ANNUAL REPORT 2021

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)
(Hong Kong Stock Code: 825)

CORPORATE PROFILE

Founded in 1993, New World Department Store China Limited (Hong Kong Stock Code: 825) is the retail flagship of New World Development Company Limited (Hong Kong Stock Code: 17) and has developed itself as one of the largest owners and operators of department stores in Mainland China. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. As at 30 June 2021, New World Development Company Limited owns 75% shares of the Group.

RETAIL NETWORK

To orderly expand its business network across the country, the Group adopts the expansion strategies of "multiple presences within a single city" and "radiation city" with a focus on the development of the Greater Beijing, Greater Shanghai and Greater South Western Regions. As at 30 June 2021, the Group operated 21 "New World" （「新世界」） branded department stores in Mainland China and 8 "Ba Li Chun Tian" （「巴黎春天」） branded department stores and shopping malls in Shanghai with a total gross floor area of about 1,209,350 square metres, covering 17 key locations in Mainland China, including Beijing, Shanghai, Chongqing, Chengdu, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Xi'an, Yantai, Shenyang, Harbin, Kunming, Lanzhou, Yanjiao, and Mianyang.

ORGANISATION STRUCTURE

The Group owns a seasoned and innovative management team and adopts a three-tier structure for effective management, in which the headquarters centrally controls the two operating regions of the Group, and each region manages the operations of their stores. Such structure actualizes both resource-sharing and synergy within each region. When formulating professional strategies such as merchandising and marketing strategies, the Group implements a double-line management mechanism. Based on the positioning and direction of the Group, the headquarters formulates a macroscopic corporate strategy and deploys resources for its strategic plans, which is then adjusted and executed towards the relevant goals by stores according to their local circumstances to ensure the Group's strategy is landed.

BUSINESS OPERATIONS

The Group actively implements categorised store management and "One Store, One Strategy" operations strategy to encourage stores to adopt different strategies to capture opportunities arisen from the consumption upgrade in Mainland China. The Group's revenue is mainly derived from: commission income from concessionaire sales, rental income, sales of goods for direct sales, and interest income from finance leases as the lessor. In addition to its core department store business, the Group has been actively expanding its direct sales business in recent years, including LOL (Love • Original • Life) Concept Shop and the N+ line-up of private labels, to strengthen its differentiated operations.

TALENT DEVELOPMENT

The Group regards its staff as a valuable asset. Through a series of incentive schemes, training programmes and career opportunities, the Group strives to fortify the team's proactiveness, innovative capability and sense of belonging so as to encourage, cultivate and retain its talents, who will join up to put the Group's vision and mission into actions. As at 30 June 2021, the Group had 2,844 employees.

CONTENTS

GOAL

To be one of the most influential and most efficient department store chain operators in China.

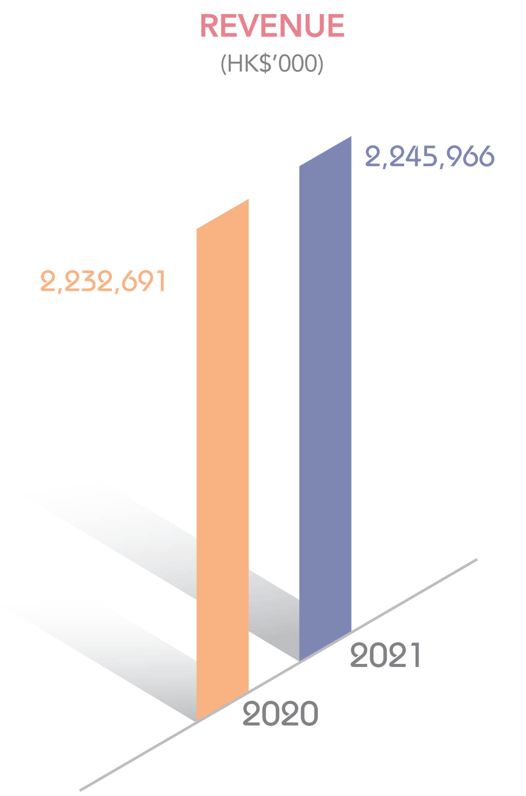
MISSION

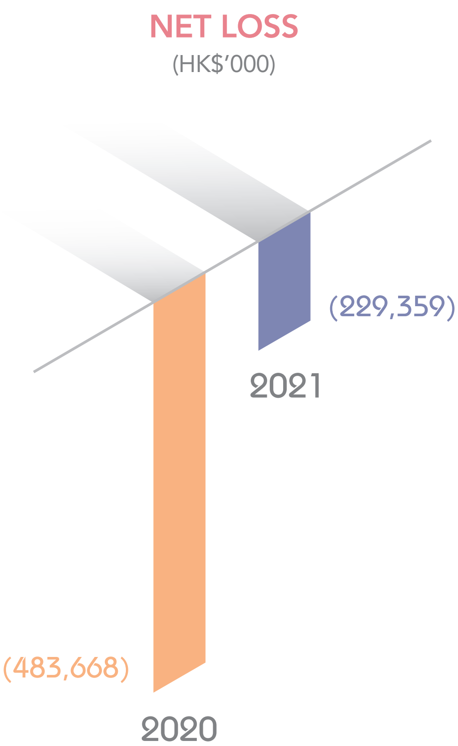
To create a modern, metropolitan lifestyle with creativity, foresight and efficiency.

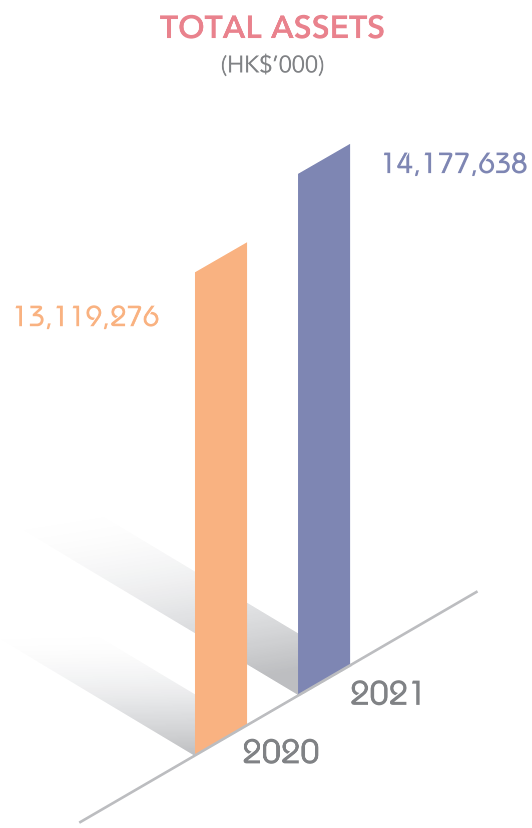
CONVICTION

To embrace 'innovation, foresight, integrity, prudence and respect' in its core values, which would create a promising development path for NWDS.

FINANCIAL HIGHLIGHTS







FINANCIAL HIGHLIGHTS

	2021 HK$'000	2020 HK$'000
OPERATING RESULT		
Revenue	2,245,966	2,232,691
Representing:		
Commission income from concessionaire sales	893,026	886,861
Sales of goods – direct sales	633,583	605,540
Rental income	703,394	727,834
Interest income from finance leases as the lessor	15,963	12,456
Operating profit/(loss)	89,491	(197,960)
Loss for the year ("Net loss")	(229,359)	(483,668)

	As at 30 June 2021 HK$'000	As at 30 June 2020 HK$'000
FINANCIAL POSITION		
Total assets	14,177,638	13,119,276
Total liabilities	9,709,311	8,909,955
Borrowings	1,412,275	1,486,222
Less: Fixed deposits with original maturity over three months, cash and bank balances	(1,569,421)	(1,514,063)
Net cash	(157,146)	(27,841)
Total equity	4,468,327	4,209,321
Net gearing ratio (Note (i))	–3.5%	–0.7%

Supplementary information with properties for department store business stated at valuation (Note (ii)):

	As at 30 June 2021 HK$'000	As at 30 June 2020 HK$'000
Revalued total assets	14,463,765	13,445,458
Revalued net assets	4,754,454	4,535,503

Notes:

(i) Net cash divided by total equity.

(ii) According to the Group's accounting policies, the properties for department store business were carried at cost less accumulated depreciation. To give further information, the Group hereby presents supplementary unaudited financial information taking into account the fair market value of properties for department store business. The properties were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professional valuer.

CHAIRMAN'S STATEMENT

Over the previous year, global efforts have been made to address the aftermath of COVID-19. Due to the recursive threat of the pandemic, deteriorating Sino-U.S. relation and different paces in vaccines administration, the prospect of global economic recovery remained unclear. In the Mainland China market, the Central Government has taken a series of effective pre-cautionary, control and anti-pandemic initiatives to counteract the continuous spread of the pandemic. To spur steady economic growth, the Central Government has also rolled out various policies to promote employment, guarantee the livelihood of people and stimulate consumption as well as promoting the resumption of work and production. During the course of the pandemic, consumption behaviour, preference and expenditure structure have undergone certain changes, bringing new development opportunities to the retail sector. Given that the pandemic has catalysed a large shift in consumption patterns, it seems more pressing than ever for the retail industry to accelerate the pace of online and offline integration and move towards digitalisation. As such, businesses should transfer their valuable data effectively into useful information for accurate forecasting, better planning for subsequent business development, and achieving Online-Merge-Offline (OMO) business model.

Amid various challenges and difficulties in the retail market in the previous year, the Group continues to sustain its mission and suitably adjust strategies to overcome challenges ahead. The Group has consolidated its presence in the retail sector and actively promoted business transformation to sufficiently prepare for the ever-evolving market demand.

To maintain its long term market competitiveness and competitive edge, the Group has persisted to renovate and redecorate its physical stores to create a more grand-looking and fashion-forward shopping area. The Group has also sought to optimise product-mix, enlist new brands and strengthen crossover cooperation across different business sectors to create brand-new consumer experience and increase the popularity and sales of its stores. Meanwhile, the Group is consciously aware of the immense opportunity brought forth by online retail business, and thus, will continue to expand and optimise "New Lab", its self-operated e-commerce platform, as well as to promote the online-to-offline integrated operation to eventually attain Omni-channel retailing. In order to bring a more efficient and convenient shopping experience to its customers, the Group has also actively pressed forward with smart and digitalised transformation for its supermarkets and convenience stores through the adoption of smart equipment and systems such as newly added mobile payment methods and self-service checkout systems.

CHAIRMAN'S STATEMENT

Amid various challenges and difficulties in the retail market in the previous year, the Group continues to sustain its mission and suitably adjust strategies to overcome challenges ahead.

On the other hand, the Group has decided to undertake an overall strategic adjustment to drive a differentiated and personalised product portfolio and promote the transformation and optimisation in its supply chain. Through various initiatives, the Group seeks to build its hallmarked supermarkets and convenience stores.

Along with the expanded vaccine coverage, various economic activities begin to rebound, while social distancing measures are further relaxed. Nonetheless, there are still uncertainties such as the existence of virus variants in the overall situation. The Group maintains a cautiously optimistic view towards the retail market for the second half of 2021. Apart from strengthening the competitiveness and operating efficiency for its core businesses, the Group has also actively planned ahead for post-pandemic business development, while committed to enriching product portfolio and add-on services, speeding up the process of the merging and shared-use of its resources to strengthen business coordination and make joint efforts for boosting further development. With the increasingly robust development in e-commerce, the Group expects to see the high-speed growth of online consumption in the post-pandemic era. Hence, the Group will continue to optimise its self-operated e-commerce platform and integrate innovative solutions to refine its operating system, and eventually create a seamless retail experience for its consumers.

The Group will stay abreast of time, by following closely to the latest trend in the retail market, adopting the recent business model and technology trend, as well as actively promoting the digitalised operation. Besides applying targeted analysis to keep up with changing customer lifestyle and their expectation on shopping experience, the Group also seeks to diversify its sales channels, expand revenue-generating capacities and promote sustainable recovery and growth in its overall business.

On behalf of the board, I would like to extend my gratitude to all employees, especially for their team spirit of unity, with overwhelming dedication and professionalism in ensuring safe and smooth operation amid the pandemic. Having proudly served for more than 28 years, we remain unwavering in our commitment to shareholders, customers and employees. The Group will continue to be resolute to maintain the excellent brand image and reputation, deliver industry-leading retail experience, and safeguard sustainable business development in the long run, in return for the support and confidence from our shareholders, customers and employees.

Dr. Cheng Chi-Kong, Adrian
Chairman

Hong Kong, 29 September 2021

RETAIL NETWORK

29 Strategic Footholds

17 Major Locations

	Date of Opening	Approximate GFA (sq.m.)
Northern China Region		**737,500**
Beijing Chongwen Store	July 1998	117,200
Beijing Liying Store	September 2008	52,000
Beijing Qianzi Store	September 2010	55,600
Beijing Trendy Store	March 2007	31,200
Changsha Trendy Plaza	September 2006	35,000
Harbin Store	November 1996	50,000
Lanzhou Store	September 2005	28,500
Shenyang Jinqiao Road Trendy Plaza	May 2011	34,000
Tianjin Store	October 1997	57,000
Xi'an Trendy Plaza	December 2012	58,700
Yanjiao Store	April 2013	32,000
Yantai Store	December 2013	55,600
Zhengzhou Store	April 2011	35,500
Wuhan Jianshe Store	November 1994	42,000
Wuhan Wuchang Branch Store	October 2005	24,000
Wuhan Xudong Branch Store	January 2008	29,200
Southern China Region		**471,850**
Chengdu Store	December 2006	30,000
Chongqing Store	September 2006	42,000
Kunming Store	June 2004	12,600
Mianyang Store	December 2011	35,000
Nanjing Store	November 2007	41,200
Shanghai Baoshan Branch Store	January 2010	39,000
Shanghai Chengshan Branch Store	April 2010	38,000
Shanghai Huaihai Branch Store	December 2001	22,500
Shanghai Pujian Branch Store	September 2007	46,000
Shanghai Qibao Branch Store	December 2005	36,550
Shanghai Shaanxi Road Branch Store	November 2011	42,000
Shanghai Tianshan Road Branch Store	August 2013	43,000
Shanghai Wujiaochang Branch Store	December 2006	44,000
TOTAL GROSS FLOOR AREA		**1,209,350**


Harbin
Shenyang
Yanjiao
Beijing
Tianjin
Yantai
Lanzhou
Zhengzhou
Xi'an
Nanjing
Shanghai
Mianyang
Wuhan
Chengdu
Chongqing
Changsha
Kunming


Digitalised New World,
Shopping Anywhere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MANAGEMENT DISCUSSION AND ANALYSIS

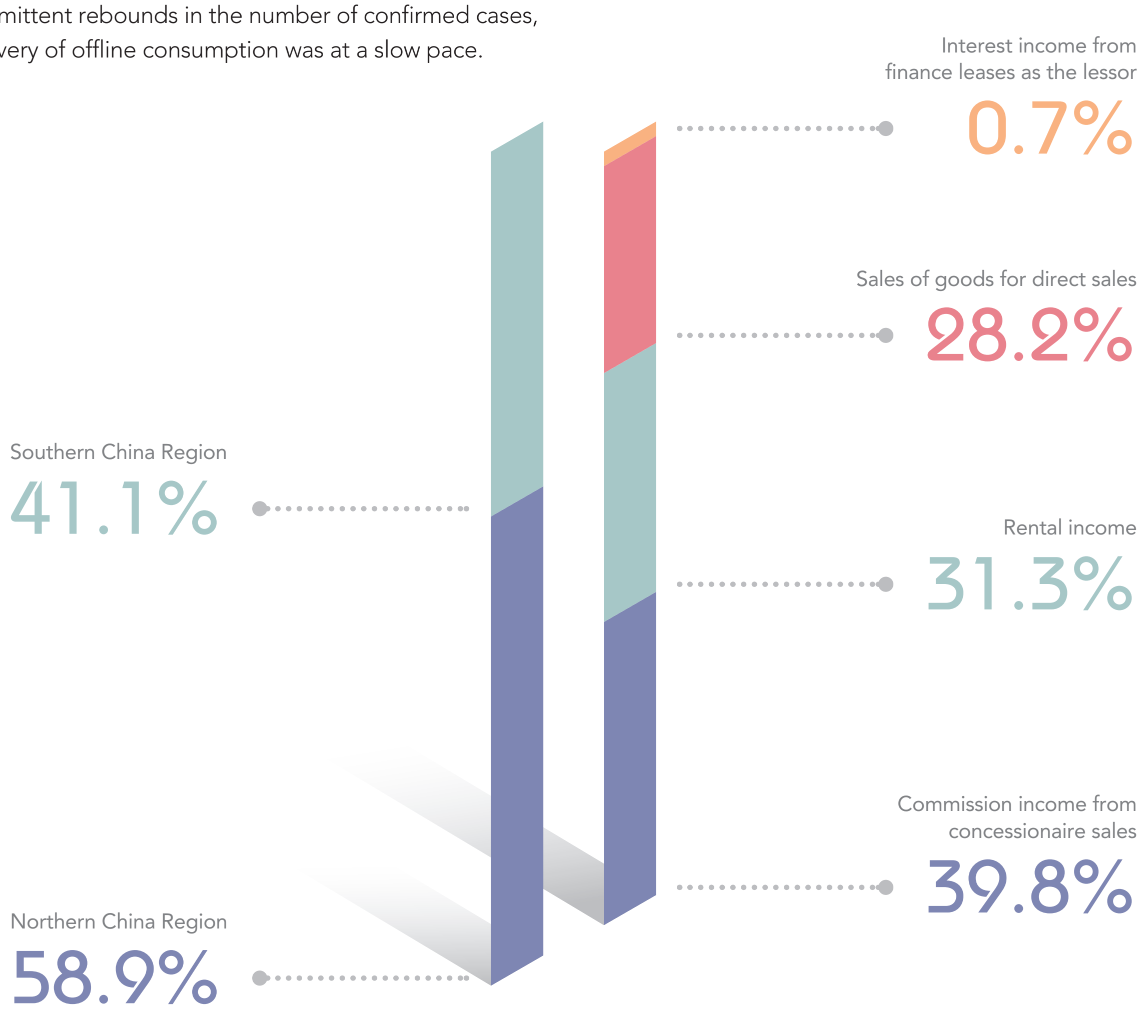
BUSINESS REVIEW

Results Summary

In 2020, the complicated and severe conditions at home and abroad, in particular the severe impact of the COVID-19 pandemic, had generated rather negative impact to the Group's business. Foot traffic and product sales to our physical stores had significantly dropped. During the year, facing the disruption caused by the COVID-19 pandemic, the Central Government effectively achieved the restoration of production and the order of everyday life by scientifically coordinating the implementation of anti-virus measures and driving socio-economic development. However, following the normalisation of pandemic control and prevention and intermittent rebounds in the number of confirmed cases, recovery of offline consumption was at a slow pace.

For the year ended 30 June 2021, the Group's revenue was HK$2,246.0 million compared with HK$2,232.7 million of the Previous Year. In terms of segment, the Group's revenue for the year was mainly derived from commission income from concessionaire sales which accounted for 39.8%. This was followed by rental income which took up 31.3%, sales of goods for direct sales which took up 28.2%, and interest income from finance leases as the lessor, which took up 0.7%.

The Group's loss for the year ended 30 June 2021 was HK$229.4 million compared with HK$483.7 million loss for the year ended 30 June 2020. Loss per share for the year was HK$0.14.



No different from other industry peers, the Group was challenged by the pandemic and its associated negative economic impact. Yet, we have been actively continuing to implement an array of measures to lower costs, optimise our store operation model and enhance operational efficiencies to ensure steady and continual business growth, including expediting the improvement of online business operation and marketing capabilities, repositioning stores and enhancing their upgrading, as well as strengthening product appeal and concessionaire sales capabilities, etc. to maintain and strengthen our core competitiveness. We have spared no effort in exploring and innovating our business model, keeping up the standards of our retail business, and actively restoring our business back to pre-pandemic level.

Business Network

The Group have rooted its department store and shopping mall businesses in Mainland China for years. As at 30 June 2021, the Group operated a total of 29 department stores and shopping malls, in two important operating regions, namely Northern China and Southern China, covering 17 key locations across the country, including Beijing, Shanghai, Chongqing, Chengdu, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Xi'an, Yantai, Shenyang, Harbin, Kunming, Lanzhou, Yanjiao, as well as Mianyang. The total gross floor area was about 1,209,350 square metres.

OPERATIONS REVIEW

While warming up was gradually taking place in the overall market economy, the retail market was still under pressure. The Group has been actively pursuing its business model reformation in view of improving efficiency, driving consumption and facilitating the digitalisation of the operation, rolling out a range of measures to increase its capacities against risks. At our department stores and shopping malls, we have strengthened the coordination of key resources and product mix, re-positioned and upgraded key brands at signature stores, to boost the brand image of our stores and diversify the customer experience. We were also taking another move in launching marketing events at key time-points, especially during traditional festivals and holidays and popular events. We have stayed close to trending topics and strived to develop various online and offline marketing and traffic-drawing campaigns.

