ping District in 2009		
	Shenyang Zhonghua Road Branch Store	Consumer Harmonious Demonstration Unit in 2009 Advanced Unit on Consumer Picture 2009		
		 Advanced Unit on Consumer Right in 2009 Named as Confident Consumption Enterprise of "Hundreds of Enterprises Thanksgiving Day Campaign in Shenyang" 		
		2nd runner-up of "Zhong Xing Cup", Consumer Right Competition in Shenyang "Executive Unit" of Department Store Industry Association of Shenyang in 2010.		
		"Outstanding organization Unit" of Outstanding Commercial Services Store Manager of Shenyang in 2010.		
		"Outstanding Unit" of 4th "Yinlian Cup" Cashier Competition of Business Services in Liaoning		
	Dalian Store	Advanced Unit on Keeping Social Stability and Peace in 2009		
	Anshan Store	Caring Enterprise		
Northern China Region	Beijing Store	 Outstanding Unit of Chongwen District in 2nd National Economic Census Outstanding Individual on Beijing Grain Warehouse Clearing and Inventory Taking in 2009 		
		Top 50 Enterprises in Chongwen District in 2009		
	Beijing Trendy Store	Protection Duties Performed on National Day – Contribution Award Available of the Contribution of the National Day – Contribution Award Available of the National Day – Contribution Award Available of the National Day – Contribution Award		
		 Awarded with a flag of "Maintain High - Level Security for Celebrating the National Day" Awarded the Volunteer Certificate and Medal of "Celebration of the 60th Anniversary 		
		of the People's Republic of China" • Advanced Unit of Trendsetting Civility for Upcoming National Day in Chaoyang District		
		Fire Safety Advanced Unit in 2009		
	Beijing Liying Store	Title of Green Channel for Fast Consumers' Disputes Settlement		
		 "Group 2nd Runner-up Honour" of Beijing Security Bureau 		
		Outstanding Individual on Internal Security Work of Enterprises and Institutes		
	Tianjin Store	 Meritorious Enterprise, Star Enterprise and Key Enterprise in Nankai District in 2009 Named as 2009 Price Integrity Unit 		
	Lanzhou Store	Role Model of Hassle-free Credi-card Transaction Countrywide		
Central China Region	Wuhan Store	Outstanding Tax Contribution Enterprise in Jianghan District in 2009		
		Union Assessment Focus Advanced Unit in the City in 2009		
		Role Model of Hassle-free Credit-card Transaction in 2009		
		 Advanced Group in Safeguarding Municipal Economy in 2009 Advanced Individual Award in Safeguarding Municipal Economy in 2009 		
		Advanced individual Award in Safeguarding Municipal Economy in 2009 Outstanding Individual on Social Fire Protection in 2009		
		Liaison Station and Model Station for 12315 Consumers' Right Protection		
	Wuhan Trendy Plaza	The Best Labor and Social Security Business Ethics Employer Award in 2009		
	Wuhan Wuchang Branch Store	Outstanding Salesperson (Service)		
	Wuhan Qiaokou Branch Store	Outstanding Enterprise on Tax-paying in Qiaokou District in Wuhan City in 2009		





Corporate Citizenship



Region	Department Store	Award				
	Wuhan Xudong Branch Store	 Best of the Law-abiding and Integrity Unit of Labour and Social Security in Wuhan City in 2009 Advanced Security Unit 2010 				
		• Law-abiding and Honest Unit on Employing of Labour and Social Security in Wuhan City in 200				
	Wuhan Hanyang Branch Store	Product Quality Voluntary Supervisor				
	Changsha Trendy Plaza	• "Top Ten" Store				
		Outstanding Unit				
		Advanced Unit on Consumption Festival				
		Excellence Merchant of Bank of China in 2009				
Eastern China Region	Shanghai Huaihai Branch Store	Role Model (Enterprise) of Operate with Honesty in Shanghai				
		 Model Unit of Public Signs Standardization for World Expo Program in Luwan District 				
		Qualified Unit of "Good Public Hygiene for World Expo" Campaign in Luwan District				
	Shanghai Xinning Branch Store	Model business with Card Accessibility				
		Outstanding Individual on Social Fire Protection in Huayang in 2009				
	Shanghai Hongkou Branch Store	Excellent Service for Welcoming World Expo				
	Shanghai Changning Branch Store	Model business With Card Accessibility				
	Shanghai Wujiaochang Branch Store	Creative Group in Teenage Civilization for upcoming Shanghai Expo				
	·	Role Model (Enterprise) of Operate with Honesty in Shanghai				
	Shanghai Qibao Branch Store	Outstanding Individual Honor on Fire Prevention Law				
	Shanghai Baoshan Branch Store	Model Unit on Fire Prevention Management awarded by Shen Xin Group in Baoshan District				
	Wuxi Store	Women of Civilization				
		Best Overseas Chinese ventures or Hong Kong-invested Enterprises in Wuxi				
	Ningbo Trendy Store	Best Organizer of Ningbo Shopping Festival in 2009				
	Ningbo Store	Harmonious Enterprise				
		Major Enterprise				
		Advanced Enterprise in Ningbo Commerce and Trade System in 2009				
	Nanjing Store	Title of Consumer Compliant Station awarded by Nanjing Consumer Council				
	Taizhou Store	Best Security Guard in Taizhou Economic Development Zone in 2009				
		Outfit Donator Honor				
Southwestern China Region	Kunming Store	Award for Labour Union Duties and Tasks Accomplished in 2009				
		Advanced Individual Award on Fire Control in 2009				
	Chongqing Store	2nd runner-up (Group) of the "2009 Chongqing Retail Service Technique Competition"				
		Changing Retail Service Technique Competition: Champion of "Banknote Counting" in 2009 Changing Retail Service Technique Competition: 2nd purpose up of "Mice." Adapting of Cleaning				
		 Chongqing Retail Service Technique Competition: 3rd runner-up of "Mix & Match of Clothings in 2009 				
		 Chongqing Retail Service Technique Competition: 5th runner-up of "Costume Promotion" in 2009 				
	Chengdu Store	 2nd runner-up in Group and Individual categories of "The 4th Sichuan "Yin Lian Bei" Cashier of Designated Merchants and Banking Knowledge Competition" 				

Directors' Profile



Dr. Cheng Kar-shun, Henry GBS Aged 63,

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 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 Taifook Securities Group 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.



Mr. Au Tak-cheong Aged 58,

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 30,

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 the vicechairman 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 substantial experience in corporate finance and worked in a major international bank prior to joining New World Development Company Limited. He holds a Bachelor of Arts Degree (Cum Laude) from Harvard University. Mr. Cheng is the son of Dr. Cheng Kar-shun, Henry.



Mr. Cheung Fai-yet, Philip Aged 55,

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. Mr. Cheung joined the Group in 1993 and has been responsible for the overall management of the Group. He had over 30 years of experience in the retail industry and possesses extensive experience in managing retailing stores in the PRC, Hong Kong and Taiwan. Prior to joining the Group, Mr. Cheung has held various senior management positions in large retail groups in Hong Kong and Taiwan including worked as a general manager in a large Japanese department store and as a general manager in the retail division of a UK based conglomerate in Hong Kong and as a general manager in a large pharmaceutical retail company in Taiwan.

Directors' Profile



Mr. Lin Tsai-tan, David Aged 59,

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 46,

has been a Director since January 2007 and designated as an executive Director since June 2007. He is also 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 44,

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 23 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 62,

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

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

Directors' Profile



Mr. Chan Yiu-tong, Ivan Aged 56,

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



Mr. Tong Hang-chan, Peter Aged 65,

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 Aged 48,

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 24 years of experience in the financial industry and he is the Founder, and currently the chairman and executive director of Oriental City Group Holdings Limited, a company listed on the Stock Exchange of Hong Kong. He is also the chairman and the director of Oriental City Group Plc., a company listed on stock market in London, United Kingdom. Prior to establishing Oriental City Group, Mr. Yu was previously working with Morgan Stanley, AIG Asset Management (Asia) Ltd, and Allianz Dresdner Asset Management. He holds a Bachelor Degree and a candidate of Master of Business Administration Degree.

Senior Management





- 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 55,

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 59,

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 46,

has been a Director since January 2007 and designated as an executive Director since June 2007. He is also 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 51,

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 54,

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.

Senior Management

Ms. Woo Yuk-kwan, Rebecca, aged 44,

is the director — corporate affairs. She joined the Group in 1993 and is now responsible for corporate promotion, investor relations, marketing, 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 44,

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 54,

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 49,

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 58,

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 53,

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 48,

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 Report





CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Directors" or "Board") of New World Department Store China Limited (the "Company"), together with its subsidiaries (the "Group") recognises the importance of corporate governance practices to a listed company. The Company is committed to ensuring high standards of corporate governance in the interest of the shareholders 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 2010.

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 2010.

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 72 to 77 and whose respective interests in the Company are set out on pages 94 to 98 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, financial and operating performance.

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

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 and re-election, if eligible, in accordance with the Articles.

Corporate Governance Report

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

Audit Committee

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

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

During the year, the Audit Committee reviewed with auditor the audited financial statements for the year ended 30 June 2009 and the unaudited interim financial information for the six months ended 31 December 2009 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 2010 and internal audit report with recommendation to the Board for approval. The Audit Committee met three times during the year ended 30 June 2010.

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 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 2010, 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 2010 are set out in note 9 to the consolidated financial statements.

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

	Number of Meeting Attended/Eligible to attend for the year ended 30 June 2010 Audit Remuneratio					
Name of Directors	Board	Committee	Committee			
Non-executive Director Dr. Cheng Kar-shun, Henry (Chairman) Mr. Au Tak-cheong	4/4 4/4	N. W.	N/E			
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	4/4 4/4 4/4 4/4 4/4	3/3 3/3	2/2 2/2			
Independent Non-executive Directors Mr. Cheong Ying-chew, Henry Mr. Chan Yiu-tong, Ivan Mr. Tong Hang-chan, Peter Mr. Yu chun-fai	4/4 4/4 4/4 3/4	3/3 3/3 3/3 3/3 3/3	2/2 2/2 2/2 2/2 2/2			





Corporate Governance Report

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 reporting responsibilities of PricewaterhouseCoopers, the Company's external auditors, are stated in the Independent Auditor's Report on pages 104 to 105 of this annual report.

