ANNUAL REPORT 2017

新世界百貨中國有限公司
New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Hong Kong Stock Code: 825)

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 (Hong Kong Stock Code: 825) is the retail flagship of New World Development Company Limited (Hong Kong Stock Code: 17), which owns approximately 72% shares of the Group, as at 30 June 2017. 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 endeavor, 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 itself as a leading department store operator in Mainland China, the Group has been progressively expanding its store network across the country. As at 30 June 2017, the Group operated and managed 35 self-owned stores and four managed stores in Mainland China with a total gross floor area of approximately 1,583,880 square meters, including 28 "New World" branded department stores and 11 "Ba Li Chun Tian" (巴黎春天) branded department stores and shopping malls in Shanghai, covering 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao, Yantai and Yibin.

TAPPING INTO CHINA'S GROWING AFFLUENCE – OUR BUSINESS

The Group adopts a hybrid operating model comprising department store and shopping mall and introduces recreational and experiential facilities such as restaurants and children's playgrounds to provide customers with a one-stop shopping experience. The Group's revenue is mainly derived from four sources: commission income from concessionaire sales, sales of goods for direct sales, rental income, 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 the headquarters' functional support in human resources, finance management, corporate communication, etc., to enable a higher level of flexibility on resource deployment.

PROFESSIONALISM FROM TOP TO BOTTOM – OUR PEOPLE

As at 30 June 2017, the Group employed 4,964 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 the Group's vision and mission.

CONTENTS

GOAL

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

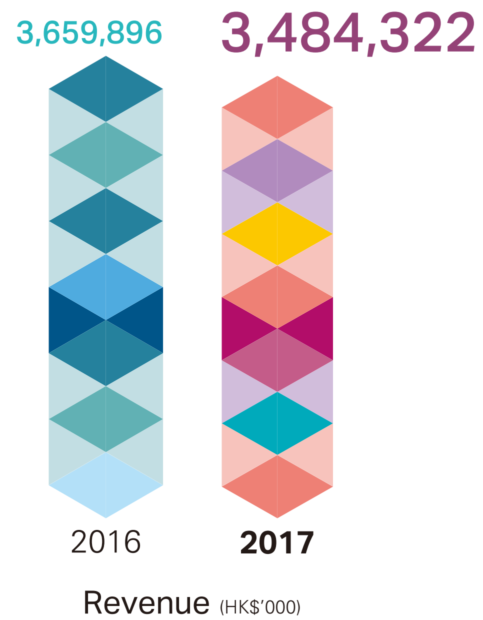
MISSION

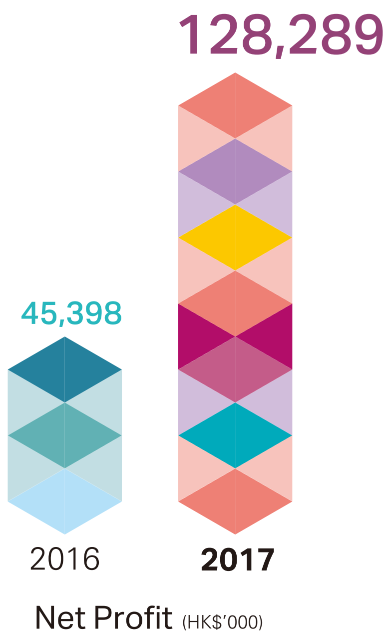
To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China.

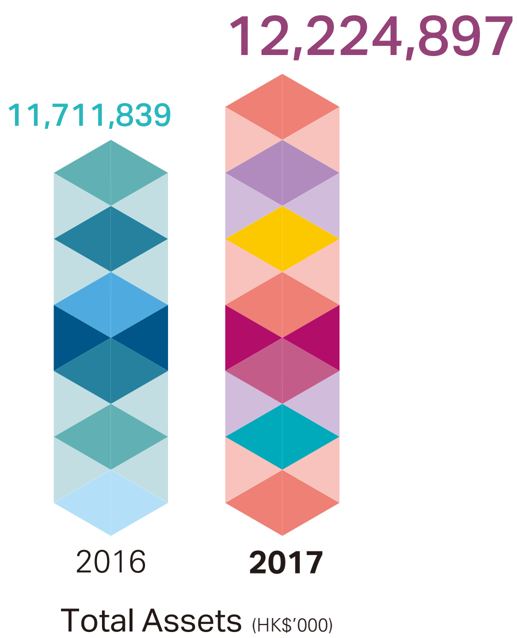
CONVICTION

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

FINANCIAL HIGHLIGHTS







FINANCIAL HIGHLIGHTS

Profit for the year:
HK$128,289 thousand

	2017 HK$'000	2016 HK$'000
Operating Result		
Revenue	**3,484,322**	3,659,896
Representing:		
Commission income from concessionaire sales	**1,695,959**	1,977,219
Sales of goods – direct sales	**1,108,232**	1,002,932
Rental income	**666,694**	639,457
Management and consultancy fees	**13,437**	40,288
Operating profit	**277,841**	209,700
Profit for the year ("Net profit")	**128,289**	45,398

	As at 30 June 2017 HK$'000	As at 30 June 2016 HK$'000
Financial Position		
Fixed deposits, cash and cash equivalents	**2,136,297**	1,202,678
Total assets	**12,224,897**	11,711,839
Total liabilities	**6,296,963**	5,799,004
Total equity	**5,927,934**	5,912,835
Net cash position	**369,514**	207,026

	2017	2016
Financial Ratios		
Merchandise gross margin	**18.2%**	18.2%
Operating profit growth	**32.5%**	-9.2%
Net profit growth	**182.6%**	-34.9%

CHAIRMAN'S STATEMENT

Dr. Cheng Kar-shun, Henry
Chairman

After six consecutive years of downturn, the global economy showed signs of recovery at the end of 2016. As industrial production, trade and investment picked up in growth, the financial market also turned strong. In response to the mild warm-up of the global economy, the Chinese government has been striving to drive supply-side economic reforms to accelerate the economic "Troika", which comprises investment, export and consumption. As a result, the GDP of the first half of 2017 rose above expectations to 6.9% compared to last year. Amongst them, consumption remained the biggest contributor to China's economic expansion. Together with the momentum from consumption upgrade, the Chinese retail industry has broadened its room for development.

With technological advancements and the emergence of the new normal in consumption, physical retailers had a very difficult time over the past few years. The various challenges in the market inspired us to innovate for changes, to optimize for value creation, and to capitalize on the upcoming opportunities arising from the third consumption upgrade in Mainland China. To this end, our new management team has been committed to advocating consumer-centric business reform and management innovation, reforming in the aspects of management structure, staff motivation, store operations and marketing during the year under review. These included strengthening competitive product categories and introducing various lifestyle complementary facilities to optimize in-store business composition so as to improve commission income from concessionaire sales and rental income. Concurrently, the Group also expedited the expansion of its direct sales business to augment the proportion of sales of goods for direct sales for the purpose of refining the Group's revenue structure. Furthermore, we also controlled our costs stringently and managed to reduce unit operating cost and improve the overall operational efficiency through optimizing our organizational structure, facilitating cross-industry collaboration, actualizing O2O marketing and encouraging our staff to enhance their performance. Thanks to the various revenue-generating and cost-reducing measures, we saw a significant improvement in the Group's profit during the year under review.

For the year ended 30 June 2017, the Group's profit for the year grew approximately 182.6% to HK$128.3 million year-on-year from HK$45.4 million. Earnings per share increased by 166.7% to HK$0.08 from the Previous Year.

During the year under review, the Group maintained a prudent and robust business development strategy. We opened a managed store with a total GFA of about 27,000 sq.m. in Yibin City, Sichuan Province. As at 30 June 2017, the Group operated and managed 35 self-owned stores and four managed stores in 21 major cities in Mainland China, with a total GFA of about 1,583,880 sq.m.

Regarding the management innovation, we carried out optimization in our internal management structure, including the setup of four functional committees, and the double-line management mechanism that comprises the vertical "headquarters – region – store" and functional reporting structure to improve the efficiency of decision making at the headquarters and execution at store level during the year under review. We also perfected the staff remuneration and performance schemes with clearly-defined KPIs to ensure tasks performed by our employees are aligned with the Group's strategies. To motivate our staff, we introduced a series of incentives, such as the all-staff personal business commitment (PBC) reward scheme, the Amoeba operating model, the business partner mechanism and store manager incentive fund, etc. We also set up Innovation Business Unit to encourage our employees to innovate proactively.

CHAIRMAN'S STATEMENT

In terms of operations innovation, we fostered steady growth in concessionaire sales and rental income by encouraging stores to adopt market-oriented positioning, to optimize in-store merchandise mix, and to increase the proportion of rental projects in the stores. During the year under review, we formulated the operations strategy of "One Store, One Strategy" and "Plan for Three Years and Review Annually" mechanism to encourage stores to come up with an operations strategy that matches their respective markets, and to craft their own operating characteristics. Thematic street zones such as the "New Territories 88" in Nanjing Store and "MAX Commune" in Changsha Trendy Plaza defined new benchmarks for operations innovation in the industry, achieving significant growth in foot traffic and sales. To improve the operating capabilities of concessionaire counters, our stores actively strengthened their cooperation with strategic brands, hosting "brand day" campaigns to stimulate sales at concessionaire counters. At the same time, we also optimized the operations of competitive categories and accelerated brand renewal to boost the sales of popular categories such as cosmetics, sports, sophisticated ladieswear, and children's products, striving to create a stronger product portfolio. In response to the growing experiential consumption, we have been optimizing our in-store business composition through introducing more experiential items such as catering, entertainment, and services, etc. as part of our efforts to expand the proportion of rental income.

As for the innovation in our direct sales business, we launched a brand-new private label during the year under review and continued to increase the overall proportion of sales of goods for direct sales to the level of 31.8% as a way to improve the Group's gross margin. In June 2017, the Group opened the first "Xin Shuo Multi-Brands Store" at Shanghai Wujiaochang Branch Store. The private label is committed to sourcing original mainland designer brands and has empowered the Group's direct sales business with vibrant energy. Our other private labels also achieved promising development during the year under review. LOL Concept Shop registered double-digit same-store sales growth, and successfully tapped into Shanghai Joy City. The high-end bakery brand of the Group, n+ Natural Taste Plus, made its presence in two Shanghai "Ba Li Chun Tian" branded stores and has been actively shaping itself as a cross-industry multi-brand store. On the other hand, the Group's distribution business of high-end fashion brands incorporated DSQUARED2, a young Italian fashion brand, and expanded into high-end retail premises in many tier-one cities.

In terms of marketing innovation, the Group made use of IP value creation as the entry point to further strengthen its cross-industry collaboration with banks and e-commerce operators during the year under review. A series of inter-store marketing campaigns, including "630 Your Happiest Day in the Year", "New Year's Eve" and "24th Anniversary Joyous Celebration", were rolled out sequentially. These campaigns did not only record double-digit growth in sales year-on-year, but also successfully achieved highly-efficient yet low-cost marketing. To improve customers' affinity to the Group, we launched a brand-new shopping module "NWDS Flash Sales" on NWDS' WeChat official account. A selection of highly popular items in limited quantities were featured for flash sales, enabling us to leverage on the convenience of online shopping to draw customers from online to offline, giving momentum to both foot traffic and sales at our stores.

Looking ahead into the second half of 2017, the market expects the Chinese economy to continue with its steady development. The total retail sales of consumer goods and the consumer price index are both posing for gradual growth, while consumption will continue to stay on top of the "Troika". As the Chinese government rolls out measures to unleash domestic consumption and to stimulate spending, we believe that there will be vast room for expansion in Mainland China's retail industry. Therefore, we are cautiously optimistic about the business prospects. Going forward, we will once again focus on the core of retailing to dedicate ourselves to catering for customers' everyday needs by developing an operational framework which integrates online-to-offline, social media, ambience crafting and multiple businesses to enhance the market competitiveness of our stores. Meanwhile, the Group will continue to carry forward the expansion strategies of "multiple presences within a single city" and "radiation city" with a focus on the development of the Greater Shanghai, Greater Beijing and Greater South Western Regions in pursuit of long-term and steady business development.

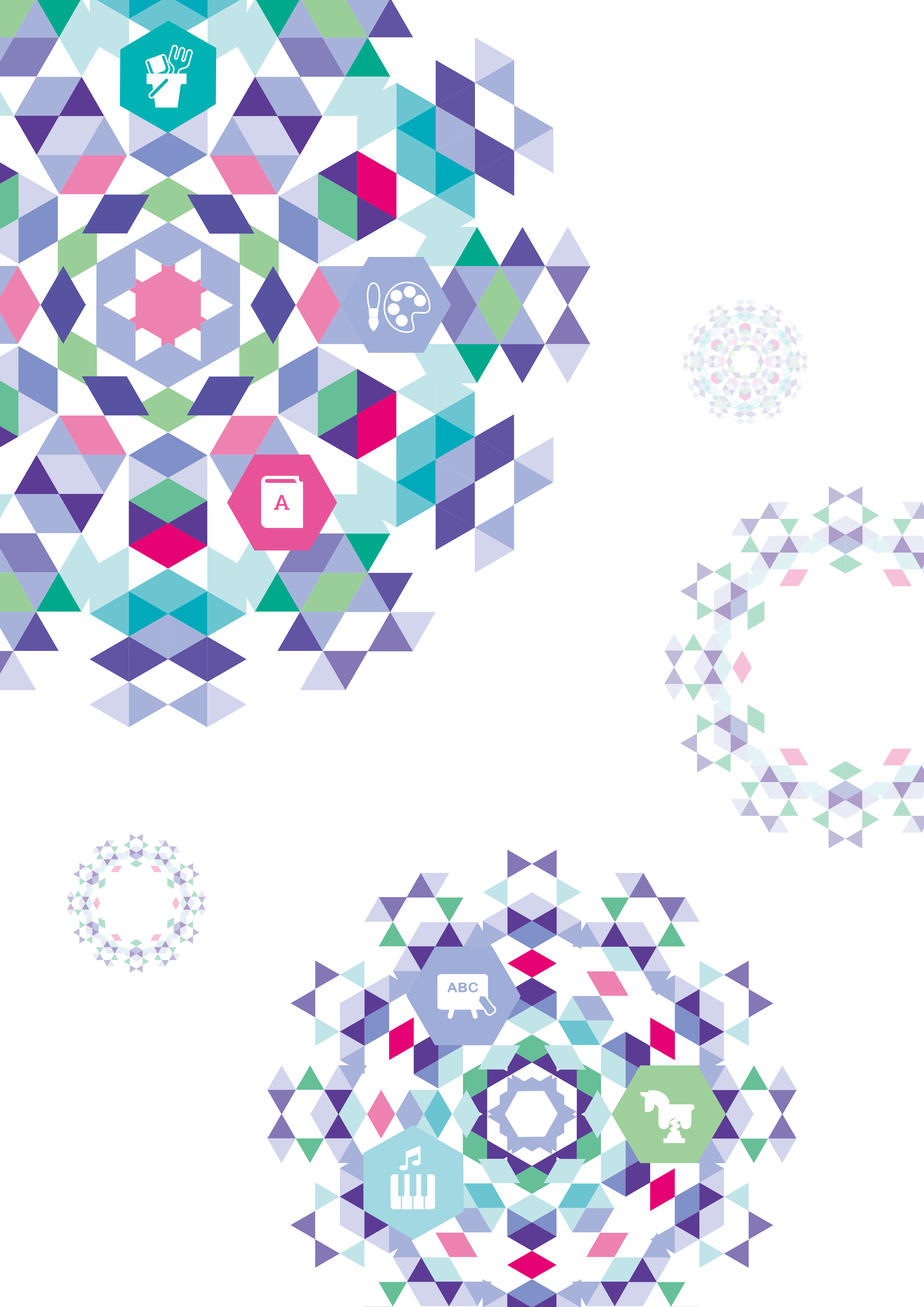
Taking this opportunity and on behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers, business partners, as well as our staff. Without their relentless support, the Group could not have made one breakthrough after another along the development journey that spanned more than 20 years. Amidst the changes in the Chinese retail market, we shall dedicate even more efforts to continuous innovation and improvement, so as to optimize and create values for the community and to strive for sustainable and reasonable returns for our shareholders.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong,
20 September 2017

INSIGHTFUL MARKET POSITIONING

Building up leading fashion and living department store style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MILESTONES

2016

JULY

- Organized the first nationwide inter-store marketing campaign led by the headquarters, "630 Your Happiest Day in the Year", driving growth in sales and foot traffic

AUGUST

- Organized the "Nationwide Bank Thanksgiving Day" with more than 20 banks in China to provide respective bank card users with special shopping offers and received close to 400,000 visitors in the three-day campaign 1
- Launched the "Chief Experience Officer" project to conduct face-to-face interviews with customers to gain insights into their needs and experience with an aim to improve service quality and interviewed more than 7,000 customers

SEPTEMBER

- Co-organized the "9.9 Chow Tai Fook Brand Day" with Chow Tai Fook and debuted a collection of Disney accessories, breaking the historical record of single-day sales 2
- Launched the new CMF customer relationship management system. Using over 40 NWDS' WeChat accounts as mobile registration terminals, over 60,000 new "Customers" registered during the month
- Opened Yibin Store in Sichuan Province, which introduces over 100 local and international trendy brands and incorporates the city's largest children's zone 3
- The Group's private label, n+ Natural Taste Plus, made its presence in Shanghai Baoshan Branch Store, which is well-received by the market 4

OCTOBER

- Recognized as "Family-Friendly Employer" by Family Council of Home Affairs Bureau for the third time in a row, and earned its first honor of "Special Mention (Gold)"

NOVEMBER

- During the "Double 11" shopping festival, many stores joined forces with e-commerce platform ffan.com to launch the "New World & ffan.com 11-day Crazy Shopping Festival" and realized a significant increase in foot traffic and sales through O2O cross-industry collaboration 5
- All "Ba Li Chun Tian" branded stores in Shanghai organized the "8^{th} Non-stop Happiness Mega Sales" which comprises online collaboration with ffan.com and mplife.com as well as the distribution of "Happiness Gift Vouchers" on WeChat, further actualizing O2O marketing
- Realizing the innovative "One Store, One Strategy" operations strategy, Nanjing Store introduced the cultural and creative street zone "New Territories 88" and injected spotlight elements such as shopping, recreation, artistic creation, lifestyle and culture, as well as gourmet into the street zone, thereby winning the title of "Best Stores in China 2016" 6
- Launched a brand-new shopping module –"NWDS Flash Sales"– on NWDS' WeChat official account, where flash sales featuring a selection of highly popular items in limited quantities were organized and free delivery services were offered during the periods of "Double 11" and "March 8 Women's Festival", to fulfill customers' needs for online shopping

MILESTONES

2017

DECEMBER

- Introduced the joint venture food and beverage label "Peter's Meadow" at Shanghai Pujian Branch Store to pioneer an in-trend dining model of serving store-cut and store-prepared premium imported steak
- Received recognition from international finance magazine *The Asset* for the third consecutive year and garnered the Gold Award in the category of "Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" in "*The Asset* Corporate Awards 2016" 7
- The Group's private label LOL Concept Shop made its presence in Shanghai Joy City and successfully expanded its business network outside the New World Group establishment 8

JANUARY

- Won the honorary title of the "Most Socially Responsible Listed Company" in the first edition of the "Golden Hong Kong Stocks Awards" which was jointly organized by 10jqka.com.cn and Zhitongcaijing.com, demonstrating the Group's enthusiastic efforts in generating reasonable investment returns for its shareholders while caring for the community 9

FEBRUARY

- Co-organized the nationwide inter-store marketing campaign of "Love at 2.11 – Capturing the Heart of Your Valentine" with Chow Tai Fook and offered gold and karat-gold shopping discounts to customers, bringing significant growth in sales and foot traffic

MAY

- To celebrate the Group's anniversary, all stores launched the nationwide inter-store marketing campaign of "24th Anniversary Joyous Celebration" and stimulated a double-digit growth in sales by offering a series of shopping discounts such as "Early Bird Rewards", "All-day Shopping Rebates", "Limited-time Giveaways", etc. 10

JUNE

- Established a brand-new private label "Xin Shuo Multi-Brands Store" at Shanghai Wujiaochang Branch Store featuring an array of original mainland designer brands to continuously enlarge the Group's proportion of sales of goods for direct sales 11
- Formulated the *Green Procurement Guidelines* and *Food Waste Reduction Advice* to encourage stores to carry out green procurement and food waste recycling to enhance the Group's environmental performance
- Received the honors of "Best Investor Relations Company (Hong Kong)" and "Best Investor Relations Professional (Hong Kong)" from the authoritative journal *Corporate Governance Asia* in the "7th Asian Excellence Recognition Awards", demonstrating the Group's achievement in conducting effective communication with shareholders and potential investors to increase their understanding about the Group 12

RETAIL NETWORK

39 STRATEGIC FOOTHOLDS IN

21 MAJOR CITIES

Beijing	4	Wuhan	5
Tianjin	1	Changsha	1
Yanjiao	1	Zhengzhou	1
Yantai	1	Chengdu	1
Lanzhou	1	Chongqing	1
Xi'an	1	Kunming	1
Harbin	1	Mianyang	1
Shenyang	2	Yibin	1
Anshan	1		
Shanghai	11		
Ningbo	1		
Nanjing	1		
Yancheng	1		

NORTHERN CHINA REGION

Approx. Gross Floor Area
637,650 sq.m.

BEIJING STORE

Date of Opening | July 1998
Approx. GFA | 117,200 sq.m.

BEIJING TRENDY STORE

Date of Opening | March 2007
Approx. GFA | 31,200 sq.m.