Alongside virus prevention and operation stabilisation, the Group continued to propel its digital upgrade and reform, as well as integrate online-offline retail operations to expand its revenue-generating capabilities. During the year, the Group continued to increase the weight of online marketing and sales, and explore new marketing strategy, which included using a variety of social media platforms, such as live-streaming, short video clips, WeChat mini programs, WeChat groups, as well as our own e-commerce platform "New Lab". All these contributed to broadening our exposures to stay connected with existing and potential customers. Our collaboration with third-party logistic delivery service providers, on the other hand, has facilitated us to create seamless shopping experience across multi-touch points to drive sales performance.

MANAGEMENT DISCUSSION AND ANALYSIS

The pandemic does not only affect the Group's business, but also impose business pressure to smaller-scale tenants. During this challenging time, the Group adhered to the spirit of creating win-win collaboration and weathered the difficulties with its tenants. In addition to offering rental concessions, we also vigorously rolled out sales-oriented marketing and promotion events as our way to join hands with tenants to continuously optimise operations and improve foot traffic to our stores. Meanwhile, to improve the competitiveness of the Group's physical stores, the tenants and brand portfolio were constantly refined, both trendy brands and brands of novel categories were incorporated. Food and beverage and other experiential consumption items have continued to restore. In our offline stores, numerous trending brands, such as popular brands of teenagers, were introduced to our stores and malls to expand the customer base and attract young consumers to stay, entertain and shop in our stores and malls.

Department Store and Shopping Mall Business

The Group's physical stores are situated in widely popular shopping areas and vibrant commercial districts with dense traffic, drawing both local customers and visitors. As at 30 June 2021, the Group owned 29 department stores and shopping malls in Mainland China. In addition to a line-up of renowned and popular brands, the Group has been identifying energetic and young brands and new lifestyle labels to enrich and diversify our tenant mix. During the year, ladieswear, sportswear and accessories, as well as cosmetics remained the product categories that still accounted for a high proportion of sales. Amongst them, the cosmetics category managed to sustain a certain growth trend in the volatile market environment. The Group will continue to strengthen its cooperation with international cosmetic brands and explore collaboration with emerging multi-brand beauty collection retailers. During the pandemic, with the opening of 2020 Tokyo Olympics and the growing public interest in general fitness, sportswear and accessories recorded a strong sales. Next year's Beijing Winter Olympics is expected to further drive the sales of the sport apparel.

In the post-pandemic era, we are keeping a close eye on the market environment and changes in consumers' shopping habits. We are actively driving brand repositioning and upgrading in our physical stores, vigorously introducing renowned brands from all over the world to open their first China branch at our stores. Combining new store image designs and being more selective in our tenant portfolio, stores located in specific cities were assigned with dedicated theme to create brand new shopping experience for customers.

During the year, the gradual normalisation and fluctuation of the COVID situation have expedited the emergence and development of the "stay-at-home economy". Consumers' shopping habits slowly shifted to the contactless and portable shopping model. Alongside our unending pragmatic approach to enhance the operation capabilities of physical stores, the Group has also actively driven digital reform. The development of our private online shopping platform "New Lab", for example, was based on our physical stores, extending our operational strengths to online business. We did more than enhancing our online merchandise mix. By collaborating with third-party logistics delivery service providers, the from-shop-to-home delivery model was actualised. At present, the diversified categories on the "New Lab" platform cover cosmetics and skincare, jewellery and accessories, footwear, small home appliances, household, children's clothing as well as luggage goods, etc. The platform also features new merchandises launching, members' benefits, parking fee payment, loyalty points redemption, shopping mall guide alerts and other functions.

In 2021, the "New Lab" online platform targeted to address female customers' demands with international cosmetics as its core, and connect with other dominant categories, such as ladies' shoes, sports, supermarket, etc. to bring momentum to the business growth of the online platform.

TRANSFORMING AND UPGRADING PHYSICAL STORES, CONTINUALLY OPTIMISING OPERATION MODEL

Renovating Shanghai Huaihai Branch Store

Shanghai Huaihai Branch Store is strategically situated in the Shanghai prime commercial heart - Huaihai Road. Combining Shanghai-style architecture design, the façade was given a makeover to reposition the store as a new and young hangout landmark. It is not only "chic, pretty bourgeoise and trendy", but also where "culture, sophistication, and refined lifestyle" can be discovered under one roof. With the new image, Huaihai Branch Store would explore the routine of the transformation from a department store to an exquisite shopping mall.

In April, the famous American chain "FIVE GUYS" opened its first store in Mainland China at the Huaihai Branch Store, the new tenants enriched the brand mix of the shopping mall, the optimised outcome of Phase 1 of the mall has been perfectly unveiled in September. Multi-brand flagship stores, first-stores in Shanghai, multi-label fashion stores, as well as beauty and body-shaping salons, which are favoured by modern women, will also be launched upon completion of the shopping mall makeover.

The renewed Shenyang Jinqiao Road Trendy Plaza

Branches of 25 brands completed upgraded and reformed works, of which 11 brands opened their first stores. The renovated store is characterised by multifunctional experience and new thematic zones that integrate leisure, photo spots, trendy attractions, and interactivity. The store was relaunched as "a trend-setting venue for the chicest and hippest."

The upgraded Beijing Chongwen Store

National-style Cosplay Event

With trendiness, social, everyday convenience as the main business axis, the core target customer group of Beijing Chongwen Store is the generation born after the 1990s. As a multi-category cultural-themed space, the store houses internationally sourced fine goods, skincare products, trendy ladieswear and sportswear, boutique supermarkets, leisure bookstore, lifestyle and global food and beverage establishments.

The upgraded Beijing Trendy Store

Phase 1 of business reform of Beijing Trendy Store was completed in 2021. The store puts young customers and white-collar workers as the core consumer group. The store repositioned as a quasi-shopping mall with social and entertainment, business amenities and integrated services. Brand new food and beverage options were introduced. Other new entertainment and leisure additions include GSTEPS street dance club, billiard club, fitness, etc. The store will continue with its deepened optimisation and transformation to respond to the lifestyle of young consumers.

The upgraded Wuhan Jianshe Store

The high-end fitness club "California Fitness" was newly introduced at Wuhan Jianshe Store, in which the temperature-controlled infinity pool with a Star Wars theme has become a trending spot for fitness lovers.

The upgraded Wuhan Xudong Branch Store

Riding on the newly introduced primary brand, which is the core of this upgrade, a theme of "Fresh" was developed to form a multi-dimensional family-friendly service centre for the community. Food and beverage amenities, lifestyle and household goods were also covered.

The refreshed and upgraded Lanzhou Store

The store image was upgraded. In particular, the shoes zone now features popular brands – all of which are showcasing their line-up of the latest products in a renewed glittering image.

To adapt the consumption demand of Generation Z youths, well-known cosmetic brands were introduced in Lanzhou Store to open their first stores.

The newly upgraded Mianyang Store

Cosmetic brands were upgraded and adjusted. A number of labels staged their first stores in the Mianyang market with their latest image. In the ladieswear and women's shoes zones, the store unveiled a new visual design and a new image to create a new consumer experience.

Business reform and upgrading at Chongqing Store

Two business reforms and upgrades were carried out during the year. Forty-eight new brands were introduced, including exclusive brands for image upgrading. The impact of the ladieswear market was strengthened, and the store's image as "the go-to place for ladieswear" will continue to root in the public's mind.

We have continually driven the integration of online and offline marketing campaigns, and unleashed the potentials of branded goods. Trending talk-of-the-market and popular events were organised to attract customers' attention. Cross-industry collaboration, in-store promotion, mini programs, official accounts, WeChat Moments, live-streaming, short video clips and other channels were employed to draw traffic to the online platform from different directions. Shopping incentives were flexibly applied, including discounts for designated spending, pre-sale campaigns, group orders, flash sales, discount coupons, etc, and integrated with high-quality and convenient services contents to achieve multi-channel, low-cost, and precision marketing, to actively convert traffic into sales.

During the year, we continued to uphold our management philosophy of serving customers as the core. We boosted our members' privileges and the loyalty points system to strengthen the efficiency of member services and experiences. Members' privileges were refined and optimized; continuous promotional events, loyalty points redemption, members-exclusive salons and other activities were regularly held. Combining "New Lab" with the customer information service platform and everyday events, our interaction with members became more close-knitted, which in turn improved current members' activity and drew the interest of new customers to join the club. Cross-industry and cross-sector collaborations were run to enrich the privileges and experiences of our members. As at 30 June 2021, the official Weibo and WeChat accounts of the Group and its stores accumulated over 4.33 million fans; the total number of VIP members of all stores exceeded 6.41 million. Continuous and timely update of online marketing tools and innovation in the physical experience in offline marketing events will enable us to provide more all-encompassing and more targeted value-added services and experiences to our members.

Private Label Business

As at 30 June 2021, the Group operated four "New World Supermarkets" and two boutiques "N+ Convenience Stores". The supermarkets were located in four cities, namely Beijing, Wuhan, Yantai and Lanzhou, while the convenience stores were concentrated in Beijing area to work as an extension and an interactive link to the Group's department store and supermarket business. During the pandemic, our supermarkets and convenience stores took the initiative to align their operation with the government's pandemic prevention policies. They performed their best to stand strong at the forefront of virus control and ensured the supply of daily necessities and sanitary products to fight against the COVID-19 virus.

MANAGEMENT DISCUSSION AND ANALYSIS

During the post-pandemic period, the Group will continue to implement virus control and preventive measures, forge deeper cooperation with suppliers, and speed up the optimisation and renewal of supermarket and convenience store merchandises and customer experience. During the year, the remodelling and facilities renewal project of the supermarket located at Beijing Chongwen Store, was completed in July 2021. In addition to visual design in line with young people's aesthetic and optimisation of product display, we have increase the uniqueness and personalisation of the product offerings. Beyond that, an array of thematic marketing and sales activities targeted for members were organised; different mobile payment methods were newly introduced, linking up "New Lab" and third-party collaborating platforms, hence the customer-drawing ability and the customer experience were both enhanced. The N+ convenience stores replaced semi-finished products with on-site preparation to offer freshly made delicacies. The N+ convenience stores become a favourite of young consumers through regular communication, offering delicacies produced with constant adjustment and development to adapt to consumers' preference, as well as active introduction of an zone for trendy items. As the sustainable growth of online sales, the Group will also continuously implement digital upgrading at our supermarkets and convenience stores, as well as step up our investment into our online business operation. Logistics and overall workflows will be optimised to improve the complementing advantages from our department store and supermarket retail business.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's private concept shop, LOL (Love • Original • Life) ("LOL") has been operating for eight years. As at 30 June 2021, the Group operated nine LOL stores in China, mainly located in Shanghai and Beijing. In line with the ever-changing market demand, we have also actively adjusted the brand positioning and marketing strategies. During the year, the Group placed its focus on improving LOL's merchandising and operation.

The development and investment on seasonal direct sales merchandises were strengthened. The merchandising and operational preparation for festive gift plans formed a major focus and sales were satisfactory. In terms of merchandising, LOL black label stores worked mostly on cementing the demand from their existing customer segment, enhancing the personalised properties of the product offerings, and ensuring the quality and refreshing rate of its medium-to-high price-point goods to increase their interests in repeat patronage. For LOL gold label stores, merchandising focused on young customers, who are more target on products with better functionality and value-for-money. Ladies' accessories were upscaled and men's accessories were added to expand the customer segment.

In terms of operation, promotion activities via mini programmes were rolled out through our WeChat official accounts. Focus was put on developing trending popular merchandises that to drive sales in our online and offline stores with highly popular items. On the other hand, incentives for online sales targets were set up, such that employees were encouraged to actively promote our WeChat mini programs, and as a result the overall hit rate of our mini programs increased steadily. Complementing live-streaming events also helped to improve online sales effectively.

OUTLOOK

Looking ahead, the retail market is expected to gradually warm up in 2022 facing normalisation of COVID-19 prevention and control work and full resumption of usual operation and production. The Group remains generally positive amidst the retail market of Mainland China. We will closely monitor and actively respond to both internal and external changes in economic condition and business environment. We will continue to optimise our operation model for physical stores, take forward the reform towards a comprehensive shopping centre and enhance our brand image. Multi-category development in physical stores will also be strengthened, and online-offline integrated operation will be deepened to meet the changing needs and preference of customers. Our competitive edge will be lifted in all directions through the "merchandises + services + experiences" approach.

Changes in consumers' shopping categories and behavior are taking place because of the pandemic. For example, contactless online consumption has filled the gap in the traditional offline consumption model, and at the same time, brought new opportunities to the market. The Group will continue to accelerate the expansion of its online business, unremittingly improve the operation capabilities of its online business, actively explore novel marketing models, and adopt precise marketing campaigns to capture new customers through live-streaming, short video clips and other emerging media channels. All these initiatives will help to achieve low-cost and wide-reaching marketing which could maximise marketing outcomes. Meanwhile, the Group has been closely monitoring the technological advancements in the retail industry. We are highly sensitive to emerging technologies, channels and models. We will continually work hard to improve the user experience and interactivity innovation of our platforms such that the process of digitisation and entertainment of our operation can be accelerated. Riding on various marketing campaigns, we will build up our private domain traffic and continue to optimise our membership system.

Going forward, the Group will delve even deeper into our department store and shopping mall business and simultaneously, take the initiative to consolidate the resources and layout of our supermarket and convenience store business clusters, so as to maximise the synergy and complementing strengths of the Group's businesses. We will continue to stay prudent and pragmatic, innovate to improve efficiency, and actively and effectively conduct strategic transformation to propel the long-term sustainable growth of the Group.

FINANCIAL REVIEW

Revenue and Other Income

Revenue of the Group was HK$2,246.0 million in FY2021 (or the "Current Year") (FY2020 (or the "Previous Year"): HK$2,232.7 million). In RMB terms, revenue of the Group was RMB1,920.3 million in FY2021 (FY2020: RMB2,009.4 million). The drop was primarily due to the continuous impact of the COVID-19 outbreak in Mainland China and the operation of retail business in some regions has been adversely affected and are under greater operational pressure.

Gross sales revenue of the Group, comprising gross revenue from concessionaire sales and sales of goods for direct sales, rental income, interest income from finance leases as the lessor and other income, was HK$7,472.7 million in FY2021 (FY2020: HK$7,101.2 million).

The Group's merchandise gross margin was 13.9% in the Current Year (FY2020: 14.9%). In FY2021, ladieswear, menswear and accessories made up approximately 38.3% of gross revenue from concessionaire sales and sales of goods for direct sales. Gold, jewellery and watch made up approximately 30.3%, sportswear made up approximately 11.6%, cosmetic products made up approximately 10.6%, and kidswear, foodstuffs, electrical appliances, and housewares largely made up the rest. Direct sales revenue in the Current Year mainly comprised sales of cosmetic products (approximately 76.2%), supermarkets and convenience stores (approximately 22.3%), life concept shops, ladieswear, menswear and accessories as well as miscellaneous items (approximately 1.5%).

Rental income decreased by 3.4% to HK$703.4 million in FY2021 from HK$727.8 million in FY2020, mainly due to the continuous impact of the COVID-19 outbreak in Mainland China and the closure of Hong Kong New World Department Store – Shanghai Hongkou Branch Store and Wuhan New World Trendy Plaza in April 2020 and July 2020 respectively.

Interest income from finance leases as the lessor was HK$16.0 million in FY2021 compared with HK$12.5 million in FY2020.

Other income of the Group was HK$67.5 million in FY2021 compared with HK$93.5 million in FY2020. The decrease in other income was primarily due to a decrease in government grants of HK$11.9 million in the Current Year and a decrease in income from suppliers of HK$12.8 million mainly due to the inclusion of the write-back of long term payables of HK$12.0 million in FY2020.

Other Losses, Net

Net other losses of the Group in the Current Year was HK$349.2 million which was primarily resulted from HK$232.7 million of impairment loss on goodwill and HK$176.6 million of impairment loss on property, plant and equipment and right-of-use assets for mainly eight department stores in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof, and HK$6.9 million of net loss on derecognition of finance lease receivables. The losses were partially offset by HK$36.7 million of net gain on disposal of property, plant and equipment and derecognition of right-of-use assets and HK$31.8 million of the rent concessions granted from certain landlords as a result of the COVID-19 pandemic.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Year was HK$6.5 million which was a net loss mainly related to the decrease in the fair value of the properties in Wuhan City, Tianjin City, Shanghai City and Shenyang City, partially offset by the increase in the fair value of a property in Zhengzhou City.

Purchases of and Changes in Inventories, Net

The purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It increased to HK$583.9 million in FY2021 from HK$547.0 million in FY2020.

Purchases of Promotion Items

The purchases of promotion items represented the costs of promotion items transferred to the customers of concessionaire sales and direct sales upon their consumption in department stores or redemption of reward points granted under customer loyalty programme. The purchases of promotion items was HK$12.2 million in FY2021 compared with HK$11.5 million in FY2020.

Employee Benefit Expense

Employee benefit expense increased to HK$458.1 million in FY2021 from HK$450.3 million in FY2020. In RMB terms, employee benefit expense decreased from RMB405.3 million in FY2020 to RMB391.7 million in FY2021, primarily due to the continuous efforts by management to carry out cost control measures as well as the Group's effort in optimisation of human resources to lower the staff costs, and the closure of two department stores in FY2020 and FY2021 respectively.

Depreciation

Depreciation expense decreased to HK$583.6 million in FY2021 from HK$601.6 million in FY2020, primarily due to no depreciation charged in the Current Year for property, plant and equipment of two department stores closed in FY2020 and FY2021 respectively and some stores with assets that have been fully depreciated or impaired.

Rental Expense

Rental expense increased from HK$118.3 million in FY2020 to HK$124.4 million in FY2021. In RMB terms, rental expense was RMB106.3 million in FY2021 compared with RMB106.5 million in FY2020.

Other Operating Expenses, Net

Net other operating expenses decreased to HK$106.1 million in FY2021 from HK$287.1 million in FY2020. The decrease was primarily resulted from the increase of HK$122.0 million of net exchange gains mainly arising from the changes on Hong Kong dollar against Renminbi during FY2021, the reversal of loss allowance of receivables of HK$16.3 million in the Current Year, the inclusion of compensation to the affected parties related to the early closed department stores of HK$52.4 million in FY2020, a decrease in other operating expenses of HK$3.4 million due to the costs control and the closure of two department stores in FY2020 and FY2021 respectively.

Operating Profit/(Loss)

Operating profit was HK$89.5 million in FY2021, as compared to operating loss of HK$198.0 million in FY2020.

Finance Costs, Net

Net finance costs was HK$192.5 million in FY2021 compared with HK$206.4 million in FY2020. The decrease was mainly due to the drop in Hong Kong Interbank Offered Rate has reduced the average borrowing costs.

Income Tax Expense

Income tax expense of the Group was HK$126.2 million in FY2021 compared with HK$79.0 million in FY2020.

Loss for the year

As a result of the reasons mentioned above, loss for the year was HK$229.4 million compared with HK$483.7 million in the Previous Year.

Liquidity and Financial Resources

Fixed deposits with original maturity over three months and cash and bank balances of the Group amounted to HK$1,569.4 million as at 30 June 2021 (30 June 2020: HK$1,514.1 million).

The Group's borrowings as at 30 June 2021 were HK$1,412.3 million (30 June 2020: HK$1,486.2 million).

As at 30 June 2021, the Group was in net cash position of HK$157.1 million (30 June 2020: HK$27.9 million).

At 30 June 2021, the Group's current liabilities exceeded its current assets by HK$2,367.8 million (30 June 2020: HK$2,347.8 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 30 June 2021 were HK$44.3 million which were contracted but not provided for in the consolidated statement of financial position.

Pledge of Assets

As at 30 June 2021, the Group did not have any pledge of assets (30 June 2020: Nil).

Treasury Policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar against Renminbi. 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 2021.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DIRECTORS' PROFILE

Non-executive Director and Chairman

DR. CHENG CHI-KONG, ADRIAN *JP*

Aged 41

was appointed as an executive Director in June 2007, and has been appointed as the Chairman and re-designated as a non-executive Director in May 2021. He is also a member of the Remuneration Committee. Dr. Cheng joined the Group in 2007 and is responsible for overseeing the corporate affairs of the Group. He is an Executive Vice-chairman and Chief Executive Officer of New World Development Company Limited, which is a substantial shareholder of the Company, an executive director of NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited and a non-executive director of each of Giordano International Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong. Dr. Cheng is a director and executive chairman of New World China Land Limited and the chairman of New World Group Charity Foundation Limited. He is also a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both of which are substantial shareholders of the Company. He was a non-executive director of i-CABLE Communications Limited up to his resignation on 2 July 2019.