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing financial statements of each financial period, giving a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 30 June 2010, 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 104 to 105 of this annual report.

Corporate Governance Report

INVESTOR RELATIONS

During the year under review, with excellent and efficient investor relations management, the Group has largely reinforced the communications between current investors and potential investors, protected the legal rights of investors with pragmatic approaches, consolidated investors' understanding of New World Department Store, hence successfully gained investors' recognitions and established a positive image in local and overseas capital markets.

The investor relations team of the Group is formed by senior management executives. Ever since the Group was listed on the main board of Hong Kong Stock Exchange in July 2007, the team has been engaged in initiating dialogues between local and overseas institutional investors and analysts through one-on-one meetings, conference calls and store visits. A total of 266 meetings and store visits were hosted for investors during the year under review. Every year, the Group convenes analyst briefings for its annual and interim results announcement to disclose information proactively to analysts and investment institutions. Research reports regarding the Group are then generated and issued by prominent investment research institutions including Deutsche Bank, HSBC, Standard Chartered, BNP Paribas, RBS, JP Morgan, Morgan Stanley, Goldman Sachs, CLSA, DBS Vickers, Macquarie Group, BOCI, BOCOM, Daiwa, Taifook Securities, First Shanghai, CICC, Kim Eng Securities, KGI, SinoPac and Sun Hung Kai Financial.

In addition, after releasing its annual report and interim report, the Group will also carry out overseas roadshows and visit various large investment institutions. The management of New World Department Store carried out roadshows in Hong Kong and Singapore in October 2009 and March 2010 respectively. On the other hand, they were also invited to attend a number of investors conferences hosted by banks and securities groups, such as "DB Access Greater China Conference" in Hong Kong in July and November 2009 respectively, "Deutsche Bank Access Asia Conference" in Singapore in May 2010 and "Daiwa Corporate Day" in Hong Kong in the same month. As a whole, the Group has met over 180 investment institutions from the above events.

To ensure shareholders have a timely access of our information, a designated column called "Investors" is added in New World Department Store's website www.nwds.com.hk, providing latest announcements, circulars, press releases, financial reports and presentations. Through interim report, annual report, notices, annual general meeting and real-time e-news for registered users, the investor relations team provides investors with comprehensive information on the Group's business development strategy and latest operations.

The Group values the rights in information disclosure and the transparency of the enterprise, hence, the investor relations team of New World Department Store will continue to actively engage in interaction with investors to reinforce investors' confidences in the Group, creating an ideal capital market for financing.

AUDITOR'S REMUNERATION

Fees for auditing services and non-auditing services amounted to HK\$3,950,000 (2009: HK\$3,499,000) and HK\$1,378,000 (2009: HK\$720,000) respectively were provided in the Group's consolidated income statement for the year ended 30 June 2010.

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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 2010.

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 34 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 30 June 2010 are set out in the consolidated income statement on page 106 of this annual report.

DIVIDENDS

The Directors have resolved to recommend a final dividend of HK\$0.07 per share (2009: HK\$0.07 per share) for the year ended 30 June 2010 to Shareholders whose names appear in the register of members of the Company on 23 November 2010. It is expected that the proposed final dividend will be paid on or about 21 December 2010 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 14 to the consolidated financial statements.

As regards the property held by the Group at Zijingshan Road, Zhengzhou City, Henan Province, the PRC, the relevant building ownership certificate was registered in April 2010. The property will be used for operation of department store. The gross floor area of the property is approximately 35,211 square metres. The Group holds 100% interest in the property.

As regards the property held by the Group at Jinqiao Road, Dadong District, Shenyang City, Liaoning Province, the PRC, the relevant building ownership certificate and state-owned land use right certificate was obtained in September 2010. The property will be used for operation of department store. The gross floor area of the property is approximately 32,500 square metres. The Group holds 100% interest in the property.

SHARE CAPITAL

Details of the share capital are set out in note 24 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out in note 25 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years of 2006 to 2010 are set out on page 154.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK\$66,000 (2009: approximately HK\$6,000).



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

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

AUDIT COMMITTEE

The Audit Committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and 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 2010 and discussed those related matters with the management.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the "Connected Transactions" section below, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2010 or at any time during the year ended 30 June 2010.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

DEED OF NON-COMPETITION

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

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

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

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. (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.





DEED OF NON-COMPETITION (continued)

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 HK\$3,000,000. 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.

As regards the Beijing Shopping Mall, the Board announced that on 18 June 2010, Rainbow Star Resources Limited ("Rainbow Star"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Solar Leader and Broad Park Limited ("Broad Park"), a wholly-owned subsidiary of Solar Leader, whereby Rainbow Star agreed to acquire from Solar Leader the entire issued share capital of Broad Park and the outstanding shareholder's loan of Broad Park owing to Solar Leader for a consideration of RMB150,000,000 less the unpaid amount of the registered share capital of Beijing Yixi New World Department Store Co., Ltd. ("Beijing Yixi"), a wholly-owned subsidiary of Broad Park. Beijing Yixi is the operator of a department store business in Beijing, the PRC in the name of Beijing New World Department Store (the "Beijing Department Store Business") and the Beijing Department Store Business was acquired by Beijing Yixi from a company controlled by Solar Leader in August 2009. The acquisition of the entire issued share capital of Broad Park was completed on 1 August 2010.

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

CONNECTED TRANSACTIONS

- (a) 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.
 - i Master Management Agreement

On 22 May 2009, the Company and NWD 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 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 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 Master Management Agreement has served to protect the interests of the Group, to facilitate acquisition by the Group of the store owned by the NWD Group and to regulate the operations agreements under a common framework agreement.

It is expected that the annual consideration payable under the continuing connected transactions contemplated under the Master 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 Master Management Agreement was approximately RMB59,264,000 (2009: approximately RMB52,215,000) for the year ended 30 June 2010.

CONNECTED TRANSACTIONS (continued)

ii Master Leasing Agreement

On 22 May 2009, the Company and NWD 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.

On 18 June 2010, the Company and NWD entered into a supplemental agreement (the "Supplemental Master Leasing Agreement") to revise annual cap amounts in respect of the Master Leasing Agreement and the Supplemental Master Leasing Agreement being RMB471, 846,000 and RMB544,198,000 for the two years ending 30 June 2012 respectively.

The Directors believe that maintaining the lease agreements with the NWD Group will ensure the Group's stability in using the relevant Premises as the relevant stores owned by the Group from time to time (the "Stores") have been operating at their respective Premises for a number of years and the cost to be incurred and the adverse impact on the operation of the Stores in the event of their relocation will be substantial. The Directors further believe that it is in the interests of the Company to enter into the Master Leasing Agreement and the Supplemental 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 and the Supplemental Master Leasing Agreement for the three years ending 30 June 2012 will not exceed RMB154,479,000, RMB471,846,000 and RMB544,198,000, respectively.

The total amount paid to the NWD Group under the Master Leasing Agreement and the Supplemental Master Leasing Agreement was approximately RMB107,510,000 (2009: approximately RMB100,935,000) for the year ended 30 June 2010.

iii Master Services Agreement

On 22 May 2009, the Company and NWS Holdings Limited ("NWSH", and together with its subsidiaries, the "NWSH Group") 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 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 to the Group (collectively the "Services") 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 entering into 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 Master Services Agreement, NWSH is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Services Agreement constitute connected transactions of the Company.

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 Master Services Agreement was approximately RMB79,900,000 (2009: approximately RMB36,678,000) for the year ended 30 June 2010.





CONNECTED TRANSACTIONS (continued)

iv Master Sales Agreement

On 22 May 2009, the Company, New World China Land Limited ("NWCL", together with its subsidiaries, the "NWCL Group") and Chow Tai Fook Jewellery Company Limited ("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 CTF Jewellery and its subsidiaries (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.

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 Chow Tai Fook Enterprises Limited ("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 and the Supplemental Master Sales Agreement constitute continuing connected transactions of the Company.

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

The total amount received from the NWCL Group under the Master Sales Agreement and the Supplemental Master Sales Agreement was approximately RMB326,000 (2009: Nil) for the year ended 30 June 2010.

v Master Sales Agreement – Prepaid Shopping Cards

On 18 June 2010, the Company and NWD entered into the master sales agreement (the "Master Sales Agreement – Prepaid Shopping Cards"), for a term of two years from 1 July 2010, pursuant to which the Company agrees to, and to procure other members of the Group to, sell the goods in the Stores by means of accepting the prepaid shopping cards issued by the Group to the NWD Group (except the Group) which may be presented at the Stores for purchasing goods at the Stores presented at the Stores by the holders thereof or by other means acceptable to the Company from time to time during the duration of the Master Sales Agreement – Prepaid Shopping Cards on condition that the amounts payable to the Group in respect of the goods sold in the Stores are being settled by members of the NWD Group (except the Group).

NWD is a controlling shareholder of the Company, therefore a connected person of the Company and the transactions contemplated under the Master Sales Agreement – Prepaid Shopping Cards constitute continuing connected transaction of the Company.

It is expected that the annual consideration receivable under the Master Sales Agreement – Prepaid Shopping Cards will not exceed RMB4,500,000 and RMB5,000,000 for the two years ending 30 June 2012 respectively.

CONNECTED TRANSACTIONS (continued)

vi Acquisition of Interests – Broad Park Limited

On 18 June 2010, Solar Leader, Rainbow Star and Broad Park entered into a sale and purchase agreement whereby Rainbow Star agreed to acquire from Solar Leader the entire issued share capital of Broad Park and the outstanding shareholder's loan of Broad Park owing to the Solar Leader as at 1 August 2010 or otherwise agreed between the Solar Leader and Rainbow Star for an aggregate consideration of RMB150,000,000 less the unpaid registered capital of Beijing Yixi as at the date of the acquisition agreement of approximately RMB54,908,000 (the "Acquisition").

The Directors believe that the Acquisition will further enhance the Group's strategy of "Multiple presences in a single city" in order to increase market share and enjoy economies of scale and synergy effect within the northern region in the PRC.