BEIJING LIYING STORE

Date of Opening | September 2008
Approx. GFA | 52,000 sq.m.

BEIJING QIANZI STORE

Date of Opening | September 2010
Approx. GFA | 40,200 sq.m.

TIANJIN STORE

Date of Opening | October 1997
Approx. GFA | 57,000 sq.m.

YANJIAO STORE

Date of Opening | April 2013
Approx. GFA | 32,000 sq.m.

YANTAI STORE

Date of Opening | December 2013
Approx. GFA | 55,600 sq.m.

LANZHOU STORE

Date of Opening | September 2005
Approx. GFA | 28,500 sq.m.

XI'AN STORE

Date of Opening | December 2012
Approx. GFA | 58,700 sq.m.

HARBIN STORE

Date of Opening | November 1996
Approx. GFA | 50,000 sq.m.

SHENYANG ZHONGHUA ROAD BRANCH STORE

Date of Opening | **December 2005**
Approx. GFA | **44,000 sq.m.**

SHENYANG JIANQIAO ROAD BRANCH STORE

Date of Opening | **May 2011**
Approx. GFA | **34,000 sq.m.**

ANSHAN STORE

Date of Opening | **October 2007**
Approx. GFA | **37,250 sq.m.**

EASTERN CHINA REGION

Approx. Gross Floor Area
557,930 sq.m.

SHANGHAI HUAIHAI BRANCH STORE

Date of Opening | **December 2001**
Approx. GFA | **22,500 sq.m.**

SHANGHAI HONGKOU BRANCH STORE

Date of Opening | **October 2003**
Approx. GFA | **19,600 sq.m.**

SHANGHAI CHANGNING BRANCH STORE

Date of Opening | **September 2004**
Approx. GFA | **6,680 sq.m.**

SHANGHAI QIBAO BRANCH STORE

Date of Opening | **December 2005**
Approx. GFA | **36,550 sq.m.**

SHANGHAI WUJIAOCHANG BRANCH STORE

Date of Opening | **December 2006**
Approx. GFA | **44,000 sq.m.**

SHANGHAI PUJIAN BRANCH STORE

Date of Opening | **September 2007**
Approx. GFA | **46,000 sq.m.**

SHANGHAI BAOSHAN BRANCH STORE

Date of Opening | **January 2010**
Approx. GFA | **39,000 sq.m.**

SHANGHAI CHENGSHAN BRANCH STORE

Date of Opening | April 2010
Approx. GFA | 38,000 sq.m.

SHANGHAI SHAANXI ROAD BRANCH STORE

Date of Opening | November 2011
Approx. GFA | 42,000 sq.m.

SHANGHAI TIANSHAN ROAD BRANCH STORE

Date of Opening | August 2013
Approx. GFA | 43,000 sq.m.

SHANGHAI 118 BRANCH STORE

Date of Opening | November 2014
Approx. GFA | 62,600 sq.m.

NINGBO BEILUN STORE

Date of Opening | September 2012
Approx. GFA | 60,000 sq.m.

NANJING STORE

Date of Opening | November 2007
Approx. GFA | 41,200 sq.m.

YANCHENG STORE

Date of Opening | December 2012
Approx. GFA | 56,800 sq.m.

CENTRAL WESTERN CHINA REGION

Approx. Gross Floor Area

388,300 sq.m.

WUHAN STORE

Date of Opening | November 1994
Approx. GFA | 42,000 sq.m.

WUHAN TRENDY PLAZA

Date of Opening | December 2001
Approx. GFA | 23,000 sq.m.

WUHAN WUCHANG BRANCH STORE

Date of Opening | October 2005
Approx. GFA | 24,000 sq.m.

Living Gallery

Fashion Gallery

WUHAN XUDONG BRANCH STORE

Date of Opening | **January 2008**
Approx. GFA | **29,200 sq.m.**

WUHAN HANYANG BRANCH STORE

Date of Opening | **November 2008**
Approx. GFA | **53,000 sq.m.**

CHANGSHA TRENDY PLAZA

Date of Opening | **September 2006**
Approx. GFA | **35,000 sq.m.**

ZHENGZHOU STORE

Date of Opening | **April 2011**
Approx. GFA | **35,500 sq.m.**

CHENGDU STORE

Date of Opening | **December 2006**
Approx. GFA | **30,000 sq.m.**

CHONGQING STORE

Date of Opening | **September 2006**
Approx. GFA | **42,000 sq.m.**

KUNMING STORE

Date of Opening | **June 2004**
Approx. GFA | **12,600 sq.m.**

MIANYANG STORE

Date of Opening | **December 2011**
Approx. GFA | **35,000 sq.m.**

YIBIN STORE

Date of Opening | **September 2016**
Approx. GFA | **27,000 sq.m.**

NORTHERN CHINA REGION

EASTERN CHINA REGION

CENTRAL WESTERN CHINA REGION

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

REVENUE AND OTHER INCOME

Revenue of New World Department Store China Limited and its subsidiaries (together, the "Group") was HK$3,484.3 million in FY2017 (or "the Current Year") (FY2016 (or "the Previous Year"): HK$3,659.9 million). In Renminbi ("RMB") terms, revenue of the Group was RMB3,066.2 million in FY2017 (FY2016: RMB3,037.7 million) with year-on-year growth of 0.9%.

Gross sales revenue, as previously defined, was HK$11,936.7 million in FY2017 (FY2016: HK$13,077.0 million). In RMB terms, gross sales revenue was RMB10,504.3 million in FY2017 (FY2016: RMB10,853.9 million).

The Group's merchandise gross margin was 18.2% in the Current Year (FY2016: 18.2%). In FY2017, ladieswear and accessories made up approximately 64.9% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 8.8% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest. Direct sales revenue in the Current Year mainly comprised sales of ladieswear and menswear (approximately 39.4%), cosmetic products (approximately 29.3%), groceries, housewares and perishables (approximately 16.1%), as well as accessories and miscellaneous items (approximately 15.2%).

Rental income increased by 4.3% to HK$666.7 million in FY2017 from HK$639.5 million in FY2016, mainly due to increased rentable area and improved tenant mix in the Current Year, which was partially offset by the reduced rentable area as a result of the closure of Beijing Shishang New World Department Store ("Beijing Shishang Store") and Ningbo New World Trendy Department Store ("Ningbo Trendy Store") in December 2015 and June 2016 respectively.

Management and consultancy fees was HK$13.4 million in FY2017 decreased from HK$40.3 million in FY2016. The decrease was primarily due to drop in the Group's recognition of fees for the provision of consultancy services for new projects in the Current Year.

Other income of the Group was HK$192.8 million in FY2017 compared with HK$170.4 million in FY2016. The increase in other income was mainly due to the inclusion of HK$43.2 million of compensation from a landlord for the early termination of lease of Hong Kong New World Department Store – Shanghai Xinning Branch Store ("Shanghai Xinning Branch Store") in June 2017.

OTHER LOSSES, NET

Net other losses of the Group in the Current Year was HK$76.9 million which was primarily resulted from HK$4.1 million of fair value loss on the indemnification in connection with the acquisition of a subsidiary, HK$19.7 million of impairment loss on prepayment, deposits and other receivables due to the temporary closure of Yancheng New World Department Store for the property renovation to be carried out by the landlord and HK$49.8 million of impairment loss on property, plant and equipment of the existing stores.

CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES

Changes in fair value of investment properties in the Current Year was HK$6.6 million which was primarily related to properties of Wuhan New World Department Store, Zhengzhou New World Department Store ("Zhengzhou Store"), Tianjin New World Department Store, Hong Kong New World Department Store – Shanghai Shaanxi Road Branch Store and Hong Kong New World Department Store – Shanghai Tianshan Road Branch Store.

PURCHASES OF AND CHANGES IN INVENTORIES, NET

The purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It increased by 4.3% to HK$788.3 million in FY2017 from HK$756.0 million in FY2016. The increase was in line with the increase in sales of goods for direct sales in the Current Year.

EMPLOYEE BENEFIT EXPENSE

Employee benefit expense decreased to HK$623.2 million in FY2017 from HK$633.2 million in FY2016. In RMB terms, employee benefit expense increased during the Current Year primarily due to the opening of specialty shops of direct sales business and the severance payment due to the early termination of lease of Ningbo New World Department Store and Shanghai Xinning Branch Store in June 2017.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expense decreased from HK$300.7 million in FY2016 to HK$261.5 million in FY2017, primarily due to no depreciation provided in the Current Year for property, plant and equipment impaired for mainly one department store in FY2016 and some stores with assets that have been fully depreciated, and the closure of Beijing Shishang Store and Ningbo Trendy Store in December 2015 and June 2016 respectively.

OPERATING LEASE RENTAL EXPENSE

Operating lease rental expense decreased to HK$1,051.9 million in FY2017 from HK$1,163.9 million in FY2016, primarily due to the reduction of rental rates for certain leased properties in the Current Year, the closure of Beijing Shishang Store and Ningbo Trendy Store in December 2015 and June 2016 respectively, and the effect on the conversion from business tax ("BT") to value-added tax ("VAT") since May 2016 due to Mainland China's VAT reform.

OTHER OPERATING EXPENSES, NET

Net other operating expenses decreased to HK$590.8 million in FY2017 from HK$716.1 million in FY2016. The decrease was primarily due to the effective control of water and electricity, promotion and advertising expenses by management, a decline in other tax expenses mainly due to the effect on the conversion from BT to VAT since May 2016 and a decline in exchange losses arising from RMB against HK$ due to the less devaluation of RMB during FY2017 compared with FY2016.

OPERATING PROFIT

Operating profit was HK$277.8 million in FY2017 compared with HK$209.7 million in FY2016.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

INCOME TAX EXPENSE

Income tax expense of the Group was HK$162.3 million in FY2017 compared with HK$193.4 million in FY2016.

PROFIT FOR THE YEAR

As a result of the reasons mentioned above, profit for the year increased by approximately 182.6% to HK$128.3 million compared with HK$45.4 million in the Previous Year.

LIQUIDITY AND FINANCIAL RESOURCES

Fixed deposits and cash and cash equivalents of the Group amounted to HK$2,136.3 million as at 30 June 2017 (30 June 2016: HK$1,202.7 million).

The Group's borrowings as at 30 June 2017 were HK$1,766.8 million (30 June 2016: HK$995.7 million) of which HK$356.3 million (30 June 2016: HK$409.4 million) was secured by an investment property.

At 30 June 2017, the Group's current liabilities exceeded its current assets by HK$1,671.9 million (30 June 2016: HK$1,933.2 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 30 June 2017 were HK$104.4 million which were contracted but not provided for in the consolidated statement of financial position. For the contractual payment of HK$104.4 million, approximately HK$60.6 million is for the redevelopment project of a building in Shenyang City.

PLEDGE OF ASSETS

As at 30 June 2017, an investment property of HK$1,759.8 million (30 June 2016: HK$1,784.8 million) of the Group was pledged as securities for bank borrowings of HK$356.3 million (30 June 2016: HK$409.4 million).

TREASURY POLICIES

The Group mainly operates in Mainland China with most of the transactions denominated in RMB. The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar, United States dollar and Euro against RMB and from RMB and Euro against Hong Kong dollar. 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 2017.

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During the year under review, the Group carried through its "radiation city" expansion strategy to expand its foothold in Sichuan Province by opening a brand new managed store, Yibin New World Department Store ("Yibin Store") in Yibin City. With a total gross floor area ("GFA") of about 27,000 square meters ("sq.m."), Yibin Store is a trendy lifestyle store where customers can enjoy shopping, recreation and entertainment under one roof.

As at 30 June 2017, the Group operated 37 department stores and two shopping malls, with a total GFA of about 1,583,880 sq.m. Located in three operating regions, namely Northern China, Eastern China and Central Western China, the stores covered 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao, Yantai and Yibin with 35 self-owned stores and four managed stores.

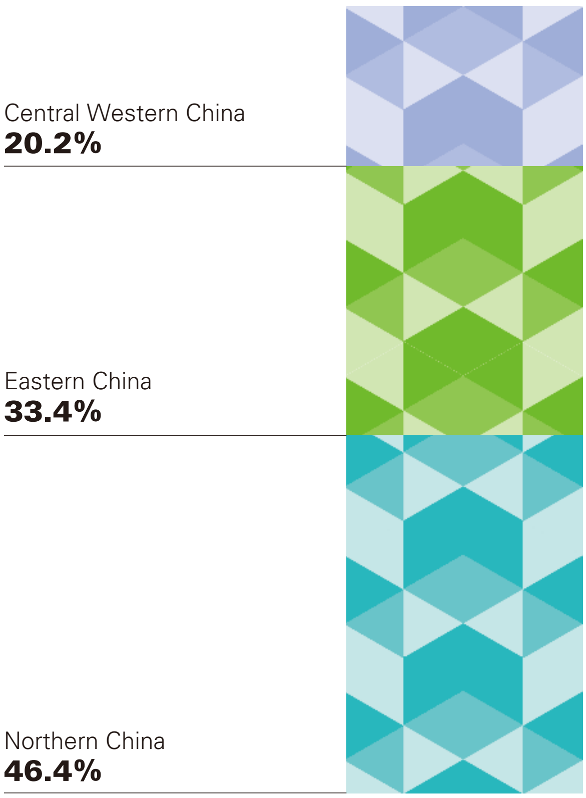
REVENUE BREAKDOWN

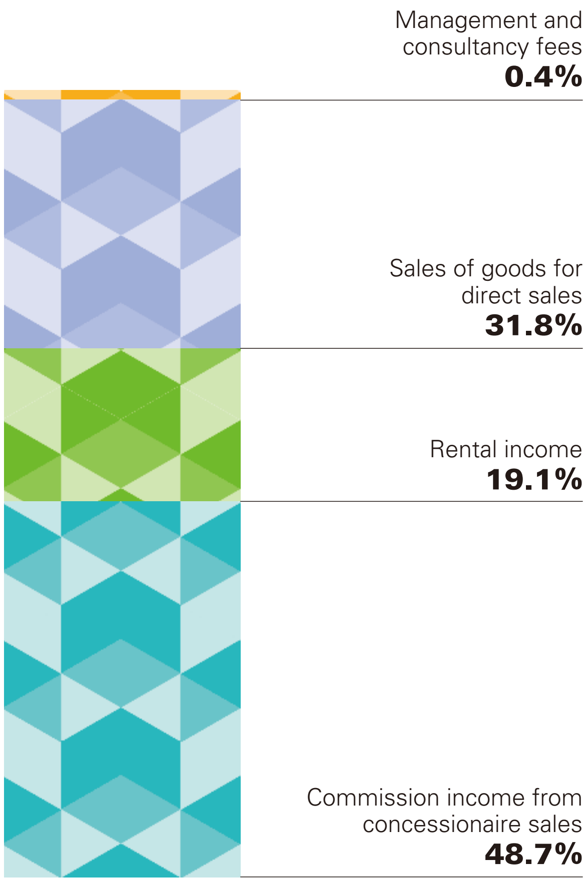
BY REGION

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 46.4% of revenue, followed by the Eastern China Region and the Central Western China Region, accounting for 33.4% and 20.2% respectively.

BY SEGMENT

Commission income from concessionaire sales was the major source of income, accounting for 48.7% of revenue. Sales of goods for direct sales and rental income accounted for 31.8% and 19.1% respectively. Management and consultancy fees accounted for 0.4%.





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ECONOMIC OVERVIEW

Since the Chinese government's enthusiastic promotion of the Belt and Road Initiative in 2013, the pivotal foreign economic strategy has fully leveraged on its existing bilateral and multilateral cooperation mechanisms with more than 60 neighboring countries in Asia, Europe and Africa to advocate and spearhead the construction of a cross-country economic belt. The Belt and Road is a major initiative for China in implementing a new round of all-directional opening up and facilitating the common development of countries along the Belt. Under the development blueprint of the Belt and Road, the central and western regions, where share boundaries with nearby countries and sit on the Silk Road "Belt", would benefit the most. At a press conference where Vice Minister of the Chinese Ministry of Commerce Qian Keming shared the updates on trade and economic cooperation under the Belt and Road Initiative, he pointed out that five of the seven new pilot free trade zones in China are set up in the central and western regions. Coupled with the route extension of the China Railway Express into central western cities, as well as the establishment of border economic cooperation zones and cross-border economic cooperation zones in Western China and at the borders, these measures are instrumental to the opening up and economic development of central and western regions.

Benefiting from the Belt and Road Initiative and policies relating to the development of Western China, economic growth in the central and western regions picked up significantly in 2016. The Gross Regional Product ("GRP") of Chengdu and Chongqing grew 7.7% and 10.7% respectively in 2016, which were higher than China's Gross Domestic Product ("GDP") growth of 6.7%. On the consumption front, the total retail sales of consumer goods of the two cities increased by 10.4% and 13.2% respectively, which were higher than the overall national growth of 9.6%. The impetus in economic growth also boosted local consumer confidence level. According to the China's Consumer Confidence Index (CCI) released by Nielsen, the increment of consumer confidence in the western region in the first quarter of 2017 ranked first amongst the four main regions in China. The parameters of the index such as spending intentions, personal finance and job prospects all maintained an upward momentum.

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On top of the Belt and Road Initiative, the Chinese government has also been expediting the strategies of the Yangtze River Economic Belt and the Beijing-Tianjin-Hebei Collaborative Development Plan to promote regional economic development. The Yangtze River Economic Belt drives the economic development from the coast to the upper stream of the Yangtze River, as well as the modernization and new urbanization of peripheral cities through the inter-connectivity between transport and trade. Its coverage spans across 11 provinces, including Shanghai, Jiangsu, Zhejiang, Chongqing, and Sichuan, etc. Beijing-Tianjin-Hebei Collaborative Development Plan, on the other hand, aims at mitigating some of the non-capital functions of Beijing, transferring them to the Bohai Economic Rim to promote industrial upgrade in Tianjin and Hebei Province, and to actualize the complementarity of strengths among Beijing, Tianjin and Hebei, as well as to facilitate synergized development amongst the three locations.

As the relevant regional strategies gradually rolled out, the industrial structures of first-tier cities such as Beijing and Shanghai were also improved. In 2016, the GRP of Beijing grew 6.7% and the proportion of the tertiary sector rose to 80.3%. Among it, finance, technology and information services saw stronger growth. Shanghai, on the other hand, recorded a 6.8% increment in its GRP, which was higher than the national average. The proportion of the tertiary sector rose to 70.5%, in which finance, data transmission, software and information technology services all registered double-digit growth. These indicate that both Beijing and Shanghai made huge accomplishments in increasing the weighting of the services sector. As for consumption, Beijing's total retail sales of consumer goods reached RMB1,100.5 billion in 2016, taking the first place as the country's highest spending city for nine consecutive years. Shanghai took the second place with its total retail sales of consumer goods at RMB1,094.6 billion. Driven by high value-added industries, the long-term economic development and consumption expenditure of the two first-tier cities shall expect bigger room for growth.

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OPERATIONS OVERVIEW

OPERATIONS STRATEGIES

Optimizing Management Structure and Unleashing Staff Potentials and Creativity

In the face of the highly competitive retail market in Mainland China, quick and astute corporate decision-making and execution capabilities are indispensable for a company's long-term development. During the year under review, the Group optimized its internal management structure. Some of the initiatives included the implementation of flattened management structure to reduce hierarchical layers and the establishment of four functional committees for prompt decision-making on important matters and faster responsive rate to market changes. A double-line management mechanism, which comprises the vertical "headquarters – region – store" and functional reporting structure, was established to ensure the orderly and error-free implementation of the Group's strategies. Moreover, the Group further perfected its staff remuneration and performance schemes with clearly-defined KPIs to ensure tasks performed by its employees are aligned with the Group's strategies.

In terms of talent development, the Group spearheaded a trio of career advancement initiatives during the year under review. Through "Project Xinpeng – NWDS Management Intern Cultivation Program", "Project Feipeng – NWDS Management 'Golden Ladder' Nurturing Program" and "Project Dapeng – NWDS Store Manager Trainees 'Elite Rookies' Grooming Program", the Group strives to cultivate management apprentice, so as to provide powerful "resources" for the Group's professional operations and innovative management.

In the scope of unleashing staff potentials and creativity, the Group rolled out a series of staff incentives to activate the potentials of its employees during the year under review, including the all-staff personal business commitment (PBC) reward scheme, the Amoeba operating model, the business partner mechanism and store manager incentive fund, etc. The Group also set up Innovation Business Unit to ensure the orderly implementation of various new projects. The all-directional incentive schemes effectively improved the proactiveness and creativity of its employees, exerting an active driving force to the Group's development.

Implementing "One Store, One Strategy" and Store Categorization to Enrich Stores' Ambience and Character

To cater for the new normal in China's consumption and to motivate stores to innovate for changes, the Group formulated the "One Store, One Strategy" operations strategy and the "Plan for Three Years and Review Annually" mechanism during the year under review. As such, stores are required to conduct thorough market evaluation and allocate resources reasonably to come up with an operations strategy that matches their respective markets, which in turn will improve the stores' as well as the Group's competitiveness. During the year under review, a number of stores already proactively put "One Store, One Strategy" into full play. Nanjing New World Department Store ("Nanjing Store"), Beijing New World Department Store ("Beijing Store") and Zhengzhou Store set up in-store themed street zones respectively, namely "New Territories 88", "Cat Street" and "7 Temple Street" to successfully create their own operating characteristics. These initiatives were regarded as the role models of innovative operations by the industry.