Dr. Cheng is a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference of the People's Republic of China, the chairman of China Young Leaders Foundation, the honorary chairman of K11 Art Foundation and the vice chairman and group chief executive officer of CTF Education Group. He was the vice-chairman of the 11th and 12th committee of the All-China Youth Federation. He was acknowledged by Fortune as one of "40 Under 40" global business stars and a "Young Global Leader" by the World Economic Forum in 2012. Dr. Cheng is a Justice of Peace appointed by the Government of the Hong Kong Special Administrative Region since 2016 and was made an Officier in the Ordre des Arts et des Lettres by the French Government in 2017. Dr. Cheng holds a Bachelor of Arts Degree (*Cum Laude*) from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design in 2014. He worked in a major international bank prior to joining New World Development Company Limited in 2006 and has substantial experience in corporate finance.

Non-executive Director

MS. CHIU WAI-HAN, JENNY

Aged 50

has been a non-executive Director since May 2021. Ms. Chiu was appointed as an executive director of New World Development Company Limited ("NWD" and together with its subsidiaries, including the Company, the "NWD Group") in May 2020. She joined the NWD Group in 2004 and is currently the Senior Director – Human Resources of NWD. Ms. Chiu is responsible for planning and driving full spectrum of strategic human resources direction, including talent acquisition, talent development and management, reward management and human resources partnering services. Prior to joining the NWD Group, she had taken up managerial role in renowned corporations in information and communications technology services and property development industries. Ms. Chiu graduated from The Chinese University of Hong Kong. She is an Associate Member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Ms. Chiu possesses over 20 years of experience in human resources and corporate management.

Executive Director and
Joint Chief Executive Officer

MR. CHEUNG FAI-YET, PHILIP

Aged 66

was appointed as an executive Director in June 2007 and became a non-executive Director in February 2018. Mr. Cheung has been re-designated as an executive Director since August 2018. He was the managing director of the Company until his resignation from such office on 17 March 2017 and has been appointed as the Chief Executive Officer in August 2019 and re-designated as the Joint Chief Executive Officer in May 2021. Mr. Cheung is the chairman of the Executive Committee and a member of the Remuneration Committee and Nomination Committee. He is also a director of a number of subsidiaries of the Company. Mr. Cheung joined the Group in 1993 and has been responsible for the overall management of the Group. He has over 40 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 working 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, as well as being a general manager in a large pharmaceutical retail company in Taiwan.

Executive Director and
Joint Chief Executive Officer

MS. XIE HUI-FANG, MANDY

Aged 45

has been an Executive Director and the Joint Chief Executive Officer since May 2021. Ms. Xie joined the Company in 2001 and was appointed as a member of the Executive Committee in 2019, and is responsible for monitoring and supervising the legal affairs, contractual management, human resources strategy and development, staff training and administrative management of the Company. In addition, Ms. Xie is also in charge of coordinating with the Chief Executive Officer on matters relating to the overall management of the Company, promoting the business development and implementing the operational strategy of the Company. Ms. Xie is also a director and/or legal representative of a number of subsidiaries of the Company. Ms. Xie graduated from East China University of Political Science and Law, and has over 20 years of managerial experience at large-scale corporate chain stores. She has extensive experience in the management of legal affairs, structuring of corporate risk management system, corporate governance, project management and planning. She is also experienced in areas such as formulating human resources strategy, planning staff development and training, as well as corporate administrative management.

Independent non-executive Director

MR. CHEONG YING-CHEW, HENRY

Aged 73

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 40 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. 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 CK Infrastructure Holdings Limited, CK Asset Holdings Limited and Skyworth Group Limited. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed on the Stock Exchange of Thailand. He was an independent non-executive director of each of CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited and TOM Group Limited, all being listed public companies in Hong Kong.

Independent non-executive Director

MR. CHAN YIU-TONG, IVAN

Aged 67

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, specialising in mergers and acquisitions in the PRC. Mr. Chan graduated from the London School of Economics with a Bachelor of Science Degree in Economics.

Independent non-executive Director

MR. TONG HANG-CHAN, PETER

Aged 76

has been an independent non-executive Director since June 2007. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Tong is currently the managing director of Global Corporate Services Limited and an independent non-executive director of World Link CPA Limited. He has more than 50 years of management experience with leading international retail chains and high-tech companies in Hong Kong and South East Asia, specialising 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, 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, a member of Scout Council and Executive Committee of Scout Association of Hong Kong.

Independent non-executive Director

MR. YU CHUN-FAI

Aged 59

has been an independent non-executive Director since June 2007. He is also the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. He has over 30 years of experience in the financial industry. Mr. Yu is the founder, and was the chairman, chief executive officer and an executive director of Oriental Payment Group Holdings Limited until his retirement on 30 July 2019. Mr. Yu was also an independent non-executive director of Power Financial Group Limited. He is the founder, and was the chairman and an executive director of China Smartpay Group Holdings Limited (formerly known as "Oriental City Group Holdings Limited"), all companies are being listed on The Stock Exchange of Hong Kong Limited. 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 the "Board") of New World Department Store China Limited (the "Company"), together with its subsidiaries (the "Group"), recognises the importance of corporate governance practices to a listed company. The Company is committed to ensuring high standards of corporate governance in the interest of the shareholders (the "Shareholders") and stakeholders of the Company.

The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). During the year ended 30 June 2021, the Company has applied and complied with all the applicable code provisions set out in the Code except for the deviation from code provision E.1.2.

Code provision E.1.2 provides, among other things, that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-shun, Henry, the former chairman of the Board and non-executive Director, was unable to attend the annual general meeting of the Company held on 25 November 2020 (the "AGM") due to his other engagement. Mr. Cheung Fai-yet, Philip, an executive Director and the chief executive officer of the Company at the time being, who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

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 2021.

EMPLOYEES' SECURITIES TRANSACTIONS

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

The Company has established written guidelines for employees as required under the Code provision A.6.4. No incident of non-compliance with the written guidelines by such employees was noted by the Company during the year ended 30 June 2021.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises two non-executive Directors, two executive Directors and four independent non-executive Directors. Their names and biographical details are set out in the section headed "Directors' profile" on pages 30 to 33 of this annual report. Save as disclosed therein, there is no other relationship (whether financial, business, family or other materials/relevant relationships) among members of the Board.

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

The Board will have at least four regular 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. During the year ended 30 June 2021, the Company held five regular meetings of the Board and the independent non-executive Directors had a meeting with the chairman of the Board (the "Chairman") once without the presence of other Directors.

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

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

Name	Number of meetings attended/held: Board Meetings	Number of meetings attended/held: Annual General Meeting
Non-executive Directors		
Dr. Cheng Kar-shun, Henry[1] *(Chairman)*	0/3	0/1
Dr. Cheng Chi-kong, Adrian[2] *(Chairman)*	5/5	1/1
Ms. Chiu Wai-han, Jenny[3]	2/2	0/0
Executive Directors		
Mr. Cheung Fai-yet, Philip[4] *(Joint Chief Executive Officer)*	5/5	1/1
Ms. Xie Hui-fang, Mandy[5] *(Joint Chief Executive Officer)*	2/2	0/0
Independent non-executive Directors		
Mr. Cheong Ying-chew, Henry	5/5	1/1
Mr. Chan Yiu-tong, Ivan	5/5	0/1
Mr. Tong Hang-chan, Peter	5/5	1/1
Mr. Yu Chun-fai	5/5	0/1

Notes:

(1) Dr. Cheng Kar-shun, Henry resigned as a non-executive Director and the Chairman on 13 May 2021.

(2) Dr. Cheng Chi-kong, Adrian was re-designated as a non-executive Director and appointed as the Chairman on 13 May 2021.

(3) Ms. Chiu Wai-han, Jenny was appointed as a non-executive Director on 13 May 2021.

(4) Mr. Cheung Fai-yet, Philip was re-designated as the Joint Chief Executive Officer on 13 May 2021.

(5) Ms. Xie Hui-fang, Mandy was appointed as an executive Director and Joint Chief Executive Officer on 13 May 2021.

The roles of the Chairman and Chief Executive Officer

Following with the resignation of Dr. Cheng Kar-shun, Henry as the Chairman on 13 May 2021, Dr. Cheng Chi-kong, Adrian, who had been appointed as the Chairman on the same day, 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. Mr. Cheung Fai-yet, Philip, had been re-designated as the joint chief executive officer of the Company (the "Joint Chief Executive Officer), and Ms. Xie Hui-fang, Mandy had also been appointed as the Joint Chief Executive Officer on 13 May 2021, are jointly 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 and internal control of the Group. The non-executive Directors have been appointed for a specific term of services and are subject to retirement by rotation and re-election, if eligible, in accordance with the Articles.

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

Executive Committee

The Executive Committee serves as an executive arm of the Board with authority and responsibility for delegating certain operating functions to the management to handle the day-to-day businesses of the Company, while reserving certain key matters including the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee comprises Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy. Mr. Cheung Fai-yet, Philip is the chairman of the Executive Committee. The Executive Committee meets as when necessary.

Audit Committee

The Company has established the audit committee of the Board (the "Audit Committee") with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises the 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, risk management and internal control systems. 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 twice 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 consolidated financial statements for the year ended 30 June 2020 and the unaudited interim financial information for the six months ended 31 December 2020 as well as risk management and internal control systems 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 consolidated financial statements for the year ended 30 June 2021 and internal audit report, including the effectiveness of the risk management and internal control systems, with recommendations to the Board for approval. The Audit Committee met two times during the year ended 30 June 2021.

The internal audit department of the Group (the "Internal Audit Department") has conducted audits of the Company and its subsidiaries. The Internal Audit 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 Internal Audit Department will ensure the risk management and internal controls, including the process used to resolve material internal control defects for any significant problems, are carried out appropriately and functioning as intended. The Internal Audit Department shall report its findings and make recommendations to improve and to plan the risk management and internal control of the Group. The Company has written policy and manual for the handling and dissemination of inside information.

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

Name	**Number of meetings of the Audit Committee attended/held**
Mr. Chan Yiu-tong, Ivan	2/2
Mr. Cheong Ying-chew, Henry	2/2
Mr. Tong Hang-chan, Peter	2/2
Mr. Yu Chun-fai	2/2

Remuneration Committee

The Company has established the remuneration committee of the Board (the "Remuneration Committee") with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises Mr. Tong Hang-chan, Peter, Dr. Cheng Chi-kong, Adrian, 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.

During the year ended 30 June 2021, the Remuneration Committee met two times to review the remuneration policy for Directors and the Group, assessing performance of executive Directors and approving terms of executive Directors' service contracts. The Remuneration Committee is to determine, with delegated responsibility, and to make recommendations on the remuneration packages of individual executive Directors and the management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also to make recommendations to the Board on the remuneration of non-executive Directors and to ensure that no Directors or any of their associates are involved in deciding their own remuneration.

Details of the amount of emoluments of Directors by band for the year ended 30 June 2021 are set out in note 11 to the consolidated financial statements.

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

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

Nomination Committee

The Company has established the nomination committee of the Board (the "Nomination Committee") on 1 April 2012 with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board, the Nomination Committee comprises Mr. Yu Chun-fai, Mr. Cheung Fai-yet, Philip and Mr. Tong Hang-chan, Peter. Mr. Yu Chun-fai is the chairman of the Nomination Committee. The Nomination Committee meeting will be held at least once a year. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board, and assessing the independence of the independent non-executive Directors. The Nomination Committee is also to determine the policy and to adopt the nomination procedures and the process and criteria, such as experience and independence, to select and recommend candidates for directorship. During the year ended 30 June 2021, the Nomination Committee met once. Taking into account of the Company's own operation model and specific needs, the members of the Nomination Committee considered that the experience and diversity of perspectives of the Board appropriate to the requirements of the Company's business.

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

Name	Number of meeting of the Nomination Committee attended/held
Mr. Yu Chun-fai	1/1
Dr. Cheng Chi-kong, Adrian(1)	0/0
Mr. Cheung Fai-yet, Philip(2)	1/1
Mr. Tong Hang-chan, Peter	1/1

Notes:

(1) Dr. Cheng Chi-kong, Adrian ceased to be a member of the Nomination Committee with effect from 13 May 2021.

(2) Mr. Cheung Fai-yet, Philip was appointed as a member of the Nomination Committee with effect from 13 May 2021.

Nomination Policy

The Board adopted a nomination policy with effect from 1 January 2019.

The nomination policy sets out the criteria and procedures to be adopted when considering candidates to be appointed or re-elected as Directors. It provides guidance to the Nomination Committee and the Board on nomination of Board members so as to ensure the appointment to the Board of a candidate who will be beneficial to the balance of skills, experience and diversity of perspectives suitable to the business requirements of the Company.

Nomination Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorship:

(1) Board diversity policy (the "Policy") and any measurable objectives adopted for achieving diversity on the Board including gender, age, skills, knowledge, experience, expertise, professional and educational qualifications, background;

(2) Reputation for integrity;

(3) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(4) Willingness to devote adequate time to discharge duties as a member of the Board;

(5) Requirement for the Board to have independent directors in accordance with the Listing Rules applicable to the Company and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(6) Potential conflicts of interest with the Company; and

(7) Such other perspectives appropriate to the Company's business or as suggested by the Board.

Nomination Process

(1) When it is necessary to fill a causal vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates pursuant to the criteria set out above;

(2) When it is necessary to re-appoint an existing director, the Nomination Committee reviews overall contribution and service of the retiring director to the Company and determine whether the retiring director continues to meet the criteria as set out above;

(3) The Nomination Committee shall hold a physical meeting instead of deciding by written resolution to consider the matter unless it is impractical to hold a physical meeting;

(4) The Nomination Committee makes recommendation to the Board; and

(5) The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

Nomination by shareholders

(1) The Shareholders may also propose a person for election as a director, details of which are set out in the "Procedures for shareholders to propose a person for election as director of the Company" of the Company; and

(2) The Nomination Committee shall evaluate such candidate based on the criteria as set out in section headed "Nomination Criteria" above to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

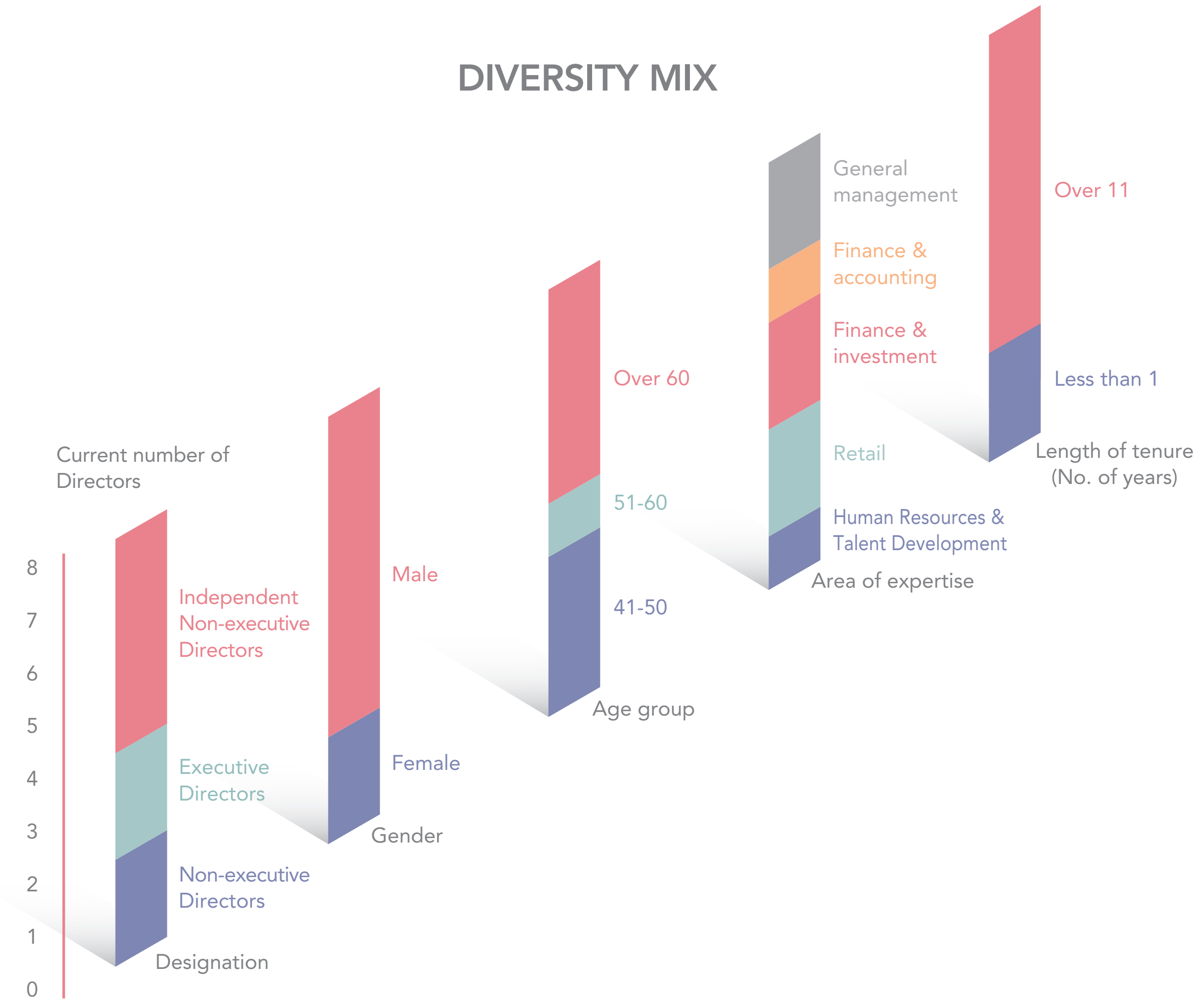
Review of the Policy

The Nomination Committee and/or the Board will review the Policy, as appropriate to ensure the effectiveness of the Policy.

Board Diversity Policy

The Company has adopted the Policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service and by taking account of the Company's own business model and specific needs.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Policy from time to time to ensure its continued effectiveness.



Corporate Governance Functions

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

Directors' Training

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

Name	Training records received by the Company
Non-executive Directors	
Dr. Cheng Kar-shun, Henry[(1)] *(Chairman)*	✓
Dr. Cheng Chi-kong, Adrian[(2)] *(Chairman)*	✓
Ms. Chiu Wai-han, Jenny[(3)]	✓
Executive Directors	
Mr. Cheung Fai-yet, Philip[(4)] *(Joint Chief Executive Officer)*	✓
Ms. Xie Hui-fang, Mandy[(5)] *(Joint Chief Executive Officer)*	✓
Independent non-executive Directors	
Mr. Cheong Ying-chew, Henry	✓
Mr. Chan Yiu-tong, Ivan	✓
Mr. Tong Hang-chan, Peter	✓
Mr. Yu Chun-fai	✓

Notes:

(1) Dr. Cheng Kar-shun, Henry resigned as a non-executive Director and the Chairman on 13 May 2021.

(2) Dr. Cheng Chi-kong, Adrian was re-designated as a non-executive Director and appointed as the Chairman on 13 May 2021.

(3) Ms. Chiu Wai-han, Jenny was appointed as a non-executive Director on 13 May 2021.

(4) Mr. Cheung Fai-yet, Philip was re-designated as the Joint Chief Executive Officer on 13 May 2021.

(5) Ms. Xie Hui-fang, Mandy was appointed as an executive Director and Joint Chief Executive Officer on 13 May 2021.

Remuneration of Directors

The remuneration of the Directors is determined with reference to the performance and responsibilities of individuals, performance of the Group and prevailing market conditions. By providing remuneration at competitive industry levels, the Company seeks to attract, motivate and retain key executives essential to its future development and growth. In addition, all Directors are covered by appropriate insurance on Directors' liabilities from their risk exposure arising from the management of the Group.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

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

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 64 to 72 of this annual report.

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The Group's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures.

The Group has a designated internal control team which is responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Audit Committee of any findings and follow-up actions. Each department of the Group is also required to adhere strictly to the Group's internal control procedures/policies and report to the risk management and internal control team of any risks or internal control issues. The internal audit function also reviews the Company's management's action plans in relation to audit findings and the adequacy and effectiveness of the mitigating controls before formally closing the issues. The Audit Committee also reviews the Company's financial controls, risk management and internal control systems/policies on a regular basis.

During the year ended 30 June 2021, the Audit Committee conducted reviews of the effectiveness of the risk management and internal control system/policies of the Group. The reviews had covered various aspects of the Group's risk management and internal control system/policies. The reviews results were reported to the Audit Committee. The Audit Committee is satisfied that such systems/policies are effective and adequate. The systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material loss.

The Board has conducted half-yearly reviews on the effectiveness of the Group's risk management and internal control systems for the year ended 30 June 2021 and confirmed that the Group's risk management and internal control systems in respect of financial, operational, compliance, risk management and adequacy of resources, are effective and adequate.

The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, as well as their training programmes and budgets.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted continuous disclosure policy which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure. The procedures are briefly as follow:

(1) As soon as staff members become aware of actual or potential inside information, they must provide to their respective divisional disclosure officers the relevant details.

(2) Divisional disclosure officers shall then conduct preliminary assessment of the information received based on internal guidelines promulgated by the Board or the disclosure committee of the Board (the "Disclosure Committee"). In case of doubt, the matter shall be referred to the Disclosure Committee for determination.

