NWDS

新世界百貨中國有限公司
New World Department Store China Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 825)

Annual Report
2011

Explicit Positioning
Categorizing department stores into "Fashion Gallery" and "Living Gallery", creating an explicit brand image

Customers Come First
Diversified products and services, offering customers with "taste" and "personalized" shopping experience

Enthusiastic at Innovation
Abundant theme marketing activities with innovation, keeping us to stand out in the ever-changing department store market

時 新 尚 個 生 性 活
Enriching Lives Enhancing Character

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 recognized as a retailer of quality merchandise and a symbol of quality living.

Secured strategic foothold: our network

To establish ourselves as a leading department store operator in the PRC, we have been proactively expanding our store network across the country. As of 30 June 2011, we have secured strategic footholds in 17 major cities, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Taizhou and Zhengzhou. Our retail chain comprised 32 self-owned stores and 5 managed stores in the PRC with an aggregate gross floor area of approximately 1,275,320 square meters. We operated under two brands — 28 stores under the brand name of "New World" across China and 9 stores under the brand name of "巴黎春天" (Ba Li Chun Tian) in Shanghai.

Tapping into China's growing affluence: our target market

Our goal is to develop our stores as Living Galleries for one-stop shopping and Fashion Galleries for themed shopping. "Living Gallery" targets people of all ages and both genders, 20%-30% of the store area is reserved for complementary services, such as supermarket, dining, fitness centre, spa centre, bank etc, satisfying needs from all walks of life. "Fashion Gallery" is positioned as "Trendy" with the elements of "Characters" and "Taste", emphasising "Mix & Match" by introducing exclusive brands and merchandises. Our revenue is mainly derived 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 organization structure

In view of the organization structure, we adopt an efficient three-tier structure which comprises 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 2011, we employed 6,434 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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Mission

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

Goal

To be China's most influential department store chain operator with the highest return on equity.

Conviction

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

MILESTONES

2010

October

1 • Chengdu Store converted to a self-owned store by acquiring its operating right, strengthening the development edge of Chengdu as the core city of Southwestern China Region

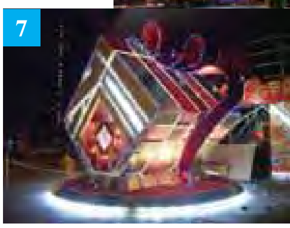
2 • FY2009 Annual Report won Gold Award for "Annual Reports: Retail- Department Store" in 2010 Galaxy Awards

November

3 • Launched the NWDS blog – "Get Interactive with NWDS"(http://blog.nwds.com.hk)

4 • Organized an extensive Christmas decoration with unified theme cum "Fantastic Crown • Dreams Come True" activity in 7 stores of 6 major cities in China, increasing the customer traffic. Customers won fabulous prizes and helped to realize their dreams, enjoy Christmas with the most festive ambiance

5 • Accredited as "Asia's 200 Best Under A Billion" by *Forbes*, the renowned international financial magazine for the 3rd consecutive year



2011

January

6 • With a GFA of about 35,000 sq.m., Changsha Trendy Plaza converted from managed store to self-owned store, strengthening the development edge of the Company in Central China Region

7 • Organized an extensive Chinese New Year ("CNY") decoration with unified theme cum "Embracing good fortune through delivering gift" triple fun activity in 7 stores of 6 major cities in China, creating a lively CNY atmosphere and turning NWDS to be the ideal place for shopping and leisure during CNY

8 • Company website (www.nwds.com.hk) won the Jade Award in Web Care Award 2010

February

9 • Acquired the operating right of Chongqing Store and converted to self-owned store, further strengthening the development edge in Southwestern China Region

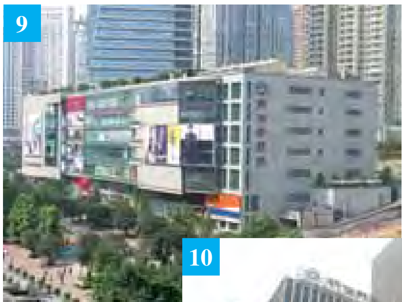
10 • Acquired Beijing Trendy Store as self-owned store, further increasing the number of self-owned stores

11 • FY2010 Annual Report won Gold Award for "Annual Reports: Overall Presentation – Department Store" in 24th Annual International Mercury Awards

April

12 • The Group's first store in Zhengzhou, Zhengzhou New World Department Store, a brand new "Living Gallery" commenced operation

13 • FY2010 Annual Report won Gold Award for "Covers: Annual Reports – Artistic (Graphics/Illustrations)" in 2011 Astrid Awards



May

14 • Shenyang Jianqiao Road Branch Store, the Group's third store in Shenyang commenced operation, expanding NWDS's retail network in Shenyang

June

15 • All the 37 NWDS stores organized the "Green Rewards" activity , received overwhelming response from customers and successfully promoted environmental protection

July

16 • FY2010 Annual Report won Gold Award in "Cover Design: Retail – Convenience & Department Stores" in 2011 International ARC Awards

17 • Became the principal sponsor for MSF Day for the fifth consecutive year

RETAIL NETWORK

37 Strategic Footholds In 17 Major Cities

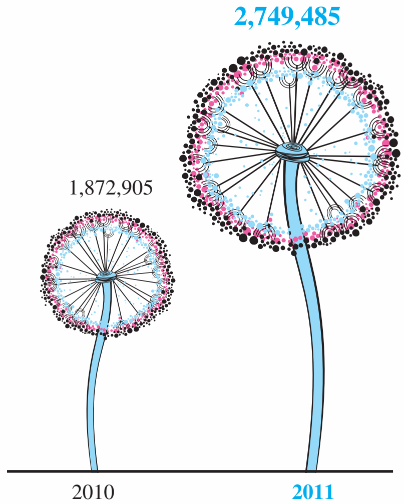
Harbin	1	Ningbo	2
Shenyang	3	Nanjing	1
Dalian	1	Taizhou	1
Anshan	1	Wuhan	6
Beijing	5	Changsha	1
Tianjin	1	Chengdu	1
Lanzhou	1	Chongqing	1
Shanghai	9	Kunming	1
Zhengzhou	1		

Retail Network

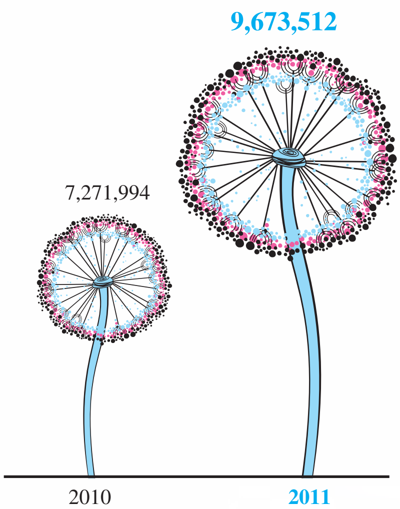
FINANCIAL HIGHLIGHTS

Profit for the year:
HK$855,588 thousand

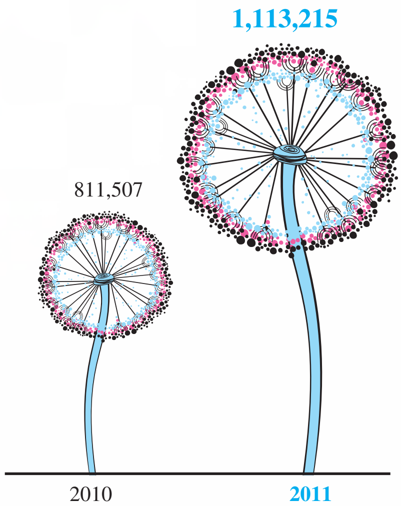
Revenue
(HK$'000)



Total assets
(HK$'000)



Operating profit
(HK$'000)



Financial Highlights

	2011	2010
	HK$'000	HK$'000
Operating Result		
Revenue	**2,749,485**	1,872,905
Representing:		
Commission income from concessionaire sales	**1,925,920**	1,197,085
Sales of goods – direct sales	**545,946**	397,419
Management fees	**57,068**	154,247
Rental income	**220,551**	124,154
	2,749,485	1,872,905
Operating profit	**1,113,215**	811,507
Profit for the year	**855,588**	577,607

	As at 30 June 2011	As at 30 June 2010
	HK$'000	HK$'000
Financial Position		
Fixed deposits, cash and cash equivalents	**4,153,037**	3,596,699
Total assets	**9,673,512**	7,271,994
Total liabilities	**4,101,084**	2,502,801
Total equity	**5,572,428**	4,769,193

	2011	2010
Financial Ratios		
Revenue growth	**46.8%**	8.8%
Operating profit margin	**40.5%**	43.3%
Net profit margin	**31.1%**	30.8%

	As at 30 June 2011	As at 30 June 2010
Current ratio (times)	**1.46**	2.01

CHAIRMAN'S STATEMENT

For the year ended 30 June 2011, total revenue of the Group amounted to HK$2,749.5 million, increasing by 46.8% over the Previous Year. Operating profit was HK$1,113.2 million. Profit attributable to shareholders increased by 48.1% to HK$855.6 million. Earnings per share was about HK$0.51. The Board of Directors resolved to distribute a final dividend of HK$0.065 per share and a special dividend of HK$0.010 per share.

Chairman's Statement

Inspiring by the mission "To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China", NWDS is determined to reform for excellence. The Group has been converting all department stores into "Living Gallery" and "Fashion Gallery", which are respectively positioned as "one-stop shopping department store" and "themed department store". The Group endeavors to strengthen its service quality, organize more distinctive and innovative events as well as introducing the upgraded VIP system in line with the essence of "Enriching Lives. Enhancing Character", striving to render every NWDS customer an unrivaled shopping experience.

After the launch of rebranding program in September 2009, we have been progressively revamping the VIP & customer service, merchandise mix, in-store graphics and design, interior decoration and shopping ambience, endeavoring to offer customers with "taste" and "personalized" goods, services and shopping experience. At present, 16 stores are operated with brand new image and the whole rebranding program is expected to complete by 2012.

To stay at the leading edge of the department store industry and rank among the top players in the ever-changing retail & department store market, the Group has formulated a series of innovative market strategies in light of the market situation. A tailored, explicit theme would be incorporated into every marketing activity to strengthen creativity, theme continuity and interest so as to enhance the brand value of the Group. In September and October this year, the Group, with an international vision, unveiled the "Super Stars' Memorable Collections Exhibition in China", becoming the first department store to introduce rare collections of international superstars such as Michael Jackson, Bruce Lee and Madonna for exhibition. In addition, the Group also took efforts to develop online social media by opening mini blog and creating the NWDS blog, "Get Interactive with NWDS", at the end of last October. The latest consumer intelligence, trend reports and event news are uploaded regularly, guiding internet surfers in their adventure of "Enriching Lives. Enhancing Character" as well as establishing distinctive brand image.

In view of business expansion, the Group will expand from first and second tier cities to second and third tier cities by selecting the best locations in target cities. We plan to increase our market share incrementally by adding 25 self-owned stores in coming five years. During the year under review, the Group opened 3 new self-owned stores positioned as "Living Gallery" and acquired 5 managed stores converting into self-owned stores to consolidate its business growth, including Beijing Store, Chongqing Store, Chengdu Store, Changsha Trendy Plaza and Beijing Trendy Store. In support of the expansion strategy of "multiple presences in a single city", the Group opened Beijing Qianzi Store and Shenyang Jianqiao Road Branch Store to add footholds in core cities in order to increase market share. Meanwhile, the opening of Zhengzhou Store ties in with the "radiation city" strategy by extending the business from Wuhan of Central China that already has strong presence to nearby Zhengzhou city, minimizing the risks of entering new markets. As of 30 June 2011, the Group has 37 department stores covering 17 major cities in China, comprising an aggregate gross floor area of 1,275,320 square meters.

With the ethos of "give-and-take", the Group dedicates its efforts to social responsibilities, committing to promoting environmental protection, implementing the company environmental policies and missions. During the year under review, the Group earnestly introduced numerous environmental protection and emission reduction initiatives. All stores promoted over 100 environmental activities to build a better society for future generations, including food waste reduction activities, green casual day, used book collection, tree planting events, recycling of used batteries and second-hand goods exchanging flea markets. In addition, we also actively participate in charitable activities to contribute to the society, like becoming the principal sponsor of "MSF Day" for five consecutive years.

The Group is committed to maintaining a high standard of corporate governance. We have established a comprehensive management system, including not only the Board of Directors, but also the Audit Committee and Remuneration Committee. We also earnestly improve transparency by releasing seasonable corporate information and proactively initiating activities that strengthen investor relationship. With its prominent profitability, market position and corporate governance, the Group has been accredited as "Asia's 200 Best Under A Billion" by the internationally renowned business magazine *Forbes* for three consecutive years.

2011 is the unveiling year of China's twelfth five-year plan. Enlarging consumption as the strategic focus for expanding domestic demand, China is striving to further release the consumption potential of urban residents, bringing positive impact to domestic retail industry. According to data of National Bureau of Statistics of China, China's economy maintained steady and rapid growth in first half of 2011 in the midst of a complicated domestic and international economic environment. The year-on-year growth of GDP is 9.6%, which is higher than the previous prevailing market forecast. Domestic demand continues its accelerated growing trend in 2009 and 2010 and is playing a more and more important role in economic growth. This indicates that China's strategy of expanding domestic demand has accomplished remarkable results since the outburst of the international financial crisis. Hence the Group is optimistic about the future development of department store industry.

Looking ahead, the Group will continue to strive for breakthrough in becoming a leading player in the department store industry by capturing opportunities from China's economic growth, adapting to market changes and implementing the rebranding program. The Group will endeavor to expanding business, strictly controlling costs, offering precise services, exploring quality goods and adjusting timely operational strategy to maintain competitiveness and enhance profitability in order to maximize the return for our shareholders.

Through 18 years of efforts, the Group has extended its operational network to 17 cities throughout China and became a distinguished department store operator with exceptional awareness and reputation. I would like to extend the Board's gratitude to all of our shareholders, customers and partners for their infinite confidence in and support for the Group. I would also like to express heartfelt appreciation to the management and all our staff for their good efforts and contribution.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong, 27 September 2011

INNOVATIVE OPERATION MODE

Establish new cornerstone for fashion and living department store

BUSINESS REVIEW

In the year under review, the Group's revenue increased 46.8% from HK$1,872.9 million in FY2010 (or "the Previous Year") to HK$2,749.5 million in FY2011 ("the Current Year"). Profit for the year grew 48.1% from HK$577.6 million in the Previous Year to HK$855.6 million in the Current Year.

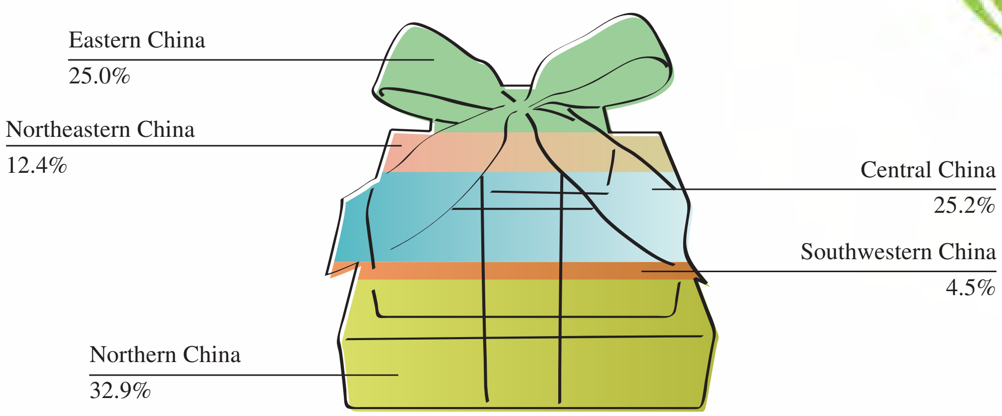
Business Network

In the Current Year, the Group operated 37 department stores, with a total gross floor area ("GFA") of about 1,275,320 square meters and a total operating floor area of about 995,000 square meters. 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, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Taizhou and Zhengzhou. Our business network comprised 32 self-owned stores and 5 managed stores.

Revenue Contribution

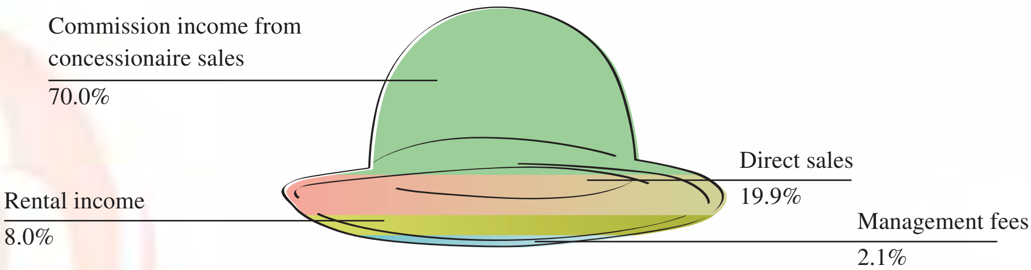
By Region

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 32.9% of total revenue, followed by the Central China Region and the Eastern China Region, accounting for 25.2% and 25.0% of total revenue, respectively.



By Segment

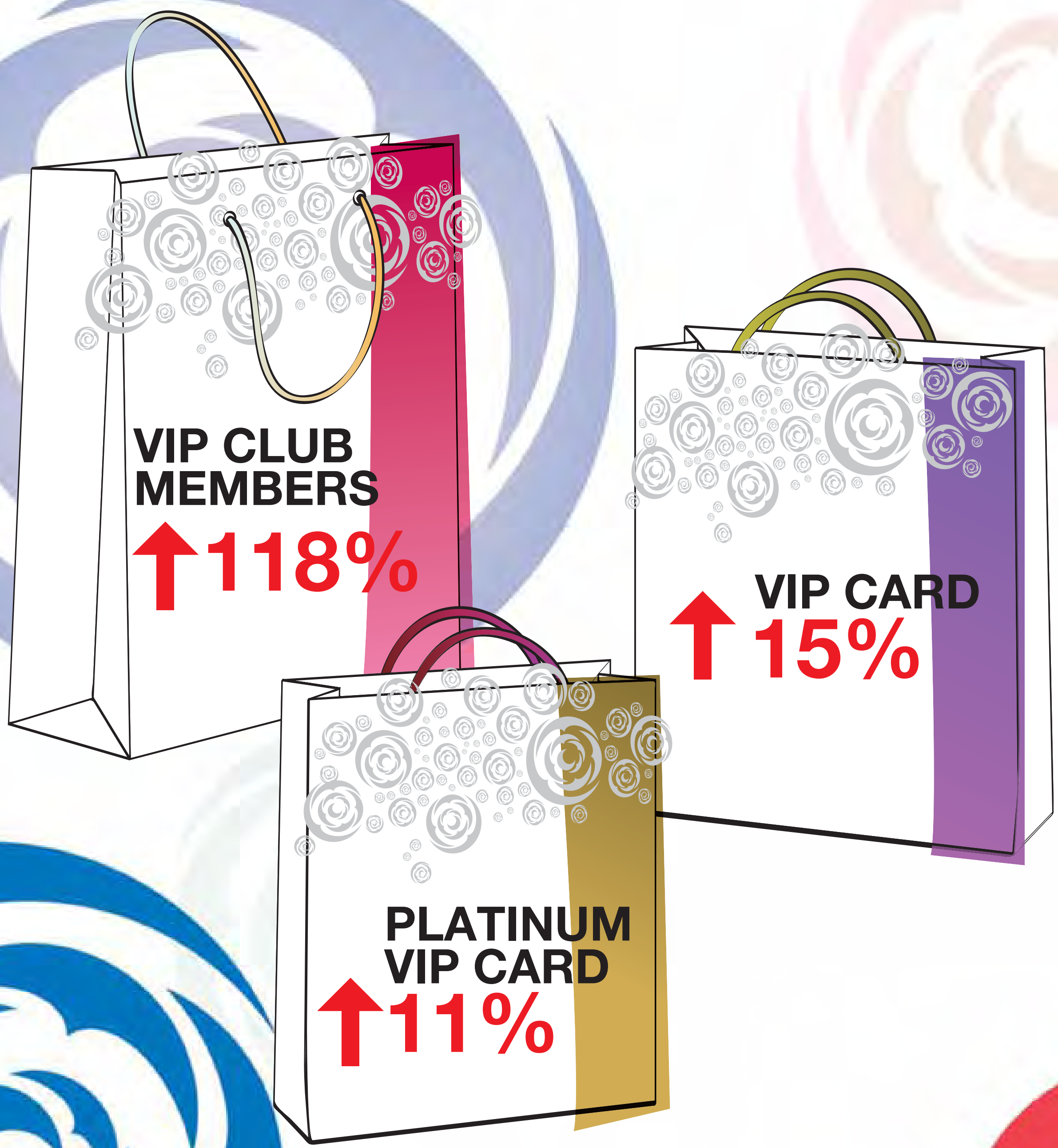
Commission from concessionaire sales was the major type of income, accounting for 70.0% of total revenue. Proceeds from direct sales and management fees accounted for 19.9% and 2.1%, respectively. Rental income accounted for 8.0% of total revenue.



Store Network Development

In the year under review, the Group opened three new self-owned stores in Beijing, Shenyang and Zhengzhou. They are Beijing New World Qianzi Department Store ("Beijing Qianzi Store"), Shenyang New World Department Store-Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store") and Zhengzhou New World Department Store ("Zhengzhou Store"). Besides, Wuxi New World Department Store ("Wuxi Store") ceased to be the Group's self-owned store since May 2011.

Therefore, as of 30 June 2011, the Group's total GFA was approximately 1,275,320 square meters, up 8.6% from the Previous Year, whilst the GFA of self-owned store was about 1,088,420 square meters, up 43.8% from the Previous Year.