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

vii Acquisition of Property – Property on Nanning South Street, Shenyang City

On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co."), an indirect whollyowned subsidiary of the Company, entered into the framework agreement (the "Framework Agreement") with the Shenyang New World Hotel Co., Ltd., ("Shenyang New World Hotel"), an indirect whollyowned subsidiary of NWCL, pursuant to which Shenyang New World Hotel agree to sell and Shenyang Co. agreed to acquire (i) the building ownership right and the land use right of certain exclusive and common-use areas of Lower Ground Level 1 to Upper Ground Level 5 of the building, temporarily known as Shenyang New World Commercial Centre Phase I, to be developed by Shenyang New World Hotel on the parcel of land located at east land lot of Nanning South Street, Shenyang City, Liaoning Province, the PRC (the "Project"); and certain exclusive-use portion of the equipment and facility room of Lower Ground Level 2 to Lower Ground Level 3 and that of Upper Ground Level 6 of the Project for the exclusive use of Shenyang Co.; (ii) the right of use of certain outer wall area of Upper Ground Levels 1 to 5 of the Project, certain exclusive areas (such as facility rooms) on the accessible podium of Upper Ground Level 6 of the Project, and the relevant outdoor areas of the Project as prescribed in the Framework Agreement; and (iii) the right of use of the equipment and facilities and the above electrical and mechanical systems to be exclusively used by Shenyang Co. as confirmed by the Shenyang New World Hotel and Shenyang Co., and the right of use of the common areas and common equipment and facilities as prescribed in the Framework Agreement for a consideration of RMB456,534,000, equivalent to approximately HK\$518,789,000 (subject to adjustments).

The Board considers that the Framework Agreement is expected to further enhance the influence of the Group in the retail market in the PRC as well as to facilitate the Group to lay a solid foundation for a retail road map in the PRC. The Directors believe that the Framework Agreement will further enhance the business of the Group and enrich the revenue stream of the Group. The Framework Agreement will provide an opportunity for the Company to increase its interests in department store business in the northeastern part of the PRC. Accordingly, the Directors believe that it is now an opportune time to proceed with the Framework Agreement which, upon completion, will further enhance the strategy of "multiple presences in a single city" in order to increase its market share and enjoy economies of scale and synergy effect within the northeastern region of the PRC.

NWD held an approximately 72.29% attributable interest in the Company. Since NWCL is a subsidiary of NWD, NWCL is a connected person of the Company under the Listing Rules. Accordingly the transaction contemplated under the Framework Agreement constitutes a connected transaction of the Company. Meanwhile, as one or more of the applicable percentage ratios exceeds 5%, the transaction under the Framework Agreement also constitutes a disclosed transaction and subject to the independent Shareholders' approval at an extraordinary general meeting to be held on 23 November 2010.



CONNECTED TRANSACTIONS (continued)

(b) CTF, being a substantial shareholder of NWD and the controlling shareholder of the Company whereas CTF Jewellery or any 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.

Master Concessionaire Counter 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 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 Master Concessionaire Counter Agreement, so that the Group may regulate the existing and future concessionaire counter agreement(s) under a common framework agreement and including 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 the CTF Jewellery or any of its subsidiaries under the Master Concessionaire Counter Agreement was approximately RMB16,115,000 (2009: approximately RMB15,065,000) for the year ended 30 June 2010.

(c) 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 (a)i above); (ii) Master Leasing Agreement (paragraph (a)ii above); (iii) Master Services Agreement (paragraph (a)iii above); (iv) Master Sales Agreement (paragraph (a)iv above); and (v) Master Concessionaire Counter Agreement (paragraph (b) above) for the year ended 30 June 2010 and confirmed that the transactions were:

- i in the ordinary and usual course of business of the Company;
- ii on normal commercial terms; and
- iii in accordance with the relevant 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:

- i had received the approval of the Board;
- ii were entered into in accordance with the relevant agreements governing the transactions; and
- 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2010, 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 position in 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
Mega Choice Holdings Limited (In liquidation) (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	-	-	420,585,070(2)	420,585,070	34.61
New World China Land Limited (Ordinary shares of HK\$0.10 each) Dr. Cheng Kar-shun, Henry Ms. Ngan Man-ying, Lynda	18,750,000 100,000	2,925,000	78,406,800 ⁽³⁾	100,081,800	1.74
Ms. Ngan Man-ying, Lynda	100,000	_	-	100,000	0.00
New World Development Company Limited (Ordinary shares of HK\$1.00 each) Dr. Cheng Kar-shun, Henry	-	300,000	-	300,000	0.01
NWS Holdings Limited (Ordinary shares of HK\$1.00 each) Dr. Cheng Kar-shun, Henry	9,179,199	-	8,000,000(3)	17,179,199	0.79

Notes:

- (1) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Chi-kong, Adrian.
- (2) These shares are beneficially owned by certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.
- (3) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options

i The Company

		Number of share options						Exercise
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2010	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 25 March 2008	(1) (2)	1,500,000 500,000	-	- -	-	1,500,000 500,000	8.660 8.440
Mr. Lin Tsai-tan, David	27 November 2007 25 March 2008	(1) (2)	459,000 230,000	-	- -	-	459,000 230,000	8.660 8.440
Mr. Wong Kwok-kan, Kenneth	27 November 2007 25 March 2008	(1) (2)	501,000 250,000	-	-	- -	501,000 250,000	8.660 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	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 during the year are as follows:

	Number of share options								
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2009	Granted during the year	Adjusted during the year ⁽⁴⁾	Exercised during the year	Lapsed during the year	Balance as at 30 June 2010	Exercise price per share HK\$
Dr. Cheng Kar-shun, Henry	7 January 2008	(1)	2,000,000	_	238,806	_	_	2,238,806	6.228
	29 December 2008	(3)	1,600,000	-	191,045	-	-	1,791,045	1.340
Mr. Cheng Chi-kong, Adrian	25 July 2006	(2)	331,600	_	39,594	-	-	371,194	2.559
	7 January 2008	(1)	1,500,000	-	179,104	-	-	1,679,104	6.228
	29 December 2008	(3)	1,200,000	-	143,284	-	-	1,343,284	1.340
Ms. Ngan Man-ying, Lynda	7 January 2008	(1)	1,000,000	_	119,403	-	-	1,119,403	6.228
	29 December 2008	(3)	900,000	-	107,463	-	-	1,007,463	1.340
			8,531,600	-	1,018,699	-	-	9,550,299	

Notes:

- (1) Divided into 3 tranches, exercisable from 8 February 2008, 8 February 2009 and 8 February 2010 respectively to 7 February 2011.
- 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.
- 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) Pursuant to the share option scheme of NWCL, the number of share options and exercise price are subject to adjustment in case of alteration in NWCL's capital structure. Accordingly, the rights issue as announced by NWCL on 9 October 2009, which became unconditional on 16 November 2009, constituted an event giving rise to an adjustment to the exercise prices and the number of outstanding share options in accordance with the share option scheme on 17 November 2009.
- (5) The cash consideration paid by each Director for each grant of the share options is HK\$10.00.



DIRECTORS' INTERESTS IN SECURITIES (continued)

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

iii New World Development Company Limited

Under the share option scheme of the holding company, NWD, the undermentioned Directors have personal interests in share options to subscribe for shares of NWD 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 during the year are as follows:

			Number of share options						
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2009	Granted during the year	Exercised during the year	Balance Lapsed as at during 30 June the year 2010	Exercise price per share HK\$		
Dr. Cheng Kar-shun, Henry	19 March 2007	(1)	36,710,652	-	-	- 36,710,652	17.654		
Mr. Cheng Chi-kong, Adrian	19 March 2007	(2)	502,885	-	-	- 502,885	17.654		
Mr. Au Tak-cheong	19 March 2007	(2)	1,206,925	-	-	- 1,206,925	17.654		
			38,420,462	_	-	- 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) The cash consideration paid by each Director for grant of the share options is HK\$10.00.

iv NWS Holdings Limited

Under the share option scheme of a fellow subsidiary, NWSH, the undermentioned Director has personal interests in share options to subscribe for shares of NWSH and accordingly he is regarded as interested in the underlying shares of NWSH. Certain details of the share options of NWSH held by him during the year are as follows:

			Number of share options						
Name	Date of grant	Exercisable period (Note)	Balance as at 1 July 2009	Granted during the year	Adjusted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2010	Exercise price per share HK\$(2)
Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	3,001,277	-	25,551	-	-	3,026,828	16.055
			3,001,277	-	25,551	_	_	3,026,828	_

DIRECTORS' INTERESTS IN SECURITIES (continued)

- (b) Long positions in underlying shares share options (continued)
 - iv NWS Holdings Limited (continued)

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) NWSH declared final dividend for the year ended 30 June 2009 and interim dividend for the six months ended 31 December 2009 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\$16.193 to HK\$16.157 on 22 January 2010, and further to HK\$16.055 on 7 June 2010.
- (3) The cash consideration paid by the Director for grant of the share options is HK\$10.00.

Save as disclosed above, as at 30 June 2010, 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

So far as the Directors were aware, as at 30 June 2010, the following persons (not being Directors or the chief executive of the Company) had an interests or a short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

	Ni	ımber of shares hel	d	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⁾ Chow Tai Fook Enterprises Limited ⁽³⁾	_	1,218,900,000 1,218,900,000	1,218,900,000 1,218,900,000	72.29 72.29
New World Development Company Limited	1,218,900,000	1,210,900,000	1,218,900,000	72.29

Notes:

- (1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by Centennial.
- (2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTF.
- (3) CTF together with its subsidiaries hold an aggregate of approximately 40.03% interest in NWD and is accordingly deemed to have an interest in the shares of the Company interested by NWD.

Save as disclosed above, the Directors are not aware of any person (not being Directors or the chief executive of the Company) who, as at 30 June 2010, had an interest or a short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

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 1 year upon the grant of options by the Directors.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid

The amount payable for the acceptance of an option shall be the sum of HK\$1.00 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.

