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

ANNUAL RESULTS ANNOUNCEMENT 2007/2008

HIGHLIGHTS ON ANNUAL RESULTS

Same store sales[(1)] ("SSS") growth remains strong at 25.3%.

Revenue improved to HK$1,489.3 million, an increase of 42.3%, compared to HK$1,046.9 million of the Previous Year.

Operating profit improved to HK$589.4 million, an increase of 68.0%, compared to HK$350.8 million of the Previous Year.

Profit for the year improved to HK$476.6 million, an increase of 57.4%, compared to HK$302.8 million of the Previous Year.

Proposed final dividend of approximately HK$151.8 million or HK$0.09 per share.

(1) Same store sales growth represents stores having operations for more than 2 years.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

The board of directors (the "Board" or "Directors") of New World Department Store China Limited (the "Company") is pleased to announce the audited annual results of the Company and its subsidiaries (together, the "Group") for the year ended 30 June 2008 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Revenue	3	**1,489,345**	1,046,885
Other income	4	**119,250**	32,327
Gain on fair value of financial asset at fair value through profit or loss		**3,156**	—
Purchases of and changes in inventories		**(176,575)**	(85,272)
Employee benefit expense		**(214,920)**	(147,393)
Depreciation and amortisation		**(125,620)**	(97,456)
Operating lease rental expense		**(310,079)**	(267,675)
Other operating expenses	5	**(195,163)**	(188,603)
Gain on disposal of subsidiaries		**—**	57,984
Operating profit		**589,394**	350,797
Finance income	6	**10,789**	5,300
Profit before income tax		**600,183**	356,097
Income tax expense	7	**(123,608)**	(53,332)
Profit for the year		**476,575**	302,765
Attributable to equity holders of the Company		**476,575**	302,765
Dividend	8	**151,753**	—
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
— Basic	9	**0.29**	0.25
— Diluted	9	**0.29**	N/A

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 *HK$'000*	2007 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,147,114**	563,723
Land use rights		**787,371**	168,449
Goodwill		**172,435**	—
Long-term prepaid rent and rental deposits		**37,136**	43,989
Financial assets at fair value through profit or loss	10	**60,154**	—
Deferred income tax assets		**27,133**	24,658
		2,231,343	800,819
Current assets			
Inventories		**57,472**	29,705
Debtors	11	**25,656**	19,192
Prepayments, deposits and other receivables		**257,363**	143,978
Amounts due from fellow subsidiaries		**60,969**	96,750
Fixed deposits		**790,909**	7,143
Cash and cash equivalents		**2,336,718**	960,391
		3,529,087	1,257,159
Total assets		**5,760,430**	2,057,978
Equity			
Share capital		**168,615**	6,095
Reserves		**3,786,378**	851,134
Proposed dividend		**151,753**	—
		4,106,746	857,229
Liabilities			
Non-current liabilities			
Accruals		**237,981**	163,229
Deferred income tax liabilities		**147,334**	10,577
		385,315	173,806

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2008

	Note	2008 HK$'000	2007 HK$'000
Current liabilities			
Creditors and accruals	12	**1,208,562**	949,564
Amounts due to fellow subsidiaries		**8,669**	38,368
Tax payable		**51,138**	39,011
		1,268,369	1,026,943
Total liabilities		**1,653,684**	1,200,749
Total equity and liabilities		**5,760,430**	2,057,978
Net current assets		**2,260,718**	230,216
Total assets less current liabilities		**4,492,061**	1,031,035

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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 Group is engaged in department store operations in Mainland China.

On 7 June 2007, the Company acquired the entire issued share capital of New World Department Store (Investment) Limited (formerly known as New World Department Stores (Holdings) Limited) through a share swap (the "Reorganisation") in preparation for the listing of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's shares were listed on the Stock Exchange on 12 July 2007.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 9 October 2008.

2 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

(a) New standards, amendments and interpretations have been published and are effective for the year ended 30 June 2008:

HKAS 1 Amendment	Presentation of financial statements — capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and treasury share transactions

The adoption of HKFRS 7 and the complementary amendment to HKAS 1 has resulted in new disclosures relating to financial instruments and how the Group manages its capital resources, but has no impact on the results or net assets for the year. HK(IFRIC)-Int 9, HK(IFRIC)-Int 10 and HK(IFRIC)-Int 11 have no effect on the financial statements for the year. HK(IFRIC)-Int 8 are not relevant to the Group's operations.