(3) Upon notification of potentially inside information, the Disclosure Committee reviews and decides whether the information must be disclosed, as well as when and how the information shall be released.

(4) All staff must ensure that inside information is not communicated to any external parties unless with approval from the Disclosure Committee. As such, staff shall not respond to market speculation and rumours unless authorised. Also, all external presentation materials or publications must be pre-vetted before release.

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 2021, the Directors had:

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

(2) selected and applied consistently appropriate accounting policies; and

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

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an employee of the Company. Her responsibilities include advising the board on governance matters. The Board has access to the advice and services of the Company Secretary at all times. During the year ended 30 June 2021, the Company Secretary has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

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

The Shareholder shall deposit a requisition in writing to require an extraordinary general meeting and to put forward proposals at the Company's head office at 7th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong (attention to: Company Secretary) or the branch share registrar and transfer agent of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (attention to: Mr. Ricky Lee).

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

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

There are no provisions under the Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as directors. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

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

DIVIDEND POLICY

The Company will distribute to all Shareholders funds surplus to the operating needs of the Group, but subject always to:

(1) any restrictions under the Companies Law of Cayman Islands or other rules and regulations which are applicable to the Company;

(2) any banking or other funding covenants by which the Company is bound from time to time;

(3) the capital expenditure and operating requirements of the Group; and

(4) the external economic and market situation.

Declaration and recommendation of payment of dividends of the Company are also subject to the approval of the Directors and Shareholders, where applicable and depending on the distributable annual profit for that financial year, results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant from time to time. The Company does not have a fixed dividend payout ratio and currently intends to retain most of our available funds and future earnings to operate and develop our business.

The Board has made an effort to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy.

The Board will continually review this dividend policy and update, amend and modify this dividend policy from time to time and there can be no assurance that dividend will be paid in any particular amount for any given period.

CONSTITUTIONAL DOCUMENTS

Upon the shareholders' approval by way of special resolution at the AGM on 25 November 2020, the Company has adopted the Amended and Restated Memorandum and Articles of Association for the purpose of, among others, allowing general meetings to be held as a hybrid meeting where Shareholders may attend by electronic means.

INVESTOR RELATIONS

The Group believes that effective and timely communication with the investment community is essential. Since the Group's listing on the Main Board of the Stock Exchange in 2007, the Corporate Affairs Department has been set up to keep investors and the capital market abreast of the Group's business and development by providing necessary information and data. Representative from the aforementioned department maintains an open dialogue with local and overseas institutional investors and analysts through face-to-face meetings, teleconferences and store visits; and also attends investor conferences at home and abroad upon receiving invitations.

The Group recognises the importance of fair and transparent disclosure of information and its corporate website (www.nwds.com.hk) plays an important role in the Group's compliance with regulatory requirements in this regard. The Group's announcements, results presentations, financial reports and sustainability reports are made available in the "Investors" and "Corporate Sustainability" sections on the website to keep capital market participants informed of the Group's financial and operational performance.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group values the development for talents and the mutual growth of staff. The Group strictly complies with the requirements of the law of the PRC and the labour legislation of Hong Kong, and abides by the open and fair principles while providing employment opportunities, remuneration, leave, benefits and so on. All of the labour standards and recruitment procedures are conducted in strict compliance with the relevant labour laws of the PRC and Hong Kong.

The Group also understands the importance of training and development for the employees. Starting from the employment of new staff members, induction courses on corporate culture, business operation, regulations and so on are provided. Staff members are further provided with different training to enhance the comprehensive capabilities to solve their problems encountered at work.

The Group strives to take care of the interests of customers and maintain a desirable shopping environment. The Group would operate in compliance with the regulations and requirements of regulatory authorities.

In addition, the Group maintained good and stable working relationship with the major suppliers.

AUDITORS' REMUNERATION

Fees for auditing services amounted to approximately HK$3,763,000 and fees for non-auditing services, including mainly interim review, tax advisory and other related services, amounted to approximately HK$1,198,000.

GROUP HONOURS

CORPORATE GOVERNANCE

Gold Award in the category of "Environmental, Social and Governance" in "*The Asset* ESG Corporate Awards 2020" by The Asset

EMPLOYEE WELFARE

"Happy Company" logo in the "Happiness at Work Promotional Scheme 2021" by the Promoting Happiness Index Foundation and the Chinese Manufacturers' Association of Hong Kong

Honoured as "Good MPF Employer", and presented with "e-Contribution Award" and "MPF Support Award" in the 2020/21 "Good MPF Employer" Award by the Mandatory Provident Fund Schemes Authority

ENVIRONMENTAL PROTECTION

"Green Office" and "Eco-Healthy Workplace" labels in the "United Nations Sustainable Development Goals — Green Office Awards Labelling Scheme" by the World Green Organisation

"Excellent" Level Wastewi$e Certificate and "Good" Level Energywi$e Certificate in the "Hong Kong Green Organisation Certification Scheme" by the Environmental Campaign Committee

COMMUNITY SERVICES

"10 Years Plus Caring Company" logo in the 2020/21 "Caring Company" Scheme by the Hong Kong Council of Social Service

CONTENTS

FINANCIAL SECTION

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in department store and property investment operations in Mainland China. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 30 June 2021 are set out in the consolidated income statement on page 73 of this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement, Management Discussion and Analysis, Corporate Governance Report, Report of the Directors and Risk Factors sections of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 12 to 27 of this annual report. In addition, discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out in "Sustainability Report 2021" (a standalone report) to be published around November 2021.

FINAL DIVIDEND

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2021 (2020: nil).

SHARES OR DEBENTURES ISSUED

During the year, no shares or debentures were issued by the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2021, calculated under the laws of the Cayman Islands, amounted to HK$1,806.0 million (2020: HK$1,725.1 million).

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years ended 30 June 2017 to 2021 are set out on page 147 of this annual report.

PRINCIPAL INVESTMENT PROPERTIES

Details of the principal properties held for investment purposes are set out on page 148 of this annual report.

CHARITABLE DONATIONS

Charitable donations, in form of money and materials, made by the Group during the year costed approximately HK$7,300 (2020: approximately HK$7,000).

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Non-executive Directors

Dr. Cheng Kar-shun, Henry *(Chairman)* [(1)]
Dr. Cheng Chi-kong, Adrian *(Chairman)* [(2)]
Ms. Chiu Wai-han, Jenny[(3)]

Executive Directors

Mr. Cheung Fai-yet, Philip *(Joint Chief Executive Officer)* [(4)]
Ms. Xie Hui-fang, Mandy *(Joint Chief Executive Officer)* [(5)]

Independent Non-executive Directors

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

Notes:

(1) Dr. Cheng Kar-shun, Henry resigned as a non-executive Director and the Chairman on 13 May 2021.

(2) Dr. Cheng Chi-kong, Adrian was re-designated as a non-executive Director and appointed as the Chairman on 13 May 2021.

(3) Ms. Chiu Wai-han, Jenny was appointed as a non-executive Director on 13 May 2021.

(4) Mr. Cheung Fai-yet, Philip was re-designated as the Joint Chief Executive Officer on 13 May 2021.

(5) Ms. Xie Hui-fang, Mandy was appointed as an executive Director and Joint Chief Executive Officer on 13 May 2021.

DIRECTORS (continued)

In accordance with articles 87(1) and 87(2) of the Articles, Mr. Cheong Ying-chew, Henry and Mr. Yu Chun-fai will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 86(3) of the Articles, Ms. Chiu Wan-han, Jenny and Ms. Xie Hui-fang, Mandy, who were appointed as a non-executive Director and an executive Director respectively with effect from 13 May 2021, will hold office until the next following annual general meeting and, being eligible, offer themselves for re-election.

Dr. Cheng Kar-shun, Henry resigned as a non-executive Director and the Chairman on 13 May 2021 due to his desire to devote more time to his other business commitments. Dr. Cheng has confirmed that he has no disagreement with the Board and there are no matters in respect of his resignation that need to be brought to the attention of the Shareholders.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and risk management and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal control and the annual results and the consolidated financial statements for the year ended 30 June 2021 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.

Non-executive Directors

Despite the renewal of the service contract between Dr. Cheng Kar-shun, Henry and the Company for a fixed term from 1 July 2019 to 30 June 2022, the service contract has been automatically terminated due to his resignation as a non-executive Director on 13 May 2021. On the same day, Dr. Cheng Chi-kong, Adrian has been re-designated as a non-executive Director, and Ms. Chiu Wai-han, Jenny has been appointed as a non-executive Director, each of whom has entered into a service contract with the Company for a fixed term from 13 May 2021 to 30 June 2023, unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any laws, requirements, rules, regulations, practices and/or directions under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

DIRECTORS' SERVICE CONTRACTS (continued)

Executive Directors

Dr. Cheng Chi-kong, Adrian and Mr. Cheung Fai-yet, Philip have respectively renewed a service contract with the Company for a fixed term from 1 July 2020 to 30 June 2023, the service contract of Dr. Cheng Chi-kong, Adrian has been automatically terminated due to his re-designation as a non-executive Director on 13 May 2021. Ms. Xie Hui-fang, Mandy has been appointed as an executive Director on the same day and has entered into a service contract with the Company for a fixed term from 13 May 2021 to 30 June 2023, unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any laws, requirements, rules, regulations, practices and/or directions under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai have respectively renewed a service contract with the Company for a fixed term from 1 July 2019 to 30 June 2022 unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any laws, requirements, rules, regulations, practices and/or directions under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company, its parent company or any of its subsidiaries or its fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2021 or at any time during the year.

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, the following Directors have interests in the following businesses which are considered to compete or are 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 according to the Listing Rules:

	Businesses which are considered to compete or likely to compete with the businesses of the Group		
Name of Director	**Name of entity**	**Description of business**	**Nature of interest of the Director in the entity**
Dr. Cheng Chi-kong, Adrian	New World Development Company Limited	Property investment	Director
	Cheung Hung Development (Holdings) Limited	Property investment	Director
	Chow Tai Fook Enterprises Limited group of companies	Property investment	Director
Ms. Chiu Wai-han, Jenny	New World Development Company Limited	Property investment	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 AND CONTINUING CONNECTED TRANSACTIONS

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

A Master leasing agreement

On 11 April 2014, the Company and NWD entered into a master leasing agreement (the "Master Leasing Agreement") in relation to all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of premises by members of the Group from members of the NWD Group and vice versa. Subject to compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter. The Master Leasing Agreement was renewed for a further terms of three years commencing on 1 July 2020 and subject to the annual caps for fixed lease payments payable by the Group as lessee not exceeding RMB406,000,000, RMB428,000,000 and RMB450,000,000, respectively and variable lease payments payable by the Group as lessee not exceeding RMB300,000,000, RMB330,000,000 and RMB360,000,000, respectively (collectively, the "Leasing Annual Caps"). The renewal of the Master Leasing Agreement, the relevant transactions and the Leasing Annual Caps were approved at an extraordinary general meeting of the Company held on 18 June 2020.

During the year, the aggregate consideration under the Master Leasing Agreement in relation to the fixed lease payments payable by the Group as lessee was approximately RMB34,133,000 and the variable lease payments payable by the Group as lessee was approximately RMB125,886,000 (2020: the aggregate consideration under the previous term of the Master Leasing Agreement was approximately RMB200,480,000).

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

B Master concessionaire counter agreement

On 22 March 2012, the Company and Chow Tai Fook Jewellery Group Limited ("CTFJ" and its subsidiaries "CTFJ Group") entered into a master concessionaire counter agreement (the "Master Concessionaire Counter Agreement") in relation to all existing and future transactions between members of the Group and members of the CTFJ Group arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement. Subject to the compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years thereafter. The Master Concessionaire Counter Agreement was renewed for a further term of three years commencing on 1 July 2020 and subject to the annual caps not exceeding RMB90,000,000, RMB96,000,000 and RMB102,000,000 respectively.

The aggregate consideration under the Master Concessionaire Counter Agreement was approximately RMB46,947,000 (2020: approximately RMB42,023,000) during the year.

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

C Master services agreement

On 10 April 2017, Mr. Doo Wai-hoi ("Mr. Doo") and the Company entered into the master services agreement (the "Master Services Agreement") in respect of all existing and future transactions between members of the Group and members of Mr. Doo's controlled companies (the "Services Group") regarding the provision of contracting services, cleaning and landscaping services, property management and rental services and such other types of services as the parties may agree upon from time to time in writing by members of the Services Group to members of the Group, and vice versa contemplated under the Master Services Agreement. Subject to the compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Services Agreement will be automatically renewed for a successive period of three years thereafter. The Master Services Agreement was renewed for a further term of three years commencing on 1 July 2020 and subject to the annual caps not exceeding RMB21,000,000, RMB69,000,000 and RMB57,000,000 respectively.

The aggregate consideration under the Master Services Agreement was approximately RMB432,000 (2020: approximately RMB430,000) during the year.

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

D Annual review of the continuing connected transactions

The price and terms of the continuing connected transactions mentioned in (i) Master Leasing Agreement (paragraph A above); (ii) Master Concessionaire Counter Agreement (paragraph B above); and (iii) Master Services Agreement (paragraph C above) were determined in accordance with the pricing policies and guidelines as set out in the relevant announcements and circular of the Company, the independent non-executive Directors had reviewed such continuing connected transactions during the year and confirmed that the transactions were:

i in the ordinary and usual course of business of the Group;

ii on normal commercial terms;

iii in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

iv within the caps as set out in the relevant announcements and circular.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

D Annual review of the continuing connected transactions (continued)

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 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Directors confirmed that the Company has complied with the disclosure requirements under the Listing Rules regarding the connected transactions and continuing connected transactions.

Save as disclosed above, the significant related party transactions, including transactions constituted connected transactions and continuing 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' RIGHTS 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 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code were as follows:

(a) Long positions in shares

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
The Company					
(Ordinary shares of HK$0.10 each)					
Ms. Xie Hui-fang, Mandy	Beneficial owner	Personal interest	177,000	177,000	0.01
New World Development Company Limited					
(Ordinary shares)					
Dr. Cheng Chi-kong, Adrian	Beneficial owner	Personal interest	2,559,118	2,559,118	0.10
Ms. Chiu Wai-han, Jenny	Beneficial owner	Personal interest	29,899	29,899	0.00

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options

New World Development Company Limited

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

			Number of share options held				
Name	Date of grant	Exercisable period (Note)	Balance as at 1 July 2020	Granted during the year	Exercised during the year	Balance as at 30 June 2021	Exercise price per share HK$
Dr. Cheng Chi-kong, Adrian	3 July 2017	(1)	500,000	–	(500,000)	–	40.144
Ms. Chiu Wai-han, Jenny (3)	6 July 2018	(2)	75,000	–	–	75,000	44.160
			575,000	–	(500,000)	75,000	

Notes:

(1) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

(2) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

(3) Ms. Chiu Wai-han, Jenny was appointed as a non-executive Director on 13 May 2021.

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

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2021, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")(1)	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")(2)	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Capital Limited ("CTFC")(3)	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook (Holding) Limited ("CTFH")(4)	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Enterprises Limited ("CTFE")(5)	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
NWD	Controlled corporation Beneficial owner	Corporate interest –	45,500,000 1,218,900,000	1,264,400,000	74.99

Notes:

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

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

(3) CTFC holds 81.03% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

Long positions in the shares of the Company (continued)

Save as disclosed above, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who, as at 30 June 2021, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 12 June 2007 has expired on 12 June 2017, and no new share option scheme has been adopted thereafter.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2021, the total number of employees of the Group was 2,844 (30 June 2020: 3,060). 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 insurance, unemployment assistance, work related injury and maternity insurance. Such arrangements are in compliance with relevant laws and regulations.

ACQUISITION AND DISPOSAL

On 1 June 2021, New World Department Store (China) Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of the Group, as the tenant entered into a supplemental lease agreement with the landlord for a term of fifteen (15) years commencing from 23 December 2021 and expiring on 22 December 2036. The value of the right-of-use asset recognised by the Group under the supplemental lease agreement amounted to approximately RMB723,097,000 in accordance with HKFRS 16.

Save as aforesaid, the Group did not have any other significant acquisition and disposal for the year ended 30 June 2021.

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% of the Group's revenue were attributed by the Group's five largest customers and approximately 3% of the Group's revenue was attributed by the Group's largest customer and less than 65% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and approximately 19% of the Group's total purchases were attributed by the Group's largest direct sales supplier. To the knowledge of the Directors, none of the Directors or shareholders who owned 5% or more of the total number of issued shares of the Company as at 30 June 2021 or any of their respective associates held any interest in any of the five largest direct sales suppliers of the Group.

AUDITOR

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

On behalf of the Board

Cheung Fai-yet, Philip
Executive Director

Hong Kong, 29 September 2021

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (the "Group") set out on pages 73 to 146, which comprise:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

羅兵咸永道

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of property, plant and equipment, right-of-use assets and goodwill
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment, right-of-use assets and goodwill	
Refer to Notes 4, 7, 15 and 17 to the consolidated financial statements. As at 30 June 2021, the Group had property, plant and equipment, right-of-use assets and goodwill of HK$870 million, HK$4,019 million and HK$1,353 million respectively. Impairment losses of goodwill, and property, plant and equipment and right-of-use assets of HK$233 million and HK$177 million respectively were accounted for under "Other losses, net" in the consolidated income statement.	Our procedures in relation to impairment assessment of property, plant and equipment, right-of-use assets and goodwill, included: • We understood the management's control procedures of the impairment assessments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We obtained management's analysis of the indicators of impairment and understood management's rationale for the analysis; • For impairment assessment where discounted cash flow model was adopted: ➢ We assessed management's analysis by comparing the financial performance of the CGUs against their business plan;

羅兵咸永道

TO THE SHAREHOLDERS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED (continued)

(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment, right-of-use assets and goodwill (continued) Management has performed impairment assessments of property, plant and equipment, right-of-use assets and goodwill allocated to cash generating units ("CGUs"), by way of discounted cash flow model of each CGU or with reference to independent valuation of the underlying properties of the CGUs. We focus on this area because the impairment assessments required significant management judgement and estimates with respect to annual gross revenue growth rates and gross margin ratios within the forecast period, long term growth rate and discount rate applied to the cash flow forecasts; and capitalisation rates, prevailing market rents and estimated transaction costs of disposal used by the management and the independent professional valuer.	➢ We assessed the discounted cash flow valuation methodology used by management to estimate recoverable amount and involved our in-house valuation experts to assess the methodology of the recoverable amount calculations and reasonableness of discount rate on selected CGU; ➢ We evaluated the process by which management's future cash flow forecasts were prepared; ➢ We compared historical actual results to those budgeted to assess the quality of management's forecast; ➢ We reconciled input data in the discounted cash flow calculations to the budgets approved by management; and ➢ We evaluated the key assumptions used in the calculations, comprising annual gross revenue growth rates, gross margin ratios, long term growth rate and discount rate based on knowledge of the business and industry.

羅兵咸永道

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment, right-of-use assets and goodwill (continued)	• For impairment assessments where independent valuation of the underlying properties of the CGUs was adopted: ➢ We assessed the competence, capabilities and objectivity of independent professional valuer; ➢ We obtained the valuation reports and discussed with the independent professional valuers the valuation methodologies and key assumptions; ➢ We, with the involvement of our in-house valuation experts, assessed the valuation methodologies and the reasonableness of the key assumptions used in the valuation of properties, based on our knowledge of the property industry, research evidence of capitalisation rates and prevailing market rents and estimated transaction costs of disposal, where applicable; • We evaluated management's sensitivity of a reasonably possible change in the key assumptions adopted in the discounted cash flow calculations and the valuation of the underlying properties to the recoverable amount of the CGUs; and • We assessed the adequacy of the disclosures relating to impairment of property, plant and equipment, right-of-use assets and goodwill in the context of disclosure requirement of HKFRSs. Based on the procedures performed, we found the impairment assessment of property, plant and equipment, right-of-use assets and goodwill to be supportable based on the available evidence.

