新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

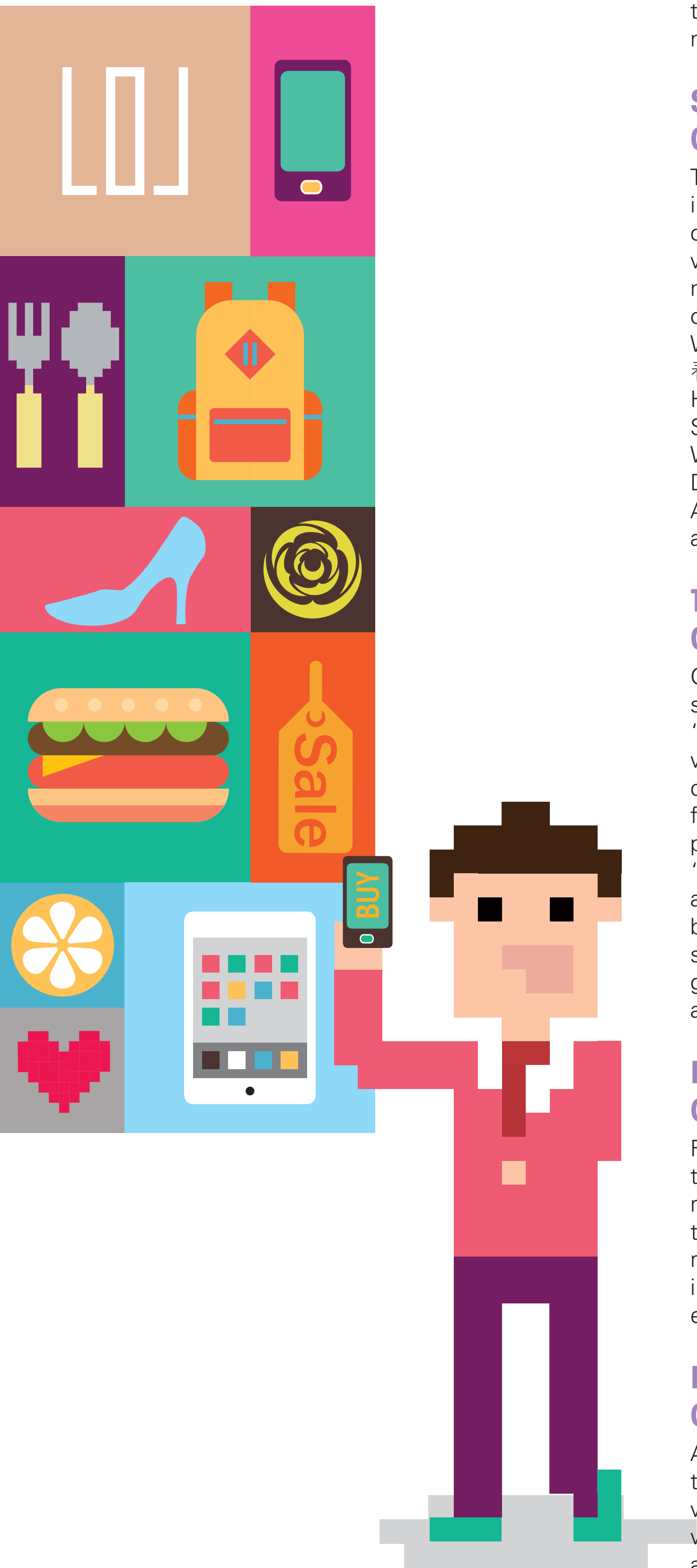
(Stock Code: 825)

ANNUAL REPORT 2014

時新尚個生性活

Enriching Lives Enhancing Character

CORPORATE PROFILE



NEW WORLD DEPARTMENT STORE: QUALITY MERCHANDISE FOR QUALITY LIVING

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

SECURING STRATEGIC FOOTHOLDS: OUR NETWORK

To establish ourselves as a leading department store operator in Mainland China, the Group has been proactively expanding our store network across the country. As at 30 June 2014, we operated and managed 39 self-owned stores and four managed stores in Mainland China with a total gross floor area of approximately 1,656,090 square meters, including 32 "New World" branded department stores, 10 "Ba Li Chun Tian" (巴黎春天) branded department stores in Shanghai and one "Shanghai Hongxin Trendy Plaza" (上海泓鑫時尚廣場) shopping mall in Shanghai, covering 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao and Yantai.

TAPPING INTO CHINA'S GROWING AFFLUENCE: OUR TARGET MARKET

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

EFFICIENT MANAGEMENT: OUR ORGANIZATIONAL STRUCTURE

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

PROFESSIONALISM FROM TOP TO BOTTOM: OUR PEOPLE

As at 30 June 2014, the Group employed 6,563 people, with the majority being local recruits. Well-trained and motivated, the whole crew is united under the leadership of a management team with over two-decade relevant experience in pursuit of our vision and mission.

CONTENTS

MISSION

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

GOAL

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

CONVICTION

Embracing "innovation, foresight, integrity, prudent and respect" in our core values lays a promising development path for NWDS in future.


MISSION
GOAL
CONVICTION

MILESTONES

2013

JULY

- Completed the acquisition of the property and operating rights of Shanghai Hongxin Trendy Plaza with a GFA of approximately 43,000 sq.m., further expanding the Group's presence in Shanghai 1

OCTOBER

- FY2012 Annual Report won the Bronze Award in the category of "Copywriting: Annual Reports – Asia" in the 2013 Galaxy Awards
- Hong Kong office was awarded the Certificate of Participation and "CarbonSmart Low-Carbon Commitment Partner" certificate in the "CarbonSmart Programme"

NOVEMBER

- Completed the acquisition of Shanghai Wujiaochang Branch Store with a GFA of approximately 44,000 sq.m. and converted it from a managed store into a self-owned store, further strengthening the Group's development edge in Shanghai 2

DECEMBER

- Grandly opened a "Living Gallery" with a GFA of approximately 55,000 sq.m. in Yantai City, Shandong Province 3
- Joined hands with a global entertainment giant, Warner Bros., to introduce Tom & Jerry themed festive decorations and activities to stores across the country 4
- NWDS Management Academy was accredited as the "China's Best Corporate University" and garnered "The Award for Social Responsibility of China Corporate University" while its "Project Feipeng – Core Talents Nurturing Plan" won the honor of "Top 20 China Corporate Training Program" 5

2014

JANUARY

- NWDS' revamped website was glamorously launched, supporting all mobile devices and creating a brand new browsing experience
- Garnered the "2013 China Charity – Group Award" in the "2013 China Charity Festival" while its "@Dream Program" won the honor of the "2013 Best Charity Project" 6
- Hong Kong Office was granted the Bronze Award for Volunteer Service by the Social Welfare Department

FEBRUARY

- FY2013 annual report received the Silver Award in the category of "Annual Reports: Interior Design – Traditional Format" and the Bronze Award in the category of "Annual Reports: Overall Presentation – Department Store" in 2013/14 Mercury Awards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3

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2


4


6

MARCH

- Received the 2013/14 "Caring Company" logo issued by The Hong Kong Council of Social Service for the second consecutive time 7

APRIL

- FY2013 annual report received the Silver Award in the category of "Annual Reports: Corporate – Traditional" in 2014 Astrid Awards
- Garnered the honor of the "Best Investor Relations Company" in the "4th Asian Excellence Recognition Awards" 8
- NWDS' newly-revamped corporate website won the Silver Award in the category of "Website Stream" in the "Web Accessibility Recognition Scheme" 9

MAY

- Launched a nationwide inter-store marketing campaign called "Blast of Joy II – Celebrating the 21st Anniversary" 10

JUNE

- Garnered the "Family-Friendly Employers" award in the "2013/14 Family-Friendly Employers Award Scheme" for the second consecutive time, and was given a "Special Mention" award
- Title-sponsored the "NWDS Sowers Action Challenging 12 Hours Charity Marathon 2014" organized by Sowers Action for the first time and hosted its kick-off ceremony on 21st June 11
- Inaugurated "Volunteer Month", in which stores across the country partnered with 25 schools, communities and non-profit organizations to organize the "New World · Watch Me Play in the Dragon Boat Race" volunteer activity 12

JULY

- Garnered the Nomination Award in the category of "Corporate Social Responsibility" in the "11th China Golden Awards for Excellence in Public Relations" with its "@Dream Program"
- FY2013 Annual Report won the Gold Award in the category of "Annual Report: Consumer Services" and Honors in the category of "Best Annual Report Narrative", and became the "Top 80 Asia-Pacific Annual Reports" and the "Top 20 Chinese Reports" in the LACP 2013 Vision Awards Annual Report Competition
- FY2013 Annual Report won the Silver Award in the category of "Traditional Annual Report: Retail – Convenience & Department Store" in the 2014 ARC Awards

7

9

11

8

10

12

RETAIL NETWORK

43 Strategic Footholds in 21 Major Cities

Beijing	5	Shanghai	11
Tianjin	1	Ningbo	3
Yanjiao	1	Nanjing	1
Yantai	1	Yancheng	1
Harbin	1		
Shenyang	2	Wuhan	6
Dalian	1	Changsha	1
Anshan	1	Zhengzhou	1
Lanzhou	1	Chengdu	1
Xi'an	1	Chongqing	1
		Kunming	1
		Mianyang	1

NORTHERN CHINA REGION


BEIJING STORE


BEIJING TRENDY STORE


BEIJING LIYING STORE


BEIJING SHISHANG STORE


BEIJING QIANZI STORE


TIANJIN STORE


YANJIAO STORE


YANTAI STORE


HARBIN STORE


SHENYANG ZHONGHUA ROAD BRANCH STORE


SHENYANG JIANQIAO ROAD BRANCH STORE


DALIAN STORE


ANSHAN STORE


LANZHOU STORE


XI'AN STORE

Approx. Gross Floor Area

742,350 sq.m.

Approx. Operating Floor Area

580,420 sq.m.

100%

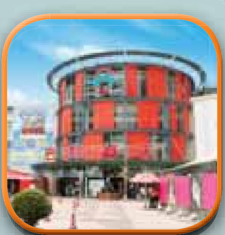
SOUTH EASTERN CHINA REGION

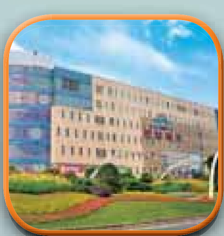

SHANGHAI HUAIHAI BRANCH STORE


SHANGHAI XINNING BRANCH STORE


SHANGHAI HONGKOU BRANCH STORE

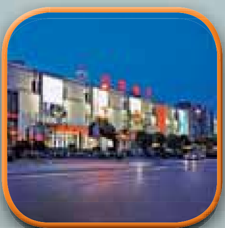

SHANGHAI CHANGNING BRANCH STORE


SHANGHAI QIBAO BRANCH STORE


SHANGHAI WUJIAOCHANG BRANCH STORE


SHANGHAI PUJIAN BRANCH STORE


SHANGHAI BAOSHAN BRANCH STORE


SHANGHAI CHENGSHAN BRANCH STORE


SHANGHAI SHAANXI ROAD BRANCH STORE


SHANGHAI HONGXIN TRENDY PLAZA


NINGBO STORE


NINGBO TRENDY STORE


NINGBO BEILUN STORE


NANJING STORE


YANCHENG STORE

Approx. Gross Floor Area

508,440 sq.m.

Approx. Operating Floor Area

426,750 sq.m.

CENTRAL WESTERN CHINA REGION

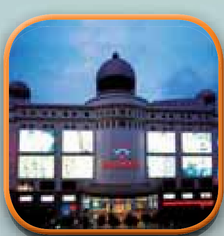

WUHAN STORE


WUHAN TRENDY PLAZA


WUHAN WUCHANG BRANCH STORE


WUHAN QIAOKOU BRANCH STORE


WUHAN XUDONG BRANCH STORE


WUHAN HANYANG BRANCH STORE


CHANGSHA TRENDY PLAZA


ZHENGZHOU STORE


CHENGDU STORE


CHONGQING STORE


KUNMING STORE


MIANYANG STORE

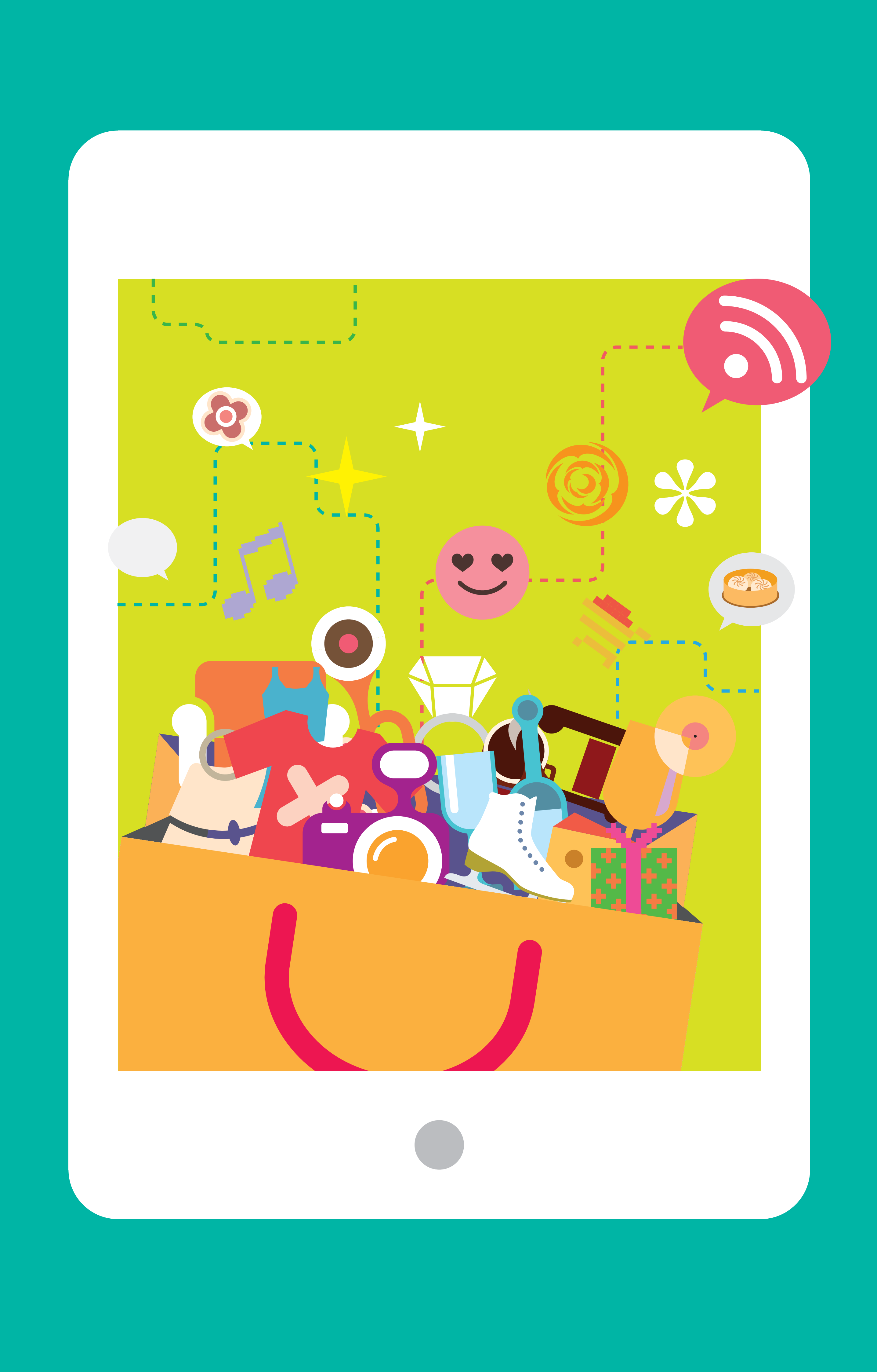
- LIVING GALLERY
- FASHION GALLERY

Approx. Gross Floor Area

405,300 sq.m.

Approx. Operating Floor Area

316,750 sq.m.



RETAIL NETWORK

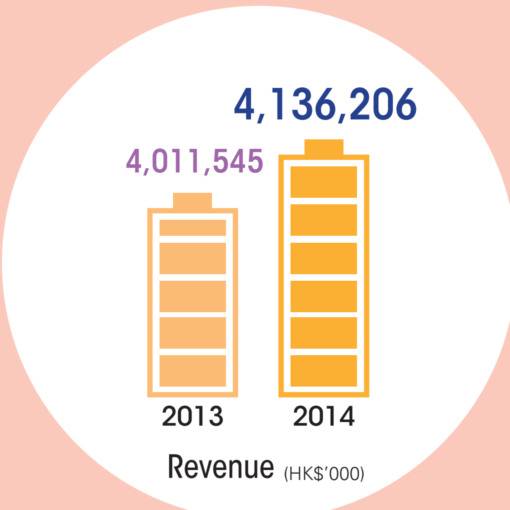
FOR MORE

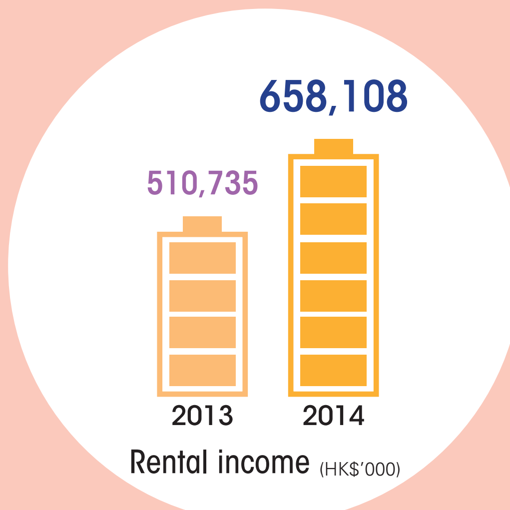
TOUCH AND OPEN

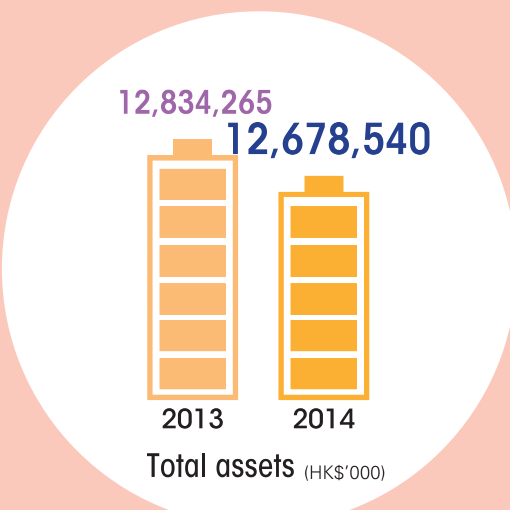

OUR FOOTHOLDS
NORTHERN CHINA REGION
SOUTH EASTERN CHINA REGION
CENTRAL WESTERN CHINA REGION


HARBIN
SHENYANG
ANSHAN
YANJIAO
DALIAN
BEIJING
LANZHOU
TIANJIN
YANTAI
XI'AN
ZHENGZHOU
YANCHENG
NANJING
MIANYANG
SHANGHAI
NINGBO
CHENGDU
WUHAN
CHONGQING
CHANGSHA
KUNMING

FINANCIAL HIGHLIGHTS







	2014	2013
Financial Ratios		
Revenue growth	**3.1%**	14.9%
Commission income rate	**17.8%**	17.7%
Rental income growth	**28.9%**	31.2%

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Total assets	**12,678,540**	12,834,265

Profit for the year:
HK$520,525 thousand

	2014 HK$'000	2013 HK$'000
Operating Result		
Revenue	**4,136,206**	4,011,545
Representing:		
Commission income from concessionaire sales	**2,635,070**	2,638,907
Sales of goods – direct sales	**787,058**	809,626
Management and consultancy fees	**55,970**	52,277
Rental income	**658,108**	510,735
Operating Profit	**677,209**	834,457
Profit for the Year	**520,525**	641,503

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Financial Position		
Fixed deposits, cash and cash equivalents	**1,527,112**	2,959,470
Total assets	**12,678,540**	12,834,265
Total liabilities	**6,261,997**	6,208,609
Total equity	**6,416,543**	6,625,656

CHAIRMAN'S STATEMENT

2014 was a year full of challenges for the Group. The tightening monetary policy in developed countries led to the contraction of the global financial system and brought capital reflux to developed countries, as a result, slowed growth in emerging economies; in addition, being in the throes of economic restructuring into a consumption-based economy, a slowdown was reported in Mainland China. On the other hand, changes in customer behavior and business landscape induced by the advancing mobile Internet technology imposed different levels of challenges for the retail industry.

To cope with the difficult operating environment, during the year under review, the Group diversified our revenue streams in a responsive manner by increasing the number of leasing projects, launching of private label LOL, and increasing provision of management and consultancy services in order to alleviate the impact of shrinking consumption on our business performance. For marketing, the Group leveraged mobile Internet technology to promote O2O marketing to convert information to sales revenue. While pursuing profit, the Group kicked off the "@Dream Program", a large-scale nationwide sustainable community project, during the year under review to help under-resourced children in Mainland China and give back to society.

For the year ended 30 June 2014, the Group's revenue reached HK$4,136.2 million, representing an increase of 3.1% from the Previous Year. Profit for the year was HK$520.5 million. Excluding other loss, changes in fair value of investment properties and its related income tax expense, one-off tax adjustment on disposal of properties situated in Wuxi and other non-core items, core profit for the year was HK$557.1 million. The Board of Directors resolved to distribute a final dividend of 6 HK cents per share.

While China's new urbanization plan is expected to bring plenty of opportunities to the retail industry, its effect takes time to surface. In addition, unstable global economy and intensifying competition temper the outlook of the industry. Therefore, the Group continued to carry through the prudent expansion strategies of "radiation city" and "multiple presences within a single city", and to expand management and consultancy services in order to increase revenue streams in a "low-risk, low-investment" approach. During the year under review, the Group entered Yantai City, Shandong Province, and established Yantai New World Department Store, a "Living Gallery" with a GFA of approximately 55,000 sq.m., in December 2013; the Group as well acquired Shanghai Hongxin Trendy Plaza and Shanghai Wujiaochang Branch Store in July and November 2013 respectively, reinforcing the Group's leading position in Shanghai. As at 30 June 2014, the Group operated and managed 39 self-owned stores and four managed stores, with a total GFA of approximately 1,656,090 sq.m.

During the year under review, besides optimizing stores' interior design, layout, their business and merchandise mix to elevate the brand positioning, the Group continued to enhance our in-store complementary facilities and introduced a number of specialty restaurants and other experiential consumption projects to boost rental income. Moreover, the Group rolled out the "Happy New World" concept in June 2014 to enhance our in-store children-oriented and recreational facilities, making us a one-stop shopping department store that meets the needs of consumers from all walks of life.