Amongst them, Nanjing Store, which positions itself as a "Trendy Mini Mall", led the way by introducing the mystical-themed cultural and creative street zone "New Territories 88". By remodeling the existing old premises, Nanjing Store injected spotlight elements such as shopping, recreation, artistic creation, lifestyle and culture, as well as gourmet into the street zone to achieve a close to two-fold growth in revenue and about 20% growth in foot traffic year-on-year, thereby winning the title of "Best Stores in China 2016". On the other hand, Changsha New World Trendy Plaza successfully replicated the operating model of "New Territories 88" and launched an upgraded version known as "MAX Commune" in July 2017. With original heavy-metal industrial-styled interiors, "MAX Commune" is a street zone featuring themed catering and creative retailing and has been well-received by customers since its opening.

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Based on the operating conditions of each store, the Group rationalizes their market positioning and sorts them into four categories, namely "novel department store", "quasi-shopping mall", "shopping mall" and "urban outlet" to implement refined and categorized store management with an aim to identify outstanding stores and elevate them to flagship stores. The new approach does not only facilitate the effective allocation of corporate resources, but also enhances stores' operational standards as a whole. Leveraging on the continuous attention and resource dedication of the Group, its flagship stores led the way in enhancing the Group's operational efficiency during the year under review and gained good word-of-mouth in the market.

Introducing International and Trendy Brands to Optimize Merchandise Mix while Improving Concessionaire Counters' Operating Capabilities

In response to the consumption upgrade phenomenon in Mainland China, the Group introduced a customer-oriented operating model during the year under review, and introduced a selection of international brands and trendy brands with unique characters in response to customer needs. Concurrently, the Group further strengthened its competitive merchandise categories and expedited its business reforms by increasing its annual brand renewal rate to the level of 25% to drive concessionaire sales. Beijing Store, for example, enlarged the operating area of its cosmetics zone by almost 20% and introduced an array of international cosmetics brands, such as YSL, GIORGIO ARMANI, KIEHL'S, fresh, shu uemura and Sulwhasoo, etc, achieving double-digit growth in cosmetics sales year-on-year. As a result, the store now stands strong at the third position in Beijing's cosmetics market in terms of scale and market share.

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On the other hand, Shenyang New World Department Store – Zhonghua Road Branch Store, Wuhan New World Trendy Plaza and Beijing Store introduced the adidas soccer concept store, the trendy multi-sports-brand store FOOTMARK and an emerging sports brand UNDER ARMOUR respectively to strengthen their sports category and to attract more brands to set up flagship stores in the above-mentioned premises to compete for more limited edition products for sale. Apart from the leading international brands, trendy brands with unique characters that can highlight one's personal taste and social status are also much sought after by young customers. In light of this, the Group invited Cloth Fu, EICHITOO, Tonson beauty and other online ladieswear labels to go offline at NWDS' stores to offer consumers with more in-trend merchandise choices. Alongside its efforts in introducing new products, the Group also continued to strengthen its competitive merchandise categories. For example, it enriched the footwear offerings at Hong Kong New World Department Store – Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store") and successfully consolidated its position as the best-selling footwear marketplace in Shanghai. In future, the Group will focus on optimizing its categories concerning cosmetics, sports, sophisticated ladieswear, and children's products to build a competitive merchandise portfolio.

A diverse and quality merchandise mix provided a solid foundation for the Group to further improve its concessionaire sales. During the year under review, the Group put a stronger focus on enhancing the operating capabilities of its concessionaire counters and therefore, encouraged its stores to join up with strategic brands to organize in-depth "brand day" campaigns. The Group, for instance, co-organized the "9.9 Chow Tai Fook Brand Day" with Chow Tai Fook and debuted a collection of Disney accessories, breaking the historical single-day sales record and being covered by over 100 media outlets across the country.

Enriching and Expanding Direct Sales Business to Improve Merchandise' Uniqueness Level and Gross Margin

To serve the dual purpose of elevating merchandise' uniqueness and improving gross margin, the Group stepped up its efforts to expand its direct sales business, so as to increase the proportion of sales of goods for direct sales. During the year under review, the Group established a brand-new private label "Xin Shuo Multi-Brands Store" at Shanghai Wujiaochang Branch Store. Introducing an array of original mainland designer brands, the store features a wide range of trendy elements such as fashion, accessories, lifestyle gadgets, interactive DIY and flash retailing. With the competitive edge of high quality-to-price ratio and high product renewal rate, "Xin Shuo Multi-Brands Store" has empowered the Group's direct sales business with vibrant energy.

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Apart from the above-mentioned new private label, the Group's other existing private labels also made promising development during the year under review. LOL (Love • Original • Life) Concept Shop ("LOL") did not only expand its business network within the New World Group establishment, but also extended its outreach to Shanghai Joy City successfully, increasing its scale to 12 stores. LOL also implemented categorized management by positioning its stores as black, gold and silver labels to offer differing products that match the consumption power of their customers. As a result, LOL achieved double-digit growth in same-store sales year-on-year. n+ Natural Taste Plus, the high-end bakery brand of the Group, made its presence in two Shanghai "Ba Li Chun Tian" branded stores and introduced peripheral products including coffee and cookies to establish itself as a cross-industry multi-brand store. To enrich its children's product offerings, the Group established a children's education brand called "Luis Home Bake", which is positioned as a DIY baking studio that fuses recreation with education to nurture children's soft skills and foster parent-child interaction. Besides, the Group's distribution business of high-end fashion brands also saw steady growth. Its accomplishments include the new addition of a young Italian fashion brand called DSQUARED2 and the expansion into high-end retail premises in tier-one cities, increasing its store number to 54 in total. Going forward, the Group will continue to enrich its direct sales business by developing n+ series private labels and strengthening the uniqueness of its direct sales products.

Energizing direct sales business continuously and creating unique and characteristic merchandise

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Introducing Diversified Tenant Categories to Increase Rental Income

In terms of the rental business, the Group is committed to creating a diversified in-store business composition to enrich consumers' shopping experience and further increase its rental income. During the year under review, the Group enriched its in-store business composition relating to food and beverage, entertaining experiences and children's education, and introduced new tenants such as JIAOZI IN SPOTLIGHTS, tea OpaL, LEFIT, WM.MOVIE, LANG EN KID's International School and LEGO Education, etc. The Group also operated two joint venture food and beverage labels, namely Peter's Meadow and Aza Aza!. As a result, the proportion of space taken up by rental projects increased to 24%. To cover a wider scope of in-demand spending categories, the Group pioneered to introduce various cross-industry tenants that feature social spotlight elements such as coffee, music, internet and books. The newly-introduced tenants included the German household brand, beself, that advocates the youth's living attitude and the mass-oriented boutique-style SISYPHE BOOKSTORE, etc., which altogether made the Group's in-store businesses more refined and closer to everyday life. In future, the Group will boost its in-store business composition concerning interactive experiences and recreation, such as virtual reality, interactive entertainment, culture and creativity, fitness and health, etc. to enhance the experiential offerings at stores for higher customer affinity.

Expediting Digitization Reforms to Promote Data-driven New Retail Upgrade

During the year under review, the Group kept abreast of the latest retail trends and initiated a number of digitization upgrade attempts. The Group strategically collaborated with leading internet companies in Mainland China to facilitate data-driven business decision-making by strengthening its application of technologies in relation to online marketing, big data analytics and social interactions. Besides, the Group made the efforts to upgrade its existing digitized membership system by adding new internet-based interactive technologies such as digital imaging, behavior tags, big data diversion and self-media marketing to strengthen its two-way communication with customers. Furthermore, the Group analyzed customers' behavior data to formulate market-fitted marketing strategies to improve consumers' shopping experience. Going forward, the Group will continue to make more new attempts in innovative technologies and increase the relevant capital investment while setting a strong foot offline and delving deep into its core business concurrently. Through the application of new technologies such as internet social interactions, mobile finance, big data and artificial intelligence, the Group strives for a comprehensive upgrade to new retailing with the provision of more satisfying and convenient shopping experience to consumers.

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MARKETING STRATEGIES

Promoting Cross-industry Collaboration to Generate IP Values and to Achieve Highly-efficient Marketing

Upon the arrival of the era of consumption upgrade and knowledge-based economy, mainland consumers are attaching more and more importance to the values unleashed as a result of the craving of knowledge. During the year under review, the Group made use of IP value creation as the entry point to further strengthen its cross-industry collaboration with business partners such as Tencent's WeBank, the e-commerce platform ffan.com, Maichang, the social media software in, and financial institutions and banks, etc. to draw the business closer to consumers' hearts. These collaborations were effective in achieving highly-efficient yet low-cost marketing. During the year under review, the Group's headquarters organized an array of nationwide and regionwide inter-store marketing campaigns in a progressive and orderly manner. Sales generated from the "630 Your Happiest Day in the Year", "New Year's Eve" and "24th Anniversary Joyous Celebration" campaigns recorded double-digit growth year-on-year, illustrating that clearly-set themes and contents, together with prior cooperation and communication with suppliers and business partners, were effective in enhancing the efficiency of such campaigns.

In addition to seeking cross-industry collaboration, the Group has also been proactively maintaining its self-owned online resources. Riding on its WeChat and Weibo's fan base of over four million, the Group launched a brand new shopping module – "NWDS Flash Sales" – on its WeChat official account during the year under review. Using the stores in Beijing and Shanghai as pilots, a selection of highly popular items in limited quantities were featured for flash sales during the periods of "Double 11" and "March 8 Women's Festival". Free delivery was also offered to form a closed mobile commerce loop to satisfy the needs for online shopping of NWDS' customers. By offering the convenience of online shopping, the Group developed stronger affinity amongst consumers. The Group also made effective use of online activities and promotions to bring online customers to the offline, which resulted in the associated transactions at the stores, thereby actualizing digital marketing.

Fostering Membership Digitization and Closer Member Relations Management To Shape Better Member Experience

During the year under review, the Group continued to put forward its membership digitization process. In September 2016, the Group launched a new customer relationship management system called "Customers – Members – Fans" ("CMF") using WeChat as the main interface. To register as basic member level "Customers", users only need to scan a QR code or follow the WeChat official account of any NWDS' stores to enter the system, and key in their China cell phone number. The system segregates customers into three categories, namely "Customers – Members – Fans". By capturing and using real customer data relating to their personal, activity, brand and transaction attributes, the Group can master their consumer behaviors. Going forward, the Group will enhance in-system functions to foster a complete digitization of member relations management, providing members with more convenient and efficient services.

As for member relations management, the Group organized more experience-related VIP activities during the year under review, such as VIP Outdoor Hiking and VIP Cultural Day Out, on top of VIP Pampering Banquets, VIP Day, VIP Specialty Salon and other signature member-only activities. For instance, 12 "Ba Li Chun Tian" branded stores in Shanghai joined up with Shanghai K11 Art Mall to host the annual VIP gratitude dinner "Rendezvous at the Peach Garden", inviting members to enjoy the global debut of Vivienne Westwood exhibition in dialogue with Chinese contemporary art entitled "Vivienne Westwood: GET A LIFE!", providing members with the most fashionable and culturally-enriched privileges.

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EXPANSION STRATEGIES

Setting Up Three Radiation Circles for Steady Business Expansion

The Group's business reforms and improved operational efficiency have laid a strong foundation for its further development. In future, the Group will continue to adopt the expansion strategies of "multiple presences within a single city" and "radiation city", putting the development focus on the Greater Shanghai, Greater Beijing, Greater South Western Regions and expand the radiation circle of the said areas. Meanwhile, the Group will further strengthen the merchandising resources in Lanzhou, Xi'an, etc., and develop the northwest area in a timely manner. In terms of the mode of investment, the Group will conduct an objective and comprehensive market evaluation when creating a new pipeline project. This will enable the Group to make a mindful decision on the business district and the operations model when entering into the market. The Group will mainly establish new projects in an asset-light approach through the means of renting, forming joint ventures and setting up managed stores. To provide a better reserve of resources for the Group's long-term development, high quality assets will be acquired at the right time.

During the year under review, the Group opened a managed store in Yibin City of Sichuan Province with a total GFA of about 27,000 sq.m. Introducing over 100 well-known local and foreign brands, Yibin Store also possesses the biggest children's product category in the city to offer customers a diverse and quality merchandise and service portfolio. At present, the Group is putting forward three pipeline projects: the Tongliang Project in Chongqing City, a managed store with a total GFA of about 26,200 sq.m. which will be a themed department store located in a 120,000 square-meter commercial complex; the Shenyang Nanjing Street Branch Store Phase I Redevelopment Project and the Shenyang Nanjing Street Branch Store Phase II Project will be combined to form a large-scale department store with a total GFA close to 52,000 sq.m. upon their completion.

OUTLOOK

2016 was an eventful year for international politics and economics. Britain is to leave the European Union after the Brexit referendum; Donald Trump won the U.S. presidential election and the U.S. Federal Reserve kicked off the interest rate hike cycle. These uncertainties brought impact to the international financial market and global trade, resulting in decelerated growth in the world economy. Yet, the global economy gradually steered away from its six-year in low gear since the end of 2016, showing signs of steady and moderate recovery in the first half of 2017. Global industrial production, trade and investment picked up their pace in growth, while inflation remained relatively low. The mild rebound was more evident in developed countries. Meanwhile, the financial market has been generally favorable throughout the first half of 2017. The MSCI All Country World Index indicated a 11.0% growth in the global stock market in the first half of the year. The Asian market continued to stay on the upward path, with the MSCI All Country Asia ex Japan Index surging 22.4% in the first six months. While the market forecast suggests that the global economy may continue to grow at an accelerated rate in the second half of 2017, it is possible that geopolitical risks in the Middle East and the Korean Peninsula could bring instabilities to the economic landscape.

Under such challenging circumstances, the Chinese government has been actively driving structural reforms on the supply-side to facilitate economic development in an orderly manner. The GDP of China grew 6.9% in the first half of 2017, which outperformed market expectation and demonstrated obvious signs of steady expansion. The GDP growth is mainly driven by consumption in the "Troika". According to the *China Retail Industry Development Report 2016-2017* issued by the Chinese Ministry of Commerce, the sales performance of sizeable retailers has turned away from its continuous downward trend since 2011, and rebounded mildly at the end of 2016. The trend has been further confirmed during the first half of 2017, with 2,300 conventional retailers registering stronger year-on-year growth in sales. Profitability of companies has also been strengthening, reversing the negative growth of last year's. Overall, the market expects that total retail sales of consumer goods to maintain an approximate 10.0% growth in 2017.

With technological advancements and the emergence of the new normal in consumption, retailers should take the initiatives to upgrade and transform the industry, developing an operational framework which integrates online-to-offline, social media, ambience crafting, and multiple business model, so as to capitalize on the new growth points from China's consumption upgrade. As such, the General Office of the State Council released the *Opinions on Promoting the Innovation and Transformation of the Offline Retail Sector* at the end of 2016, which encourages retailers to adjust their business structures and to pursue innovative development. Concurrently, the government will expedite industrial reforms through the means of promoting cross-industry integration, optimizing the business environment and strengthening policy support. To further unleash domestic consumption and stimulate spending, the Chinese government is gradually launching a number of measures relating to promoting steady growth in consumption, optimizing regional development landscape and driving new urbanization with the aim to cement the role of consumption as a major pillar to support overall economic development. As the consumption industries in China continue to grow and upgrade, there is vast room for development in the sector. Added with the policy support from the government and the innovative initiatives of retailers, the Group remains cautiously optimistic in China's retail industry.

DIRECTORS' PROFILE

Chairman and
Non-executive Director
Dr. Cheng Kar-shun, Henry, *GBM, GBS*
Aged 70

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 and executive director of New World Development Company Limited, a substantial shareholder of the Company, the chairman and an executive director of NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and a non-executive director of Newton Resources Ltd and FSE Engineering Holdings Limited, the vice-chairman and non-executive director of i-CABLE Communications Limited, an independent non-executive director of HKR International Limited and Hang Seng Bank Limited, a non-executive director of SJM Holdings Limited, all being listed public companies in Hong Kong. He is the chairman and the managing director of New World China Land Limited, a listed public company in Hong Kong, until its delisting on 4 August 2016. He was the chairman and an executive director of International Entertainment Corporation, a listed public company in Hong Kong, up to his resignation on 10 June 2017, and a non-executive director of Lifestyle International Holdings Limited, a listed public company in Hong Kong, up to his retirement on 4 May 2015. 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 of the Company. 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. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2001 and 2017 respectively. Dr. Cheng is the father of Dr. Cheng Chi-kong, Adrian, an executive Director.

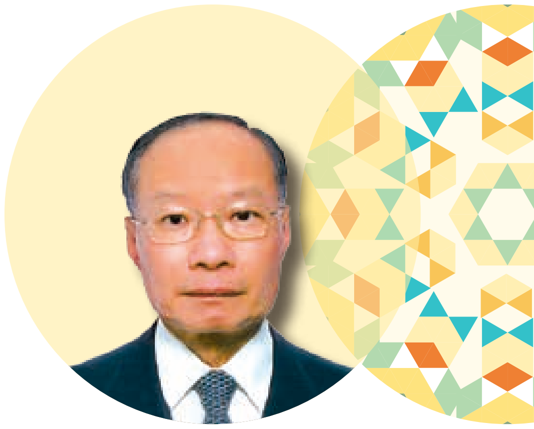
Executive Director
Dr. Cheng Chi-kong, Adrian, *JP*
Aged 37

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 of the Company. Dr. Cheng joined the Group in 2007 and is responsible for overseeing the corporate affairs of the Group. He is an executive vice-chairman and general manager of New World Development Company Limited, a substantial shareholder of the Company, an executive director of Chow Tai Fook Jewellery Group Limited and a non-executive director of each of Giordano International Limited and i-CABLE Communications Limited, all being listed public companies in Hong Kong. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was a non-executive vice-chairman of Modern Media Holdings Limited up to his resignation on 26 August 2017 and an executive director of International Entertainment Corporation up to his resignation with effect from 10 June 2017. Dr. Cheng is also a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both of which are substantial shareholders of the Company. He 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 a member of Board of the West Kowloon Cultural District Authority. He has substantial experience in corporate finance and worked in a major international bank prior to joining New World Development Company Limited. Dr. Cheng holds a Bachelor of Arts Degree *(cum laude)* from Harvard University and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. Dr. Cheng is the son of Dr. Cheng Kar-shun, Henry, Chairman.

DIRECTORS' PROFILE

Executive Director
Mr. Cheung Fai-yet, Philip
Aged 62

has been an executive Director since June 2007. He is also a member of the executive committee and the remuneration committee of the Company and a director of a number of the subsidiaries of the Company. He was the Managing Director, up to his resignation on 17 March 2017. Mr. Cheung joined the Group in 1993 and has been responsible for the overall management of the Group. He has over 40 years of experience in the retail industry and possesses extensive experience in managing retailing stores in the PRC, Hong Kong and Taiwan. Prior to joining the Group, Mr. Cheung has held various senior management positions in large retail groups in Hong Kong and Taiwan including 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.



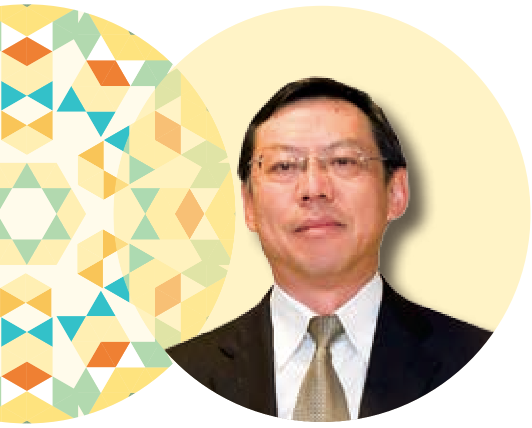
Non-executive Director
Mr. Au Tak-cheong
Aged 65

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 is a director of certain subsidiaries of New World Development Company Limited and possesses over 30 years of experience in finance and accounting and treasury.

Non-executive Director
Ms. Ngan Man-ying, Lynda
Aged 51

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 was an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. She has over 30 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.

DIRECTORS' PROFILE



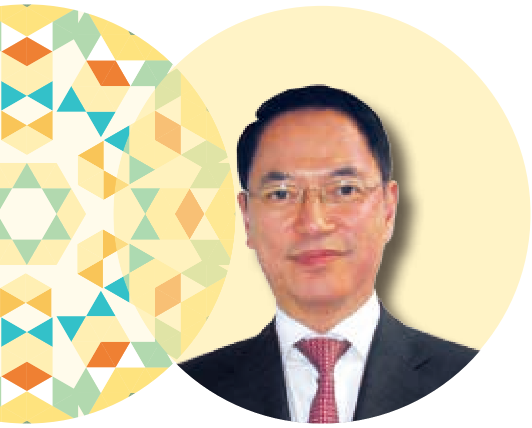
Independent Non-executive Director

Mr. Cheong Ying-chew, Henry

Aged 69

has been an independent non-executive Director since June 2007. He is also a member of the audit committee and the remuneration committee of the Company. 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 CK Infrastructure Holdings Limited (formerly known as "Cheung Kong Infrastructure Holdings Limited"), CK Asset Holdings Limited (formerly known as "Cheung Kong Property Holdings Limited"), CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, Skyworth Digital Holdings Limited and TOM Group 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 each of CK Hutchison Holdings Limited, Cheung Kong (Holdings) Limited, the listing status on The Stock Exchange of Hong Kong Limited of which was replaced by CK Hutchison Holdings Limited on 18 March 2015, and Kirin Group Holdings Limited (formerly known as "Creative Energy Solutions Holdings Limited"). Mr. Cheong was also previously a member of each of the Securities and Futures Appeals Tribunal and the Advisory Committee of the Securities and Futures Commission.