Northeastern China Region

Shenyang Jianqiao Road Branch Store

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	9.92 million	366.59 billion	36,954	17,557	177.02 billion
Shenyang	7.20 million	501.70 billion	69,719	20,541	206.59 billion
Dalian	5.86 million	515.81 billion	87,962	21,293	163.98 billion
Anshan	3.65 million	220.00 billion	60,342	18,514	51.50 billion

Source: National Statistics Bureau of China, Statistical Information Network of Harbin, Statistical Information Network of Dalian, Statistical Information Network of Anshan, 2010 National Economic and Social Development Statistics Bulletin, Statistical Information Net and Statistical Data Network

Stable and Healthy Economic Structure Brought About Room for Development of Department Stores

2010 was the year of harvest for the 11th Five-year Plan. As economy in the Northeastern China Region continued to improve and the government carried out the policy of promoting the "Eight Great Economic Areas" and "Ten Large-scale Projects", economy in the whole region was developing steadily. In 2010, the GDPs of Liaoning and Heilongjiang Provinces were increased by 14.1% and 12.6% respectively in comparison to the Previous Year. The GDP of Heilongjiang Province for the first time broke the record by exceeding one trillion RMB, and reached RMB1,023.5 billion. Thanks to the rapid economic development of Liaoning and Heilongjiang Provinces as well as the continuously improved income standards of urban and rural residents, annual total retail sales of consumer goods of the two provinces reached RMB680.96 billion and RMB400.10 billion respectively in 2010, both increased 19% over last year, indicating the potential of consumer market development in the Northeastern China Region.

599.1 BILLION

Total Retail Sales of Consumer Goods (RMB)

Entering New Business Circle Expanding Influences in the Region

In the year under review, Shenyang as a core city, the Group has successfully expanded the stores from Taiyuan Street to Zhong Street business circle, capitalizing on the Group's strategy of "Multiple Presence in a Single City" with a new self-owned store opened in May 2011, Shenyang New World Department Store – Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store"). Situated at a prime location, Shenyang Jianqiao Road Branch Store is at the junction of East Shuncheng Street and Jianqiao Road in Zhong Street business circle, a prosperous business circle in Shenyang. With a GFA of approximately 34,000 square meters, the store is the Group's second living gallery in Shenyang, satisfying the needs of people of all ages and both genders, catering their needs in terms of "Clothing", "Dining", "Living", "Travelling" and "Entertainment". In addition, to cater the main white-collar consumers in the business circle, the new store focused on the merchandise of popular fashion clothes and accessories, equipping with delectable range of themed restaurants, professional beauty salon, stylish decorated VIP lounge, refined dressing room tailored for female and children's playground, etc, bringing customers a refresh image as well as providing them with a high-quality and comfortable shopping environment.


Shenyang Nanjing Street Branch Store

Effective Rebranding results with Characterized Features of Stores

In the year under review, the Group operated three living galleries in the Northeastern China Region, namely, Harbin New World Department Store ("Harbin Store"), Shenyang New World Department Store - Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store") and Shenyang Jianqiao Road Branch Store. In addition, we also operated three fashion galleries, namely, Shenyang New World Department Store-Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store"), Anshan New World Department Store ("Anshan Store") and Dalian New World Department Store ("Dalian Store"). Except Anshan Store and Dalian Store, all stores in the Northeastern China Region have finished the rebranding process.

Northeastern China Region	**Date of Commencement of Operation**	**Approx. Gross Floor Area (sq. m.)**	**Approx. Operating Floor Area (sq. m.)**
Living Gallery			
Harbin Store	November 1996	50,000	38,100
Shenyang Zhonghua Road Branch Store	December 2005	44,000	34,100
Shenyang Jianqiao Road Branch Store	May 2011	34,000	23,900
Fashion Gallery			
Shenyang Nanjing Street Branch Store	November 1995	13,890	10,800
Dalian Store*	November 2002	32,000	26,400
Anshan Store*	October 2007	37,250	34,400
	Total	211,140	167,700

* Stores that have not yet been rebranded


Harbin Store

Living Gallery Suits All Family Members and Caters the Needs for One-stop Shopping

As urban residents' income rises, family's entire consumption needs are also increasing. In the year under review, living galleries in the Northeastern China Region successfully transformed into hot spots for one-stop shopping, fulfilling all needs of family members and customers of different consumption standards and habits can find suitable goods and services in-store. To satisfy women customers' preference for fashions, selected areas for ladies' shoes, bags and jewelries were rearranged in the living galleries in the year reported whilst ladies' clothes with Taiwanese features were introduced. In the meantime, areas for cosmetic products were expanded to introduce more products. To stimulate male customers' shopping desires, stores in the region optmized the distribution of men's products. For example, Harbin Store revamped the men's clothing area into general clothes, underwear, and leather product sectors. Shenyang Zhonghua Road Branch Store redesigned the display of leather products, suitcases and bags to strengthen the customers revisiting interests. In the meantime, to meet customers' different tastes for catering, living galleries in the region introduced thematic food and drinks one after another. For example, Harbin Store brought in Hot and Spicy hotpot, Hong Kong and Guangdong Fusion Dishes to meet the requirements of all kinds of family patrons.


Shenyang Zhonghua Road Branch Store

"To meet customers' different tastes for catering, living galleries in the region introduced thematic food and drinks one after another."

Special Featured Fashion Galleries to Create Popular Fashion Hot Spots in the Region

In the year under review, fashion galleries in the region have been dedicated to becoming the local hot spots for popular fashion products. Reformations were made in the aspects such as merchandise mix, brand portfolio and complementary services, etc, in order to strengthen the differentiated operation of the fashion galleries in the region from the other department stores. In response to local women's passion for shoes, Shenyang Nanjing Street Branch Store and Dalian Store continued to take ladies' shoes as their category killer and further optimized the merchandise mix based on the existing brands to increase the product variety. To meet trendsetting customers' needs for new popular services, fashion galleries in the region introduced celebrated services one after another. For example, Anshan Store specially established a fitness center and an English language center to provide youngsters with alternative choices of services. In addition, to satisfy fashion customers' pursuit for trendy clothes, stores in the region made readjustments including reorganizing menswear sector, enlarging area for major trendy brands as well as introducing international fashion brands and popular brands for young women, further establishing a fashion landmark in the region.

211,140
SQ.M.
Total GFA (approx.)

Hosting Continuous Membership Activities to Stimulate VIP Members' Consumption

Stores in the region hosted a number of thematic activities in the year reported including various kinds of celebrations during Christmas and New Year. For instance, Dalian Store held a Christmas Lucky Star Decoding Activity; Anshan Store held a "2010 Year-end Thank-you Banquet – Employee Purchasing Day" activity before CNY to stimulate holiday sales as well as create holiday atmosphere for customers and employees. In addition, stores in the region were dedicated to creating thematic activities to generate repeated consumptions in the store. For example, Shenyang Jianqiao Road Branch Store hosted a function under the name of "Fascinating New World, Glorifying Shenyang Dongzhong Street and Trial Opening of Jianqiao Road Branch Store" during its opening. Dalian Store organized a Tiramisu and Love Plus activity during the White Valentine's Day. Other stores arranged long-term promotional activities with different themes such as "foot care day", "photos for the beautiful shoes", etc, to generate repeated consumption in their stores.

"Stores in the Northeastern China Region were dedicated to providing diversified membership activities to attract more customers to join the VIP membership."

In the year under review, stores in the Northeastern China Region were dedicated to providing diversified membership activities to attract more customers to join the VIP membership such as holding private activity of "Platinum Night Banquet" for the high-end customers, Shenyang Zhonghua Road Branch Store established "New World Department Store Sport Lovers' Club" to absorb sport-loving customers to become VIP members. In the meantime, stores in the region also provided their club members with different caring activities like hosting classes such as "expressing my natural beauty – love for women's fashion" and "nutritious cooking – food in spring" for members of Smart Lady Club. For Perfect Housewife Club members, activities including "Mother's Day family drawing


Anshan Store

competition-Painting Your Beautiful Mom" and "DIY cake-making" were hosted. In the year under review, the number of VIP club members in the Northeastern China Region rose by 129% to over 150,000.

150,000
(approx.)
Total Number of VIP Club Members


Dalian Store

Numerous Awards Recognized the Company's Achievement

In the year under review, the achievement of the Group has been recognized. In July 2010, Harbin Store was rewarded by Harbin Technical Supervision Bureau as "The Unit With Reliable Quality". In November of the same year, Shenyang Nanjing Street Branch Store received Grand Award of "Fashion Enterprise of the Year" from *Fashion Life Weekly*. Shenyang Nanjing Street Branch Store and Shenyang Zhonghua Road Branch Store both received "Innovation Service Award" in the 2010 Hundred Business's Thanking-Customer Action activity. In December, they also received the glorious title of "2010 Top Hundred Tax-Paying and Supervision Enterprise". In addition, Dalian Store was once again accredited as "Peaceful and Stable Enterprise" by the CPC Committee and People's Government of Zhongshan District.

Eastern China Region

Shanghai Baoshan Branch Store

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	23.02 million	1,687.24 billion	73,297	31,838	603.69 billion
Ningbo	5.74 million	512.58 billion	89,284	30,166	170.45 billion
Nanjing	8.00 million	501.04 billion	62,625	28,312	226.78 billion
Taizhou	5.83 million	241.51 billion	41,416	27,212	96.05 billion

Source: 2010 Statistical Yearbook of Shanghai, Statistical Data Network of Ningbo, 2010 Nanjing Statistics Report, 2010 Taizhou Statistics Report


Shanghai Chengshan Branch Store

Improved Macro-economy and Integrated Development of Yangtze River Triangle

In 2010, as the macro-economy was gradually stabilized both at home and abroad, China's economy maintained sound development with people's consumption power further increased. The integrated economy in Yangtze River Triangle was progressing well. Thanks to the full-scale development of major infrastructure such as the high-speed railways and highway networks, Yangtze River Triangle gradually became one of the major gateways in Asia-Pacific region. In 2010, Shanghai's GDP increased by 9.9% in comparison to that of last year in line with the overall economic development. Benefitting from the effects of Shanghai World Expo, the number of tourists boosted in 2010, which stimulated the traffic flow and sales volume of the retail industry as well as brought in significant opportunities to the entire Eastern China Region.


Shanghai Pujian Branch Store


Shanghai Huaihai Branch Store

Stores in the Region Established Brand New Images

In the year under review, we operated 13 department stores in the Eastern China Region including 5 living galleries under the "Ba Li Chun Tian" brand, namely, Hong Kong New World Department Store – Shanghai Qibao Branch Store ("Shanghai Qibao Branch Store"), Hong Kong New World Department Store-Shanghai Pujian Branch Store ("Shanghai Pujian Branch Store"), Hong Kong New World Department Store – Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store"), Hong Kong New World Department Store-Shanghai Baoshan Branch Store ("Shanghai Baoshan Branch Store") and Hong Kong New World Department Store-Shanghai Chengshan Branch Store ("Shanghai Chengshan Branch Store"); and 8 fashion galleries including 4 department stores under the "New World" brand, namely, 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"); and 4 department stores under the "Ba Li Chun Tian" brand, namely, Hong Kong New World Department Store-Shanghai Huaihai Branch Store ("Shanghai Huaihai Branch Store"), Hong Kong New World Department Store-Shanghai Xinning Branch Store ("Shanghai Xinning Branch Store"), Hong Kong New World Department Store-Shanghai Hongkou Branch Store ("Shanghai Hongkou Branch Store") and Hong Kong New World Department Store-Shanghai Changning Branch Store ("Shanghai Changning Branch Store").

1,097 BILLION

Total Retail Sales of Consumer Goods (RMB)


Shanghai Wujiaochang Branch Store

"Fashion galleries in the region made different adjustments in the aspects of market positions, floor plans and merchandise mix according to their different themes."

In the year under review, new stores in the Eastern China Region such as Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store are shown as brand new living galleries. Rebranded stores including Shanghai Huaihai Branch Store and Shanghai Pujian Branch Store gradually became new fashion and life focus spots in the region while reformation of the other stores are expected to complete gradually in 2012.

Eastern China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
LIVING GALLERY			
Shanghai Qibao Branch Store*	December 2005	36,550	29,800
Shanghai Wujiaochang Branch Store*	December 2006	44,000	40,300
Shanghai Pujian Branch Store	September 2007	46,000	31,200
Shanghai Baoshan Branch Store	January 2010	39,000	36,100
Shanghai Chengshan Branch Store	April 2010	38,000	32,900
FASHION GALLERY			
Ningbo Store*	April 1998	10,000	9,300
Shanghai Huaihai Branch Store	December 2001	22,500	17,000
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	10,700
Nanjing Store*	November 2007	30,000	18,300
Taizhou Store*	April 2009	30,000	17,500
	Total	354,830	277,100

* Stores that have not yet been rebranded


Shanghai Qibao Branch Store

Newly Designed Living Galleries Brought About New Living Concepts

During the year under review, living galleries in the Eastern China Region utilized "Environmental Paradise" as the theme, bringing a brand new design with natural elements such as flying butterflies, flourishing flowers, forests, rainbows, grasslands and rivers incorporated into the entire store to meet the customers' growing interest on natural beauty. As residents in the region were more exposed to the Western culture, male and female customers' needs for popular brands were increased. Living galleries in the region brought in more flagship shops of popular brands to strengthen the stores' competitive advantage in the year reported. In the meantime, to meet women customers' treasure-hunting interest, stores in the region held discount activities with different themes at the discount floor on a regular basis. For example, Shanghai Wujiaochang Branch Store updated the discount brands regularly in the special sale zone on 7th floor to attract customers to consume in the store. In addition, customers' demand for food and beverage continued to get higher, therefore, to attract customers to revisit store and repeat purchase, living galleries in the Eastern China region expanded their dining areas to different extents in the year reported, as well as introducing themed restaurants such as Saizeriya, Happy Together and Laoma Rice Noodles, etc.

Unique Themes of Fashion Galleries Brought about New Style Department Stores

In the year reported, fashion galleries in the region made different adjustments in the aspects of market positions, floor plans and merchandise mix according to their different themes. For example, in response to customers' desire for discounted goods, Shanghai Changning Branch Store, Ningbo Trendy Store and Nanjing Store positioned as discounted fashion galleries to satisfy consumers' demand as well as differentiate the business operation from rivals, aiming to attract other scope of customers. Targeted mainly at customers with higher consuming power in the region, Ningbo Store positioned as high-end and fashionable department store. To cater different shopping behavior of different customer in the region, stores in the Eastern China region rearranged some of their floor plans in the year reported. For example, Shanghai Xinning Branch Store restructured its ladieswear area to be the sector for men's and women's causal wear whilst Taizhou Store turned its jewelry area into men's and ladies' casual wear sector. Nanjing Store relocated the sporting goods to 3rd floor. To strengthen the operation advantages, some stores optimized their merchandise mix. For example, Shanghai Huaihai Branch Store continued to increase the variety of shoes to meet ladies' desire on purchasing shoes. Shanghai Hongkou Branch Store introduced more popular fashion brands of ladieswear for the white-collar consumer in the neighboring area, further specifying the position of ladieswear.

354,830
SQ.M.
Total GFA (approx.)

Enhancing VIP Members' Loyalty and Promoting Club Membership

Utilizing the opportunities brought by traditional and newly celebrated festivals, stores in the region organized different thematic promotional activities to boost traffic flow in the Current Year. For example, Shanghai Baoshan Branch Store held a "Come-Out" activity prior to the May 1st Labor Day and an Egg-Painting Activity before the Easter, Taizhou Store held an "Employee Shopping Night" during the Christmas, Shanghai Qibao Branch Store held a March 8th Women's Day activity, and Shanghai Pujian Branch Store held a series of "colorful Halloween" activities. Such activities attracted customers' attention and extended their time staying in the store.


Ningbo Trendy Store


Ningbo Store

Stores in the Eastern China Region progressively provided their VIP members with a series of special activities to strengthen the VIP members' loyalty as well as promoting customers to join the Club membership. In the year under review, activities for Perfect Housewife Club members including the Five-season Chinese Medicine and Health Care Seminar on the topic of health care in Autumn, DIY family knitting class, cake-making groups, puzzle games and little bakers, etc. In addition, numerous fashion seminars were held for members of Smart Lady Club such as new arrival cosmetics trial talk, Fashion Mix & Match, "DIY chocolate on Valentine's Day", etc. These activities not only meant to let VIP members feel the heart-to-heart and dignified services, but also attracting more customers to become VIP members.

> **"Utilizing the opportunities brought by traditional and newly celebrated festivals, stores in the region organized different thematic promotional activities to boost traffic flow in the Current Year."**

During the year under review, the total number of VIP members in the Eastern China Region reached 470,000, up 12% from the Previous Year. Total number of club members exceeded 200,000, increasing 128% year-on-year.

Nanjing Store

Shanghai Hongkou Branch Store

Shanghai Changning Branch Store

Shanghai Xinning Branch Store

High Service Quality and Facilities Established the Leading Position

Taizhou Store

In the year under review, stores in the Eastern China Region endeavored to improve their service quality and established the position of outstanding enterprise in the region. In November 2010, Shanghai Huaihai Branch Store received "Best Organization Award for Series of Thematic Marketing Activities at Shanghai Shopping Festival and Huaihai Zhonglu's 110th Anniversary", which was jointly issued by Luwan District Commerce Committee and Luwan District Commerce Association. In the same month, Shanghai Hongkou Branch Store received "October Team Star" Certificate of Merit issued by the Urban Volunteer Services of World Expo 2010 Shanghai China. Shanghai Qibao Branch Store received from Shanghai Commerce Association the title of "2010 Advanced Unit of Commercial Quality Service of Shanghai". In May 2011, it was also accredited as "The 6th Shanghai Harmonious Commercial Enterprise". Shanghai Pujian Branch Store was accredited "2010 Pioneer of Tax-paying Retail Businesses" by the Economic Development Promotion Center of Shanghai Lujiazui Finance and Trading Zone Administrative Committee, and was awarded the "Excellent Unit Award" issued by the Window Service Administrative Department of the 600 Days Towards World Expo Action of Pudong New District. Shanghai Xining Branch Store was awarded the title of "2010 Harmonious Labor Relation Enterprise of Changning District of Shanghai Municipality."

200,000

(approx.)

Total Number of VIP Club Members

Central China Region

Zhengzhou 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	8.37 million	551.58 billion	61,388	20,806	252.32 billion
Changsha	7.04 million	454.71 billion	64,551	22,814	181.21 billion
Zhengzhou	8.63 million	400.00 billion	46,300	18,897	167.80 billion

Sources: 2010 Statistical Bulletin of Domestic Economy and Society Development of Wuhan, 2010 Statistical Bulletin of Domestic Economy and Society Development of Changsha, 2010 Statistical Bulletin of Domestic Economy and Society Development of Zhengzhou

Rapid Development of Regional Cities Stimulated Residents' Consumption Desires

In the year under review, Central China Region's urban expansion measures and the national policy of stimulating domestic demand were further implemented, resulting in formation of new business circles and expansion of remote urban areas continuously. It is expected that Central China Region will absorb more inhabitants and mobile population, directly stimulating the development of the local retail industry and inspiring consumption in the region. The total retail sales of consumer goods of Wuhan, Changsha and Zhengzhou increased by 19.5%, 22% and 18.5% respectively in 2010, indicating the enormous space for the development of retail and department store businesses of Central China Region in future.


Wuhan Wuchang Branch Store

Wuhan Store

601.3 BILLION

Total Retail Sales of Consumer Goods (RMB)


Wuhan Hanyang Branch Store

Expand in Neighboring Cities and Promote Leading Position in the Region

In the year under review, deploying the expansion strategy of "radiation city", the Group took active steps to develop opportunities in Wuhan's neighboring cities, and successfully opened the first living gallery , Zhengzhou New World Department Store ("Zhengzhou Store"), in Zhengzhou in April 2011. Zhengzhou Store is situated at the junction of Zijingshan Road and Shangcheng Road in Zijingshan district, a prosperous commercial district. The store has four storeys with a GFA of about 35,500 square meters and nearly 900 car parking spaces provided. It takes family consumption as the basis with the aim to satisfy the needs of families in terms of "Clothing", "Dining", "Living", "Travelling" and "Entertainment". On the fourth floor, there is a specialized discounted zone selling various featured goods, ladieswear, outdoor and household supplies in order to satisfy women's treasure-hunting desires. In addition, it made a breakthrough for dining area and brought in delectable range of food and beverage into all floor levels including hotpot, Western food and Korean barbeque, etc., in order to achieve effective sales through inspiration of the customers' appetite. Rest Space is specially provided for leisure and covering free wifi services for customers to get on line any time, providing a supreme comfortable shopping environment for consumers.

Status of Stores in the Region

In the year under review, we operated 4 living galleries in the region, namely, Wuhan New World Department Store ("Wuhan Store"), Wuhan New World Department Store-Qiaokou Branch Store ("Wuhan Qiaokou Branch Store"), Wuhan New World Department Store-Hanyang Branch Store ("Wuhan Hanyang Branch Store") and Zhengzhou Store. We also operated 4 fashion galleries, namely, 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 – Xudong Branch Store ("Wuhan Xudong Branch Store") and Changsha New World Trendy Plaza ("Changsha Trendy Plaza").


Wuhan Xudong Branch Store

Central China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
LIVING GALLERY			
Wuhan Store*	November 1994	42,000	25,500
Wuhan Qiaokou Branch Store*	September 2006	42,000	31,400
Wuhan Hanyang Branch Store	November 2008	53,000	46,000
Zhengzhou Store	April 2011	35,500	28,400
FASHION GALLERY			
Wuhan Trendy Plaza*	December 2001	23,000	18,300
Wuhan Wuchang Branch Store*	October 2005	22,650	18,100
Changsha Trendy Plaza*	September 2006	35,000	22,900
Wuhan Xudong Branch Store*	January 2008	31,700	24,800
	Total	284,850	215,400

* Stores that have not yet been rebranded

284,850

SQ.M.

Total GFA (approx.)

Living Galleries with Different Specialty Inspired Consumption in the Region

In the year under review, as remote areas and new business circles were further developed, the number of family consumers in the region continued to increase. To better satisfy the needs of different family members, living galleries in the region carried out different optimizations in the year reported. To attract more parents to consume in store and improve the attraction of children's area, stores in the region endeavored to optimize services in the children's area during the year under review. For example, Wuhan Qiaokou Branch Store reduced the area of individual concessionaires in the children's area but introduced the BBC Early Education Center and increased the variety of children-related items. In addition, living galleries in the region expanded the bedding and household goods area and introduced large brands to cater the needs of families in the region. In the meantime, to fulfill customers' expectation for catering, stores in the region expanded all dining areas. For example, Wuhan Hanyang Branch Store introduced more specialized food and drinks varieties including buffets, hotpot and Korean barbeque, etc, to provide more catering choices. In response to the changing shopping preferences of the local residents, all living galleries made timely readjustments such as expanding the area for jewelry and accessories sectors, adding functional service facilities, optimizing brand combinations, introducing well-known brands, etc, to extend customers' in-store shopping time.