To boost product uniqueness and our gross profit margin of goods for direct sales, the Group launched a private label, LOL (Love • Original • Life) Concept Shop, in March 2013. The brand adopts a direct procurement model and sells skin care, electronics, artworks and furniture sourced from all over the world. Its simplicity and stylish flair has been well received by customers. During the year under review, the Group rode on LOL's growth momentum and rapidly increased the number of LOL shops to 12 with an aim of increasing to about 20 by FY2015. Furthermore, the Group has opened LOL online shops on e-commerce platforms to accelerate its business growth through both physical and virtual channels.

The rapid development of mobile Internet in recent years has made shopping free from time and space constraints and significantly changed consumers' lifestyle and buying behavior. During the year under review, the Group continued to expand our online marketing channels and utilize social entertainment platforms, video sharing websites, Weibo and WeChat for promotional purposes. Furthermore, the Group collaborated with WeChat, Alibaba and other well-known e-commerce operators to organize a number of nationwide O2O inter-store promotions, leveraging their large user base to attract online users to shop offline. Meanwhile, the Group strengthened our in-store Wi-Fi infrastructures to enable customers to keep abreast of brand updates and discount offers through their mobile devices. Beijing Store and Shanghai Huaihai Branch Store took the lead in setting up large "Digital Shopping Walls" to facilitate in-store online shopping, realizing the conversion of information to actual sales and helping us gather customer spending data. On the other hand, the Group further optimized our membership mechanism with the introduction of prepaid-enabled "N-VIP" card and the installation of in-store self-served gift redemption vending machines so that VIP members can enjoy their exclusive privileges conveniently. During the year under review, total number of NWDS' Weibo and WeChat fans increased to 7.2 million, with VIP members reaching 3.85 million.

Upholding the ethos of "giving back to society", the Group took a remarkable step in the aspect of fulfilling corporate social responsibility by launching multiple sustainability activities at our 20th anniversary last year. For community services, the Group kicked off the "@Dream Program", which consists of the themes of music, sports, learning and soul, in July 2013. As of now, the Program provided full-spectrum training to over 6,000 under-resourced children in Mainland China; in addition, the Group became the title sponsor of "New World Department Stores Sowers Action Challenging 12 Hours Charity Marathon 2014" in June 2014 for the first time and encouraged all employees in Hong Kong and China to help under-resourced high school students in Mainland China complete their studies. For environmental protection, during the year under review, the Group continued to organize the "Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign", "Earth Hour", "Go Green with NWDS" Campaign and other signature green activities, so as to educate the public on the concepts of environmental protection and energy saving in a persistent manner.

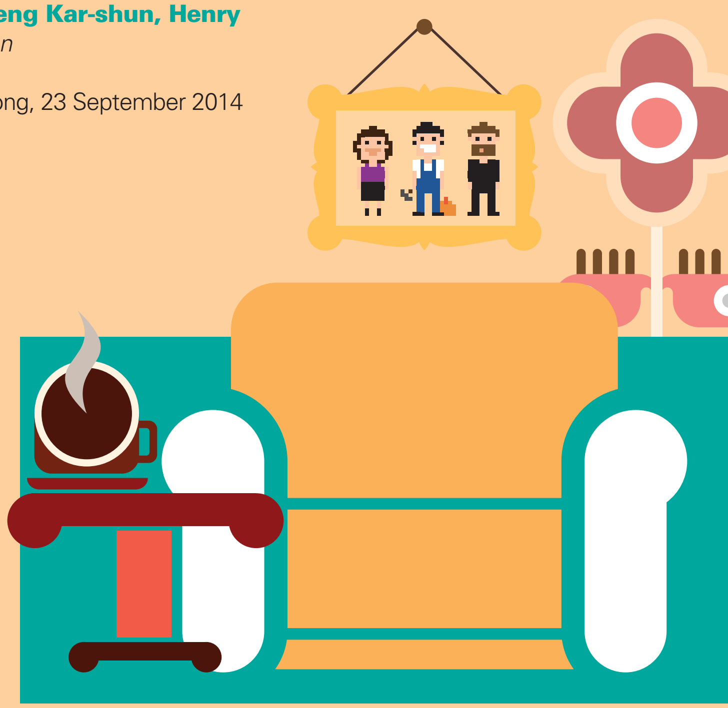
For staff benefits and development, the Group held the "Elite Talents Nurturing Plan", "Certificate Program of Further Studies in Retail Operation and Management"(Advanced Class), "Operational Management Training Camp for Store Managers" and other training programs for employees at different positions to raise their professionalism; besides, the Group also organized "Caring Our Staff" and "Spreading Care with Something New" to foster a mutual caring working culture and enhance their sense of belonging to the Group. The Group firmly believes that voluntary works not only help those in needs, but could also foster our employees' physical and mental development. Hence, the Group strived to promote voluntary services during the year, and successfully expanded our volunteer team to a scale of more than 2,300 members, and rolled out the first "Volunteer Month" campaign, encouraging employees to make contribution to society. During the year under review, the Group organized nearly 250 volunteer activities, contributed about 8,000 service hours and raised funds of over HK$4.67 million together with our employees to charitable organizations.

Market generally considered that the "micro-stimulation" measures introduced by the Chinese government in the second half of 2014 are relatively small in scale and their effectiveness remains to be seen, coupled with the market volatility as a result of the country's economic restructuring, pose a downside risk in the short run. Looking forward, the Group will react to market changes in a responsive manner and strive to stabilize our business performance through expanding revenue streams and adopting prudent expansion strategies.

Finally, on behalf of the Board of Directors, I would like to extend my sincere gratitude to the management team, customers, business partners and all fellow staff members for their unreserved support and contribution. The Group will respond to future challenges with flexibility and reinforce our leading position in the market, in order to generate a reasonable return on investment for shareholders.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong, 23 September 2014



INSIGHTFUL MARKET POSITIONING

Building up Leading Fashion and
Living Department Store Style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BUSINESS REVIEW

During the year under review, the Group's revenue increased by 3.1% from HK$4,011.5 million in FY2013 (or the "Previous Year") to HK$4,136.2 million in FY2014 (or the "Current Year"). Profit for the year was HK$520.5 million.

BUSINESS NETWORK

During the Current Year, the Group operated 41 department stores and two shopping malls, with a total gross floor area ("GFA") of about 1,656,090 square meters ("sq.m.") and a total operating floor area ("OFA") of about 1,323,920 sq.m. Located in three operating regions, namely Northern China, South Eastern China and Central Western China, the stores covered 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao and Yantai with 39 self-owned stores and four managed stores.

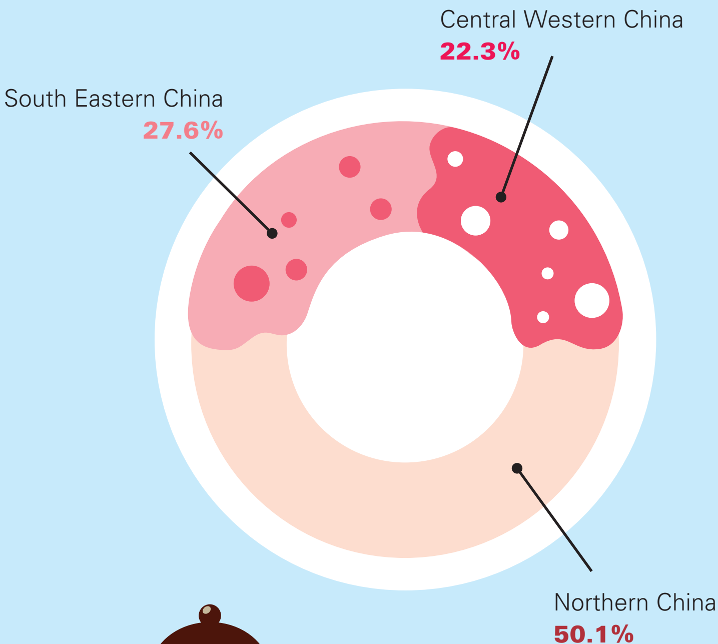
REVENUE CONTRIBUTION

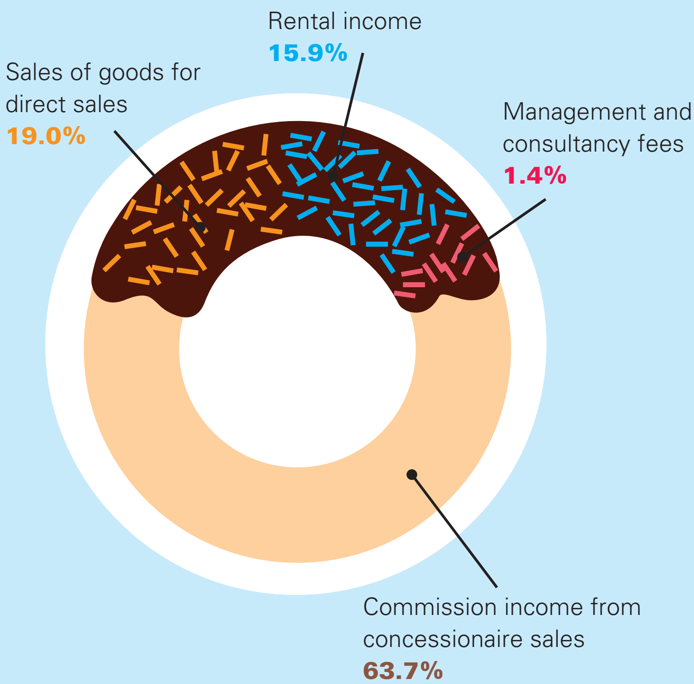
By Region

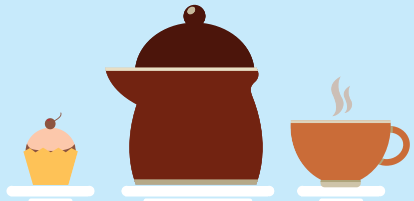
The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 50.1% of revenue, followed by the South Eastern China Region and the Central Western China Region, accounting for 27.6% and 22.3% of revenue respectively.

By Segment

Commission income from concessionaire sales was the major source of income, accounting for 63.7% of revenue. Sales of goods for direct sales and rental income accounted for 19.0% and 15.9% respectively. Management and consultancy fees accounted for 1.4%.







STORE NETWORK DEVELOPMENT

During the year under review, the Group completed the acquisition of Shanghai Hongxin Trendy Plaza and Hong Kong New World Department Store – Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store"), which further strengthened its market position in Shanghai. In addition, the Group continued to expand its business scale in the Northern China Region. A new self-owned store, Yantai New World Department Store ("Yantai Store"), was set up in Yantai City, Shandong Province.

As at 30 June 2014, the Group's total GFA was approximately 1,656,090 sq.m., representing a 9.4% increase from the Previous Year. The total GFA of self-owned stores was approximately 1,518,890 sq.m., which marked a 13.3% growth from the Previous Year.

Business Review

NORTHERN CHINA REGION

Yantai Store

Northern China Region		Population As of the End of 2013	Local Gross Domestic Product in 2013 (RMB)	Gross Domestic Product Per Capita in 2013 (RMB)	Per Capita Disposable Income in 2013 (RMB)	Total Retail Sales of Consumer Goods in 2013 (RMB)
Northern District	Beijing	21.15 million	1,950.1 billion	93,213	40,321	837.5 billion
	Tianjin	14.72 million	1,437.0 billion	101,692	32,658	447.0 billion
	Sanhe (inc. Yanjiao)	0.56 million	46.3 billion	71,007	32,517	11.6 billion
	Yantai	6.99 million	561.4 billion	80,358	32,956	211.1 billion
North Eastern District	Harbin	9.95 million	501.1 billion	49,565	25,197	272.8 billion
	Shenyang	8.26 million	715.9 billion	86,850	29,074	318.6 billion
	Dalian	5.91 million	765.1 billion	110,600	30,238	252.7 billion
	Anshan	3.50 million	263.8 billion	75,371*	27,097	80.1 billion
North Western District	Lanzhou	3.64 million	177.6 billion	48,852	20,767	84.4 billion
	Xi'an	8.59 million	488.4 billion	56,988	33,100	254.8 billion

Source:

Beijing: *Beijing Municipal Bureau of Statistics*
Tianjin: *Tianjin Municipal Bureau of Statistics*
Sanhe: *Government Information Opening Platform of Langfang City*
Yantai: *Shandong Statistical Information Net*
Harbin: *Harbin Municipal Bureau of Statistics*
Shenyang: *Shenyang Municipal Bureau of Statistics*
Dalian: *Dalian Municipal Bureau of Statistics*
Anshan: *Anshan Municipal Bureau of Statistics*
Lanzhou: *Lanzhou Municipal Bureau of Statistics*
Xi'an: *Xi'an Municipal Bureau of Statistics*

** Calculated figure:* *Local Gross Domestic Product in 2013 divided by population as of the end of 2013*

Northeastern's revitalization policies and Beijing-Tianjin-Hebei collaborative development plan are expected to boost Northern China's economy

NORTHEASTERN'S REVITALIZATION POLICIES EXPECTED TO EASE REGIONAL ECONOMIC GROWTH DISPARITY

Continuously affected by the global financial crisis, China's overall economic landscape has become challenging. Northeastern China, a traditional heavy-industry-dominated economy, has been severely affected by the decreasing amount of investment and procurement order. Gross Domestic Product ("GDP") per capita of Liaoning Province, Jilin Province and Heilongjiang Province in 2013 were only RMB61,745, RMB47,207 and RMB38,602 respectively and their annual GDP growth rates remained at 9.07%, 8.09% and 8.74% respectively, dragging down the overall economic growth of the Northern China Region.

The State Council of China recently launched policies relating to the revitalization of Northeastern China, including accelerating the transformation of squatter settlement, promoting the integrated development of industrialization and informatization, and speeding up the transformation of urban infrastructures. Meanwhile, the National Development and Reform Commission is in progress of preparing the Beijing-Tianjin-Hebei collaborative development plan and putting forward the proposal of developing Beijing and Tianjin to be the two regional centers, which aims to accelerate the integration of transportation and business sectors, so as to complement each other's advantages. They are expected to boost the overall economy of the Northern China Region.

RADIATING BUSINESS TO CIRCUM-BOHAI REGION TO EXPAND THE TERRITORY OF NORTHERN CHINA REGION

Carrying through the "radiation city" expansion strategy, during the year under review, the Group leveraged its business footholds in Beijing and Tianjin and expanded its presence to the surrounding Yantai City and opened a store in Laishan District in December 2013. As an important port city in the Circum-Bohai Region, Yantai City achieved a GDP of RMB561.4 billion in 2013, ranking the second in the province. Yantai New World Department Store ("Yantai Store"), a five-story "Living Gallery" with a total GFA of approximately 55,000 sq.m., is located in the Yantai University business circle, which is commonly known as the "Golden Commercial Triangle". To cater to the needs of style-savvy young customers in the business circle, Yantai Store has introduced about 300 renowned brands and gathered numerous international cuisine options, which include large chain restaurants, food stalls, and two exclusive well-known cafés, becoming a new one-stop shopping, dining, and leisure hotspot in town.

STORES BLOSSOM IN THE NORTHERN CHINA REGION

During the year under review, the Group had a total of 15 stores in the Northern China Region, including: eight in the Northern District, i.e., Tianjin New World Department Store ("Tianjin Store"), Beijing New World Department Store ("Beijing Store"), Beijing New World Trendy Department Store ("Beijing Trendy Store"), Beijing New World Liying Department Store ("Beijing Liying Store"), Beijing Shishang New World Department Store ("Beijing Shishang Store"), Beijing New World Qianzi Department Store ("Beijing Qianzi Store"), Yanjiao New World Department Store ("Yanjiao Store") and Yantai Store; five in the North Eastern District, i.e., Shenyang New World Department Store-Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store"), Shenyang New World Department Store-Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store"), Harbin New World Department Store ("Harbin Store"), Dalian New World Department Store ("Dalian Store") and Anshan New World Department Store ("Anshan Store"); and two in the North Western District, i.e., Lanzhou New World Department Store ("Lanzhou Store") and Xi'an New World Department Store ("Xi'an Store"). Other than Dalian Store and Yanjiao Store, the remaining 13 stores are all self-owned stores.

BRINGING IN INTERNATIONAL QUALITY LIFESTYLE BRANDS TO CATER TO TASTEFUL MIDDLE CLASS

In recent years, the population of middle class has continued to grow in the Northern China Region and Beijing has become the city with the biggest middle class cluster in Mainland China. This high-spending, well-educated emerging class desires international brands with characters and charisma, therefore, stores in the region actively introduced many mid- to high-end international brands, such as Tissot, Columbia, Dior and LAUREL, during the year under review. Harbin Store further enhanced its image by revamping its sales area for international premium products. Stores also specifically got hold of a series of stylish and in-demand brands with good sales record, such as SKINFOOD, UGG, NIKE, PLAYBOY, texwood, GUESS and CASIO, to increase foot traffic and customer spending. Some stores also introduced brands which are exclusive in their business circles to provide consumers with more and greater product options, for instance, Lanzhou Store introduced J&M, La babite, GY, POTE, and other footwear and ladieswear brands while Beijing Liying Store presented famous skin care brands, such as L'OCCITANE and Fancl. Anshan Store added Lily and Balabala flagship experience store to provide customers with an enhanced shopping experience beyond a simple buy-and-sell transaction, so as to foster a closer and better customer relationship.

On the other hand, to further differentiate its operations from others, during the year under review, Beijing Store, Beijing Liying Store, Beijing Qianzi Store, Shenyang Zhonghua Road Branch Store, Harbin Store and Xi'an Store introduced the LOL Concept Shops, the Group's private label, which sell in-trend electronic gadgets, household decorations, furniture and other lifestyle products, creating a stylish ambience and uplifting stores' profile.

EXPANDING IN-STORE DINING AND CHILDREN'S FACILITIES TO SATISFY CUSTOMERS' 360° NEEDS

In addition to the continuous optimization of their product mix, stores have also proactively adjusted the proportion of their business streams and expanded the operating area of complementary facilities. During the year under review, Anshan Store expanded its food court to increase foot traffic and to extend customers' duration of stay; Beijing Shishang Store and Beijing Liying Store introduced international cuisines, such as Canton Cuisine, Very Thai and N Duo Sushi, to cater to different customers' needs. Yantai Store exclusively brought in popular cafés to the store, including 85°C and Wing Café; Beijing Shishang Store introduced some of the most-wanted restaurant brands, such as Hotpot in Beijing and All About Ox Tongue Roasted Beef Specialist, which successfully created new hot topics in town.

The sales of children-related merchandise in Beijing have topped the list in the country. Hence, all Beijing stores responsively increased the proportion of their children-related business during the year under review. Beijing Trendy Store expanded its operating area for children's brands, and added popular kidswear and toys brands, such as Teenie Weenie and Kappa. As parents in the Northern China Region give top priority to their children's intellectual and character development, Beijing Shishang Store introduced tenants which provide development training, chess training and pre-school education to children; Shenyang Jianqiao Road Branch Store converted the usage of its previous men's area to accommodate tenants which are in children's education business. Meanwhile, stores in the region actively increased their in-store children's playgrounds and facilities. For instance, Beijing Store and Beijing Qianzi Store took the first move to adopt the new "Happy New World" concept in June 2014 to drive the sales of their children-related merchandise with an enriched children ambience.

NORTHERN CHINA REGION

DIVERSIFIED PROMOTIONAL ACTIVITIES TO INCREASE CUSTOMERS' ATTACHMENT

During the year under review, stores in the Northern China Region held various themed promotional activities to expand their customer base and enhance customers' attachment. Anniversary celebrations have always been the highlight of the Group's marketing promotions. Therefore, stores were devoted to hold special celebrations with customers. For instance, Beijing Store held the "60-hour Non-stop Mega Sales" for the 10th consecutive year. With the theme of cartoon carnival in last year's celebration, Beijing Store recreated the "15-year-ago Chongwen District Streetscape" using over ten thousand pieces of crackers, which were latterly on shared with the public and attracted foot traffic of over 520,000 during peak hours. In response to the nationwide activity "Blast of Joy II – Celebrating the 21st Anniversary", Beijing Qianzi Store's "Back to the Jurassic – A Eight-Prehistoric-Dinosaurs Exhibition Tour" drew a large crowd of customers to the store for dinosaur hunt while its "Meet-and-picture with Eight Dinosaurs" WeChat-based prize-winning activity successfully attracted online users to pay a visit to the physical store.

During traditional festivals, stores launched mega discounts together with festive celebrating activities to share the joy with customers. For instance, Beijing Trendy Store held the "Christmas Circus" themed Christmas evening party in which Santa Claus and mythological alpacas did giveaways while Yanjiao Store held the "100-Little Santas Xmas Gifts Giveaways" activity on Christmas Eve.

During the year under review, stores also held various tailored activities in accordance with their positioning and target customer groups, and also incorporated experiential games, complimentary food and beverages in their inter-store activities to enhance customer experience. Targeting young customers, Yantai Store held a Brazilian exotic show which successfully raised the store's profile; Beijing Shishang Store organized the "Fight for Love Speed Dating" to offer singles a well-decorated interactive space to get to know each other; Harbin Store held its first Russian oil painting exhibition to incorporate classical art into tasteful lifestyle.

In view of the high permeability of new media, during the year under review, stores made use of tools like Weibo and WeChat to carry out online market research, event pre-registration and store opening promotions to attract fans to physical stores. Prior to its opening, Yantai Store launched the "Tailored Feast for You" Weibo campaign and generated millions of views, over 120,000 shares and more than 70,000 comments, successfully aroused public's attention for its opening.

FEATURED VIP ACTIVITIES BRING PLEASANT EXPERIENCE BEYOND SHOPPING

Stores in the Northern China Region organized regular sales promotions exclusive for its VIP members, including "VIP Exclusive Sales Promotion" and "VIP Bonus Points Redemption Market". In addition, stores also frequently held special VIP events catering to the interests and needs of different VIP groups, so as to enhance their attachment and sense of superiority. For beauty-savvy VIP members, stores did not only organize grooming and fashion seminars, but also numerous experiential and interactive leisure activities, including flower arrangement, hair styling, baking, skin care, ceramic art and cooking classes, which were well received by members as well as their friends and families, achieving a customer base expansion.

To better serve family customers with spending power, stores frequently organized family activities to foster harmonious family relationship. During the year under review, Beijing Liying Store invited more than 40 families to participate in the complimentary "Father's Day Family T-Shirt Painting" activity; Beijing Trendy Store, meanwhile, presented the "Newspaper Boy Charity Bazaar" to House Wife Club members to help raise fund for families with cerebral palsy children in the Beilangdong community, which gained members' aligned recognition.

Stores in the region continued to optimize their exclusive member services, such as the provision of Wi-Fi Internet access, parking, shoe care, cell phone charging and small storage services. Lanzhou Store added a VIP lounge area which serves customers with delicious drinks and popcorns. During the year under review, the number of VIP members in the Northern China Region was about 1,868,000, accounting for 62% of total sales.