Independent Non-executive Director

Mr. Chan Yiu-tong, Ivan

Aged 63

has been an independent non-executive Director since June 2007. He is also the chairman of the audit committee of the Company and a member of the remuneration committee of the Company. 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.

DIRECTORS' PROFILE

Independent Non-executive Director

Mr. Tong Hang-chan, Peter

Aged 72

has been an independent non-executive Director since June 2007. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and the nomination committee of the Company. 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 55

has been an independent non-executive Director since June 2007. He is also the chairman of the nomination committee of the Company and a member of the audit committee and the remuneration committee of the Company. He has over 30 years of experience in the financial industry. Mr. Yu was also an independent non-executive director of Jun Yang Financial Holdings Limited (formerly known as "Jun Yang Solar Power Investments Limited"). He is the founder, and was the chairman and executive director of China Smartpay Group Holdings Limited (formerly known as "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 the "Board") of New World Department Store China Limited (the "Company"), together with its subsidiaries (the "Group"), recognises the importance of corporate governance practices to a listed company. The Company is committed to ensuring high standards of corporate governance in the interest of the shareholders (the "Shareholders") and stakeholders of the Company.

The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). During the year ended 30 June 2017, 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 2017.

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, two executive Directors and four independent non-executive Directors. Their names, biographical details and respective relationships with other Directors are set out on pages 30 to 33 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 2017.

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)*	1/4	1/1	0/1
Mr. Au Tak-cheong	4/4	1/1	1/1
Ms. Ngan Man-ying, Lynda	4/4	1/1	0/1
Executive Directors			
Dr. Cheng Chi-kong, Adrian	4/4	1/1	0/1
Mr. Cheung Fai-yet, Philip	4/4	1/1	1/1
Independent non-executive Directors			
Mr. Cheong Ying-chew, Henry	4/4	1/1	1/1
Mr. Chan Yiu-tong, Ivan	4/4	1/1	1/1
Mr. Tong Hang-chan, Peter	4/4	1/1	1/1
Mr. Yu Chun-fai	4/4	1/1	1/1

THE ROLES OF THE CHAIRMAN, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

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 ("Mr. Cheung"), 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. Mr. Cheung has resigned as the Managing Director with effect from 17 March 2017. Following the resignation of Mr. Cheung as the Managing Director, Mr. Niu Wei, David has been appointed as the chief executive officer of the Company (the "Chief Executive Officer") with effect from 17 March 2017, and 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.

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 and Mr. Niu Wei, David. Dr. Cheng Chi-kong, Adrian is the chairman of the Executive Committee. The Executive Committee meets as when necessary.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established with written terms of reference being revised with the effect from 1 July 2016 and 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, risk management 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 twice a year to discuss any issues from the audit and any matters the external auditor may wish to raise.

During the year, the Audit Committee reviewed with auditor of the Company the audited consolidated financial statements for the year ended 30 June 2016 and the unaudited interim financial information for the six months ended 31 December 2016 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 consolidated financial statements for the year ended 30 June 2017 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 2017.

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 risk management and internal controls, including the process used to resolve material internal control defects for any significant problems, are carried out appropriately and functioning as intended. The 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. 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 2017, the Remuneration Committee met two times to review the remuneration policy for Directors and the Group, assessing performance of executive Directors and approving terms of executive Directors' service contracts. The Remuneration Committee is to determine, with delegated responsibility, 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 or 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 2017 are set out in note 11 to the consolidated financial statements.

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

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

NOMINATION COMMITTEE

The 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 2017, the Nomination Committee met once. Taking into account of the Company's own operation model and specific needs, the members of the Nomination Committee considered that the experience and diversity of perspectives of the Board appropriate to the requirements of the Company's business.

CORPORATE GOVERNANCE REPORT

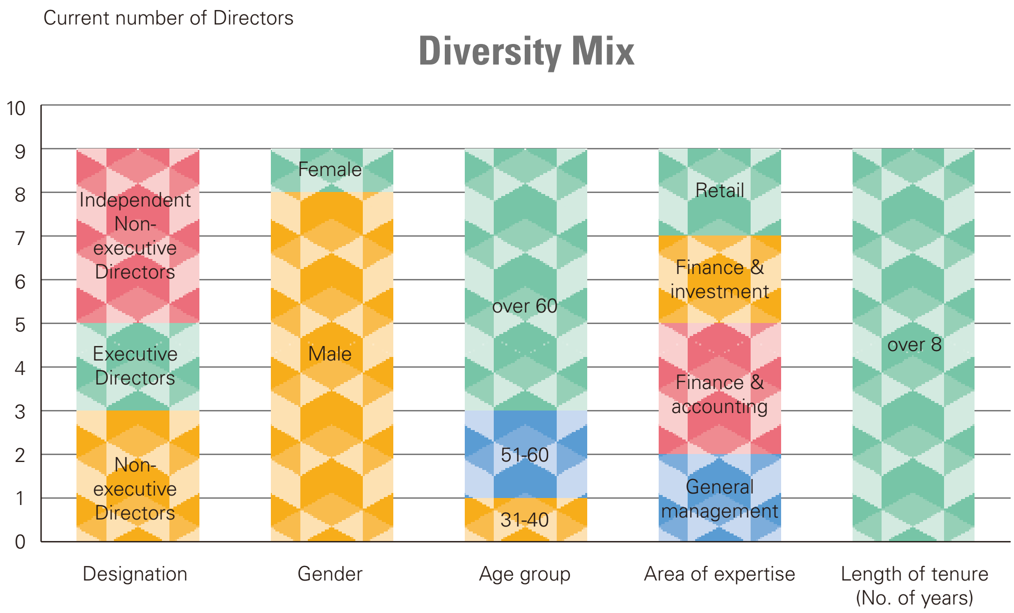
During the year, the members' attendance of the meetings of the Nomination Committee is set out as follows:

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 REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

DIRECTORS' TRAINING

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries and they may seek independent professional advice and consultation when necessary. To enhance proper and up-to-date understanding of the Company's operations and business, legal and other regulatory requirements and appropriate emphasis on the roles, functions and duties of Directors, the Company has arranged seminars and 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	✓
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"). The scheme has expired on 12 June 2017, no new share option scheme has been adopted thereafter. In addition, all Directors are covered by appropriate insurance on Directors' liabilities from their risk exposure arising from the management of the Group.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

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

CORPORATE GOVERNANCE REPORT

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 60 to 65 of this annual report.

The Board has overall responsibility for the Group's system of risk management and 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 and are to identify key risks. The Board, through the Audit Committee, conducted review regarding accounting, risk management and internal control system of the Group on an on-going basis. In the year under review, the Audit Committee and the Board had also reviewed the Group's financial and operational aspects to ensure that effective and reasonable measures were in place.

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

DISSEMINATION OF INSIDE INFORMATION

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

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 2017, the Directors had:

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

2. selected and applied consistently appropriate accounting policies; and

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

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an employee of the Company. Her responsibilities include advising the board on governance matters. The Board has access to the advice and services of the Company Secretary at all times. During the year ended 30 June 2017, 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.

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

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

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

NWDS recognizes the importance of maintaining effective communication with Shareholders and investors. The Group is committed to fostering its communication with existing and prospect investors through effective investor relations management, so as to deepen their understanding of NWDS' operations, to concretely protect the legal rights of investors, and to establish a positive image of the Group in the capital market.

CORPORATE GOVERNANCE REPORT

Since the Group was listed on the Main Board of the Stock Exchange in July 2007, the Investor Relations team formed by senior management executives has been actively engaging local and overseas institutional investors and analysts on the Group's latest developments through face-to-face meetings, teleconferences, store visits, as well as investor conferences. During the year under review, the Group took part in up to 73 relevant investor meetings and events, including Morgan Stanley Fifteenth Annual Asia Pacific Summit, Macquarie Greater China Conference, Daiwa Consumer and Gaming Conference 2017, DBS Vickers Pulse of Asia Conference, and Morgan Stanley Third Annual China Summit. The Group's Investor Relations team organized briefing sessions with analysts and investors after annual results and interim results announcement, and proactively elaborated on the Group's financial position and business performance to analysts and investment institutes. During the year under review, securities research organizations such as Macquarie Securities, Cinda International and Daiwa Capital Markets published research reports on the Group.

The Group attaches great importance to maintaining corporate transparency. As such, it set up the Information Disclosure Committee in 2012 and formulated internal procedures to disclose the Group's information in a fair manner. To ensure that Shareholders and investors have timely access to the Group's information, the Group set up "Investors" and "Corporate Sustainability" sections on its corporate website www.nwds.com.hk, where the latest financial reports, sustainability reports, announcements, circulars, press releases and presentations are available to provide a fuller picture regarding the Group's financial and operational conditions.

Going forward, the Group will uphold its long-standing vision and commitment to create long-term values for the Shareholders in a wide spectrum. The Group's Investor Relations team will continue to act in accordance with the best interests of the Shareholders and to promote seamless communication with Shareholders and investors to win the trust and confidence of market participants.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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

AUDITORS' REMUNERATION

Fees for auditing services amounted to approximately HK$5,640,000 and fees for non-auditing services, including primarily interim review, accounting, tax advisory and other related services, amounted to approximately HK$2,106,000.

GROUP HONORS

Since listed on the Main Board of the Stock Exchange in 2007, the Group has been striving to keep its stakeholders well-informed of its financial condition, business performance and sustainability progress by publishing quality reports with innovative design and transparent disclosure. During the year under review, the Group's annual reports and sustainability reports made widely-recognized achievements and garnered over 20 international and industry awards.

FY2015 AND FY2016 ANNUAL REPORTS

2016 Galaxy Awards

- Copywriting: Annual Report – Asia
  Silver Award

Mercury 2016/2017 Awards

- Annual Reports – Overall Presentation: Department Store
  Gold Award
- Annual Reports – Cover Design: Drawings/Illustrations
  Bronze Award

Astrid 2017 Awards

- Annual Reports – Covers: Artistic
  Honors Award

2017 International ARC Awards

- Interior Design in Retail: Convenience & Dept. Stores
  Silver Award

LACP 2016 Vision Awards Annual Report Competition

- Annual Report: Retailing – Multi-line Retail
  Platinum Award
- Annual Report: Consumer Services – Other
  Gold Award
- Annual Report: 2016 Most Engaging Report Worldwide
  Bronze Award
- Annual Report: 2016 Most Engaging Report in the Asia-Pacific Region
  Gold Award
- Top 100 Annual Reports Worldwide
- Top 80 Annual Reports in the Asia-Pacific Region
- Top 40 Chinese Annual Reports of 2016

FY2015 AND FY2016 SUSTAINABILITY REPORTS

2016 Galaxy Awards

- Annual Reports – Print: Retail – Department Store
  Gold Award
- Annual Reports – Print: Sustainability Report
  Bronze Award

Mercury 2016/2017 Awards

- Annual Reports – Overall Presentation:
  CSR – Corp. Social Responsibility Report
  Honors Award

Astrid 2017 Awards

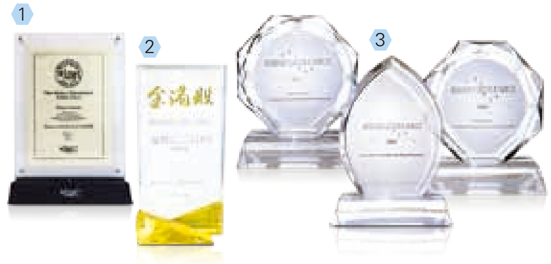
- Annual Reports – Covers: Illustrations
  Bronze Award

LACP 2016 Vision Awards Annual Report Competition

- Sustainability Reports: Retailing – Multi-line Retail
  Gold Award
- Sustainability Reports: Consumer Services – Other
  Gold Award
- Sustainability Reports: 2016 Most Engaging Report Worldwide
  Bronze Award
- Sustainability Reports: 2016 Most Engaging Report in the Asia-Pacific Region
  Gold Award
- Top 100 Sustainability Reports Worldwide
- Top 80 Sustainability Reports in the Asia-Pacific Region
- Top 40 Chinese Sustainability Reports of 2016

GROUP HONORS

In addition to the report-related awards, the Group has made persistent efforts on investor relations, community services, environmental protection, and staff benefits and development to ensure its balanced development, so as to live up to Shareholders' and society's expectations. During the year under review, the Group received 16 honors in recognition of its outstanding performance in investor relations and sustainable development.



INVESTOR RELATIONS

1. Gold Award in the category of "Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" in "*The Asset* Corporate Awards 2016"
2. "Most Socially Responsible Listed Company" in the 2016 "Golden Hong Kong Stocks Awards"
3. "Best Investor Relations Company (Hong Kong)" and "Best Investor Relations Professional (Hong Kong)" in the "7th Asian Excellence Recognition Awards"

ENVIRONMENTAL PROTECTION

1. "Green Office" Label and the UNMDG's "Better World Company" Label in the "Green Office Awards Labelling Scheme"
2. "Basic Level" Energywi$e Certificate in the "Energywi$e Certificate" scheme under the "Hong Kong Green Organisation Certification"
3. "Hong Kong Green Organisation" certificate under the "Hong Kong Green Organisation Certification"

COMMUNITY SERVICES

1. "Bronze Award for Volunteer Service" by the Social Welfare Department
2. "Corporate Volunteer – Certificate of Appreciation" by the Hong Kong Family Welfare Society
3. "Hong Kong Community Volunteers (Corporate Member) Certificate of Appreciation" by the Agency for Volunteer Service
4. "2016/17 Business for Sustainability Logo" by The Hong Kong Council of Social Service
5. "2016/17 5 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service
6. "Corporate Citizenship Logo" in the categories of "Enterprise" and "Volunteer" respectively in the "7th Hong Kong Outstanding Corporate Citizenship Award"

STAFF BENEFITS AND DEVELOPMENT

1. "2016 China's Best Corporate University" in the Awards Ceremony of the "Chinese Corporate University Rankings"
2. "2016 CCFA Retail Innovation Award" in the "CCFA Retail Innovation Award"
3. "2016 CCFA Top 10 Corporate Universities" in the "CCFA Top 10 Corporate Universities"
4. "Family-Friendly Employer" and "Special Mention (Gold)" in the "2015/16 Family-Friendly Employers Award Scheme"

CONTENTS

FINANCIAL SECTION

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in department store and other related businesses, and property investment operations in the PRC. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 30 June 2017 are set out in the consolidated income statement on page 66 of this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement, Management Discussion & Analysis, Corporate Governance Report, Report of the Directors and Risk Factors sections of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion & Analysis section on pages 14 to 29 of this annual report. In addition, discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out in "Sustainability Report 2017" (a standalone report) to be published around December 2017.

PROPOSAL FOR THE PRIVATIZATION OF THE COMPANY BY OFFEROR AND PROPOSED WITHDRAWAL OF LISTING

On 6 June 2017, the board of directors of the Company and New World Development Company Limited (the "Offeror") jointly announced that UBS AG Hong Kong Branch, on behalf of the Offeror, intended to make a voluntary conditional cash offer to acquire all the issued shares of the Company (other than those already held by the Offeror) (the "Offer"), a proposal which, if became unconditional, would result in the Company being privatized by the Offeror and the withdrawal of listing of the Company's shares on the Stock Exchange. It was a condition of the Offer that the Offeror must have received a prescribed level of acceptances by the specified closing date before the Offer could become unconditional. As such acceptance level condition was not satisfied by the specified closing date, the Offer has not become unconditional and lapsed on 28 August 2017. The shares of the Company remains listed on the Stock Exchange. Reference is made to the related announcements dated 6 June 2017, 26 June 2017, 18 July 2017, 26 July 2017, 1 August 2017, 15 August 2017 and 28 August 2017 respectively and the related composite offer and response document despatched to the Shareholders on 27 June 2017.

FINAL DIVIDEND

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2017 (2016: nil).

SHARES/DEBENTURES ISSUED

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

EQUITY-LINKED AGREEMENTS

Save as share option scheme of the Company disclosed in this annual report, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2017, amounted to HK$1,975.2 million (2016: HK$2,002.9 million).

FIVE-YEAR FINANCIAL SUMMARY

Financial summary for the years ended 30 June 2013 to 2017 are set out on page 132.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$138,000 (2016: approximately HK$339,000).

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 *(note 1)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Note 1: Mr. Cheung Fai-yet, Philip resigned as the Managing Director with effect from 17 March 2017.

In accordance with articles 87(1) and 87(2) of the Articles, Mr. Cheung Fai-yet, Philip, 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 risk management and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal control and the financial statements for the year ended 30 June 2017 and discussed those related matters with the management.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

NON-EXECUTIVE DIRECTORS

Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong have respectively renewed a service contract with the Company for a fixed term from 1 July 2016 to 30 June 2019, whereas Ms. Ngan Man-ying, Lynda has renewed a service contract with the Company for a fixed term from 1 July 2017 to 30 June 2020, unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any law, requirement, rules, regulations, practices and/or direction under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

EXECUTIVE DIRECTORS

Dr. Cheng Chi-kong, Adrian and Mr. Cheung Fai-yet, Philip have respectively renewed a service contract with the Company for a fixed term from 1 July 2017 to 30 June 2020, unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any law, requirements, rules, regulations, practices and/or direction under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai have respectively renewed a service contract with the Company for a fixed term from 1 July 2016 to 30 June 2019 unless terminated by either party by one month prior written notice or any other period mutually agreed with the Board provided that such mutually agreed period shall not exceed 12 months or automatically terminated immediately upon ceasing to be a Director in accordance with (i) the Articles; (ii) the Companies Ordinance (Cap. 622, the Laws of Hong Kong); or (iii) any law, requirements, rules, regulations, practices and/or direction under the Listing Rules. They are subject to retirement by rotation in accordance with the Articles.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company, its parent company or any of its subsidiaries or its fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2017 or at any time during the year.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, no Director had interests in the 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 according to the Listing Rules.

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 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 expiring on 30 June 2017 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 "Leasing Transactions"). Subject to compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter. The Master Leasing Agreement, the relevant transactions and the relevant annual caps were approved at an extraordinary general meeting of the Company held on 23 June 2014. The Master Leasing Agreement was renewed for three years commencing on 1 July 2017 and subject to the annual caps not exceeding RMB355,660,000, RMB373,178,000 and RMB384,374,000, respectively (the "New Leasing Annual Caps"). The renewal of the Master Leasing Agreement, the relevant transactions and the New Leasing Annual Caps were approved at an extraordinary general meeting of the Company held on 25 May 2017.

The aggregate consideration under the Master Leasing Agreement was approximately RMB249,243,000 (2016: approximately RMB275,604,000) 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 Master Leasing Agreement constitute continuing connected transactions of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

B. MASTER CONCESSIONAIRE COUNTER AGREEMENT

On 22 March 2012, the Company and Chow Tai Fook Jewellery Group Limited ("CTFJ" and its subsidiaries "CTFJ Group") entered into a master concessionaire counter agreement (the "Master Concessionaire Counter Agreement") commencing on 24 April 2012 up to and including 30 June 2014 in relation to all existing and future transactions between members of the Group and members of the CTFJ Group arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to, the Group or at which the Group operates its business, as contemplated under the Master Concessionaire Counter Agreement. Subject to the compliance with, including the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years thereafter. The Master Concessionaire Counter Agreement, the relevant transactions and the relevant annual caps were approved at an extraordinary general meeting of the Company held on 23 June 2014. 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. The Master Concessionaire Counter Agreement was renewed for a further term of three years commencing on 1 July 2017 and subject to the annual caps not exceeding RMB129,551,000, RMB135,912,000 and RMB159,902,000 respectively (the "New Concessionaire Annual Caps"). The renewal of the Master Concessionaire Counter Agreement, the relevant transactions and the New Concessionaire Annual Caps were approved at an extraordinary general meeting of the Company held on 25 May 2017.

The aggregate consideration under the Master Concessionaire Counter Agreement was approximately RMB59,327,000 (2016: approximately RMB63,201,000) 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 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 joint venture(s) jointly controlled by CTF and New World China Land Limited ("NWCL") ("N/C JVs") from the Group (the "Sales Transaction"); 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 JVs to the Group (the "Purchase Transaction"), 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 Master Sales Agreement, the relevant transactions and the relevant annual caps were approved at an extraordinary general meeting of the Company held on 23 June 2014. The Master Sales Agreement was automatically renewed upon the expiry of its initial term on 30 June 2017 for a further term of three years commencing from 1 July 2017 subject to the annual caps less than HK$3,000,000 for each of the three years ending 30 June 2020 respectively.

CONNECTED TRANSACTIONS (continued)

C. MASTER SALES AGREEMENT (continued)

The aggregate consideration under the Master Sales Agreement in respect of the Sales Transaction and the Purchase Transaction was approximately RMB2,414,000 and approximately RMB24,000 respectively (2016: approximately RMB3,022,000 and approximately RMB43,000 respectively) 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 Master Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

D. MASTER SERVICES AGREEMENT

On 11 April 2014, the Company and Mr. Doo Wai-hoi ("Mr. Doo") entered into a master services agreement (the "Former 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 his controlled companies (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 (collectively, the "Services"), to be provided by relevant members of the Services Group to the relevant members of the Group during the term of the Former 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 Former Master Services Agreement will be automatically renewed for a successive period of three years thereafter.

On 20 November 2015, Mr. Doo and the Company agreed to enter into a supplemental agreement (the "Former Supplemental Agreement") to the Former Master Services Agreement, with FSE Engineering Holdings Limited ("FSE Engineering") and FSE Management Company Limited ("FSE Management") join in as parties, as a definitive agreement to better reflect the provision and receipt of the abovementioned operational and rental services by FSE Engineering and FSE Management, both of which are members of the Services Group.