"To attract more parents to consume in store and improve the attraction of children's area, stores in the region endeavored to optimize services in the children's area during the year under review."


Changsha Trendy Plaza

Rebranding the Fashion Galleries Optimizing Merchandise Mix

Focusing on the needs of consumer in the business circle, stores in the region made changes in the aspects of merchandise mix, counter designs, etc, during the year under review, preparing the way for reformation in future. For example, Changsha Trendy Plaza converted the jewelry and ladies' shoes sectors into fully open areas so as to increase the transparency of the floor design, satisfying the consuming behavior of residents in the region. For the young trendsetting customers, Wuhan Xudong Branch Store opened the first Apple Shop to attract a large number of fashion consumers. Wuhan Wuchang Branch Store eliminated the sport category so as to enlarge the area for menswear and service. Wuhan Trendy Plaza optimized its brand portfolio by adding more popular brands as well as expanding the leasing area to increase rental income.

Innovative Activities and Prestigious VIP Events

Stores in the region held a number of large-scale activities in the year reported, which were highly welcomed by customers and attracted lots of media coverage, increasing the stores' popularity in the region. For instance, Wuhan Store held "Chocolate Class" during Chinese Valentine's Day and hosted a thematic photographic competition during Halloween. Wuhan Hanyang Branch Store organized "Kids as parents role-playing" activity during June 1st Children's Day. Wuhan Qiaokou Branch Store promoted "Love for Women's Day" activity during Women's Day. Such activities all became hot topics in the city.

"Stores in the region held a number of large-scale activities in the year reported, which were highly welcomed by customers and attracted lots of media coverage, increasing the stores' popularity in the region."

Furthermore, stores held a variety of exclusive activities for the club members to strengthen their loyalty such as "*Valentine's Day DIY chocolate*", "*Love in Spring • Coffee with Love*" activity for members of Smart Lady Club, and Trendy Mom Class, DIY Cake-making on Mother's Day, Yoga for Soul Inspiration, New Arrival of Ladieswear for the Perfect Housewife Club members. Such activities received high appreciation among the club members. During the year under review, the exclusive VIP member activities attracted customers' attention and successfully absorbed more VIP members. In the year reported, the number of VIP members in Central China Region exceeded 460,000, increasing 18% year-on-year. Number of club members increased by 126% to 268,000.


Wuhan Qiaokou Branch Store

Wuhan Trendy Plaza

Employees United to Provide Customers in the Region with High-quality Services

During the year under review, employees of stores in the region all united together to provide customers with first-class services, earning a number of awards issued by the local governments. In July 2010, Wuhan Store was accredited as "2009 Best Law-abiding and Honest Employer in the Labor Protection Category" by Human Resource and Social Security Bureau of Wuhan City. In November of the same year, Changsha Store was awarded by Changsha Local Government the title of "Advanced Unit in the National Urban Public Civilization Index Assessment Work". In 2011, Wuhan Store obtained titles of "2010 Advanced Unit in the City Economic Protection Work" and "2010 Advanced Unit in the Projected Work of Wuhan Trade Union".

268,000
(approx.)
Total Number of VIP Club Members

"Employees of stores in the region all united together to provide customers with first-class services, earning a number of awards issued by the local governments."

Northern China Region

Tianjin Store

Northern China Region	Population	Local Gross Domestic Product (RMB)	Gross Domestic Product Per Capita (RMB)	Per Capita Disposable Income (RMB)	Total Retail Sales of Consumer Goods (RMB)
Beijing	19.61 million	1,377.79 billion	70,452	29,073	622.93 billion
Tianjin	12.94 million	910.88 billion	70,403	24,293	290.26 billion
Lanzhou	3.24 million	110.04 billion	34,011	14,062	54.51 billion

Sources: National Statistics Bureau of China, 2010 Statistical Bulletin of Domestic Economy and Society Development of Tianjin, Lanzhou Statistics Bureau, 2010 Statistical Bulletin of Domestic Economy and Society Development of Beijing

Sound Economic Foundation Stimulated Consumption Growth in the Region

In 2010, the global economy was at the recovery stage. The Chinese government was very successful in pursuing its economic goal of guaranteeing 8% Economic Growth. Thanks to the macro-economic control measures actively promoted by the Chinese government, China's strong economic development realized a soft landing. To compare with 2009, the GDP of cities such as Beijing, Tianjin, and Lanzhou increased by 16.1%, 21.4% and 18.8% respectively, which maintained strong growth stimulus for the regional economy.


Lanzhou Store

Higher income level of the urban and rural residents inspired people's consumption desire. Rivals have been competing against each other for the market in the region. As a result, competition among department stores got intensified in the region. Rivals have begun to develop large-scale shopping centers and department store type shopping mall. As one of the most influential department stores in this region, the Group must strengthen its influences in the core cities in order to maintain its advantages in the business operation.


Beijing Trendy Store

Reinforcing the Strategy of Multiple Presences In A Single City and Expanding Influences in the Cities

Beijing is the core city in Northern China Region to promote the Group's strategy of Multiple Presences in a Single City. To reinforce Beijing's current influences, the Group opened a brand new self-owned store, Beijing New World Qianzi Department Store ("Beijing Qianzi Store"), at Xinshunnan Road of Shunyi District in September 2010. Beijing Qianzi Store is the Group's

"In addition to general commodities, some areas of the store are specially planned for service purposes such as large-scale electronic game city, piano city, education center, professional hairdressers and fashion nail salons."

first brand new "Living Gallery" in Northern China Region, with a total GFA of approximately 40,000 sq.m, targeting at family consumers with relatively higher consuming power in the region. The store is located in a multi-purpose leisure and shopping center with 300 parking spaces. Beijing Qianzi Store houses more than 600 well-known international and local brands, with nearly 50% of which making their debuts in Shunyi District. In addition to general commodities, some areas of the store are specially planned for service purposes such as large-scale electronic game city, piano city, education center, professional hairdressers and fashion nail salons. The leisure shopping center, in which Beijing Qianzi Store is located, also contains a number of thematic restaurants, food courts, supermarket as well as luxurious and comfortable international cinemas with a variety of movies suitable for family consumers, becoming a spot for leisure and entertainment for all family members.

Status of the Rebranding Program in the Region

During the year under review, rebranding of stores in the region has been gradually completed. Among them, the reformation of Beijing New World Department Store ("Beijing Store"), Beijing New World Liying Department Store ("Beijing Liying Store") and Tianjin New World Department Store ("Tianjin Store") have been fully completed. The reformation of Beijing New World Trendy Department Store ("Beijing Trendy Store") and Lanzhou New World Department Store ("Lanzhou Store") are expected to complete by the end of 2011.

Northern China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
Living Gallery			
Tianjin Store	October 1997	57,000	42,100
Beijing Store	July 1998	93,000	69,700
Beijing Liying Store	September 2008	52,000	38,000
Beijing Qianzi Store	September 2010	40,000	37,300
Fashion Gallery			
Lanzhou Store*	September 2005	27,200	25,800
Beijing Trendy Store*	March 2007	31,200	23,800
Beijing Shishang Store	May 2010	40,000	32,600
	Total	340,400	269,300

* Stores that have not yet been rebranded

Reformed Living Galleries Brought in New Looks to Branch Stores

The brand new living galleries in the region are mainly targeted at family consumers, providing family members of all ages with more comprehensive products and services. As their consuming power grows, customers are demanding products and services of relatively higher standards. During the year under review, family spending on their children's consumption has been greatly increased. To better meet the children's demand, more new brands of children's wear were introduced and more kinds of commodities for children were added in the living galleries in the region. For example, Beijing Store and Tianjin Store expanded their children's area and put on unique decorations at the children's floor, creating a lively and pleasant atmosphere as well as bringing more joys to the family shopping. In addition, general catering services could not fully cater the needs of different family members; therefore, special snack foods of different styles, such as Lanzhou stretched noodles, foods of Guangdong, Yunnan and Guizhou as well as Japanese and Korean Styles, were added in the dining areas of most branch stores in the region. Furthermore, thematic restaurants such as fashionable hotpots and special drinks were brought in to fully satisfy the customer demand for food and beverage. In addition, to meet the women's demand of cosmetic products and clothes, cosmetic operating areas in the living galleries were expanded to introduce more fashion and

967.7
BILLION
Total Retail Sales of Consumer Goods (RMB)


Beijing Qianzi Store


Beijing Shishang Store


Beijing Store

cosmeceutical brands whilst women's casual wear of well-known brands have been increased to satisfy the trendsetting women's love of beauty. In the year reported, the increase of the average household income in the region stimulated the customers' needs for household goods; therefore, Tianjin Store introduced particularly a number of exclusive brands in the household goods area to strengthen its advantage over similar products in the region, attracting more families to consume in its store.

340,400
SQ.M.
Total GFA (approx.)

Fashion Galleries Aimed at Becoming the Fashion Hot Spot

Fashion galleries in Northern China Region are characterized of different features. In the year reported, fashion galleries in the region made timely readjustments in aspects of commodity presentation, floor combination and thematic positioning in order to attract different kinds of fashion customers with different themes, gradually becoming popular fashionable hot spots in all commercial circles in the region. For instance, to meet the local women's preference for diversified products, Beijing Shishang Store replaced the original concessionaire counters by small shops with delicate and special features, strengthening the position of feminine department store with the theme of popularity, fashion, character and trend. To fulfill the young mothers' needs, it also introduced franchise shops of well-known national brands for pregnancy and baby products. Beijing Trendy Store introduced new fashion brands for the youth such as Apple digital shop to satisfy the passion of young customers in the 25 to 35 age-group for popular products, successfully establishing as a trendy product center in the commercial circle. Targeting the young sport fans, Lanzhou Store added a specialty floor combined of electronic game city, fashion sport shop, large discounted area and food courts, creating a unique diversified floor among the local department store. A number of popular sport brands are gathered in the sport area facilitating customers for selection. In women's casual wear sectors of the other fashion galleries, distinctive accessories were added and areas for trendy underwear and cosmetic products were expanded in order to provide customers with multiple stylish accessories in addition to apparel.

Consolidating VIP Member's Loyalty Attracting More Club Members

In the year reported, a variety of diversified promotional activities were held in the stores of the region during traditional holidays and festivals, which successfully increased the traffic flow and stimulated sales. For example, Lanzhou Store collaborated with Coco Cola Company to decorate a huge Christmas tree at the outside square during Christmas. Beijing Store organized a Peking Opera show during the National Day, and arranged a dumpling-wrapping competition among VIP members from neighboring communities during the Dragon Boat Festival to promote interactiveness between store

"To maintain the VIP club members' loyalty, all stores in the region organized a series of exclusive activities for the club members to meet their different requirements in the year reported."

and its neighboring communities. During the year under review, in addition to the traditional festivals, stores also exploited the newly celebrated holidays to hold innovative promotions. For example, during Halloween, all stores in the region held Halloween Parade; Beijing Qianzi Store hosted collective wedding activities during Valentine's Day and Baby Championship Competition during Children's Day,

differentiating their business operations from the neighboring department stores. In addition, stores also carried out thematic promotional activities from time to time including free lucky draws, meeting the celebrities, birthday gifts to VIP members and double bonus points for VIP member consumptions, which successfully increased the VIP members' revisit rate and strengthened their loyalty.

To maintain the VIP club members' loyalty, all stores in the region organized a series of exclusive activities for different club members in the year reported to satisfy their needs. For example, the Perfect Housewife Club held regular parental classes for its members, organized VIP Return activities in association with all stores in the region and hosted family drawing competition on Mother's Day. For members of the Smart Lady Club, there were various activities such as beautification classes, Yoga salon, nutrition and cooking classes, etc.

Beijing Liying Store

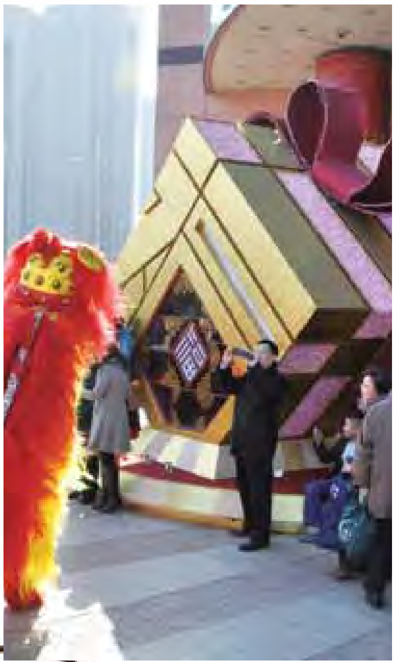
146,000 (approx.)

Total Number of VIP Club Members

During the year under review, activities held by stores earned great appreciation from customers, successfully boosting the stores' traffic flow and sales as well as increasing the number of VIP members. In the year reported, the number of VIP members in the Northern China Region increased by 17% to 820,000. Number of club members reached 146,000, with an increase of 80% year-on-year.

Performance Earned Positive Confirmation and Strong Influence was Sustained in the Industry

During the year under review, all stores in the region have taken active steps to provide for quality services, strengthening customers' awareness of New World Department Store, and earning customers' positive recognition. For example, Beijing Shishang Store won the "Brand New Shopping Experience of The Year Award from Life Style 2010", Tianjin Store was awarded by the CPC Committee and People's Government of Nankai District of Tianjin city as "2010 Star Enterprise of Nankai District".



Southwestern China Region

Chongqing 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	11.49 million	555.13 billion	48,310	20,835	241.76 billion
Chongqing	28.85 million	789.42 billion	27,373	17,532	287.80 billion
Kunming	6.36 million	212.04 billion	33,550	18,876	106.02 billion

Sources: 2010 Statistical Report released by Chengdu, Chongqing, Kunming Bureau of Statistics

Stable Economy Brought in and Opened up Opportunities for Retail Business

During the year under review, governments in the region have fully deployed the "Four-in-one" Scientific Development Strategy and taken active steps to implement the work of "Opening Year", maintaining steady economic development in the region. In the meantime, good achievements in the urban construction and rapid growth of the tourism industry brought motivations to the economic development. In the year reported, the GDP of Chengdu, Chongqing and Kunming increased by 23.9%, 16.1% and 21.8% respectively when compared with last year, which laid a good foundation for the Southwestern China Region and brought in opportunities to the retail industry.

Kunming Store

Southwestern China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
Fashion Gallery			
Kunming Store*	June 2004	12,600	9,600
Chongqing Store*	September 2006	42,000	37,100
Chengdu Store*	December 2006	29,500	18,800
	Total	84,100	65,500

* Stores that have not yet been rebranded

Transforming into Fashion Galleries Step by Step Introducing New Consumption Elements to the Region

In the year under review, the Group operated three stores in Southwestern China Region, namely Kunming New World Department Store ("Kunming Store"), Chengdu New World Department Store ("Chengdu Store") and Chongqing New World Department Store ("Chongqing Store"). In future, they will be transformed step by step into fashion galleries, targeting to be the local fashion and trendsetting spots. According to schedule, Southwestern China Region will be the last region in the Group's re-branding process and is expected to complete in 2012.

635.6
BILLION
Total Retail Sales of Consumer Goods (RMB)

"Chongqing Store has adjusted 68% of its merchandise mix and taken women's shoes as category killer continuously to strengthen the public perception of 'Buying Shoes in New World Department Store'."

Delivering Fashion Shopping Concept and Establishing Brand New Images

The three stores in the region endeavored to deliver the trendy and fashionable shopping image, laying a good foundation for revamping into fashion galleries. To facilitate the upcoming rebranding process, all stores have optimized their product mix in the year reported. For example, Kunming Store increased the proportion of ladieswear and relevant products up to 70%, adjusted the combination for ladies' floor by increasing the percentage of accessories and interesting products. Chengdu Store redecorated 45% of its concessionaires, emphasizing the positioning of fashionable, trendy, unique feature and interesting products. Chongqing Store has adjusted 68% of its merchandise mix and taken women's shoes as category killer continuously to strengthen the public perception of "Buying Shoes in New World Department Store", becoming the department store with the largest scale and biggest variety of women's shoes in the business circle.

Collaborating with Partners for Special Activities Bringing Creative Surprises to Customers

To attract young, modern customers and new concept lovers, stores in the Southwestern China Region strived to bring creative surprises and exceptional shopping experiences to their customers during the year under review. For instance, Chongqing Store organized New Lucky Star Groups during Lunar New Year. Chengdu Store held "Balloon Art Festival", inviting fashion designers to design various clothes with balloons. The three stores also jointly arranged "Green Rewards" activity, which earned great appreciation from customers who love innovative ideas. Stores gradually became hot spots for fashion and trendy customers.


Chengdu Store

84,100 SQ.M.
Total GFA (approx.)

To strengthen VIP members' sense of prestige and thank for their support to the Group, stores in the region actively collaborated with different partners

like the cooperation of Kunming Store with fashion magazines, allowing its VIP members to purchase a series of popular magazines at half price; Chengdu Store once again hosted the "Group's Exclusive VIP Day" with associated company (eg. Chow Tai Fook) which attracted over 30,000 customers and achieved unprecedented success, impressing members with the pride of being VIP. In the year under review, VIP activities in the Southwestern China Region boosted the number of VIP members exceeded 196,000, rising 25% year-on-year. Number of club members exceeded 66,000, up 138% from the Previous Year.

66,000 (approx.)

Total Number of VIP Club Members

High-Quality Services Promoted the Corporate Image

In the year under review, stores in the Southwestern China Region were dedicated to providing their customers with high-quality services and their corporate image was highly recognized. The local government of Jinjiang District of Chengdu city accredited New World Department Store as "2010 Advanced Tax-paying Enterprise". Chongqing Store was credited as "2010 Excellent Commerce and Trade Enterprise of Jiangbei District" by the People's Government of Jiangbei District of Chongqing city. Kunming Store was rewarded as "Class A Tax-Paying Enterprise in 2010" by Kunming Local Taxation Bureau.

"Stores in the Southwestern China Region were dedicated to providing their customers with high-quality services and their corporate image was highly recognized."

HEARTFELT SERVICE

Bringing about unprecedented shopping experience

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

Revenue

Revenue of the Group was HK$2,749.5 million in FY2011 representing an increase of 46.8% from HK$1,872.9 million in FY2010. 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 64.5% to HK$10,779.2 million in FY2011 from HK$6,554.1 million in FY2010. Gross revenue from concessionaire sales increased to HK$10,233.3 million in the Current Year from HK$6,156.7 million in the Previous Year. Commission income rate was 18.8% in the Current Year compared with 19.4% in the Previous Year. Sales of goods for direct sales was HK$545.9 million in FY2011 increased by 37.4% compared with HK$397.4 million in FY2010. Direct sales turnover was mainly comprised of cosmetic products (approximately 45.0%), groceries, housewares and perishables (approximately 38.3%), ladieswear and menswear (approximately 8.4%), accessories, handbags and underwears (approximately 7.2%). Gross margin of direct sales was 17.8% compared to 25.5% in the Previous Year. In FY2011, ladieswear and accessories made up approximately 59.1% of gross sales revenue. Menswear and accessories made up approximately 22.6% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest of gross sales revenue. The above incorporated the results of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store which were converted into self-owned stores in the Current Year.

Management fees was HK$57.1 million in FY2011 showing a decrease from HK$154.2 million in FY2010. The decrease was primarily due to the conversion of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store from managed stores to self-owned stores in August, October and December 2010, March and April 2011 respectively as compared with the management fees for full period in the Previous Year.

Rental income increased by 77.6% to HK$220.6 million in FY2011 mainly due to increased leasing area from firstly, the opening of new self-owned Beijing Qianzi Store, Zhengzhou Store and Shenyang Jianqiao Road Branch Store in September 2010, April and May 2011 respectively; secondly, the conversion of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store from managed stores to self-owned stores in August, October and December 2010, March and April 2011 respectively and thirdly, recognising a full year's operation of self-owned stores acquired or opened in FY2010. Those stores include Shanghai Pujian Branch Store, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store.

Other income

Other income of the Group increased from HK$82.0 million in FY2010 to HK$195.7 million in FY2011. The increase was primarily due to the recognition of a full year's operation of self-owned stores acquired and opened in FY2010 and the conversion of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store from managed stores to self-owned stores in August, October and December 2010, March and April 2011 respectively.

Other gains

Other gains of the Group was HK$398.5 million in the Current Year compared with HK$166.0 million in the Previous Year. Other gains in FY2011 mainly represented the gain of HK$381.6 million on disposal of a certain portion of property and land use rights at which Wuxi Store was situated. The disposal gain was before the deduction of its related direct expenses of HK$8.6 million and income tax expenses of HK$62.6 million. Net post-tax gain on this disposal was HK$310.4 million. The Group also disposed of its investment in Renhe Commercial Holdings Company Limited and recognised a gain of HK$20.5 million in FY2011.

Changes in fair value of investment properties

Changes in fair value of investment properties in the Current Year was HK$20.8 million related to properties located in Shenyang City and Zhengzhou City respectively.

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 51.5% to HK$448.8 million in FY2011 from HK$296.2 million in FY2010. Gross margin of direct sales in the Current Year was 17.8% mainly reflecting the contributed effect made by direct sales of supermarket of Beijing Store converted from a managed store to a self-owned store in the Current Year.

Employee benefit expense

Employee benefit expense increased to HK$411.3 million in FY2011 from HK$239.6 million in FY2010. This increase was as a result of recognising a full year's operation of Shanghai Pujian Branch Store, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store, Beijing Shishang Store acquired or opened in the Previous Year and the newly opened Beijing Qianzi Store, Zhengzhou Store and Shenyang Jianqiao Road Branch Store in September 2010, April and May 2011 respectively. In addition, the conversion of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store from managed stores to self-owned stores also contributed to the increase of employee benefit expense in the Current Year.