EXCELLENT OPERATIONAL PERFORMANCE WINS COMMUNITY RECOGNITION

Stores in the Northern China Region earned recognition from the government and community as the industry role model with sound operational practices. With respect to marketing integrity, Harbin Store was awarded as "2013 Top 100 Most Trustworthy Employer for Longjiang University Students" by the Promotion Department of Heilongjiang Provincial Party Committee and the Heilongjiang People's Broadcasting Station; Tianjin Store was named "2012-2013 Advanced Entity in Business Integrity" by the Tianjin General Chamber of Commerce and garnered the "Award of 2012 Tianjin Advanced Enterprises with Foreign Investment" by the Tianjin Municipal People's Government. In the aspect of marketing promotion, Beijing Liying Store was presented the "Outstanding Contribution Enterprise Award" in the Promotional Campaign of Beijing Shopping Festival organized by the Beijing Municipal Commission of Commerce and the Beijing Municipal Commission of Tourism Development.

SOUTH EASTERN CHINA REGION

Shanghai Wujiaochang Branch Store

South Eastern China Region		Population As of the End of 2013	Local Gross Domestic Product in 2013 (RMB)	Gross Domestic Product Per Capita in 2013 (RMB)	Per Capita Disposable Income in 2013 (RMB)	Total Retail Sales of Consumer Goods in 2013 (RMB)
Shanghai District	Shanghai	24.15 million	2,160.2 billion	90,100	43,851	801.9 billion
Eastern District	Ningbo	5.80 million	712.9 billion	93,176	41,729	263.6 billion
	Nanjing	8.19 million	801.2 billion	98,011	39,881	350.4 billion
	Yancheng	8.24 million	347.6 billion	48,150	24,119	116.3 billion

Source:

Shanghai: *Shanghai Municipal Statistics Bureau*
Ningbo: *NingBo Municipal Statistics Bureau*
Nanjing: *Nanjing Municipal Statistics Bureau*
Yancheng: *Yancheng Municipal Statistics Bureau*

PERIPHERAL ECONOMIES SLOW DOWN YANGTZE RIVER DELTA'S TOTAL GDP GROWTH

As the Yangtze River Delta region has reached its final stage of industrialization, it has begun to actively restructure its economy towards service industry since early years. Together with the newly-introduced policies that encourage the development of service industry, favorable conditions were created for the further development of the Yangtze River Delta region. However, due to the adverse external factors such as economic downturn in Europe and the United States, rising domestic labor costs, decreasing productivity, as well as the emergence of other regions diverting foreign and local investments, it has been a challenging year for the Yangtze River Delta region, where is a leading externally-oriented economy in the country. Although the total GDP of the region reached RMB10 trillion in 2013, the average growth rate was only 9.7%, down 0.4 percentage points compared to the previous year.

ALIGNING WITH THE EXPANSION STRATEGIES TO EXTEND MARKET PRESENCE IN SHANGHAI

To carry through the expansion strategies of "multiple presences in a single city", the Group completed the acquisition of Shanghai Hongxin Trendy Plaza, a shopping mall in Shanghai, in July 2013, increasing the number of stores in Shanghai to 11. Located on Tianshan Road, Changning District, the new store is in proximity to residential and commercial areas with a convenient transportation network and huge consumption potential. Large-scale store revamp is underway to upgrade it into a one-stop shopping mall. The six-story building, targeting youngsters, white-collars and young families, provides a total GFA of approximately 43,000 sq.m. together with its three underground floors. The new store clusters a wide variety of specialty dining, KTV, gaming center, children's playground, beauty and fitness center and health club, to cater to the diversified needs of customers from all walks of life.

Shanghai Hongxin Trendy Plaza

Due to the adverse external factors, it has been a challenging year for the Yangtze River Delta region, where is a leading externally-oriented economy in the country

SOUTH EASTERN CHINA REGION

INCREASING SELF-OWNED STORES IN SHANGHAI TO ENHANCE INFLUENCE IN THE REGION

During the year under review, the Group had a total of 16 stores in the South Eastern China Region, including: ten under the "Ba Li Chun Tian" brand in the Shanghai District, i.e., Hong Kong New World Department Store-Shanghai Huaihai Branch Store ("Shanghai Huaihai Branch Store"), Hong Kong New World Department Store-Shanghai Xinning Branch Store ("Shanghai Xinning Branch Store"), Hong Kong New World Department Store-Shanghai Hongkou Branch Store ("Shanghai Hongkou Branch Store"), Hong Kong New World Department Store-Shanghai Changning Branch Store ("Shanghai Changning Branch Store"), Hong Kong New World Department Store-Shanghai Qibao Branch Store ("Shanghai Qibao Branch Store"), Shanghai Wujiaochang Branch Store, Hong Kong New World Department Store-Shanghai Pujian Branch Store ("Shanghai Pujian Branch Store"), Hong Kong New World Department Store-Shanghai Baoshan Branch Store ("Shanghai Baoshan Branch Store"), Hong Kong New World Department Store-Shanghai Chengshan Branch Store ("Shanghai Chengshan Branch Store"), Hong Kong New World Department Store-Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store") and a shopping mall, Shanghai Hongxin Trendy Plaza; five department stores under the "New World" brand in the Eastern District, i.e., Ningbo New World Department Store ("Ningbo Store"), Ningbo New World Trendy Department Store ("Ningbo Trendy Store"), Ningbo New World Beilun Department Store ("Ningbo Beilun Store"), Nanjing New World Department Store ("Nanjing Store") and Yancheng New World Department Store ("Yancheng Store"). Other than Ningbo Beilun Store as a managed store, all of the other 15 stores are self-owned.

ENRICHED FASHION PORTFOLIO TO ELEVATE LIVING STANDARD

Consumers in the South Eastern China Region are always at the forefront of fashion trends. In addition to well-known international brands, customers also desire designer brands that can demonstrate their personalities. China's First Lady's frequent wearing of locally-designed outfits in public occasions has further shaped the rising trend of designer brands. During the year under review, stores in the region introduced VIVINIKO, DST CLOR, EXCEPTION and other designer brands, allowing customers with different taste for style to be able to find garment that could best represent their own style. On the other hand, the demand for outdoor apparel has grown substantially as a result of the blooming tourism industry in the South Eastern China Region facilitated by the well-established transportation network and the growing preference for a healthier lifestyle. Hence, stores introduced outdoor apparel brands, including The North Face and New Balance, to meet the demand. Because of parents' determination to give the best to their children, the unquestionable parental spending power fostered the introduction of children's apparel concessionaire counters in "Fashion Galleries" while community-based stores continued to enrich their children's products portfolio by introducing CAMKIDS, Annil and Pepco to attract family customers.

As the country's leading economic power, people in the South Eastern China Region have relatively higher income and consumption level, as a result, desire for a better quality of life. Therefore, stores in the region brought in quality housewares brands, namely Tupperware, YOPOYA and Shanghai's exclusive original brand, Letao Shop. In addition, Shanghai Pujian Branch Store pioneered to introduce the country's first LOL Concept Shop, the Group's private label, which offers lifestyle merchandise sourced around the world, laying a solid foundation for the Group's private label business.

OPTIMIZED IN-STORE CHILDREN-ORIENTED AND SPECIALTY DINING FACILITIES

Consumption has transformed from basic buying behavior to a kind of living experience. In addition to shopping, consumers can also enjoy a fun and layered shopping experience featuring leisure, entertainment and gathering with friends and families. During the year under review, stores in the region expanded their operating area for leasing project with the introduction of beauty and hair salons, fitness clubs and other leisure and recreational facilities, in order to prolong customers' duration of stay. To attract family customers with significant consumption power, many stores added extra children-oriented facilities during the year. Shanghai Shaanxi Road Branch Store gradually shifted its target customer groups to family customers, and therefore brought in children-oriented facilities during the year under review, including children's playground, pre-school center and children's SPA. To be in line with the Group's new "Happy New World" concept, a number of stores in Shanghai have installed in-store slides and table soccer since June 2014, and have successfully boosted the sales of children's merchandise.

During the year under review, stores in the South Eastern China Region continued to optimize their food and beverage portfolio, in which the "Fashion Galleries" introduced Honeymoon Dessert, Mini Shabu-shabu, COSTA COFFEE, The Happy Fish Ball and many other stylish restaurants and food stalls. To ride on the Korean Wave, some stores introduced Dongdaemun Korean Restaurant, Sindang 1-dong, Lianyue 100° Korean BBQ and other Korean restaurants to attract young customers. Stores also continued to expand their dining area. Some even assigned designated floors as food court areas to centralize their dining facilities to increase foot traffic and create an image of food paradise.

SERIES OF INNOVATIVE MARKETING CAMPAIGN SET OFF A SHOPPING SPREE

During the year under review, in addition to the continuation of classic marketing activities, stores in the South Eastern China Region designed a number of innovative events to deliver the richest shopping experience for customers. At the end of 2013, 10 Shanghai stores jointly organized the "Give Me Five – Non-stop Mega Sales" promotion, where huge discounts were offered in addition to iPad mini and iPhone 5s giveaways at midnight. Food vouchers were also distributed so that customers could enjoy delicious food while shopping. The event continued to be the talk of the town.

Stores actively organized festive marketing activities in peak shopping seasons like traditional and emerging festivals. For instance, Shanghai Qibao Branch Store held the "New Year Celebration with Fabulous Giveaways" promotion during the Chinese New Year; Yancheng Store and Nanjing Store rolled out the Valentine's Day activity called "Love Scheme"; at Christmas, Ningbo Beilun Store held a Christmas present mega sales where VIP members could get a pair of complimentary Christmas stockings and the opportunity to receive an iPhone 5s upon purchase over a certain amount, setting off a shopping spree. Besides, the store collaborated with Weston English School to organize the "Christmas Talent Show" Christmas party, inviting customers to put their kids in costumes and to perform Christmas carols, English drama, jazz dance at the store to showcase their talents.

During the year under review, stores fully promoted O2O (Online-to-Offline) marketing through online social platforms, such as Weibo and WeChat, to push the latest shopping information out to drive offline sales. Shanghai Huaihai Branch Store, for example, held a Weibo event called "World Cup in a Joyful Summer" to guess the World Cup Champion while promoting its in-store sales promotion. Nanjing Store organized a giveaway to celebrate the inauguration of its new tenants which customers were eligible to redeem a discount coupon at the new concessionaire counters by simply subscribing its WeChat account. In addition, stores also used WeChat as communication platform to foster one-on-one interactions with their VIP members to enhance customer loyalty.

ORGANIZING VIP EXCLUSIVE FAMILY ACTIVITIES TO MAKE STORES A DESIRABLE PLACE FOR FAMILY GATHERINGS

During the year under review, stores in the South Eastern China Region launched a number of exclusive VIP privileges, so as to foster closer relationship with their VIP members. Apart from organizing branded VIP Days and beauty seminars that suit the tastes of VIP members, plenty of VIP exclusive family activities were held to make stores in the region a great place to visit with their families during holidays. Shanghai

SOUTH EASTERN CHINA REGION

Huaihai Branch Store and EXCEPTION, a ladieswear's brand, jointly held the "10-year Angel" event which VIP members could share the touching stories they had with their children. They could also create their own greeting cards in painting and paper-cutting sessions to show their love to their families. While both Shanghai Pujian Branch Store and Shanghai Chengshan Branch Store organized "Mini World Cup" activities for their VIP members, the former invited a professional coach to teach soccer-enthused families soccer skills and gave them an interactive experience while the latter teamed up with Belle Lego and Roland Music to heat up the air with an innovative Lego soccer and a musical performance staged by children. To enhance the ambience of Children's Day on 1 June, Shanghai Baoshan Branch Store organized a "Grand Clown Parade", where clowns gave stilts-standing and acrobatics performance, attracting customers to take pictures with clowns in a heated scene.

During the year under review, stores in the South Eastern China Region further improved its VIP services and facilities in order to increase members' satisfaction. Shanghai Huaihai Branch Store offered complimentary storage services so that customers could enjoy relaxing shopping without having to carry the load; Shanghai Xinning Branch Store and Shanghai Changning Branch Store presented the movies-on-demand service for VIP members, enabling the distinguished members to enjoy their favorite movies in VIP lounge. In addition, Shanghai Xinning Branch Store, Shanghai Changning Branch Store and Shanghai Chengshan Branch Store added VIP gift redemption vending machines to enhance VIP members' experience by enabling them to redeem their bonus points in N-VIP cards conveniently. During the year under review, VIP members of the South Eastern China Region reached 789,000, with sales from VIP members accounted for 49%.

EXCELLENT MARKETING PRACTICES EARN WIDE COMMENDATIONS

During the year under review, stores in the South Eastern China Region received recognition from various sectors for their excellent marketing practices. In August 2013, Ningbo Beilun Store was accredited as the "Top 10 Enterprise" at 2013 Ningbo (Beilun) Shopping Festival; in November 2013, Shanghai Shaanxi Road Branch Store was awarded the honorable certificate of "Most Popular Shopping Mall in Putuo District" at 2013 Shanghai Shopping Festival; Shanghai Huaihai Branch Store garnered the title of "2013 Advanced Entity in Safe Operation" and "The Most Popular Award" in Huangpu District's Marketing Campaign respectively in November and December 2013. The stores simultaneously received appreciation from society for their active fulfillment of social responsibility. In April 2014, Shanghai Pujian Branch Store was awarded the "Shanghai Green Shopping Mall Model" by Shanghai Municipal Commission of Commerce; Shanghai Wujiaochang Branch Store received a Certificate for its strong support to the regional trade union in helping underprivileged groups in February 2014.

CENTRAL WESTERN CHINA REGION

Wuhan Store

Central Western China Region		Population As of the End of 2013	Local Gross Domestic Product in 2013 (RMB)	Gross Domestic Product Per Capita in 2013 (RMB)	Per Capita Disposable Income in 2013 (RMB)	Total Retail Sales of Consumer Goods in 2013 (RMB)
Central District	Wuhan	10.22 million	905.1 billion	88,562*	29,821	387.9 billion
Central Southern District	Changsha	7.22 million	715.3 billion	99,570	33,662	280.2 billion
	Zhengzhou	9.19 million	620.2 billion	68,070	26,615	258.6 billion
South Western District	Chengdu	14.30 million	910.9 billion	63,977	29,968	375.3 billion
	Chongqing	29.70 million	1,265.7 billion	42,795	25,216	451.2 billion
	Kunming	6.58 million	341.5 billion	52,094	28,354	170.2 billion
	Mianyang	4.68 million	145.5 billion	31,090*	23,100	65.0 billion

Source:

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

** Calculated figures: Local Gross Domestic Product in 2013 divided by population as of the end of 2013*

Industrial transfer policies have cultivated the soil for intensifying competition in the retail market of central and western China, operating environment of the department store industry will continue to be challenging

INDUSTRIAL TRANSFER AND LOCAL COMPETITION BRINGS OPPORTUNITIES AND CHALLENGES

According to the National Development and Reform Commission's announcement, *Several Opinions on Vigorous Implementation of the Strategy of Promoting the Rise of the Central Region from State Council of the People's Republic of China* has been fully implemented in 2013 to continue the infrastructure of "Three Bases, One Hub" in Central China, to execute policies relating to industrial transfer, and to accelerate the development of its supporting infrastructures in central and western China. During the year under review, the economy of central and western China maintained a satisfactory growth momentum that Hubei Province, Hunan Province, Henan Province, Sichuan Province and Yunnan Province achieved slightly higher-than-the-national GDP growths, however, headwinds caused by other factors to the retail industry should not be underestimated. Industrial transfer policies have cultivated the soil for intensifying competition in the retail market of central and western China, coupled with increasing department store and shopping mall area, emerging e-commerce and the introduction of government's anti-corruption policies, the operating environment of the department store industry will continue to be challenging in central and western China.

CREATING TRENDY DEPARTMENT STORES WITH CUTTING-EDGE FASHION

During the year under review, the Group had a total of 12 stores in the Central Western China Region, including: six in the Central District, i.e., Wuhan New World Department Store ("Wuhan Store"), Wuhan New World Trendy Plaza ("Wuhan Trendy Plaza"), Wuhan New World Department Store-Wuchang Branch Store ("Wuhan Wuchang Branch Store"), Wuhan New World Department Store-Qiaokou Branch Store ("Wuhan Qiaokou Branch Store"), Wuhan New World Department Store-Xudong Branch Store ("Wuhan Xudong Branch Store"), and Wuhan New World Department Store-Hanyang Branch Store ("Wuhan Hanyang Branch Store"); two in the Central Southern District, i.e., Changsha New World Trendy Plaza ("Changsha Trendy Plaza") and Zhengzhou New World Department Store ("Zhengzhou Store"); and four in the South Western District, i.e., Chengdu New World Department Store ("Chengdu Store"), Chongqing New World Department Store ("Chongqing Store"), Kunming New World Department Store ("Kunming Store") and Mianyang New World Department Store ("Mianyang Store"). With the exception of Wuhan Xudong Branch Store as a managed store, all the other 11 stores in the Central Western China Region are self-owned stores. Other than Wuhan Store and Wuhan Qiaokou Branch Store, the rebranding program for all remaining stores was completed. The rebranding and large-scale business revamp of Wuhan Store will be carried out simultaneously and is expected to finish by 2014.

CENTRAL WESTERN CHINA REGION

FLEXIBLE MARKET POSITIONING AND MERCHANDISE MIX TO BOOST CUSTOMER SPENDING

Though most stores in the Central Western China Region are positioned as young, trendy and fashionable, individual stores manage to adjust their marketing strategies flexibly in accordance with their local business environment and positioning to cover more customer groups. For instance, community-based department stores, targeting residents in the neighborhood, would introduce lifestyle merchandise from mid-end brands to the store; while stores focusing on the middle class with higher spending power would fill up their shelves mainly with affordable luxury brands. During the year under review, stores in the region actively upgraded their merchandise profile through the introduction of popular fashion brands and constant counter turnovers to enhance their competitiveness. Chengdu Store, for instance, brought in well-received brands, such as COEY and Daphne; Wuhan Hanyang Branch Store consolidated its footwear, jewelry and ladies' handbag categories and added DHC to strengthen its cosmetics selection. Stores also made extra effort to strengthen their fast fashion merchandise, which is considered as the up-and-growing category among all. During the year under review, stores introduced fast fashion brands, such as ASOBIO, ICCI, Candie's and other emerging designer brands such as KOCHER and Yayiman to attract female customers with significant spending power.

WIDE RANGE OF COMPLEMENTARY FACILITIES TO PROVIDE HEARTFELT SERVICES

As comfortable lifestyle has always been the pursuit for many modern families, the Group has made extra effort to make NWDS an all-round department store brand which provides a great living space integrating shopping, dining and entertainment.

During the year under review, stores continued to strengthen their in-store specialty dining, children's playground and other complementary facilities, while further expanding the operating area for lease-out projects. In regard to dining, stores in the region proactively introduced new brands that are appealing to young consumers. For instance, Wuhan Store and Wuhan Trendy Plaza brought in the international ice-cream brand Häagen-Dazs; to catch up with the rising Korean pop culture, Wuhan Store and Changsha Trendy Plaza introduced Caffé bene, a Korean café brand, providing customers a perfect venue for gatherings and relaxation to prolong their stay in the store. For complementary facilities, during the year under review, Zhengzhou Store and Kunming Store added a hair salon and a nail salon respectively to enable customers to find everything they need in the stores.

In addition, given some stores in the region are community-based which target young families with children in the neighborhood, they strived to enrich children's playground, children's learning center and other children-oriented facilities during the year under

review. For instance, Wuhan Hanyang Store introduced Little Duck Children's Playground, Starry Dance School and Training School of Wuhan Conservatory of Music, attracting parents to shop at the store with their children.

NON-STOP THEMATIC MARKETING ACTIVITIES TO FACILITATE CONTINUOUS CUSTOMER SPENDING

During the year under review, stores in the region held multiple marketing campaigns during traditional and emerging festivals to nurture consumer's holiday spending habits. During Christmas in 2013, inspired by the country's popular TV show "Where Are We Going, Dad?", Wuhan Wuchang Branch Store organized a well-received "Global Christmas Carnival – Thanksgiving to the City" event, offering a limited edition of father-and-son Christmas bears for purchase or redemption; Wuhan Store held "Some Blessing Everyday in the Year of the Horse – Exclusive VIP Day" and "Something New Everyday with Instant Surprises" during Chinese New Year to give away fortune-drawing gifts and red envelopes to customers to boost sales revenue.

Influenced by the Western culture, consumers value Valentine's Day more than in the past and are more willing to spend on dining and gifts for their beloved ones on this special day. Hence, the Group and Chow Tai Fook co-launched "Love Scheme", which customers could order tailor-made rings online, to promote gold and jewelry sales on Valentine's Day 2014, in which the "No NG Marriage Proposal" event also received enthusiastic response from customers. Wuhan Xudong Branch Store and *Chutian Metropolis Daily* jointly organized cross-industry collaborative activity called "Let's Date – Starbucks Dating Party" to multiply its marketing influence. Since Chinese Valentine's Day is another festival that draws more couples' attention, Kunming Store rolled out the "Win a MINI with a Kiss" in Qixi Festival 2013. The event attracted active participation from about a hundred of couples, filling the air with warmth and sweetness.

Other than festive activities, anniversary celebrations are also the most-anticipated marketing campaigns by customers due to their heavy-weight discounts. For instance, Wuhan Store held the "Two Decades of Glamour Fashion Party" and debuted the "63-hour 10 Million Sweeptake" to give away loads of gifts to customers and also invited an experienced image designer to host the "Victorian Tea Time", which was highly appreciated by female customers. During the course of the nationwide activity "Blast of Joy II – Celebrating the 21st Anniversary" in May 2014, Wuhan Trendy Plaza organized an indoor and outdoor flash mob performance in cooperation with Happy Valley, attracting a crowd of pedestrians and hence increased foot traffic for the store. Other thematic activities were also held in the region. For instance, Changsha Trendy Plaza organized the "Hong Kong Fashion Week", consisted of Hong Kong Police Band roadshow and a Hong Kong streetscape 3D exhibition, to drive foot traffic while in-store sales promotion featuring Hong Kong brands were held to boost sales.

During the year under review, stores in the region strengthened their cooperation with e-commerce operators in O2O marketing campaigns. Changsha Trendy Plaza joined hands with HN.QQ.COM, and beverage brand, Caffé bene, to launch "WeChat Goddess" speed dating activity on Valentine's Day 2014, which recruited 60 Internet users as participants, heating up the in-store atmosphere and boosting foot traffic; Chongqing Store collaborated with CQ.QQ.COM and China Mobile in Chongqing to organize "Tencent Chongqing Night" and "Mobile Lifestyle Night". In the former event, customers could not only enjoy delicious fried chicken and beer, members of Tencent Chongqing Network and NWDS' VIP members, who had pre-registered online, could redeem cash coupons at the store. While "Mobile Lifestyle Night" invited foreign models in soccer costumes to help distribute cakes to customers, and exclusive gift packs to of Chongqing China Mobile users, who had pre-registered online. Stores in the region actively explored online promotion channels, such as Weibo and WeChat to attract customers to shop in NWDS' physical stores. Weibo activities, such as "Follow with Prizes", "Share with Rewards" and big lucky wheel lucky draws, were held to strengthen interaction with their fans and enhance their loyalty.