羅兵咸永道

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Notes 4 and 16 to the consolidated financial statements. The Group's investment properties amounted to HK$5,256 million as at 30 June 2021. A net fair value loss on investment properties of HK$6.5 million was accounted for under "Changes in fair value of investment properties" in the consolidated income statement. Management engaged an independent professional valuer to perform valuation of investment properties at each reporting period end. The valuation of investment properties is an area of our audit focus as the valuation involves significant estimate including capitalisation rates and prevailing market rents used by the management and the independent professional valuer.	Our procedures in relation to management's valuation of investment properties included: • We understood the management's control procedures of valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We assessed the competence, capabilities and objectivity of independent professional valuer; • We obtained the valuation reports and discussed with the independent professional valuers the valuation methodologies and key assumptions; • We, with the involvement of our in-house valuation experts, assessed the valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalisation rates and prevailing market rents, where applicable; • We tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies by agreeing them to the underlying agreements with the tenants, available market capitalisation rates and prevailing market rents of leasing transactions of properties with comparable conditions and locations, where applicable; and

羅兵咸永道

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties (continued)	• We assessed the adequacy of the disclosures relating to valuation of investment properties in the context of disclosure requirement of HKFRSs. Based on the procedures performed, we found the methodologies used in the valuation of investment properties was appropriate and key assumptions used by management were supportable based on available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

羅兵咸永道

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

羅兵咸永道

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

羅兵咸永道

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ka Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 September 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	5	**2,245,966**	2,232,691
Other income	6	**67,481**	93,525
Other losses, net	7	**(349,190)**	(469,296)
Changes in fair value of investment properties	16	**(6,490)**	(39,125)
Purchases of and changes in inventories, net		**(583,897)**	(546,981)
Purchases of promotion items		**(12,244)**	(11,453)
Employee benefit expense	10	**(458,081)**	(450,323)
Depreciation		**(583,634)**	(601,586)
Rental expense		**(124,354)**	(118,295)
Other operating expenses, net	8	**(106,066)**	(287,117)
Operating profit/(loss)		**89,491**	(197,960)
Finance income		**37,839**	44,932
Finance costs		**(230,328)**	(251,286)
Finance costs, net	9	**(192,489)**	(206,354)
		(102,998)	(404,314)
Share of results of associated companies	18	**(151)**	(339)
Loss before income tax		**(103,149)**	(404,653)
Income tax expense	12	**(126,210)**	(79,015)
Loss for the year		**(229,359)**	(483,668)
Loss per share attributable to shareholders of the Company (expressed in HK$ per share)			
– Basic and diluted	14	**(0.14)**	(0.29)

The notes on pages 81 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(229,359)**	(483,668)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties	**106,872**	7,638
– Deferred income tax thereof	**(26,718)**	(1,910)
	80,154	5,728
Items that may be reclassified subsequently to profit or loss		
Release of reserve upon disposal/deregistration of subsidiaries	**–**	(1,403)
Translation differences	**408,211**	(209,255)
	408,211	(210,658)
Other comprehensive income for the year, net of tax	**488,365**	(204,930)
Total comprehensive income for the year	**259,006**	(688,598)

The notes on pages 81 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15(a)	**869,599**	1,004,982
Investment properties	16	**5,255,795**	4,526,518
Right-of-use assets	15(b)	**4,019,142**	3,644,746
Intangible assets	17	**1,353,451**	1,453,148
Interests in associated companies	18	**296**	412
Prepayments, deposits and other receivables	19	**206,850**	192,510
Finance lease receivables	31	**335,006**	217,855
Deferred income tax assets	28	**121,662**	129,203
		12,161,801	11,169,374
Current assets			
Inventories	20	**89,428**	95,035
Debtors	21	**34,137**	40,193
Prepayments, deposits and other receivables	19	**252,465**	256,832
Finance lease receivables	31	**68,524**	41,294
Amounts due from fellow subsidiaries	22	**1,861**	2,484
Amounts due from related companies	22	**1**	1
Fixed deposits with original maturity over three months	23	**728,669**	153,735
Cash and bank balances	24	**840,752**	1,360,328
		2,015,837	1,949,902
Total assets		**14,177,638**	13,119,276
Equity and liabilities			
Equity			
Share capital	25	**168,615**	168,615
Reserves	26	**4,299,712**	4,040,706
Total equity		**4,468,327**	4,209,321

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities	30	**4,354,394**	3,765,923
Deferred income tax liabilities	28	**971,246**	846,372
		5,325,640	4,612,295
Current liabilities			
Creditors	29	**993,805**	878,364
Accruals and other payables	29	**1,032,527**	913,725
Lease liabilities	30	**660,400**	698,671
Contract liabilities	32	**238,363**	275,924
Amounts due to fellow subsidiaries	22	**7,758**	7,650
Amounts due to related companies	22	**15,596**	26,986
Borrowings	27	**1,412,275**	1,486,222
Tax payable		**22,947**	10,118
		4,383,671	4,297,660
Total liabilities		**9,709,311**	8,909,955
Total equity and liabilities		**14,177,638**	13,119,276

The consolidated financial statements on pages 73 to 146 were approved by the Board of Directors on 29 September 2021 and were signed on its behalf

Mr. Cheung Fai-yet, Philip
Director

Ms. Xie Hui-fang, Mandy
Director

The notes on pages 81 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 July 2020	168,615	1,826,646	180,469	391,588	459,159	(235,099)	1,417,943	4,209,321
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(229,359)	(229,359)
Other comprehensive income								
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties	–	–	106,872	–	–	–	–	106,872
– Deferred income tax thereof	–	–	(26,718)	–	–	–	–	(26,718)
Translation differences	–	–	–	–	–	408,211	–	408,211
Total comprehensive income for the year ended 30 June 2021	–	–	80,154	–	–	408,211	(229,359)	259,006
Transactions with owners								
Transfer to statutory reserve	–	–	–	–	23,853	–	(23,853)	–
Total transactions with owners	–	–	–	–	23,853	–	(23,853)	–
As at 30 June 2021	168,615	1,826,646	260,623	391,588	483,012	173,112	1,164,731	4,468,327

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 July 2019	168,615	1,826,646	174,741	391,588	446,323	(24,441)	1,914,447	4,897,919
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(483,668)	(483,668)
Other comprehensive income								
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties	–	–	7,638	–	–	–	–	7,638
– Deferred income tax thereof	–	–	(1,910)	–	–	–	–	(1,910)
Release of reserve upon disposal/ deregistration of subsidiaries	–	–	–	–	–	(1,403)	–	(1,403)
Translation differences	–	–	–	–	–	(209,255)	–	(209,255)
Total comprehensive income for the year ended 30 June 2020	–	–	5,728	–	–	(210,658)	(483,668)	(688,598)
Transactions with owners								
Transfer to statutory reserve	–	–	–	–	12,836	–	(12,836)	–
Total transactions with owners	–	–	–	–	12,836	–	(12,836)	–
As at 30 June 2020	168,615	1,826,646	180,469	391,588	459,159	(235,099)	1,417,943	4,209,321

The notes on pages 81 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Loss before income tax		**(103,149)**	(404,653)
Adjustments for:			
– Finance income		**(37,839)**	(44,932)
– Interest income from finance leases as the lessor		**(15,963)**	(12,456)
– Finance costs		**230,328**	251,286
– Depreciation of property, plant and equipment		**127,480**	149,690
– Depreciation of right-of-use assets		**456,154**	451,896
– Changes in fair value of investment properties		**6,490**	39,125
– Gain on disposal of property, plant and equipment and derecognition of right-of-use assets, net		**(36,749)**	(8,045)
– Gain on disposal/deregistration of subsidiaries or associated companies		**–**	(12,388)
– Impairment loss on goodwill		**232,749**	459,227
– Impairment loss on property, plant and equipment and right-of-use assets		**176,622**	22,144
– Loss allowance on prepayments, deposits and other receivables		**–**	4,444
– Loss on derecognition of finance lease receivables, net		**6,873**	19,276
– Loss on lease modification of finance lease receivables, net		**1,473**	34,135
– Rent concessions		**(31,778)**	(49,497)
– Inventory write-down, net		**87**	111
– (Reversal of loss allowance)/loss allowance of receivables		**(16,291)**	19,598
– Share of results of associated companies		**151**	339
– Net foreign exchange difference		**(128,344)**	(6,366)
Operating profit before working capital changes		**868,294**	912,934
Changes in:			
Inventories		**14,247**	(3,851)
Debtors		**25,931**	1,793
Prepayments, deposits and other receivables		**46,656**	(28,792)
Creditors		**29,880**	(419,646)
Accruals and other payables		**24,439**	(59,043)
Contract liabilities		**(62,280)**	33,321
Net balance with fellow subsidiaries		**226**	769
Net balance with related companies		**(13,582)**	19,008
Cash generated from operations		**933,811**	456,493
Mainland China tax paid		**(79,417)**	(99,655)
Net cash generated from operating activities		**854,394**	356,838

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Additions to investment properties		**(9,253)**	(3,699)
Additions to property, plant and equipment		**(48,495)**	(76,519)
Settlement of amount due from disposed subsidiaries		**–**	100,000
Net cash outflow from disposal of subsidiaries		**–**	(45,145)
Proceeds from disposal of associated companies		**–**	763
Proceeds from disposal of property, plant and equipment		**438**	167
Increase in fixed deposits with original maturity over three months		**(543,739)**	(27,246)
Principal portion of finance lease received as the lessor		**56,889**	51,743
Interest portion of finance lease received as the lessor		**15,963**	12,456
Decrease in restricted cash		**–**	1,905
Interest received		**27,570**	43,725
Net cash (used in)/generated from investing activities		**(500,627)**	58,150
Cash flows from financing activities			
Drawdown of bank borrowings	34	**205,000**	634,889
Repayment of bank borrowings	34	**(283,831)**	(771,111)
Finance costs paid	34	**(12,082)**	(22,037)
Principal portion of lease payments as the lessee	34	**(684,213)**	(408,402)
Interest portion of lease payments as the lessee	34	**(212,547)**	(209,619)
Net cash used in financing activities		**(987,673)**	(776,280)
Net decrease in cash and cash equivalents		**(633,906)**	(361,292)
Cash and cash equivalents at beginning of the year		**1,360,328**	1,733,642
Cash and cash equivalents of disposed subsidiaries classified as held for sale at beginning of the year		**–**	46,145
Effect of foreign exchange rate changes		**114,330**	(58,167)
Cash and cash equivalents at end of the year	24	**840,752**	1,360,328

The notes on pages 81 to 146 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 September 2021.

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 for the year ended 30 June 2021 have been prepared in accordance with all applicable 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 which is carried at fair value.

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.

As at 30 June 2021, the Group's current liabilities exceeded its current assets by approximately HK$2,367,834,000. Taking into account the cash flows from operating activities, the track record of successful renewal and refinancing of the borrowings and asset backing, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) *Adoption of amendments to standards and revised framework*

In the current year, the Group has adopted the following amendments to standards and revised framework, which are mandatory for the financial year ended 30 June 2021:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting

The adoption of the above amendments to standards and revised framework does not have any significant effect on the results and financial position of the Group.

(b) *New standard, amendments to standards, interpretations and revised accounting guideline which are not yet effective*

The following new standard, amendments to standards, interpretations and revised accounting guideline are mandatory for the accounting periods beginning on or after 1 July 2021 which the Group has not early adopted:

Effective for the year ending 30 June 2022:

Amendments to HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

Effective for the year ending 30 June 2023:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

Effective for the year ending 30 June 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) ***New standard, amendments to standards, interpretations and revised accounting guideline which are not yet effective*** *(continued)*

Effective date to be determined:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group has already commenced an assessment of the impact of these new standard, amendments to standards, interpretations and revised accounting guideline, certain of which may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

2.2 Subsidiaries

(i) ***Consolidation***

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and previously held interest measured 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 consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(i) ***Consolidation*** *(continued)*

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.

Non-controlling interest is the equity in a subsidiary which is not attributable, directly or indirectly, to a parent.

(ii) ***Separate financial statements***

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

2.3 Associated companies

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company. Please refer to Note 2.10 for the impairment of long-term receivables.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's financial statements only to the extent of unrelated investor'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 the associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. 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 charged to the consolidated income statement during the financial period in which they are incurred.

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

Buildings	20 to 40 years
Plant and machinery	5 years
Motor vehicles	5 years
Leasehold improvements	Shorter of remaining lease term or useful life of 2 to 15 years
Furniture and fixtures	3 to 5 years
Office equipment	2 to 5 years
Computer	2 to 5 years

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

Assets under construction represents buildings or leasehold improvements on which construction work has not been completed and computer under 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 until they are ready 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 (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other losses, net' in the consolidated income statement.

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is initially measured at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Investment properties (continued)

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 and right-of-use assets. 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 consolidated income statement.

2.7 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents 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 in the acquiree over the fair value of the identifiable net assets acquired.

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

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

2.8 Impairment of investments in subsidiaries, interests in associated companies and non-financial assets

Intangible 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 consolidated 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 of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. 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 interests in associated companies 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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.9 Investments and other financial assets

(a) *Classification*

Debt instruments

HKFRS 9 has three financial asset classification categories for investments in debt instruments:

- those to be measured at amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

Classification is driven by the entity's business model for managing the debt instrument and the debt instrument's contractual cash flow characteristics.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as at FVOCI only if both of the following criteria are met:

- the objective of the Group's business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and
- the contractual terms of the debt instrument give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

Finance lease receivables, debtors, deposits and other receivables, amounts due from fellow subsidiaries and related companies, fixed deposits with original maturity over three months, cash and bank balances are classified as at amortised cost.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.9 Investments and other financial assets (continued)

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in consolidated income statement when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2.10 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For financial assets measured at amortised cost that are considered to be of low credit risk, it is assumed that no significant increase in credit risk have occurred. Thus, the impairment provision is determined as 12-month expected losses using general expected credit losses model.

For debtors only, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. Management considers the debtors do not contain a significant financing component. Thus, the impairment provision recognised during the year was equal to the lifetime expected losses.

2.11 Debtors and other receivables

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

Debtors and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less.

2.14 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.

2.15 Creditors and other payables

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

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

2.16 Borrowings

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

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

2.17 Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the construction period when the asset is being prepared for its intended use. Other borrowing costs are expensed as incurred.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of 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 only to the extent that it is probable that sufficient future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

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

(iii) Offsetting

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.19 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 Scheme 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. Contributions are reduced by contribution forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

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 consolidated 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) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

2.20 Provisions, contingent liabilities and contingent assets

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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.20 Provisions, contingent liabilities and contingent assets (continued)

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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.21 Revenue and income recognition

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the good or service.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.21 Revenue and income recognition (continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer relative to the remaining goods or services promised under the contract; or

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs.

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

Revenue from sales of goods to retail customers is recognised when the product is transferred to the customers upon sale. The Group also sells goods to wholesalers. Revenue from sales of goods to wholesalers is recognised when control of the products has transferred, being when the products are delivered to the wholesalers. Payment of the transaction price is due immediately when the customers purchase the good. The payment is usually settled in cash, using credit cards or by means of electronic payments. It is the Group's policy to sell its products to the customers with a right of return within a reasonable period.

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

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

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

Payments received in advance that are related to sales of goods not yet delivered are deferred in contract liabilities in the consolidated 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 based on the Group's previous experience in forfeiture of prepaid stored value cards by customers.

2.22 Government grants

Government grants are recognised at their fair values where the grant has been received and all attaching conditions have been complied with. Government grants received are not intended to compensate any specific costs of the Group and are recognised within 'other income' in the consolidated income statement.

2.23 Foreign currency translation

(i) Functional and presentation currency

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.23 Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 consolidated income statement.

Translation differences on financial assets and liabilities held at FVPL is reported as part of the fair value gain or loss. Translation differences on equity instruments at FVOCI is included in equity.

(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 currency translation differences are recognised in other comprehensive income.

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

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.24 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.24 Leases (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate standalone price of the non-lease components.

As an intermediate lessor, certain sub-leases are recognised as finance lease receivables at the present value of the minimum lease payments and the estimated unguaranteed residual value. The corresponding right-of-use assets are de-recognised. The interest income is recognised to the consolidated income statement over the sub-lease period.

2.25 Dividend distribution

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

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 HK$ and United States dollar ("USD") against RMB. This foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the functional currencies of the Company and each of the subsidiaries. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

As at 30 June 2021, if HK$ and USD had strengthened/weakened by 5% (2020: 5%) against the RMB with all other variables held constant, loss before income tax for the year would have been approximately HK$70,420,000 (2020: HK$70,379,000) higher/lower mainly as a result of foreign exchange differences on translation of HK$-denominated and USD-denominated bank balances, other receivables and payables, borrowings and balances with group companies of the Group's entities of which functional currency is RMB.

Foreign exchange risk as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The credit risk of the Group mainly arises from finance lease receivables, debtors, deposits and other receivables, amounts due from fellow subsidiaries and related companies, fixed deposits with original maturity over three months and cash and bank balances. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward looking information. The following indicators are generally incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparties
- significant expected changes in the performance and behaviour of the counterparties, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparties

A default on a financial asset is when the counterparties fail to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

Fixed deposits with original maturity over three months and cash and bank balances placed in renowned or high credit-rated financial institutions are considered to be of low credit risk as they have an investment credit rating with at least one major agency. No impairment had been provided under 12-month expected credit loss assessment.

For amounts due from fellow subsidiaries and related companies, management consider they do not have significant credit risk due to the past payment history and also taking into account of the sound financial performance and position of their holding companies/significant shareholders to meet contractual cash flow obligations in the near term. No impairment had been provided under 12-month expected credit loss assessment.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

***(b) Credit risk** (continued)*

For deposits and other receivables, the balances mainly comprise of rental deposits and other tax recoverable. Management considers rental deposits do not have significant credit risk since the deposits are refundable from landlords upon end of lease term or recoverable by the Group through using the leased property. Other tax recoverable from the tax authority of the PRC government is considered to be of low credit risk. No impairment had been provided under 12-month expected credit loss assessment.

For debtors related to retail sales, which are settled by credit/debit cards and guaranteed by the card issuers, or by major means of electronic payment, no significant impairment allowance had been provided under life-time expected credit loss assessment. Management considered there was no history of default of the card issuers and financial institutions, and also took into account of Group's view of current and forecast economic conditions that may affect the ability of the debtors to settle receivables. No single customer accounted for more than 3% (2020: 3%) of the Group's total revenue during the year.

For finance lease receivables and debtors related to rental income, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime expected credit losses based on the outstanding balances with tenants offset with the deposit placed to the Group by the tenants and the assets of the tenants frozen by the court for confiscation, and historical credit loss experience adjusted to reflect the Group's view of current and forecast economic conditions that may affect the ability of the tenants to settle receivables.

No significant changes to the estimation techniques or significant assumptions were made during the year.

(c) Liquidity risk

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

As at 30 June 2021, the Group's current liabilities exceeded its current assets by approximately HK$2,367,834,000 (2020: HK$2,347,758,000). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and to fulfil its liabilities and commitments as and when they fall due.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk (continued)*

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

	Carrying amounts HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year but within 5 years HK$'000	More than 5 years HK$'000
As at 30 June 2021					
Creditors	**993,805**	**993,805**	**993,805**	**–**	**–**
Other payables	**871,815**	**871,815**	**871,815**	**–**	**–**
Amounts due to fellow subsidiaries	**7,758**	**7,758**	**7,758**	**–**	**–**
Amounts due to related companies	**15,596**	**15,596**	**15,596**	**–**	**–**
Borrowings	**1,412,275**	**1,430,255**	**1,430,255**	**–**	**–**
Lease liabilities	**5,014,794**	**6,622,985**	**692,943**	**2,933,793**	**2,996,249**

	Carrying amounts HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year but within 5 years HK$'000	More than 5 years HK$'000
As at 30 June 2020					
Creditors	878,364	878,364	878,364	–	–
Other payables	810,156	810,156	810,156	–	–
Amounts due to fellow subsidiaries	7,650	7,650	7,650	–	–
Amounts due to related companies	26,986	26,986	26,986	–	–
Borrowings	1,486,222	1,517,673	1,517,673	–	–
Lease liabilities	4,464,594	5,140,154	732,905	2,425,534	1,981,715

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk

Except for the fixed deposits with original maturity over three months and short-term bank deposits as at 30 June 2021 of approximately HK$728,669,000 (2020: HK$153,735,000) and approximately HK$237,000 (2020: HK$318,923,000) respectively, which are held at interest rates of ranging from 0.25% to 3.91% (2020: 1.35% to 3.91%) per annum, the Group has no significant interest-bearing assets. The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates of approximately HK$1,412,275,000 (2020: HK$1,412,156,000) expose the Group to cash flow interest rate risk which is partially offset by fixed deposits with original maturity over three months and short-term bank deposits. 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.

As at 30 June 2021, if interest rates on fixed deposits with original maturity over three months, short-term bank deposits and borrowings subject to variable rate had been 100 (2020: 100) basis points higher/lower with all other variables held constant, the Group's loss before income tax for the year would have been approximately HK$6,834,000 (2020: HK$9,395,000) higher/lower. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

3.2 Capital risk management

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

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

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

The Group was in net cash position as at 30 June 2021 and 2020, taking into accounts its borrowings, cash and bank balances and fixed deposits with original maturity over three months.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the financial instruments of the Group are as follows:

(i) Listed instrument is stated at market price. The quoted market price used for financial asset held by the Group is the bid price at the end of the reporting period. It is included in level 1.

(ii) Unlisted instrument is stated at fair value which is estimated using valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group had no significant financial instruments that was measured at fair value as at 30 June 2021 and 2020.

There were no significant transfer of financial assets and financial liabilities between level 1, level 2 and level 3 fair value hierarchy classification.

There were no changes in valuation techniques during the year.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amounts, since they are expected to be recovered or settled within twelve months from the reporting date, repayable demand, or bear interest at variable rate:

- Finance lease receivables
- Debtors
- Deposits and other receivables
- Fixed deposits with original maturity over three months
- Cash and bank balances
- Creditors
- Other payables
- Amounts due from/to fellow subsidiaries and related companies
- Borrowings
- Lease 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 addressed below.