On 10 April 2017, Mr. Doo, the Company, FSE Engineering and FSE Management entered into the termination agreement pursuant to which the parties agree to terminate the Former Master Services Agreement (as amended and supplemented by the Former Supplemental Agreement) upon the Master Services Agreement (as defined hereinbelow) becoming effective on 1 July 2017. Accordingly, Mr. Doo and the Company agree to enter into the master services agreement in respect of all existing and future transactions between members of the Group and members of the Services Group regarding the provision of Services by members of the Services Group to members of the Group, and vice versa contemplated under the master services agreement (the "Master Services Agreement"). The Master Services Agreement is commencing on 1 July 2017 up to and including 30 June 2020 and subject to the annual caps for each of the three financial years ending 30 June 2020 RMB60,458,000, RMB80,401,000 and RMB80,470,000 respectively.

The aggregate consideration under the Former Master Services Agreement was approximately RMB4,547,000 (2016: approximately RMB1,466,000) 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 Master Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

E. TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTION

On 2 May 2017, Shanghai New World Trendy Plaza Co., Ltd. ("Trendy Plaza"), an indirect subsidiary of the Company, entered into the termination agreement with Shanghai Ramada Plaza Ltd., an indirect subsidiary of NWD ("Ramada") (the "Termination Agreement") for termination of the lease agreement dated 15 October 2001 and the supplementary lease agreements dated 26 July 2005, 20 June 2006 and 1 December 2006 entered into between Trendy Plaza and Fung Seng Estate Development (Shanghai) Co., Ltd. ("Fung Seng"), and the supplementary lease agreement dated 28 November 2011 entered into between Trendy Plaza and Ramada in respect of the leasing of the portions of the Lower Ground levels one to three and the Upper Ground levels one to three, Shanghai Ramada Plaza, 823 Changning Road, Changning District, Shanghai, the PRC, with an aggregate GFA of 20,797 sq.m., for a term of twenty years (the "Lease Agreement"), pursuant to which Trendy Plaza and Ramada agreed to terminate the Lease Agreement with effect from 31 July 2017. A total sum of RMB38,000,000 is payable by Ramada to Trendy Plaza as compensation payment for the early termination of the Lease Agreement.

Ramada is an indirect subsidiary of NWD. NWD is a substantial shareholder of the Company. As such, Ramada is a connected person of the Company under the Listing Rules. The transaction under the Termination Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

F. ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

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

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

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 36 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 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code were as follows:

(A) LONG POSITIONS IN SHARES

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
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	0.78
	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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SECURITIES (continued)

(B) LONG POSITIONS IN UNDERLYING SHARES – SHARE OPTIONS

i. 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 2016	Adjusted during the year	Granted during the year	Exercised during the year	Balance as at 30 June 2017	Exercise price per share HK$
Dr. Cheng Kar-shun, Henry	10 June 2016	(1)	10,675,637	–	–	–	10,675,637	7.540
Dr. Cheng Chi-kong, Adrian	9 March 2016	(2)	4,500,000	–	–	–	4,500,000	7.200
	10 June 2016	(1)	3,736,471	–	–	–	3,736,471	7.540
Mr. Au Tak-cheong	22 January 2014	(3)	532,982	–	–	–	532,982	9.756
	10 June 2016	(1)	1,346,693	–	–	(330,000)	1,016,693	7.540
			20,791,783	–	–	(330,000)	20,461,783	

Notes:

(1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(2) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

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

(4) The cash consideration paid by each of the above Directors 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)

ii. NWS Holdings Limited

Under the share option scheme of a fellow subsidiary, NWS Holdings Limited ("NWSH"), the undermentioned Director has personal interests in share options to subscribe for shares of NWSH. Certain details of the share options of NWSH held by him during the year were as follows:

			Number of share options held					
Name	**Date of grant**	**Exercisable period** (Note)	**Balance as at 1 July 2016**	**Granted during the year**	**Adjusted during the year[2]**	**Lapsed during the year**	**Balance as at 30 June 2017**	**Exercise price per share[2]** HK$
Dr. Cheng Kar-shun, Henry	9 March 2015	(1)	7,412,058	–	8,681	–	7,420,739	14.120
			7,412,058	–	8,681	–	7,420,739	

Notes:

(1) *60% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.*

(2) *NWSH declared final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016, both 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$14.137 to HK$14.126 on 29 December 2016 and further to HK$14.120 on 15 May 2017.*

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

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2017, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")(1)	Controlled corporation	Corporate interest	1,218,900,000	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 81.03% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.*

(4) *CTFH holds 100% direct interest in 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 2017, the interests or short positions of persons (other than the Directors or chief executives 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, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV 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 Company has not been notified of any other person (other than the Directors or chief executives of the Company) who, as at 30 June 2017, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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 the total number of issued shares of the Company as at the date of this annual report	No share option has been granted or was outstanding during the year under the Scheme up to the date of this report. The Company may grant share options to subscribe for 162,520,000 shares of the Company, representing approximately 9.64% of the total number of issued shares of the Company as at 11 June 2017. The Scheme has expired on 12 June 2017, and no new share option scheme has been adopted thereafter.
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% of the relevant class of securities of the Company in issue.

REPORT OF THE DIRECTORS

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.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2017, the total number of employees of the Group was 4,964 (31 December 2016: 4,820). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

ACQUISITION AND DISPOSAL

The Group did not have any significant acquisition and disposal for the year ended 30 June 2017.

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

Reference is made to the announcement of the Company dated 29 August 2017 and 8 September 2017 in relation to the public float of the Company. As disclosed in the mentioned announcements, upon the lapse of the Offer, the Offeror and parties acting in concert with the Offeror (within the meaning as ascribed to it under The Codes on Takeovers and Mergers and Share Buybacks), held an aggregate of 1,275,888,000 shares of the Company, representing approximately 75.67% of the issued share capital of the Company, and the minimum public float requirement of 25.0% under Rule 8.08(1)(a) of the Listing Rules was not satisfied upon the lapse of the Offer. An application was made by the Company to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules (the "Waiver"). On 7 September 2017, the Stock Exchange granted the Waiver to the Company for a period of two months from 28 August 2017 to 27 October 2017. As at the latest practicable date prior to the issue of the annual report, the minimum public float requirement of 25.0% under Rule 8.08(1)(a) of the Listing Rule was not satisfied. Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate pursuant to the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's revenue were attributed by the Group's five largest customers and approximately 3% of the Group's revenue was attributed by the Group's largest customers and less than 40% of the Group's total purchases were attributed by the Group's five largest direct sales suppliers and approximately 10% 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% or more of the total number of issued shares of the Company as at 30 June 2017 or any of their respective associates held any interest in any of the five largest suppliers of the Group.

AUDITOR

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

On behalf of the Board

Cheng Kar-shun, Henry
Chairman

Hong Kong, 20 September 2017

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of New World Department Store China Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 131, which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

INDEPENDENCE

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

羅兵咸永道

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

KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment and goodwill Refer to note 4, note 7, note 15 and note 18 to the consolidated financial statements. As at 30 June 2017, the Group had property, plant and equipment of HK$1,278 million and goodwill of HK$1,464 million allocated to cash generating units of the department store business. An impairment loss of property, plant and equipment of HK$50 million was accounted for under "Other losses, net" in the consolidated income statement. Management has performed an impairment assessment of property, plant and equipment and goodwill allocated to cash generating units of the department store business. We focus on this area because the assessment required significant management judgement and estimates with respect to revenue growth rates and gross margin ratios within the forecast period, long term growth rate and discount rate applied to the cash flow forecasts.	Our procedures in relation to management's impairment assessment of property, plant and equipment and goodwill allocated to cash generating units of the department store business included: • Assessing the discounted cash flow valuation methodology used by management to estimate recoverable amount; • Evaluating the process by which management's future cash flow forecasts were prepared; • Comparing historical actual results to those budgeted to assess the quality of management's forecast; • Reconciling input data to the budgets approved by management; • Evaluating the key assumptions used in the calculations, comprising revenue growth rates, gross margin ratios, long term growth rate and discount rate based on knowledge of the business and industry; and • Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes individually would result in impairment of property, plant and equipment or goodwill.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	We found the impairment assessment of property, plant and equipment and goodwill to be supportable based on the available evidence.
Valuation of investment properties Refer to note 4 and note 16 to the consolidated financial statements. The Group's investment properties amounted to HK$4,528 million as at 30 June 2017. A fair value loss on investment properties of HK$7 million was accounted for under "Changes in fair value of investment properties" in the consolidated income statement. Management engaged an independent external valuer who adopted the income approach to estimate the fair value of the Group's investment properties. The valuation of investment properties is an area of our audit focus as the valuation involves significant estimate including capitalisation rates and rental rates used by the external valuer and management.	Our procedures in relation to management's valuation of investment properties included: • Assessing the competence, capabilities and objectivity of management's external valuer; • Assessing the valuation methodologies used by the external valuer and management to estimate the fair value of investment properties; • Evaluating the key assumptions used in the valuation, particularly the capitalisation rates and rental rates by comparing prevailing market rents adopted by the external valuer to recent lettings of the underlying investment properties or other comparable properties; and • Sample testing the accuracy of the input data used by the external valuer by agreeing the input data such as rental income and lease terms to the relevant contracts and correspondence held by the Group. We found the methodology and key assumptions used by management in the valuation of investment properties to be supportable based on available evidence.

pwc

羅兵咸永道

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

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

羅兵咸永道

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chu Ho Kwan, Raphael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 September 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**3,484,322**	3,659,896
Other income	6	**192,758**	170,424
Other losses, net	7	**(76,920)**	(25,164)
Changes in fair value of investment properties	16	**(6,591)**	(25,437)
Purchases of and changes in inventories, net		**(788,333)**	(756,036)
Employee benefit expense	10	**(623,154)**	(633,223)
Depreciation and amortisation		**(261,492)**	(300,730)
Operating lease rental expense		**(1,051,935)**	(1,163,895)
Other operating expenses, net	8	**(590,814)**	(716,135)
Operating profit		**277,841**	209,700
Finance income		**36,364**	67,240
Finance costs		**(24,069)**	(38,031)
Finance income, net	9	**12,295**	29,209
		290,136	238,909
Share of results of associated companies	19	**416**	(130)
Profit before income tax		**290,552**	238,779
Income tax expense	12	**(162,263)**	(193,381)
Profit for the year		**128,289**	45,398
Attributable to:			
Shareholders of the Company		**128,611**	45,643
Non-controlling interests		**(322)**	(245)
		128,289	45,398
Earnings per share attributable to shareholders of the Company for the year (expressed in HK$ per share)			
– Basic and diluted	14	**0.08**	0.03

The notes on pages 74 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	128,289	45,398
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value loss on equity instrument at fair value through other comprehensive income	(16,376)	–
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	1,826	20,113
– Deferred income tax thereof	(456)	(5,028)
	(15,006)	15,085
Items that may be reclassified subsequently to profit or loss		
Fair value loss of available-for-sale financial asset	–	(4,399)
Translation differences	(98,462)	(405,776)
	(98,462)	(410,175)
Other comprehensive income for the year, net of tax	(113,468)	(395,090)
Total comprehensive income for the year	14,821	(349,692)
Attributable to:		
Shareholders of the Company	15,147	(349,454)
Non-controlling interests	(326)	(238)
	14,821	(349,692)

The notes on pages 74 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**1,278,071**	1,482,758
Investment properties	16	**4,528,348**	4,567,522
Land use rights	17	**627,466**	671,759
Intangible assets	18	**1,718,333**	1,748,725
Interests in associated companies	19	**1,619**	361
Other non-current assets	20	**627,848**	616,336
Prepayments, deposits and other receivables	21	**291,264**	332,816
Financial asset at fair value through other comprehensive income	22	**19,331**	–
Available-for-sale financial asset	22	**–**	35,893
Financial asset at fair value through profit or loss	23	**4,695**	9,040
Deferred income tax assets	33	**134,713**	150,866
		9,231,688	9,616,076
Current assets			
Inventories	24	**221,332**	231,117
Debtors	25	**106,053**	114,183
Prepayments, deposits and other receivables	21	**525,352**	542,733
Amounts due from fellow subsidiaries	26	**4,069**	2,842
Amounts due from related companies	26	**106**	2,210
Fixed deposits	27	**132,621**	39,269
Cash and cash equivalents	28	**2,003,676**	1,163,409
		2,993,209	2,095,763
Total assets		**12,224,897**	11,711,839
Equity and liabilities			
Equity			
Share capital	29	**168,615**	168,615
Reserves	30	**5,759,367**	5,744,224
Shareholders' funds		**5,927,982**	5,912,839
Non-controlling interests		**(48)**	(4)
Total equity		**5,927,934**	5,912,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
Liabilities			
Non-current liabilities			
Accruals and other payables	34	**497,866**	527,499
Obligation under finance leases	31	**31**	47
Borrowings	32	**298,851**	385,965
Deferred income tax liabilities	33	**835,143**	856,502
		1,631,891	1,770,013
Current liabilities			
Creditors	34	**1,752,963**	1,950,241
Accruals and other payables	34	**1,319,239**	1,363,069
Amounts due to fellow subsidiaries	26	**10,733**	6,735
Amounts due to related companies	26	**23,611**	12,163
Amounts due to associated companies	26	**687**	477
Obligation under finance leases	31	**16**	16
Borrowings	32	**1,467,932**	609,687
Financial liability at fair value through profit or loss	23	**912**	–
Tax payable		**88,979**	86,603
		4,665,072	4,028,991
Total liabilities		**6,296,963**	5,799,004
Total equity and liabilities		**12,224,897**	11,711,839

The consolidated financial statements on pages 66 to 131 were approved by the Board of Directors on 20 September 2017 and were signed on its behalf

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

The notes on pages 74 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2016	168,615	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,912,839	(4)	5,912,835
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	128,611	128,611	(322)	128,289
Other comprehensive income											
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	–	–	1,826	–	–	–	–	–	1,826	–	1,826
– Deferred income tax thereof	–	–	(456)	–	–	–	–	–	(456)	–	(456)
Fair value loss on equity instrument at fair value through other comprehensive income	–	–	–	–	–	(16,376)	–	–	(16,376)	–	(16,376)
Translation differences	–	–	–	–	–	–	(98,462)	–	(98,462)	(4)	(98,466)
Total comprehensive income for the year ended 30 June 2017	–	–	1,370	–	–	(16,376)	(98,462)	128,611	15,143	(326)	14,817
Transactions with owners											
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	282	282
Transfer to statutory reserve	–	–	–	–	23,382	–	–	(23,382)	–	–	–
Total transactions with owners	–	–	–	–	23,382	–	–	(23,382)	–	282	282
At 30 June 2017	168,615	1,826,646	125,504	391,588	412,606	(20,775)	113,232	2,910,566	5,927,982	(48)	5,927,934

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2015	168,615	1,856,997	109,049	391,588	359,388	–	617,470	2,789,530	6,292,637	–	6,292,637
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	45,643	45,643	(245)	45,398
Other comprehensive income											
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	–	–	20,113	–	–	–	–	–	20,113	–	20,113
– Deferred income tax thereof	–	–	(5,028)	–	–	–	–	–	(5,028)	–	(5,028)
Fair value loss on available-for-sale financial asset	–	–	–	–	–	(4,399)	–	–	(4,399)	–	(4,399)
Translation differences	–	–	–	–	–	–	(405,776)	–	(405,776)	7	(405,769)
Total comprehensive income for the year ended 30 June 2016	–	–	15,085	–	–	(4,399)	(405,776)	45,643	(349,447)	(238)	(349,685)
Transactions with owners											
Final dividend relating to the year ended 30 June 2015	–	(30,351)	–	–	–	–	–	–	(30,351)	–	(30,351)
Contributions from non-controlling interests										234	234
Transfer to statutory reserve	–	–	–	–	29,836	–	–	(29,836)	–	–	–
Total transactions with owners	–	(30,351)	–	–	29,836	–	–	(29,836)	(30,351)	234	(30,117)
At 30 June 2016	168,615	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,912,839	(4)	5,912,835

The notes on pages 74 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax		**290,552**	238,779
Adjustments for:			
– Finance income		**(36,364)**	(67,240)
– Finance costs		**24,069**	38,031
– Amortisation of operating rights		**266**	290
– Amortisation of land use rights		**22,521**	26,285
– Depreciation of property, plant and equipment		**238,705**	274,155
– Changes in fair value of investment properties		**6,591**	25,437
– Loss on disposal of property, plant and equipment		**2,417**	4,330
– Impairment loss on property, plant and equipment		**49,808**	30,146
– Reversal of inventory write-down, net		**(8,596)**	(2)
– Provision for doubtful debts, net		**6,591**	2,187
– Impairment loss on prepayments, deposits and other receivables		**19,653**	–
– Fair value loss/(gain) on financial asset or liability at fair value through profit or loss		**5,042**	(9,312)
– Share of results of associated companies		**(416)**	130
– Net foreign exchange differences		**24,168**	48,123
Operating profit before working capital changes		**645,007**	611,339
Changes in:			
Inventories		**14,331**	(15,992)
Debtors		**(500)**	(25,163)
Prepayments, deposits and other receivables		**21,218**	58,916
Creditors		**(161,793)**	(51,407)
Accruals and other payables		**(44,240)**	(94,123)
Amounts due from/to fellow subsidiaries		**(2,207)**	29,209
Amounts due from/to related companies		**18,581**	159
Amounts due to associated companies		**(636)**	–
Cash generated from operations		**489,761**	512,938
Mainland China tax paid		**(159,950)**	(153,576)
Net cash from operating activities		**329,811**	359,362

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Additions to investment properties		(21,029)	(46,709)
Additions to property, plant and equipment		(148,984)	(155,279)
Net proceeds on disposal of property, plant and equipment		16,970	13,997
Increase in fixed deposits		(92,960)	(14,188)
Interest received		35,132	74,692
Purchase of available-for-sale financial asset		–	(39,466)
Additions to other non-current assets		–	(308,222)
Net cash used in investing activities		(210,871)	(475,175)
Cash flows from financing activities			
Drawdown of bank borrowings		993,962	338,428
Repayment of bank borrowings		(720,941)	(992,565)
Drawdown of shareholder loans		500,000	–
Finance costs paid		(38,290)	(43,871)
Dividends paid		–	(30,351)
Net cash from/(used in) financing activities		734,731	(728,359)
Net increase/(decrease) in cash and cash equivalents		853,671	(844,172)
Cash and cash equivalents at beginning of the year		1,163,409	2,089,111
Effect of foreign exchange rate changes		(13,404)	(81,530)
Cash and cash equivalents at end of the year	28	2,003,676	1,163,409

The notes on pages 74 to 131 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 other retail related businesses, and property investment operations in Mainland China.

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 September 2017.

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 2017 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, financial asset at fair value through other comprehensive income and financial asset and liability at fair value through profit or loss, which are carried at fair value.

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

At 30 June 2017, the Group's current liabilities exceeded its current assets by approximately HK$1,671,863,000 (2016: HK$1,933,228,000). 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

In the current year, the Group has adopted the following new or revised standards and amendments to standards, if applicable, which are mandatory for the accounting period beginning on 1 July 2016:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

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

The following new or revised standards, amendments to existing standards and interpretation are mandatory for the accounting periods beginning on or after 1 July 2017 which the Group has not early adopted:

Effective for the year ending 30 June 2018:

Amendments to HKFRS 4	Insurance Contracts
Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes
Annual Improvements Project	Annual Improvements 2014-2016 Cycle

Effective for the year ending 30 June 2019:

HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfer of Investment Properties
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

Effective for the year ending 30 June 2020:

HKFRS 16	Leases
HK (IFRIC) 23	Uncertainty over Income Tax Treatments

Effective date to be determined:

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

HKFRS 15, "Revenue from Contracts with Customers"

HKFRS 15 replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related interpretations on revenue recognition. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 "Leases", and related interpretations. HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statement of financial position for lessees.

2.2 CHANGE IN ACCOUNTING POLICIES

The Company has elected to early adopt HKFRS 9 (2014) "Financial Instruments" because this new accounting standard provides more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows of the Group. As allowed in the transitional provisions in HKFRS 9 (2014), comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 9. HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments: Disclosures".

The impact of the adoption of HKFRS 9 is shown as follows:

(a) Classification and measurement of financial assets and liabilities

At the date of initial application of HKFRS 9 (1 July 2016), the Company's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets and liabilities into the appropriate HKFRS 9 categories.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 CHANGE IN ACCOUNTING POLICIES (continued)

(a) Classification and measurement of financial assets and liabilities (continued)

There were no changes to the carrying amount of the financial assets and liabilities through transition. The classification and measurement policy under HKFRS 9 had been disclosed in note 2.11. The main effects resulting from this reclassification are as follows:

	Measurement category		Carrying amounts reclassified
	Original (HKAS 39)	New (HKFRS 9)	HK$'000
Non-current financial assets			
Deposits and other receivables*	Amortised cost	Amortised cost	234,229
Equity securities	Available-for-sale financial asset	Fair value through other comprehensive income ("FVOCI")	35,893
Indemnification in connection with the acquisition of a subsidiary	Fair value through profit or loss ("FVPL")	FVPL	9,040
Current financial assets			
Debtors*	Amortised cost	Amortised cost	114,183
Deposits and other receivables*	Amortised cost	Amortised cost	361,333
Amounts due from fellow subsidiaries*	Amortised cost	Amortised cost	2,842
Amounts due from related companies*	Amortised cost	Amortised cost	2,210
Fixed deposits*	Amortised cost	Amortised cost	39,269
Cash and cash equivalents*	Amortised cost	Amortised cost	1,163,409
Non-current financial liabilities			
Borrowings	Amortised cost	Amortised cost	385,965
Current financial liabilities			
Creditors	Amortised cost	Amortised cost	1,950,241
Other payables	Amortised cost	Amortised cost	808,187
Amounts due to fellow subsidiaries	Amortised cost	Amortised cost	6,735
Amounts due to related companies	Amortised cost	Amortised cost	12,163
Amounts due to associated companies	Amortised cost	Amortised cost	477
Borrowings	Amortised cost	Amortised cost	609,687

* Financial assets originally classified as loans and receivables under HKAS 39.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 CHANGE IN ACCOUNTING POLICIES (continued)

(a) Classification and measurement of financial assets and liabilities (continued)

For the investment in equity securities previously classified as available-for-sale financial asset, the Group elected to present its change in fair value in other comprehensive income. As a result, the investment was reclassified from available-for-sale financial asset to financial asset at FVOCI, and accumulated fair value loss was reclassified from investment revaluation reserve to FVOCI reserve on 1 July 2016. There is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these investments.