INCORPORATING MEMBERS' INTERESTS INTO TAILOR-MADE AND FEATURED ACTIVITIES

During the year under review, stores in the region tailored a variety of exciting VIP activities according to the preferences of different VIP members. Wuhan Store organized high-end fashion shows, luxury goods pre-sales, charity auctions, private art exhibitions, natural health seminars and other exclusive events for Socialite Club members; Zhengzhou Store held "Feeling the Love of Motherhood – VIP DIY Baking Class" for cooking lovers; Wuhan Hanyang Branch Store co-organized "Hawaiian Party" and "Wild Indian Party" with babyArt; Mianyang Store organized nearly ten parent-child interactive events and children's talent contests for Perfect House Wife Club members to bond with family customers. Stores also held all sorts

of beauty seminars for female customers. Chongqing Store organized beauty seminars on a monthly basis with cosmetic brands; Wuhan Wuchang Branch Store and Hankou Bank jointly organized "Charming Women in a Brand New World – 2014 Hankou Bank 'Dream Life' Purple Themed Fashion Party", inviting famous image consultants to share beauty tips to bond with high-end customers.

In addition, on top of enhancing VIP services and privileges, such as free parking, discount redemption offers and birthday gifts, stores in the region provided superior services to high-spending VIP members. For instance, Wuhan Wuchang Branch Store arranged Gold Diamond VIP Services Consultants to provide exclusive one-on-one services for its members. As a result, the Group's relationship with high-end customers was strengthened.

During the year under review, VIP members of the Central Western China Region reached 1,196,000 and accounted for 50% of total sales.

EXCELLENT MARKETING TACTICS WINS PRAISE FROM ALL PARTIES

During the year under review, marketing and management practices of the stores in the region received a number of recognitions. Chengdu Store was named "Top Ten Stores" in the "Third (2013) Chengdu Annual Retail Ranking" campaign jointly organized by the Chengdu Retailers Business Association and School of Business of Chengdu University of Technology, and "Marketing Leader" in "2013 Leaders List" contest organized by All Media Center of Sichuan Daily Press Group. The store also titled "Top 10 Shopping Malls" in the "2013 Sina Sichuan Weibo Reputation List". In addition, Zhengzhou Store garnered the "2013 Most Innovative Business Enterprise Award" in the "Fifth Commercial Oscar Award" held by *Henan Business Daily*; Wuhan Wuchang Branch Store was elected as an "Outstanding Shopping Mall" and "Outstanding Floor" in the "2012 Business Integrity and Quality Service" activity organized by Wuhan Commerce Bureau in 2012.

LOVE -
ORIGINAL -
LIFE -


Sale

LOL CONCEPT SHOP

During the year under review, the Group actively developed its private label, LOL (Love•Original•Life). With the brand philosophy of "original, fashionable, tasteful, spreading the culture of love", it sources lifestyle products, some of which are exclusive for NWDS, from all over the world through direct procurement. LOL Concept Shop, positions as a mid-high end brand, targets middle-class customers aged 25 to 45 who value tasteful lifestyle and quality of life. Hence, the brand focuses on selling stylish merchandises including skin care products, tableware, electronic peripheral products, stationery, art pieces and home decor which enable to give the Group a differentiated advantage in the competitive department store sector, resulting an improvement on its gross margin for direct sales.

LOL CONCEPT SHOP

LOL often collaborates with other brands to organize VIP activities, such as Colormad – fingertip fashion, EverEarth green lifestyle family experimental activities, and Artificer health seminar so as to nurture customers' cultured lifestyles and promote LOL as a leading lifestyle brand in Mainland China.

The first LOL Concept Shop was opened in Shanghai in March 2013. As at 30 June 2014, the Group operated a total of 12 shops in eight cities across the country, covering Beijing, Shanghai, Wuhan, Chengdu, Chongqing, Harbin, Xi'an, and Shenyang. The Group plans to open around 20 shops by FY2015. Apart from expanding its store network, the Group will introduce the LOL brand to e-commerce platform to further widen its sales channel and to promote the brand across the country in a rapid manner.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$4,136.2 million in FY2014 representing an increase of 3.1% from HK$4,011.5 million in FY2013. The growth was primarily contributed from management and consultancy fee income and rental income.

Gross sales revenue, comprising gross revenue from concessionaire sales, sales of goods for direct sales, management and consultancy fees, rental income and other income slightly increased by 0.1% to HK$16,428.0 million in FY2014 from HK$16,414.4 million in FY2013. Gross revenue from concessionaire sales decreased by 0.7% to HK$14,790.7 million from HK$14,895.5 million in the Previous Year. Commission income rate increased from 17.7% in the Previous Year to 17.8% in the Current Year. The increase was primarily due to the sales decline of jewelry and gold with lower commission rate. Sales of goods for direct sales was HK$787.1 million in FY2014 compared with HK$809.6 million in FY2013. Direct sales turnover mainly comprised of groceries, housewares and perishables (approximately 54.8%), cosmetic products (approximately 42.7%), ladieswear and menswear (approximately 1.9%), accessories, handbags and underwears (approximately 0.6%). Gross margin of direct sales was 14.7% compared to 14.4% in the Previous Year. The increase was mainly due to the growth of private label business, LOL, improved the sales margin in the Current Year. In FY2014, ladieswear and accessories made up approximately 65.7% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 16.1% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest.

Management and consultancy fees was HK$56.0 million in FY2014 showing an increase by 7.1% from HK$52.3 million in FY2013. The increase was primarily due to the Group received fees for the provision of consultancy services for some new projects which were at pre-opening stage in the Current Year.

Rental income increased by 28.9% to HK$658.1 million in FY2014 mainly due to increased leasing area from firstly, recognising a full-year operation of Yancheng Store and Xi'an Store opened in December 2012; secondly, the newly acquired Shanghai Hongxin Trendy Plaza in July 2013; thirdly, the conversion of Shanghai Wujiaochang Branch Store from a managed store to a self-owned store in November 2013; fourthly, a more efficient use of the leasing area of the existing stores.

Other Income

Other income of the Group was HK$136.1 million in FY2014 compared with HK$146.3 million of FY2013. Other income in FY2014 mainly comprised HK$81.3 million of the income from suppliers and HK$29.7 million of government grants.

Other Loss

Loss on disposal of property, plant and equipment and land use rights of the Group in the Current Year was HK$8.4 million (FY2013: HK$60.4 million).

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Year was HK$16.8 million related to the properties of Shanghai Shaanxi Road Branch Store, Shanghai Hongxin Trendy Plaza, Zhengzhou Store and Shenyang Jianqiao Road Branch Store.

Purchases of and Changes in Inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It decreased by 3.2% to HK$671.1 million in FY2014 from HK$693.1 million in FY2013. The decrease was in line with the improvement in direct sales margin in the Current Year.

Employee Benefit Expense

Employee benefit expense increased to HK$661.4 million in FY2014 from HK$572.3 million in FY2013. This increase was primarily due to the increase in wages and salaries, retirement benefit costs and other employee benefits as a result of recognising a full-year operation of Yancheng Store and Xi'an Store opened in FY2013. The newly acquired Shanghai Hongxin Trendy Plaza in July 2013, the conversion of Shanghai Wujiaochang Branch Store from a managed store to a self-owned store in November 2013 and the newly opened Yantai Store in December 2013 as well as the increase in manpower for customer relation management and digital marketing also contributed to the increase of employee benefit expense in the Current Year.

Depreciation and Amortisation

Depreciation and amortisation expense in FY2014 was HK$321.2 million which slightly increased from HK$320.3 million in FY2013.

Operating Lease Rental Expense

Operating lease rental expense increased to HK$1,118.5 million in FY2014 from HK$980.4 million in FY2013. This increase was a result of recognising a full-year operation of Xi'an Store opened in FY2013, the conversion of Shanghai Wujiaochang Branch Store from a managed store to a self-owned store in November 2013 and the newly opened Yantai Store in December 2013.

Other Operating Expenses, net

Other operating expenses increased to HK$831.4 million in FY2014 from HK$767.6 million in FY2013. Selling, promotion, advertising and related expenses were controlled and decreased from HK$232.2 million in FY2013 to HK$216.2 million in FY2014. An increase in other tax expenses from HK$205.2 million in FY2013 to HK$221.0 million in FY2014 was due to the reduction of reimbursement from suppliers in relation to the consumption tax arising from sales of gold related products.

Operating Profit

Operating profit was HK$677.2 million in FY2014 compared with HK$834.5 million in FY2013.

Income Tax Expense

Income tax expense of the Group was HK$192.0 million in FY2014 compared with HK$233.8 million in FY2013. The effective tax rate of the Group in FY2014 was 26.9% (FY2013: 26.7%).

Profit for the Year

As a result of the reasons mentioned above, profit for the year was HK$520.5 million compared with HK$641.5 million in the Previous Year. Core profit for the year, which has excluded other loss, changes in fair value of investment properties and its related income tax expense, one-off tax adjustment on disposal of properties situated in Wuxi and other non-core items, decreased by approximately 11.9% to HK$557.1 million from HK$632.4 million in the Previous Year.

Liquidity and Financial Resources

Cash and fixed deposits of the Group amounted to HK$1,527.1 million as at 30 June 2014 (30 June 2013: HK$2,959.5 million).

The Group's borrowings from banks as at 30 June 2014 was HK$696.8 million (30 June 2013: HK$659.3 million) of which HK$500.0 million (30 June 2013: HK$632.9 million) was secured by pledge of assets.

At 30 June 2014, the Group's current liabilities exceeded its current assets by HK$1,631.1 million (30 June 2013: HK$690.0 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitment of the Group as at 30 June 2014 were HK$507.1 million, of which HK$506.8 million were contracted but not provided for in the statement of financial position. For the contractual payment of HK$506.8 million, approximately HK$395.3 million was related to the property redevelopment project in Shenyang City.

Pledge of Assets

As at 30 June 2014, investment properties of HK$1,900.0 million (30 June 2013: HK$1,913.9 million) of the Group were pledged as securities for bank borrowings of HK$500.0 million (30 June 2013: HK$632.9 million).

Treasury Policies

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2014.

OUTLOOK

In the first half of 2014, the gradually stabilized economic growth in the United States and the Eurozone's economic recovery drew capital back to developed countries and slowed down the development of emerging economies; meanwhile, the market anticipates that the growth of Mainland China, which is currently undergoing an economic restructure, will be constrained in the short run. To break out of such predicament, the Chinese government launched a series of mild "micro-stimulation" measures in March 2014, including increasing tax reduction for small enterprises, transformation of squatter settlement and railway reform, to stabilize its economic growth. However, the market is uncertain about the effectiveness of the measures due to their limited scale. On the other hand, although China's new urbanization plan is one of the prioritized agenda for the government, which is expected to further unleash the domestic demand, its stimulation effect to the economy is yet to be reflected in the short run due to its long implementation timeframe. Taking various factors into account, the Group is prudent about its business development in the future.

STRATEGIES FOR FUTURE DEVELOPMENT

Confronted by the challenging operating environment during the year under review, the Group will continue to diversify its revenue streams and stabilize its business performance through the means of increasing the number of leasing projects, developing private labels, and expanding management and consultancy service business. At the same time, the Group will continue to react to market changes in a responsive manner and grasp the opportunities brought by the new urbanization plan and the expanding domestic consumption. Riding on the development momentum of mobile Internet, the Group will also embrace O2O marketing into sales promotions to draw young online consumers to its physical stores, maintaining a stable pace in its business development to safeguard shareholders' return.

Operations Strategies

Revamping Mature Stores to Bring Something New

To maintain its leading position in the competitive market, the Group will initiate a mature store revamp in the wake of "rebranding program" by optimizing store layout, interior decoration and design to enhance consumers' shopping experience. On the other hand, the Group will adjust its in-store merchandise and service mix in accordance with the needs of consumers and the positioning of an individual store through the addition of lifestyle brands and the regular revitalization of merchandise mix to attract young customers.

Increasing Leasing Projects to Cater for the Regime of Experiential Consumption

Committed to offering Chinese consumers a stylish shopping experience, the Group has gradually strengthened its in-store complementary facilities since 2009 and introduced experiential consumption facilities, such as restaurants, beauty salons, children's playgrounds and cinemas, to create a one-stop shopping experience. In the light of a remarkably increasing demand for specialty dining and children-oriented facilities in recent years, the Group will further expand the operating area of leasing projects in these two categories to prolong customers' duration of stay.

Developing Private Labels to Form Tasteful Customer Cluster

The expanding middle class in Mainland China has facilitated increasing desire for quality living. Hence, the Group launched its private label, LOL Concept Shop, in March 2013, which procures creative lifestyle gadgets directly from all over the world to offer consumers a wide range of trendy and innovative merchandise so as to further enhance the Group's product differentiation and improve the gross profit margin of goods for direct sales. At the moment, there are 12 LOL shops in Beijing, Shanghai, Wuhan, Chengdu, Chongqing, Harbin and Shenyang. Looking forward, the Group will continue to accelerate the development of its private label business with the aim of increasing the number of LOL shops to around 20 by FY2015, and to actively organize tailored VIP activities with major brands to form a tasteful customer cluster. Catering to the spending habit of young customers, the Group will introduce the LOL brand to various e-commerce platforms to further widen its sales channel and to maximize its influence with standardized online and offline pricing.

Comprehensive Staff Trainings to Cope with Business Development Needs

Amid the ever-changing retail market, more all-round retail professionals are in need to help the Group cope with its expanding business. Hence, the Group will continue to provide tailored training programs for staff at different levels with the conviction of "Nurture Talents with Respect, Care and Trust". The programs include "Project Xinpeng – NWDS Management Intern Cultivation" for nurturing future talents, "Elite Talents Nurturing Plan", "Certificate Program of Further Studies in Retail Operation and Management 2014" and "Golden Ladder" nurturing program for middle management, and "Operational Management Training Camp for Store Managers" for senior management. At the same time, the Group will continue to strengthen its training for in-house trainers so that the integrated ability of in-house trainers and team coherence could be enhanced through experience and technique sharing among colleagues. On the other hand, the Group plans to collaborate with famous institutions, including the China Europe International Business School and Shanghai Jiao Tong University, to introduce top training programs to strengthen employees' expertise in department store, shopping mall and direct sales business, and to escalate the strategic vision and integrated management ability of managerial staff.

Upgraded Information Management System to Boost Operational Efficiency

To handle the large amount of data and customer information generated from daily operation, the Group will continue to optimize its existing information system and utilize technology to increase operational efficiency, so as to enhance its operational performance and responsiveness. With respect to back-office operations, the Group will conduct a full upgrade of its business management system to strengthen internal control, and will further increase the level of office automation in order to enhance the Group's productivity and competitiveness in the market. For store operations, the Group will further improve the back-end system integration among its concessionaires, leasing and direct sales business to make centralized management possible, in order to enhance operational efficiency. In response to the popularity of mobile shopping, the Group will continue to promote O2O marketing and gradually increase the amount of resources allocated to the installation of Wi-Fi infrastructures, the development of foot traffic analyzing system and mobile e-shopping platform; at the same time, to increase the number of convenient mobile cash registers, such as POS devices, to shorten payment processing time so as to optimize customers' shopping experience.

Merchandise Strategies

Diversifying Merchandising Channels to Enhance In-Store Complementary Facilities

In view of consumers' eagerness for experiential consumption, the Group will strengthen its tenant acquisition efforts in dining and entertainment categories to expand the leasing areas for complementary facilities. For efficient management of new leasing projects and merchandise mix adjustment, the Group has established two specified task forces, namely the national merchandising team and the business planning and management team, to undertake the responsibilities of centralized management and planning of the above projects. At the same time, the Group will further broaden its merchandising channels, bringing in more new suppliers and tenants to diversify its merchandise portfolio and increase the overall competitiveness of its department stores.

Head Office-Head Office Strategic Partnership to Sketch Nationwide Brand Development Roadmap

The Group will further strengthen the centralized management of its merchandising projects by forming a specified task force to establish direct communication with sizable suppliers to jointly sketch a nationwide brand development roadmap from a more macroscopic perspective, and to explore strategic partnership opportunities at all levels in accordance with the development strategies of both parties, such as organizing exclusive branded sales promotions, to multiply the competitive advantages by combining the strengths of both parties.

Tiered Brand Maintenance to Consolidate Cooperation

Suppliers have always been the Group's important business partners. Thus, the Group will continue to consolidate and optimize the "Head office – Region – Store" three-tier supplier management system to carry out tiered brand maintenance and strengthen the partnership with strategic brands. In addition to category killers, such as ladies' footwear, gold and jewelry, and ladies' casual wear, the Group will also carefully maintain the relationship with well-known food and beverage companies and other tenants providing complementary services, fostering strong and long-term partnerships with suppliers.

Marketing Strategies

Adding Large-Scale Children-Oriented Facilities to Create "Happy New World"

Incorporating the fantasy of large-scale theme parks into the relaxing shopping experience of department stores, the Group introduces a new concept of "Happy New World" to deliver a brand-new shopping experience to customers. Apart from further enriching their in-store children-oriented and recreational facilities together with the related merchandise, stores will hold amusing family and celebrity meetup activities on a regular basis to strengthen the interaction with customers comprehensively, creating a place where is full of "happy shopping" ambience that customers would prefer to visit for entertainment, gathering and shopping with their families. The Group has rolled out the "Happy New World" concept in selected stores since June 2014 to attract more family customers.

Capitalizing on Economies of Scale to Launch Nationwide Inter-store Marketing Campaigns

The Group will continue to leverage its national scale to organize inter-store promotional campaigns at regional and national level to lower investment from individual store while increasing campaigns' publicity. For instance, to be in line with the new "Happy New World" positioning, the Group launched an inter-store campaign, "Happy Ping-Pong", in five major cities in July 2014 to let participants across the country fight for the thrones of table tennis champion. The event has effectively increased stores' foot traffic and the profile of the Group. The Group will organize more similar nationwide inter-store campaigns in the future to further strengthen its interaction with customers.

Establishing O2O Marketing Platforms to Convert Information into Sales Revenue

The emerging mobile Internet technology has shaped current consumption behavior. Hence, the Group will adopt an O2O marketing model and explore in-depth partnership with renowned e-commerce operators in the aspects of membership recruitment and online payment to draw online users to physical stores. On the other hand, the Group will continue to enhance the installation of its in-store Wi-Fi infrastructures and plans to reform the existing e-shopping platform to be compatible with mobile devices so that customers can access to brand and discount information anytime with their mobile devices. A large "Digital Shopping Wall" will also be installed to facilitate in-store online shopping, realizing the conversion of information into sales revenue. Through gathering customers' online shopping data, the Group will be able to carry out more precise and targeted marketing campaigns and nurture "service-oriented" customer clusters.

Optimized Membership Mechanism and Services to Boost Customer Satisfaction

Following the previous adjustment on its membership structure, the Group will launch a new premium card, "Diamond N-VIP", to attract more high-end consumers with exclusive discounts and differentiated services. The Group will also further optimize its existing bonus point redemption system and launch a computer-and-mobile-compatible bonus point redemption portal so that VIP members can redeem their bonus points online anywhere, anytime, and enjoy the flexibility to pick up the gifts at stores or delivery to their homes. The online bonus point redemption platform will also link to the new mobile e-shopping platform, so that VIP members can earn bonus points upon purchase while doing redemption, offering a perfectly seamless shopping experience.

Expansion Strategies

The official release of China's *National New Urbanization Plan 2014-2020* in March 2014 provides a clear national development schedule with the focus on accelerating urbanization in the central and western region to realize the in situ urbanization of 100 million local farmers. It is expected that the government will escalate the importance of the new urbanization plan to be the future economic growth driver. In view of this, the Group will continue to carry through the expansion strategies of "multiple presences within a single city" and "radiation city" by opening new stores in first- and second-tier cities to consolidate its regional competitive advantage, extending its presence to surrounding third- and fourth-tier cities with great development potential and expanding its management and consultancy services, in order to grasp the new prospects brought by the new urbanization plan.

Increasing Self-owned Stores by Renting and Acquisition

The Group will continue to expand the business of its self-owned stores by means of renting and acquisition. For renting, the Group's reputation and scale advantage arising from its extensive business network enable it to enjoy competitive and long-term leasing agreements from landlords to effectively alleviate the impact of fluctuating rental expenses on its business performance. With respect to acquisitions, the Group will take individual store's operations performance, the consumption power in where it situated and other factors into consideration, and acquire managed stores with sound business performance at an appropriate time to increase the number of its self-owned stores. On the other hand, the Group will continue to strengthen its cooperation with local government agencies to explore potential retail projects. As intensified industry competition gives rise to elimination, the Group could ride on the opportunity to acquire retail properties with high potential or in strategic location by leveraging its financial strength.

The Group will open its Shanghai 118 Project in Putuo District, Shanghai, with a total GFA of approximately 62,600 sq.m. in FY2015, to further increase its influence in Shanghai. In addition, in FY2016, the Group plans to establish a new "Living Gallery" in Hengyang City, Hunan Province, with a total GFA of approximately 42,200 sq.m. Hengyang City is the bridge between Hunan Province and the world's economy. The inflow of numerous well-known enterprises to Hengyang City in recent years has brought positive impact to its local economy and boosted the local consumption power.

Since space delivers a pleasant shopping experience to customers, the Group will continue to expand the operating area of its stores. The expansion of Shenyang Nanjing Street Branch Store Phase II Project is expected to complete in FY2016 with a total GFA of approximately 25,400 sq.m.; the redevelopment of Shenyang Nanjing Street Branch Store Phase I Project is underway. The store is expected to re-open in FY2017, with a total GFA increased to approximately 26,300 sq.m. The two phases will collectively create a new shopping space of approximately 51,700 sq.m..

Grasping Opportunities from New Urbanization through Developing Management and Consultancy Business

To seize the opportunities arising from the new urbanization plan in third- and fourth-tier cities, the Group will diversify its revenue streams in a "low-risk, low-investment" approach by providing consultancy and management services. As more real estate projects emerge in third- and fourth-tier cities, professional advice is needed when developers put their retail real estate projects into operations, creating the demand for consultancy services. Through providing such service, the Group can gain a deeper understanding on the potential and location of the projects, background of their owner as well as the consumption power of the cities where the projects are situated to help filter projects with high potential.