The basis of determining the exercise price

The exercise price shall be determined by the Directors, being the higher of: (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of option; or (c) the nominal value of a share of the Company.

The remaining life of the Scheme

The Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.



SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS

Number of share option							
Date of grant	Exercisable period (Note)	Balance as at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2010	Exercise price per share HK\$
27 November 2007 25 March 2008	(1) (2)	13,060,000 2,985,000	-	_ _	(1,771,000) (441,000)	11,289,000 2,544,000	8.660 8.440
		16,045,000	_	_	(2,212,000)	13,833,000	

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 2010, total number of employees for the Group was 4,842 (2009: 3,768). 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

In January 2010, NWDSIC acquired the entire equity interest from independent third parties, including all interest and rights, of Shanghai New World Huiya Department Store Co., Ltd., a limited liability company incorporated in the PRC and the operator of Shanghai Pujian Branch Store, for an aggregate consideration of RMB2,000,000.

In March 2010, Shenyang Co., the owner of the Property, as defined below, entered into sale and purchase agreements with an independent third party, 上海美特斯邦威服飾股份有限公司, to sell land use right and the property at which Shenyang Taiyuan Street Branch Store was situated (the "Property"), with an approximate gross floor area of 10,716 square metres, for an aggregate consideration of RMB224,000,000.

In June 2010, the Group entered into an agreement with Solar Leader whereby the Group agreed to acquire from Solar Leader 100% of the equity interest in Broad Park and the amount due to Solar Leader (approximately HK\$11,515,000) by Broad Park, for an aggregate consideration of RMB150,000,000 (equivalent to approximately HK\$170,454,000) less the outstanding registered capital (approximately RMB54,908,000, equivalent to approximately HK\$62,395,000) of Beijing Yixi. The acquisition was approved by the shareholders of the Company other than NWD and associates on 27 July 2010, as defined under The Rules Governing the Listing of Securities on the Stock Exchange, and completed on 1 August 2010.

In August 2010, the Group agreed to acquire 100% of the equity interest in Chengdu New World Department Store Co., Ltd. ("Chengdu Co.") for a consideration of RMB2,000,000 from certain independent third parties. Chengdu Co. is engaged in operations of a department store in Chengdu.

On 4 October 2010, Shenyang Co. entered into an agreement for sale and purchase of property with Shenyang New World Hotel. Shenyang Co. agreed to acquire the building ownership right, land use right and right of use of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems for certain exclusive and common-use areas of a building, located in Shenyang City, for a consideration of approximately RMB456,534,000 which is subject to further adjustments.

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 23.7% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and 6.5% 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 2010 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, 4 October 2010

Independent Auditor's Report

PRICEWATERHOUSE COPERS @

羅兵咸永道會計師事務所

PricewaterhouseCoopers

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TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED

(incorporated in the Cayman Island with limited liability)

We have audited the consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 106 to 153, which comprise the consolidated and Company statements of financial position as at 30 June 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.



Independent Auditor's Report

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 2010 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, 4 October 2010

Consolidated Income Statement

For the year ended 30 June 2010

	Note	2010 HK\$'000	2009 HK\$'000
Revenue	5	1,872,905	1,721,246
Other income Other gains, net Purchases of and changes in inventories Employee benefit expense Depreciation and amortisation Operating lease rental expense	6 7 9	72,718 165,972 (296,166) (239,617) (198,968) (362,325)	112,939 61,772 (209,275) (252,971) (170,603) (325,075)
Other operating expenses, net Operating profit Share of loss of an associated company	29	(203,012) 811,507 (203)	(243,001) 695,032 (2,066)
Profit before income tax Income tax expense	10	811,304 (233,697)	692,966 (145,657)
Profit for the year		577,607	547,309
Attributable to equity holders of the Company		577,607	547,309
Dividends	12	252,922	252,922
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK\$ per share)			
– Basic and diluted	13	0.34	0.32

The notes on pages 115 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income





For the year ended 30 June 2010

	2010 HK\$'000	2009 HK\$'000
Profit for the year	577,607	547,309
Fair value gain on available-for-sale financial assets Translation differences	2,043 211	32,085 5,514
Other comprehensive income for the year, net of tax	2,254	37,599
Total comprehensive income for the year	579,861	584,908
Total comprehensive income attributable to equity holders of the Company	579,861	584,908

There is no tax impact relating to the components of other comprehensive income for the year ended 30 June 2010 and 2009.

The notes on pages 115 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	2010 HK\$'000	2009 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,579,406	1,225,977
Land use rights	15	858,711	764,928
Goodwill	16	228,710	172,435
Investment in an associated company	29	-	203
Other non-current assets	18	206,640	386,830
Long-term prepaid rent and rental deposits	17	153,266	99,595
Available-for-sale financial assets	19	110,998	108,955
Deferred income tax assets	26	44,247	31,052
		3,181,978	2,789,975
Current assets			
Inventories		78,501	53,448
Debtors	20	19,612	14,354
Prepayments, deposits and other receivables	17	362,213	489,555
Amount due from an associated company	29	, <u> </u>	690
Amounts due from fellow subsidiaries	21	32,991	27,363
Fixed deposits	22	1,272,033	737,529
Cash and cash equivalents	23	2,324,666	2,185,992
		4,090,016	3,508,931
Total assets		7,271,994	6,298,906
Equity			
Share capital	24	168,615	168,615
Reserves	25	4,482,548	4,142,776
Proposed dividend	12	118,030	118,030
Total equity		4,769,193	4,429,421
			.,.23,.21
Liabilities			
Non-current liabilities	0.7	242.25	202.052
Accruals and deferred income	27	312,305	282,960
Deferred income tax liabilities	26	151,552	154,601
		463,857	437,561

Consolidated Statement of Financial Position



As at 30 June 2010

	Note	2010 HK\$'000	2009 HK\$'000
Current liabilities			
Creditors, accruals and other payables	27	1,934,855	1,377,040
Amounts due to fellow subsidiaries	21	19,551	6,432
Tax payable		84,538	48,452
		2,038,944	1,431,924
Total liabilities		2,502,801	1,869,485
Total equity and liabilities		7,271,994	6,298,906
Net current assets		2,051,072	2,077,007
Total assets less current liabilities		5,233,050	4,866,982

Dr. Cheng Kar-shun, HenryDirector

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 115 to 153 are an integral part of these consolidated financial statements.

Company Statement of Financial Position

As at 30 June 2010

	Note	2010 HK\$'000	2009 HK\$'000
Assets			
Non-current assets	2.0	4.460.440	1 246 140
Subsidiaries	28	1,460,413	1,346,148
Current assets			
Prepayments and deposits	17	153	256
Amounts due from subsidiaries	28	2,228,761	2,343,974
Cash and cash equivalents	23	14,456	20,210
		2,243,370	2,364,440
Total assets		3,703,783	3,710,588
Equity			
Share capital	24	168,615	168,615
Reserves	25	3,303,038	3,182,272
Proposed dividend	12	118,030	118,030
Total equity		3,589,683	3,468,917
Liabilities			
Current liabilities			
Accruals and other payables	27	2,115	2,578
Amounts due to subsidiaries	28	111,985	239,093
		114,100	241,671
Total liabilities		114,100	241,671
Total equity and liabilities		3,703,783	3,710,588
Net current assets		2,129,270	2,122,769
Total assets less current liabilities		3,589,683	3,468,917

Dr. Cheng Kar-shun, HenryDirector

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 115 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity





For the year ended 30 June 2010

	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 revaluation reserve 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
Comprehensive income Profit for the year	-	-	-	-	-	-	-	547,309	547,309
Other comprehensive income									
Fair value gain on available-for-sale									
financial assets	-	-	-	-	-	32,085	-	-	32,085
Translation differences	-	-	-	-	-	-	5,514	-	5,514
Total comprehensive income									
for the year ended 30 June 2009	_	-	-	-	-	32,085	5,514	547,309	584,908
Transactions with owners									
Share-based payments	-	-	-	-	24,412	-	-	-	24,412
Lapse of share options	-	-	-	-	(1,783)	-	-	1,783	-
Final dividend relating to the year									
ended 30 June 2008	-	-	-	-	-	-	-	(151,753)	(151,753)
Interim dividend relating to the period									
ended 31 December 2008	-	-	-	_	-	-	-	(134,892)	(134,892)
Transfer to statutory reserve	_	_	-	43,579	-	-	-	(43,579)	-
	-	-	_	43,579	22,629	-	-	(328,441)	(262,233)
At 30 June 2009	168,615	2,398,250	391,588	79,255	40,077	32,085	163,877	1,155,674	4,429,421

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	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 revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2009	168,615	2,398,250	391,588	79,255	40,077	32,085	163,877	1,155,674	4,429,421
Comprehensive income Profit for the year	-	-	-	-	-	-	-	577,607	577,607
Other comprehensive income Fair value gain on available-for-sale financial assets Translation differences	-	-	-	-	-	2,043	-	-	2,043
							211		211
Total comprehensive income for the year ended 30 June 2010	-	-	-	-	-	2,043	211	577,607	579,861
Transactions with owners Share-based payments Lapse of share options	-	- -	- -	- -	12,833 (4,385)	- -	-	- 4,385	12,833
Final dividend relating to the year ended 30 June 2009 Interim dividend relating to the period	-	-	-	-	-	-	-	(118,030)	(118,030)
ended 31 December 2009 Transfer to statutory reserve	-	-	-	- 59,916	-	-	-	(134,892) (59,916)	(134,892)
	_	_	_	59,916	8,448	_	_	(308,453)	(240,089)
At 30 June 2010	168,615	2,398,250	391,588	139,171	48,525	34,128	164,088	1,424,828	4,769,193