Depreciation and amortisation

Depreciation and amortisation expense increased from HK$199.0 million in FY2010 to HK$282.3 million in FY2011. This was primarily due to the conversion of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store from managed stores to self-owned stores in August, October and December 2010, March and April 2011 respectively; the recognition of a full year's operation of Shanghai Pujian Branch Store acquired in January 2010, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store, Beijing Shishang Store opened in January, April and May 2010 respectively and newly opened Beijing Qianzi Store in September 2010. Moreover, the completed acquisition of properties and land use rights in Zhengzhou City and Shenyang City in April and September 2010 respectively also contributed to the increase of depreciation and amortisation in the Current Year.

Operating lease rental expense

Operating lease rental expense increased to HK$704.1 million in FY2011 from HK$362.3 million in FY2010, primarily due to the conversion of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store from managed stores to self-owned stores in August, October and December 2010, March and April 2011 respectively; the effect of recognising a full year's operation of Shanghai Pujian Branch Store acquired in January 2010, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store, Beijing Shishang Store opened in January, April and May 2010 respectively and the opening of new self-owned Beijing Qianzi Store in September 2010.

Other operating expenses

Other operating expenses increased to HK$404.6 million in FY2011 from HK$212.2 million in FY2010. The increase in other operating expenses was mainly due to the conversion of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store from managed stores to self-owned stores in August, October and December 2010, March and April 2011 respectively. Moreover, the increase was due to the effect of recognising a full year's operation of Shanghai Pujian Branch Store, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store, Beijing Shishang Store acquired and opened in the Previous Year. In addition, the newly opened Beijing Qianzi Store in September 2010 also contributed to the increase of relevant expenses.

Operating profit

Operating profit was HK$1,113.2 million in FY2011 compared with HK$811.5 million of FY2010. Operating profit, excluding changes in fair value of investment properties of HK$20.8 million, gain on disposal of available-for-sale financial assets of HK$20.5 million and net pre-tax gain of HK$373.0 million on disposal of a certain portion of property and land use rights at which Wuxi Store was situated, increased by 8.5% to HK$698.9 million in the Current Year from HK$643.9 million in the Previous Year. In FY2010, operating profit included a pre-tax gain of HK$167.6 million on disposal of a property and land use rights at which Shenyang Taiyuan Street Branch Store was situated.

Income tax expense

Income tax expense increased to HK$257.6 million in FY2011 from HK$233.7 million in FY2010, primarily as a result of the increase in profit before income tax. Excluding the effect of revaluation of investment properties, disposal of available-for-sale financial assets, disposal of a certain portion of property and land use rights at which Wuxi Store was situated and loss making stores, the effective income tax rate in the Current Year was 24.3% compared with 24.9% in the Previous Year.

Profit for the year

As a result of the reasons mentioned above, profit for the Current Year was HK$855.6 million compared with HK$577.6 million for the Previous Year. Profit for the Current Year, excluding changes in fair value of investment properties and its related income tax expense of HK$15.6 million, gain on disposal of available-for-sale financial assets of HK$20.5 million, net post-tax disposal gain of HK$310.4 million on a certain portion of property and land use rights at which Wuxi Store was situated, increased by 6.2% to HK$509.1 million compared with HK$479.3 million in the Previous Year. In the Previous Year, the profit included a post-tax gain of HK$98.3 million on disposal of a property and land use rights at which Shenyang Taiyuan Street Branch Store was situated.

Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK$4,153.0 million as at 30 June 2011 (2010: HK$3,596.7 million).

The Group had no borrowings as at 30 June 2011.

The capital commitment of the Group as at 30 June 2011 were HK$228.3 million, and were contracted but not provided for in the statement of financial position. For the contractual payment of HK$228.3 million, approximately HK$220.0 million was related to the acquisition of 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.

Pledge of assets

Assets of the Group were not pledged as at 30 June 2011.

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. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2011.

Outlook

According to data from National Bureau of Statistics of China, total retail sales of consumer goods in first half of 2011 grew 16.8% year-on-year, showing that consumption demand indicated by the drive of economic growth and living standard improvement has maintained a steady upward trend. Meanwhile, income of urban resident continues to boost whilst social security and consumption conditions are improving constantly. In addition, the National People's Congress of China has approved the proposal that individual income tax-free threshold would uplift from RMB2,000 to RMB3,500 effective from September 1 this year, tax burden of the general public will greatly be relieved, further increasing the consumption potential and improving consuming propensity. Furthermore, ultimate consumption in first half of 2011 contributed 47.5% to the GDP and domestic demand continued its accelerated growing trend in 2009 and 2010, playing an increasingly important role in economic growth. Benefiting from the continuous positive trend of domestic economy, the Group is optimistic about the future development of the industry and believes that domestic retail sector will continue to exhibit steady growth, albeit the fact that China's market may be affected by unstable factors such as appreciation of RMB and inflation.

Strategies for Future Development

In the year under review, the Group maintained its core essence of "reformation" by implementing the rebranding program with focus on transforming the stores into "Living Galleries" and "Fashion Galleries", optimizing product mix and VIP services as well as strengthening staff quality to demonstrate the lifestyle of "Enriching Lives. Enhancing Character". Looking ahead, the Group will continue to strive for providing premium services to customers. A series of strategies in aspects of operation, merchandising and marketing have been established, targeting to offer customers an unprecedented shopping experience. The Group will also establish seasonable expansion strategies in support of business development, incrementally enlarging our market share.

Restructure Operational Region

In line with the Group's expansion plan, we will restructure our operational region of the China Roadmap into 3 regions, namely Central Western China Region, South Eastern China Region and Northern China Region. The regions will be divided into 9 districts in total, including Central District, Central Southern District and South Western District of Central Western China Region; Shanghai District, Eastern District and Southern District of South Eastern China Region; Northern District, North Eastern District and North Western District of Northern China Region. The optimization of operational region can further enhance the Group's operational efficiency and save regional cost as well as reinforcing the understanding towards local customers' needs.

Operational Strategy

Establish Distinctive "Living Gallery" and "Fashion Gallery"

In September 2009, the Group with forward thinking took the lead in introducing the new operation concepts of "Fashion" and "Living" as its orientations. The Group categorized all stores into "Living Gallery", i.e. one-stop shopping department store, that cater the needs of all family members; and "Fashion Gallery", i.e. unique themed department store, establishing the characteristic image and lifestyle of "Enriching Lives. Enhancing Character" as well as providing premium shopping environment to customers.

Tianjin Store, Shanghai Huaihai Branch Store, Shanghai Pujian Branch Store, Wuhan Hanyang Branch Store, Harbin Store and Beijing Liying Store successively completed their rebranding in the year under review. As of September 2011, about 44% of the total GFA needed to renovate has been completed. Together with the newly opened stores, there are 16 stores in total, representing 54% of the total GFA are operated with brand new image. The Group will continue to implement the rebranding program according to the set time frame and the entire program is expected to complete by 2012.

Deliver Premium Services to every customer

As one-stop shopping department store, the interior layout of "Living Gallery" will assign about 20%-30% of the floorage to complementary services and the product mix will fully reflect its distinguishing feature of catering for the comprehensive needs of "Clothing", "Dining", "Living", "Travelling" and "Entertainment". New openings in the year under review such as Beijing Qianzi Store, Zhengzhou Store and Shenyang Jianqiao Road Branch Store are brand new "Living Gallery". Zhengzhou Store expanded the dining area by introducing and integrating into each floor with a great variety of restaurants, specially setting free wifi service in the elegant rest areas and even providing complementary services such as children's center, banking and beauty salon to cater different needs of each family member. Meanwhile, the rebranded Tianjin Store not only added customer resting area, but also improved the environmental friendly setting and environment of the store as well as expanding the area of household supplies, children's products and catering facilities, which has successfully led to the increasing traffic and extending customers' time to stay in-store. We will further improve the complementary facilities of the "Living Gallery" to satisfy the needs of different family members.

"Fashion Gallery" is unique themed department store, emphasizing the Mix & Match style and building category killer of merchandise, endeavoring to become fashion spots of respective cities. For example, the rebranded Shanghai Huaihai Branch Store fully stretched its women's shoes area and introduced dozens of fashion brands. The store has become one of the most inclusive hubs of women's shoes in Huaihai commercial circle, fulfilling its slogan of "Buying Shoes at NWDS". Looking ahead, the Group will continue to lead the trend by building "Fashion Gallery" as local fashion landmarks.

Lay Solid Foundation for Business Development by Nurturing Excellent Talents

In line with our belief of "Developing Talents with Respect, Care and Trust", the Group will continue to promote outstanding managers and nurture talents to maintain a high standard of management and lay a solid foundation for future development.

The Group's management team is consisting of highly experienced retail specialists, who are not only proficient with business operation, but also capable of establishing forward-looking and competitive development strategies in accordance with market changes. In addition, the Group will continue to tailor various training courses for employees to secure a continuous flow of operation and management experts at different levels for the corporation. In March this year, the Group carried out its "NWDS Management Trainee Program 2011", giving training courses like basic orientation, Fashion Cultural Innovation Workshop and Customer Service to over 100 management trainees, encouraging the trainees to utilize their learnt skills into different scopes of job. Periodically the Group will also invite globally top ranking consulting firms to render different kind of specialized courses for different employees, such as Managing for Excellence, Team Building and Negotiation, etc, striving to provide customer with services of premium quality.

Merchandise Strategy

Reform Product Mix and Reinforce International Brand Portfolio

The Group will strengthen the merchandise mix by making seasonable adjustments to adapt to market changes. We will also introduce more internationally renowned brands to enhance the competiveness of our brand portfolio and cater to the needs of local consumers. In addition, the Group will strive to introduce the hottest brands that are most popular among customers by identifying emerging brands in the market and perceiving seasonable brand developments and market trends through mechanisms including "Market Brand List", "Presentation of New Products" and "Supplier Development".

Optimize Services and Expand Lease Area

Through establishing partnership with tenants, the Group will push forward broad cooperation between tenants and stores in each region, further enriching the complementary services of our department stores, such as restaurants, cinemas, beauty and spa centers, children's pre-school centers and game halls, to fully satisfy the needs of customers by rendering premium services that are more comprehensive and considerable.

Raise Gross Margin by Increasing the Ratio of Direct Sales Products

To enhance the control of product quality, the Group will strengthen the procurement of direct-sales products by adopting a three-tier procurement structure which consists of central, regional and local. Procurement pattern of each product will be determined by its characteristics to increase flexibility in purchasing. This would ensure sufficient and steady supply of merchandise and thus increase gross profit margin and stabilize the profit structure.

Maintain Long-term Cooperation with Concessionaires and Suppliers

The Group has always been endeavoring to maintain good relationship with existing concessionaires and proactively exploring potential quality supplier to provide more quality products to our customers. Through years of effort, we have established a steady portfolio of suppliers and have been continuously implementing our "Top 150 Brand Retainer Scheme" and "Strategic Partnership Program". Through the "New World Net" organized jointly by the headquarters and the regions, a series of events such as regional forums, seminars and parties have been held, creating a good interaction with suppliers. Since October 2009, the Group has been regularly sending "NWDS Supplier Electronic Newsletters" to our suppliers, timely updating our suppliers the latest developments of the Group and proactively promoting our interaction and good cooperation with them to create long-term win-win prospects.

Marketing Strategy

Uplift Brand Value by Launching Creative Marketing Campaigns

In furtherance of the reformation essence brought by the "Rebranding Program", the Group will continue to launch creative marketing campaigns. Utilizing "Four in One Marketing Strategy", events would be incorporated with creative themes and combined with sales promotion, public relation, marketing and club activities. This could enhance the interesting and thematic spirit of the events, thus uplifting the corporate image and brand value of the corporation.

In addition, the Group will also organize innovative activities with international vision. In September and October of this year, the Group held "Super Stars' Memorable Collections Exhibition", in which it was the first department store to introduce scarce collections of international superstars into China for exhibition, including Michael Jackson's white rhinestone glove worn in his first performance of Moonwalk in 1983, a black velvet and white taffeta gown wore by Princess Diana in 1985, an Elvis Presley signed guitar and a piece of jewelry from Marilyn Monroe.

Strengthen VIP Club Activities and Improve VIP Exclusive Services

Concerning club activities, the Group will continue to strengthen the services and activities of the three clubs, i.e. the "Smart Lady Club" for young women, the "Perfect House Wife Club" targeting mothers and the "Platinum VIP Club" reserved for our platinum VIPs. We will tailor make different types of activities and services for our members, such as private shopping guide and various innovative classes to enrich the prestige and sense of belonging of our members. In the year under review, we organized over 200 club member activities, like Easter egg painting, sweet chocolate cake DIY and yoga salon, etc, receiving overwhelming responses from our VIP members.

In support of the efforts of many stores in becoming shoe hubs of their respective commercial circles under the slogan of "Buying Shoes at NWDS", all stores of the Group jointly launched the "Crystal High Heels Club". Customers who buy a pair of shoes in any of our stores will be entitled to the membership and enjoy special discount for shoes. The Group will also regularly organize Crystal High Heels Club activities, special shoe-buying events, new shoes presentation and shoes fashion show, etc, to satisfy the needs of our customers who are shoe-lovers.

To attract more customers with potential consumption power and solidify the loyalty of existing customer groups, the Group will continue to strengthen the Diamond VIP services which were presented in the year reported. We will carefully select premium customers to become our Diamond VIP members and provide them with services which are both considerate and distinguished. Diamond VIP members can enjoy exclusive services and discounts and participate in regular prestigious events such as Chow Tai Fook jewelry Appraisal events, Classic Watch Appraisal Salon and Limited Edition New Bag Releases, etc.

In addition, the Group not only creates its brand new luxury Platinum VIP lounge, providing facilities like internet surfing and massage armchairs so that customers can take a break during shopping and enjoy the caring services offered by NWDS exclusively. At the same time, we refurbish our customer service centers and VIP lounge as well as present star-grade toilets, incorporating a great deal of green elements into the lavatory facilities of the "Living Gallery". We also newly add dressing rooms for ladies and baby-sitting areas. Through these initiatives, we strive to satisfy the needs of different customers and provide a more comfortable and pleasing shopping environment. We also newly create more VIP application counters to facilitate customers to become VIP members so as to enjoy more privileges.

Optimize VIP System and Provide Quality Member Services

To progress with the times, the Group will further reinforce its data management system, particularly improving functions relating to VIP management and financial management. This could better support the operation, sales and promotion activities of our stores and provide the management with analytical data that are more accurate and up-to-date, enabling the management to establish seasonable operational strategies, enhancing the responsiveness towards market and precision of decision making. The Group will improve its VIP system by implementing the VIP system optimization program. The new VIP system will provide customers with upgraded services, such as online enquiry on their current bonus points, offering a convenient and more satisfying shopping experience for VIPs by being thoughtful about their needs.

Reinforce Collaboration with the Group's Associated Companies and Chow Tai Fook

To expand our VIP base and strengthen communication with various associated companies of the Group, NWDS will continue to issue co-branded card and NWDS coupon with our brother company, Chow Tai Fook, and New World China Land respectively. In addition, we will also regularly organize activities together with the other subsidiaries of New World Group, such as New World China Land, New World Hotel and K11, aiming to share VIP resources to enjoy cross-benefits, facilitate business opportunities and realize a mutual beneficial and win-win effect.

Enlarge Customer Base and Strengthen Cooperation with Banks

In the year under review, we held numerous activities in cooperation with Bank of Communication and Ping An Bank. In future, we will enter into partnership with ICBC and rank among the first merchants of its "Hire Purchase Credit Card (逸貸信用卡)", further expanding our customer base with promising consumption power. In the year reported, spending credit on our stores from Bank of Communication and Ping An Bank credit card increased 22% and 69% respectively.

Cooperate with Different Merchants to Offer Customers More Privileges

In the year under review, the Group successively cooperated with Wall Street Institute and Ctrip Travel, etc, soliciting more potential customers as well as offering more privileges to our VIP. In future, we will proactively explore more opportunities to cooperate with different merchants in order to provide more tailored promotions to our VIP members.

Develop Social Media Platforms and Promote Corporate Culture

To establish our brand image and introduce NWDS to more people, the Group takes efforts to develop online social media platforms by opening mini blog and creating the brand new NWDS blog, "Get Interactive with NWDS", at the end of last year. We regularly upload the latest consumer intelligence, trend reports and event news, guiding internet surfers in their adventure of "Enriching Lives. Enhancing Character" through interaction. This enables us to successfully establish our distinctive brand image and to effectively carry out promotion taking advantage of these internet platforms, which are becoming more popular in the market. "Get Interactive with NWDS" blog and NWDS mini blog have achieved remarkable results by attracting approximately 100,000 fans. We will continue to develop the social media platforms of NWDS and carry out more promotions and communication via the internet.

Expansion Strategy

Select Exceptional Locations and Enlarge the Retail Roadmap

The Group plans to enlarge market share incrementally by increasing 25 self-owned stores in coming 5 years. Apart from first and second tier cities, the Group will extend its business to potential second and third tier cities. Besides developing excellent projects in existing cities, we will also enter into Yancheng and Mianyang cities in FY2012, Xian city in FY2013, Yantai and Hengyang cities in FY2014 to further enlarge the retail roadmap of the Group. In addition, the Group will strengthen its operational edge through acquiring managed stores and potential projects from third party's. In the year under review, the Group acquired the operating rights of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Chongqing Store and Beijing Trendy Store, converting from managed stores to self-owned stores to strengthen the operational advantage of the Group. The acquisition decision is based on the location, financial position and market reputation of the target projects.

On the other hand, after prudent consideration of the local market demand and potential, the Group will also implement expansion on existing stores to maintain competitive edge. For example, the 2nd phase of Shenyang Jianqiao Road Branch Store project will be expanded on the original location, bringing a more comfortable and spacious shopping environment to customers.

Apart from opening self-owned stores, expanding existing stores and acquiring managed stores, the Group will also seek for appropriate opportunities to increase the number of potential managed stores in order to maintain a steady inflow of management fees.

Deploy "Multiple Presences in a Single City" and "Radiation City" Strategies

The Group has designated a core city for development in each region and will expand the business by deploying the two major strategies of "Multiple Presences in a Single City" and "Radiation City". In future, we will focus on the "Radiation City" strategy to enlarge the retail roadmap of the Group.

We implement our expansion strategy of "Multiple Presences in a Single City" in the core cities designated for each region, including Shenyang of the Northeastern China Region, Beijing of Northern China Region, Shanghai of Eastern China Region, Wuhan of Central China Region and Chengdu of Southwestern China Region in order to enlarge market share and benefit from cost efficiency. Taking Shenyang in Northeastern China Region as an example, after establishing the footholds in Taiyuan Street commercial circle with the opening of Shenyang Zhonghua Road Branch Store and Shenyang Nanjing Street Branch Store, the Group opened Shenyang Jianqiao Road Branch Store in Zhong Street commercial circle in April 2011 to attract different customer groups. In the core city of Northern China, Beijing, the Group occupies major commercial circles like Chongwen, Chaoyang and Shunyi Districts by operating 5 stores. Meanwhile, the Group also operates 9 stores in Shanghai distributed in different districts. The "Multiple Presences in a Single City" strategy enables us to enlarge market share and realize differentiated operation effect. More importantly, it also enables us to organize combined events among all the stores in the same city to maximize economies of scale and enjoy synergy effect.

Under the "Radiation City" strategy, we extended the business of Wuhan, the core city in Central China Region, to cities within its radiative scope. We opened Zhengzhou Store in Zhengzhou, Henan Province, in April 2011 to strengthen our development advantages in the Central China Region. The "Radiation City" strategy helps to minimize the risks of entering into new markets and realize synergy within each operational region. To expand our business in the Southwestern China Region, the Group has planned to radiate from Chengdu to Mianyang, Sichuan Province. We will open the fourth store in Southwestern China Region to further expand our development edge in this region. The new store will be located in the Eastern Linyuan of Mianyang centre, which is a core commercial hub pursuant to the city planning of Mianyang by local government. The store with a GFA of about 35,000 square meters is expected to commence operation in 2012.

CORPORATE CITIZENSHIP

Committed to contributing to society and dedicating to a better future, the Group has always been enthusiastic about participating in public charity affairs and taking initiatives and responsibilities in environmental protection since its establishment.

Charity

MSF Day 2011

NWDS has become the principal sponsor for Médecins Sans Frontières ("MSF") Day for the fifth consecutive year, supporting MSF volunteers' humanitarian aid trips to areas affected by plague, disaster and war, helping more people in need. The donation event for MSF Day 2011 gained vibrant responses within the Group, with over 26,000 employees of the Group donating money. New World Group raised a total of HK$480,000 for MSF Day 2011, once again making it the top fund raiser among institutions. NWDS alone has raised HK$400,000 for this event, showing the great love of NWDS employees.

Love Donation Event for Zhouqu Landslide Victims

In August 2010, Lanzhou Store initiated the donation event for Zhouqu landslide victims and raised money and materials for their compatriot victims. Their action was positively commended by Lanzhou's Red Cross Society. Meanwhile, the employees and customers of Wuhan Xudong Branch Store also raised money for the victims of Zhouqu landslide, which was sent to the disastrous area by Wuhan's Red Cross Society. Through the love offering of our employees, we tried to help our compatriot victims as quickly as possible and facilitate the reconstruction progress of the disastrous area.

Charity Auction and Fashion Show

Integrating the elements of art, fashion, eco-friendliness and charity, the 9 stores in Shanghai together with the China Environmental Protection Foundation, donated over one thousand new garments to the residents of Banchong Village, Dongguan Town in Guizhou. NWDS, in partnership with Mark Fairwhale, also transformed some outdated garments into quality fashionable artwork and organized a charity fashion show following the event. Additionally, NWDS organized a charity auction and on-spot clothes collection activity in April 2011.

Blood Donation Events

The employees of Wuhan Qiaokou Branch Store, together with the employees of Wuhan New World Hotel and K11 Gourmbt Tower, organized the blood donation event under the slogan "Cheer up Life with Love" from July to August 2010. In addition, Shanghai Huaihai Branch Store, Shanghai Pujian Branch Store and Taizhou Store also vigorously responded to the local blood donation campaigns and encouraged their employees to participate to contribute to the society.