In FY2016, the Group will expand its market presence in the northern district and set up a managed store with a total GFA of approximately 40,000 sq.m. in Jiamusi City, Heilongjiang Province. On the other hand, the Group plans to provide consultancy services to multiple retail real estate projects located in third- and fourth-tier cities of the central and western region, laying a foundation for the Group's business expansion in the related region.

CORPORATE SUSTAINABILITY

The Group has always strived to promote corporate sustainability, so as to give back to society and to build a sustainable environment in a proactive manner while pursuing its business goals. Hence, the Group makes much effort to strike a holistic balance of interest among shareholders, customers, employees, business partners, the community and environment. At the same time, the Group cares for the mental and physical health of its employees, and encourages them to participate in volunteer services to generate constructive and positive impact for the society. At the end of 2014, we are going to present the Group's first independent Sustainability Report to our stakeholders. Looking forward, the Group will continue to carry on our mission and carry through the spirit of love to the environment, community and employees.

COMMUNITY SERVICES

The Group's community services have gained full support from our management and employees. Apart from the nationwide sustainability programs led by the headquarter, stores and offices across the country have actively held different types of community services in cooperation with their local communities for the well-being of those in need.

@Dream Program

To promote a balanced mental and physical development for under-resourced children in Mainland China, the Group has launched the "@Dream Sustainable Development Program" ("@Dream Program"), its largest nationwide sustainable development community project in history, in July 2013. Through a series of activities held in accordance with the four major themes, namely music, learning, sports and soul, the Group provides a diversified learning platform for under-resourced children in Mainland China to help them pursue their dreams with continuous and specific assistance, promoting social mobility in the long run.

During the year under review, the Group organized a number of themed community activities in the four pillars of "@Dream Program", including "@Music – Rainbow Orchestra" interim performance, "@Learning – Education Voyage", "@Sports – Hope Walkathon", "@Sports – Tennis Academy" tennis training program, "@Sports – Soccer Dreams" activity, "@Soul – Distant Calls" charitable campaign, "@Soul – Santa Claus is Coming" activity and "@Soul – Wish upon a Star" campaign.

"@Dream Program" received unanimous commendations from the society and helped over 6,000 children realize their dreams. Through soliciting contributions and recruiting volunteers from the public, the Group has successfully elevated the involvement level of customers and employees. During the year under review, about 310 employees, 650 customers and their friends and family members participated in volunteer activities organized by the Group, which reflected their recognition to the Group's sustainability philosophy and "@Dream Program", and helped the Group build an image of good corporate citizen.

Engaging the Community to Care for the Under-resourced

During the year under review, NWDS Volunteer Team often went out of the stores to engage the community to help the under-resourced in society by visiting live-alone elderly, elderly homes and children welfare homes. The Volunteer Team also staged performances and provided house cleaning services to the elderly, and organized themed activities, for instance, summer camps, Hawaiian party and "Handicraft Masters – DIY Pencil Case" for children along with gifts, such as stationery, clothes, daily necessities and computers, so that they could feel the love and care from society. Furthermore, Harbin Store, Changsha Trendy Plaza, Shanghai Xinning Branch Store and Shanghai Changning Branch Store initiated their respective fundraising activities for those in need.

ENVIRONMENTAL PROTECTION

The Group has made every effort to protect the environment. During the year under review, the Group continued to implement certain green initiatives, such as waste recycling, energy preservation and procuring environmental-friendly material with priorities, so as to avoid and reduce the adverse impact on the environment. On the other hand, the Group organized a number of environmental protection activities for our employees, customers and the community to further widespread green messages and care for the earth altogether.

Nationwide Environmental Protection Activities to Maximize Publicity

During the year under review, the Group held and supported three nationwide environmental protection activities, including "Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign", the "Earth Hour" global lights-out action organized by the World Wide Fund for Nature and "Go Green with NWDS" environmental protection activity, to encourage customers and the public to conserve energy and to promote a low-carbon lifestyle.

In September 2013, the Group kicked off its third "Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign" and received enthusiastic support from the public. The 3,500 moon cake boxes collected were transferred to recyclers, and the proceeds gathered were donated to charitable organizations and schools in the respective cities where our stores are located, successfully promoting the message of waste recycling.

To advocate energy saving and emission reduction, the Group participated in the "Earth Hour" global lights-out action organized by the World Wide Fund for Nature for the fifth consecutive year. On 29 March 2014, neon lights, large advertising board lights, light boxes and unnecessary lights at our 42 stores in China and Hong Kong office were switched off for an hour from 8:30 p.m. to 9:30 p.m.

In addition, the Group rolled out the third "Go Green with NWDS" environmental activity in June 2014 and successfully attracted nearly 30,000 customers to shop at our stores in green outfits or with green accessories. Stores gave away over 5,200 small potted plants so that customers could also go green at home and further practice green living.

Green Activities Landed in Communities to Promote Environmental Protection

During the year under review, adhering to the Group's green policies, our stores proactively organized all sorts of store-based and inter-store environmental protection activities to raise public and employee awareness on environmental preservation. All Wuhan stores jointly presented the "Beautiful New World • Walk Green – 2013 Walkathon", where volunteers picked up garbage while hiking at East Lake in Wuhan to spread the message of environmental care to tourists; Wuhan Xudong Branch Store held the "Friendly Exchange" activity to advocate waste reduction by encouraging children aged 5 to 8 to exchange idle items among themselves; Mianyang Store launched an environmental-friendly cycling event to promote a low-carbon and healthy lifestyle to the public; Yantai Store, Changsha Trendy Plaza and Ningbo Beilun Store organized city clean-up activities respectively; Zhengzhou Store, Wuhan Wuchang Branch Store and Beijing Qianzi Store held tree-planting activities to green the community.

VOLUNTEER MONTH

NWDS Volunteer Team was established in April 2013 to encourage employees' participation in volunteer work and help create a harmonious society altogether. The Volunteer Team has grown to a scale of over 2,300 members now. During the year under review, about 250 volunteer activities were organized, providing services ranging from education support, elderly care to environmental protection, contributing over 10,000 service hours in total.

In addition, the Group has designated the month of June every year as "Volunteer Month". In June 2014, the Group inaugurated the "Volunteer Month" during the traditional Chinese Dragon Boat Festival. All stores across the country were called on to organize the "New World • Watch Me Play in the Dragon Boat Race" volunteer activity with their local charitable organizations. As many as 340 volunteers and 900 under-resourced children nationwide replicated the classic "dragon boat racing" game, contributing about 960 service hours in total.

STAFF BENEFITS AND DEVELOPMENT

Caring for the mental and physical development of its employees, apart from providing comprehensive training programs, the Group also organizes diversified staff-caring activities, and actively invites employees to give suggestions on how to improve the Group's operations and to increase their sense of belonging.

Further Improved Training System to Nurture Retail Talents

The Group firmly believes that talents are the indispensable foundation of its development. By carrying through the conviction of "Nurture Talents with Respect, Care and Trust", the Group has set up a comprehensive training system and proactively provides appropriate training to employees with different duties, including "Certificate Program of Further Studies in Retail Operation and Management" (Advanced Class), "Positioning and Planning for Department Store and Shopping Mall" training program, "Elite Talents Nurturing Plan" and "Dedicated over 100% to Customers", a cross-year customer service campaign, to comprehensively upgrade the skills and professionalism of our employees, so as to meet the Group's demand for retail talents.

Welcome Employees' Improvement Suggestions to Enhance Interaction and Exchanges

The Group established the "Think Tank" in 2005, a platform which allows employees to provide suggestions on how to improve the Group's operations. The aims were to save resources for the Group, cultivate a harmonious workplace as well as increasing customer satisfaction and our business performance. This year's presentation session, with 30 proposals submitted to the "Think Tank", was successfully held in Wuhan in May 2014 to recommend outstanding proposals, providing a great platform to facilitate exchanges between employees and the management.

Care for Staff to Cultivate a Harmonious Working Environment

The Group has put much effort in constructing a harmonious workplace with mutual care. Therefore, the "Caring Our Staff" campaign was commenced in 2013. The campaign comprises a series of activities, including deploying the management to frontline positions, leisure tea breaks between supervisors and subordinates, caring apple and anti-smog facemask giveaways to all staff and the organization of staff appreciation sessions. Furthermore, to foster mental and physical development of our employees, stores have held all kinds of activities, such as staff sales, sports days, picnics, movie nights and birthday parties. The Group also prepared festive gifts on festive occasions to show care for its employees.

GROUP HONORS

The Group has obtained numerous awards for its excellent performance in the aspects of corporate social responsibility, environmental protection, public relations, staff training and investor relations. During the year under review, the Group garnered more than 10 international awards in recognition of our holistic outstanding performance.

Corporate Social Responsibility

- In 2013/14, the Group was awarded the "Caring Company" logo issued by the Hong Kong Council of Social Service again; in addition, in the "2013/14 Family-Friendly Employers Award Scheme", the Group garnered the "Family-Friendly Employers" award for two consecutive years and was also honored the "Special Mention" award in appreciation of our continuous efforts in promoting family-friendly policies and measures.

- The Group garnered the "Golden Bee – Customer Focus Award" in the "2013 Golden Bee CSR China Honor Roll" Award Ceremony organized by *China WTO Tribune*, while our "@Dream Program" successfully entered the *2013 Golden Bee CSR Competitiveness Case Collection*; also, the Group garnered the "2013 China Charity – Group Award" in the "2013 China Charity Festival" and "@Dream Program" won the honor of "2013 Best Charity Project", which made the Group the only awarded department store chain in the event.

- The Group proactively promotes volunteer service and our Hong Kong office was honored the Bronze Award for Volunteer Service by the Social Welfare Department with its 381 hours of community service.

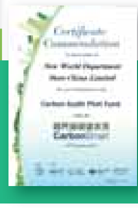
- The Group's newly-revamped corporate website won the Silver Award in the "Website Stream" in the "Web Accessibility Recognition Scheme" co-organized by the Office of the Government Chief Information Officer and the Equal Opportunities Commission.

Public Relations

- In the "8th Asia Brand Ceremony", the Group garnered the "Top 500 Asia Brand Award" and the title of "Top 10 (Industry) Most Investment Value Brand in China".

Environmental Protection

- The Group's Hong Kong office was presented the Certificate of Participation and "CarbonSmart Low-Carbon Commitment Partner" certificate under the "CarbonSmart Programme", and was granted the "Green Office" label and the UNMDG's "Better World Company" label under the "Green Office Awards Labelling Scheme" organized by the World Green Organization, and the "Class of Good" Wastewi$e Label under the "Hong Kong Awards for Environmental Excellence" scheme, recognizing the Group's determination in practising a low-carbon lifestyle and shaping a green workplace.

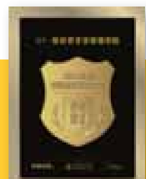


Investor Relations

- The Group garnered the honor of the "Best Investor Relations Company" in the "4th Asian Excellence Recognition Awards", demonstrating the Group's exceptional performance in investor relations.

Staff Training

- NWDS Management Academy was accredited as the "China's Best Corporate University" and garnered "The Award for Social Responsibility of China Corporate University" in the award ceremony of "Top List of Corporate University", while its "Project Feipeng – Core Talents Nurturing Plan" won the honor of "Top 20 China Corporate Training Program".



FY2012–2013 ANNUAL REPORT HONORS:

FY2012 ANNUAL REPORT

Competition	Category	Award
2013 Galaxy Awards	Copywriting: Annual Reports – Asia 1	Bronze Award

FY2013 ANNUAL REPORT

Competitions	Category	Awards
2014 Astrid Awards	Annual Reports: Corporate – Traditional 2	Silver Award
2013/14 Mercury Awards	Annual Reports: Overall Presentation – Department Store 3	Bronze Award
	Annual Reports: Interior Design – Traditional Format 4	Silver Award
LACP 2013 Vision Awards Annual Report Competition	Annual Report: Consumer Services 5	Gold Award
	Top 80 Asia-Pacific Annual Reports 6	
	Top 20 Chinese Reports 7	
	Best Annual Report Narrative 8	Honors
2014 ARC Awards	Traditional Annual Report: Retail – Convenience & Department Store 9	Silver Award

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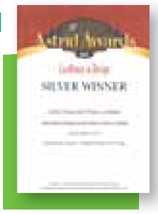

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NORTHERN CHINA REGION

Department Store	Awards
Beijing Store	• 2013 Model Entity of Green Channel for Mediating Consumer Dispute • 2013 Green Channel Model Unit • Advanced Enterprise in Statistical Survey in Commercial Sector • 2013 Advanced Entity of Integrated Community Governance in Chongwen District
Beijing Trendy Store	• Third Class Enterprise in the Standardization of Safe Production
Beijing Liying Store	• "Outstanding Contribution Enterprise Award" in the Promotional Campaign of Beijing Shopping Festival
Tianjin Store	• Award of 2012 Tianjin Advanced Enterprises with Foreign Investment • 2012-2013 Advanced Entity in Business Integrity
Harbin Store	• Title of "2013 Top 100 Most Trustworthy Employer for Longjiang University Students"
Shenyang Zhonghua Road Branch Store and Shenyang Jianqiao Road Branch Store	• "2013 Annual Brand" presented by *LiaoShen Evening News* at its annual ceremony
Dalian Store	• Outstanding Enterprise • 2012 Grade AAA Labor Law Compliance Enterprise
Lanzhou Store	• Leading Enterprise of Service Sector in Chengguan District • Outstanding Organization Award
Xi'an Store	• Model Unit of Consumer Rights Protection

CENTRAL WESTERN CHINA REGION

Department Store	Awards
Wuhan Store/ Wuhan Wuchang Branch Store	• 2012 Advanced Entity in Union Affairs
Wuhan Wuchang Branch Store	• "Outstanding Shopping Mall" and "Outstanding Floor" in the "2012 Business Integrity and Quality Service" activity
Wuhan Wuchang Branch Store/Wuhan Qiaokou Branch Store/Wuhan Xudong Branch Store	• 2013 Advanced Entity in Union Affairs
Zhengzhou Store	• Advanced Entity in Union Affairs of the year • "2013 Most Innovative Business Enterprise Award" in the Fifth Commercial Oscar Award • Workers' Vanguard
Chengdu Store	• "Top 10 Shopping Malls" in the "2013 Sina Sichuan Weibo Reputation List" • "Top Ten Stores" in the "Third (2013) Chengdu Annual Retail Ranking" • "Marketing Leader" in the "2013 Leaders List" Contest
Chongqing Store	• Leading Party Organization 2012–2013 • "Exemplary Store" in the "No Fake Goods in Chongqing" event

SOUTH EASTERN CHINA REGION

Department Store	Awards
Shanghai Huaihai Branch Store	• 2013 Advanced Entity in Safe Operation • "The Most Popular Award" in Huangpu District's Marketing Campaign • "Excellent Event Award" in 2013 Central Huaihai Road Outstanding Mall Contest
Shanghai Wujiaochang Branch Store	• Certificate for support to regional trade union in helping underprivileged groups
Shanghai Pujian Branch Store	• Shanghai Green Shopping Mall Model
Shanghai Shaanxi Road Branch Store	• Honorable certificate of "Most Popular Shopping Mall in Putuo District" • Safe Operation Association's Standard Complying Entity
Ningbo Store	• 2012 Backbone Enterprise
Ningbo Beilun Store	• "Top 10 Enterprise" at 2013 Ningbo (Beilun) Shopping Festival

DIRECTORS' PROFILE

Chairman and Non-executive Director

DR. CHENG KAR-SHUN, Henry *GBS*

Aged 67

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

Executive Director

DR. CHENG CHI-KONG, Adrian

Aged 34

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

Managing Director and Executive Director

MR. CHEUNG FAI-YET, Philip

Aged 59

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

Executive Director

MR. WONG KWOK-KAN, Kenneth

Aged 50

has been a Director since January 2007 and designated as an executive Director since June 2007. He is also a member of the Executive Committee and the Remuneration Committee and a director of a number of the subsidiaries of the Company. Mr. Wong joined the Group in 1995 and has been the chief financial officer of the Group. He is responsible for the financial management and corporate finance matters of the Group. Mr. Wong has over 20 years experience in the retail industry in the PRC. Prior to joining the Group, Mr. Wong held a senior position in a large retail group in Hong Kong. He holds a Bachelor of Business Administration Degree from The Chinese University of Hong Kong, a Bachelor of Law Degree from Tsinghua University and a Master of Business Administration Degree from University of Strathclyde. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.

Non-executive Director

MR. AU TAK-CHEONG

Aged 62

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

Non-executive Director

MS. NGAN MAN-YING, Lynda

Aged 48

has been a Director since January 2007, designated as an executive Director since June 2007 and re-designated as a non-executive Director since December 2012. Ms. Ngan is a director of certain subsidiaries of the Company. She joined the Group in 2007 and is responsible for the financial planning and corporate governance of the Group. Ms. Ngan is also an executive director, the financial controller and the company secretary of New World China Land Limited. She has over 27 years of experience in auditing, accounting, business advisory and tax consultancy. Ms. Ngan has previously worked for an international accounting firm in Hong Kong and a tax consulting company in Australia. She possesses a Bachelor Degree in Business from University of Southern Queensland and is a Practising Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom.

Independent Non-executive Director

MR. CHEONG YING-CHEW, Henry

Aged 66

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

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

Independent Non-executive Director

MR. CHAN YIU-TONG, Ivan

Aged 60

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

Independent Non-executive Director

MR. TONG HANG-CHAN, Peter

Aged 69

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

Independent Non-executive Director

MR. YU CHUN-FAI

Aged 52

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 29 years of experience in the financial industry. Mr. Yu was also an independent non-executive director of Jun Yang Solar Power Investments Limited. He is the founder, and was the chairman and executive director of Oriental City Group Holdings Limited, a company listed on the Stock Exchange of Hong Kong. Prior to establishing Oriental City Group, Mr. Yu worked for Morgan Stanley, AIG Asset Management (Asia) Ltd, and Allianz Dresdner Asset Management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). During the year ended 30 June 2014, the Company has applied and complied with all the code provisions set out in the Code.

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 2014.

EMPLOYEES' SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

As at the date of this report, the Board comprises three non-executive Directors, three executive Directors and four independent non-executive Directors. Their names, biographical details and respective relationships with other Directors are set out on pages 50 to 53 of this annual report.

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

The Board will have at least four meetings a year at approximately quarterly intervals and will meet at other times as and when required to review business strategies and financial and operating performance. The Board met four times during the year ended 30 June 2014.

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

The Roles of the Chairman and Managing Director

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

Non-executive Directors

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

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

Audit Committee

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

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

During the year, the Audit Committee reviewed with auditor of the Company the audited financial statements for the year ended 30 June 2013 and the unaudited interim financial information for the six months ended 31 December 2013 as well as internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget with recommendations to the Board for approval. The Audit Committee also reviewed the financial statements for the year ended 30 June 2014 and internal audit report, including the effectiveness of the internal control system, with recommendation to the Board for approval. The Audit Committee met two times during the year ended 30 June 2014.

The corporate management services department of the Group (the "Corporate Management Services Department") has conducted audits of the Company and its subsidiaries. The Corporate Management Services Department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key businesses and operational risks are identified and managed. The work carried out by the Corporate Management Services Department will ensure the internal controls, including the process used to resolve material internal control defects for any significant problems, are carried out appropriately and functioning as intended. The Corporate Management Services Department shall report its findings and make recommendations to improve and to plan the internal control of the Group. 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 remuneration committee of the Company (the "Remuneration Committee") has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises Dr. Cheng Chi-kong, Adrian, Mr. Tong Hang-chan, Peter, Mr. Cheung Fai-yet, Philip, Mr. Wong Kwok-kan, Kenneth, Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan and Mr. Yu Chun-fai. Mr. Tong Hang-chan, Peter is the chairman of the Remuneration Committee. The Remuneration Committee meeting will be held at least once a year.

The primary duties of the Remuneration Committee include review of and determining, with delegated responsibility, and making recommendations on the remuneration structure for individual Directors and the Group. During the year ended 30 June 2014, the Remuneration Committee met three times to review the remuneration policy for Directors and the Group, assessing performance of executive Directors and approving terms of executive Directors' service contracts. The Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive Directors and management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also to make recommendations to the Board on the remuneration of non-executive Directors and to ensure that no Directors of any of their associates are involved in deciding their own remuneration.

Details of the amount of emoluments of Directors for the year ended 30 June 2014 are set out in note 10 to the consolidated financial statements.

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

Name	Number of meetings of the Remuneration Committee attended/held
Mr. Tong Hang-chan, Peter	3/3
Dr. Cheng Chi-kong, Adrian	3/3
Mr. Cheung Fai-yet, Philip	3/3
Mr. Wong Kwok-kan, Kenneth	3/3
Mr. Cheong Ying-chew, Henry	3/3
Mr. Chan Yiu-tong, Ivan	3/3
Mr. Yu Chun-fai	3/3

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 Dr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Chan Yuk-chuen, Pius and Mr. Wong Kwok-kan, Kenneth. Dr. Cheng Chi-kong, Adrian is the chairman of the Executive Committee. The Executive Committee meets as when necessary.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") has been established on 1 April 2012 with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board, the Nomination Committee comprises Dr. Cheng Chi-kong, Adrian, Mr. Yu Chun-fai and Mr. Tong Hang-chan, Peter. Mr. Yu Chun-fai is the chairman of the Nomination Committee. The Nomination Committee meeting will be held at least once a year. The primary duties of the Nomination Committee include review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board, and to assess the independence of the independent non-executive Directors. The Nomination Committee is also to determine the policy and to adopt the nomination procedures and the process and criteria, such as experience and independence, to select and recommend candidates for directorship. During the year ended 30 June 2014, the Nomination Committee met once. To codify board diversity and to comply with the revised Code that has been implemented in September 2013, the terms of reference of the Nomination Committee, and the nomination policy and procedures of Directors have been revised and adopted.

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

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

Board Diversity Policy

The Company has adopted a board diversity policy (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.

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

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

Remuneration of Directors

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

FINANCIAL REPORTING AND INTERNAL CONTROL

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

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 79 to 80 of this annual report.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness and procedures. The procedures have been designed for safeguarding assets against unauthorised user or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable assurance against material errors, losses or fraud. The Board, through the Audit Committee, conducted regular reviews regarding internal control system of the Group. In the year under review, the Audit Committee and the Board had also reviewed the Group's internal control system to ensure that effective and reasonable measures were in place.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing financial statements of each financial period, giving a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 30 June 2014, the Directors had:

1. approved the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
2. selected and applied consistently appropriate accounting policies; and
3. prepared the financial statements on a going concern basis.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an employee of the Company and has day-to-day knowledge of the Company's affairs. During the year ended 30 June 2014, 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 22, 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.