(b) Impairment of financial assets

Financial assets were subject to the new expected credit loss model prescribed by HKFRS 9. The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets carried at amortised cost, except for cash in hand.

For financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 July 2016, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for doubtful debts account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

For debtors, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all debtors. The management performed a detailed assessment of expected credit losses on the date of initial application of HKFRS 9. There was no impact of the change in impairment methodology on the Group’s impairment allowance and its equity.

2.3 SUBSIDIARIES

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 SUBSIDIARIES (continued)

(i) Consolidation (continued)

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.9).

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

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

(ii) Separate financial statements

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

2.4 ASSOCIATED COMPANIES

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of result 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 interest 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 results of associated companies' in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.4 ASSOCIATED COMPANIES (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associated company. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of the associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 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 and chief executive officer of the Company that makes strategic decisions.

2.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.7 INVESTMENT PROPERTIES

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. 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 consolidated income statement.

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 consolidated income statement.

2.8 LAND USE RIGHTS

All lands in Mainland China are 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 except for those accounted as investment properties, which are amortised over the lease periods using the straight-line method.

2.9 INTANGIBLE ASSETS

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity in the acquiree over the fair value of the identifiable net assets acquired.

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

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

(ii) Operating rights

Operating right primarily resulted from the acquisition of right to operate distribution and retailing of fashion apparels and accessories business. Separately acquired operating rights are shown at historical cost. Operating rights acquired in a business combination are recognised at fair value at the acquisition date. Operating rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of operating rights over their estimated useful lives.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.10 IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, INTERESTS IN ASSOCIATED COMPANIES AND NON-FINANCIAL ASSETS

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

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

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

Accounting policies applied from 1 July 2016

(a) Classification

Debt instruments

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

- those to be measured at amortised cost;
- FVOCI; and
- FVPL.

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

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

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

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Accounting policies applied from 1 July 2016 (Continued)

(a) Classification (Continued)

Debt instruments (Continued)

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

Debtors, deposits and other receivables, amounts due from fellow subsidiaries and related companies, fixed deposits, cash and cash equivalents are classified as at amortised cost.

Equity instruments

Investment in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at FVPL.

The Group has made an irrevocable election at initial recognition to designate the equity instruments which are not held for trading to be measured at fair value through other comprehensive income rather than profit or loss.

Other financial assets

Indemnification in connection with the acquisition of a subsidiary is classified as at FVPL.

Accounting policies applied prior to 1 July 2016

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies, which are set out in Note 2 to the consolidated financial statements for the year ended 30 June 2016 of the Company.

(b) Measurement

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

Financial assets measured at amortised cost

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

Equity investments classified as FVOCI

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Equity investments that are elected by the Group's management to be classified as FVOCI do not report impairment losses (and reversal of impairment losses) separately from other changes in fair value. Dividends from such investments continue to be recognised in profit or loss as 'other income' when the Group's right to receive payments is established.

Financial assets at FVPL

Changes in the fair value of financial assets at FVPL are recognised in profit or loss as 'other losses, net' as applicable.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 IMPAIRMENT OF FINANCIAL ASSETS

Accounting policies applied from 1 July 2016

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

For financial assets measured at amortised cost that are considered to be of low credit risk, it is assumed that no significant increase in credit risk have occurred. Thus, the impairment provision recognised during the year was limited to 12-month expected losses.

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

Accounting policies applied prior to 1 July 2016

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies, which are set out in Note 2 to the consolidated financial statements for the year ended 30 June 2016 of the Company.

2.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value to profit or loss.

2.14 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.

2.15 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.

2.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and deposits held at call with banks or with original maturity of three months or less.

2.17 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 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.

2.19 BORROWINGS

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

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

2.20 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 consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.21 CURRENT AND DEFERRED INCOME TAX

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

(i) Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.21 CURRENT AND DEFERRED INCOME TAX (continued)

(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 income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

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

(iii) Offsetting

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

2.22 EMPLOYEE BENEFITS

(i) Employee leave entitlements

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

(ii) Pension obligations

The Group makes contributions to defined contribution retirement schemes under the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme Ordinance in Hong Kong, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by payments from employees and by the Group. The Group's contributions to the defined contribution retirement schemes are expensed as incurred. Contributions are reduced by contribution forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

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

(iii) Bonus plans

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.22 EMPLOYEE BENEFITS (continued)

(iv) Termination benefits

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

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

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

2.23 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.

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

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

2.24 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.24 REVENUE RECOGNITION (continued)

Payments received in advance that are related to sales of goods not yet delivered are deferred in accruals and other payables in the consolidated statement of financial position. Revenue is recognised when goods are delivered to the customers. After expiry of prepaid stored value cards, the corresponding receipts in advance are normally recognised as income based on the Group's previous experience in forfeiture of prepaid stored value cards by customers.

2.25 GOVERNMENT GRANTS

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

2.26 FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement or capitalised as cost of qualifying assets, as applicable (Note 2.20).

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

(iii) Group companies

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

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

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

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

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

2.27 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 consolidated income statement on a straight-line basis over the periods of the lease.

The Group leases certain equipment. Leases of equipment where the Group has substantially retained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.27 LEASES (continued)

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.28 DIVIDEND DISTRIBUTION

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(a) Foreign exchange risk

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

At 30 June 2017, if HK$, EUR and USD had strengthened/weakened by 5% (2016: 5%) against the RMB with all other variables held constant, profit before income tax and capitalisation of borrowing costs for the year would have been approximately HK$43,138,000 (2016: HK$22,255,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of HK$-denominated, EUR-denominated and USD-denominated bank balances, other receivables and payables, borrowings and balances with group companies of the Group's entities of which functional currency is RMB.

At 30 June 2017, if RMB and EUR had strengthened/weakened by 5% (2016: 5%) against the HK$ with all other variables held constant, profit before income tax and capitalisation of borrowing costs for the year would have been approximately HK$3,119,000 (2016: HK$2,536,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of RMB-denominated and EUR-denominated bank balances, other receivables and payables and borrowings of the Group's entities of which functional currency is HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to USD that there are no significant foreign exchange risk with respect to the USD.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(b) Credit risk

The credit risk of the Group mainly arises from debtors, deposits and other receivables, amounts due from fellow subsidiaries and related companies, fixed deposits and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

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

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

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

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

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

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

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

For debtors related to retail sales, which are settled by credit/debit cards and guaranteed by the card issuers, no significant impairment allowance had been provided under life-time expected credit loss assessment. Management considered there was no history of default of the card issuers and also took into account of Group's view of current and forecast economic conditions that may affect the ability of the debtors to settle receivables. No single customer accounted for more than 3% (2016: 3%) of the Group's total revenue during the year.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(b) Credit risk (continued)

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

(c) Liquidity risk

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

At 30 June 2017, the Group's current liabilities exceeded its current assets by approximately HK$1,671,863,000 (2016: HK$1,933,228,000). 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.

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

	Carrying amounts HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year but within 5 years HK$'000
At 30 June 2017				
Creditors	**1,752,963**	**1,752,963**	**1,752,963**	**–**
Other payables	**859,466**	**859,466**	**859,466**	**–**
Amounts due to fellow subsidiaries	**10,733**	**10,733**	**10,733**	**–**
Amounts due to related companies	**23,611**	**23,611**	**23,611**	**–**
Amounts due to associated companies	**687**	**687**	**687**	**–**
Obligation under finance leases	**47**	**47**	**16**	**31**
Borrowings	**1,766,783**	**1,845,398**	**1,523,737**	**321,661**
Financial liability at fair value through profit or loss	**912**	**912**	**912**	**–**
At 30 June 2016				
Creditors	1,950,241	1,950,241	1,950,241	–
Other payables	808,187	808,187	808,187	–
Amounts due to fellow subsidiaries	6,735	6,735	6,735	–
Amounts due to related companies	12,163	12,163	12,163	–
Amounts due to associated companies	477	477	477	–
Obligation under finance leases	63	63	16	47
Borrowings	995,652	1,073,737	645,488	428,249

NOTES TO THE FINANCIAL STATEMENTS

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 2017 of approximately HK$132,621,000 (2016: HK$39,269,000) and approximately HK$1,333,752,000 (2016: HK$599,977,000) respectively, which are held at interest rates of ranging from 0.25% to 4.60% (2016: 0.20% to 4.25%) per annum, the Group has no significant interest-bearing assets. The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates of approximately HK$1,348,963,000 (2016: HK$995,652,000) expose the Group to cash flow interest rate risk which is partially offset by fixed deposits and short-term bank deposits. Borrowings obtained at fixed rates of approximately HK$417,820,000 (2016: HK$Nil) expose the Group to fair value interest rate risk. 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 2017, if interest rates on fixed deposits, short-term bank deposits and borrowings subject to variable rate had been 100 (2016: 100) basis points higher/lower with all other variables held constant, the Group's profit before income tax and capitalisation of borrowings cost for the year would have been approximately HK$3,004,000 (2016: HK$3,602,000) lower/higher. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

(e) Price risk

The Group is exposed to equity securities price risk arising from the listed equity investment held by the Group. Gains and losses arising from changes in the fair value of financial asset at FVOCI are dealt with in equity. The performance of the Group's listed equity investment is monitored regularly.

At 30 June 2017, if the price of the listed equity investments had been 50% higher/lower with all other variables held constant, the Group's FVOCI reserve/investment revaluation reserve would have been approximately HK$9,665,000 (2016: HK$17,947,000) higher/lower, without taking into consideration the tax effects. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next twelve months.

3.2 CAPITAL RISK MANAGEMENT

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

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

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

The Group was in net cash position as at 30 June 2017 and 2016, taking into accounts its borrowings, cash and cash equivalents and fixed deposits.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 FAIR VALUE ESTIMATION

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

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

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

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

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

The following table presents the Group's financial instruments that are measured at fair value as at 30 June 2017:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial asset at fair value through other comprehensive income	**19,331**	**–**	**–**	**19,331**
Financial asset at fair value through profit or loss	**–**	**–**	**4,695**	**4,695**
	19,331	**–**	**4,695**	**24,026**
Liability				
Financial liability at fair value through profit or loss	**–**	**912**	**–**	**912**

The following table presents the Group's financial instruments that are measured at fair value as at 30 June 2016:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial asset	35,893	–	–	35,893
Financial asset at fair value through profit or loss	–	–	9,040	9,040
	35,893	–	9,040	44,933

There were no significant transfer of financial assets and financial liability between level 1, level 2 and level 3 fair value hierarchy classification. There were no changes in valuation techniques during the year.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 FAIR VALUE

Level 2 financial instrument comprises a forward currency contract. This forward currency contract has been fair valued using forward exchange rates that are quoted in an active market.

3.5 FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 financial instrument for the year ended 30 June 2017:

	Indemnification in connection with the acquisition of a subsidiary HK$'000
At 1 July 2016	9,040
Fair value loss recognised in the consolidated income statement	(4,142)
Translation difference	(203)
At 30 June 2017	4,695

3.6 GROUP'S VALUATION PROCESSES

The Group prepares and updates detailed forecasts on the business on a semi-annual basis as part of its normal operating processes. These forecasts use external market forecasts, management's evaluation of the revenue, costs and expected margins, based on past experiences, and are subject to detailed review at entity and group level.

The key unobservable assumptions used in the valuation include the projected cumulative loss under the indemnification clause in connection with the acquisition of a subsidiary and discount rate.

The projected cumulative loss is based on financial estimates of the subsidiary. The average gross margin of direct sales used to estimate the fair value is 55.3% (2016: 53.6%). The higher the projected cumulative loss is, the higher the fair value will be.

The discount rate used to compute the fair value is 30.0% (2016: 34.7%). The lower the discount rate is, the higher the fair value will be.

3.7 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

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

- Debtors
- Deposits and other receivables
- Fixed deposits
- Cash and cash equivalents
- Creditors
- Other payables
- Amounts due from/to fellow subsidiaries, related companies and associated companies
- Borrowings

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) ESTIMATED USEFUL LIVES AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of cash-generating unit is higher than its recoverable amount. Except for those cash generating units assessed under the impairment tests for goodwill, the recoverable amount of cash-generating units is determined based on value in use calculation. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business. The details are set out in Note 15.

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

(c) PROVISION FOR INVENTORIES

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required. The details are set out in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) PROVISION FOR IMPAIRMENT OF DEBTORS

The Group makes provision for impairment of debtors based on an assessment of the recoverability of these receivables. Provisions are applied to debtors where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of debtors requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed. The details are set out in Note 25.

(e) IMPAIRMENT OF GOODWILL

The Group tests annually and whenever there is an indication that the unit may be impaired whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on fair value less costs of disposal calculations. These calculations require the use of estimates which are subject to change of economic environment in future. The details are set out in Note 18.

(f) RECOGNITION OF DEFERRED INCOME TAX ASSETS

Deferred income tax assets recognised on unused tax losses of The People's Republic of China ("PRC") subsidiaries and other deductible temporary differences involve business assumptions and projections in determining the estimated future taxable profits available against which tax losses and other deductible temporary differences can be utilised before they expire, if applicable. Where the final tax outcome of these profits different from the amounts that were initially recorded, such differences will impact the deferred income tax assets in the period in which such determination is made. The details are set out in Note 33.

5 REVENUE AND SEGMENT INFORMATION

	2017 **HK$'000**	2016 HK$'000
Commission income from concessionaire sales	**1,695,959**	1,977,219
Sales of goods – direct sales	**1,108,232**	1,002,932
Rental income	**666,694**	639,457
Management and consultancy fees	**13,437**	40,288
	3,484,322	3,659,896

The income from concessionaire sales is analysed as follows:

	2017 **HK$'000**	2016 HK$'000
Gross revenue from concessionaire sales	**9,955,619**	11,223,896
Commission income from concessionaire sales	**1,695,959**	1,977,219

5 REVENUE AND SEGMENT INFORMATION (continued)

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

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

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

	Department store and other retail related businesses HK$'000	Property investment business HK$'000	Consolidated HK$'000
For the year ended 30 June 2017			
Segment revenue	3,316,907	167,415	3,484,322
Segment results	249,170	115,814	364,984
Other losses, net	(76,794)	(126)	(76,920)
Changes in fair value of investment properties	–	(6,591)	(6,591)
Unallocated corporate expenses			(3,632)
Operating profit			277,841
Finance income			36,364
Finance costs			(24,069)
Finance income, net			12,295
			290,136
Share of results of associated companies			416
Profit before income tax			290,552
Income tax expense			(162,263)
Profit for the year			128,289

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store and other retail related businesses HK$'000	Property investment business HK$'000	Consolidated HK$'000
For the year ended 30 June 2016			
Segment revenue	3,494,906	164,990	3,659,896
Segment results	158,725	108,687	267,412
Other losses, net	(25,164)	–	(25,164)
Changes in fair value of investment properties	–	(25,437)	(25,437)
Unallocated corporate expenses			(7,111)
Operating profit			209,700
Finance income			67,240
Finance costs			(38,031)
Finance income, net			29,209
			238,909
Share of result of an associated company			(130)
Profit before income tax			238,779
Income tax expense			(193,381)
Profit for the year			45,398

5 REVENUE AND SEGMENT INFORMATION (continued)

	Department store and other retail related businesses HK$'000	Property investment business HK$'000	Consolidated HK$'000
As at 30 June 2017			
Segment assets	**6,395,670**	**5,658,282**	**12,053,952**
Interests in associated companies	**1,619**	**–**	**1,619**
Deferred income tax assets	**134,713**	**–**	**134,713**
Unallocated corporate assets:			
Cash and cash equivalents			**34,388**
Others			**225**
Total assets			**12,224,897**
For the year ended 30 June 2017			
Additions to non-current assets (Note)	**170,677**	**21,224**	**191,901**
Depreciation and amortisation	**260,048**	**1,444**	**261,492**
Impairment loss on property, plant and equipment	**49,808**	**–**	**49,808**
Impairment loss on prepayments, deposits and other receivables	**19,653**	**–**	**19,653**
As at 30 June 2016			
Segment assets	6,108,770	5,450,310	11,559,080
Interests in associated companies	361	–	361
Deferred income tax assets	150,866	–	150,866
Unallocated corporate assets:			
Cash and cash equivalents			1,300
Others			232
Total assets			11,711,839
For the year ended 30 June 2016			
Additions to non-current assets (Note)	477,937	47,158	525,095
Depreciation and amortisation	298,639	2,091	300,730
Impairment loss on property, plant and equipment	30,146	–	30,146

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

NOTES TO THE FINANCIAL STATEMENTS

6 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Government grants	**18,111**	24,827
Income from suppliers	**58,227**	76,228
Compensation for termination of lease (Note 36(a)(vi))	**43,182**	15,667
Sundries	**73,238**	53,702
	192,758	170,424

7 OTHER LOSSES, NET

	2017 HK$'000	2016 HK$'000
Fair value (loss)/gain on financial asset or liability at fair value through profit or loss	**(5,042)**	9,312
Loss on disposal of property, plant and equipment	**(2,417)**	(4,330)
Impairment loss on property, plant and equipment (Note (i))	**(49,808)**	(30,146)
Impairment loss on prepayments, deposits and other receivables (Note (ii))	**(19,653)**	–
	(76,920)	(25,164)

Notes:

(i) The impairment provision was made to reflect management's latest plan for mainly three department stores (2016: one department store) in light of the latest market environment and the management's assessment on the business prospect thereof.

(ii) The impairment provision was made on prepayments, deposits and other receivables due to the temporary closure of one department store for the property renovation to be carried out by the landlord.

8 OTHER OPERATING EXPENSES, NET

	2017 HK$'000	2016 HK$'000
Water and electricity	**83,038**	129,058
Selling, promotion, advertising and related expenses	**132,987**	165,887
Cleaning, repairs and maintenance	**83,365**	91,730
Auditors' remuneration		
– Audit services	**5,640**	7,080
– Non-audit services (Note (i))	**1,902**	1,141
Net exchange losses (Note (ii))	**14,059**	62,446
Other tax expenses	**146,352**	169,974
Provision for doubtful debts, net	**6,591**	2,187
Others	**116,880**	86,632
	590,814	716,135

8 OTHER OPERATING EXPENSES, NET (continued)

Notes:

(i) The amount excluded professional fees capitalised to property, plant and equipment of approximately HK$276,000 (2016: HK$1,182,000).

(ii) The amount excluded exchange losses arising from foreign currency borrowings capitalised to other non-current assets of approximately HK$1,003,000 (2016: HK$3,140,000), which represented the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies.

9 FINANCE INCOME, NET

	2017 HK$'000	2016 HK$'000
Interest income on bank deposits	**36,364**	67,240
Interest expense on bank loans	**(42,171)**	(48,543)
Interest expense on shareholder loans	**(2,782)**	–
Less: Amount capitalised (Note)	**20,884**	10,512
	(24,069)	(38,031)
	12,295	29,209

Note:

To the extent funds are borrowed generally and used for the purpose of financing the qualifying assets, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation, including the effect of capitalisation of exchange differences (Note 8), is 3.5% (2016: 3.9%) for the year.

10 EMPLOYEE BENEFIT EXPENSE

	2017 HK$'000	2016 HK$'000
Wages, salaries and other benefits	**565,476**	569,291
Retirement benefit costs – defined contribution plans	**57,678**	63,932
	623,154	633,223

Employee benefit expense includes Directors' emoluments (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) DIRECTORS' EMOLUMENTS

The remuneration of Directors for the year ended 30 June 2017 is set out below:

Name of Directors	**As Director (Note (i)) HK$'000**	**As management (Note (ii)) HK$'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**	**4,513**	**4,663**
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**
	1,400	**4,513**	**5,913**

The remuneration of Directors for the year ended 30 June 2016 is set out below:

Name of Directors	As Director (Note (i)) HK$'000	As management (Note (ii)) HK$'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	4,946	5,096
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
	1,400	4,946	6,346

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) DIRECTORS' EMOLUMENTS (continued)

Notes:

(i) The amounts represented directors' fees paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiary undertakings.

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

(iii) No Director waived or agreed to waive any emoluments during the years ended 30 June 2017 and 2016.

(b) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

(c) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group includes one (2016: one) Director for the year ended 30 June 2017, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2016: four) individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	9,981	6,800
Discretionary bonus	1,179	965
Retirement benefit costs – defined contribution plans	173	223
	11,333	7,988

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HK$1,500,001 – HK$2,000,000	–	3
HK$2,000,001 – HK$2,500,000	3	1
HK$4,500,001 – HK$5,000,000	1	–
	4	4

NOTES TO THE FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE

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

	2017 HK$'000	2016 HK$'000
Current income tax		
– Mainland China taxation	152,696	159,277
– Under-provision in prior years	2,465	108
Deferred income tax (Note 33)		
– Undistributed retained earnings	(349)	1,819
– Other temporary differences	7,451	32,177
	162,263	193,381

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 2017 and 2016.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2016: 25%).