The notes on pages 115 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows





For the year ended 30 June 2010

	Note	2010 HK\$'000	2009 HK\$'000
Cash flows from operating activities			
Profit before income tax and share of loss of an			
associated company		811,507	695,032
Adjustments for:			
Interest income		(37,606)	(76,662)
Amortisation of land use rights		22,201	22,443
Depreciation of property, plant and equipment		176,767	148,160
Fair value gain of financial assets at fair value through			(4.5.=4.5)
profit or loss		-	(16,716)
Excess of the fair value of net assets acquired over the cost			(25.622)
of acquisition of subsidiaries		_	(35,622)
Gain on disposal of a subsidiary		_	(9,755)
(Gain)/loss on disposal of property, plant and equipment,		(165.072)	321
and land use rights Share-based payments		(165,972) 12,833	24,412
Dividend income		(7,104)	24,412
Dividend income		(7,104)	
Operating profit before working capital changes		812,626	751,613
Changes in:			
Inventories		(23,829)	4,291
Debtors		(975)	11,854
Prepayments, deposits and other receivables		43,939	(674,316)
Creditors, accruals and other payables		385,150	156,526
Amount due from an associated company		690	(690)
Amounts due from/to fellow subsidiaries		7,491	33,269
Cash generated from operations		1,225,092	282,547
Mainland China tax paid		(201,400)	(155,802)
Net cash from operating activities		1,023,692	126,745
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiaries	31(a)	55,990	79,257
Net cash outflow from disposal of a subsidiary	31(b)	_	(800)
Capital injection to an associated company	(-,	_	(2,269)
Purchase of property, plant and equipment		(392,407)	(203,113)
Purchase of land use right		(48,206)	
Proceeds from disposal of property, plant and equipment,		. , ,	
and land use right	31(c)	245,261	520
(Increase)/decrease in fixed deposits		(534,504)	53,380
Interest received		37,606	76,662
Dividend received		3,994	_
Net cash (used in)/from investing activities		(632,266)	3,637

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	2010 HK\$'000	2009 HK\$'000
Cash flows from financing activities Dividends paid	(252,922)	(286,621)
Net cash used in financing activities	(252,922)	(286,621)
Effect of foreign exchange rate changes	170	5,513
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at beginning of the year	138,674 2,185,992	(150,726) 2,336,718
Cash and cash equivalents at end of the year	2,324,666	2,185,992

The notes on pages 115 to 153 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 Main Board of The Stock Exchange of Hong Kong Limited on 12 July 2007

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 4 October 2010.

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") issued by the Hong Kong Institute of Certified Public Accountants. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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.

For the year ended 30 June 2009, the Group has early adopted HKFRS 3 (Revised) "Business Combinations" and HKAS 27 (Revised) "Consolidated and Separate Financial Statements", which were prospectively applicable for the accounting periods beginning on or after 1 July 2009. In the current year, the Group has adopted the following new or revised standards, amendments to existing standards and interpretations which are mandatory for the year ended 30 June 2010:

HKFRS 1 (Revised) First-time Adoption of HKFRSs

HKFRS 1 and HKAS 27 Amendments Cost of an Investment in a Subsidiary, Jointly Controlled Entity

or Associate

HKFRS 2 Amendments Vesting Conditions and Cancellations

HKFRS 7 Amendment Financial Instruments: Disclosures – Improving Disclosures

about Financial Instruments

HKFRS 8 Operating Segments

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 23 (Revised) Borrowing Costs

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

In addition, the Group has early adopted HKAS 32 Amendment "Financial Instruments: Presentation – Classification of Right Issues" for the year ended 30 June 2010.

Basis of preparation (continued)

The adoption of these new or revised standards, amendments to existing standards and interpretations has no material impact on how the results for the current and/or prior accounting period are prepared and presented, except for the following:

HKAS 1 (Revised) prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income have been prepared under these revised disclosure requirements.

HKFRS 7 Amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group has included additional relevant disclosures in the consolidated financial statements.

HKFRS 8 replaces HKAS 14, "segment reporting". It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that make strategic decisions.

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

HKFRS 1 Amendment Additional Exemptions for First-time Adopters

HKFRS 1 Amendment Limited Exemption for Comparative HKFRS 7 Disclosures for

First-time Adopters

HKFRS 2 Amendment Group Cash-settled Share-based Payment Transactions

Financial Instruments HKAS 24 (Revised) Related Party Disclosures

HK(IFRIC) - Int 14 Amendment Prepayments of a Minimum Funding Requirement

HK(IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments

Improvements to 2009 and 2010 HKFRSs **HKFRSs** Amendments

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

HKFRS 9



2.2 Consolidation

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

(i) 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 acquire either at fair value or at the non-controlling interest's proportionate share of the acquire's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition date fair value of any previous equity interest in the acquire 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 statement of financial position, 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.

(ii) 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, form 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

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

2.4 Property, plant and equipment

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

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

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

Buildings20 to 40 yearsPlant and machinery5 yearsMotor vehicles5 yearsLeasehold improvements2 to 10 yearsFurniture and fixtures3 to 5 yearsOffice equipment2 to 5 yearsComputer2 to 5 years

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

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

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

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

2.5 Land use rights

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

2.6 Goodwill

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

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



2.7 Impairment of investments in subsidiaries, investment in an associated company and nonfinancial assets

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

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.

(i) 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.

(ii) 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 end of the reporting period.

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

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

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

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active 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.

2.8 Investments (continued)

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

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

2.9 Trade and other receivables

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

2.10 Inventories

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

2.11 Operating leases

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

2.12 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 end of the reporting period 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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



2.12 Current and deferred income tax (continued)

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 cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the statement of financial position.

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

(i) Employee leave entitlements

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

(ii) Pension obligations

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

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

(iii) Bonus plans

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

2.16 Employee benefits (continued)

(iv) Share-based compensation

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

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 is recognised on an accrual basis.

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

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

2.18 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the 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, to facilitate analysis of financial information by the holding company.

(ii) Transactions and balances

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

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



2.18 Foreign currency translation (continued)

(iii) Group companies

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

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

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

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

2.19 Government grants

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

2.20 Dividend distribution

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

2.21 Share capital

Ordinary shares are classified as equity.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

At 30 June 2010, if Renminbi had strengthened/weakened by 2% (2009: 2%) against the Hong Kong dollars with all other variables held constant, profit for the year would have been approximately HK\$4,280,000 lower/higher (2009: HK\$3,313,000 lower/higher) and equity holders' equity would have been approximately HK\$14,717,000 lower/higher (2009: HK\$19,792,000 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 Mainland China Government.

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, debtors, deposits and other receivables, amounts due from fellow subsidiaries and amount due from an associated company. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2010, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

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

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

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 monitored 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 end of the reporting period.





3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk

Except for the fixed deposits and short-term bank deposits as at 30 June 2010 of HK\$1,272,033,000 and HK\$950,795,000 (2009: HK\$737,529,000 and HK\$1,068,041,000) respectively, which are held at interest rates of ranging from 0.25% to 4.41% per annum (2009: 0.3% 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 2010, 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\$6,825,000 higher/lower (2009: HK\$5,548,000 higher/lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

3.2 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.

The Group uses the following hierarchies for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market date (unobservable inputs)

Assets measured at fair value as at 30 June 2010:

Level 1 HK\$'000

Available-for-sale financial assets

– Investment in equity securities

110,998

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price is the current bid price. Instrument is included in level 1 which comprises equity investments classified as available-for-sale financial assets. The Group's available-for-sale financial assets above are level 1 instruments and their fair values are determined with reference to quoted market prices.

3.3 Capital risk management

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Capital risk management (continued)

The Group monitors capital on the basis of available cash and current ratio as shown in and derived from the consolidated statement of financial position. The table below analyses the Group's capital structure as at 30 June 2010:

	2010 HK\$'000	2009 HK\$'000
Cash and cash equivalents	2,324,666	2,185,992
Current ratio (i)	2.01	2.45

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

(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 recoverable 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.



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment of goodwill

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

(e) 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

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

The CODM considers the Group has a single operating and reportable segment – the operation and management of department stores. All revenue is generated in Mainland China and all significant operating assets of the Group are in Mainland China.

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

	2010 HK\$'000	2009 HK\$'000
Commission income from concessionaire sales Sales of goods – direct sales Management fees Rental income	1,197,085 397,419 154,247 124,154	1,163,257 273,588 184,409 99,992
	1,872,905	1,721,246
The income from concessionaire sales is analysed as follows:		
	2010 HK\$'000	2009 HK\$'000
Gross revenue from concessionaire sales	6,156,659	5,720,890
Commission income from concessionaire sales	1,197,085	1,163,257

6 OTHER INCOME

	2010 HK\$'000	2009 HK\$'000
Interest income on bank deposits Government grants Dividend income from available-for-sale financial assets Other commission income Sundries	37,606 10,754 7,104 6,923 10,331	76,662 12,239 3,994 7,060 12,984
	72,718	112,939

7 OTHER GAINS, NET

	2010 HK\$'000	2009 HK\$'000
Gain/(loss) on disposal of property, plant and equipment, and land use right Excess of the fair value of net assets acquired over the cost of	165,972	(321)
acquisition of subsidiaries	-	35,622
Fair value gain of financial assets at fair value through profit or loss	-	16,716
Gain on disposal of a subsidiary	-	9,755
	165,972	61,772

8 OTHER OPERATING EXPENSES, NET

	2010 HK\$'000	2009 HK\$'000
Water and electricity	114,385	100,708
Promotion, advertising and related expenses	52,500	60,726
Auditor's remuneration	3,950	3,499
Share-based payments	3,472	5,948
Net exchange losses	1,841	7,604
(Write-back of)/provision for doubtful debts	(5,278)	23,953
Others	32,142	40,563
	203,012	243,001

9 EMPLOYEE BENEFIT EXPENSE

	2010 HK\$'000	2009 HK\$'000
Wages and salaries Retirement benefit costs	138,319	146,499
defined contribution plansShare-based paymentsOther employment benefits	24,202 9,361 67,735	24,012 18,464 63,996
	239,617	252,971





9 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments

The remuneration of every Director for the year ended 30 June 2010 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	100				-00	600
Dr. Cheng Kar-shun, Henry Mr. Au Tak-cheong	100 100	-	_	-	593 148	693 248
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	-	-	-	296	446
Mr. Cheung Fai-yet, Philip	150	3,835	382	429	1,209	6,005
Mr. Lin Tsai-tan, David	150	1,589	103	50	419	2,311
Mr. Wong Kwok-kan, Kenneth	150	1,375	133	_	458	2,116
Ms. Ngan Man-ying, Lynda	150	-	-	-	296	446
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	_	_	_	121	321
Mr. Chan Yiu-tong, Ivan	200	_	_	_	121	321
Mr. Tong Hang-chan, Peter	200	_	_	_	121	321
Mr. Yu Chun-fai	200	-	-	-	121	321
	1,750	6,799	618	479	3,903	13,549

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	200	-	-	-	254	454
	1,750	6,660	606	1,668	6,888	17,572

No Director waived or agreed to waive any emoluments during the year (2009: Nil).