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

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

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

The investor relations team of the Group is formed by senior management executives. Ever since the Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited in July 2007, the team has been contacting institutional investors and analysts actively both in domestic and overseas capital markets, mainly by means of one-on-one meetings, conference calls and store visits. A total of about 160 meetings and store visits were organized for investors during the year under review. Every year, the Group hosts analyst briefings after its annual and interim results announcements to disclose information proactively to analysts and investment institutions. Research reports regarding the Group were also issued by prominent investment research institutions, including Deutsche Bank, HSBC, Barclays Capital, CLSA, Morgan Stanley, DBS Vickers Securities, Macquarie Securities, and China Galaxy International.

Upon the release of its annual and interim results, the Group also carries out overseas roadshows and visits to major investment institutions. The New World Department Store management carried out roadshows in Hong Kong in September 2013 and February 2014 and also in Singapore in October 2013 and March 2014. The New World Department Store management was also invited to a number of investor conferences hosted by major banks and securities companies. In total, the management met more than 150 investment institutions. The conferences were "China Consumer and Property Corporate Day" by Macquarie Securities in Hong Kong in July 2013; "Twelve Annual Asia Pacific Summit" by Morgan Stanley in Singapore in November; "dbAccess China Conference 2014" by Deutsche Bank in Beijing and "DBS Vickers Pulse of Asia Conference, Singapore" by DBS Vickers Securities in Singapore in January 2014; "Greater China London Forum" by JP Morgan Securities in London in April; "dbAccess Asia Conference 2014" by Deutsche Bank in Singapore, and "Greater China Conference" by Macquarie Securities and "Fifth Annual Hong Kong Investor Summit" by Morgan Stanley in Hong Kong in May; "Asian Consumer Conference 2014" by UBS in Hong Kong in June.

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

The Group attaches great importance to corporate transparency. Therefore, in December 2012, the Group established "Information Disclosure Committee" and set up corresponding internal policy on fair disclosure of the Group's information. The investor relations team of New World Department Store will continue to communicate with the investors in a proactive manner, so as to reinforce their confidences in the Group and to create an ideal financing environment for the Group in the capital markets.

AUDITOR'S REMUNERATION

Fees for auditing services and non-auditing services amounted to approximately HK$6,500,000 (2013: approximately HK$5,800,000) and approximately HK$1,677,000 (2013: approximately HK$1,656,000) respectively were provided in the Group's consolidated income statement for the year ended 30 June 2014.

CONTENTS

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 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 30 June 2014 are set out in the consolidated income statement on page 81 of this annual report.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK$0.060 per share (2013: HK$0.092 per share) for the year ended 30 June 2014 to Shareholders whose names appear in the register of members of the Company on 1 December 2014. It is expected that the proposed final dividend will be paid on or about 29 December 2014 subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on 18 November 2014.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

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

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years of 2010 to 2014 are set out on page 138.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$4,315,000 (2013: approximately HK$894,000).

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Non-executive Directors

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

Executive Directors

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

Independent Non-executive Directors

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

In accordance with articles 87(1) and 87(2) of the Articles, Mr. Cheung Fai-yet, Philip, Ms. Ngan Man-ying, Lynda, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The remaining current Directors continue in office.

AUDIT COMMITTEE

The Audit Committee was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 30 June 2014 and discussed those related matters with the management.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the "Connected Transactions" section below, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2014 or at any time during the year ended 30 June 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

DEED OF NON-COMPETITION

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

(a) department stores;

(b) supermarkets;

(c) hypermarkets;

(d) convenience stores;

(e) specialty merchandise stores; and

(f) supercentres.

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

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

CONNECTED TRANSACTIONS

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

A Master leasing agreement

On 22 March 2012, the Company and NWD entered into a master leasing agreement (the "Former Master Leasing Agreement"), for a term of two years commencing on 1 July 2012 and subject to the annual caps not exceeding RMB549,133,000 and RMB554,069,000 respectively in relation to all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of the premises owned by members of the NWD Group from time to time, by members of the Group from members of the NWD Group.

On 11 April 2014, the Company and NWD entered into a master leasing agreement (the "Master Leasing Agreement"), for a term of three years commencing from 1 July 2014 and subject to the annual caps not exceeding RMB550,000,000, RMB550,000,000 and RMB593,000,000 respectively, in relation to all existing and future transactions between members of the Group and members of the NWD Group regarding the leasing of premises by members of the Group from members of the NWD Group and vice versa. The Former Master Leasing Agreement shall be terminated immediately upon the Master Leasing Agreement becoming effective. 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 aggregate consideration under the Former Master Leasing Agreement and the Master Leasing Agreement was approximately RMB332,289,000 (2013: approximately RMB338,199,000) during the year.

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

B Master concessionaire counter agreement

On 22 March 2012, the Company and Chow Tai Fook Jewellery Group Limited ("CTFJ" and its subsidiaries "CTFJ Group") entered into a master concessionaire counter agreement (the "Master Concessionaire Counter Agreement") commencing on 24 April 2012 up to and including 30 June 2014 and subject to the annual caps not exceeding RMB133,775,000, RMB214,853,000 and RMB305,150,000 respectively, in relation to all existing and future transactions between members of the Group and members of the CTFJ Group arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement.

CONNECTED TRANSACTIONS (continued)

B Master concessionaire counter agreement (continued)

Subject to the compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Concessionaire Counter Agreement was renewed for three years commencing on 1 July 2014 and subject to the annual caps not exceeding RMB205,000,000, RMB265,000,000 and RMB345,000,000 respectively. Subject to compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Concessionaire Agreement will be automatically renewed for a successive period of three years thereafter.

The aggregate consideration under the Master Concessionaire Counter Agreement was approximately RMB100,787,000 (2013: approximately RMB104,849,000) during the year.

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

C Master sales agreement

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

On 27 December 2012, in view of the expected increase in the amount of the Sales Transactions, the Original Sales Annual Caps in respect of the two years commencing on 1 July 2012 will be insufficient, and the Directors therefore revised the Original Sales Annual Caps. The revised annual cap amounts payable by (i) the NWD Group to the Group; (ii) the Group to the CTFJ Group; and (iii) the CTFJ Group to the Group in respect of the aggregate Sales Transactions amount for each of the two years commencing on 1 July 2012 are RMB135,000,000, respectively.

CONNECTED TRANSACTIONS (continued)

C Master sales agreement (continued)

On 11 April 2014, the Company, NWD and CTFJ entered into a master sales agreement (the "Master Sales Agreement") commencing on 1 July 2014 up to and including 30 June 2017 and subject to the annual caps not exceeding (i) RMB132,000,000, RMB149,000,000 and RMB192,000,000 respectively in respect of the sales to the NWD Group, the CTFJ Group and jointly-controlled entity(ies) jointly controlled by CTF and New World China Land Limited ("NWCL") ("N/C JCEs") from the Group; and (ii) RMB10,000,000, RMB10,000,000 and RMB10,000,000 respectively in respect of the sales from the NWD Group, the CTFJ Group and N/C JCEs to the Group, in relation to all existing and future transactions in respect of the use of the shopping vouchers, the prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchases of goods at the stores and the settlement of the relevant value represented by such shopping vouchers (with the shopping vouchers commissions and rebates), the prepaid shopping cards (with the discounts, where applicable), the joint name vouchers (with the joint name vouchers commissions) or by any other means acceptable to the Group as contemplated under the Master Sales Agreement. Subject to compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Sales Agreement will be automatically renewed for a successive period of three years thereafter. The Former Master Sales Agreement shall be terminated immediately upon the Master Sales Agreement becoming effective.

The aggregate consideration under the Former Master Sales Agreement and the Master Sales Agreement was approximately RMB74,899,000 (2013: approximately RMB46,254,000) during the year.

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

D Master services agreement

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

CONNECTED TRANSACTIONS (continued)

D Master services agreement (continued)

i. (continued)

The aggregate consideration under the Existing Master Services Agreement: Nil (2013: approximately RMB8,305,000) during the year.

ii. On 19 May 2011, the Company and Mr. Doo entered into another master services agreement (the "Former Master Services Agreement"), for an initial term of three years commencing on 1 July 2011 and subject to the annual caps not exceeding RMB45,600,000, RMB55,600,000 and RMB55,600,000 respectively, pursuant to which Mr. Doo agreed that members of the Services Group to provide contracting services, cleaning and landscaping services, property management services and such other types of services as the parties may agree upon from time to time in writing, to be provided by members of the Services Group to the relevant members of the Group during the term of the Former Master Services Agreement after the completion of the Group B Disposal.

On 11 April 2014, the Company and Mr. Doo entered into a master services agreement (the "Master Services Agreement"), for an initial term of three years ending 30 June 2017 and subject to the annual caps not exceeding RMB130,000,000, RMB130,000,000 and RMB130,000,000 respectively, pursuant to which Mr. Doo agreed that members of the Services Group to provide 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, to be provided by relevant members of the Services Group to the relevant members of the Group during the term of the Master Services Agreement and certain of the services agreements have not expired as at 1 July 2014. The Group and the Services Group wish to continue the services agreements and may from time to time enter into new services agreements for the provision of Services by the Services Group to the Group. Subject to 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 aggregate consideration under the Former Master Services Agreement and the Master Services Agreement was approximately RMB64,000 (2013: approximately RMB216,000) during the year.

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

CONNECTED TRANSACTIONS (continued)

E Annual review of the continuing connected transactions

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

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

ii on normal commercial terms; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Main Board Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long position in shares

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
New World China Land Limited					
(Ordinary shares of HK$0.10 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	29,985,826	151,983,526	1.75
	Interest of spouse	Family interest	4,387,500		
	Controlled corporation	Corporate interest	117,610,200[(1)]		
New World Development Company Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	Interest of spouse	Family interest	600,000	600,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	18,349,571	30,349,571	0.81
	Controlled corporation	Corporate interest	12,000,000[(1)]		

Note:

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options

i The Company

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

			Number of share options held					
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2013	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2014	Exercise price per share *HK$*
Dr. Cheng Kar-shun, Henry	27 November 2007	(1)	1,000,000	–	–	(1,000,000)	–	8.660
Mr. Au Tak-cheong	27 November 2007	(1)	250,000	–	–	(250,000)	–	8.660
Ms. Ngan Man-ying, Lynda	27 November 2007	(1)	500,000	–	–	(500,000)	–	8.660
Dr. Cheng Chi-kong, Adrian	27 November 2007	(1)	500,000	–	–	(500,000)	–	8.660
Mr. Cheung Fai-yet, Philip	27 November 2007	(1)	1,500,000	–	–	(1,500,000)	–	8.660
	25 March 2008	(2)	500,000	–	–	(500,000)	–	8.440
Mr. Wong Kwok-kan, Kenneth	27 November 2007	(1)	501,000	–	–	(501,000)	–	8.660
	25 March 2008	(2)	250,000	–	–	(250,000)	–	8.440
Mr. Cheong Ying-chew, Henry	27 November 2007	(1)	250,000	–	–	(250,000)	–	8.660
Mr. Chan Yiu-tong, Ivan	27 November 2007	(1)	250,000	–	–	(250,000)	–	8.660
Mr. Tong Hang-chan, Peter	27 November 2007	(1)	250,000	–	–	(250,000)	–	8.660
Mr. Yu Chun-fai	27 November 2007	(1)	250,000	–	–	(250,000)	–	8.660
			6,001,000	–	–	(6,001,000)	–	

Notes:

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

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

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

ii New World China Land Limited

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

			Number of share options held					
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2013	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2014	Exercise price per share *HK$*
Dr. Cheng Kar-shun, Henry	18 January 2011	(1)	2,077,922	–	–	–	2,077,922	3.036
Dr. Cheng Chi-kong, Adrian	18 January 2011	(2)	935,066	–	–	–	935,066	3.036
Ms. Ngan Man-ying, Lynda	18 January 2011	(1)	1,038,961	–	–	–	1,038,961	3.036
			4,051,949	–	–	–	4,051,949	

Notes:

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

(2) Divided into 3 tranches, exercisable from 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

iii *New World Development Company Limited*

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

			Number of share options held						
Name	Date of grant	Exercisable period (Notes)	Balance as at 1 July 2013	Granted during the year	Adjusted during the year(3&4)	Exercised during the year	Lapsed during the year	Balance as at 30 June 2014	Exercise price per share(3&4) HK$
Dr. Cheng Kar-shun, Henry	19 March 2012	(1)	10,014,956	–	633,328	–	–	10,648,284	9.176
Dr. Cheng Chi-kong, Adrian	19 March 2012	(1)	3,505,234	–	221,664	–	–	3,726,898	9.176
Mr. Au Tak-cheong	19 March 2012	(1)	2,203,496	–	139,345	–	–	2,342,841	9.176
	22 January 2014	(2)	–	500,000	31,618	–	–	531,618	9.781
			15,723,686	500,000	1,025,955	–	–	17,249,641	

Notes:

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

(2) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

(3) The rights issue as announced by NWD on 13 March 2014 which became unconditional on 24 April 2014 constituted an event giving rise to adjustments to the number of outstanding share options and the exercise prices in accordance with the share option scheme adopted on 24 November 2006 and amended on 13 March 2012. The exercise price per share of the share options was adjusted from HK$9.756 to HK$9.184, and HK$10.400 to HK$9.790.

(4) NWD declared interim dividend for the six month ended 31 December 2013 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$9.184 to HK$9.176 and HK$9.790 to HK$9.781 on 23 May 2014.

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

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2014, 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:

Long positions in the shares of the Company

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

Notes:

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

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

(3) CTFC holds 78.58% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.

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

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

OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 June 2014, the interests or short positions of persons (other than the Directors or chief executive or substantial shareholders (as defined in the Listing Rules) of the Company) in the shares and underlying shares of the Company as recorded in the register as required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the shares of the Company

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

Save as disclosed above, the Directors are not aware of any person (other than the Directors or chief executive of the Company) who, as at 30 June 2014, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

Purpose of the Scheme	The purpose of the Scheme is to attract and retain the best available personnel and to provide additional incentives for employees, directors, consultants, business associates and advisers of the Company to promote the success of the Group.
Participants of the Scheme	The Directors may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of the Company and its subsidiaries options to subscribe for shares of the Company at a price calculated in accordance with the terms of the Scheme.
Total number of shares of the Company available for issue under the Scheme and percentage of issued share capital of the Company as at the date of this annual report	The Company had granted share options representing the rights to subscribe for 24,128,000 shares of the Company and all unexercised share options lapsed during the year under the Scheme up to the date of this report. The Company may grant share options to subscribe for 168,614,500 shares of the Company, representing approximately 10% of the Company's issued share capital as at the date of this report.
Maximum entitlement of each participant under the Scheme	Unless approved by the Shareholders in the manner as set out in the Scheme, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of the Company in issue.

SHARE OPTION SCHEME (continued)

The period within which the shares of the Company must be taken up under an option	A period to commence not less than 1 year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than 1 year upon the grant of options by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount payable for the acceptance of an option shall be the sum of HK$1.00 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by the Company in writing on a business day and accepted in writing by the participant in such manner as the Board may prescribe within 21 calendar days (from and including the date of the offer by the Company) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price shall be determined by the Directors, being the higher of: (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of option; or (c) the nominal value of a share of the Company.
The remaining life of the Scheme	The Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.

SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS

		Number of share options					
Date of grant	**Exercisable period (Notes)**	**Balance as at 1 July 2013**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance as at 30 June 2014**	**Exercise price per share** *HK$*
27 November 2007	(1)	6,517,000	–	–	(6,517,000)	–	8.660
25 March 2008	(2)	1,310,000	–	–	(1,310,000)	–	8.440
		7,827,000	–	–	(7,827,000)	–	

Notes:

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

SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS (continued)

Notes: (continued)

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

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

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2014, total number of employees for the Group was 6,563 (2013: 6,616). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

ACQUISITION AND DISPOSAL

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

In November 2013, Shenyang New World Department Store Ltd., a company established in the PRC and an indirect wholly-owned subsidiary of the Company, acquired 100% of the entire interest in Shanghai New World Huizi Department Store Co., Ltd. ("Shanghai Huizi Co") for a consideration of RMB280,000,000 from independent third parties. Shanghai Huizi Co is a limited liability company incorporated in the PRC and is engaged in the operations of a department store in Shanghai.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's revenue were attributed by the Group's five largest customers and 22.4% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and 6.2% of the Group's total purchases were attributed by the Group's largest supplier. To the knowledge of the Directors, none of the Directors or shareholders who owned 5.0% or more of the issued share capital of the Company as at 30 June 2014 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

AUDITOR

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

On behalf of the Board

Cheng Kar-shun, Henry
Chairman

Hong Kong, 23 September 2014

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)

We have audited the consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 81 to 137, which comprise the consolidated and company statements of financial position as at 30 June 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

羅兵咸永道

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	5	**4,136,206**	4,011,545
Other income	6	**136,140**	146,274
Other loss	7	**(8,442)**	(60,432)
Changes in fair value of investment properties		**16,834**	70,852
Purchases of and changes in inventories		**(671,074)**	(693,086)
Employee benefit expense	10	**(661,424)**	(572,348)
Depreciation and amortisation		**(321,212)**	(320,310)
Operating lease rental expense		**(1,118,450)**	(980,394)
Other operating expenses, net	8	**(831,369)**	(767,644)
Operating profit		**677,209**	834,457
Finance income		**66,386**	89,998
Finance costs		**(31,035)**	(49,159)
Finance income, net	9	**35,351**	40,839
Profit before income tax		**712,560**	875,296
Income tax expense	11	**(192,035)**	(233,793)
Profit for the year		**520,525**	641,503
Attributable to equity holders of the Company		**520,525**	641,503
Dividends	13	**596,896**	320,367
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– Basic and diluted	14	**0.31**	0.38

The notes on pages 89 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	2014 **HK$'000**	2013 HK$'000
Profit for the year	**520,525**	641,503
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	**3,911**	96,287
– Deferred tax thereof	**(978)**	(24,072)
	2,933	72,215
Item that may be reclassified subsequently to profit or loss		
Translation differences	**(81,719)**	241,540
Other comprehensive income for the year, net of tax	**(78,786)**	313,755
Total comprehensive income for the year	**441,739**	955,258
Total comprehensive income attributable to equity holders of the Company	**441,739**	955,258

The notes on pages 89 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**2,171,857**	2,036,213
Investment properties	16	**4,339,656**	2,431,611
Land use rights	17	**899,678**	622,831
Goodwill	18	**1,867,241**	1,332,947
Other non-current assets	20	**305,111**	1,965,009
Long-term prepayments and rental deposits	19	**442,200**	488,231
Deferred income tax assets	28	**179,656**	141,463
		10,205,399	9,018,305
Current assets			
Inventories		**160,617**	152,269
Debtors	21	**105,101**	98,365
Prepayments, deposits and other receivables	19	**678,126**	605,098
Amounts due from fellow subsidiaries	22	**2,161**	455
Amounts due from related companies	22	**24**	303
Fixed deposits	23	**630,574**	485,518
Cash and cash equivalents	24	**896,538**	2,473,952
		2,473,141	3,815,960
Total assets		**12,678,540**	12,834,265
Equity			
Share capital	25	**168,615**	168,615
Reserves	26	**6,146,759**	6,301,916
Proposed dividend	13, 26	**101,169**	155,125
		6,416,543	6,625,656
Liabilities			
Non-current liabilities			
Long-term borrowings	27	**696,844**	608,993
Accruals	29	**608,723**	581,942
Deferred income tax liabilities	28	**852,224**	511,751
		2,157,791	1,702,686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Current liabilities			
Creditors, accruals and other payables	29	**3,959,809**	4,292,484
Amounts due to fellow subsidiaries	22	**24,911**	8,766
Amounts due to related companies	22	**30,809**	14,131
Current portion of long-term borrowings	27	**–**	50,304
Tax payable		**88,677**	140,238
		4,104,206	4,505,923
Total liabilities		**6,261,997**	6,208,609
Total equity and liabilities		**12,678,540**	12,834,265
Net current liabilities		**(1,631,065)**	(689,963)
Total assets less current liabilities		**8,574,334**	8,328,342

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 89 to 137 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Subsidiaries	30	**2,225,304**	1,754,541
Current assets			
Prepayments and deposits	19	**20**	25
Amounts due from subsidiaries	30	**2,234,692**	2,466,929
Cash and cash equivalents	24	**7,792**	4,037
		2,242,504	2,470,991
Total assets		**4,467,808**	4,225,532
Equity			
Share capital	25	**168,615**	168,615
Reserves	26	**2,858,185**	3,499,095
Proposed dividend	13, 26	**101,169**	155,125
Total equity		**3,127,969**	3,822,835
Liabilities			
Current liabilities			
Accruals and other payables	29	**7,124**	4,899
Amounts due to subsidiaries	30	**1,332,715**	397,798
		1,339,839	402,697
Total liabilities		**1,339,839**	402,697
Total equity and liabilities		**4,467,808**	4,225,532
Net current assets		**902,665**	2,068,294
Total assets less current liabilities		**3,127,969**	3,822,835

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 89 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2013	168,615	2,398,250	83,803	391,588	303,399	41,048	711,125	2,527,828	6,625,656
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	520,525	520,525
Other comprehensive income									
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	–	–	3,911	–	–	–	–	–	3,911
– Deferred tax thereof	–	–	(978)	–	–	–	–	–	(978)
Translation differences	–	–	–	–	–	–	(81,719)	–	(81,719)
Total comprehensive income for the year ended 30 June 2014	–	–	2,933	–	–	–	(81,719)	520,525	441,739
Transactions with owners									
Lapse of share options	–	–	–	–	–	(41,048)	–	41,048	–
Final dividend relating to the year ended 30 June 2013	–	–	–	–	–	–	–	(155,125)	(155,125)
Interim dividend relating to the period ended 31 December 2013	–	–	–	–	–	–	–	(158,498)	(158,498)
Special dividend for the year	–	(337,229)	–	–	–	–	–	–	(337,229)
Transfer to statutory reserve	–	–	–	–	40,982	–	–	(40,982)	–
	–	(337,229)	–	–	40,982	(41,048)	–	(313,557)	(650,852)
At 30 June 2014	168,615	2,061,021	86,736	391,588	344,381	–	629,406	2,734,796	6,416,543

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

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

The notes on pages 89 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Profit before income tax		**712,560**	875,296
Adjustments for:			
– Finance income		**(66,386)**	(89,998)
– Finance costs		**31,035**	49,159
– Amortisation of land use rights		**21,882**	25,332
– Depreciation of property, plant and equipment		**299,330**	294,978
– Changes in fair value of investment properties		**(16,834)**	(70,852)
– Loss on disposal of property, plant and equipment and land use rights		**8,442**	60,432
– Share-based payments		**–**	836
Operating profit before working capital changes		**990,029**	1,145,183
Changes in:			
Inventories		**(4,445)**	12,531
Debtors		**(5,857)**	(36,512)
Prepayments, deposits and other receivables		**3,816**	(167,126)
Creditors, accruals and other payables		**(502,663)**	354,772
Amounts due from/(to) fellow subsidiaries		**14,543**	5,541
Amounts due from/(to) related companies		**17,129**	(15,512)
Cash generated from operations		**512,552**	1,298,877
Mainland China tax paid		**(183,988)**	(188,425)
Net cash from operating activities		**328,564**	1,110,452
Cash flows from investing activities			
Net cash outflow from acquisition of subsidiaries	33(a)	**(701,824)**	–
Additions to investment properties		**(7,278)**	(3,221)
Additions to property, plant and equipment and other non-current assets		**(454,770)**	(1,579,325)
Proceeds from disposal of property, plant and equipment and land use rights	33(b)	**571**	300,385
Increase in fixed deposits		**(151,124)**	(93,060)
Interest received		**66,386**	89,998
Net cash used in investing activities		**(1,248,039)**	(1,285,223)
Cash flows from financing activities			
Drawdown of bank borrowings		**194,948**	–
Repayment of bank borrowings		**(152,000)**	(374,352)
Finance costs paid		**(41,310)**	(49,159)
Dividends paid		**(650,852)**	(303,506)
Net cash used in financing activities		**(649,214)**	(727,017)
Net decrease in cash and cash equivalents		**(1,568,689)**	(901,788)
Cash and cash equivalents at beginning of the year		**2,473,952**	3,242,919
Effect of foreign exchange rate changes		**(8,725)**	132,821
Cash and cash equivalents at end of the year		**896,538**	2,473,952

The notes on pages 89 to 137 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 23 September 2014.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements of the Company for the year ended 30 June 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

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

At 30 June 2014, the Group's current liabilities exceeded its current assets by HK$1,631,065,000 (2013: HK$689,963,000). Taking into account the cash flows from operating activities, ability to generate additional financing and its 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.