Events for Honoring Seniors and Caring for Minors

During the period from November 2010 to May 2011, the stores in Northeastern China, Northern China and Eastern China Regions organized various events for honoring seniors and caring for minors respectively, including fund raising for local seniors without family and children in poverty in stricken areas, making dumpling for seniors and offering dragon-boat festival gifts to welfare homes and families in need. On November 25, 2010, the management of Anshan Store visited Anshan Children's Welfare Home and Anshan Elderly Home to offer materials and greetings to the seniors without family. Through extensive media exposures, this event successfully brought about an upsurge of charity in Anshan.

Environmental Activities

"NWDS Green Rewards" and "NWDS Green Wear Day"

In June 2011, all 37 stores of NWDS organized the "NWDS Green Rewards" event, encouraging customers to wear green color clothing or incorporating green elements in their appearances when shopping in the stores in order to promote environmental consciousness. During the event, participants were given NWDS coupons or small green gifts while VIPs and Platinum VIPs could even win extra rewards. In addition, to get the green forces of NWDS employees together, all employees wore green casual clothes during work hours on June 10, bringing fresh environmental concepts into the office and advocating the "Green Wear Day".

Earth Hour

All stores of NWDS gave all-out support to the "Earth Hour" activity initiated by World Wide Fund for Nature ("WWF"). From 8:30 to 9:30 PM on March 26, 2011, all stores of the Group turned off unnecessary lighting devices for an hour, as a part of the collective actions to positively change the earth and create a future with low carbon and sustainable development.

Educational Charity Events

On January 21, 2011, stores in Wuhan jointly organized the event of "Delivering Hope, Blessing the New Year", collecting RMB110,000 for the improvement of the playground and sports facilities of Ganquan Primary School. All the money collected was used for the playground construction of the School. In May 2011, Anshan Store, together with an optician, organized a major eyeglasses donation and charity sale event, giving more than 200 pairs of glasses to the students in need in Anshan and donating all the charity sale proceeds to Anshan Charity Federation.

Taking an Active Part in Afforestation Projects

On March 12, 2011, the China Arbor Day, Chengdu Store, New World China Land and Chow Tai Fook had put together a team of 30 tree planters and participated in the "Plant A Tree for Wenchuan" tree planting activity at the May 12 Sichuan Earthquake Relics Park in Wenchuan. Additionally, the employees of Dalian Store also took an active part in the extensive afforestation project organized by the municipal government on April 9, 2011. They bicycled to the tree planting site and planted trees themselves, putting their environmental ideology into practice.

Care for Staff

Upgrading Service Quality Continuously by Emphasizing Staff Training

The Group has always put staff training as a key focus and officially launched "NWDS Management Trainee Program 2011, the New Talents Program" in March 2011. One hundred management trainees from Shenyang, Harbin, Beijing, Wuhan, Shanghai and Chengdu joined the big family of New World Department Store. Besides basic orientation training, the Group also provided training courses such as "Fashion Cultural Innovation Workshop", "Customer Service", etc. Employees are encouraged to apply what they learned in training into their respective positions.

Used Battery Recycling Activities

In February 2011, stores of NWDS including Anshan Store, Wuhan Xudong Branch Store, Taizhou Store, Ningbo Store and Ningbo Trendy Store, organized used battery recycling activities to promote preservation of resources and develop eco-friendly habits through the recycling of used batteries.

Fully Implementing the Energy Conservation and Carbon Reduction Programs

Since January 2011, all stores of NWDS have respectively launched their own carbon reduction programs with adjustments made according to actual situation of each store. Programs included upgrading the lighting system by introducing energy efficient lamps, operating escalators under the automatic frequency conversion function mode and introducing energy efficient air-conditioning systems, all of which have rendered remarkable effect.

In July 2011, the Group launched a retail operation management course comprising integrated retail operation knowledge with Shanghai Jiao Tong University, for which over 40 employees at or above the associate manager level throughout the Group enrolled. In addition, the Group also conducted training for trainers on "Floor Manager Ability Improvement" and "Customer Service Training" in Chengdu in September 2010. With respect to customer service, the Group conducted the "Customer Service TTT Course" in Beijing in August this year aiming of cultivating more trainers for front-line operation so as to strengthen customer service.

Recognizing Staff Contribution

On June 13, 2011, the Group hosted an event in Guilin in recognition of outstanding trainers, at which trainers from all stores gathered together and received their rewards. A total of 68 awards were granted at the ceremony as recognition of the efforts of all the trainers to maintain the operation and service quality of the Group, including "Outstanding Authorized Trainer Awards", "Outstanding Unauthorized Trainer Awards", "Course Development Innovation Awards", "Chief Trainer Awards", "Annual Diligence Awards" and "Best Region Training Management Awards". In the year reported, stores in different cities such as Shenyang, Shanghai, Chengdu and Tianjin etc., conducted various staff contests, including selection of outstanding employee and cashier contest etc., recognizing and rewarding the contribution of staff in different sectors.

Paying Attention to the Voice of Staff by Establishing General Manager Mail Box

During the year under review, the Group placed "General Manager Mail Boxes" at the staff canteens of all stores and offices throughout the Group and set up an email inbox to create an efficient, democratic and innovative working atmosphere. Dedicated personnel are assigned to periodically collect, record, follow up and reply to correspondence in the mail boxes and the email inbox to stay in touch with the voice of the staff. At the same time, the Group launched the "NWDS New Culture: Creative Operation Concepts Reward Program", which will last from May 2011 to September 2012. During this Program, the Group will conduct creative concept solicitation activities on different subjects in different periods and give corresponding rewards to pre-eminent proposals. The activities give all staff opportunities to voice out their thinking, contribute their wisdom and grow with the Group.

Helping Employees with Special Difficulties

In June 2011, the trade union of the Group's Shanghai area granted urgent relief money to employees of the nine stores in Shanghai who were facing special difficulties. A total of 35 employees received relief from this activity. In May 2011, stores in Northern China Region initiated a raising of medical expenses for the hospitalized daughter of an employee of Administrative Department of Lanzhou Store. The employees actively responded to such call and offered financial aid for the medical expenses.

Honours

During the year under review, the Group won numerous honors and awards granted by the government and social institutions by virtue of our quality goods and utmost sincere customer services, fully demonstrating the approval and appreciation given to the Group by the public.

Awarded "Asia's 200 Best Under A Billion" by *Forbes* Magazine for the Third Consecutive Year

The Group was awarded "Asia's 200 Best Under A Billion" by the internationally renowned business magazine *Forbes* for the third consecutive year. In 2010, approximately 13,000 companies of an annual sales between USD 5 million to 1 billion in the Asia-Pacific region were considered by *Forbes* for "Asia's 200 Best Under A Billion", among which the 200 award winners must be prominent in profitability, business growth and development potential. On the 2010 list, 151 companies were new winners, which signifies that a fierce knockout match is underway in the current market and that the winners had exhibited prominent operation and management capabilities in volatile market conditions.

Won "Web Care Award 2010 – Jade Award"

In January 2011, the corporate website of New World Department Store was bestowed the Jade Award at "The 2010 Web Care Awards" granted by the Internet Professional Association ("iProA"). This is to commend the Group's efforts in promoting and advocating caring websites to secure equal opportunities for more people in need of aid to benefit from the growth of the internet.

Corporate Citizenship

Region	Department Store	Award
Northeastern China Region	Harbin Store	The Unit with Reliable Quality
	Dalian Store	Peaceful and Stable Enterprise
	Shenyang Nanjing Street Branch Store	2010 Fashion Enterprise of the Year
		Innovation Service Award
		2010 Top Hundred Tax-Paying and Supervision Enterprise
	Shenyang Zhonghua Road Branch Store	2nd runner-up in National Cashier Competition
		Innovation Service Award
		2010 Top Hundred Tax-Paying and Supervision Enterprise
	Anshan Store	Caring and Cooperation Enterprise
		Caring Enterprise
Northern China Region	Beijing Store	Municipal Level Patriotic and Hygienic Enterprise
		Top 50 Enterprise of Chongwen District
		Advanced Unit in the 2nd National Economic Investigation of Chongwen District
	Beijing Trendy Store	2009 Fire Safety Advanced Unit
		Donation Certificate for 111 Love Project
		Member of Security Management Association of Chaoyang District, Beijing
		Party organizations for Five Excellence and Two New
	Beijing Shishang Store	Life Style 2010 – Brand New Shopping Experience of the Year
	Tianjin Store	2010 Star Enterprise of Nankai District
	Lanzhou Store	National "Yin Lian Bei" Commercial Services Cashier Competition – Outstanding Enterprise and Team
		Advanced Unit in Fire Control 2010
Central China Region	Wuhan Store	2009 Law-abiding and Honest Employer in the Labor Protection Category
		2nd runner-up in Commercial Services Cashier of Designated Merchants and Banking Knowledge Competition in Hubei Province
		2010 Advanced Unit in the City Economic Protection Work
		2010 Advanced Unit in the Projected Work of Wuhan Trade Union

NWDS FY2010 Annual Reports Awarded Numerous Honors

Category	Award
2011 International ARC Awards – “Best of Cover Design: Annual Report”	Grand Award
2010/11 Mercury Awards – “Annual Report 2010 – Overall Presentation”	Gold Award
2011 Astrid Awards – “Covers: Annual Reports – Artistic (Graphics/ Illustrations)”	Gold Award
2011 International ARC Awards – “Covers: Annual Reports – Convenience & Department Stores”	Gold Award
2011 Galaxy Award – “Design: Annual Reports – Other Countries – Traditional”	Silver Award
2011 Galaxy Award – “Design: Covers – Annual Reports – Photography”	Honors Award

Region	Department Store	Award
	Wuhan Wuchang Branch Store	2010 Advanced Social and Fire Protection Unit
	Wuhan Qiaokou Branch Store	The 4th Studious and Smart Labour Award in Wuhan City – Best Organization Enterprise
		The 4th Studious and Smart Labour Award in Wuhan City – Leading Enterprise
		2010 Outstanding Tax Contribution Unit of Qiaokou District
		2010 Outstanding Enterprise for the Major Provincial Wholesale, Retail, Accommodation, Dining Association
	Wuhan Xudong Branch Store	2010 Advanced Target Labour Protection Enterprise in Wuhan City
		Hubei Consumer Council – Consumer Satisfactory Unit 2009/2010
		2010 Advanced Social and Fire Protection Unit
	Changsha Trendy Plaza	Advanced Unit in the National Urban Public Civilization Index Assessment Work
		Outstanding Entrepreneur
Eastern China Region	Shanghai Huaihai Branch Store	Best Organization Award for Series of Thematic Marketing Activities of Shanghai Shopping Festival and Huaihai Zhonglu’s 110 Anniversary
	Shanghai Xinning Branch Store	2010 Harmonious Labour Relation Enterprise in Changning District, Shanghai
	Shanghai Hongkou Branch Store	Volunteer Station of Shanghai World Expo – Oct Team Star
	Shanghai Qibao Branch Store	2010 Advanced Unit of Commercial Quality Service of Shanghai
		The 6th Shanghai Harmonious Commercial Enterprise
	Shanghai Wujiaochang Branch Store	2009 Wanda Outstanding Store
		Outstanding Participant of the 2010 Cashier Contest
	Shanghai Pujian Branch Store	2010 Pioneer of Tax-Paying Retail Business
		600 Days Towards World Expo Action of Pudong New District – Excellent Unit Award
	Ningbo Store	Safe Enterprise of Ningbo Security Management
	Nanjing Store	Advanced Social Unit of 2010 Four Abilities on Fire Safety
	Taizhou Store	Outstanding Unit of 2010 Special Equipment Inspection
Southwestern China Region	Chongqing Store	Distinctive Enterprise of 2010 Commercial Communication in Jiangbei District
	Chengdu Store	2010 Advanced Tax-Paying Enterprise
	Kunming Store	2010 Class A Tax-Paying Enterprise

DIRECTORS' PROFILE

Dr. Cheng Kar-shun, Henry GBS
Aged 64,

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 Haitong International Securities Group Limited (formerly known as 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. Cheng Chi-kong, Adrian
Aged 31,

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 vice-chairman 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 56,

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.

Mr. Lin Tsai-tan, David
Aged 60,

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 47,

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 45,
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 24 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. Au Tak-cheong
Aged 59,
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 chief financial officer of New World Development Company Limited. He possesses over 30 years of experience in the area of finance and accounting.

Mr. Cheong Ying-chew, Henry
Aged 63,
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 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 was previously a member of Disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan Yiu-tong, Ivan
Aged 57,
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 66,
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 vice-chairman of Scout Supply Services Committee and a member of executive committee of Scout Association of Hong Kong.

Mr. Yu Chun-fai
Aged 49,
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 26 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. Prior to establishing Oriental City Group, Mr. Yu worked for Morgan Stanley, AIG Asset Management (Asia) Ltd, and Allianz Dresdner Asset Management.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The board of directors (the "Directors" or "Board") of New World Department Store China Limited (the "Company"), together with its subsidiaries (the "Group") recognises the importance of corporate governance practices to a listed company. The Company is committed to ensuring high standards of corporate governance in the interest of the shareholders 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 2011.

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 2011.

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 58 to 61 and whose respective interests in the Company are set out on pages 73 to 77 of this annual report.

The Board sets directions and formulates overall strategies of the Group, monitors its overall performance and maintains effective supervision over the management running the Group through relevant committees of the Board in a sound and efficient manner. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company.

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

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.

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

The major duties and responsibilities of the Audit Committee include review of the effectiveness of the Group's financial reporting processes and internal control system. The duties of the Audit Committee also include review of the scope and nature of the audit carried out by the Company's 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 of the Company the audited financial statements for the year ended 30 June 2010 and the unaudited interim financial information for the six months ended 31 December 2010 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 2011 and internal audit report with recommendation to the Board for approval. The Audit Committee met four times during the year ended 30 June 2011.

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

Remuneration Committee

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

The primary duties of the Remuneration Committee include review of and recommendations to the Board on the remuneration structure for directors and senior management of the Group. During the year ended 30 June 2011, 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 2011 are set out in note 9 to the consolidated financial statements.

Executive Committee

The executive committee of the Company (the "Executive Committee") serves as an executive arm of the Board with authority and responsibility for performing the management functions and handling the day-to-day businesses of the Company, while reserving certain key matters including the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee comprises Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Lin Tsai-tan, David and Mr. Wong Kwok-kan, Kenneth. Mr. Cheng Chi-kong, Adrian is the chairman of the Executive Committee. The Executive Committee meets regularly as when necessary.

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

Name of Directors	Number of Meeting Attended/Eligible to attend for the year ended 30 June 2011		
	Board	Audit Committee	Remuneration Committee
Non-executive Director			
Dr. Cheng Kar-shun, Henry *(Chairman)*	4/4		
Mr. Au Tak-cheong	2/4		
Executive Directors			
Mr. Cheng Chi-kong, Adrian	4/4		2/2
Mr. Cheung Fai-yet, Philip *(Managing Director)*	4/4	2/4	2/2
Mr. Lin Tsai-tan, David	4/4	2/4	
Mr. Wong Kwok-kan, Kenneth	4/4	4/4	
Ms. Ngan Man-ying, Lynda	4/4		
Independent Non-executive Directors			
Mr. Cheong Ying-chew, Henry	4/4	4/4	2/2
Mr. Chan Yiu-tong, Ivan	4/4	4/4	2/2
Mr. Tong Hang-chan, Peter	4/4	4/4	2/2
Mr. Yu Chun-fai	4/4	4/4	2/2

Remuneration of Directors

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

Nomination of Directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of the independent non-executive Directors. The structure, size and composition of the Board will be reviewed from time to time to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the Group's business. All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries and they may seek independent professional advice and consultation when necessary. 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 auditor, are stated in the Independent Auditor's Report on page 81 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 2011, 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 page 81 of this annual report.

Communication with Shareholders

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

Investor Relations

During the year under review, with excellent and efficient investors' 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 229 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, Barclays Capital, RBS, JP Morgan, Morgan Stanley, Goldman Sachs, CLSA, DBS Vickers, Macquarie, BOCOM, Daiwa, First Shanghai, Yuanta Securities, Kim Eng Securities and South China Research.

Having released its annual report and interim report, the Group carried out overseas roadshows and visited various large investment institutions. The management of New World Department Store carried out roadshows in Singapore in October 2010. 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 January 2011 in Beijing, "Standard Chartered Emerging Corporates Conference" and "HSBC Consumer Conference" in April 2011 in HK, "JP Morgan Annual China Conference" in June in Beijing and "DBS Vickers Pulse of Asia Conference" in July in Singapore. As a whole, the Group has met over 150 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, investor relations team of New World Department Store thus actively engaged 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 approximately HK$4,395,000 (2010: approximately HK$3,950,000) and approximately HK$637,000 (2010: approximately HK$1,378,000) respectively were provided in the Group's consolidated income statement for the year ended 30 June 2011.

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Report of the Directors

The Board is pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group are engaged in department store operation in the People's Republic of China (the "PRC"). The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 30 June 2011 are set out in the consolidated income statement on page 82 of this annual report.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK$0.065 per share (2010: HK$0.070 per share) and a special dividend of HK$0.010 per share (2010: nil) for the year ended 30 June 2011 to Shareholders whose names appear in the register of members of the Company on 30 November 2011. It is expected that the proposed final dividend and proposed special dividend will be paid on or about 30 December 2011 subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on 21 November 2011.

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.

OTHER NON-CURRENT ASSETS

As regards the property held by the Group at Nanning South Street, Shenyang City, Liaoning Province, the PRC, the property is under construction and will be developed for operation of department store. The gross floor area of the property is approximately 25,363 square metres. The Group will hold 100% interest in the property.

SHARE CAPITAL

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

RESERVES

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

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years of 2007 to 2011 are set out on page 134.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$167,000 (2010: approximately HK$66,000).

PRE-EMPTIVE RIGHTS

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

Report of the Directors

DIRECTORS

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

Non-executive Directors

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

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, Mr. Lin Tsai-tan, David, Mr. Cheong Ying-chew, Henry, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai 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 2011 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 2011 or at any time during the year ended 30 June 2011.

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.

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 a 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 has been expected that the annual consideration under the continuing connected transactions contemplated under the Master Management Agreement for the three years from 1 July 2009 will not exceed RMB110,402,000, RMB126,962,000 and RMB146,006,000, respectively.

The consideration under the Master Management Agreement was approximately RMB4,251,000 (2010: approximately RMB59,264,000) for the year ended 30 June 2011.

(ii) Master Leasing Agreement

On 22 May 2009, the Company and NWD entered into a 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 from 1 July 2010 respectively.

CONNECTED TRANSACTIONS (continued)

(a) (continued)

(ii) ***Master Leasing Agreement*** (continued)

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 has been expected that the annual consideration under the continuing connected transactions contemplated under the Master Leasing Agreement and the Supplemental Master Leasing Agreement for the three years from 1 July 2009 will not exceed RMB154,479,000, RMB471,846,000 and RMB544,198,000, respectively.

The consideration under the Master Leasing Agreement and the Supplemental Master Leasing Agreement was approximately RMB284,853,000 (2010: approximately RMB107,510,000) for the year ended 30 June 2011.

(iii) ***Master Services Agreement***

On 22 May 2009, the Company and NWS Holdings Limited ("NWSH", or together with its subsidiaries, the "NWSH Group") entered into a master services agreement (the "NWSH 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 NWSH Master Services Agreement. The Directors believe that entering into the NWSH 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 NWSH Master Services Agreement, NWSH is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the NWSH Master Services Agreement constitute connected transactions of the Company.

It is expected that the annual consideration under the continuing connected transactions contemplated under the NWSH Master Services Agreement for the three years from 1 July 2009 will not exceed RMB141,998,000, RMB420,164,000 and RMB413,766,000, respectively.

The consideration under the NWSH Master Services Agreement was approximately RMB11,151,000 (2010: approximately RMB79,900,000) for the year ended 30 June 2011.

(iv) ***Master Sales Agreement***

On 22 May 2009, the Company, New World China Land Limited ("NWCL", or together with its subsidiaries, the "NWCL Group") and Chow Tai Fook Jewellery Company Limited ("CTF Jewellery", or together with its subsidiaries, the "CTF Jewellery Group") entered into a master sales agreement (the "First NWCL 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 Group operates its business, for purchasing goods at the Stores (the "NWCL Shopping Vouchers") from time to time during the duration of the First NWCL Master Sales Agreement on condition that the value represented by the NWCL Shopping Vouchers will subsequently be settled by members of the NWCL Group. The entering into of the First NWCL 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 First NWCL 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 NWCL Shopping Vouchers for such purchases on the floor space where CTF Jewellery Group operates its business at the Stores are deleted and that the value represented by the NWCL 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 First NWCL Master Sales Agreement.

CONNECTED TRANSACTIONS (continued)

(a) (continued)

(iv) ***Master Sales Agreement*** (continued)

On 22 March 2011, the Company, NWCL and CTF Jewellery entered into a master sales agreement (the "NWCL Master Sales Agreement"), for the three-year period from 1 July 2010, to terminate the First NWCL Master Sales Agreement (as amended by the Supplemental Master Sales Agreement) and to provide a framework for the conduct of the particular occasion(s) of the sale of goods in the Stores by the Group by accepting the various cash equivalent gift coupons, gift cards and stored value shopping cards of the NWCL Group, the prepaid shopping cards issued or to be issued by the Group to NWCL Group which may be presented at the Stores or by any other means acceptable to the Company as payment for purchasing goods at the Stores and the relevant value represented by such coupons and cards, or by any other means acceptable to the Company will be settled by the members of the NWCL Group.

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 NWCL Master Sales Agreement constitute continuing connected transactions of the Company.

It has been expected that the annual consideration under the continuing connected transaction contemplated under the NWCL Master Sales Agreement will not exceed RMB50,000,000 for each of the three years from 1 July 2010.

The consideration under the NWCL Master Sales Agreement was approximately RMB5,019,000 (2010: approximately RMB326,000) for the year ended 30 June 2011.

(v) ***Master Sales Agreement***

On 18 June 2010, the Company and NWD entered into a 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 by the holders or by other means acceptable to the Company as payment for purchasing goods at the Stores 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).