9 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2009: three) Directors for the year ended 30 June 2010, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year ended 30 June 2010 are as follows:

	2010 HK\$'000	2009 HK\$'000
Basic salaries, housing allowances, other allowances		
and benefits in kind	2,710	2,555
Retirement benefit costs		
 defined contribution plans 	236	225
Bonus	-	864
Share-based payments	689	1,211
	3,635	4,855

The emoluments fell within the following bands:

	Number of 2010	individuals 2009
Emolument bands		
HK\$1,500,001 – 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

10 INCOME TAX EXPENSE

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

	2010 HK\$'000	2009 HK\$'000
Current income tax – Mainland China taxation – Mainland China land appreciation tax Under/(over)provision in prior years Deferred income tax (Note 26)	200,683 35,867 936 (3,789)	146,929 - (4,620) 3,348
	233,697	145,657

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 profit tax has been made as the Group has no estimated assessable profit in Hong Kong for the year ended 30 June 2010 (2009: Nil).

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2009: 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and related business tax paid.



10 INCOME TAX EXPENSE (continued)

The taxation of the Group's profit before income tax and share of loss of an associated company 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:

	2010 HK\$'000	2009 HK\$'000
Profit before income tax and share of loss of an associated company	811,507	695,032
Tax calculated at applicable tax rate Expenses not deductible for taxation purpose Income not subject to taxation Effect of income charged on deemed basis Deferred income tax not recognised Utilisation of previously unrecognised tax losses Under/(over) provision in prior years Land appreciation tax deductible for calculation of income tax purposes	202,877 31,442 (18,107) (19,013) 10,618 (1,956) 936 (8,967)	173,758 26,388 (40,140) (21,606) 14,369 (2,492) (4,620)
Mainland China land appreciation tax	197,830 35,867	145,657 -
Income tax expense	233,697	145,657
	2010	2009
Weighted average domestic applicable tax rates	25%	25%

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK\$364,202,000 (2009: HK\$101,562,000).

12 **DIVIDENDS**

	2010 HK\$'000	2009 HK\$'000
Interim dividend paid of HK\$0.08 (2009: HK\$0.08) per share Final dividend proposed of HK\$0.07 (2009: HK\$0.07) per share	134,892 118,030	134,892 118,030
	252,922	252,922

At a meeting held on 4 October 2010, the Directors recommended a final dividend of HK\$0.07 (2009: HK\$0.07) per share for the year ended 30 June 2010. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2010.

13 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.

	2010	2009
Profit attributable to the equity holders of the Company (HK\$'000)	577,607	547,309
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK\$ per share)	0.34	0.32

(b) Diluted

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

During the year ended 30 June 2009 and 2010, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

14 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 2009 Translation difference Additions Disposals Reclassification Acquisition of a	483,099 - 210,479 (34,865) -	55,468 - 2,642 (402) -	3,939 - 396 - -	1,240,069 8 279,242 (87,839) 9,431	9,248 - 4,520 (950)	10,232 - 2,242 (3,971)	87,954 1 23,528 (3,459)	9,563 - 17,591 - (9,431)	1,899,572 9 540,640 (131,486)
subsidiary (Note 32(a))	-	10	-	18,227	476	157	2,218	-	21,088
At 30 June 2010 Accumulated depreciation At 1 July 2009 Charge for the year Written back on disposals	44,051 14,690 (11,476)	39,052 9,449 (391)	4,335 1,942 701	1,459,138 520,773 135,438 (80,374)	5,850 1,527 (833)	6,946 1,309 (3,601)	54,981 13,653 (3,270)	17,723 	2,329,823
At 30 June 2010	47,265	48,110	2,643	575,837	6,544	4,654	65,364	_	750,417
Net book amount At 30 June 2010	611,448	9,608	1,692	883,301	6,750	4,006	44,878	17,723	1,579,406





14 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 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 32(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 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		
	2010 HK\$'000	2009 HK\$'000	
At 1 July Transfer from other non-current assets (Note 31(d)) Addition Amortisation Disposal	764,928 100,230 63,502 (22,201) (47,748)	787,371 - - (22,443)	
At 30 June	858,711	764,928	
	2010 HK\$'000	2009 HK\$'000	
In Mainland China held on: Leases of land use rights between 10 to 50 years	858,711	764,928	

In regard of the land use rights owned and occupied by the Group, the Group holds all of the relevant certificates of state-owned land use rights as at 30 June 2010, except for the land use right certificate for a piece of land in Mainland China which was received on 7 July 2010, whose net book amount as at the end of the reporting period amounted to HK\$163,732,000 (2009: Nil).

16 GOODWILL

	Group		
	2010 HK\$'000	2009 HK\$'000	
At 1 July Business combination (Note 32(a)) Translation differences	172,435 56,249 26	172,435 - -	
At 30 June	228,710	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 fair value less cost to sell calculations, which uses cash flow projections based on financial estimates covering a period of five years and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rate and discount rate used in the fair value less cost to sell calculations are based on management best estimates. Growth rates of 2% to 5% (2009: 3%) are determined by considering both internal and external factors relating to the relevant businesses. Discount rate used also reflects specific risks relating to the relevant businesses at 18% (2009: 14%).

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Gro	oup	Company		
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	
Prepaid rent and rental deposits Management fee receivables Dividend receivables Deposits placed for issuance of	209,188 19,405 7,104	147,697 101,025 3,994	- - -	- - -	
stored value cards Others	105,646 174,136	190,778 145,656	153	- 256	
Less: long-term prepaid rent and	515,479	589,150	153	256	
rental deposits	(153,266)	(99,595)	_	_	
	362,213	489,555	153	256	

No other receivables were past due nor impaired as at 30 June 2010.

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

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.





18 OTHER NON-CURRENT ASSETS

Balance mainly represents the following transactions:

- (i) On 7 July 2008, Wuhan New World Department Store Co., Ltd., a wholly-owned subsidiary of the Company entered into an agreement with a third party to acquire a building and land use right located in Zhengzhou City. For the year ended 30 June 2010, the Group has made progress payment of approximately HK\$322,201,000 (2009: HK\$214,471,000) and paid direct costs of approximately HK\$17,087,000 (2009: HK\$14,444,000) in connection with such acquisition. Upon completion of the transaction in April 2010, the carrying amounts of the building and land use right were transferred to property, plant and equipment (Note 14) and land use rights (Note 15).
- (ii) On 25 July 2008, Shenyang New World Department Store Ltd. ("Shenyang Co"), a wholly-owned subsidiary of the Company, entered into agreements with a third party to acquire a building, land use right and right of use of carpark located in Shenyang City. As at 30 June 2010, the Group has made progress payment of approximately HK\$194,473,000 (2009: HK\$145,748,000) and paid direct costs of approximately HK\$12,167,000 (2009: HK\$12,167,000) in connection with such acquisition. As at 30 June 2010, the capital commitment in respect of property, plant and equipment, and land use rights of the Group in relation to this acquisition is approximately HK\$130,359,000 (Note 30).

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		
	2010		
	HK\$'000	HK\$'000	
Listed securities, at fair value			
Equity securities – Hong Kong	110,998	108,955	

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

	Group		
	2010 HK\$'000	2009 HK\$'000	
At 1 July Transferred from financial assets at fair value through profit or loss Fair value gain transferred to equity	108,955 - 2,043	76,870 32,085	
At 30 June	110,998	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 end of the reporting period.

20 DEBTORS

	Group		
	2010 HK\$'000	2009 HK\$'000	
Trade receivables Less: provision for impairment of receivables	19,612 -	38,307 (23,953)	
Trade receivables – net	19,612	14,354	

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

Aging analysis of debtors is as follows:

	Group		
	2010	2009	
	HK\$'000	HK\$'000	
Within period for			
0-30 days	17,187	11,797	
31-60 days	1,501	965	
61-90 days	866	707	
Over 90 days	58	24,838	
	19,612	38,307	

Trade debtors of HK\$2,425,000 (2009: HK\$2,557,000) were past due but not impaired. The total amount includes HK\$1,501,000 (2009: HK\$965,000) of less than 30 days past due, HK\$866,000 (2009: HK\$707,000) of 31-60 days past due and HK\$58,000 (2009: 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 provided for. The amount of the provision was HK\$23,953,000 as at 30 June 2009. The individually impaired receivables mainly related to counterparty, which was in unexpected difficult economic situations. The ageing of these receivables was over 90 days.

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.

21 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.



2010

22 FIXED DEPOSITS

Fixed deposits are denominated in the following currencies:

	Group		
	2010 HK\$'000	2009 HK\$'000	
Hong Kong dollars Renminbi	468,182 803,851	737,529	
	1,272,033	737,529	

The interest rates on fixed bank deposits was ranging from 0.5% to 4.41% per annum (2009: 1.98% to 4.14% per annum), these deposits have maturities ranging from 99 to 365 days (2009: 183 to 730 days).

23 CASH AND CASH EQUIVALENTS

	Group		Com	pany	
	2010 2009 HK\$'000 HK\$'000		2010 HK\$'000	2009 HK\$'000	
Short-term bank deposits Cash at bank and in hand	950,795 1,373,871	1,068,041 1,117,951	- 14,456	20,210	
	2,324,666	2,185,992	14,456	20,210	
Maximum exposure to credit risk	2,315,822	2,177,656	14,456	20,210	

Cash and cash equivalents are denominated in the following currencies:

	Group		Com	pany
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	666,518	882,607	14,456	20,210
Renminbi	1,657,949	900,177	-	
US dollars	199	403,208	-	
	2,324,666	2,185,992	14,456	20,210

The interest rates on short-term bank deposits was ranging from 0.25% to 2.25% per annum (2009: 0.3% to 4.14% per annum), these deposits have maturities ranging from 2 to 92 days (2009: 7 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 Mainland China government.