In the current year, the Group has adopted the following new or revised standards, amendments to standards and interpretations which are mandatory for the financial year ended 30 June 2014:

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

HKFRS 13 "Fair Value Measurements" defines fair value and provides a single source of fair value measurement and disclosure requirements for use across HKFRS. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities, but it affects certain financial statement presentation and requires additional disclosures.

The following new standards, amendments to standards and interpretations are mandatory for the accounting periods beginning on or after 1 July 2014 or later periods which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 9	Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)
HKFRS 7 and HKFRS 9 (Amendments)	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)	Investment Entities
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 19 (Revised 2011)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

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

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.

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

(i) Consolidation (continued)

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

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

(ii) Separate financial statements

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

2.3 Associated company

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. Investment in an associated company is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition.

The Group’s share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an 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.

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

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 interests in the associated company. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.4 Segment reporting

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

2.6 Investment property

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Investment property (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. However, if the fair value of the property at the date of transfer which results in a reversal of the previous impairment loss, the write-back is recognised in the income statement.

2.7 Land use rights

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

2.8 Goodwill

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

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

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

2.9 Impairment of investments in subsidiaries, an associated company 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 income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.10 Trade and other receivables

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

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

2.11 Inventories

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

2.12 Operating leases

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

2.13 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.13 Current and deferred income tax (continued)

(ii) Deferred income tax (continued)

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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.

2.14 Borrowings

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

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

2.15 Cash and cash equivalents

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

2.16 Provisions

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

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

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

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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.

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

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

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

(iii) Bonus plans

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

(iv) Share-based compensation

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

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.19 Revenue recognition

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

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

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

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

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

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

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

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

2.20 Borrowings costs

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.21 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

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

2.22 Government grants

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

2.23 Dividend distribution

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

2.24 Share capital

Ordinary shares are classified as equity.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

At 30 June 2014, if Renminbi had strengthened/weakened by 2% (2013: 2%) against the Hong Kong dollars with all other variables held constant, profit for the year would have been approximately HK$10,318,000 higher/lower (2013: approximately HK$7,518,000 higher/lower) and total equity would have been approximately HK$10,318,000 higher/lower (2013: approximately HK$7,043,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars-denominated bank balances of certain subsidiaries and balances with group companies of the Group's entities of which functional currency is Renminbi.

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

(b) Credit risk

The credit risk of the Group and the Company mainly arises from cash and cash equivalents, debtors, deposits, other receivables and amounts due from fellow subsidiaries and subsidiaries. The carrying amounts of these balances represent the Group and the Company's maximum exposure to credit risk in relation to financial assets. As at 30 June 2014, all the bank deposits are deposited in high quality financial institutions without significant credit risk.

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

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

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

(c) Liquidity risk

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

At 30 June 2014, the Group's current liabilities exceeded its current assets by HK$1,631,065,000 (2013: HK$689,963,000). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs and to fulfil its liabilities and commitments as and when they fall due.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	Carrying 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	After 5 years HK$'000
Group					
At 30 June 2014					
Creditors, accruals and other payables	**3,231,775**	**3,231,775**	**3,231,775**	**–**	**–**
Amounts due to fellow subsidiaries	**24,911**	**24,911**	**24,911**	**–**	**–**
Amounts due to related companies	**30,809**	**30,809**	**30,809**	**–**	**–**
Long-term borrowings	**696,844**	**855,307**	**33,662**	**570,144**	**251,501**
At 30 June 2013					
Creditors, accruals and other payables	3,505,421	3,505,421	3,505,421	–	–
Amounts due to fellow subsidiaries	8,766	8,766	8,766	–	–
Amounts due to related companies	14,131	14,131	14,131	–	–
Long-term borrowings	659,297	828,769	88,575	483,631	256,563
Company					
At 30 June 2014					
Accruals and other payables	**7,124**	**7,124**	**7,124**	**–**	**–**
Amounts due to subsidiaries	**1,332,715**	**1,332,715**	**1,332,715**	**–**	**–**
Financial guarantee for long-term borrowings	**–**	**209,405**	**209,405**	**–**	**–**
At 30 June 2013					
Accruals and other payables	4,899	4,899	4,899	–	–
Amounts due to subsidiaries	397,798	397,798	397,798	–	–
Financial guarantee for long-term borrowings	–	28,709	28,709	–	–

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Interest rate risk

Except for the fixed deposits and short-term bank deposits as at 30 June 2014 of HK$630,574,000 and HK$597,204,000 (2013: HK$485,518,000 and HK$1,012,863,000), which are held at interest rates of ranging from 1.49% to 4.44% per annum (2013: 0.50% to 4.60% per annum), the Group has no significant interest-bearing assets. The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates of HK$696,844,000 (2013: HK$659,297,000) expose the Group to cash flow interest rate risk which is partially offset by cash at bank held at variable rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. At the reporting date, management does not anticipate significant impact resulted from the changes in interest rates.

At 30 June 2014, if interest rates on cash and cash equivalents and bank borrowings subject to variable rate had been 50 basis points (2013: 50 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$1,554,000 lower/higher (2013: approximately HK$2,891,000 higher/lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

3.2 Capital risk management

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

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

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

The Group is in net cash position as at 30 June 2014 and 2013, taking into accounts its borrowings, cash and cash equivalents and fixed deposits.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Useful lives of property, plant and equipment

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

(b) Valuation of investment properties

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

At 30 June 2014, if the market value of investment properties had been 8% (2013: 8%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been approximately HK$347,172,000 higher/lower (2013: approximately HK$194,529,000 higher/lower).

(c) Provision for impairment of trade and other receivables

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

(d) Impairment of goodwill

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

(e) Recognition of deferred tax assets

Deferred tax assets recognised on unused tax losses of PRC subsidiaries involves business assumptions and projections in determining the estimated future taxable profits available against which tax losses can be utilised before they expire. 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.

5 REVENUE AND SEGMENT INFORMATION

	2014 HK$'000	2013 HK$'000
Commission income from concessionaire sales	**2,635,070**	2,638,907
Sales of goods – direct sales	**787,058**	809,626
Management and consultancy fees	**55,970**	52,277
Rental income	**658,108**	510,735
	4,136,206	4,011,545

The income from concessionaire sales is analysed as follows:

	2014 HK$'000	2013 HK$'000
Gross revenue from concessionaire sales	**14,790,731**	14,895,486
Commission income from concessionaire sales	**2,635,070**	2,638,907

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

The CODM considers that the Group has department store and property investment 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 loss, changes in fair value of investment properties and unallocated corporate expenses. In addition, finance income, net is not allocated to segments. The measurement of segment assets excludes deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

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

5 REVENUE AND SEGMENT INFORMATION (continued)

For the year ended 30 June 2014

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue	3,941,101	195,105	4,136,206
Segment results	525,560	153,549	679,109
Other loss	(8,442)	–	(8,442)
Changes in fair value of investment properties	–	16,834	16,834
Unallocated corporate expenses			(10,292)
Operating profit			677,209
Finance income			66,386
Finance costs			(31,035)
Finance income, net			35,351
Profit before income tax			712,560
Income tax expense			(192,035)
Profit for the year			520,525
For the year ended 30 June 2013			
Segment revenue	3,905,109	106,436	4,011,545
Segment results	747,182	83,467	830,649
Other loss	(60,423)	(9)	(60,432)
Changes in fair value of investment properties	–	70,852	70,852
Unallocated corporate expenses			(6,612)
Operating profit			834,457
Finance income			89,998
Finance costs			(49,159)
Finance income, net			40,839
Profit before income tax			875,296
Income tax expense			(233,793)
Profit for the year			641,503

5 REVENUE AND SEGMENT INFORMATION (continued)

As at 30 June 2014

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment assets	**7,514,903**	**4,976,169**	**12,491,072**
Deferred income tax assets			**179,656**
Corporate assets:			
Cash and cash equivalents			**7,792**
Others			**20**
Total assets			**12,678,540**
For the year ended 30 June 2014			
Additions to non-current assets (Note)	**951,953**	**714,521**	**1,666,474**
Depreciation and amortisation	**320,324**	**888**	**321,212**
As at 30 June 2013			
Segment assets	8,122,060	4,566,680	12,688,740
Deferred income tax assets			141,463
Corporate assets:			
Cash and cash equivalents			4,037
Others			25
Total assets			12,834,265
For the year ended 30 June 2013			
Additions to non-current assets (Note)	467,532	1,270,942	1,738,474
Depreciation and amortisation	319,647	663	320,310

Note:

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

6 OTHER INCOME

	2014 HK$'000	2013 HK$'000
Government grants	**29,699**	25,767
Income from suppliers	**81,303**	91,353
Sundries	**25,138**	29,154
	136,140	146,274

7 OTHER LOSS

	2014 HK$'000	2013 HK$'000
Loss on disposal of property, plant and equipment and land use rights	**8,442**	60,432

8 OTHER OPERATING EXPENSES, NET

	2014 HK$'000	2013 HK$'000
Water and electricity	**178,263**	173,373
Selling, promotion, advertising and related expenses	**216,176**	232,208
Cleaning, repairs and maintenance	**99,960**	90,798
Auditor's remuneration	**6,500**	5,800
Share-based payments	**–**	74
Net exchange losses	**15,577**	15,976
Other tax expenses	**221,045**	205,165
Others	**93,848**	44,250
	831,369	767,644

9 FINANCE INCOME, NET

	2014 HK$'000	2013 HK$'000
Interest income on bank deposits	**66,386**	89,998
Interest on bank loans		
– wholly repayable within five years	**(26,948)**	(31,118)
– not wholly repayable within five years	**(17,579)**	(18,041)
	(44,527)	(49,159)
Less: amount capitalised (Note)	**13,492**	–
	(31,035)	(49,159)
	35,351	40,839

Note:

To the extent funds are borrowed generally and used for the purpose of financing properties under construction, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 5.6% (2013: Nil) for the year.

10 EMPLOYEE BENEFIT EXPENSE

	2014 HK$'000	2013 HK$'000
Wages, salaries and other benefits	591,444	511,399
Retirement benefit costs		
– defined contribution plans	69,980	60,187
Share-based payments	–	762
	661,424	572,348

(a) Directors' emoluments

The remuneration of Directors for the year ended 30 June 2014 is set out below:

Name of Director	Fees HK$'000	Salary, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Non-executive Directors						
Dr. Cheng Kar-shun, Henry	100	–	–	–	–	100
Mr. Au Tak-cheong	100	–	–	–	–	100
Ms. Ngan Man-ying, Lynda	100	–	–	–	–	100
Executive Directors						
Dr. Cheng Chi-kong, Adrian	150	–	–	–	–	150
Mr. Cheung Fai-yet, Philip	150	4,412	440	229	–	5,231
Mr. Wong Kwok-kan, Kenneth	150	1,754	164	129	–	2,197
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
	1,550	6,166	604	358	–	8,678

10 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

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

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

Notes:

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

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

No Director waived or agreed to waive any emoluments during the year (2013: Nil).

10 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group includes two (2013: two) Directors for the year ended 30 June 2014, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2013: three) individuals during the year are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	5,498	5,625
Retirement benefit costs – defined contribution plans	374	241
Bonus	435	1,031
Share-based payments	–	62
	6,307	6,959

The emoluments fell within the following bands:

	Number of individuals 2014	2013
Emolument bands		
HK$1,500,001 – HK$2,000,000	2	–
HK$2,000,001 – HK$2,500,000	–	2
HK$2,500,001 – HK$3,000,000	1	1
	3	3

11 INCOME TAX EXPENSE

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

	2014 HK$'000	2013 HK$'000
Current income tax		
– Mainland China taxation	174,595	223,965
Under/(over) provision in prior years	707	(19,203)
Deferred income tax (Note 28)		
– Deferred taxation on undistributed retained earnings	(19,993)	5,655
– Other temporary differences	36,726	23,376
	192,035	233,793

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 2013 and 2014.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2013: 25%).

11 INCOME TAX EXPENSE (continued)

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

	2014 HK$'000	2013 HK$'000
Profit before income tax	**712,560**	875,296
Tax calculated at applicable tax rate	**178,140**	218,824
Expenses not deductible for taxation purpose	**23,254**	24,429
Income not subject to taxation	**(25,067)**	(11,045)
Effect of income charged on deemed basis	**(835)**	(1,890)
Tax losses not recognised	**86,124**	30,280
Deferred taxation on undistributed profits	**(19,993)**	5,655
PRC withholding income tax	**518**	10,344
Recognition of previously unrecognised tax losses	**(27,784)**	(8,539)
Utilisation of previously unrecognised tax losses	**(23,029)**	(15,062)
Under/(over) provision in prior years	**707**	(19,203)
Income tax expense	**192,035**	233,793

	2014	2013
Weighted average domestic applicable tax rates	**25%**	25%

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of profit of approximately HK$3,877,000 (2013: profit of approximately HK$206,377,000).

13 DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend paid of HK$0.094 (2013: HK$0.098) per share	**158,498**	165,242
Special dividend paid of HK$0.200 (2013: Nil) per share	**337,229**	–
Final dividend proposed of HK$0.060 (2013: HK$0.092) per share	**101,169**	155,125
	596,896	320,367

At a meeting held on 23 September 2014, the Directors recommended a final dividend of HK$0.060 (2013: HK$0.092) per share for the year ended 30 June 2014. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2014 and will be paid out of share premium account.

14 EARNINGS PER SHARE

(a) Basic

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

	2014	2013
Profit attributable to the equity holders of the Company (HK$'000)	520,525	641,503
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK$ per share)	0.31	0.38

(b) Diluted

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

During the years ended 30 June 2013 and 2014, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

15 PROPERTY, PLANT AND EQUIPMENT

Group

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

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer HK$'000	Assets under construction HK$'000	Total HK$'000
Cost									
At 1 July 2013	704,268	56,810	11,023	2,442,508	27,773	12,681	185,403	17,781	3,458,247
Translation differences	(8,799)	(763)	(150)	(33,184)	(409)	(185)	(2,580)	(223)	(46,293)
Transfer from other non-current assets	220,924	–	–	–	–	–	–	–	220,924
Additions	–	731	1,087	140,959	8,251	1,458	34,475	64,605	251,566
Disposals	–	(197)	(1,387)	(25,824)	(776)	(696)	(3,680)	–	(32,560)
Reclassification	–	–	–	164	–	–	–	(164)	–
Transfer to investment properties	(18,223)	–	–	(7,231)	–	–	–	–	(25,454)
Acquisition of subsidiaries (Note 33(a))	–	186	219	10,447	231	1,153	2,490	–	14,726
At 30 June 2014	898,170	56,767	10,792	2,527,839	35,070	14,411	216,108	81,999	3,841,156
Accumulated depreciation									
At 1 July 2013	89,399	53,573	5,337	1,132,190	16,317	8,822	116,396	–	1,422,034
Translation differences	(1,599)	(743)	(101)	(19,665)	(329)	(151)	(2,025)	–	(24,613)
Charge for the year	19,942	1,840	1,994	241,289	5,136	1,976	27,153	–	299,330
Written back on disposals	–	(191)	(923)	(17,917)	(633)	(620)	(3,263)	–	(23,547)
Transfer to investment properties	(1,997)	–	–	(1,908)	–	–	–	–	(3,905)
At 30 June 2014	105,745	54,479	6,307	1,333,989	20,491	10,027	138,261	–	1,669,299
Net book amount									
At 30 June 2014	792,425	2,288	4,485	1,193,850	14,579	4,384	77,847	81,999	2,171,857

16 INVESTMENT PROPERTIES

	Group 2014 HK$'000	Group 2013 HK$'000
At beginning of the year	**2,431,611**	1,996,639
Translation differences	**(52,616)**	76,575
Additions	**7,278**	3,221
Transfer from property, plant and equipment	**23,196**	179,075
Transfer from land use rights	**14,619**	105,249
Acquisition of a subsidiary (Note 33(a))	**1,898,734**	–
Changes in fair value credited to income statement	**16,834**	70,852
At end of the year	**4,339,656**	2,431,611

16 INVESTMENT PROPERTIES (continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Rental income	**195,105**	106,436
Direct operating expenses from properties that generated rental income	**(48,537)**	(26,774)
	146,568	79,662

The Group's investment properties at their carrying values are analysed as follows:

	2014	2013
	HK$'000	HK$'000
In Mainland China held on:		
Lease of between 10 and 50 years	**4,339,656**	2,431,611

As at 30 June 2014, an investment property with a carrying value of HK$1,900,000,000 (2013: HK$1,913,924,000) is pledged to secure bank borrowings of the Group (Note 27).

Valuation processes of the Group

Investment properties have been revalued as at 30 June 2014 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professional valuers. 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 reviews the valuations performed by the independent 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 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 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 Level 1, Levels 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 capitalisation 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 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 based on Level 3 fair value hierarchy:

Valuation technique	Range of significant unobservable inputs	
	Rental rates	Capitalisation rates
Income capitalisation approach	HK$4.1 to HK$11.1 per sq.m. per day	5.0% to 7.5%

For rental rate, the higher the rental rate is, the higher the fair value will be. For capitalisation rate, the higher the capitalisation rate is, the lower the fair value will be.

17 LAND USE RIGHTS

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

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	**622,831**	903,284
Translation differences	**(7,145)**	31,931
Transfer from other non-current assets	**318,229**	–
Transfer to investment properties	**(12,355)**	(68,393)
Disposals	**–**	(218,659)
Amortisation	**(21,882)**	(25,332)
At end of the year	**899,678**	622,831

	2014	2013
	HK$'000	HK$'000
In Mainland China held on:		
Leases of land use rights between 10 to 50 years	**899,678**	622,831

18 GOODWILL

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	**1,332,947**	1,284,182
Translation differences	**(23,635)**	48,765
Acquisition of subsidiaries (Note 34)	**557,929**	–
At end of the year	**1,867,241**	1,332,947

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified. For the purpose of impairment test, the recoverable amount of CGU is determined based on fair value less cost to sell calculations, which uses cash flow projections based on financial estimates covering a period of five years and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rate and discount rate used in the fair value less cost to sell calculations are based on management best estimates. Long term growth rate of 5% (2013: 2% to 5%) are determined by considering both internal and external factors relating to the relevant businesses. Discount rate of 15.55% (2013: 16.15%) also reflects specific risks of the business. If the revenue growth rate and gross margin had been 3% lower than management's current estimates, the discount rate had been 1% higher than management's current estimates and the long term growth rate had been 3% lower than management's current estimates, there is no significant adverse impact to the financial statements.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepaid rent and rental deposits	**643,435**	628,127	**–**	–
Other tax recoverable	**237,154**	216,242	**–**	–
Prepaid expenses	**67,286**	62,009		
Management fee receivables	**388**	3,448	**–**	–
Deposits placed for issuance of stored value cards	**374**	2,844	**–**	–
Others	**171,689**	180,659	**20**	25
	1,120,326	1,093,329	**20**	25
Less: long-term prepayments and rental deposits	**(442,200)**	(488,231)	**–**	–
	678,126	605,098	**20**	25

The balances are mainly denominated in Renminbi.

The other receivables is neither past due nor impaired and has been assessed by the default history of the counterparties default rates. The existing counterparties do not have default in the past.

20 OTHER NON-CURRENT ASSETS

Balances as at 30 June 2014 and 2013 represented the following transactions:

(a) On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Shenyang New World Hotel Co., Ltd. ("SYNWH"), a wholly-owned subsidiary of New World China Land Limited ("NWCL") and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH agreed to cooperate in a property redevelopment project in Shenyang City. Shenyang Trendy agreed to surrender to the local government authority the land and building where Shenyang Nanjing Street Branch Store was situated for a compensation of RMB250,012,000 and to make contribution of RMB527,060,000 (subject to further adjustments) to SYNWH for the related costs of demolition of the existing building and design, construction and payment of any relevant land grant premium of certain portion of the redeveloped building. As at 30 June 2014, the balance in connection to this transaction was approximately HK$305,111,000 (30 June 2013: HK$222,074,000).

(b) On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co"), a wholly-owned subsidiary of the Company, entered into agreements with SYNWH. Shenyang Co agreed to acquire the building ownership right, land use right of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems, for a consideration of approximately RMB456,534,000. As at 30 June 2013, the balance in connection with this acquisition was approximately HK$475,214,000. Upon completion of the transaction in April 2014, the balance was transferred to property, plant and equipment (Note 15) and land use rights (Note 17).

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

21 DEBTORS

	Group	
	2014	2013
	HK$'000	HK$'000
Debtors	**105,101**	98,365

The Group grants credit terms within 30 days in majority.

21 DEBTORS (continued)

Aging analysis of the debtors, based on the invoice dates, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within period for		
0-30 days	**59,113**	78,098
31-60 days	**5,224**	1,728
61-90 days	**9,112**	821
Over 90 days	**31,652**	17,718
	105,101	98,365

Debtors of HK$45,988,000 (2013: HK$20,267,000) were past due but not impaired. The total amount includes HK$5,224,000 (2013: HK$1,728,000) of less than 30 days past due, and HK$9,112,000 (2013: HK$821,000) of 31-60 days past due and HK$31,652,000 (2013: HK$17,718,000) of over 60 days past due. These relate to companies for whom there is no recent history of default.