(a) Estimated useful lives and impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives that the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Estimated useful lives and impairment of property, plant and equipment and right-of-use assets (continued)

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of cash-generating unit is higher than its recoverable amount. The recoverable amount of cash-generating units is determined in accordance with the policy set out in Note 2.8. These calculations require the use of estimates which are subject to change of economic environment in future. The details are set out in Note 15(c).

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by independent professional valuers based on a market value assessment. The valuers have relied on the income approach. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. The details are set out in Note 16.

(c) Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required. The details are set out in Note 20.

(d) Loss allowances for debtors and finance lease receivables

The Group makes loss allowances for debtors and finance lease receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the existing market conditions as well as forward-looking estimates at the end of each reporting period. The details are set out in Notes 21 and 31.

(e) Impairment of goodwill

The Group tests annually and whenever there is an indication that the unit may be impaired whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units in accordance with the policy set out in Note 2.8. These calculations require the use of estimates which are subject to change of economic environment in future. The details are set out in Note 17.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Recognition of deferred income tax assets

Deferred income tax assets recognised on unused tax losses of The People's Republic of China ("PRC") subsidiaries and other deductible temporary differences involve business assumptions and projections in determining the estimated future taxable profits available against which tax losses and other deductible temporary differences can be utilised before they expire, if applicable. Where the final tax outcome of these profits different from the amounts that were initially recorded, such differences will impact the deferred income tax assets in the period in which such determination is made. The details are set out in Note 28.

(g) Provision for compensation

The Group exercises judgement in measuring and recognising provisions and in assessing exposures to contingent liabilities in connection with compensation for early termination of certain department stores, the settlement of which is subject to negotiation, mediation and/or arbitration. Judgement is required to assess the likelihood that a liability will arise and a settlement will be required, and to quantify the possible range of the settlement. Because of the inherent uncertainty in this assessment process, actual outflow may be different from the originally estimated amount.

(h) Leases

Liabilities and the corresponding right-of-use assets arising from leases are initially measured at the present value of the lease payments at the commencement date, discounted using the interest rates implicit in the leases, or if that rate cannot be readily determinable, the Group uses the incremental borrowing rate.

The Group generally uses the incremental borrowing rate as the discount rate. The Group applies the incremental borrowing rate with reference to the rate of interest that the Group would have to pay to borrow, over a similar term as that of the lease, the funds necessary to obtain an asset of a similar value to the right-of-use asset in the country where it is located.

Lease payments to be made during the lease term will be included in the measurement of a lease liability. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The assessment of whether the Group is reasonably certain to exercise the options impacts the lease terms, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

5 REVENUE AND SEGMENT INFORMATION

	2021 HK$'000	2020 HK$'000
Commission income from concessionaire sales	893,026	886,861
Sales of goods – direct sales	633,583	605,540
Revenue from contracts with customers	1,526,609	1,492,401
Rental income	703,394	727,834
Interest income from finance leases as the lessor	15,963	12,456
	2,245,966	2,232,691

The income from concessionaire sales is analysed as follows:

	2021 HK$'000	2020 HK$'000
Gross revenue from concessionaire sales	6,052,313	5,661,827
Commission income from concessionaire sales	893,026	886,861

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

The CODM considers that the Group has department store and property investment businesses. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of other losses, net, changes in fair value of investment properties and net unallocated corporate income or expenses. In addition, net finance costs and share of results of associated companies are not allocated to segments. The measurement of segment assets excludes interests in associated companies, deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

Revenue is primarily generated in Mainland China and all significant operating assets of the Group are in Mainland China.

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK$'000	Property investment business HK$'000	Consolidated HK$'000
For the year ended 30 June 2021			
Segment revenue	2,039,653	206,313	2,245,966
Segment operating results	189,324	161,224	350,548
Other losses, net	(349,192)	2	(349,190)
Changes in fair value of investment properties	–	(6,490)	(6,490)
Unallocated corporate income, net			94,623
Operating profit			89,491
Finance income			37,839
Finance costs			(230,328)
Finance costs, net			(192,489)
			(102,998)
Share of results of associated companies			(151)
Loss before income tax			(103,149)
Income tax expense			(126,210)
Loss for the year			(229,359)

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK$'000	Property investment business HK$'000	Consolidated HK$'000
For the year ended 30 June 2020			
Segment revenue	2,027,823	204,868	2,232,691
Segment operating results	177,100	161,119	338,219
Other losses, net	(469,354)	58	(469,296)
Changes in fair value of investment properties	–	(39,125)	(39,125)
Unallocated corporate expenses, net			(27,758)
Operating loss			(197,960)
Finance income			44,932
Finance costs			(251,286)
Finance costs, net			(206,354)
			(404,314)
Share of results of associated companies			(339)
Loss before income tax			(404,653)
Income tax expense			(79,015)
Loss for the year			(483,668)

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK$'000	Property investment business HK$'000	Consolidated HK$'000
As at 30 June 2021			
Segment assets	**8,483,684**	**5,550,681**	**14,034,365**
Interests in associated companies	**296**	**–**	**296**
Deferred income tax assets	**121,662**	**–**	**121,662**
Unallocated corporate assets:			
Cash and bank balances			**21,066**
Others			**249**
Total assets			**14,177,638**
For the year ended 30 June 2021			
Additions to non-current assets (Note)	**904,157**	**9,383**	**913,540**
Depreciation	**582,932**	**702**	**583,634**
Impairment loss on goodwill	**232,749**	**–**	**232,749**
Impairment loss on property, plant and equipment and right-of-use assets	**176,622**	**–**	**176,622**
Reversal of loss allowance of receivables	**(14,499)**	**(1,792)**	**(16,291)**
Gain on derecognition of right-of-use assets, net	**(38,624)**	**–**	**(38,624)**
Loss on derecognition and lease modification of finance lease receivables, net	**8,346**	**–**	**8,346**
As at 30 June 2020			
Segment assets	8,146,316	4,820,614	12,966,930
Interests in associated companies	412	–	412
Deferred income tax assets	129,203	–	129,203
Unallocated corporate assets:			
Cash and bank balances			22,499
Others			232
Total assets			13,119,276
For the year ended 30 June 2020			
Additions to non-current assets (Note)	783,841	3,898	787,739
Depreciation	600,768	818	601,586
Impairment loss on goodwill	459,227	–	459,227
Impairment loss on property, plant and equipment and right-of-use assets	22,144	–	22,144
Loss allowance of prepayments and receivables	22,678	1,364	24,042
Gain on derecognition of right-of-use assets, net	(12,884)	–	(12,884)
Loss on derecognition and lease modification of finance lease receivables, net	53,411	–	53,411

Note:

Additions to non-current assets represent additions to non-current assets other than financial instruments, interests in associated companies and deferred income tax assets.

6 OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government grants	**13,894**	25,834
Income from suppliers	**22,272**	35,032
Service fee income	**1,653**	3,664
Carpark income	**9,876**	7,362
Other compensation income	**16,693**	15,916
Sundries	**3,093**	5,717
	67,481	93,525

7 OTHER LOSSES, NET

	2021 HK$'000	2020 HK$'000
Gain on disposal/deregistration of subsidiaries or associated companies	**–**	(12,388)
Impairment loss on goodwill (Note (i))	**232,749**	459,227
Impairment loss on property, plant and equipment and right-of-use assets (Note (i))	**176,622**	22,144
Loss allowance on prepayments, deposits and other receivables	**–**	4,444
Gain on disposal of property, plant and equipment and derecognition of right-of-use assets, net	**(36,749)**	(8,045)
Loss on derecognition of finance lease receivables, net	**6,873**	19,276
Loss on lease modification of finance lease receivables, net	**1,473**	34,135
Rent concessions (Note (ii))	**(31,778)**	(49,497)
	349,190	469,296

Notes:

(i) The impairment provisions were made to reflect management's latest plan for mainly eight department stores (2020: eight department stores) in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof.

(ii) Rent concessions represent the change in lease payment directly related to COVID-19.

8 OTHER OPERATING EXPENSES, NET

	2021 HK$'000	2020 HK$'000
Selling, promotion, advertising and related expenses	**33,762**	31,584
Cleaning, repairs and maintenance	**60,191**	52,190
Auditors' remuneration		
– Audit services	**3,763**	5,054
– Non-audit services	**1,198**	903
Net exchange gains	**(128,923)**	(6,883)
Other tax expenses	**139,041**	115,539
(Reversal of loss allowance)/loss allowance of receivables	**(16,291)**	19,598
Compensation expenses (Note)	**–**	52,368
Others	**13,325**	16,764
	106,066	287,117

Note:

Compensation expenses represent the compensation to the affected parties related to the early closed department stores.

9 FINANCE COSTS, NET

	2021 HK$'000	2020 HK$'000
Interest income on bank deposits	**(37,839)**	(44,932)
Interest expense on bank loans	**9,375**	21,771
Interest expense on shareholder's loans	**8,406**	19,895
Interest expense on lease liabilities	**212,547**	209,620
	230,328	251,286
	192,489	206,354

10 EMPLOYEE BENEFIT EXPENSE

	2021 HK$'000	2020 HK$'000
Wages, salaries and other benefits	430,675	420,425
Retirement benefit costs – defined contribution plans	27,406	29,898
	458,081	450,323

Employee benefit expense includes emoluments of Directors and chief executive (Note 11).

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of Directors and chief executive for the year ended 30 June 2021 is set out below:

		As management (Note (ii))			
Name of Directors and chief executive	As Director (Note (i)) HK$'000	Basic salaries, housing allowances, other allowances and other benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement benefit costs – defined contribution plans HK$'000	Total HK$'000
Non-executive Directors					
Dr. Cheng Kar-shun, Henry (Note (iii))	87	–	–	–	87
Dr. Cheng Chi-kong, Adrian (Note (iv))	13	–	–	–	13
Ms. Chiu Wai-han, Jenny (Note (v))	13	–	–	–	13
Executive Directors					
Dr. Cheng Chi-kong, Adrian (Note (iv))	130	–	–	–	130
Mr. Cheung Fai-yet, Philip (Note (vi))	150	9,500	–	876	10,526
Ms. Xie Hui-fang, Mandy (Note (vii))	20	5,118	–	28	5,166
Independent non-executive Directors					
Mr. Cheong Ying-chew, Henry	200	–	–	–	200
Mr. Chan Yiu-tong, Ivan	200	–	–	–	200
Mr. Tong Hang-chan, Peter	200	–	–	–	200
Mr. Yu Chun-fai	200	–	–	–	200
	1,213	14,618	–	904	16,735

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of Directors and chief executive for the year ended 30 June 2020 is set out below:

Name of Directors and chief executive	As Director (Note (i)) HK$'000	As management (Note (ii)): Basic salaries, housing allowances, other allowances and other benefits in kind HK$'000	As management (Note (ii)): Discretionary bonus HK$'000	As management (Note (ii)): Retirement benefit costs – defined contribution plans HK$'000	Total HK$'000
Non-executive Directors					
Dr. Cheng Kar-shun, Henry (Note (iii))	100	–	–	–	100
Mr. Au Tak-cheong (Note (viii))	75	–	–	–	75
Executive Directors					
Dr. Cheng Chi-kong, Adrian (Note (iv))	150	–	–	–	150
Mr. Cheung Fai-yet, Philip (Note (vi))	150	8,296	2,356	800	11,602
Independent non-executive Directors					
Mr. Cheong Ying-chew, Henry	200	–	–	–	200
Mr. Chan Yiu-tong, Ivan	200	–	–	–	200
Mr. Tong Hang-chan, Peter	200	–	–	–	200
Mr. Yu Chun-fai	200	–	–	–	200
Chief executive					
Mr. Ho Kwok Leung, Ivan (Note (ix))	–	1,045	–	33	1,078
	1,275	9,341	2,356	833	13,805

Notes:

(i) The amounts represented directors' fees paid to or receivable by the Director in respect of a person's services as a Director, whether of the Company or its subsidiary undertakings. No other emoluments was paid to or receivable by the Director in respect of a person's services as a Director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid to or receivable by the Director and the chief executive in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, discretionary bonus, employer's contributions to retirement benefit schemes and other allowances.

(iii) Dr. Cheng Kar-shun, Henry resigned as a non-executive Director and the Chairman with effect from 13 May 2021.

(iv) Dr. Cheng Chi-kong, Adrian has been re-designated as a non-executive Director and has been appointed as the Chairman with effect from 13 May 2021.

(v) Ms. Chiu Wai-han, Jenny has been appointed as a non-executive Director with effect from 13 May 2021.

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

Notes: (continued)

(vi) Mr. Cheung Fai-yet, Philip was appointed as the Chief Executive Officer with effect from 15 August 2019 and has been re-designated as the Joint Chief Executive Officer with effect from 13 May 2021 and remains as an executive Director.

(vii) Ms. Xie Hui-fang, Mandy has been appointed as an executive Director and the Joint Chief Executive Officer with effect from 13 May 2021.

(viii) Mr. Au Tak-cheong resigned as a non-executive Director with effect from 1 April 2020.

(ix) Mr. Ho Kwok-leung, Ivan resigned as the Chief Executive Officer with effect from 15 August 2019.

(x) No Directors waived or agreed to waive any emoluments during the years ended 30 June 2021 and 2020.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes two Directors for the year ended 30 June 2021 (2020: one Director), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2020: four) individuals during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	**5,925**	8,384
Discretionary bonus	**1,077**	3,734
Retirement benefit costs – defined contribution plans	**102**	113
	7,104	12,231

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$2,000,001 – HK$2,500,000	**2**	2
HK$2,500,001 – HK$3,000,000	**1**	1
HK$5,000,001 – HK$5,500,000	**–**	1
	3	4

12 INCOME TAX EXPENSE

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

	2021 HK$'000	2020 HK$'000
Current income tax		
– Mainland China taxation	**90,905**	92,624
– Over-provision in prior years	**(32)**	(827)
Deferred income tax (Note 28)		
– Other temporary differences	**35,337**	(12,782)
	126,210	79,015

Taxation has been provided at the tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the years ended 30 June 2021 and 2020.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2020: 25%).

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

	2021 HK$'000	2020 HK$'000
Loss before income tax and share of results of associated companies	**(102,998)**	(404,314)
Tax calculated at applicable tax rate	**(25,750)**	(101,079)
Expenses not deductible for taxation purpose	**123,020**	145,973
Income not subject to taxation	**(33,924)**	(4,805)
Utilisation of previously unrecognised tax losses and other temporary differences	**(53,552)**	(7,250)
Reversal of previously recognised tax losses and other temporary differences, net	**9,609**	8,334
Tax losses and other temporary differences not recognised	**106,839**	38,669
Over-provision in prior years	**(32)**	(827)
Income tax expense	**126,210**	79,015

	2021	2020
Domestic applicable tax rates	**25%**	25%

13 DIVIDENDS

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2021 (2020: HK$Nil).

14 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Loss attributable to shareholders of the Company (HK$'000)	**(229,359)**	(483,668)
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic loss per share (HK$ per share)	**(0.14)**	(0.29)

(b) Diluted

Diluted loss 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 2021 and 2020, there was no dilutive potential ordinary shares.

15(a) PROPERTY, PLANT AND EQUIPMENT

	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									
As at 1 July 2020	722,929	59,874	7,302	2,214,305	25,672	11,525	218,186	22,583	3,282,376
Translation differences	66,173	5,780	689	209,439	2,367	1,093	20,829	2,107	308,477
Additions	–	369	1,141	33,188	338	206	8,852	264	44,358
Disposals	–	(63)	(1,622)	(66,654)	(3,889)	(787)	(15,563)	–	(88,578)
Reclassification	–	–	–	2,604	–	–	–	(2,604)	–
Transfer to investment properties	(116,423)	–	–	(74,110)	–	–	–	–	(190,533)
As at 30 June 2021	672,679	65,960	7,510	2,318,772	24,488	12,037	232,304	22,350	3,356,100
Accumulated depreciation and impairment									
As at 1 July 2020	139,347	57,653	7,161	1,848,608	22,766	10,797	191,062	–	2,277,394
Translation differences	12,866	5,591	648	178,500	1,840	1,028	18,260	–	218,733
Charge for the year	21,796	836	259	88,848	964	308	14,469	–	127,480
Written back on disposals	–	(63)	(1,622)	(65,045)	(3,354)	(786)	(15,396)	–	(86,266)
Impairment	–	344	–	34,074	327	39	568	–	35,352
Transfer to investment properties	(40,557)	–	–	(45,635)	–	–	–	–	(86,192)
As at 30 June 2021	133,452	64,361	6,446	2,039,350	22,543	11,386	208,963	–	2,486,501
Net book amount									
As at 30 June 2021	539,227	1,599	1,064	279,422	1,945	651	23,341	22,350	869,599

15(a) PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer HK$'000	Assets under construction HK$'000	Total HK$'000
Cost									
As at 1 July 2019	479,413	61,327	8,961	2,377,461	29,638	12,206	255,917	22,746	3,247,669
Translation differences	(18,687)	(2,028)	(279)	(78,600)	(946)	(401)	(8,110)	(756)	(109,807)
Additions	272,909	988	–	58,717	1,187	217	8,886	1,942	344,846
Disposals	–	(413)	(1,380)	(140,802)	(4,207)	(497)	(39,675)	–	(186,974)
Reclassification	–	–	–	181	–	–	1,168	(1,349)	–
Transfer to investment properties	(10,706)	–	–	(2,652)	–	–	–	–	(13,358)
As at 30 June 2020	722,929	59,874	7,302	2,214,305	25,672	11,525	218,186	22,583	3,282,376
Accumulated depreciation and impairment									
As at 1 July 2019	127,864	59,017	8,485	1,931,243	26,718	11,235	219,550	–	2,384,112
Translation differences	(4,390)	(1,952)	(268)	(64,219)	(847)	(370)	(7,001)	–	(79,047)
Charge for the year	20,176	1,001	324	108,656	1,086	404	18,043	–	149,690
Written back on disposals	–	(413)	(1,380)	(135,910)	(4,196)	(490)	(39,580)	–	(181,969)
Impairment	–	–	–	9,785	5	18	50	–	9,858
Transfer to investment properties	(4,303)	–	–	(947)	–	–	–	–	(5,250)
As at 30 June 2020	139,347	57,653	7,161	1,848,608	22,766	10,797	191,062	–	2,277,394
Net book amount									
As at 30 June 2020	583,582	2,221	141	365,697	2,906	728	27,124	22,583	1,004,982

15(b) RIGHT-OF-USE ASSETS

	Prepaid leasehold land HK$'000	Buildings, plant and machinery and others HK$'000	Total HK$'000
As at 1 July 2020	**806,143**	**2,838,603**	**3,644,746**
Additions	**–**	**14,684**	**14,684**
Lease modification	**–**	**839,630**	**839,630**
Derecognition	**–**	**(165,795)**	**(165,795)**
Depreciation	**(29,670)**	**(426,484)**	**(456,154)**
Transfer to investment properties	**(70,444)**	**–**	**(70,444)**
Impairment charged for the year	**–**	**(141,270)**	**(141,270)**
Exchange difference	**74,686**	**279,059**	**353,745**
As at 30 June 2021	**780,715**	**3,238,427**	**4,019,142**

	Prepaid leasehold land HK$'000	Buildings, plant and machinery and others HK$'000	Total HK$'000
As at 1 July 2019	475,071	2,767,963	3,243,034
Additions	386,693	255,990	642,683
Lease modification	–	467,700	467,700
Derecognition	–	(123,908)	(123,908)
Depreciation	(27,426)	(424,470)	(451,896)
Transfer to investment properties	(8,681)	–	(8,681)
Impairment charged for the year	–	(12,286)	(12,286)
Exchange difference	(19,514)	(92,386)	(111,900)
As at 30 June 2020	806,143	2,838,603	3,644,746

The Group leases various properties. Rental contracts are made for a range of fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognised in the consolidated income statement in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Total cash outflows for leases was HK$1,032,157,000 (2020: HK$762,425,000).

15(c) IMPAIRMENT TESTS FOR RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and right-of-use assets are allocated to the Group's CGUs identified. For the purpose of impairment test, the recoverable amounts of CGUs is determined based on the higher of fair value less costs of disposal and value in use calculation.

The recoverable amounts of property, plant and equipment and right-of-use assets were determined either:

(i) by way of cash flow projections based on financial estimates covering a period over the lease term and an average pre-tax discount rate of 19% (2020: 15%) or the equivalent of a post-tax discount rate of 12.4% (2020: 12.4%); or

(ii) with reference to the valuation of the corresponding properties at 30 June 2021 by an independent professional valuer.

The key assumptions used in the impairment assessment, where discounted cash flow model was adopted, are annual gross revenue growth rates, gross margin ratios and discount rate which are based on management's best estimates and reflect specific risks relating to the relevant businesses.

The key assumptions used in the impairment assessments, with reference to the independent valuation of the underlying properties of the CGUs, are capitalisation rates, prevailing market rents and estimated transaction costs of disposal as at 30 June 2021 and 2020. The capitalisation rates adopted in the valuation are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

If the annual gross revenue had been 10% (2020: 10%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK$75,115,000 (2020: HK$60,462,000) higher.