24 SHARE CAPITAL

Movements were:

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.1 each, authorised:		
At 30 June 2009 and 2010	10,000,000	1,000,000
Ordinary shares of HK\$0.1 each , issued and fully paid:		
At 30 June 2009 and 2010	1,686,145	168,615

Share option scheme

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

Movement of the number of share options granted and their related exercise prices for the year ended 30 June 2010 are as follows:

No. of

				Numb	er of option	s '000			share options exercisable '000
Date of grant	Exercise price per share HK\$	At 1 July 2008	Granted during the year	Lapsed during the year	At 30 June 2009	Granted during the year	Lapsed during the year	At 30 June 2010	At 30 June 2010
27 November 2007 (note i) 25 March 2008 (note ii)	8.66 8.44	19,925 4,133	- -	(1,155) (168)	18,770 3,965	- -	(1,771) (441)	16,999 3,524	6,800 1,409
		24,058	_	(1,323)	22,735	-	(2,212)	20,523	8,209
Weighted average exercise price of each category (HK\$)		8.622	_	8.632	8.622	-	8.616	8.622	8.622

- (i) The share options granted on 27 November 2007 were divided into 5 tranches and exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013.
- (ii) The share options granted on 25 March 2008 were divided into 5 tranches and exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014.

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





25 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 revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 30 June 2008 Fair value gain on available-for-sale	2,398,250	391,588	35,676	17,448	-	158,363	936,806	3,938,131
financial assets	-	-	-	-	32,085	-	-	32,085
Share-based payments	-	-	-	24,412	-	-	-	24,412
Lapse of share options Final dividend for the year	-	-	-	(1,783)	-	-	1,783	-
ended 30 June 2008 Interim dividend for the period	-	-	-	-	-	-	(151,753)	(151,753)
ended 31 December 2008 Transfer to statutory reserve	-	-	_	_	-	-	(134,892)	(134,892)
(Note i)	-	-	43,579	-	-	-	(43,579)	-
Profit for the year	-	-	-	-	-	-	547,309	547,309
Translation differences	-	_	_	-	-	5,514	-	5,514
At 30 June 2009 Fair value gain on available-for-sale	2,398,250	391,588	79,255	40,077	32,085	163,877	1,155,674	4,260,806
financial assets	_	_	_	_	2,043	_	_	2,043
Share-based payments	_	_	_	12,833		_	_	12,833
Lapse of share options	_	_	_	(4,385)	_	_	4,385	· -
Final dividend for the year								
ended 30 June 2009	-	-	-	-	-	-	(118,030)	(118,030)
Interim dividend for the period								
ended 31 December 2009 Transfer to statutory reserve	-	-	-	-	-	-	(134,892)	(134,892)
(Note i)	-	-	59,916	-	-	-	(59,916)	-
Profit for the year	-	-	-	-	-	-	577,607	577,607
Translation differences	-	-	-	-	-	211	-	211
At 30 June 2010	2,398,250	391,588	139,171	48,525	34,128	164,088	1,424,828	4,600,578
Representing: Proposed final dividend (Note 12)							118,030	
Others							1,306,798	
At 30 June 2010							1,424,828	

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 should be appropriated to this reserve for the year ended 30 June 2009 and 2010.

25 **RESERVES** (continued)

(b) Company

	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 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			(4.54.552)			(4.54.552)
30 June 2008	-	-	(151,753)	_	-	(151,753)
Interim dividend for the period end 31 December 2008			(134,892)			(134,892)
Translation differences	_	_	(134,092)	(604)	_	(604)
				(004)		(004)
At 30 June 2009	2,398,250	40,077	587,760	250,342	23,873	3,300,302
Share-based payments	-	12,833	_	_	_	12,833
Lapse of share options	-	(4,385)	_	_	1,123	(3,262)
Profit for the year	-	-	-	_	364,202	364,202
Final dividend for the year ended						
30 June 2009	-	-	(118,030)	-	-	(118,030)
Interim dividend for the period			(424.000)			(404.000)
ended 31 December 2009	-	_	(134,892)	(05)	_	(134,892)
Translation differences		_	_	(85)	_	(85)
At 30 June 2010	2,398,250	48,525	334,838	250,257	389,198	3,421,068
Representing: Proposed final dividend (Note 12) Others			118,030 216,808			
At 30 June 2010			334,838			

26 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		
	2010 HK\$'000	2009 HK\$'000	
Deferred income tax assets Deferred income tax liabilities	44,247 (151,552)	31,052 (154,601)	
	(107,305)	(123,549)	





26 DEFERRED INCOME TAX (continued)

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

	Gro 2010 HK\$'000	2009 HK\$'000
At 1 July Translation differences Acquisition of a subsidiary (Note 32(a)) Credited/(charged) to consolidated income statement (Note 10)	(123,549) 6 12,449 3,789	(120,201) - - (3,348)
At 30 June	(107,305)	(123,549)

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

Deferred income tax assets:

	Tax losses HK\$'000	Accrued expenses HK\$'000	Pre-operating expenses HK\$'000	Tax depreciation HK\$'000	Total HK\$'000
At 1 July 2008 Recognised in the consolidated	3,991	44,196	691	5,267	54,145
income statement	(206)	7,678	(220)	1,224	8,476
At 30 June 2009 Translation differences Acquisition of a subsidiary Recognised in the consolidated	3,785 6 12,449	51,874 - 360	471 - 905	6,491 - -	62,621 6 13,714
income statement	(7,063)	4,601	(313)	(943)	(3,718)
At 30 June 2010	9,177	56,835	1,063	5,548	72,623

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 2008 Recognised in the consolidated	123,558	48,993	1,795	174,346
income statement	12,092	(1,998)	1,730	11,824
At 30 June 2009 Acquisition of a subsidiary Recognised in the consolidated	135,650 1,048	46,995 -	3,525 217	186,170 1,265
income statement	(6,577)	(1,410)	480	(7,507)
At 30 June 2010	130,121	45,585	4,222	179,928

26 DEFERRED INCOME TAX (continued)

Pursuant to the new Corporate Income Tax Law with effect from 1 January 2008, a 5% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in Mainland China. The requirement applies to earnings accumulated after 31 December 2007. As at 30 June 2010, approximately HK\$1,550,000 (2009: HK\$1,669,000) deferred income tax liabilities have been recognised by the Group and presented in the movement of deferred income tax liabilities within "Others".

As at 30 June 2010, the Group did not recognise deferred income tax liabilities of approximately HK\$32,452,000 (2009: HK\$16,576,000) in respect of the aggregate amount of temporary differences associated with investments in subsidiaries of approximately HK\$649,048,000 (2009: HK\$331,523,000). The Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$31,075,000 (2009: HK\$22,413,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK\$124,299,000 (2009: HK\$89,651,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

27 CREDITORS, ACCRUALS AND OTHER PAYABLES

	Group		Com	pany
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Creditors Accruals and other payables Less: long-term accruals and deferred	1,097,058 1,150,102	800,136 859,864	- 2,115	2,578
income	(312,305)	(282,960)	_	_
	1,934,855	1,377,040	2,115	2,578

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		
	2010	2009	
	HK\$'000	HK\$'000	
Within period for			
0-30 days	440,938	350,772	
31-60 days	370,643	247,754	
61-90 days	93,480	64,048	
Over 90 days	191,997	137,562	
	1,097,058	800,136	

Included in creditors was a trading amount due to a related company of HK\$18,935,000 (2009: HK\$12,707,000) which was unsecured, interest free and repayable within 90 days.

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





27 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

Nature of accruals and other payables are as follows:

	Group		Company	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental accruals	313,237	272,527	_	_
Deposits from concessionaire suppliers	142,972	120,672	_	_
Deferred income	16,250	22,422	_	_
Payables for capital expenditures	114,639	16,856	-	-
Accruals for staff costs	43,740	38,424	-	-
Value-added tax and other taxes				
payables	60,118	68,865	_	-
Utilities payables	15,858	9,984	-	-
Receipts in advance	344,330	269,234	-	-
Others	98,958	40,880	2,115	2,578
	1,150,102	859,864	2,115	2,578

28 SUBSIDIARIES

	Com	pany
	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost Provision for impairment	1,460,413 -	1,373,489 (27,341)
	1,460,413	1,346,148
Amounts due from subsidiaries	2,228,761	2,343,974
Amounts due to subsidiaries	111,985	239,093

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 34.

Notes to the Financial Statements

29 INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2010 HK\$'000	2009 HK\$'000
At 1 July Capital injection Share of loss	203 - (203)	2,269 (2,066)
At 30 June	-	203
Amount due from an associated company (Note (ii))	_	690

Notes:

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

	2010 HK\$'000	2009 HK\$'000
Revenue	1,372	596
Loss after income tax	(2,241)	(2,066)
	2010 HK\$'000	2009 HK\$'000
Non-current assets Current assets Current liabilities	3,344 1,042 (6,421)	3,322 1,990 (5,674)
Net liabilities	(2,035)	(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.	Mainland China	Department store operation	RMB8,000,000	25

The Group has not recognised losses amounting to HK\$2,038,000 (2009: nil) for Taizhou New World Department Store Co., Ltd. for the year ended 30 June 2010. The accumulated losses not recognised were HK\$2,038,000 (2009: nil).

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



30 COMMITMENT

(a) Capital commitment

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Contracted but not provided for Authorised but not contracted for	140,644 807	328,421 2,062
	141,451	330,483

As at 30 June 2010, the Group has entered into an agreement to acquire 100% the equity interest in Broad Park Limited ("Broad Park") and its outstanding shareholder's loan from Solar Leader Limited ("Solar Leader"), a fellow subsidiary of the Company (Note 35). Broad Park is a company incorporated in Hong Kong and a wholly-owned subsidiary of Solar Leader. The capital commitment in relation to this transaction, contracted but not provided for is HK\$108,059,000.