On 22 March 2011, the Company, NWD and CTF Jewellery entered into a master sales agreement (the "NWD Master Sales Agreement"), for the three-year period from 1 July 2010, to terminate the Master Sales Agreement – Prepaid Shopping Cards and to provide a framework for the conduct of the particular occasion(s) of the sale of goods in the Stores by the Group by accepting various cash equivalent gift coupons, gift cards and stored value shopping cards issued by the NWD Group, various joint name cards and/or joint name vouchers issued by the CTF Jewellery Group, prepaid shopping cards issued by the Group to the NWD Group and/or CTF Jewellery Group or by any other means acceptable to the Company as payment for purchasing goods at the Stores and the relevant value represented by such coupons, cards and vouchers or by any other means acceptable to the Company will be settled by members of the NWD Group and/or member(s) of the CTF Jewellery Group.

It is expected that the annual consideration under the continuing connected transactions contemplated under the NWD Master Sales Agreement will not exceed RMB70,000,000 for each of the three years from 1 July 2010.

The consideration under the NWD Master Sales Agreement was approximately RMB6,210,000 (2010: Nil) for the year ended 30 June 2011.

CONNECTED TRANSACTIONS (continued)

(b) CTF, being a substantial shareholder of NWD which is the controlling shareholder of the Company whereas the CTF Jewellery is an associate of CTF and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions between the Group and the CTF Jewellery Group constitute connected transactions of the Company.

Master Concessionaire Counter Agreement

On 22 May 2009, the Company and CTF Jewellery entered into a 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 Group and to enter into the Master Concessionaire Counter Agreement, so that the Group may regulate the existing and future concessionaire counter agreement(s) under a common framework agreement and including 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 has been expected that the annual consideration under the continuing connected transactions contemplated under the Master Concessionaire Counter Agreement for the three years from 1 July 2009 will not exceed RMB51,208,000, RMB74,734,000 and RMB107,878,000, respectively.

The consideration under the Master Concessionaire Counter Agreement was approximately RMB59,891,000 (2010: approximately RMB16,115,000) for the year ended 30 June 2011.

(c) As Mr. Doo Wai-hoi, William ("Mr. Doo") is an associate of certain Directors and hence a connected person of the Company under the Listing Rules. Accordingly, the transactions between the Group and Mr. Doo and/or his controlled companies (the "Services Group") constitute connected transactions of the Company.

(i) Master Services Agreement

On 16 May 2011, the Company and Mr. Doo entered into a master services agreement (the "Existing Master Services Agreement"), for the three years ending 30 June 2014, pursuant to which Mr. Doo agreed to, and to procure members of the Services Group to provide Services to members of the Group in accordance with the terms of the Existing Master Services Agreement and the particular terms and conditions of the relevant individual agreements in respect of the provision of any of the Services entered into between a member of the Service Group and a member of the Group pursuant to the NWSH Master Services Agreement and which subsist on the date of the completion of the Group B Disposal as set out in the circular of NWSH dated 2 July 2010 in respect of the management buyout of certain subsidiaries of NWSH, details of which were set out in the joint announcement of NWD and NWSH dated 11 June 2010.

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

It has been expected that the annual consideration under the continuing connected transactions contemplated under the Existing Master Services Agreement for the three years ending 30 June 2014 will not exceed RMB30,000,000, RMB20,000,000 and RMB20,000,000, respectively.

(ii) Master Services Agreement

On 19 May 2011, the Company and Mr. Doo entered into another master services agreement (the "Master Services Agreement"), for the three years ending 30 June 2014, pursuant to which Mr. Doo agreed that members of the Services Group to provide contracting services, cleaning and landscaping services, property management services and such other types of services as the parties may agree upon from time to time in writing, to be provided by members of the Services Group to the relevant members of the Group during the term of the Master Services Agreement after the completion of the Group B Disposal.

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

It has been expected that the annual consideration under the continuing connected transactions contemplated under the Master Services Agreement for the three years ending 30 June 2014 will not exceed RMB45,600,000, RMB55,600,000 and RMB55,600,000, respectively.

CONNECTED TRANSACTIONS (continued)

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); (v) Master Sales Agreement (paragraph (a)v above); (vi) Master Concessionaire Counter Agreement (paragraph (b) above); (vii) Master Services Agreement (paragraph (c)i above); (viii) Master Services Agreement (paragraph (c)ii above); for the year ended 30 June 2011 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.

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

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2011, the interests and short positions, if any, of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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

	Number of shares				Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests	Total	
The Company					
(Ordinary shares of HK$0.10 each)					
Mr. Cheng Chi-kong, Adrian	–	–	1,107,000[(1)]	1,107,000	0.07
Mr. Lin Tsai-tan, David	1,103,000	–	–	1,103,000	0.07
Mega Choice Holdings Limited					
(In liquidation)					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	–	420,585,070[(2)]	420,585,070	34.61
New World China Land Limited					
(Ordinary shares of HK$0.10 each)					
Dr. Cheng Kar-shun, Henry	18,750,000	2,925,000	78,406,800[(3)]	100,081,800	1.74
Mr. Cheng Chi-kong, Adrian	371,194	–	–	371,194	0.01
Ms. Ngan Man-ying, Lynda	600,000	–	–	600,000	0.01
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	13,768,798	–	12,000,000[(3)]	25,768,798	0.76

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

Under the share option scheme of the Company, the undermentioned Directors have personal interests in share options to subscribe for shares of the Company and accordingly they are regarded as interested in the underlying shares of the Company respectively. Certain details of the share options of the Company held by them during the year are as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options Balance as at 1 July 2010	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2011	Exercise price per share *HK$*
Dr. Cheng Kar-shun, Henry	27 November 2007	(1)	1,000,000	–	–	–	1,000,000	8.660
Mr. Au Tak-cheong	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheung Fai-yet, Philip	27 November 2007	(1)	1,500,000	–	–	–	1,500,000	8.660
	25 March 2008	(2)	500,000	–	–	–	500,000	8.440
Mr. Lin Tsai-tan, David	27 November 2007	(1)	459,000	–	–	–	459,000	8.660
	25 March 2008	(2)	230,000	–	–	–	230,000	8.440
Mr. Wong Kwok-kan, Kenneth	27 November 2007	(1)	501,000	–	–	–	501,000	8.660
	25 March 2008	(2)	250,000	–	–	–	250,000	8.440
Ms. Ngan Man-ying, Lynda	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheong Ying-chew, Henry	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Tong Hang-chan, Peter	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Yu Chun-fai	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 schemes of a fellow subsidiary, NWCL, the undermentioned Directors have personal interests in share options 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 2010**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance as at 30 June 2011**	**Exercise price per share** *HK$*
Dr. Cheng Kar-shun, Henry	7 January 2008	(1)	2,238,806	–	–	(2,238,806)	–	6.228
	29 December 2008	(3)	1,791,045	–	–	–	1,791,045	1.340
	18 January 2011	(4)	–	2,000,000	–	–	2,000,000	3.154
Mr. Cheng Chi-kong, Adrian	25 July 2006	(2)	371,194	–	(371,194)	–	–	2.559
	7 January 2008	(1)	1,679,104	–	–	(1,679,104)	–	6.228
	29 December 2008	(3)	1,343,284	–	(1,006,000)	–	337,284	1.340
	18 January 2011	(4)	–	1,500,000	–	–	1,500,000	3.154
Ms. Ngan Man-ying, Lynda	7 January 2008	(1)	1,119,403	–	–	(1,119,403)	–	6.228
	29 December 2008	(3)	1,007,463	–	(500,000)	–	507,463	1.340
	18 January 2011	(4)	–	1,000,000	–	–	1,000,000	3.154
			9,550,299	4,500,000	(1,877,194)	(5,037,313)	7,135,792	

Notes:

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

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

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

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

(5) The closing price per share immediately before 18 January 2011, the date of grant, was HK$3.13.

(6) 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 2010	Granted during the year	Adjusted during the year[3]	Exercised during the year	Lapsed during the year	Balance as at 30 June 2011	Exercise price per share[3] *HK$*
Dr. Cheng Kar-shun, Henry	19 March 2007	(1)	36,710,652	–	3,740	–	–	36,714,392	17.652
Mr. Cheng Chi-kong, Adrian	19 March 2007	(2)	502,885	–	50	–	–	502,935	17.652
Mr. Au Tak-cheong	19 March 2007	(2)	1,206,925	–	122	–	–	1,207,047	17.652
			38,420,462	–	3,912	–	–	38,424,374	

Notes:

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

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

(3) NWD declared final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2010 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$17.654 to HK$17.653 on 28 December 2010, and further to HK$17.652 on 23 May 2011.

(4) 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 2010	Granted during the year	Adjusted during the year[2]	Exercised during the year	Lapsed during the year	Balance as at 30 June 2011	Exercise price per share[2] *HK$*
Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	3,026,828	–	1,527,043	–	–	4,553,871	10.672
			3,026,828	–	1,527,043	–	–	4,553,871	

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 bonus issue and the final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2011 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$16.055 to HK$10.692 on 29 December 2010 and further to HK$10.672 on 20 May 2011.

(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 2011, 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' INTERESTS IN SECURITIES

As at 30 June 2011, the following persons (not being the Directors or chief executive of the Company) had an interest or a short position in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

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

Notes:

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

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

(3) CTF together with its subsidiaries hold an aggregate of approximately 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 the Directors or chief executive of the Company) who, as at 30 June 2011, had an interest or a short position in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

Report of the Directors

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

Date of grant	Exercisable period (Notes)	Number of share option: Balance as at 1 July 2010	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2011	Exercise price per share *HK$*
27 November 2007	(1)	11,289,000	–	–	(530,000)	10,759,000	8.660
25 March 2008	(2)	2,544,000	–	–	–	2,544,000	8.440
		13,833,000	–	–	(530,000)	13,303,000	

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 2011, total number of employees for the Group was 6,434 (2010: 4,842). 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 June 2010, the Group entered into an agreement with Solar Leader Limited ("Solar Leader") and Broad Park Limited ("Broad Park") whereby the Group agreed to acquire from Solar Leader 100% of 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) as at 18 June 2010 of Beijing Yixi New World Department Store Co., Ltd., a wholly-owned subsidiary of Broad Park. The acquisition was approved by the shareholders of the Company other than NWD and its associates on 27 July 2010, as defined under the Listing Rules, and completed on 1 August 2010.

In October 2010, New World Department Stores Investment (China) Co., Ltd. ("NWDSIC"), a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, acquired the entire equity interest from independent third parties, including all interest and rights, of Chengdu New World Department Store Co., Ltd., a limited liability company incorporated in the PRC and the operator of Chengdu Store, for an aggregate consideration of RMB2,000,000.

On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co.") entered into a framework 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 Group. Shenyang Co. agreed to acquire the building ownership right, land use rights of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems, for a consideration of approximately RMB456,534,000 which is subject to the terms of the agreement for further adjustments.

Report of the Directors

On 28 December 2010, the Group entered into a sale and purchase agreement with an independent third party, whereby the Group agreed to dispose of 100% of the equity interest in Luxland Limited, a wholly-owned subsidiary of the Group, for an aggregate consideration of RMB385,000,000.

On 31 December 2010, NWDSIC acquired the entire equity interest from independent third parties, including all interest and rights, of Changsha New World Trendy Plaza Co., Ltd., a limited liability company incorporated in the PRC and the operator of Changsha Trendy Plaza, for an aggregate consideration of RMB10,000,000.

In March 2011, NWDSIC acquired 100% of the equity interest in Beijing New World Trendy Department Store Co., Ltd. ("Beijing Trendy Co.") for a consideration of RMB5,000,000, from independent third parties. Beijing Trendy Co. is a limited liability company incorporated in the PRC and is engaged in operations of a department store in Beijing.

In April 2011, NWDSIC acquired the entire equity interest from independent third parties, including all interest and rights, of Chongqing New World Department Store Co., Ltd., a limited liability company incorporated in the PRC and the operator of Chongqing Store, for an aggregate consideration of RMB5,000,000.

On 5 July 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in Focus Smart Limited, a wholly-owned subsidiary of the Company and the owner of the remaining portion of property and land use rights located in Wuxi City, for a consideration of RMB45,000,000. The transaction was completed on 22 September 2011.

In September 2011, NWDSIC agreed to acquire 100% of the equity interest in Lanzhou New World Department Store Co., Ltd. ("Lanzhou Co.") for a consideration of RMB3,500,000 from independent third parties. Lanzhou Co. is a limited liability company incorporated in the PRC and is engaged in operations of a department store in Lanzhou.

On 21 September 2011, the Group entered into a sale and purchase agreement with independent third parties to acquire 100% of the equity interest in Moral High Limited ("Moral High"), a limited liability company incorporated in Samoa, for an aggregate consideration of RMB1,460,000,000, which is subject to the deductions and adjustments based on the terms and conditions of the agreement. The principal activity of Moral High is the investment holding of 100% equity interest in Peak Moral High Commercial Development (Shanghai) Company Limited ("Peak"), a limited liability company established in the PRC. Peak is the property owner and operator of a shopping mall in Shanghai.

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 23.3% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and 5.8% of the Group's total purchases were attributed by the Group's largest supplier. To the knowledge of the Directors, none of the Directors or shareholders who owned 5.0% or more of the issued share capital of the Company as at 30 June 2011 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, 27 September 2011

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 82 to 133, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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 2011, 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, 27 September 2011

Consolidated Income Statement

For the year ended 30 June 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	5	**2,749,485**	1,872,905
Other income	6	**195,661**	81,954
Other gains	7	**398,527**	165,972
Changes in fair value of investment properties		**20,751**	–
Purchases of and changes in inventories		**(448,826)**	(296,166)
Employee benefit expense	9	**(411,281)**	(239,617)
Depreciation and amortisation		**(282,327)**	(198,968)
Operating lease rental expense		**(704,141)**	(362,325)
Other operating expenses	8	**(404,634)**	(212,248)
Operating profit		**1,113,215**	811,507
Share of loss of an associated company	31	**–**	(203)
Profit before income tax		**1,113,215**	811,304
Income tax expense	10	**(257,627)**	(233,697)
Profit for the year		**855,588**	577,607
Attributable to equity holders of the Company		**855,588**	577,607
Dividends	12	**269,783**	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	**0.51**	0.34

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**855,588**	577,607
Revaluation of property upon reclassification from property, plant and equipment to investment properties	**2,653**	–
– Deferred tax thereof	**(663)**	–
Fair value (loss)/gain on available-for-sale financial assets	**(13,676)**	2,043
Release of investment revaluation upon disposal of available-for-sale financial assets	**(20,452)**	–
Translation differences	**233,867**	211
Other comprehensive income for the year, net of tax	**201,729**	2,254
Total comprehensive income for the year	**1,057,317**	579,861
Total comprehensive income attributable to equity holders of the Company	**1,057,317**	579,861

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011 HK$'000	2010 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**2,083,104**	1,579,406
Investment properties	15	**274,220**	–
Land use rights	16	**898,898**	858,711
Goodwill	17	**785,137**	228,710
Other non-current assets	19	**352,301**	206,640
Long-term prepaid rent and rental deposits	18	**244,644**	153,266
Available-for-sale financial assets	20	**–**	110,998
Deferred income tax assets	28	**125,939**	44,247
		4,764,243	3,181,978
Current assets			
Inventories		**144,682**	78,501
Debtors	21	**29,685**	19,612
Prepayments, deposits and other receivables	18	**572,497**	362,213
Amounts due from fellow subsidiaries	22	**2,251**	32,991
Fixed deposits	23	**1,205,463**	1,272,033
Cash and cash equivalents	24	**2,947,574**	2,324,666
		4,902,152	4,090,016
Non-current assets classified as assets held for sale	25	**7,117**	–
		4,909,269	4,090,016
Total assets		**9,673,512**	7,271,994
Equity			
Share capital	26	**168,615**	168,615
Reserves	27	**5,277,352**	4,482,548
Proposed dividend	12	**126,461**	118,030
		5,572,428	4,769,193
Liabilities			
Non-current liabilities			
Accruals and deferred income	29	**564,095**	312,305
Deferred income tax liabilities	28	**184,304**	151,552
		748,399	463,857

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011 HK$'000	2010 HK$'000
Current liabilities			
Creditors, accruals and other payables	29	**2,979,653**	1,934,855
Amounts due to fellow subsidiaries	22	**225,186**	19,551
Amounts due to related companies	35	**57,156**	–
Tax payable		**90,690**	84,538
		3,352,685	2,038,944
Total liabilities		**4,101,084**	2,502,801
Total equity and liabilities		**9,673,512**	7,271,994
Net current assets		**1,556,584**	2,051,072
Total assets less current liabilities		**6,320,827**	5,233,050

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

Company Statement of Financial Position

As at 30 June 2011

	Note	2011 HK$'000	2010 HK$'000
Assets			
Non-current assets			
Subsidiaries	30	**1,463,323**	1,460,413
Current assets			
Prepayments and deposits	18	**121**	153
Amounts due from subsidiaries	30	**2,250,835**	2,228,761
Cash and cash equivalents	24	**358,276**	14,456
		2,609,232	2,243,370
Total assets		**4,072,555**	3,703,783
Equity			
Share capital	26	**168,615**	168,615
Reserves	27	**3,530,175**	3,303,038
Proposed dividend	12	**126,461**	118,030
Total equity		**3,825,251**	3,589,683
Liabilities			
Current liabilities			
Accruals and other payables	29	**2,731**	2,115
Amounts due to subsidiaries	30	**214,453**	111,985
Tax payable		**30,120**	–
		247,304	114,100
Total liabilities		**247,304**	114,100
Total equity and liabilities		**4,072,555**	3,703,783
Net current assets		**2,361,928**	2,129,270
Total assets less current liabilities		**3,825,251**	3,589,683

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	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	–	–	–	–	–	2,043	–	–	2,043
Translation differences	–	–	–	–	–	–	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	–	–	–	–	12,833	–	–	–	12,833
Lapse of share options	–	–	–	–	(4,385)	–	–	4,385	–
Final dividend relating to the year ended 30 June 2009	–	–	–	–	–	–	–	(118,030)	(118,030)
Interim dividend relating to the period ended 31 December 2009	–	–	–	–	–	–	–	(134,892)	(134,892)
Transfer to statutory reserve	–	–	–	59,916	–	–	–	(59,916)	–
	–	–	–	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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2010	168,615	2,398,250	–	391,588	139,171	48,525	34,128	164,088	1,424,828	4,769,193
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	–	855,588	855,588
Other comprehensive income										
Fair value loss on available-for-sale financial assets	–	–	–	–	–	–	(13,676)	–	–	(13,676)
Release of investment revaluation upon disposal of available-for-sale financial assets	–	–	–	–	–	–	(20,452)	–	–	(20,452)
Revaluation of property upon reclassification from property, plant and equipment to investment properties	–	–	2,653	–	–	–	–	–	–	2,653
– Deferred tax thereof	–	–	(663)	–	–	–	–	–	–	(663)
Translation differences	–	–	–	–	–	–	–	233,867	–	233,867
Total comprehensive income for the year ended 30 June 2011	–	–	1,990	–	–	–	(34,128)	233,867	855,588	1,057,317
Transactions with owners										
Share-based payments	–	–	–	–	–	7,270	–	–	–	7,270
Lapse of share options	–	–	–	–	–	(1,400)	–	–	1,400	–
Final dividend relating to the year ended 30 June 2010	–	–	–	–	–	–	–	–	(118,030)	(118,030)
Interim dividend relating to the period ended 31 December 2010	–	–	–	–	–	–	–	–	(143,322)	(143,322)
Transfer to statutory reserve	–	–	–	–	48,190	–	–	–	(48,190)	–
	–	–	–	–	48,190	5,870	–	–	(308,142)	(254,082)
At 30 June 2011	168,615	2,398,250	1,990	391,588	187,361	54,395	–	397,955	1,972,274	5,572,428

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Profit before income tax and share of loss of an associated company		**1,113,215**	811,507
Adjustments for:			
– Interest income		**(56,461)**	(37,606)
– Amortisation of land use rights		**27,094**	22,201
– Depreciation of property, plant and equipment		**255,233**	176,767
– Change in fair values of investment properties		**(20,751)**	–
– Gain on disposal of available-for-sale financial assets		**(20,452)**	–
– Gain on disposal of property, plant and equipment, and land use rights		**(378,075)**	(165,972)
– Share-based payments		**7,270**	12,833
– Dividend income		**–**	(7,104)
Operating profit before working capital changes		**927,073**	812,626
Changes in:			
Inventories		**(11,433)**	(23,829)
Debtors		**16,539**	(975)
Prepayments, deposits and other receivables		**(191,273)**	92,585
Creditors, accruals and other payables		**216,188**	385,150
Amounts due to related companies		**(57,156)**	–
Amount due from an associated company		**–**	690
Amounts due from/(to) fellow subsidiaries		**48,073**	7,491
Cash generated from operations		**948,011**	1,273,738
Mainland China tax paid		**(230,831)**	(201,400)
Net cash from operating activities		**717,180**	1,072,338
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiaries	33(a)	**135,956**	55,990
Purchase of investment properties		**(102,462)**	–
Purchase of property, plant and equipment		**(589,444)**	(441,053)
Purchase of land use rights		**(56,857)**	(48,206)
Proceeds from disposal of available-for-sale financial assets		**97,322**	–
Proceeds from disposal of property, plant and equipment, and land use rights	33(b)	**469,252**	245,261
Decrease/(increase) in fixed deposits		**66,570**	(534,504)
Interest received		**56,461**	37,606
Dividend received		**7,104**	3,994
Net cash from/(used in) investing activities		**83,902**	(680,912)
Cash flows from financing activities			
Dividends paid		**(261,352)**	(252,922)
Net cash used in financing activities		**(261,352)**	(252,922)
Effect of foreign exchange rate changes		**83,178**	170
Net increase in cash and cash equivalents		**622,908**	138,674
Cash and cash equivalents at beginning of the year		**2,324,666**	2,185,992
Cash and cash equivalents at end of the year		**2,947,574**	2,324,666

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together, the "Group") are engaged in department store 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 27 September 2011.

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 investment properties and 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.

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 2011:

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
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs Amendment	Improvements to HKFRSs 2009

HKAS 32 Amendment "Classification of Rights Issues" was early adopted by the Group for the year ended 30 June 2010.

In addition, the Group has early adopted HKAS 12 Amendment "Deferred Tax: Recovery of Underlying Assets" for the year ended 30 June 2011. Currently HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that investment property measured at fair value is recovered entirely through sale. The presumption that carrying amounts of the investment properties will be recovered through sale is rebutted by the Group as the investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Consequently, the Group has continued to recognise deferred taxes on the basis that the carrying amounts of investment properties are recovered through use.