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

	2017 HK$'000	2016 HK$'000
Profit before income tax and share of results of associated companies	290,136	238,909
Tax calculated at applicable tax rate	72,534	59,727
Expenses not deductible for taxation purpose	34,833	39,597
Income not subject to taxation	(10,859)	(12,829)
Effect of income charged on deemed basis	(67)	(195)
Utilisation of previously unrecognised tax losses	(2,622)	(5,716)
(Recognition of previously unrecognised tax losses)/reversal of previously recognised tax losses	(5,114)	27,981
Tax losses not recognised	71,442	77,821
Under-provision in prior years	2,465	108
PRC withholding income taxes	(349)	6,887
Income tax expense	162,263	193,381

	2017	2016
Weighted average domestic applicable tax rates	25%	25%

13 DIVIDENDS

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2017 (2016: HK$Nil).

14 EARNINGS PER SHARE

(a) BASIC

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

	2017	2016
Profit attributable to shareholders of the Company (HK$'000)	**128,611**	45,643
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.08**	0.03

(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 2017 and 2016, there was no dilutive potential ordinary share.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer HK$'000	Assets under construction HK$'000	Total HK$'000
Cost									
At 1 July 2016	628,817	57,189	10,822	2,491,921	37,656	13,398	254,630	31,076	3,525,509
Translation differences	(10,215)	(653)	(139)	(25,176)	(495)	(73)	(2,537)	(536)	(39,824)
Additions	–	2,247	8	103,135	5,584	418	21,184	20,391	152,967
Disposals	(974)	(922)	(1,053)	(80,125)	(2,569)	(1,864)	(28,651)	(23)	(116,181)
Reclassification	–	–	–	5,525	–	–	9,804	(15,329)	–
Transfer to investment properties	(10,891)	–	–	(4,951)	–	–	–	–	(15,842)
At 30 June 2017	606,737	57,861	9,638	2,490,329	40,176	11,879	254,430	35,579	3,506,629
Accumulated depreciation and impairment									
At 1 July 2016	99,144	52,282	8,196	1,672,910	26,821	10,817	172,581	–	2,042,751
Translation differences	(879)	(547)	(74)	(1,020)	(52)	(16)	(940)	–	(3,528)
Charge for the year	17,748	1,779	1,044	182,537	5,743	1,096	28,758	–	238,705
Written back on disposals	(177)	(317)	(1,053)	(72,804)	(2,491)	(1,834)	(18,117)	–	(96,793)
Impairment	–	–	–	49,808	–	–	–	–	49,808
Transfer to investment properties	(1,044)	–	–	(1,341)	–	–	–	–	(2,385)
At 30 June 2017	114,792	53,197	8,113	1,830,090	30,021	10,063	182,282	–	2,228,558
Net book amount									
At 30 June 2017	491,945	4,664	1,525	660,239	10,155	1,816	72,148	35,579	1,278,071

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer HK$'000	Assets under construction HK$'000	Total HK$'000
Cost									
At 1 July 2015	738,302	59,463	11,382	2,584,061	40,899	14,533	243,366	74,799	3,766,805
Translation differences	(49,845)	(4,117)	(771)	(181,446)	(2,891)	(1,083)	(17,764)	(4,811)	(262,728)
Additions	–	1,849	1,187	114,772	1,037	439	38,344	15,715	173,343
Disposals	–	(6)	(976)	(62,501)	(1,389)	(491)	(9,316)	–	(74,679)
Reclassification	–	–	–	54,627	–	–	–	(54,627)	–
Transfer to investment properties	(59,640)	–	–	(17,592)	–	–	–	–	(77,232)
At 30 June 2016	628,817	57,189	10,822	2,491,921	37,656	13,398	254,630	31,076	3,525,509
Accumulated depreciation and impairment									
At 1 July 2015	106,120	54,548	8,230	1,605,009	25,479	10,715	162,309	–	1,972,410
Translation differences	(9,783)	(3,847)	(614)	(125,993)	(2,050)	(879)	(13,656)	–	(156,822)
Charge for the year	20,706	1,587	1,556	211,205	4,712	1,413	32,976	–	274,155
Written back on disposals	–	(6)	(976)	(44,570)	(1,320)	(432)	(9,048)	–	(56,352)
Impairment	–	–	–	30,146	–	–	–	–	30,146
Transfer to investment properties	(17,899)	–	–	(2,887)	–	–	–	–	(20,786)
At 30 June 2016	99,144	52,282	8,196	1,672,910	26,821	10,817	172,581	–	2,042,751
Net book amount									
At 30 June 2016	529,673	4,907	2,626	819,011	10,835	2,581	82,049	31,076	1,482,758

Computer includes the following amounts where the Group is a lessee under a finance lease:

	2017 HK$'000	2016 HK$'000
Capitalised finance leases		
Cost	**78**	78
Less: accumulated amortisation	**(31)**	(15)
Carrying amount	**47**	63

The Group leases the computer under non-cancellable finance lease agreement. The lease term is 5 years, and ownership of the asset lies within the Group.

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT (continued)

IMPAIRMENT TESTS FOR PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is allocated to the Group's CGUs identified. For the purpose of impairment test, except for those CGUs assessed under the impairment tests for goodwill, the recoverable amount of CGUs is determined based on value in use calculations, which uses cash flow projections based on financial estimates covering a period over the lease term, and an average pre-tax discount rate of 16.7% (2016: 14.9%) or the equivalent of a post-tax discount rate of 12.4% (2016: 12.7%).

For each of the CGUs with significant amount of property, plant and equipment, the key assumptions on gross sales revenue growth rate, gross margin and discount rate used in the value in use calculations as at 30 June 2017 and 2016 are based on management's best estimates and reflect specific risks relating to the relevant businesses.

During the year ended 30 June 2017, impairment loss of approximately HK$49,808,000 (2016: HK$30,146,000) was recognised.

If either the annual gross sales revenue growth rate had been 3% (2016: 3%) lower than management's current estimates or the discount rate had been 0.5% (2016: 1%) higher than management's current estimates, there is no material adverse impact to the consolidated financial statements.

If the gross margin had been 1% (2016: 1%) lower than management's current estimates, the profit before income tax for the year would have been approximately HK$18,334,000 (2016: HK$Nil) lower.

16 INVESTMENT PROPERTIES

	2017 **HK$'000**	2016 HK$'000
At beginning of the year	**4,567,522**	4,717,926
Translation differences	**(78,826)**	(302,748)
Additions	**21,029**	46,709
Transfer from property, plant and equipment	**12,902**	56,532
Transfer from land use rights	**12,312**	74,540
Changes in fair value charged to consolidated income statement	**(6,591)**	(25,437)
At end of the year	**4,528,348**	4,567,522

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (continued)

Amounts transferred from property, plant and equipment and land use rights to investment properties are as follows:

	2017 HK$'000	2016 HK$'000
Net book value at the date of transfer of:		
– Property, plant and equipment (Note 15)	**13,457**	56,446
– Land use rights (Note 17)	**9,931**	54,513
Revaluation gain recognised in other comprehensive income	**1,826**	20,113
	25,214	131,072
Representing fair value of investment properties transferred from:		
– Property, plant and equipment	**12,902**	56,532
– Land use rights	**12,312**	74,540
	25,214	131,072

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

	2017 HK$'000	2016 HK$'000
Rental income	**167,415**	164,990
Direct operating expenses from properties that generated rental income	**(51,696)**	(56,086)
	115,719	108,904

As at 30 June 2017, investment properties with carrying value of approximately HK$1,759,770,000 (2016: HK$1,784,795,000) is pledged to secure bank loans of the Group (Note 32).

VALUATION PROCESSES OF THE GROUP

Investment properties have been revalued as at 30 June 2017 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and as at 30 June 2016 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and BMI Appraisals 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 review 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.

16 INVESTMENT PROPERTIES (continued)

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

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

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

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

Information about fair value measurements using significant unobservable inputs:

As at 30 June 2017

Valuation technique	**Range of significant unobservable inputs**	
	Rental rates	**Capitalisation rate**
Income approach	**HK$3.7 to HK$13.1 per sq.m. per day**	**5.0% to 7.0%**

As at 30 June 2016

Valuation technique	Range of significant unobservable inputs	
	Rental rates	Capitalisation rate
Income approach	HK$2.7 to HK$13.3 per sq.m. per day	4.5% to 7.5%

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

At 30 June 2017, if the market value of investment properties had been 5% (2016: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been approximately HK$226,417,000 (2016: HK$228,376,000) higher/lower.

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:

	2017 HK$'000	2016 HK$'000
At beginning of the year	**671,759**	803,474
Translation differences	**(11,841)**	(50,917)
Transfer to investment properties	**(9,931)**	(54,513)
Amortisation	**(22,521)**	(26,285)
At end of the year	**627,466**	671,759

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	Goodwill HK$'000	Operating rights HK$'000	Total HK$'000
Cost			
At 1 July 2016	**1,748,456**	**675**	**1,749,131**
Translation differences	**(30,123)**	**(7)**	**(30,130)**
At 30 June 2017	**1,718,333**	**668**	**1,719,001**
Accumulated amortisation			
At 1 July 2016	**–**	**406**	**406**
Translation differences	**–**	**(4)**	**(4)**
Amortisation	**–**	**266**	**266**
At 30 June 2017	**–**	**668**	**668**
Net book amount			
At 30 June 2017	**1,718,333**	**–**	**1,718,333**
Cost			
At 1 July 2015	1,868,570	695	1,869,265
Translation differences	(120,114)	(20)	(120,134)
At 30 June 2016	1,748,456	675	1,749,131
Accumulated amortisation			
At 1 July 2015	–	133	133
Translation differences	–	(17)	(17)
Amortisation	–	290	290
At 30 June 2016	–	406	406
Net book amount			
At 30 June 2016	1,748,456	269	1,748,725

IMPAIRMENT TESTS FOR GOODWILL

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

	2017 HK$'000	2016 HK$'000
Shanghai Wujiaochang Branch Store	**499,078**	507,834
Shanghai Shaanxi Road Branch Store	**246,381**	250,704
Beijing Store	**238,525**	242,710
Wuhan Store	**174,417**	177,477

18 INTANGIBLE ASSETS (continued)

IMPAIRMENT TESTS FOR GOODWILL (continued)

As at 30 June 2017, goodwill allocated to CGUs of the department store business and CGUs of the property investment business was approximately HK$1,464,404,000 (2016: HK$1,490,072,000) and approximately HK$253,929,000 (2016: HK$258,384,000) respectively. For the purpose of impairment test, the recoverable amount of each CGU is determined based on fair value less costs of disposal calculations. The fair value less costs of disposal of CGUs of the department store business and CGUs of the property investment business is measured using the discounted cash flow projections and the fair value of underlying properties respectively.

The cash flow projections are based on financial estimates covering a five-year period and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The fair value estimation is included in level 3 fair value hierarchy.

No impairment loss on goodwill was recognised for the years ended 30 June 2017 and 2016.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the cash flow projections, namely average commission income rates from concessionaire sales ranging from 14.2% to 21.1% (2016: from 14.6% to 23.0%), are determined by considering both internal and external factors relating to the businesses of each CGUs; the long term growth rate of 5% (2016: 5%) is consistent with the forecast of the businesses and the discount rate of 12.4% (2016: 12.7%) is post-tax and reflects specific risks relating to the relevant businesses.

If either the annual gross sales revenue growth rate had been 3% (2016: 3%) lower than management's current estimates, the gross margin had been 1% (2016: 1%) lower than management's current estimates, the discount rate had been 0.5% (2016: 1%) higher than management's current estimates or the long term growth rate had been 2% (2016: 3%) lower than management's current estimates, there is no material adverse impact to the consolidated financial statements.

19 INTERESTS IN ASSOCIATED COMPANIES

	2017	2016
	HK$'000	HK$'000
The Group's share of net assets, unlisted	**1,619**	361

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

	2017	2016
	HK$'000	HK$'000
For the year ended 30 June		
Profit/(loss) for the year	**416**	(130)

NOTES TO THE FINANCIAL STATEMENTS

19 INTERESTS IN ASSOCIATED COMPANIES (continued)

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

	2017 HK$'000	2016 HK$'000
Revenue	**3,456**	210
Profits/(loss) for the year	**406**	(162)
Non-current assets	**1,481**	1,645
Current assets	**2,566**	823
Current liabilities	**(11,931)**	(11,769)
Net liabilities	**(7,884)**	(9,301)

The Group has not recognised losses amounting to approximately HK$10,000 (2016: HK$32,000) for Taizhou New World Department Store Co., Ltd. for the year ended 30 June 2017. The accumulated losses not recognised were approximately HK$9,950,000 (2016: HK$9,940,000).

Details of the associated companies are as follows:

Name	**Place of establishment**	**Principal activity**	**Registered capital**	**Attributable interest (%)**
Shanghai Bixin Catering Management Co., Ltd. (Note)	Mainland China	Catering	RMB1,500,000	49
Shanghai Xinqi Catering Management Co., Ltd.	Mainland China	Catering	RMB850,000	49
Taizhou New World Department Store Co., Ltd.	Mainland China	Inactive	RMB8,000,000	25

Note: The associated company was incorporated during the year ended 30 June 2017.

20 OTHER NON-CURRENT ASSETS

Balances as at 30 June 2017 and 2016 represented the following transaction:

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. (subsequently renamed as "Shenyang New World Xin Hui Properties Co., Ltd.") ("SYNWXH"), a wholly-owned subsidiary of New World Development Company Limited ("NWD") and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWXH 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 New World Department Store – 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 SYNWXH 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 2017, the balance in connection to this transaction and the costs capitalised was approximately HK$627,848,000 (2016: HK$616,336,000).

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Prepaid rent and rental deposits	**428,158**	455,339
Other tax recoverable	**151,552**	162,794
Prepaid expenses	**49,333**	57,714
Management fee receivables	**5,956**	1,725
Deposits placed for issuance of stored value cards	**199**	849
Others	**181,418**	197,128
	816,616	875,549
Less: non-current prepayments, deposits and other receivables	**(291,264)**	(332,816)
	525,352	542,733

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

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE FINANCIAL ASSET

	2017 HK$'000	2016 HK$'000
Listed securities, at fair value		
Equity securities – Korea		
– Financial asset at fair value through other comprehensive income	**19,331**	–
– Available-for-sale financial asset	**–**	35,893
	19,331	35,893

Dividends recognised during the year were of approximately HK$305,000 (2016: HK$404,000).

The financial asset was denominated in Korean Won ("WON").

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

23 FINANCIAL ASSET/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Asset		
Indemnification in connection with the acquisition of a subsidiary	**4,695**	9,040
Liability		
Forward currency contract	**912**	–

The indemnification in connection with the acquisition of a subsidiary was denominated in RMB.

The forward currency contract was entered with creditworthy banks with no recent history of default to manage the foreign exchange risk on WON. The notional principal amounts of the outstanding forward currency contracts at a forward contract rate WON1,170 to USD1 at 30 June 2017 were WON6,000,000,000 (2016: Nil).

24 INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	**221,332**	231,117

The cost of inventories recognised as expense and included in 'purchases of and changes in inventories, net' amounted to approximately HK$788,333,000 (2016: HK$756,036,000), which included reversal of inventory write-down, net of approximately HK$8,596,000 (2016: HK$2,000).

25 DEBTORS

	2017 HK$'000	2016 HK$'000
Debtors	**112,826**	132,521
Less: loss allowance provision	**(6,773)**	(18,338)
Debtors, net	**106,053**	114,183

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

	2017 HK$'000	2016 HK$'000
Within period for		
0-30 days	**65,924**	69,384
31-60 days	**19,476**	16,709
61-90 days	**4,085**	3,736
Over 90 days	**16,568**	24,354
	106,053	114,183

As at 30 June 2017, debtors of approximately HK$65,924,000 (2016: HK$69,384,000) were fully performing.

Debtors of approximately HK$40,129,000 (2016: HK$44,799,000) were past due but not impaired. The total amount includes approximately HK$19,476,000 (2016: HK$16,709,000) of less than 30 days past due, approximately HK$4,085,000 (2016: HK$3,736,000) of 31-60 days past due and approximately HK$16,568,000 (2016: HK$24,354,000) of over 60 days past due. These relate to companies for whom there is no recent history of default.

Debtors of approximately HK$7,828,000 (2016: HK$22,522,000) were impaired. The amount of the loss allowance provision was approximately HK$6,773,000 (2016: HK$18,338,000) as of 30 June 2017. The individually impaired receivables mainly relate to tenants, which are in unexpectedly difficult economic situations. Ageing of these loss allowance provision is as follows:

	2017 HK$'000	2016 HK$'000
Within period for		
0-30 days	**644**	27
31-60 days	**605**	22
61-90 days	**16**	20
Over 90 days	**5,508**	18,269
	6,773	18,338

NOTES TO THE FINANCIAL STATEMENTS

25 DEBTORS (continued)

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

	2017 HK$'000	2016 HK$'000
At beginning of the year	**18,338**	23,318
Translation differences	**(236)**	(1,564)
Provision for doubtful debts	**6,639**	2,525
Reversal of provision for doubtful debt	**(48)**	(338)
Amount written off	**(17,920)**	(5,603)
At end of the year	**6,773**	18,338

The carrying amounts of debtors approximate their fair values. The debtors were primarily denominated in RMB.

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

26 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES, RELATED COMPANIES AND ASSOCIATED COMPANIES

As at 30 June 2017 and 30 June 2016, the balances were unsecured, interest free, repayable on demand and denominated in RMB.

The carrying amounts of amounts due from/(to) fellow subsidiaries, related companies and associated companies approximate their fair values.

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

27 FIXED DEPOSITS

Fixed deposits were denominated in RMB.

The interest rates on fixed bank deposits were ranging from 1.75% to 2.30% (2016: 1.55% to 4.25%) per annum. These deposits have maturities ranging from 96 to 365 days (2016: 182 to 366 days).

NOTES TO THE FINANCIAL STATEMENTS

28 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Short-term bank deposits	**1,333,752**	599,977
Cash at bank and in hand	**669,924**	563,432
	2,003,676	1,163,409

Cash and cash equivalents were denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	**52,384**	56,769
RMB	**1,948,018**	1,102,746
Others	**3,274**	3,894
	2,003,676	1,163,409

The interest rates on short-term bank deposits was ranging from 0.25% to 4.60% (2016: 0.20% to 3.50%) per annum. These deposits have maturities ranging from 7 to 92 days (2016: 7 to 92 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.

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

29 SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each, issued and fully paid:		
At 1 July 2015, 30 June 2016 and 2017	**1,686,145**	**168,615**

NOTES TO THE FINANCIAL STATEMENTS

30 RESERVES

	Attributable to shareholders of the Company							
	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2016	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,744,224
Profit for the year	–	–	–	–	–	–	128,611	128,611
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties, net of tax	–	1,370	–	–	–	–	–	1,370
Fair value loss on equity instrument at fair value through other comprehensive income	–	–	–	–	(16,376)	–	–	(16,376)
Translation differences	–	–	–	–	–	(98,462)	–	(98,462)
Transfer to statutory reserve	–	–	–	23,382	–	–	(23,382)	–
At 30 June 2017	1,826,646	125,504	391,588	412,606	(20,775)	113,232	2,910,566	5,759,367

	Attributable to shareholders of the Company							
	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2015	1,856,997	109,049	391,588	359,388	–	617,470	2,789,530	6,124,022
Profit for the year	–	–	–	–	–	–	45,643	45,643
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties, net of tax	–	15,085	–	–	–	–	–	15,085
Fair value loss on available-for-sale financial asset	–	–	–	–	(4,399)	–	–	(4,399)
Translation differences	–	–	–	–	–	(405,776)	–	(405,776)
Final dividend relating to the year ended 30 June 2015	(30,351)	–	–	–	–	–	–	(30,351)
Transfer to statutory reserve	–	–	–	29,836	–	–	(29,836)	–
At 30 June 2016	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,744,224

Note:

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

31 OBLIGATION UNDER FINANCE LEASES

As at 30 June 2017 and 2016, the Group has leased a computer under finance lease, with a lease term of five years. None of the lease includes contingent rentals. Finance lease liabilities are effectively secured by the underlying asset as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

	2017 HK$'000	2016 HK$'000
Gross and present value of finance lease liabilities – minimum lease payments		
No later than 1 year	**16**	16
Later than 1 year and no later than 5 years	**31**	47
	47	63

As at 30 June 2017 and 2016, the finance lease of the Group carries an insignificant amount of future finance charges.

32 BORROWINGS

	2017 HK$'000	2016 HK$'000
Non-current		
Secured bank loans	**298,851**	385,965
Current		
Secured bank loans	**57,471**	23,392
Unsecured bank loans	**910,461**	586,295
Shareholder loans	**500,000**	–
	1,467,932	609,687
	1,766,783	995,652

Shareholder loans are interest-bearing at Hong Kong Interbank Offered Rate plus 0.90% per annum, unsecured and repayable within one year.

NOTES TO THE FINANCIAL STATEMENTS

32 BORROWINGS (continued)

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

	2017	2016
HK$	**2.02%**	2.07%
RMB	**5.29%**	4.68%
USD	**2.23%**	2.97%
Others	**2.57%**	2.80%

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

	2017 **HK$'000**	2016 HK$'000
HK$	**852,800**	483,052
RMB	**774,142**	414,954
USD	**5,093**	20,368
Others	**134,748**	77,278
	1,766,783	995,652

The borrowings are repayable as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**1,467,932**	609,687
In the second year	**80,460**	81,871
In the third to fifth year	**218,391**	304,094
	1,766,783	995,652

The borrowings of approximately HK$1,766,783,000 (2016: HK$995,652,000) are wholly repayable within five years.