(b) Operating lease commitment

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

	Group	
	2010	2009
	HK\$'000	HK\$'000
Within one year	509,212	299,501
In the second to fifth year	1,407,320	1,198,305
After the fifth year	4,015,052	3,263,425
	5,931,584	4,761,231

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

	Group	
	2010	2009
	HK\$'000	HK\$'000
Within one year	89,070	62,613
In the second to fifth year	183,792	119,979
After the fifth year	53,240	24,796
	326,102	207,388

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.

31 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

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

	2010 HK\$'000	2009 HK\$'000
Property, plant and equipment (Note 14)	21,088	28,279
Inventories	1,224	1,265
Debtors	4,283	730
Prepayment, deposits and other receivables	15,803	9,396
Amounts due from fellow subsidiaries	_	1,737
Cash and cash equivalents	58,262	84,527
Deferred income tax assets (Note 26)	12,449	_
Creditors, accruals and other payables	(167,086)	(74,018)
Amounts due to fellow subsidiaries	_	(217)
Tax payable	-	(10,807)
Net (liabilities)/assets acquired	(53,977)	40,892
Analysis of net cash flow from acquisition of subsidiaries		
Purchase consideration settled in cash	(2,272)	(5,270)
Cash and cash equivalents in subsidiaries acquired	58,262	84,527
Net cash inflow from acquisition of subsidiaries	55,990	79,257

(b) Disposal of a subsidiary

Details of the net liabilities disposed of are as follows:

	2010 HK\$'000	2009 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, accruals and other payables	-	(39,902)
Amounts due to fellow subsidiaries	_	(380)
	_	(28,002)
Add: Deferred income (Note)	_	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

In May 2009, the Group disposed of 100% the 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 would provide management service to the disposed store for 3 years from the date of disposal. Aggregate consideration of the transaction was 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.



2010

CONSOLIDATED STATEMENT OF CASH FLOWS (continued) 31

Analysis of loss on disposal of property, plant and equipment, and land use right

	2010 HK\$'000	2009 HK\$'000
Net book amount Gain/(loss) on disposal of property, plant and equipment,	79,289	841
and land use right	165,972	(321)
Proceeds from disposal of property, plant and equipment, and land use right	245,261	520

(d) **Major non-cash transactions**

For the year ended 30 June 2010, additions of property, plant and equipment and land use rights of the Group amounted to HK\$540,640,000 (Note 14) and HK\$163,732,000 (Note 15), respectively. Included in such addition amounts, HK\$228,835,000 of which represented a reclassification from other noncurrent assets to property, plant and equipment (HK\$128,605,000) and land use rights (HK\$100,230,000) upon the completion of the acquisition of relevant assets located in Zhengzhou during the year (Note 18). HK\$34,924,000 of the additions represents a payable to the vendor which was subsequently settled in July 2010. These transactions are considered as major non-cash transactions for the year ended 30 June 2010.

32 BUSINESS COMBINATION

Acquisition of Shanghai New World Huiya Department Store Co., Ltd.

In January 2010, the Group acquired 100% of the equity interest in Shanghai New World Huiya Department Store Co., Ltd. from independent third parties, at a consideration of approximately HK\$2,272,000 (equivalent to RMB2,000,000).

The acquired business contributed revenues of HK\$44,013,000 and net profit of HK\$15,246,000 to the Group for the period from 1 January 2010 to 30 June 2010. If the acquisition had occurred on 1 July 2009, Group's revenue would have been HK\$1,909,612,000; profit for the year would have been HK\$559,049,000. 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 Fair value of net liabilities acquired – shown as below	2,272 53,977
Goodwill (Note 16)	56,249

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

32 BUSINESS COMBINATION (continued)

(a) Acquisition of Shanghai New World Huiya Department Store Co., Ltd. (continued)

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

	Fair value HK\$'000	Acquire's carrying amount HK\$'000
Property, plant and equipment (Note 14)	21,088	21,088
Inventories	1,224	1,224
Debtors	4,283	4,283
Prepayment, deposits and other receivables	15,803	15,803
Cash and cash equivalents	58,262	58,262
Deferred income tax assets (Note 26)	12,449	12,449
Creditors, accruals and other payables	(167,086)	(167,086)
Net liabilities acquired	(53,977)	(53,977)
Purchase consideration settled in cash		(2,272)
Cash and cash equivalents in a subsidiary acquired		58,262
Net cash inflow from acquisition of a subsidiary		55,990

(b) 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, at a consideration of HK\$3,000,000.

In March 2009, the Group acquired 100% of the equity interest in Ningbo New World Department Store Co., Ltd. from Solar Leader Limited, 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



2010

32 BUSINESS COMBINATION (continued)

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	Acquire's carrying amount HK\$'000
Property, plant and equipment (Note 14)	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, accruals and other payables	(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

RELATED PARTY TRANSACTIONS 33

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

	Note	2010 HK\$'000	2009 HK\$'000
Fellow subsidiaries			
Management fee income	(i)	67,345	59,335
Operating lease rental expenses	(ii)	79,151	73,850
Building management expenses	(iii)	13,466	11,296
Purchase of leasehold improvements	(iv)	90,796	41,680
Reimbursement of shopping vouchers	(v)	371	_
Related companies			
Concessionaires commissions	(vi)	18,313	17,119
Operating lease rental expenses	(ii)	29,553	29,553

Notes:

- The income is charged in accordance with the terms of service fees stated in respective agreements. (i)
- (ii) The operating lease rental expense is charged in accordance with respective tenancy agreements and reported in accordance with accounting policy of operating leases as disclosed in Note 2.11.
- The building management fees are charged at fixed monthly amounts in accordance with respective contracts. (iii)
- (iv) This represents the purchase of leasehold improvement in respect of certain department stores. Such fees are charged in accordance with the terms of respective contracts.

Notes to the Financial Statements

33 RELATED PARTY TRANSACTIONS (continued)

(a) (continued) Notes: (continued)

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

(b) Key management compensation

	2010 HK\$'000	2009 HK\$'000
Basic salaries, housing allowances, other allowances		
and benefits in kind	11,995	11,770
Bonus	479	2,367
Share-based payments	3,462	5,970
Retirement benefit costs – defined contribution plans	1,049	1,030
	16,985	21,137

34 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2010 are as follows:

Name	Place of Principal activities incorporation/ and place of establishment operation		Issued and fully paid up share capital	Percentage of equity interests held directly indirectly	
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	НК\$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	-



34 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of Principal activities incorporation/ and place of establishment operation		Issued and fully paid up share capital		
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/ Mainland China	US\$80,000,000	100	<u>_</u>
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/Mainland China	US\$5,000,000	-	100
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	100	-
Ningbo New World Trendy Department Store Co., Ltd.	Mainland China	Department Store operation/ Mainland China	RMB20,000,000	-	100
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

Notes to the Financial Statements

34 PRINCIPAL SUBSIDIARIES (continued)

	Place of Principal activities			Percentage of equity	
Name	incorporation/ establishment	and place of operation	Issued and fully paid up share capital	interes directly	ts held 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
Beijing Shishang New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB8,818,900	_	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK\$100,000,000	-	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK\$50,000,000	-	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	_	100
Anshan New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB25,000,000	-	100
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB16,000,000	100	_





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35 EVENTS AFTER THE REPORTING PERIOD

(i) In June 2010, the Group entered into an agreement with Solar Leader whereby the Group agreed to acquire from Solar Leader 100% of the equity interest in Broad Park and the amount due to Solar Leader (approximately HK\$11,515,000) by Broad Park, for an aggregate consideration of RMB150,000,000 (equivalent to approximately HK\$170,454,000) less the outstanding registered capital (approximately RMB54,908,000, equivalent to approximately HK\$62,395,000) of Beijing Yixi New World Department Store Co Ltd ("Beijing Yixi"), a wholly-owned subsidiary of Broad Park. The acquisition was approved by the shareholders on 27 July 2010 and completed on 1 August 2010.

The principal activity of Broad Park and Beijing Yixi is the investment holding and the operation of department store located in Beijing.

Details of net liabilities acquired and goodwill are as follows:

	U00 ¢AH
Purchase consideration – Cash paid Fair value of net liabilities acquired – shown as below	108,059 140,871
Goodwill	248,930

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

HK\$ 000
84,021
6,949
46,588
20,968
27,591
137
167,270
(494,395)
(140,871)
HK\$'000
(108,059)
167,270
59,211

- (ii) In August 2010, the Group agreed to acquire 100% of the equity interest in Chengdu New World Department Store Co., Ltd. ("Chengdu Co") for a consideration of RMB2,000,000 from certain independent third parties. Chengdu Co is engaged in operations of a department store in Chengdu.
 - The Group will assess the fair value of assets and liabilities of the acquired business as at the date of acquisition and it is impracticable to disclose the amounts and the resulting goodwill at this stage.
- (iii) On 4 October 2010, Shenyang Co entered into an agreement for sale and purchase of property with Shenyang New World Hotel Co., Ltd., a wholly-owned subsidiary of NWCL and a fellow subsidiary of the Company. Shenyang Co agreed to acquire the building ownership right, land use right and right of use of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems for certain exclusive and common-use areas of a building, located in Shenyang City, for a consideration of approximately RMB456,534,000 which is subject to further adjustments.

36 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				
	2010	2009	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Revenue	1,872,905	1,721,246	1,489,345	1,046,885	806,742
Operating profit	811,507	695,032	589,394	350,797	171,627
Profit attributable to:					
Equity holders of the					
Company	577,607	547,309	476,575	302,765	157,938
			As at 30 June		
	2010	2009	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets, liabilities and equity					
Total assets	7,271,994	6,298,906	5,760,430	2,057,978	1,623,293
Total liabilities	2,502,801	1,869,485	1,653,684	1,200,749	1,434,844
Total equity	4,769,193	4,429,421	4,106,746	857,229	188,449





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 : Operating profit X 100%

Revenue

Net profit margin : Profit for the year X 100%

Revenue

Current ratio (times) : Current Assets

Current Liabilities

Earnings per share or EPS : Profit attributable to equity holders of the Company

. Weighted average number of ordinary shares in issue

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Kar-shun, Henry (Chairman)

Mr. Au Tak-cheong

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

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STOCK CODE

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