The adoption of these new or revised standards, amendments to existing standards and interpretations does not have any significant effect on the results and financial position of the Group.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The following new or revised standards, amendments to existing standards and interpretations are mandatory for the accounting periods beginning on or after 1 July 2011 or later periods which the Group has not early adopted:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HKAS 19 (Amendment)	Employee Benefits
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (2011)	Separate Financial Statements
HK(IFRIC) -Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HKFRSs Amendments	Improvements to HKFRSs 2010

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

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 acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

In the Company's 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(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 other comprehensive income 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 Non-current assets classified as assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.5 Property, plant and equipment

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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

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

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

2.6 Investment property

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted at the end of each reporting period. Changes in fair value are recognised in the income statement.

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.7 Land use rights

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

2.8 Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. 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.

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

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

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

2.10 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.

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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.10 Investments (continued)

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.

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.

2.11 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.

2.12 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.

2.13 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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.14 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.

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.

2.15 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.

2.16 Provisions

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

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

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

2.17 Trade payables

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

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

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.

(iv) Share-based compensation

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

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

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

2.19 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.19 Revenue recognition (continued)

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.

2.20 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.

(iii) Group companies

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

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

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

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

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 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.

2.21 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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.22 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/directors.

2.23 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 2011, if Renminbi had strengthened/weakened by 2% (2010: 2%) against the Hong Kong dollars with all other variables held constant, profit for the year would have been approximately HK$12,442,000 higher/lower (2010: HK$4,280,000 lower/higher) and equity holders' equity would have been approximately HK$3,336,000 lower/higher (2010: HK$14,717,000 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 and amounts due from fellow subsidiaries. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 30 June 2011, 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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) ***Liquidity risk***

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

The Group's and Company's financial liabilities mature within 1 year is approximately HK$2,791,199,000 (2010: HK$1,861,517,000) and HK$603,000 (2010: HK$571,000) respectively.

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

Except for the fixed deposits and short-term bank deposits as at 30 June 2011 of HK$1,205,463,000 and HK$1,328,136,000 (2010: HK$1,272,033,000 and HK$950,795,000), which are held at interest rates of ranging from 0.5% to 4.15% per annum (2010: 0.25% to 4.41% 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 2011, 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$8,027,000 higher/lower (2010: HK$6,825,000 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:

	2011 **HK$'000**	2010 HK$'000
Level 1:		
Available-for-sale financial assets		
– Investment in equity securities	**–**	110,998

The fair value of financial instruments traded in active markets was 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 was the current bid price. Instrument was included in level 1 which comprised equity investment classified as available-for-sale investment. The Group's available-for-sale investment above was level 1 instrument and its fair value was determined with reference to quoted market price.

3 FINANCIAL RISK MANAGEMENT (continued)

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.

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:

	2011 **HK$'000**	2010 HK$'000
Cash and cash equivalents	**2,947,574**	2,324,666
Current ratio (i)	**1.46**	2.01

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) Valuation of investment properties

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

(c) Net realisable value of inventories

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Provision for impairment of trade and other receivables

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

(e) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on fair value less cost to sell calculations (Note 17). These calculations require the use of estimates which are subject to change of economic environment in future.

(f) Employee benefits – share-based payments

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

5 REVENUE AND SEGMENT INFORMATION

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 segment based on these reports.

The CODM considers that the Group has a single operating and reporting segment which is the operation and management of department stores. CODM assesses the performance of this single segment based on a measure of revenue and operating result before income tax. All revenue is generated in Mainland China and all significant operating assets are in Mainland China.

	2011 **HK$'000**	2010 HK$'000
Commission income from concessionaire sales	**1,925,920**	1,197,085
Sales of goods – direct sales	**545,946**	397,419
Management fees	**57,068**	154,247
Rental income	**220,551**	124,154
	2,749,485	1,872,905

The income from concessionaire sales is analysed as follows:

	2011 **HK$'000**	2010 HK$'000
Gross revenue from concessionaire sales	**10,233,298**	6,156,659
Commission income from concessionaire sales	**1,925,920**	1,197,085

Notes to the Financial Statements

6 OTHER INCOME

	2011 HK$'000	2010 HK$'000
Interest income on bank deposits	**56,461**	37,606
Government grants	**14,528**	10,754
Dividend income from available-for-sale financial assets	**–**	7,104
Other commission income	**21,041**	6,923
Write-back of other payables	**85,743**	14,139
Promotion income	**7,064**	704
Sundries	**10,824**	4,724
	195,661	81,954

7 OTHER GAINS

	2011 HK$'000	2010 HK$'000
Gain on disposal of property, plant and equipment, and land use rights (Note)	**378,075**	165,972
Gain on disposal of available-for-sale financial assets	**20,452**	–
	398,527	165,972

Note:

During the year, the Group disposed of its interest of a certain portion of property located in Wuxi City, resulting in a gain on disposal of HK$381,579,000.

8 OTHER OPERATING EXPENSES

	2011 HK$'000	2010 HK$'000
Water and electricity	**168,662**	114,385
Promotion, advertising and related expenses	**121,239**	52,500
Cleaning, repairs and maintenance	**52,303**	28,469
Auditor's remuneration	**4,395**	3,950
Share-based payments	**1,504**	3,472
Net exchange losses	**10,923**	1,841
Write-back of provision for doubtful debts	**(672)**	(5,278)
Others	**46,280**	12,909
	404,634	212,248

9 EMPLOYEE BENEFIT EXPENSE

	2011 HK$'000	2010 HK$'000
Wages and salaries	**238,001**	138,319
Retirement benefit costs		
– defined contribution plans	**41,298**	24,202
Share-based payments	**5,766**	9,361
Other employment benefits	**126,216**	67,735
	411,281	239,617

(a) Directors' emoluments

The remuneration of every Director for the year ended 30 June 2011 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	–	–	–	352	452
Mr. Au Tak-cheong	100	–	–	–	88	188
Executive directors						
Mr. Cheng Chi-kong, Adrian	150	–	–	–	176	326
Mr. Cheung Fai-yet, Philip	150	4,000	398	507	720	5,775
Mr. Lin Tsai-tan, David	150	1,635	107	122	250	2,264
Mr. Wong Kwok-kan, Kenneth	150	1,415	137	112	273	2,087
Ms. Ngan Man-ying, Lynda	150	–	–	–	176	326
Independent non-executive directors						
Mr. Cheong Ying-chew, Henry	200	–	–	–	88	288
Mr. Chan Yiu-tong, Ivan	200	–	–	–	88	288
Mr. Tong Hang-chan, Peter	200	–	–	–	88	288
Mr. Yu Chun-fai	200	–	–	–	88	288
	1,750	7,050	642	741	2,387	12,570

9 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

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						
Dr. Cheng Kar-shun, Henry	100	–	–	–	593	693
Mr. Au Tak-cheong	100	–	–	–	148	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

No Director waived or agreed to waive any emoluments during the year (2010: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes three (2010: three) Directors for the year ended 30 June 2011, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) individuals during the year ended 30 June 2011 are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,734**	2,710
Retirement benefit costs		
– defined contribution plans	**210**	236
Bonus	**198**	–
Share-based payments	**412**	689
	3,554	3,635

9 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
HK$1,500,001–HK$2,000,000	**2**	2
HK$2,000,001–HK$2,500,000	**–**	–
HK$2,500,001–HK$3,000,000	**–**	–
	2	2

10 INCOME TAX EXPENSE

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

	2011 HK$'000	2010 HK$'000
Current income tax		
– Mainland China taxation	**197,539**	200,683
– Mainland China land appreciation tax	**27,859**	35,867
Under-provision in prior years	**1,558**	936
Deferred income tax (Note 28)		
– Deferred taxation on undistributed dividends	**5,530**	(119)
– Other temporary differences	**25,141**	(3,670)
	257,627	233,697

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the year ended 30 June 2011 (2010: Nil).

Subsidiaries of the Group in Mainland China are subject to enterprise income tax at a rate of 25% (2010: 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:

	2011 HK$'000	2010 HK$'000
Profit before income tax and share of loss of an associated company	**1,113,215**	811,507
Tax calculated at applicable tax rate	**278,304**	202,877
Expenses not deductible for taxation purpose	**18,068**	31,442
Income not subject to taxation	**(22,173)**	(18,107)
Effect of income charged on deemed basis	**(62,057)**	(19,013)
Deferred income tax not recognised	**26,326**	10,618
Deferred taxation on undistributed profits	**5,530**	–
Recognition of previously unrecognised temporary differences	**(8,166)**	–
Utilisation of previously unrecognised tax losses	**(657)**	(1,956)
Under-provision in prior years	**1,558**	936
Land appreciation tax deductible for calculation of income tax purposes	**(6,965)**	(8,967)
	229,768	197,830
Mainland China land appreciation tax	**27,859**	35,867
Income tax expense	**257,627**	233,697

	2011	2010
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$366,177,000 (2010: HK$364,202,000).

12 DIVIDENDS

	2011 **HK$'000**	2010 HK$'000
Interim dividend paid of HK$0.085 (2010: HK$0.080) per share	**143,322**	134,892
Final dividend proposed of HK$0.065 (2010: HK$0.070) per share	**109,599**	118,030
Special dividend proposed of HK$0.010 (2010: Nil) per share	**16,862**	–
	269,783	252,922

At a meeting held on 27 September 2011, the Directors recommended a final dividend of HK$0.065 (2010: HK$0.070) per share and a special dividend of HK$0.010 per share (2010: Nil) for the year ended 30 June 2011. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2011.

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.

	2011	2010
Profit attributable to the equity holders of the Company (HK$'000)	**855,588**	577,607
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.51**	0.34

(b) Diluted

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

During the years ended 30 June 2010 and 2011, 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 2010	**658,713**	**57,718**	**4,335**	**1,459,138**	**13,294**	**8,660**	**110,242**	**17,723**	**2,329,823**
Translation differences	**37,970**	**3,490**	**288**	**93,348**	**871**	**562**	**6,886**	**1,070**	**144,485**
Additions	**31,789**	**273**	**2,115**	**339,369**	**4,530**	**2,491**	**19,878**	**1,744**	**402,189**
Transfer from other non-current assets (Note 19)	**128,774**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**128,774**
Disposals	**(9,796)**	**(1,893)**	**(469)**	**(107,837)**	**(468)**	**(1,036)**	**(15,773)**	**–**	**(137,272)**
Reclassification	**–**	**–**	**–**	**18,743**	**47**	**18**	**93**	**(18,901)**	**–**
Transfer to investment properties	**(31,904)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(31,904)**
Reclassified as assets held for sale (Note 25)	**(1,230)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,230)**
Acquisition of subsidiaries (Note 33(a))	**–**	**514**	**776**	**198,020**	**1,722**	**892**	**6,455**	**108**	**208,487**
At 30 June 2011	**814,316**	**60,102**	**7,045**	**2,000,781**	**19,996**	**11,587**	**127,781**	**1,744**	**3,043,352**
Accumulated depreciation									
At 1 July 2010	**47,265**	**48,110**	**2,643**	**575,837**	**6,544**	**4,654**	**65,364**	**–**	**750,417**
Translation differences	**2,091**	**3,018**	**184**	**38,004**	**464**	**326**	**4,374**	**–**	**48,461**
Charge for the year	**21,811**	**5,013**	**1,040**	**204,424**	**2,910**	**1,901**	**18,134**	**–**	**255,233**
Transfer to investment properties	**(372)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(372)**
Reclassified as assets held for sale (Note 25)	**(328)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(328)**
Written back on disposals	**(2,569)**	**(539)**	**(377)**	**(73,092)**	**(415)**	**(1,009)**	**(15,162)**	**–**	**(93,163)**
At 30 June 2011	**67,898**	**55,602**	**3,490**	**745,173**	**9,503**	**5,872**	**72,710**	**–**	**960,248**
Net book amount									
At 30 June 2011	**746,418**	**4,500**	**3,555**	**1,255,608**	**10,493**	**5,715**	**55,071**	**1,744**	**2,083,104**
Cost									
At 1 July 2009	483,099	55,468	3,939	1,240,069	9,248	10,232	87,954	9,563	1,899,572
Translation differences	–	–	–	8	–	–	1	–	9
Additions	210,479	2,642	396	279,242	4,520	2,242	23,528	17,591	540,640
Disposals	(34,865)	(402)	–	(87,839)	(950)	(3,971)	(3,459)	–	(131,486)
Reclassification	–	–	–	9,431	–	–	–	(9,431)	–
Acquisition of a subsidiary (Note 33(a))	–	10	–	18,227	476	157	2,218	–	21,088
At 30 June 2010	658,713	57,718	4,335	1,459,138	13,294	8,660	110,242	17,723	2,329,823
Accumulated depreciation									
At 1 July 2009	44,051	39,052	1,942	520,773	5,850	6,946	54,981	–	673,595
Charge for the year	14,690	9,449	701	135,438	1,527	1,309	13,653	–	176,767
Written back on disposals	(11,476)	(391)	–	(80,374)	(833)	(3,601)	(3,270)	–	(99,945)
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

15 INVESTMENT PROPERTIES

	Group 2011 HK$'000
At 1 July	**–**
Translation differences	**500**
Transfer from other non-current assets (Note 19)	**154,724**
Transfer from property, plant and equipment	**33,193**
Transfer from land use rights	**28,638**
Additions	**36,414**
Changes in fair value credited to income statement	**20,751**
At 30 June	**274,220**

The investment properties were revalued at 30 June 2011 by an independent professional valuer, Jones Lang LaSalle Sallmanns Limited. Valuations were based on market value assessment as stated in Note 4. The Group's investment properties at their carrying values are analysed as follows:

	2011 HK$'000
In Mainland China held on:	
Lease of between 10 and 50 years	**274,220**

16 LAND USE RIGHTS

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

	Group	
	2011 HK$'000	2010 HK$'000
At 1 July	**858,711**	764,928
Translation differences	**47,060**	–
Transfer from other non-current assets (Note 19)	**77,051**	163,732
Additions	**23,966**	–
Amortisation	**(27,094)**	(22,201)
Transferred to investment properties	**(27,646)**	–
Reclassified as assets held for sale (Note 25)	**(6,082)**	–
Disposal	**(47,068)**	(47,748)
At 30 June	**898,898**	858,711

	2011 HK$'000	2010 HK$'000
In Mainland China held on:		
Leases of land use rights between 10 to 50 years	**898,898**	858,711

17 GOODWILL

	Group	
	2011 **HK$'000**	2010 HK$'000
At 1 July	**228,710**	172,435
Acquisition of subsidiaries (Note 34)	**534,525**	56,249
Translation differences	**21,902**	26
At 30 June	**785,137**	228,710

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified. For the purpose of impairment test, the recoverable amount of CGU is determined based on fair value less cost to sell calculations, which uses cash flow projections based on financial estimates covering a period of five years and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rate and discount rate used in the fair value less cost to sell calculations are based on management best estimates. Long term growth rate ranging from 2% to 5% (2010: 2% to 5%) are determined by considering both internal and external factors relating to the relevant businesses. Discount rate of 14.8% (2010: 18%) also reflects specific risks of the business. If the revenue growth rate and gross margin had been 5% lower than management's current estimates and the discount rate had been 2% higher than management's current estimates, there is still enough head room and no impairment loss on goodwill is required.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Prepaid rent and rental deposits	**368,504**	209,188	**–**	–
Management fee receivables	**6,886**	19,405	**–**	–
Dividend receivables	**–**	7,104	**–**	–
Deposits placed for issuance of stored value cards	**156,412**	105,646	**–**	–
Others	**285,339**	174,136	**121**	153
	817,141	515,479	**121**	153
Less: long-term prepaid rent and rental deposits	**(244,644)**	(153,266)	**–**	–
	572,497	362,213	**121**	153

The balances are mainly denominated in Renminbi.

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

19 OTHER NON-CURRENT ASSETS

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 rights and right of use of carpark located in Shenyang City. As at 30 June 2011, the Group has made progress payment of approximately HK$344,400,000 (2010: approximately HK$194,473,000) and paid direct costs of approximately HK$16,149,000 (2010: approximately HK$12,167,000) in connection with such acquisition. Upon the completion of the transaction in September 2010, the carrying amounts of these other non-current assets were transferred to investment properties of HK$154,724,000 (Note 15), property, plant and equipment of HK$128,774,000 (Note 14) and land use rights of HK$77,051,000 (Note 16), where appropriate.

Balance as at 30 June 2011 mainly represents the following transaction:

On 4 October 2010, Shenyang Co entered into an agreement with Shenyang New World Hotel Co., Ltd., a wholly-owned subsidiary of New World China Land Limited ("NWCL") and a fellow subsidiary of the Company. Shenyang Co agreed to acquire the building ownership right, land use rights of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems, for a consideration of approximately RMB456,534,000 which is subject to the terms of the agreement for further adjustments. As at 30 June 2011, the Group has made progress payment of approximately HK$110,008,000 and paid direct costs of approximately HK$22,277,000 and recognised construction payable to a fellow subsidiary of approximately HK$220,016,000 in connection with such acquisition. As at 30 June 2011, capital commitment in relation to this acquisition is approximately HK$220,016,000 (Note 32).

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
Listed securities, at fair value		
Equity securities – Hong Kong	**–**	110,998

The movement of available-for-sale financial assets is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 July	**110,998**	108,955
Fair value (loss)/gain transferred to equity	**(13,676)**	2,043
Disposal	**(97,322)**	–
At 30 June	**–**	110,998

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

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

21 DEBTORS

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**29,685**	19,612

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

Aging analysis of the debtors is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within period for		
0–30 days	**27,837**	17,187
31–60 days	**185**	1,501
61–90 days	**185**	866
Over 90 days	**1,478**	58
	29,685	19,612

Trade debtors of HK$1,848,000 (2010: HK$2,425,000) were past due but not impaired. The total amount includes HK$185,000 (2010: HK$1,501,000) of less than 30 days past due, HK$185,000 (2010: HK$866,000) of 31–60 days past due and HK$1,478,000 (2010: HK$58,000) 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.

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

22 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

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.

23 FIXED DEPOSITS

Fixed deposits are denominated in the following currencies:

	Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong dollars	**4,670**	468,182
Renminbi	**1,200,793**	803,851
	1,205,463	1,272,033

The interest rates on fixed bank deposits was ranging from 0.5% to 4.15% per annum (2010: 0.5% to 4.41% per annum), these deposits have maturities ranging from 90 to 365 days (2010: 90 to 365 days).

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term bank deposits	**1,328,136**	950,795	**–**	–
Cash at bank and in hand	**1,619,438**	1,373,871	**358,276**	14,456
	2,947,574	2,324,666	**358,276**	14,456
Maximum exposure to credit risk	**2,933,588**	2,315,822	**358,276**	14,456

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**525,603**	666,518	**4,711**	14,456
Renminbi	**2,421,769**	1,657,949	**353,565**	–
US dollars	**202**	199	**–**	–
	2,947,574	2,324,666	**358,276**	14,456

The interest rates on short-tem bank deposits were ranging from 0.6% to 2.85% per annum (2010: 0.25% to 2.25% per annum), these deposits have maturities ranging from 1 to 60 days (2010: 2 to 60 days).

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

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

25 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

The Group agreed with an independent third party to dispose of 100% equity interest in Focus Smart Limited ("Focus Smart"), a wholly owned subsidiary of the Company and the owner of the remaining portion of property and land use rights situated in Wuxi City.

	Group
	2011
	HK$'000
Property, plant and equipment	**919**
Land use rights	**6,198**
At 30 June	**7,117**

26 SHARE CAPITAL

Movements were:

	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.1 each, authorised:		
At 30 June 2010 and 2011	10,000,000	1,000,000
Ordinary shares of HK$0.1 each, issued and fully paid:		
At 30 June 2010 and 2011	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 2011 are as follows:

		Number of options '000							No. of share options exercisable '000
Date of grant	Exercise price per share HK$	At 1 July 2009	Granted during the year	Lapsed during the year	**At 30 June 2010**	**Granted during the year**	**Lapsed during the year**	**At 30 June 2011**	**At 30 June 2011**
27 November 2007 (Note i)	8.660	18,770	–	(1,771)	**16,999**	**–**	**(530)**	**16,469**	**9,882**
25 March 2008 (Note ii)	8.440	3,965	–	(441)	**3,524**	**–**	**–**	**3,524**	**2,114**
		22,735	–	(2,212)	**20,523**	**–**	**(530)**	**19,993**	**11,996**
Weighted average exercise price of each category (HK$)		8.622	–	8.616	**8.622**	**–**	**8.660**	**8.621**	**8.621**

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

27 RESERVES

(a) Group

	Share premium	Property revaluation reserve	Capital reserve	Statutory reserve	Share-based compensation reserve	Available-for-sale investments revaluation reserve	Exchange reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2009	2,398,250	–	391,588	79,255	40,077	32,085	163,877	1,155,674	4,260,806
Fair value gain on available-for-sale financial assets	–	–	–	–	–	2,043	–	–	2,043
Share-based payments	–	–	–	–	12,833	–	–	–	12,833
Lapse of share options	–	–	–	–	(4,385)	–	–	4,385	–
Final dividend relating to the year ended 30 June 2009	–	–	–	–	–	–	–	(118,030)	(118,030)
Interim dividend relating to the period ended 31 December 2009	–	–	–	–	–	–	–	(134,892)	(134,892)
Transfer to statutory reserve (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**
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	**–**	**1,990**	**–**	**–**	**–**	**–**	**–**	**–**	**1,990**
Fair value loss on available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**(13,676)**	**–**	**–**	**(13,676)**
Release of investment revaluation upon disposal of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**(20,452)**	**–**	**–**	**(20,452)**
Share-based payments	**–**	**–**	**–**	**–**	**7,270**	**–**	**–**	**–**	**7,270**
Lapse of share options	**–**	**–**	**–**	**–**	**(1,400)**	**–**	**–**	**1,400**	**–**
Final dividend relating to the year ended 30 June 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(118,030)**	**(118,030)**
Interim dividend relating to the period ended 31 December 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(143,322)**	**(143,322)**
Transfer to statutory reserve (Note i)	**–**	**–**	**–**	**48,190**	**–**	**–**	**–**	**(48,190)**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**855,588**	**855,588**
Translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**233,867**	**–**	**233,867**
At 30 June 2011	**2,398,250**	**1,990**	**391,588**	**187,361**	**54,395**	**–**	**397,955**	**1,972,274**	**5,403,813**
Representing:									
Proposed final and special dividend (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**126,461**	**126,461**
Others	**2,398,250**	**1,990**	**391,588**	**187,361**	**54,395**	**–**	**397,955**	**1,845,813**	**5,277,352**
At 30 June 2011	**2,398,250**	**1,990**	**391,588**	**187,361**	**54,395**	**–**	**397,955**	**1,972,274**	**5,403,813**

27 RESERVES (continued)

(a) Group (continued)

Note:

(i) Upon conversion of the Group's PRC subsidiaries into wholly-owned foreign enterprises in 2007 and pursuant to the relevant PRC Law and articles of association of the subsidiaries of the Company established in the PRC, they are required to appropriate 10% of their statutory net profit to the enterprise expansion fund. The enterprise expansion fund can only be used to increase capital of group companies or to expand their production operations upon approval by the relevant authority. Accordingly 10% of statutory net profit of each entity should be appropriated to this reserve for the year ended 30 June 2010 and 2011.