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

	2017 **HK$'000**	2016 HK$'000
Within six months	**1,410,461**	586,295
In the seventh month to one year	**356,322**	409,357
	1,766,783	995,652

As at 30 June 2017, the bank loans of approximately HK$356,322,000 (2016: HK$409,357,000) was secured by an investment property of approximately HK$1,759,770,000 (2016: HK$1,784,795,000).

As at 30 June 2017, the Group has undrawn bank borrowing facilities and undrawn shareholder loans in aggregate of approximately HK$218,705,000 (2016: HK$119,249,000), which carry interest at floating rates and are expiring within one year.

33 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:

	2017 HK$'000	2016 HK$'000
Deferred income tax assets	**134,713**	150,866
Deferred income tax liabilities	**(835,143)**	(856,502)
	(700,430)	(705,636)

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

	2017 HK$'000	2016 HK$'000
At beginning of the year	**(705,636)**	(714,204)
Translation differences	**12,764**	47,592
Taxation charged directly to equity	**(456)**	(5,028)
Charged to consolidated income statement (Note 12)	**(7,102)**	(33,996)
At end of the year	**(700,430)**	(705,636)

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 2015	108,547	172,497	6,978	1,417	289,439
Translation differences	(5,434)	(10,524)	(493)	(79)	(16,530)
(Charged)/credited to consolidated income statement	(33,066)	(13,206)	1,511	(224)	(44,985)
At 30 June 2016	**70,047**	**148,767**	**7,996**	**1,114**	**227,924**
Translation differences	**(3,594)**	**(3,802)**	**(123)**	**(238)**	**(7,757)**
(Charged)/credited to consolidated income statement	**15,406**	**(15,424)**	**1,364**	**545**	**1,891**
At 30 June 2017	**81,859**	**129,541**	**9,237**	**1,421**	**222,058**

NOTES TO THE FINANCIAL STATEMENTS

33 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities:

	Tax depreciation HK$'000	Fair value adjustment on business combination HK$'000	Revaluation of properties HK$'000	Undistributed profits of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 July 2015	259,986	658,622	63,951	327	20,757	1,003,643
Translation differences	(16,561)	(42,282)	(3,998)	(53)	(1,228)	(64,122)
Recognised in equity	–	–	5,028	–	–	5,028
Charged/(credited) to consolidated income statement	(5,685)	(1,495)	(5,143)	1,819	(485)	(10,989)
At 30 June 2016	**237,740**	**614,845**	**59,838**	**2,093**	**19,044**	**933,560**
Translation differences	**(8,527)**	**(10,617)**	**(982)**	**(8)**	**(387)**	**(20,521)**
Recognised in equity	**–**	**–**	**456**	**–**	**–**	**456**
Charged/(credited) to consolidated income statement	**11,948**	**(1,410)**	**(2,795)**	**(349)**	**1,599**	**8,993**
At 30 June 2017	**241,161**	**602,818**	**56,517**	**1,736**	**20,256**	**922,488**

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.

As at 30 June 2017, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred income tax liabilities have not been recognised totaled approximately HK$219,058,000 (2016: HK$178,694,000), 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$358,839,000 (2016: HK$356,702,000) in respect of accumulated losses and deductible temporary differences amounting to approximately HK$1,435,356,000 (2016: HK$1,426,809,000). The accumulated losses can be carried forward against future taxable profit with expiry date of five years or indefinitely.

At 30 June 2017, if the estimated future taxable profits had been 10% (2016: 10%) lower with all other variables held constant, there is no material adverse impact to the deferred income tax assets recognised on unused tax losses and other deductible temporary differences of the Group.

NOTES TO THE FINANCIAL STATEMENTS

34 CREDITORS, ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Creditors	**1,752,963**	1,950,241
Accruals and other payables	**1,817,105**	1,890,568
	3,570,068	3,840,809
Less: non-current accruals and other payables	**(497,866)**	(527,499)
	3,072,202	3,313,310

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

	2017 HK$'000	2016 HK$'000
Within period for		
0-30 days	**1,313,017**	764,708
31-60 days	**204,890**	687,984
61-90 days	**54,055**	148,757
Over 90 days	**181,001**	348,792
	1,752,963	1,950,241

Creditors included amounts due to related companies of approximately HK$73,542,000 (2016: HK$78,162,000) which were unsecured, interest free and repayable within 90 days.

Accruals and other payable included interest payable of shareholder loans of approximately HK$2,814,000 (2016: HK$Nil).

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

	2017 HK$'000	2016 HK$'000
RMB	**3,490,932**	3,772,407
HK$	**35,936**	27,758
USD	**9,396**	8,700
Others	**33,804**	31,944
	3,570,068	3,840,809

NOTES TO THE FINANCIAL STATEMENTS

34 CREDITORS, ACCRUALS AND OTHER PAYABLES (continued)

Nature of accruals and other payables are as follows:

	2017 HK$'000	2016 HK$'000
Rental accruals	667,353	663,601
Deposits from concessionaire suppliers	383,863	371,008
Interest payable	5,100	1,241
Payables for capital expenditures	62,590	38,707
Accruals for staff costs	96,107	86,594
Valued-added taxes and other taxes payables	63,671	92,195
Utilities payables	13,745	17,785
Receipts in advance	288,800	367,504
Others	235,876	251,933
	1,817,105	1,890,568

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

35 COMMITMENTS

(A) CAPITAL COMMITMENTS

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

	2017 HK$'000	2016 HK$'000
Contracted but not provided for	104,421	116,225

(B) OPERATING LEASE COMMITMENTS

The Group's future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	818,590	814,558
In the second to fifth year	3,295,351	3,146,125
After the fifth year	3,037,324	3,536,553
	7,151,265	7,497,236

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

35 COMMITMENTS (continued)

(C) OPERATING LEASE RECEIVABLE

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

	2017 HK$'000	2016 HK$'000
Within one year	**539,482**	480,779
In the second to fifth year	**1,021,177**	1,023,305
After the fifth year	**188,939**	161,410
	1,749,598	1,665,494

36 RELATED PARTY TRANSACTIONS

(A) TRANSACTIONS WITH RELATED PARTIES

Save as those disclosed elsewhere in these consolidated financial statements, the following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

	Note	2017 HK$'000	2016 HK$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	**(45,544)**	(55,085)
Building management expenses	(ii)	**(14,146)**	(20,605)
Sales of goods, prepaid shopping cards and vouchers	(iii)	**1,858**	2,858
Purchase of goods	(iv)	**(20)**	(49)
Payments for purchase of building and land use rights	(v)	**–**	(308,322)
Compensation for termination of leases and the refurbishment and enhancement work	(vi)	**43,182**	30,120
Related companies			
Commission income from concessionaires sales	(vii)	**67,417**	76,146
Operating lease rental expenses	(i)	**(198,841)**	(228,894)
Building management expenses	(ii)	**(24,700)**	(27,469)
Sales of goods, prepaid shopping cards and vouchers	(iii)	**736**	579
Purchase of goods	(iv)	**(8)**	(3)
Rebates on prepaid shopping cards and vouchers	(viii)	**149**	204
Purchase of leasehold improvement	(ix)	**(5,057)**	(1,529)
Rental income	(x)	**160**	178
Other service fee expenses	(xi)	**(7)**	(14)

NOTES TO THE FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS (continued)

(A) TRANSACTIONS WITH RELATED PARTIES (continued)

Notes:

(i) The operating lease rental expenses are charged in accordance with respective tenancy agreements and accounted for in accordance with accounting policy of operating leases as disclosed in Note 2.27. The contingent operating lease rental expenses of the Group for the year ended 30 June 2017 were approximately HK$172,970,000 (2016: HK$199,261,000) which were related to the fellow subsidiaries and related companies.

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

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

(iv) This represents the amount paid in respect of the sale of goods by the subsidiaries and joint ventures of NWD (except the Group), and the CTFJ Group.

(v) This represents installment paid for the purchase of building and land use right as described in Note 20.

(vi) This represents the aggregate amounts of compensation received from wholly-owned subsidiaries of NWD in accordance with termination agreements dated 2 May 2017 and dated 11 December 2015 in connection with the early termination of the leases of the stores in Shanghai and Beijing respectively, compensating the Group for the related payments and the refurbishment and enhancement work made to the properties in Shanghai and Beijing of approximately HK$43,182,000 and approximately HK$30,120,000 respectively.

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

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

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

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

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

(B) RELATED PARTY BALANCES

The details for balances with related parties are disclosed in Notes 26, 32 and 34 to the consolidated financial statements.

(C) KEY MANAGEMENT COMPENSATION

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

	2017	2016
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	**17,099**	12,853
Discretionary bonus	**1,495**	1,092
Retirement benefit costs – defined contribution plans	**274**	473
	18,868	14,418

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Assets		
Non-current assets		
Investments in subsidiaries	2,026,615	2,062,170
Current assets		
Prepayments and deposits	226	232
Amounts due from subsidiaries	2,024,473	2,059,849
Cash and cash equivalents	34,388	1,300
	2,059,087	2,061,381
Total assets	4,085,702	4,123,551
Equity and liabilities		
Equity		
Share capital	168,615	168,615
Reserves (Note)	2,477,010	2,551,896
Total equity	2,645,625	2,720,511
Liabilities		
Current liabilities		
Borrowings	640,000	–
Accruals and other payables	15,449	7,668
Amounts due to subsidiaries	784,628	1,395,372
Total liabilities	1,440,077	1,403,040
Total equity and liabilities	4,085,702	4,123,551

The statement of financial position of the Company was approved by the Board of Directors on 20 September 2017 and was signed on its behalf

Dr. Cheng Kar-shun, Henry
Director

Mr. Cheung Fai-yet, Philip
Director

NOTES TO THE FINANCIAL STATEMENTS

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2016	**1,826,646**	**73,486**	**549,026**	**102,738**	**2,551,896**
Loss for the year	**–**	**–**	**–**	**(27,662)**	**(27,662)**
Translation differences	**–**	**–**	**(47,224)**	**–**	**(47,224)**
At 30 June 2017	**1,826,646**	**73,486**	**501,802**	**75,076**	**2,477,010**
At 1 July 2015	1,856,997	73,486	734,218	33,376	2,698,077
Profit for the year	–	–	–	69,362	69,362
Translation differences	–	–	(185,192)	–	(185,192)
Final dividend relating to the year ended 30 June 2015	(30,351)	–	–	–	(30,351)
At 30 June 2016	1,826,646	73,486	549,026	102,738	2,551,896

38 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are private limited liability companies and the principal subsidiaries established in Mainland China are wholly foreign owned enterprises under the PRC Law, as at 30 June 2017 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
China Sincere Limited	The British Virgin Islands	Financing/Hong Kong	US$1	100	–
New World Department Store (Investment) Limited	Hong Kong	Investment holding/ Hong Kong	HK$410,045,794	100	–
New World Department Stores Limited	Hong Kong	Provision of management services to department stores/ Hong Kong	HK$2	100	–
Jiangsu New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB16,000,000	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$150,000,000	100	–
Shanghai New World Caizi Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	RMB50,000,000	100	–
Tianjin New World Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	US$5,000,000	100	–

38 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
Wuhan New World Trendy Department Store Co., Ltd	Mainland China	Department store operation/ Mainland China	RMB80,000,000	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 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	RMB70,000,000	–	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
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
Ningbo Firm Success Consulting Development Co., Ltd.	Mainland China	Investment holding and provision of consultancy services/ Mainland China	US$5,000,000	–	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

NOTES TO THE FINANCIAL STATEMENTS

38 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
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	RMB240,000,000	–	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	RMB93,970,000	–	100
Shanghai New World Huizi Department Store Ltd.	Mainland China	Department store operation/ Mainland China	RMB5,000,000	–	100
Shanghai New World Xinying Department Store Co., Ltd.	Mainland China	Department store operation/ Mainland China	HK$100,000,000	–	100
Shanghai Nplus Catering Management Co., Ltd.	Mainland China	Catering/Mainland China	RMB16,000,000	–	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
Silver Grow Investment Limited	Hong Kong	Investment holding/Hong Kong	HK$1	–	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 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

NOTES TO THE FINANCIAL STATEMENTS

38 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid up share capital	Percentage of equity interests held directly	Percentage of equity interests held indirectly
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
Scienward Fashion and Luxury (Shanghai) Co., Ltd.	Mainland China	Fashion retailing and trading/ Mainland China	US$6,460,000	–	100
Scienward Fashion and Luxury Limited	Hong Kong	Investment holding and fashion trading/Hong Kong	HK$10,000	–	100
Scienward Sports and Casual Limited	Hong Kong	Provision of management services/Hong Kong	HK$100	–	100
Shanghai Luxba Trading Ltd.	Mainland China	Properties investment and fashion trading/Mainland China	US$7,150,000	–	100
Well Metro Group Limited	The British Virgin Islands	Investment holding/Hong Kong	US$14,000	–	100

39 ULTIMATE HOLDING COMPANY

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

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**3,484,322**	3,659,896	4,029,351	4,136,206	4,011,545
Operating profit	**277,841**	209,700	230,862	677,209	834,457
Profit for the year	**128,289**	45,398	69,741	520,525	641,503
Non-controlling interests	**(322)**	(245)	–	–	–
Profit attributable to shareholders of the Company	**128,611**	45,643	69,741	520,525	641,503

	As at 30 June				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets, liabilities and equity					
Total assets	**12,224,897**	11,711,839	13,167,078	12,678,540	12,834,265
Total liabilities	**6,296,963**	5,799,004	6,874,441	6,261,997	6,208,609
Total equity	**5,927,934**	5,912,835	6,292,637	6,416,543	6,625,656

PRINCIPAL INVESTMENT PROPERTIES SUMMARY

MAJOR COMPLETED INVESTMENT PROPERTIES IN MAINLAND CHINA

No.	Address of Investment Properties	GFA (sq.m.)	Use	Land Lease Expiry
1	Levels 1 to 6 of a commercial complex located at Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379 and 1383 North Shaanxi Road, the Ground Level located at No. 175 Changshou Road, the Ground Level located at No. 179 Changshou Road, Levels 1 to 4 located at No. 155 Changshou Road, Level 5 located at No. 157 Changshou Road and Level 6 located at No. 159 Changshou Road, Putuo District, Shanghai City – Hong Kong New World Department Store – Shanghai Shaanxi Road Branch Store	41,090	Commercial	2045
2	One commercial complex located at No. 762 Tianshan Road, Changning District, Shanghai City – Hong Kong New World Department Store – Shanghai Tianshan Road Branch Store	43,016	Commercial	2053
3	A portion of Levels 1 to 3 and Level 4 of a commercial/residential complex located at No. 57 Zijingshan Road, Guancheng District, Zhengzhou City – Zhengzhou New World Department Store	19,972	Commercial	2046
		104,078		

RISK FACTORS

The Group conducts its operations mainly in the PRC and accordingly is subject to specific considerations and certain risks. These include the following risks:

Macro-economic growth slows down. The year-on-year growth rate of GDP of 2016 was 6.7%, being the lowest in the last 26 years. That indicates the China economy has entered the new norm of maintaining steady growth against economic slowdown. Due to a relatively well-developed retail market in China, a single-digit growth rate will continue in the next few years, or even in the next decade.

Consumer demands become complicated. At present, the main consumer base in the China retail market is getting younger. Nearly one-third of the PRC population were born during the 1980s and 90s. Becoming a major consumption force, they are noted for attitude of risk-taking, fondness towards consumption, preference over themed interior designs and love for experience. These are manifested in consumption needs having emphasis on individuality and experience. As the consumption market becomes more complicated, retailers, facing bigger challenges in fund attraction, operation and innovation, are also driven to invest more to satisfy customers' expectation for experience.

New supply of retail properties in the overall China retail market is expected to grow further, intensifying homogenous competition. The 2017 market will be embracing approximately 8 million sq.m. of newly launched projects. Amongst which, about 29% of the total supply will be accounted for by the four first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, while other second-tier cities will take up about 71%. Four second-tier cities in Central Western China, being Chengdu, Chongqing, Wuhan, and Changsha, will face the test of withstanding continuous and significant increase in property supply over the next three years.

The high-cost era has arrived quietly. First of all, the demographic dividend of China has already disappeared, going forward, labor costs will rise significantly. Secondly, rental costs will go up further as a direct result of the soaring property prices during the past two years. Thirdly, the cheap raw materials and energy that have supported the accelerated growth of China in the past three decades are almost completely depleted. The increase in raw material costs will directly affect expenses incurred by department stores, such as energy consumption. Fourthly, amid the government's growing attention to social security and the environment, the social costs and environmental costs for corporations will also go up in the future.

As the online dividend of e-commerce disappears, e-commerce giants direct their attention to the offline and convenience store markets. By integrating online and offline operations, they are proactively establishing their presence in the offline retail market. In the future, versatile enterprises being capable of operating online or offline and satisfying consumers' diversified demands can easily become the big winners. Strong alliance forged through strong online and offline players will have a direct impact on the traditional retail market, as evidenced by Alibaba's investment in Intime Retail and Suning Commerce and its acquisition of Sanjiang Shopping, as well as in JD's investment in Yonghui Superstores and its collaboration with Walmart.

Retail is a labor-intensive industry and it is now becoming more and more technology-intensive. Technology is playing an increasingly important part in the survivability of the retail sector. New retail technologies introduced may substantially be categorized into two aspects. The first one involves technologies that improve service convenience and consumption experience, such as mobile payment, artificial intelligence, augmented reality/virtual reality experience, etc. The lack or delayed implementation of those technologies would impair consumer experience. The second category is applied to lift the operation and management efficiency at the corporate level, to facilitate upgrading of the supply chain, and to streamline management including mobile office, information-based application, big data, etc. Without such technologies, corporations would find it very difficult to adapt to and compete in the new landscape. The traditional retailers must thoroughly consider the premise of cost effectiveness when they adopt new technologies to meet market demands and to protect themselves from rapid market elimination.

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

Merchandise gross margin :

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

Earnings per share or EPS :

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

Net cash position : Fixed deposits + Cash and cash equivalents – Borrowings

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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P.O. Box 2681
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Causeway Bay, Hong Kong
Tel: (852) 2753 3988
Fax: (852) 2318 0884

PRINCIPAL BANKERS

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

STOCK CODE

Hong Kong Stock Exchange 825

INVESTOR INFORMATION

For more information about the Group,
please contact the Corporate Affairs Department of
New World Department Store China Limited at:
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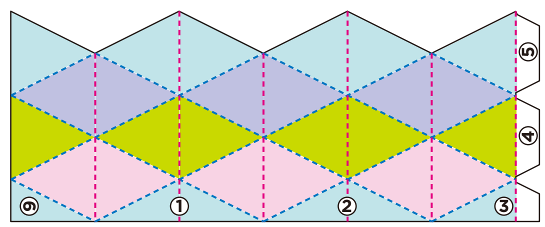
Causeway Bay, Hong Kong
Tel: (852) 2753 3988
Fax: (852) 2318 0884
e-mail: nwdscad@nwds.com.hk

WEBSITE

www.nwds.com.hk

How to make a kaleidoscope



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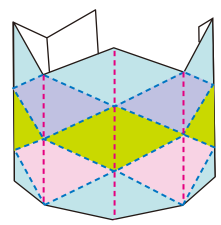

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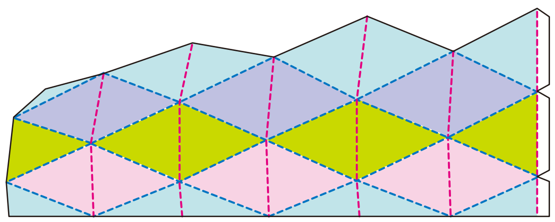
the red dotted lines (the vertical lines on
paper card)



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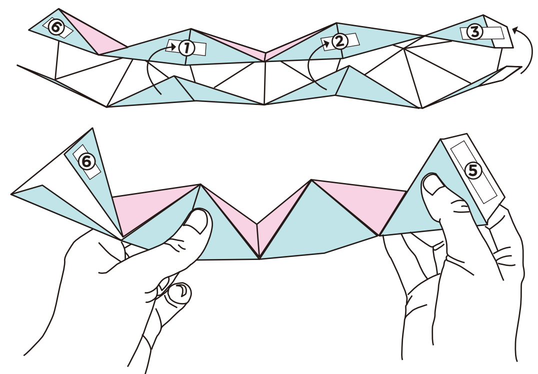
the blue dotted lines (the oblique lines on
paper card)



4
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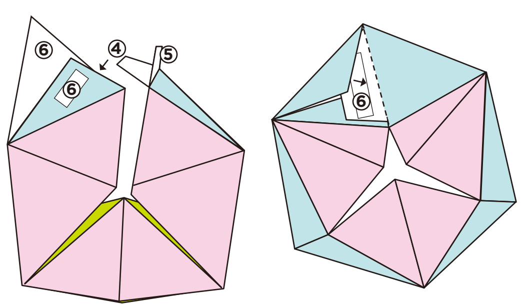
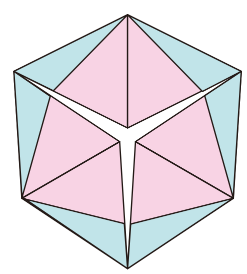
paste ①, ② and ③ respectively



6
Put the two ends together and
paste ④, ⑤ and ⑥ in sequence



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Turn it slowly and you can see various images

新世界百貨中國有限公司
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(incorporated in the Cayman Islands with limited liability)
(Hong Kong Stock Code: 825)

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