If the gross margin ratios had been 1% (2020: 1%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK$33,707,000 (2020: HK$25,007,000) higher.

If the discount rate had been 0.5% (2020: 0.5%) higher than management's current estimates, there is no material adverse impacts to the consolidated financial statements (2020: same).

If the valuation of the corresponding properties has been 5% lower with all other variables held constant, there is no material adverse impacts to the consolidated financial statements (2020: the loss before income tax for the year would have been approximately HK$52,000,000 higher).

During the year ended 30 June 2021, impairment loss of approximately HK$176,622,000 (2020: HK$22,144,000) was recognised. For the year ended 30 June 2021, impairment provision were made on property, plant and equipment and right-of-use assets to reflect management's latest plan for the department stores in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof. The estimated recoverable amount of these department stores were approximately HK$279,816,000 (2020: HK$13,560,000) which were their value in use. The average pre-tax discount rate is 14.0% (2020: 18.8%). The impairment loss recognised for the year represented the difference between the carrying amounts of property, plant and equipment and right-of-use assets of the CGUs and their estimated recoverable amounts.

16 INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
At beginning of the year	**4,526,518**	4,692,081
Translation differences	**444,857**	(154,564)
Additions	**9,253**	3,699
Transfer from property, plant and equipment	**167,490**	10,181
Transfer from right-of-use assets	**114,167**	14,246
Changes in fair value charged to consolidated income statement	**(6,490)**	(39,125)
At end of the year	**5,255,795**	4,526,518

Amounts transferred from property, plant and equipment and right-of-use assets to investment properties are as follows:

	2021 HK$'000	2020 HK$'000
Net book value at the date of transfer of:		
– Property, plant and equipment (Note 15(a))	**104,341**	8,108
– Right-of-use assets (Note 15(b))	**70,444**	8,681
Revaluation gain recognised in other comprehensive income	**106,872**	7,638
	281,657	24,427
Representing fair value of investment properties transferred from:		
– Property, plant and equipment	**167,490**	10,181
– Right-of-use assets	**114,167**	14,246
	281,657	24,427

16 INVESTMENT PROPERTIES (continued)

Amounts recognised in the consolidated income statement for investment properties are as follows:

	2021 HK$'000	2020 HK$'000
Rental income	**206,313**	204,868
Direct operating expenses from properties that generated rental income	**(45,087)**	(43,691)
	161,226	161,177

As at 30 June 2021 and 2020, no investment properties was pledged to secure bank loans of the Group.

Valuation processes of the Group

Investment properties have been revalued as at 30 June 2021 and 30 June 2020 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professional valuer. The fair value of the investment properties was determined based on, amongst other thing, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The Group's finance team review the valuations performed by the independent professional valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and the independent professional valuer at least twice a year.

At each reporting period the finance team:

– Verifies all major inputs to the independent valuation report;

– Assesses property valuations movements when compared to the prior period valuation report; and

– Holds discussions with the independent professional valuer.

Fair value measurements using significant unobservable inputs

The fair value measurement of the Group's investment properties is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

There were no transfers between levels 1, 2 and 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

16 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (continued)

The valuations are derived using the income approach. This approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

Information about fair value measurements using significant unobservable inputs:

As at 30 June 2021

Valuation technique	**Range of significant unobservable inputs**	
Income approach	**Prevailing market rents** **HK$4.0 to HK$12.3 per sq.m. per day**	**Capitalisation rate** **5.0% to 7.0%**

As at 30 June 2020

Valuation technique	Range of significant unobservable inputs	
Income approach	Prevailing market rents HK$3.7 to HK$11.5 per sq.m. per day	Capitalisation rate 5.0% to 7.0 %

For prevailing market rent, the higher the prevailing market rent is, the higher the fair value will be. For capitalisation rate, the lower the capitalisation rate is, the higher the fair value will be.

As at 30 June 2021, if the market value of investment properties had been 5% (2020: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been approximately HK$262,790,000 (2020: HK$226,326,000) higher/lower.

17 INTANGIBLE ASSETS

	Goodwill HK$'000
Cost	
As at 1 July 2020	**2,061,225**
Translation differences	**198,672**
As at 30 June 2021	**2,259,897**
Accumulated impairment	
As at 1 July 2020	**608,077**
Translation differences	**65,620**
Impairment	**232,749**
As at 30 June 2021	**906,446**
Net book amount	
As at 30 June 2021	**1,353,451**
Cost	
As at 1 July 2019	2,131,495
Translation differences	(70,270)
As at 30 June 2020	2,061,225
Accumulated impairment	
As at 1 July 2019	159,144
Translation differences	(10,294)
Impairment	459,227
As at 30 June 2020	608,077
Net book amount	
As at 30 June 2020	1,453,148

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified. The following is a summary of goodwill allocation for each CGU with significant amount of goodwill:

	2021 HK$'000	2020 HK$'000
Shanghai Wujiaochang Branch Store	**523,130**	477,141
Shanghai Shaanxi Road Branch Store	**258,255**	235,551
Beijing Chongwen Store	**250,020**	228,040
Yanjiao Store	**87,029**	265,092
Chongqing Store	**75,368**	68,742

17 INTANGIBLE ASSETS (continued)

As at 30 June 2021, goodwill allocated to CGUs of the department store business and CGUs of the property investment business was approximately HK$1,087,284,000 (2020: HK$1,210,380,000) and approximately HK$266,167,000 (2020: HK$242,768,000) respectively. For the purpose of impairment test, the recoverable amount of each CGU is determined based on the higher of fair value less costs of disposal and value in use calculations. The recoverable amounts of CGUs of the department store business and CGUs of the property investment business are measured using the discounted cash flow projections and the valuation of the corresponding properties respectively.

The cash flow projections are based on financial estimates covering a five-year period and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using the estimated growth rates, where applicable.

The key assumptions used in the impairment assessments, with reference to the independent valuation of the underlying properties of the CGUs, are capitalisation rates, prevailing market rents and estimated transaction costs of disposal as at 30 June 2021 and 2020. The capitalisation rates adopted in the valuation are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the cash flow projections, where applicable, namely average annual gross revenue growth rates being not more than 16% for the year ended 30 June 2021 (2020: not more than 19%), average gross margin ratios ranging from 13 % to 16 % (2020: from 9% to 19%), are determined by considering both internal and external factors relating to the businesses of each CGUs; the long term growth rate of 3% (2020: 3%) is consistent with the forecast of the businesses and the discount rate of 12.4% (2020: 12.4%) is post-tax and reflects specific risks relating to the relevant businesses.

If the annual gross revenue had been 10% (2020: 10%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK$365,084,000 (2020: HK$234,769,000) higher.

If the gross margin ratios had been 1% (2020: 1%) lower than management's current estimates, the loss before income tax for the year would have been approximately HK$225,084,000 (2020: HK$104,382,000) higher.

If the discount rate had been 0.5% (2020: 0.5%) higher than management's current estimates, the loss before income tax for the year would have been approximately HK$185,141,000 (2020: HK$54,301,000) higher.

If the valuation of the corresponding properties in relation to the goodwill allocated to CGUs of the property investment business has been 5% lower with all other variables held constant, there is no material adverse impacts to the consolidated financial statements (2020: same).

During the year ended 30 June 2021, impairment loss of approximately HK$232,749,000 (2020: HK$459,227,000) was recognised. For the year ended 30 June 2021, impairment provision was made on goodwill of two (2020: five) CGUs allocated to the department store business of Beijing Liying Store and Yanjiao Store (2020: Wuhan Jianshe Store, Wuhan Xudong Branch Store, Chengdu Store, Beijing Trendy Store and Lanzhou Store) taking into consideration their current performance, the management's latest plan in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof. The estimated recoverable amount of the CGUs were approximately HK$418,047,000 (2020: HK$1,235,614,000) which were their fair value less cost of disposal. The fair value estimation is included in level 3 fair value hierarchy. The average pre-tax discount rate is 14.1% (2020: 15.6%). The impairment loss recognised for the year represented the difference between the carrying amount of the CGU including goodwill and its estimated recoverable amount. The Group reassessed all classes of asset of the CGUs, no assets other than goodwill was impaired as at 30 June 2021.

18 INTERESTS IN ASSOCIATED COMPANIES

	2021 HK$'000	2020 HK$'000
The Group's share of net assets, unlisted	**296**	412

There is no associated companies that is individually material to the Group. The Group's share of results of associated companies is as follows:

	2021 HK$'000	2020 HK$'000
For the year ended 30 June		
Loss for the year	**(151)**	(339)

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

	2021 HK$'000	2020 HK$'000
Revenue	**33**	667
Loss for the year	**(151)**	(339)
Non-current assets	**274**	1,636
Current assets	**274**	766
Current liabilities	**(252)**	(11,087)
Net assets/(liabilities)	**296**	(8,685)

Details of the principal associated companies are as follows:

Name	Place of establishment	Principal activity	Registered capital	Attributable interest (%) 2021	Attributable interest (%) 2020
Shanghai Yijie Trading Co., Ltd.	Mainland China	Catering	RMB1,500,000	**49**	49
Taizhou New World Department Store Co., Ltd#	Mainland China	Inactive	RMB8,000,000	**–**	25

Taizhou New World Department Store Co., Ltd. was deregistered on 21 October 2020.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepaid rent and rental deposits	**155,984**	142,905
Other tax recoverable	**87,363**	78,306
Prepaid expenses	**28,793**	24,838
Others	**187,175**	203,293
	459,315	449,342
Less: non-current prepayments, deposits and other receivables	**(206,850)**	(192,510)
	252,465	256,832

The balances were mainly denominated in RMB.

Prepaid expenses included insurance expenses to fellow subsidiaries and related companies of approximately HK$32,000 and HK$83,000 respectively (2020: HK$34,000 and HK$81,000 respectively).

20 INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	**89,428**	95,035

The cost of inventories recognised as expense and included in 'purchases of and changes in inventories, net' amounted to approximately HK$583,897,000 (2020: HK$546,981,000), which included inventory write-down, net of approximately HK$87,000 (2020: HK$111,000).

21 DEBTORS

	2021 HK$'000	2020 HK$'000
Debtors	**42,756**	64,187
Less: loss allowance	**(8,619)**	(23,994)
Debtors, net	**34,137**	40,193

21 DEBTORS (continued)

The Group grants credit terms within 30 days in majority. Ageing analysis of the net debtors, based on the invoice dates, is as follows:

	2021 **HK$'000**	2020 HK$'000
Within period for		
0–30 days	**29,242**	35,125
31–60 days	**969**	729
61–90 days	**831**	587
Over 90 days	**3,095**	3,752
	34,137	40,193

The individually impaired receivables mainly relate to tenants, which are in unexpectedly difficult economic situations.

Movements on the Group's loss allowance of debtors are as follows:

	2021 **HK$'000**	2020 HK$'000
At beginning of the year	**23,994**	9,580
Translation differences	**1,795**	(480)
(Reversal)/provision during the year	**(16,291)**	19,598
Amounts written off during the year	**(879)**	(4,704)
At end of the year	**8,619**	23,994

The debtors were primarily denominated in RMB.

The maximum exposure to credit risk at the reporting date is the carrying amount of debtors mentioned above. In case of default, the Group can set off the receivable balance to the extent of the relevant rental deposits held.

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

As at 30 June 2021 and 2020, the balances were unsecured, interest free, repayable on demand and denominated in RMB.

The related companies represent the joint ventures of New World Development Company Limited ("NWD"), Chow Tai Fook Jewellery Group Limited and its subsidiaries ("CTFJ Group") and members of the companies controlled by Mr. Doo Wai-hoi ("Mr. Doo"), an associate of certain Directors.

23 FIXED DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS

Fixed deposits with original maturity over three months were denominated in RMB.

The interest rates on fixed bank deposits with original maturity over three months ranged from 0.25% to 3.91% (2020: 1.59% to 3.91%) per annum. These deposits have remaining maturities ranging from 182 to 365 days (2020: 74 to 365 days).

24 CASH AND BANK BALANCES

	2021 **HK$'000**	2020 HK$'000
Short-term bank deposits	**237**	318,923
Cash at bank and in hand	**840,515**	1,041,405
	840,752	1,360,328

Cash and bank balances were denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
HK$	**35,836**	42,966
RMB	**804,693**	1,317,139
Others	**223**	223
	840,752	1,360,328

24 CASH AND BANK BALANCES (continued)

The interest rate on short-term bank deposit was 1.35% (2020: 1.35% to 2.03%) per annum. This deposit has remaining maturity of 70 days (2020: 7 to 70 days).

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

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

25 SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each, issued and fully paid:		
As at 1 July 2019, 30 June 2020 and 2021	**1,686,145**	**168,615**

26 RESERVES

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 July 2020	**1,826,646**	**180,469**	**391,588**	**459,159**	**(235,099)**	**1,417,943**	**4,040,706**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(229,359)**	**(229,359)**
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties, net of tax	**–**	**80,154**	**–**	**–**	**–**	**–**	**80,154**
Translation differences	**–**	**–**	**–**	**–**	**408,211**	**–**	**408,211**
Transfer to statutory reserve	**–**	**–**	**–**	**23,853**	**–**	**(23,853)**	**–**
As at 30 June 2021	**1,826,646**	**260,623**	**391,588**	**483,012**	**173,112**	**1,164,731**	**4,299,712**

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 July 2019	1,826,646	174,741	391,588	446,323	(24,441)	1,914,447	4,729,304
Loss for the year	–	–	–	–	–	(483,668)	(483,668)
Revaluation of property upon reclassification from property, plant and equipment and right-of-use assets to investment properties, net of tax	–	5,728	–	–	–	–	5,728
Release of reserve upon disposal/ deregistration of subsidiaries	–	–	–	–	(1,403)	–	(1,403)
Translation differences	–	–	–	–	(209,255)	–	(209,255)
Transfer to statutory reserve	–	–	–	12,836	–	(12,836)	–
As at 30 June 2020	1,826,646	180,469	391,588	459,159	(235,099)	1,417,943	4,040,706

Note:

Upon conversion of the Group's PRC subsidiaries into wholly-owned foreign enterprises in 2007 and pursuant to the relevant PRC Law and articles of association of the subsidiaries of the Company established in the PRC, they are required to appropriate 10% of their statutory net profit to the enterprise expansion fund. The enterprise expansion fund can only be used to increase capital of group companies or to expand their production operation upon approval by the relevant authority.

27 BORROWINGS

	2021 HK$'000	2020 HK$'000
Unsecured bank loans	**699,275**	773,222
Shareholder loans	**713,000**	713,000
	1,412,275	1,486,222

As at 30 June 2021, shareholder loans from ultimate holding company are interest-bearing at Hong Kong Interbank Offered Rate plus 1.1% (2020: 0.9%) per annum, unsecured and repayable within one year.

The average effective interest rates of the borrowings are analysed as follows:

	2021	2020
HK$	**1.24 %**	2.83 %
RMB	**–**	4.18 %

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

	2021 HK$'000	2020 HK$'000
HK$	**1,412,275**	1,412,156
RMB	**–**	74,066
	1,412,275	1,486,222

The contractual repricing dates or maturity dates (whichever is earlier) of the interest-bearing borrowings are as follows:

	2021 HK$'000	2020 HK$'000
Within six months	**1,412,275**	1,412,156
In the seventh month to one year	**–**	74,066
	1,412,275	1,486,222

As at 30 June 2021 and 2020, no bank loan was secured by investment properties.

As at 30 June 2021, the Group has undrawn shareholder loan of approximately HK$17,000,000 (2020: undrawn bank borrowing facilities and undrawn shareholder loan in aggregate of approximately HK$488,538,000), which carry interest at floating rates and are expiring within one year.

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 taxation authority. The net amounts are as follows:

	2021 HK$'000	2020 HK$'000
Deferred income tax assets	**121,662**	129,203
Deferred income tax liabilities	**(971,246)**	(846,372)
	(849,584)	(717,169)

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

	2021 HK$'000	2020 HK$'000
At beginning of the year	**(717,169)**	(752,743)
Translation differences	**(70,360)**	24,702
Taxation charged directly to equity	**(26,718)**	(1,910)
Charged to consolidated income statement (Note 12)	**(35,337)**	12,782
At end of the year	**(849,584)**	(717,169)

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	Leases HK$'000	Total HK$'000
As at 1 July 2019	29,432	6,501	11,725	1,234	124,220	173,112
Translation differences	(1,125)	(1,061)	(260)	(1,187)	(4,343)	(7,976)
Credited/(charged) to consolidated income statement	14,106	717	(11,465)	739	(421)	3,676
As at 30 June 2020	**42,413**	**6,157**	**–**	**786**	**119,456**	**168,812**
Translation differences	**3,719**	**495**	**–**	**5,342**	**8,063**	**17,619**
(Charged)/credited to consolidated income statement	**(18,128)**	**3,906**	**–**	**(4,780)**	**(13,766)**	**(32,768)**
As at 30 June 2021	**28,004**	**10,558**	**–**	**1,348**	**113,753**	**153,663**

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$'000	Leases HK$'000	Others HK$'000	Total HK$'000
As at 1 July 2019	232,947	587,949	71,691	13,893	19,375	925,855
Translation differences	(9,345)	(19,368)	(2,188)	(1,049)	(728)	(32,678)
Taxation charged directly to equity	–	–	1,910	–	–	1,910
Charged/(credited) to consolidated income statement	10,472	(1,379)	(9,781)	(11,076)	2,658	(9,106)
As at 30 June 2020	**234,074**	**567,202**	**61,632**	**1,768**	**21,305**	**885,981**
Translation differences	**22,911**	**54,626**	**6,436**	**93**	**3,913**	**87,979**
Taxation charged directly to equity	**–**	**–**	**26,718**	**–**	**–**	**26,718**
Charged/(credited) to consolidated income statement	**11,566**	**(1,451)**	**(1,623)**	**(1,861)**	**(4,062)**	**2,569**
As at 30 June 2021	**268,551**	**620,377**	**93,163**	**–**	**21,156**	**1,003,247**

Pursuant to the Corporate Income Tax Law with effect from 1 January 2008, withholding tax at rates of 10% is levied on dividends distributed to foreign investors by the foreign investment enterprises established in Mainland China.

As at 30 June 2021, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred income tax liabilities have not been recognised totalled approximately HK$311,594,000 (2020: HK$274,860,000), 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 carried forward 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$400,139,000 (2020: HK$351,904,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$1,600,556,000 (2020: HK$1,407,614,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

As at 30 June 2021, if the estimated future taxable profits had been 10% (2020: 10%) lower with all other variables held constant, there is no material adverse impacts to the deferred income tax assets recognised on unused tax losses and other deductible temporary differences of the Group.

29 CREDITORS, ACCRUALS AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Creditors	**993,805**	878,364
Accruals and other payables	**1,032,527**	913,725
	2,026,332	1,792,089

The Group normally receives credit terms of 60 to 90 days. Ageing analysis of the creditors, based on the invoice dates, is as follows:

	2021 HK$'000	2020 HK$'000
Within period for		
0–30 days	**832,947**	701,666
31–60 days	**38,687**	69,007
61–90 days	**14,438**	2,809
Over 90 days	**107,733**	104,882
	993,805	878,364

Creditors included amounts due to related companies of approximately HK$58,600,000 (2020: HK$50,812,000) which were unsecured, interest free and repayable within 90 days.

Accruals and other payables included interest payable of shareholder loan of approximately HK$32,887,000 (2020: HK$24,464,000).

The carrying amounts of the creditors, accruals and other payables were denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**2,014,168**	1,778,305
HK$	**12,164**	13,784
	2,026,332	1,792,089

29 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

Nature of accruals and other payables are as follows:

	2021 HK$'000	2020 HK$'000
Rental accruals and payables	**38,652**	43,401
Deposits from concessionaire suppliers	**464,143**	412,030
Interest payable	**32,951**	24,884
Payables for capital expenditures	**28,572**	26,140
Accruals and payables for staff costs	**114,314**	85,890
Valued-added taxes and other taxes payables	**40,913**	30,722
Utilities payables	**9,344**	7,800
Receipts in advance	**119,797**	72,847
Others	**183,841**	210,011
	1,032,527	913,725

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

30 LEASE LIABILITIES

Lease liabilities were measured at the present value of the remaining leases payments, discounted at the relevant incremental borrowing rates, and the aggregate effect is as follows:

	2021 HK$'000	2020 HK$'000
At beginning of the year	**4,464,594**	4,401,582
Additions	**–**	238,954
Lease modification	**839,630**	467,700
Derecognition	**(7,113)**	(38,356)
Lease payments	**(896,760)**	(618,021)
Interest expense on lease liabilities	**212,547**	209,620
Rent concessions	**(31,778)**	(49,497)
Translation differences	**433,674**	(147,388)
At end of the year	**5,014,794**	4,464,594
Of which are:		
Current lease liabilities	**660,400**	698,671
Non-current lease liabilities	**4,354,394**	3,765,923
	5,014,794	4,464,594

Lease liabilities included lease liabilities to fellow subsidiaries and related companies of approximately HK$353,597,000 (2020: HK$403,262,000).