(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 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 relating to the year ended 30 June 2009	–	–	(118,030)	–	–	(118,030)
Interim dividend relating to the period ended 31 December 2009	–	–	(134,892)	–	–	(134,892)
Translation differences	–	–	–	(85)	–	(85)
At 30 June 2010	**2,398,250**	**48,525**	**334,838**	**250,257**	**389,198**	**3,421,068**
Share-based payments	**–**	**7,270**	**–**	**–**	**–**	**7,270**
Lapse of share options	**–**	**(1,400)**	**–**	**–**	**–**	**(1,400)**
Profit for the year	**–**	**–**	**–**	**–**	**366,177**	**366,177**
Final dividend relating to the year ended 30 June 2010	**–**	**–**	**(118,030)**	**–**	**–**	**(118,030)**
Interim dividend relating to the period ended 31 December 2010	**–**	**–**	**(143,322)**	**–**	**–**	**(143,322)**
Translation differences	**–**	**–**	**–**	**124,873**	**–**	**124,873**
At 30 June 2011	**2,398,250**	**54,395**	**73,486**	**375,130**	**755,375**	**3,656,636**
Representing:						
Proposed final and special dividend (Note 12)	**–**	**–**	**–**	**–**	**126,461**	**126,461**
Others	**2,398,250**	**54,395**	**73,486**	**375,130**	**628,914**	**3,530,175**
At 30 June 2011	**2,398,250**	**54,395**	**73,486**	**375,130**	**755,375**	**3,656,636**

28 DEFERRED INCOME TAX

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

	Group	
	2011 HK$'000	2010 HK$'000
Deferred income tax assets	**125,939**	44,247
Deferred income tax liabilities	**(184,304)**	(151,552)
	(58,365)	(107,305)

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

	Group	
	2011 HK$'000	2010 HK$'000
At 1 July	**(107,305)**	(123,549)
Translation differences	**(4,903)**	6
Acquisition of subsidiaries (Note 33(a))	**85,177**	12,449
Taxation charged to equity	**(663)**	–
(Charged)/credited to consolidated income statement (Note 10)	**(30,671)**	3,789
At 30 June	**(58,365)**	(107,305)

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 2009	3,785	51,874	471	6,491	62,621
Translation differences	6	–	–	–	6
Acquisition of subsidiaries	12,449	360	905	–	13,714
Recognised in the consolidated income statement	(7,063)	4,601	(313)	(943)	(3,718)
At 30 June 2010	**9,177**	**56,835**	**1,063**	**5,548**	**72,623**
Translation differences	**1,606**	**5,234**	**87**	**434**	**7,361**
Acquisition of subsidiaries	**63,699**	**47,736**	**2,276**	**–**	**113,711**
Recognised in the consolidated income statement	**(31,891)**	**22,912**	**(708)**	**4,133**	**(5,554)**
At 30 June 2011	**42,591**	**132,717**	**2,718**	**10,115**	**188,141**

28 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities:

	Tax depreciation HK$'000	Fair value adjustment on business combination HK$'000	Revaluation of properties HK$'000	Undistributed profits of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 July 2009	135,650	46,995	–	1,669	1,856	186,170
Acquisition of a subsidiary	1,048	–	–	–	217	1,265
Recognised in the consolidated income statement	(6,577)	(1,410)	–	(119)	599	(7,507)
At 30 June 2010	**130,121**	**45,585**	**–**	**1,550**	**2,672**	**179,928**
Translation differences	**9,033**	**2,711**	**125**	**170**	**225**	**12,264**
Acquisition of subsidiaries	**27,617**	**–**	**–**	**–**	**917**	**28,534**
Recognised in equity	**–**	**–**	**663**	**–**	**–**	**663**
Recognised in the consolidated income statement	**14,346**	**(1,460)**	**5,188**	**5,530**	**1,513**	**25,117**
At 30 June 2011	**181,117**	**46,836**	**5,976**	**7,250**	**5,327**	**246,506**

Pursuant to the new Corporate Income Tax Law with effect from 1 January 2008, a 5% or 10% 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 2011, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately HK$86,659,000 (2010: HK$64,904,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$57,648,000 (2010: HK$31,075,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$230,592,000 (2010: HK$124,299,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

29 CREDITORS, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Creditors	**1,832,616**	1,097,058	**–**	–
Accruals and other payables	**1,711,132**	1,150,102	**2,731**	2,115
Less: long-term accruals and deferred income	**(564,095)**	(312,305)	**–**	–
	2,979,653	1,934,855	**2,731**	2,115

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

	Group	
	2011 HK$'000	2010 HK$'000
Within period for		
0–30 days	**803,572**	440,938
31–60 days	**556,777**	370,643
61–90 days	**170,103**	93,480
Over 90 days	**302,164**	191,997
	1,832,616	1,097,058

Creditors included amounts due to related companies of HK$88,050,000 (2010: HK$18,935,000) which are unsecured, interest free and repayable within 90 days.

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

Nature of accruals and other payables are as follows:

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Rental accruals	**577,079**	313,237	**–**	–
Deposits from concessionaire suppliers	**207,641**	142,972	**–**	–
Deferred income	**–**	16,250	**–**	–
Payables for capital expenditures	**102,298**	114,639	**–**	–
Accruals for staff costs	**68,314**	43,740	**–**	–
Valued-added taxes and other taxes payables	**77,711**	60,118	**–**	–
Utilities payables	**14,667**	15,858	**–**	–
Receipts in advance	**480,315**	344,330	**–**	–
Others	**183,107**	98,958	**2,731**	2,115
	1,711,132	1,150,102	**2,731**	2,115

30 SUBSIDIARIES

	Company	
	2011 **HK$'000**	2010 HK$'000
Unlisted shares, at cost	**1,463,323**	1,460,413
Amounts due from subsidiaries	**2,250,835**	2,228,761
Amounts due to subsidiaries	**214,453**	111,985

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

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

31 INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2011 **HK$'000**	2010 HK$'000
At 1 July	**–**	203
Share of loss	**–**	(203)
At 30 June	**–**	–

Notes:

Revenue, results, assets and liabilities of the associated company are as follows:

	2011 **HK$'000**	2010 HK$'000
Revenue	**1,617**	1,372
Loss after income tax	**(2,280)**	(2,241)

	2011 **HK$'000**	2010 HK$'000
Non-current assets	**3,438**	3,344
Current assets	**1,140**	1,042
Current liabilities	**(9,071)**	(6,421)
Net liabilities	**(4,493)**	(2,035)

The Group has not recognised losses amounting to HK$2,280,000 (2010: HK$2,038,000) for Taizhou New World Department Store Co., Ltd. for the year ended 30 June 2011. The accumulated losses not recognised were HK$4,318,000 (2010: HK$2,038,000).

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

32 COMMITMENT

(a) Capital commitment

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

	Group	
	2011 HK$'000	2010 HK$'000
Contracted but not provided for	**228,292**	140,644
Authorised but not contracted for	**–**	807
	228,292	141,451

(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	
	2011 HK$'000	2010 HK$'000
Within one year	**489,485**	509,212
In the second to fifth year	**2,224,852**	1,407,320
After the fifth year	**5,993,346**	4,015,052
	8,707,683	5,931,584

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

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	**166,680**	89,070
In the second to fifth year	**325,993**	183,792
After the fifth year	**61,855**	53,240
	554,528	326,102

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

33 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

Details of the net liabilities acquired are as follows:

	2011 HK$'000	2010 HK$'000
Property, plant and equipment (Note 14)	**208,487**	21,088
Inventories	**54,748**	1,224
Debtors	**26,612**	4,283
Prepayment, deposits and other receivables	**117,493**	15,803
Amounts due from fellow subsidiaries	**137**	–
Deferred income tax assets (Note 28)	**85,177**	12,449
Cash and cash equivalents	**269,946**	58,262
Creditors, accruals and other payables	**(1,080,400)**	(167,086)
Amount due to a fellow subsidiary	**(8,750)**	–
Amounts due to related companies	**(73,985)**	–
Net liabilities acquired	**(400,535)**	(53,977)
Analysis of net cash flow from acquisition of subsidiaries		
Purchase consideration settled in cash	**(133,990)**	(2,272)
Cash and cash equivalents in subsidiaries acquired	**269,946**	58,262
Net cash inflow from acquisition of subsidiaries	**135,956**	55,990

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

	2011 HK$'000	2010 HK$'000
Net book amount	**91,177**	79,289
Gains on disposal of property, plant and equipment, and land use rights	**378,075**	165,972
Proceeds from disposal of property, plant and equipment, and land use rights	**469,252**	245,261

34 BUSINESS COMBINATION

(a) Acquisition of Broad Park Limited

In June 2010, the Group entered into an agreement with Solar Leader Limited ("Solar Leader"), a fellow subsidiary of the Company, whereby the Group agreed to acquire from Solar Leader 100% of equity interest in Broad Park Limited ("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., a wholly-owned subsidiary of Broad Park. The net consideration is equivalent to approximately HK$108,059,000. The acquisition was approved by the shareholders on 27 July 2010 and completed on 1 August 2010.

The acquired business contributed revenues of HK$661,549,000 and net profit of HK$149,958,000 to the Group for the period from 1 August 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,797,252,000; profit for the year would have been HK$852,088,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	**108,059**
Fair value of net liabilities acquired – shown as below	**140,871**
Goodwill (Note 17)	**248,930**

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

	HK$'000
Property, plant and equipment	**84,021**
Inventories	**46,588**
Debtors	**20,968**
Prepayment, deposits and other receivables	**27,591**
Amount due from a related company	**137**
Deferred income tax assets	**6,949**
Cash and cash equivalents	**167,270**
Creditors, accruals and other payables	**(411,660)**
Amount due to a fellow subsidiary	**(8,750)**
Amounts due to related companies	**(73,985)**
Net liabilities acquired	**(140,871)**
Purchase consideration settled in cash	**(108,059)**
Cash and cash equivalents in a subsidiary acquired	**167,270**
Net cash inflow from acquisition of a subsidiary	**59,211**

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

34 BUSINESS COMBINATION (continued)

(b) Acquisition of Chengdu New World Department Store Co., Ltd.

In October 2010, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Chengdu New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB2,000,000 (equivalent to approximately HK$2,316,000).

The acquired business contributed revenues of HK$74,310,000 and net profit of HK$19,822,000 to the Group for the period from 1 October 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,766,869,000; profit for the year would have been HK$852,591,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	**2,316**
Fair value of net liabilities acquired – shown as below	**74,374**
Goodwill (Note 17)	**76,690**

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

	HK$'000
Property, plant and equipment	**39,278**
Inventories	**2,130**
Debtors	**1,006**
Prepayment, deposits and other receivables	**17,038**
Deferred income tax assets	**21,544**
Cash and cash equivalents	**19,539**
Creditors, accruals and other payables	**(174,909)**
Net liabilities acquired	**(74,374)**
Purchase consideration settled in cash	**(2,316)**
Cash and cash equivalents in a subsidiary acquired	**19,539**
Net cash inflow from acquisition of a subsidiary	**17,223**

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

34 BUSINESS COMBINATION (continued)

(c) Acquisition of Changsha New World Trendy Plaza Co., Ltd.

In December 2010, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Changsha New World Trendy Plaza Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB10,000,000 (equivalent to approximately HK$11,752,000).

The acquired business contributed revenues of HK$30,643,000 and net profit of HK$2,995,000 to the Group for the period from 1 January 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,779,268,000; profit for the year would have been HK$852,698,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	11,752
Fair value of net liabilities acquired – shown as below	58,813
Goodwill (Note 17)	70,565

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

	HK$'000
Property, plant and equipment	33,206
Inventories	1,305
Debtors	2,016
Prepayment, deposits and other receivables	25,492
Deferred income tax assets	17,107
Cash and cash equivalents	27,073
Creditors, accruals and other payables	(165,012)
Net liabilities acquired	(58,813)
Purchase consideration settled in cash	(11,752)
Cash and cash equivalents in a subsidiary acquired	27,073
Net cash inflow from acquisition of a subsidiary	15,321

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

34 BUSINESS COMBINATION (continued)

(d) Acquisition of Beijing New World Trendy Department Store Co., Ltd.

In March 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Beijing New World Trendy Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5,000,000 (equivalent to approximately HK$5,927,000).

The acquired business contributed revenues of HK$31,178,000 and net profit of HK$4,001,000 to the Group for the period from 1 March 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,807,375,000; profit for the year would have been HK$842,813,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	**5,927**
Fair value of net liabilities acquired – shown as below	**58,151**
Goodwill (Note 17)	**64,078**

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

	HK$'000
Property, plant and equipment	**5,567**
Inventories	**1,932**
Debtors	**2,211**
Prepayment, deposits and other receivables	**25,154**
Deferred income tax assets	**16,849**
Cash and cash equivalents	**46,165**
Creditors, accruals and other payables	**(156,029)**
Net liabilities acquired	**(58,151)**
Purchase consideration settled in cash	**(5,927)**
Cash and cash equivalents in a subsidiary acquired	**46,165**
Net cash inflow from acquisition of a subsidiary	**40,238**

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

34 BUSINESS COMBINATION (continued)

(e) Acquisition of Chongqing New World Department Store Co., Ltd.

In April 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Chongqing New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5,000,000 (equivalent to approximately HK$5,936,000).

The acquired business contributed revenues of HK$17,678,000 and net loss of HK$698,000 to the Group for the period from 1 April 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK$2,803,357,000; profit for the year would have been HK$852,151,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	5,936
Fair value of net liabilities acquired – shown as below	68,326
Goodwill (Note 17)	74,262

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

	HK$'000
Property, plant and equipment	46,415
Inventories	2,793
Debtors	411
Prepayment, deposits and other receivables	22,218
Deferred income tax assets	22,728
Cash and cash equivalents	9,899
Creditors, accruals and other payables	(172,790)
Net liabilities acquired	(68,326)
Purchase consideration settled in cash	(5,936)
Cash and cash equivalents in a subsidiary acquired	9,899
Net cash inflow from acquisition of a subsidiary	3,963

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

34 BUSINESS COMBINATION (continued)

(f) 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 RMB2,000,000 (equivalent to approximately HK$2,272,000).

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 liabilities acquired and goodwill were as follows:

	HK$'000
Purchase consideration	
– Cash paid	2,272
Fair value of net liabilities acquired – shown as below	53,977
Goodwill (Note 17)	56,249

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

	HK$'000
Property, plant and equipment	21,088
Inventories	1,224
Debtors	4,283
Prepayment, deposits and other receivables	15,803
Cash and cash equivalents	58,262
Deferred income tax assets	12,449
Creditors, accruals and other payables	(167,086)
Net liabilities acquired	(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

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

35 RELATED PARTY TRANSACTIONS

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

	Note	2011 HK$'000	2010 HK$'000
Fellow subsidiaries			
Management fee incomes	(i)	**5,001**	67,345
Operating lease rental expenses	(ii)	**(88,128)**	(79,151)
Building management expenses	(iii)	**(23,928)**	(13,466)
Purchase of leasehold improvements	(iv)	**(13,421)**	(90,796)
Reimbursement of shopping vouchers	(v)	**1,246**	371
Sales of goods, prepaid shopping cards and vouchers	(vi)	**4,231**	–
Rebates on prepaid shopping cards and vouchers	(vii)	**52**	–
Deposit paid for purchase of building and land use rights	(viii)	**(330,024)**	–
Acquisition of a subsidiary	(ix)	**(108,059)**	–
Related companies			
Concessionaires commissions	(x)	**70,460**	18,313
Operating lease rental expenses	(ii)	**(203,510)**	(29,553)
Building management expenses	(iii)	**(19,555)**	–
Sales of goods, prepaid shopping cards and vouchers	(vi)	**1,777**	–
Write-back of other payable	(xi)	**42,332**	–

Notes:

(i) The incomes are charged in accordance with the terms of service fees stated in respective agreements.

(ii) The operating lease rental expense are charged in accordance with respective tenancy agreements and reported in accordance with accounting policy of operating leases as disclosed in Note 2.13.

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

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

(v) The reimbursement of shopping vouchers are charged in accordance with respective agreements with NWCL or its subsidiaries and Chow Tai Fook Jewellery Company Limited or its subsidiaries ("CTF Jewellery Group"), an associate of Chow Tai Fook Enterprises Limited, a shareholder of New World Development Company Limited ("NWD").

(vi) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers issued by the Group to NWD and its subsidiaries (except the Group).

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

(viii) This represents deposit paid for the purchase of building and land use rights as described in Note 19.

(ix) This represents the net consideration of the acquisition of 100% the equity interest of Broad Park and the acquisition was completed on 1 August 2010 as described in Note 34(a).

(x) The incomes are charged in accordance with concessionaire counter agreements with CTF Jewellery Group. The commissions are mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(xi) The other payable is waived by a jointly controlled entity of NWCL.

35 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related companies

The amounts due to related companies are unsecured, interest free and repayable on demand and their carrying amounts approximate their fair values.

(c) Key management compensation

	2011 HK$'000	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**12,406**	11,995
Bonus	**1,105**	479
Share-based payments	**2,066**	3,462
Retirement benefit costs – defined contribution plans	**1,058**	1,049
	16,635	16,985

36 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2011 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK$3	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/ Hong Kong	HK$2	100	–
Harbin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB126,000,000	–	100
Hubei New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/ Mainland China	US$80,000,000	100	–
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/ Mainland China	US$5,000,000	–	100
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000	100	–
Ningbo New World Trendy Department Store Co., Ltd.	Mainland China	Department Store operation/ Mainland China	RMB20,000,000	–	100
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

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
Shenyang New World Department Store Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Shenyang Trendy Property Company Limited	Mainland China	Property investment/ Mainland China	RMB27,880,000	–	100
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000	100	–
Tianjin New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000	–	100
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and department store operation/ Mainland China	US$15,630,000	–	100
Wuhan New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	–	100
Wuhan New World Trendy Department Store Co,, Ltd	Mainland China	Department store operation/ Mainland China	RMB80,000,000	100	–
Wuhan New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB75,000,000	–	100
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	RMB50,000,000	–	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$100,000,000	–	100
Shanghai 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	–
Beijing YiXi New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB65,000,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Beijing New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB25,000,000	–	100
Beijing New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$60,000,000	–	100
Zhengzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	–	100
Changsha New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB60,000,000	–	100
Chengdu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB20,000,000	–	100
Chongqing New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB100,000,000	–	100

37 EVENTS AFTER THE REPORTING PERIOD

On 5 July 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest of Focus Smart, a wholly-owned subsidiary of the Company and the owner of the remaining portion of property and land use rights located in Wuxi City for a consideration of RMB45,000,000. The estimated pre-tax gain on the disposal, is approximately RMB38,000,000. The assets of Focus Smart were included in non-current assets classified as assets held for sale as of 30 June 2011 (Note 25). The transaction was completed on 22 September 2011.

On 21 September 2011, the Group entered into a sale and purchase agreement with certain independent third parties to acquire 100% of the equity interest in Moral High Limited ("Moral High"), a limited liability company incorporated in Samoa, for an aggregate consideration of RMB1,460,000,000, which is subject to the deductions and adjustments based on the terms and conditions of the agreement. The subsidiary of Moral High owns and operates a shopping mall in Shanghai.

In September 2011, the Group agreed to acquire 100% of the equity interest in Lanzhou New World Department Store Co., Ltd. ("Lanzhou Co") for a consideration of RMB3,500,000 from certain independent third parties. Lanzhou Co is a limited liability company incorporated in the PRC and is engaged in operations of a department store in Lanzhou.

The Group will assess the fair value of assets and liabilities of the acquired businesses as at the date of acquisition and it is impracticable to disclose the amounts and the resulting effects at this stage.

38 ULTIMATE HOLDING COMPANY

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

Five-year Financial Summary

	For the year ended 30 June				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**2,749,485**	1,872,905	1,721,246	1,489,345	1,046,885
Operating profit	**1,113,215**	811,507	695,032	589,394	350,797
Profit attributable to:					
Equity holders of the Company	**855,588**	577,607	547,309	476,575	302,765

	As at 30 June				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**9,673,512**	7,271,994	6,298,906	5,760,430	2,057,978
Total liabilities	**4,101,084**	2,502,801	1,869,485	1,653,684	1,200,749
Total equity	**5,572,428**	4,769,193	4,429,421	4,106,746	857,229

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 m^2	:	Square metre
CBD	:	Central Business District

FINANCIAL TERMS

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

Net profit margin : $\frac{\text{Profit for the year}}{\text{Revenue}} \times 100\%$

Current ratio (times) : $\frac{\text{Current assets}}{\text{Current liabilities}}$

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

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
Mr. Tong Hang-chan, Peter
Mr. Yu Chun-fai

COMPANY SECRETARY

Miss Wu Yuk-kwai, Catherine

AUDITOR

PricewaterhouseCoopers

SOLICITORS

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

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Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

STOCK CODE

Hong Kong Stock Exchange 825

INVESTOR INFORMATION

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新世界百貨中國有限公司

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(Stock Code: 825)

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