Debtors included amounts due from fellow subsidiaries and a related company of HK$6,232,000 (2013: HK$1,057,000) and HK$1,425,000 (2013: Nil) respectively which were unsecured, interest free and repayable on demand.

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security. The rental receivables can be partly set off by the rental deposits.

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

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

23 FIXED DEPOSITS

Fixed deposits are denominated in the following currency:

	Group	
	2014	2013
	HK$'000	HK$'000
Renminbi	**630,574**	485,518

The interest rates on fixed bank deposits was ranging from 3.05% to 4.44% per annum (2013: 2.85% to 4.40% per annum), these deposits have maturities ranging from 101 to 365 days (2013: 101 to 354 days).

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term bank deposits	**597,204**	1,012,863	**–**	–
Cash at bank and in hand	**299,334**	1,461,089	**7,792**	4,037
	896,538	2,473,952	**7,792**	4,037
Maximum exposure to credit risk	**879,709**	2,443,252	**7,792**	4,037

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**55,786**	64,759	**1,449**	2,963
Renminbi	**840,490**	2,408,924	**6,343**	1,074
Others	**262**	269	**–**	–
	896,538	2,473,952	**7,792**	4,037

The interest rates on short-term bank deposits were ranging from 1.49% to 3.25% per annum (2013: 0.50% to 4.60% per annum), these deposits have maturities ranging from 2 to 92 days (2013: 4 to 89 days).

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

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

25 SHARE CAPITAL

	Number of shares	**Nominal value**
	'000	HK$'000
Ordinary shares of HK$0.1 each, authorised:		
At 1 July 2012, 30 June 2013 and 2014	10,000,000	1,000,000
Ordinary shares of HK$0.1 each, issued and fully paid:		
At 1 July 2012, 30 June 2013 and 2014	1,686,145	168,615

25 SHARE CAPITAL (continued)

Share option scheme

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

Movement of the number of share options granted and their related exercise prices for the years ended 30 June 2013 and 2014 are as follows:

		Number of options '000							No. of share options exercisable '000
Date of grant	**Exercise price per share** HK$	At 1 July 2012	Granted during the year	Lapsed during the year	**At 30 June 2013**	**Granted during the year**	**Lapsed during the year**	**At 30 June 2014**	**At 30 June 2014**
27 November 2007 (Note (i))	8.660	13,583	–	(1,815)	**11,768**	**–**	**(11,768)**	**–**	**–**
25 March 2008 (Note (ii))	8.440	2,529	–	(469)	**2,060**	**–**	**(2,060)**	**–**	**–**
		16,112	–	(2,284)	**13,828**	**–**	**(13,828)**	**–**	**–**
Weighted average Exercise price of each category (HK$)		8.625	–	8.615	**8.627**	**–**	**8.627**	**–**	**–**

Notes:

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

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

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

26 RESERVES

(a) Group

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

26 RESERVES (continued)

(a) Group (continued)

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2013	2,398,250	83,803	391,588	303,399	41,048	711,125	2,527,828	6,457,041
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties, net of tax	–	2,933	–	–	–	–	–	2,933
Lapse of share options	–	–	–	–	(41,048)	–	41,048	–
Final dividend relating to the year ended 30 June 2013	–	–	–	–	–	–	(155,125)	(155,125)
Interim dividend relating to the period ended 31 December 2013	–	–	–	–	–	–	(158,498)	(158,498)
Special dividend for the year	(337,229)	–	–	–	–	–	–	(337,229)
Transfer to statutory reserve (Note (i))	–	–	–	40,982	–	–	(40,982)	–
Profit for the year	–	–	–	–	–	–	520,525	520,525
Translation differences	–	–	–	–	–	(81,719)	–	(81,719)
At 30 June 2014	2,061,021	86,736	391,588	344,381	–	629,406	2,734,796	6,247,928
Representing:								
Proposed final dividend (Note 13)	101,169	–	–	–	–	–	–	101,169
Others	1,959,852	86,736	391,588	344,381	–	629,406	2,734,796	6,146,759
At 30 June 2014	2,061,021	86,736	391,588	344,381	–	629,406	2,734,796	6,247,928

Note:

(i) Upon conversion of the Group's PRC subsidiaries into wholly-owned foreign enterprises in 2007 and pursuant to the relevant PRC Law and articles of association of the subsidiaries of the Company established in the PRC, they are required to appropriate 10% of their statutory net profit to the enterprise expansion fund. The enterprise expansion fund can only be used to increase capital of group companies or to expand their production operation upon approval by the relevant authority. Accordingly 10% of statutory net profit of each entity should be appropriated to this reserve for the years ended 30 June 2013 and 2014.

26 RESERVES (continued)

(b) Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2012	2,398,250	46,930	73,486	402,392	459,213	3,380,271
Share-based payments	–	836	–	–	–	836
Lapse of share options	–	(6,718)	–	–	569	(6,149)
Profit for the year	–	–	–	–	206,377	206,377
Final dividend relating to the year ended 30 June 2012	–	–	–	–	(138,264)	(138,264)
Interim dividend relating to the period ended 31 December 2012	–	–	–	–	(165,242)	(165,242)
Translation differences	–	–	–	376,391	–	376,391
At 30 June 2013	2,398,250	41,048	73,486	778,783	362,653	3,654,220
Representing:						
Proposed final dividend (Note 13)	–	–	–	–	155,125	155,125
Others	2,398,250	41,048	73,486	778,783	207,528	3,499,095
At 30 June 2013	2,398,250	41,048	73,486	778,783	362,653	3,654,220
At 1 July 2013	**2,398,250**	**41,048**	**73,486**	**778,783**	**362,653**	**3,654,220**
Lapse of share options	**–**	**(41,048)**	**–**	**–**	**41,048**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**3,877**	**3,877**
Final dividend relating to the year ended 30 June 2013	**–**	**–**	**–**	**–**	**(155,125)**	**(155,125)**
Interim dividend relating to the period ended 31 December 2013	**–**	**–**	**–**	**–**	**(158,498)**	**(158,498)**
Special dividend for the year	**(337,229)**	**–**	**–**	**–**	**–**	**(337,229)**
Translation differences	**–**	**–**	**–**	**(47,891)**	**–**	**(47,891)**
At 30 June 2014	**2,061,021**	**–**	**73,486**	**730,892**	**93,955**	**2,959,354**
Representing:						
Proposed final dividend (Note 13)	**101,169**	**–**	**–**	**–**	**–**	**101,169**
Others	**1,959,852**	**–**	**73,486**	**730,892**	**93,955**	**2,858,185**
At 30 June 2014	**2,061,021**	**–**	**73,486**	**730,892**	**93,955**	**2,959,354**

27 LONG-TERM BORROWINGS

	Group 2014 HK$'000	2013 HK$'000
Non-current	**696,844**	608,993
Current	**–**	50,304
	696,844	659,297

	2014 HK$'000	2013 HK$'000
Bank loans		
Secured	**500,000**	632,911
Unsecured	**196,844**	26,386
	696,844	659,297

The effective interest rates of borrowings are analysed as follows:

	2014	2013
Hong Kong dollars	**1.99%**	2.79%
Renminbi	**5.90%**	5.90%

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

	2014 HK$'000	2013 HK$'000
Hong Kong dollars	**196,844**	26,386
Renminbi	**500,000**	632,911
	696,844	659,297

The bank loans are repayable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**–**	50,304
In the second year	**–**	108,993
In the third to fifth year	**459,344**	265,823
After the fifth year	**237,500**	234,177
	696,844	659,297

27 LONG-TERM BORROWINGS (continued)

The bank loans of HK$196,844,000 (2013: HK$26,386,000) are wholly repayable within five years.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within one to five years	**459,344**	425,120
After the fifth year	**237,500**	234,177
	696,844	659,297

As at 30 June 2014, the bank loan of HK$500,000,000 (2013: HK$632,911,000) is secured by an investment property of HK$1,900,000,000 (2013: HK$1,913,924,000).

As at 30 June 2014, the utilised amounts of guarantees provided by the Company to banks in respect of credit facilities granted to a subsidiary of the Company are HK$213,000,000 (2013: HK$27,000,000).

28 DEFERRED INCOME TAX

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

	Group	
	2014	2013
	HK$'000	HK$'000
Deferred income tax assets	**179,656**	141,463
Deferred income tax liabilities	**(852,224)**	(511,751)
	(672,568)	(370,288)

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

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	**(370,288)**	(307,071)
Translation differences	**8,529**	(10,114)
Acquisition of subsidiaries (Note 33(a))	**(293,098)**	–
Taxation charged to equity	**(978)**	(24,072)
Charged to consolidated income statement (Note 11)	**(16,733)**	(29,031)
At end of the year	**(672,568)**	(370,288)

28 DEFERRED INCOME TAX (continued)

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

Deferred income tax assets:

	Tax losses HK$'000	Accrued expenses HK$'000	Pre-operating expenses HK$'000	Tax depreciation HK$'000	Total HK$'000
At 1 July 2012	101,055	159,078	2,745	9,942	272,820
Translation differences	3,541	5,959	113	(183)	9,430
Recognised in the consolidated income statement	10,809	8,827	668	1,057	21,361
At 30 June 2013	**115,405**	**173,864**	**3,526**	**10,816**	**303,611**
Translation differences	**(1,523)**	**(2,318)**	**(52)**	**(98)**	**(3,991)**
Acquisition of subsidiaries	**16,436**	**16,240**	**–**	**–**	**32,676**
Recognised in the consolidated income statement	**(12,597)**	**(1,992)**	**665**	**(2,951)**	**(16,875)**
At 30 June 2014	**117,721**	**185,794**	**4,139**	**7,767**	**315,421**

Deferred income tax liabilities:

	Tax depreciation HK$'000	Fair value adjustment on business combination HK$'000	Revaluation of properties HK$'000	Undistributed profits of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 July 2012	211,515	330,591	6,768	21,300	9,717	579,891
Translation differences	4,746	10,545	4,118	341	(206)	19,544
Recognised in equity	–	–	24,072	–	–	24,072
Recognised in the consolidated income statement	19,571	(1,551)	17,713	5,655	9,004	50,392
At 30 June 2013	**235,832**	**339,585**	**52,671**	**27,296**	**18,515**	**673,899**
Translation differences	**(5,084)**	**(5,472)**	**(1,303)**	**(428)**	**(233)**	**(12,520)**
Recognised in equity	**–**	**–**	**978**	**–**	**–**	**978**
Acquisition of subsidiaries	**971**	**324,768**	**–**	**–**	**35**	**325,774**
Recognised in the consolidated income statement	**17,155**	**(1,570)**	**4,208**	**(19,993)**	**58**	**(142)**
At 30 June 2014	**248,874**	**657,311**	**56,554**	**6,875**	**18,375**	**987,989**

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

28 DEFERRED INCOME TAX (continued)

As at 30 June 2014, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately HK$93,390,000 (2013: HK$52,469,000), 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$157,880,000 (2013: HK$111,149,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$631,522,000 (2013: HK$444,595,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years.

29 CREDITORS, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Creditors	**2,258,495**	2,698,485	**–**	–
Accruals and other payables	**2,310,037**	2,175,941	**7,124**	4,899
Less: long-term accruals	**(608,723)**	(581,942)	**–**	–
	3,959,809	4,292,484	**7,124**	4,899

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within period for		
0-30 days	**1,012,268**	1,114,797
31-60 days	**653,098**	971,181
61-90 days	**171,437**	213,937
Over 90 days	**421,692**	398,570
	2,258,495	2,698,485

Creditors included amounts due to related companies of HK$53,113,000 (2013: HK$108,903,000) which were unsecured, interest free and repayable within 90 days.

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

29 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

Nature of accruals and other payables are as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Rental accruals	758,699	695,866	–	–
Deposits from concessionaire suppliers	334,353	302,046	–	–
Interest payable	999	891	–	–
Payables for capital expenditures	43,162	44,903	–	–
Accruals for staff costs	88,410	83,838	–	–
Valued-added taxes and other taxes payables	118,896	136,938	–	–
Utilities payables	32,558	21,947	–	–
Receipts in advance	609,138	650,125	–	–
Others	323,822	239,387	7,124	4,899
	2,310,037	2,175,941	7,124	4,899

30 SUBSIDIARIES

	Company	
	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	2,225,304	1,754,541
Amounts due from subsidiaries	2,234,692	2,466,929
Amounts due to subsidiaries	1,332,715	397,798

During the year ended 30 June 2014, except for the balance of HK$262,250,000 due from a subsidiary and the balance of HK$213,000,000 due to a subsidiary, which was interest bearing, the remaining balances were interest free during the year. All balances due from/(to) subsidiaries are unsecured and repayable on demand.

As at 30 June 2013, the amounts due from/(to) subsidiaries were unsecured, interest free and repayable on demand.

Except for the balances due from a subsidiary of HK$179,832,000 (2013: HK$145,000,000) and due to subsidiaries of HK$149,490,000 (2013: HK$314,002,000), which are denominated in Hong Kong dollars, all balances due from/(to) subsidiaries are denominated in Renminbi.

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

31 INVESTMENT IN AN ASSOCIATED COMPANY

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

	Group	
	2014	2013
	HK$'000	HK$'000
Revenue	**–**	668
Loss after income tax	**(261)**	(3,237)

	2014	2013
	HK$'000	HK$'000
Non-current assets	**1,625**	1,704
Current assets	**504**	513
Current liabilities	**(12,144)**	(12,098)
Net liabilities	**(10,015)**	(9,881)

The Group has not recognised losses amounting to HK$261,000 (2013: HK$3,237,000) for Taizhou New World Department Store Co., Ltd. for the year ended 30 June 2014. The accumulated losses not recognised were HK$9,631,000 (2013: HK$9,370,000).

Details of the associated company are as follows:

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

32 COMMITMENT

(a) Capital commitment

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

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted but not provided for	**506,800**	692,018
Authorised but not contracted for	**338**	–
	507,138	692,018

32 COMMITMENT (continued)

(b) Operating lease commitment

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**874,969**	761,590
In the second to fifth year	**3,446,261**	3,226,807
After the fifth year	**5,956,093**	6,534,455
	10,277,323	10,522,852

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**405,091**	380,911
In the second to fifth year	**969,216**	795,613
After the fifth year	**203,002**	254,459
	1,577,309	1,430,983

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

33 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

Details of the net assets acquired were as follows:

	2014 HK$'000	2013 HK$'000
Property, plant and equipment (Note 15)	14,726	–
Investment property (Note 16)	1,898,734	–
Inventories	5,806	–
Debtors	2,108	–
Prepayment, deposits and other receivables	43,805	–
Cash and cash equivalents	33,009	–
Deferred income tax liabilities (Note 28)	(293,098)	–
Creditors, accruals and other payables	(326,311)	–
Net assets acquired	1,378,779	–
Analysis of net cash flow from acquisition of subsidiaries		
Purchase consideration settled in cash	(1,936,708)	–
Cash and cash equivalents in subsidiaries acquired	33,009	–
Deposit paid in prior year included in other non-current assets	1,201,875	–
Net cash outflow from acquisition of subsidiaries	(701,824)	–

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

	2014 HK$'000	2013 HK$'000
Net book amount	9,013	360,817
Loss on disposal of property, plant and equipment and land use rights	(8,442)	(60,432)
Proceeds from disposal of property, plant and equipment and land use rights	571	300,385

34 BUSINESS COMBINATION

(a) Acquisition of Hongxin Co

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

The acquired business contributed revenue of HK$84,774,000 and net profit of HK$69,950,000 to the Group for the period from 31 July 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, Group's revenue would have been HK$4,141,674,000; profit for the year would have been HK$524,375,000. These amounts have been calculated using the Group's accounting policies.

Details of net assets acquired and goodwill were as follows:

	HK$'000
Purchase consideration	
– Cash	1,582,278
Fair value of net assets acquired – shown as below	(1,573,966)
Goodwill	8,312

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

	HK$'000
Investment property	1,898,734
Cash and cash equivalents	28,467
Creditors, accruals and other payables	(28,467)
Deferred income tax liabilities	(324,768)
Net assets acquired	1,573,966

Analysis of the net cash outflow from the acquisition was as follows:

	HK$'000
Purchase consideration settled in cash	(1,582,278)
Cash and cash equivalents in a subsidiary acquired	28,467
Deposit paid in prior year included in other non-current assets	1,201,875
Net cash outflow from acquisition of a subsidiary	(351,936)

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

34 BUSINESS COMBINATION (continued)

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

In November 2013, Shenyang Co acquired the entire equity interest in Shanghai New World Huizi Department Store Co., Ltd. ("Shanghai Huizi Co"), a limited liability company incorporated in the PRC from independent third parties for an aggregate consideration of RMB280,000,000 (equivalent to approximately HK$354,430,000). The acquisition was completed on 26 November 2013.

The acquired business contributed revenue of HK$166,481,000 and net profit of HK$59,466,000 to the Group for the period from 27 November 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, Group's revenue would have been HK$4,221,548,000; profit for the year would have been HK$535,817,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill were as follows:

	HK$'000
Purchase consideration	
– Cash	354,430
Fair value of net liabilities acquired – shown as below	195,187
Goodwill	549,617

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

	HK$'000
Property, plant and equipment	14,726
Inventories	5,806
Debtors	2,108
Prepayment, deposits and other receivables	43,805
Deferred income tax assets	31,670
Cash and cash equivalents	4,542
Creditors, accruals and other payables	(297,844)
Net liabilities acquired	(195,187)

Analysis of the net cash outflow from the acquisition was as follows:

	HK$'000
Purchase consideration settled in cash	(354,430)
Cash and cash equivalents in a subsidiary acquired	4,542
Net cash outflow from the acquisition of a subsidiary	(349,888)

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

35 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	2014 HK$'000	2013 HK$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	**(107,710)**	(100,097)
Building management expenses	(ii)	**(27,895)**	(26,778)
Reimbursement of shopping vouchers	(iii)	**30,432**	3,325
Sales of goods, prepaid shopping cards and vouchers	(iv)	**4,339**	5,935
Payments for purchase of building and land use rights	(v)	**(203,744)**	(133,433)
Related companies			
Concessionaires commissions	(vi)	**127,578**	131,061
Operating lease rental expenses	(i)	**(257,225)**	(270,562)
Building management expenses	(ii)	**(27,789)**	(25,312)
Reimbursement of shopping vouchers	(iii)	**2,147**	–
Sales of goods, prepaid shopping cards and vouchers	(iv)	**57,677**	48,247
Rebates on prepaid shopping cards and vouchers	(vii)	**214**	311
Rental income	(viii)	**78**	–
Other service fee expenses	(ix)	**(3)**	(270)

Notes:

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

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

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

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

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

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

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

(viii) The income is charged in accordance with rental agreements with the companies owned by Mr. Doo, an associate of certain Directors.

(ix) This represents other services provided by the companies owned by Mr. Doo.

35 RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

The details for balances with related parties are disclosed in Notes 21, 22 and 29 to the financial statements.

(c) Key management compensation

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

	2014 HK$'000	2013 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	**10,179**	5,196
Bonus	**467**	396
Share-based payments	**–**	68
Retirement benefit costs – defined contribution plans	**540**	356
	11,186	6,016

36 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies, as at 30 June 2014 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK$410,045,794	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/Hong Kong	HK$2	100	–
China Sincere Limited	British Virgin Islands	Financing/Hong Kong	US$1	100	–
Anshan New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB25,000,000	–	100
Beijing New World Liying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB18,000,000	–	100
Beijing New World Qianzi Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$60,000,000	–	100
Beijing New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB25,000,000	–	100
Beijing Shishang New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
Beijing Yixi New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB65,000,000	–	100
Changsha New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB60,000,000	–	100
Chengdu New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB20,000,000	–	100
Chongqing New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB100,000,000	–	100
Harbin New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB126,000,000	–	100
Hubei New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB16,000,000	100	–
Lanzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB30,000,000	–	100
Mianyang New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB14,000,000	–	100
New World Department Store (China) Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	100	–
New World Department Stores Investment (China) Co., Ltd.	Mainland China	Investment holding company/Mainland China	US$149,927,000	100	–
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/ Mainland China	US$5,000,000	–	100
Ningbo New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB40,000,000	100	–

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
Ningbo New World Trendy Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB20,000,000	–	100
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	Mainland China	Property investment and shopping mall operation/Mainland China	US$40,000,000	–	100
Shanghai New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB30,000,000	–	100
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
Shanghai New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB18,000,000	–	100
Shanghai New World Huiya Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB40,000,000	–	100
Shanghai New World Huiyan Department Store Co., Ltd.	Mainland China	Property investment and shopping mall operation/Mainland China	RMB85,000,000	–	100
Shanghai New World Huiying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$50,000,000	–	100
Shanghai New World Huizi Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB5,000,000	–	100
Shanghai New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$100,000,000	–	100
Shenyang New World Department Store Ltd.	Mainland China	Property investment and department store operation/Mainland China	RMB30,000,000	–	100
Shenyang Trendy Property Company Limited	Mainland China	Property investment/ Mainland China	RMB27,880,000	–	100

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	indirectly
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	US$5,000,000	100	–
Tianjin New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB30,000,000	–	100
Wuhan New World Caixuan Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB75,000,000	–	100
Wuhan New World Department Store Co., Ltd.	Mainland China	Property investment and Department store operation/Mainland China	US$15,630,000	–	100
Wuhan New World Trendy Department Store Co., Ltd	Mainland China	Department store operation/Mainland China	RMB80,000,000	100	–
Wuhan New World Trendy Plaza Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100
Xi'an New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB40,000,000	–	100
Yancheng New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	HK$95,000,000	–	100
Yantai New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB80,000,000	–	100
Yunnan New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB10,000,000	–	100
Zhengzhou New World Department Store Co., Ltd.	Mainland China	Department store operation/Mainland China	RMB50,000,000	–	100

37 ULTIMATE HOLDING COMPANY

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

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**4,136,206**	4,011,545	3,490,100	2,736,197	1,872,905
Operating profit	**677,209**	834,457	786,845	1,056,754	811,507
Profit attributable to:					
Equity holders of the Company	**520,525**	641,503	607,747	855,588	577,607

	As at 30 June				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**12,678,540**	12,834,265	11,801,496	9,673,512	7,271,994
Total liabilities	**6,261,997**	6,208,609	5,828,428	4,101,084	2,502,801
Total equity	**6,416,543**	6,625,656	5,973,068	5,572,428	4,769,193

GLOSSARY OF TERMS

GENERAL TERMS

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

FINANCIAL TERMS

Commission income rate :

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

Earnings per share or EPS :

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

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

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Miss Wu Yuk-kwai, Catherine

AUDITOR

PricewaterhouseCoopers

SOLICITORS

Mayer Brown JSM
Eversheds
Woo, Kwan, Lee & Lo

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Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

STOCK CODE

Hong Kong Stock Exchange 825

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(Stock Code: 825)

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