31 FINANCE LEASE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Finance lease receivables	**419,563**	271,838
Unguaranteed residual values	**33,834**	24,001
Gross investment in finance leases	**453,397**	295,839
Less: unearned finance income	**(49,867)**	(36,690)
Net investment in finance leases	**403,530**	259,149
Less: accumulated allowance for impairment	**–**	–
Finance lease receivables – net	**403,530**	259,149
Of which are:		
Current finance lease receivable	**68,524**	41,294
Non-current finance lease receivable	**335,006**	217,855
	403,530	259,149

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings at the end of each reporting period:

	2021 HK$'000	2020 HK$'000
Gross investment in finance leases		
Within one year	**85,002**	45,751
In the second to fifth year	**281,930**	172,347
After the fifth year	**86,465**	77,741
	453,397	295,839

The effective interest rate applied to the finance lease receivables was 4.9% (2020: 4.9%).

32 CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2021 HK$'000	2020 HK$'000
Contract liabilities in relation to prepayments from customers	**191,883**	231,842
Contract liabilities in relation to customer loyalty programme	**46,480**	44,082
Total contract liabilities	**238,363**	275,924

32 CONTRACT LIABILITIES (continued)

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as direct sales and gross revenue from concessionaire sales when the Group transfers goods or services to the customers.

The following table shows the amount recognised in the current reporting period related to carried-forward contract liabilities:

	2021 HK$'000	2020 HK$'000
For the year ended 30 June		
Amount recognised that was included in the contract liability balance at the beginning of the year		
– Direct sales and gross revenue from concessionaire sales	**127,361**	80,545

The following table shows unsatisfied performance obligations resulting from direct sales and gross revenue from concessionaire sales:

	2021 HK$'000	2020 HK$'000
At end of the year		
Expected to be recognised within one year	**95,717**	153,462
Expected to be recognised after one year	**142,646**	122,462
	238,363	275,924

33 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital commitment in respect of investment properties, property, plant and equipment and right-of-use assets of the Group at the end of the reporting period are as follows:

	2021 HK$'000	2020 HK$'000
Contracted but not provided for	**44,349**	44,325

(b) Operating lease receivable

The future minimum payments receivable by the Group under non-cancellable leases are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**568,305**	520,552
In the second to fifth year	**825,372**	770,513
After the fifth year	**84,755**	98,778
	1,478,432	1,389,843

The contingent operating lease rental income of the Group for the year ended 30 June 2021 were approximately HK$40,687,000 (2020: HK$34,066,000).

34 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings HK$'000	Shareholder loan HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 July 2020	**773,222**	**713,000**	**24,884**	**4,464,594**	**5,975,700**
Changes from cash flows					
Drawdown of bank borrowings	**205,000**	**–**	**–**	**–**	**205,000**
Repayment of bank borrowings	**(283,831)**	**–**	**–**	**–**	**(283,831)**
Payment of lease liabilities	**–**	**–**	**–**	**(896,760)**	**(896,760)**
Finance costs paid	**(1,012)**	**–**	**(11,070)**	**–**	**(12,082)**
	693,379	**713,000**	**13,814**	**3,567,834**	**4,988,027**
Other changes					
Exchange differences	**4,689**	**–**	**2,563**	**433,674**	**440,926**
Interest expenses	**1,207**	**–**	**16,574**	**212,547**	**230,328**
Lease modification, rent concessions and derecognition	**–**	**–**	**–**	**800,739**	**800,739**
As at 30 June 2021	**699,275**	**713,000**	**32,951**	**5,014,794**	**6,460,020**

	Bank borrowings HK$'000	Shareholder loan HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 July 2019	915,049	713,000	5,658	4,401,582	6,035,289
Changes from cash flows					
Drawdown of bank borrowings	634,889	–	–	–	634,889
Repayment of bank borrowings	(771,111)	–	–	–	(771,111)
Payment of lease liabilities	–	–	–	(618,021)	(618,021)
Finance costs paid	(1,222)	–	(20,815)	–	(22,037)
	777,605	713,000	(15,157)	3,783,561	5,259,009
Other changes					
Exchange differences	(5,607)	–	(401)	(147,388)	(153,396)
Interest expenses	1,224	–	40,442	209,620	251,286
New leases entered, lease modification, rent concessions and derecognition	–	–	–	618,801	618,801
As at 30 June 2020	773,222	713,000	24,884	4,464,594	5,975,700

35 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Save as those disclosed elsewhere in these consolidated financial statements, 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	2021 HK$'000	2020 HK$'000
Fellow subsidiaries			
Rental expenses	(i)	**(23,566)**	(23,180)
Building management expenses	(ii)	**(12,343)**	(11,628)
Sales of goods, prepaid shopping cards and vouchers	(iii)	**–**	27
Payments for purchase of building and right-of-use assets	(iv)	**(1,621)**	(42,099)
Management fee income	(v)	**–**	200
Interest expense on lease liabilities	(vi)	**(5,106)**	(6,158)
Insurance expenses	(vii)	**(67)**	(34)
Related companies			
Commission income from concessionaires sales	(viii)	**54,909**	46,692
Rental expenses	(i)	**(87,569)**	(82,372)
Building management expenses	(ii)	**(25,347)**	(23,977)
Rebates on prepaid shopping cards and vouchers	(ix)	**202**	53
Rental income	(x)	**192**	167
Other service fee expenses	(xi)	**(181)**	(93)
Interest expense on lease liabilities	(vi)	**(13,096)**	(14,821)
Additions to right-of-use assets	(xii)	**–**	(2,136)

Notes:

(i) The rental expenses are charged in accordance with respective lease agreements and accounted for in accordance with accounting policy of leases for short-term leases and turnover rent under HKFRS 16.

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

(iii) This represents the amounts received in respect of the use of the shopping vouchers, the prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchase of goods and settlement of the relevant value by the subsidiaries and joint ventures of NWD (except the Group), and the CTFJ Group.

(iv) This represents instalment paid for the purchase of building and right-of-use assets.

(v) The income is charged in accordance with the terms of service fee stated in respective agreements.

(vi) Interest expense on lease liabilities is charged at the relevant incremental borrowing rates.

35 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

(vii) This represents the insurance services provided by the subsidiaries of NWS Holdings Limited.

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

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

(x) The income is charged in accordance with lease agreements with members of the companies controlled by Mr. Doo.

(xi) This represents other services provided by members of the companies controlled by Mr. Doo.

(xii) Additions to right-of-use assets are measured in accordance with respective lease agreements.

(b) Related party balances

The details for balances with related parties are disclosed in Notes 19, 22, 27, 29 and 30 to the consolidated financial statements.

(c) Repayments of lease liabilities to related parties

The repayment amount of lease liabilities to related parties were approximately HK$94,760,000 (2020: HK$62,027,000) during the year.

(d) Key management compensation

All Directors (2020: All Directors and one chief executive) are considered as key management and their emoluments have been disclosed in Note 11(a) to the consolidated financial statements. The emoluments payable to other key management are as follows:

	2021 **HK$'000**	2020 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	**6,896**	9,455
Discretionary bonus	**1,104**	4,019
Retirement benefit costs – defined contribution plans	**267**	273
	8,267	13,747

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Assets		
Non-current asset		
Investments in subsidiaries	**1,972,627**	1,818,831
Current assets		
Prepayments and deposits	**250**	231
Amounts due from subsidiaries	**2,256,301**	2,057,799
Cash and bank balances	**21,066**	22,499
	2,277,617	2,080,529
Total assets	**4,250,244**	3,899,360
Equity and liabilities		
Equity		
Share capital	**168,615**	168,615
Reserves (Note)	**2,413,978**	2,110,964
Total equity	**2,582,593**	2,279,579
Liabilities		
Current liabilities		
Accruals and other payables	**7,021**	5,556
Amounts due to subsidiaries	**1,660,630**	1,614,225
Total liabilities	**1,667,651**	1,619,781
Total equity and liabilities	**4,250,244**	3,899,360

The statement of financial position of the Company was approved by the Board of Directors on 29 September 2021 and was signed on its behalf

Mr. Cheung Fai-yet, Philip
Director

Ms. Xie Hui-fang, Mandy
Director

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 July 2020	**1,826,646**	**73,486**	**385,845**	**(175,013)**	**2,110,964**
Profit for the year	**–**	**–**	**–**	**80,860**	**80,860**
Translation differences	**–**	**–**	**222,154**	**–**	**222,154**
As at 30 June 2021	**1,826,646**	**73,486**	**607,999**	**(94,153)**	**2,413,978**
As at 1 July 2019	1,826,646	73,486	468,268	(7,647)	2,360,753
Loss for the year	–	–	–	(167,366)	(167,366)
Translation differences	–	–	(82,423)	–	(82,423)
As at 30 June 2020	1,826,646	73,486	385,845	(175,013)	2,110,964

37 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30 June 2021 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Constar Investment Limited	The British Virgin Islands	Financing/Hong Kong	US$1	–	100
Happy Growth Investment Limited	Hong Kong	Investment holding and provision of management services/Hong Kong	HK$1	100	–
New World Department Store (Investment) Limited	Hong Kong	Investment holding/Hong Kong	HK$410,045,794	100	–
New World Department Stores Limited	Hong Kong	Investment holding and provision of management services to department stores/Hong Kong	HK$2	100	–
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB16,000,000[W]	100	–
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000[W]	100	–
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding/ Mainland China	US$150,000,000[W]	100	–
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000[W]	100	–

37 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000[W]	100	–
Wuhan New World Trendy Department Store Co., Ltd	Mainland China	Department store operation/ Mainland China	RMB80,000,000[W]	100	–
Beijing New World Liying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000[W]	–	100
Beijing New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$60,000,000[W]	–	100
Beijing New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB25,000,000[W]	–	100
Beijing Wanya Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB100,000[α]	–	100
Beijing Yixi New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB65,000,000[W]	–	100
Beijing Xinpeng Enjia Business Management Co., Ltd.	Mainland China	Convenience store operation/ Mainland China	RMB3,900,000[α]	–	100
Beijing Enjia Youpin Business Management Co., Ltd.	Mainland China	Household goods shop operation/ Mainland China	RMB1,000,000[W]	–	100
Changsha New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB60,000,000[W]	–	100
Chengdu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB70,000,000[W]	–	100
Chongqing New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB100,000,000[W]	–	100
Harbin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB126,000,000[W]	–	100
Lanzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000[W]	–	100
Mianyang New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB14,000,000[W]	–	100
Miaogou (Beijing) Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB1,000,000[α]	–	100

37 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	Mainland China	Property investment and shopping mall operation/Mainland China	US$40,000,000[W]	–	100
Sanhe New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB2,000,000[W]	–	100
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB18,000,000[W]	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB240,000,000[W]	–	100
Shanghai New World Huiyan Department Store Ltd.	Mainland China	Property investment and shopping mall operation/Mainland China	RMB85,000,000[W]	–	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB93,970,000[W]	–	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$100,000,000[W]	–	100
Shanghai Nplus Catering Management Co., Ltd.	Mainland China	Catering/Mainland China	RMB16,000,000[α]	–	100
Shenyang New World Department Store Ltd.	Mainland China	Property investment and department store operation/Mainland China	RMB30,000,000[W]	–	100
Shenyang Trendy Property Company Limited	Mainland China	Property investment/ Mainland China	RMB27,880,000[W]	–	100
Tianjin New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB30,000,000[W]	–	100
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and Department store operation/Mainland China	US$15,630,000[W]	–	100
Wuhan New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB500,000[α]	–	100

37 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
Xi'an New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB40,000,000[W]	–	100
Yantai New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB80,000,000[W]	–	100
Yunnan New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB10,000,000[W]	–	100
Zhengzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000[W]	–	100

[α] The Group indirectly holds equity interest in these subsidiaries through its wholly owned subsidiaries, and has control over each of these subsidiaries

[W] Registered as wholly foreign owned enterprise under PRC law

38 ULTIMATE HOLDING COMPANY

The Directors regard NWD, a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, as being the ultimate holding company of the Company.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**2,245,966**	2,232,691	3,519,017	3,821,120	3,484,322
Operating profit/(loss)	**89,491**	(197,960)	204,602	185,353	277,841
(Loss)/profit for the year	**(229,359)**	(483,668)	32,663	11,085	128,289
Profit/(loss) attributable to non-controlling interests	**–**	–	–	57	(322)
(Loss)/profit attributable to shareholders of the Company	**(229,359)**	(483,668)	32,663	11,028	128,611

	As at 30 June				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**14,177,638**	13,119,276	11,797,523	12,589,234	12,224,897
Total liabilities	**9,709,311**	8,909,955	5,954,914	6,469,886	6,296,963
Total equity	**4,468,327**	4,209,321	5,842,609	6,119,348	5,927,934

PRINCIPAL INVESTMENT PROPERTIES SUMMARY

MAJOR COMPLETED INVESTMENT PROPERTIES IN MAINLAND CHINA

No.	Address of Investment Properties	GFA (sq.m.)	Use	Land Lease Expiry
1	Levels 1 to 6 of a commercial complex located at Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379 and 1383 North Shaanxi Road, the Ground Level located at No. 175 Changshou Road, the Ground Level located at No. 179 Changshou Road, Levels 1 t o 4 located at No. 155 Changshou Road, Level 5 located at No. 157 Changshou Road and Level 6 located at No. 159 Changshou Road, Putuo District, Shanghai City – Hong Kong New World Department Store – Shanghai Shaanxi Road Branch Store	41,090	Commercial	2045
2	One commercial complex located at No. 762 Tianshan Road, Changning District, Shanghai City – Hong Kong New World Department Store – Shanghai Tianshan Road Branch Store	43,016	Commercial	2053
3	A portion of Levels 1 to 3 and Level 4 of a commercial/ residential complex located at No. 57 Zijingshan Road, Guancheng District, Zhengzhou City – Zhengzhou New World Department Store	35,311	Commercial	2046
4	Parts of Basement Level 1 and Levels 1 to 5 of a commercial complex and a portion of Basement Level 1 and Levels 1 to 6 of a commercial complex located at Nos. 566 and 568 Jianshe Avenue, Jianghan District, Wuhan City – Wuhan New World Department Store	30,875	Commercial	2042
5	A portion of Levels 1 to 7 of two 26-storey office towers erected on a podium arcade located at No. 3 Jinqiao Road, Dadong District, Shenyang City – Shenyang New World Department Store – Jinqiao Road Trendy Plaza	34,087	Commercial	2046
		184,379		

RISK FACTORS

1. A SERIES OF UNCERTAINTY FROM EXTERNAL ECONOMIC ENVIRONMENT HAS DISRUPTED THE INDUSTRY

- The global economy, trade and investment suffered a severe setback. The growth performance has differed among major economies such as the U.S., Europe, Japan and China. Trade conflicts have further exacerbated uncertainty, and corporate capital spending has been dragged down as a result. With growth expectations weakening, the profit outlook is weaker than the previously expected.

2. CONSUMPTION SPENDING HAS BEEN WEAKENING

- The severe hit from COVID-19 has brought new changes both domestically and internationally, which, among other factors, have had a far-reaching impact on economic development.

- Consumption spending, the pillar to support the steady growth of China's economy in recent years, has continued to weaken and such trend was not halted.

3. BRICK AND MORTAR STORES WERE IN DIRE STRAITS

- A litany of challenges have plunged the foot traffic. The outbreak of the pandemic has significantly worsened the business environment in 2020, which triggered brick and mortar shoppers to swiftly adjust their merchandising and marketing models.

- Operating costs have stayed high. Against the backdrops of declining profit margins and rising costs, "small profit" is still a viable target and "more sales" seems no longer an easy task.

- Business transformation has become more difficult. As major internet giants released a number of industry-aligned internet platforms in 2020 that make use of big data, cloud computing and the Internet of Things in easing industrial transform, the competition of brick and mortar businesses for business and resources intensified.

4. THE DEMAND FROM THOSE WHO DRIVE THE CONSUMPTION MARKET DIVERSIFIES

- It has become more challenging to accommodate the needs of young people (as the main growth driver of the consumption market). Along with greater proportion of consumers of the new generation, new consumer markets such as Chinese fad, environment-related sectors and cultural market have been prospering. These kinds of consumers are more willing to give a try to products or services that are more novel and innovative.

- More consumption is taken place online, which is more convenient and swift, rather than in brick and mortar stores. Consumers generally plug into online retailing and concern more on experiential purchase, social networking and entertainment. They are also more inclined to purchase basic commodities online.

5. COMPETITION AMONG INTEGRATED ONLINE-OFFLINE PLATFORMS HAS BECOME AGGRAVATED

- Dragged by the lack of resources and delayed kick-starting, the majority of brick and mortar businesses are inevitably relying on e-commerce platforms when they extend their footprint in online marketing.

- There are needs to start organic integration with existing e-commerce platforms in a bid to quickly get on a par with other industrial peers. The digitalisation of businesses in shopping centres has become increasingly crucial since the outbreak of COVID-19 last year. Such digitalisation will become more intensified in terms of integration of the use of digital tools, which are not limited to drawing clicks online with a few small apps, but to a greater scenario, leveraging the digital application in a more systematic and sophisticated approach that help connect customers, merchants, marketing teams and operators such that a "digitalized closed-loop" can be formed. Making use of digital means to improve operational efficiency and reducing the proportion of marketing costs in total costs are what digital empowerment are genuinely meant for.

6. SWIFTLY RENEWING SMART BUSINESS TECHNOLOGIES

- In an ever-changing consumption market, physical retailers must place an even stronger emphasis on members' experience and the renewed application of membership technology. Value-added capabilities become the major source of where members' satisfaction comes from.

- Brick-and-mortar companies are faced with three major obstacles: technical barriers, internet mindset, as well as communication. They are also confronted with the predicament of the low brand loyalty of mainstream customers.

7. GOVERNMENTAL AND REGULATORY RISKS

- Changes in government policies and regulatory requirement have brought adverse impact.

8. FOREIGN EXCHANGE RISK

- The Group is mainly exposed to foreign exchange risk arising from HK$ against RMB. This foreign exchange risk arises from future commercial transactions or recognized assets and liabilities denominated in a currency that is not the functional currencies of the Company and each of the subsidiaries. The functional currency of the Company and most of its subsidiaries is RMB. Therefore, any currency fluctuations may have an impact on the Group's financial condition and results of operations.

GLOSSARY OF TERMS

GENERAL TERMS

FY	:	Financial year, 1 July to 30 June
GFA	:	Gross floor area
Group	:	New World Department Store China Limited and its subsidiaries
HK or Hong Kong	:	The Hong Kong Special Administrative Region of the PRC
HK$	:	Hong Kong dollar(s), the lawful currency of Hong Kong
Listing Rules	:	Rules Governing the Listing of Securities on the Stock Exchange
LOL	:	LOL (Love • Original • Life) Concept Shop
Mainland China	:	The People's Republic of China, excluding Hong Kong, Macau and Taiwan (for the purposes of this annual report only)
NWD	:	New World Development Company Limited
NWD Group	:	New World Development Company Limited and its subsidiaries
NWDS or Company	:	New World Department Store China Limited (新世界百貨中國有限公司)
NWSH	:	NWS Holdings Limited
PRC	:	The People's Republic of China
RMB	:	Renminbi, the lawful currency of the PRC
sq.m.	:	square metre(s)
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
US$ or USD	:	United States dollar(s), the lawful currency of the United States of America

FINANCIAL TERMS

Merchandise gross margin :

$$\frac{\text{Commission income from concessionaire sales + Sales of goods — direct sales – Purchases of and changes in inventories, net – Purchases of promotion items}}{\text{Gross revenue from concessionaire sales + Sales of goods — direct sales}} \times 100\%$$

Loss per share :

$$\frac{\text{Loss attributable to shareholders of the Company}}{\text{Weighted average number of ordinary shares in issue}}$$

HKFRS	:	Hong Kong Financial Reporting Standards
HKAS	:	Hong Kong Accounting Standards
CGU(s)	:	Cash generating unit(s)
FVPL	:	Fair value through profit or loss
FVOCI	:	Fair value through other comprehensive income

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Chi-kong, Adrian *(Chairman)*
Ms. Chiu Wai-han, Jenny

Executive Directors

Mr. Cheung Fai-yet, Philip *(Joint Chief Executive Officer)*
Ms. Xie Hui-fang, Mandy *(Joint Chief Executive Officer)*

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
Certified Public Accountants
Registered Public Interest Entity Auditor

SOLICITORS

Eversheds Sutherland
Woo, Kwan, Lee & Lo
Dentons Hong Kong LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Suntera (Cayman) Limited
Suite 3204, Unit 2A
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

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REGISTERED OFFICE

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PRINCIPAL BANKERS

China Construction Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Mizuho Bank

STOCK CODE

Hong Kong Stock Exchange 825

INVESTOR INFORMATION

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please contact the Corporate Affairs Department of
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WEBSITE

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Chinese Version

The Chinese version of this Report is available from New World Department Store China Limited upon request. If there is any inconsistency or contradiction between the English and the Chinese versions, the English version shall prevail.

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)
(Hong Kong Stock Code: 825)

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