(b) The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2008 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKFRS 2 Amendments	Share-based payment vesting conditions and cancellations
HKFRS 3 (Revised)	Business combinations
HKFRS 8	Operating segments
HK(IFRIC)-Int 13	Customer loyalty programmes

(c) The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2008 or later periods but are not relevant to the Group's operations:

HKAS 32 and HKAS 1 Amendments	Puttable financial instruments and obligations arising on liquidation
HK (IFRIC) — Int 12	Service concession arrangements
HK (IFRIC) — Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction
HK (IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretation but is not yet in a position to state whether they would have a significant impact on its result of operations and financial position.

3 Revenue and segment information

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

	2008	2007
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**1,017,231**	759,124
Sales of goods — direct sales	**224,498**	116,591
Management fees	**165,518**	106,446
Rental income	**82,098**	64,724
	1,489,345	1,046,885

The income from concessionaire sales is analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**4,833,230**	3,576,915
Commission income from concessionaire sales	**1,017,231**	759,124

No segment analysis for business segment is presented as the Group principally operates in one business segment, which is the operation of department stores.

No segment analysis for geographical segment is presented as substantially all of the revenue, operating results, assets and liabilities are in Mainland China.

4 Other income

	2008	2007
	HK$'000	*HK$'000*
Interest income on bank deposits	**94,120**	11,851
Government grants	**8,804**	6,039
Other commission income	**6,009**	3,139
Entry fee	**—**	3,830
Sundries	**10,317**	7,468
	119,250	32,327

5 Other operating expenses

	2008	2007
	HK$'000	*HK$'000*
Water and electricity	**93,908**	78,600
Promotion, advertising and related expenses	**51,647**	48,497
Net exchange losses	**3,053**	11,277
Share-based payments	**4,125**	—
Auditor's remuneration	**3,454**	4,252
Loss on disposal of property, plant and equipment	**1,089**	113
Others	**37,887**	45,864
	195,163	188,603

6 Finance income

	2008	2007
	HK$'000	*HK$'000*
Interest income from deposits relating to share subscription under the Listing	**10,789**	—
Net exchange gains	**—**	5,300
	10,789	5,300

7 Income tax expense

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

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**1,033**	998
— Mainland China taxation	**119,972**	63,261
Over provision in prior years	**(1,885)**	(297)
Deferred income tax	**4,488**	(10,630)
	123,608	53,332

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

Mainland China enterprise income tax ("EIT") or foreign enterprise income tax ("FEIT") is provided on the basis of the profit for statutory financial reporting purpose, adjusted for income and expense items, which are not assessable or deductible for EIT or FEIT purpose. Prior to 1 January 2008, the applicable EIT or FEIT rate for the subsidiaries of the Group in Mainland China was 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax, except that Shanghai New World Liying Department Store Co., Ltd., a wholly-owned subsidiary of the Company, entitled to full tax exemption for one year starting from 1 January 2006.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China. With effect from 1 January 2008, the tax rate applicable to enterprises established in Mainland China unified at 25%, with certain grandfathering provisions and preferential provisions.

8 Dividend

No dividend had been paid or declared by the Company during the year (2007: Nil). At a meeting held on 9 October 2008, the Directors recommended a final dividend of HK$0.09 per share for the year ended 30 June 2008. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2008.

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue, a total of 1,218,900,000 ordinary shares were deemed to be in issue since 1 July 2006.

	2008	2007
Profit attributable to the equity holders of the Company (HK$'000)	**476,575**	302,765
Weighted average number of ordinary shares in issue (shares in thousands)	**1,667,773**	1,218,900
Basic earnings per share (HK$ per share)	**0.29**	0.25

(b) Diluted

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

During the year ended 30 June 2008, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options. During the year ended 30 June 2007, there were no potential dilutive ordinary shares outstanding.

10 Financial assets at fair value through profit or loss

	2008	2007
	HK$'000	*HK$'000*
Unlisted shares and investments, at fair value		
Debt securities	**60,154**	—

On 14 December 2007, Skybird International Limited, a wholly-owned subsidiary of the Company, acquired 5,000 preferred shares of Renhe Commercial Holdings Company Limited (or "Renhe") at a consideration of approximately RMB50,000,000. Renhe is an operator and developer of underground shopping centers for wholesale of apparel and accessories in Mainland China.

The financial assets at fair value through profit or loss are denominated in Renminbi.

11 Debtors

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

Aging analysis of debtors is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within period for		
0–30 days	**18,438**	19,192
31–60 days	**2,326**	—
61–90 days	**1,196**	—
Over 90 days	**3,696**	—
	25,656	19,192

12 Creditors and accruals

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

	2008	2007
	HK$'000	*HK$'000*
Within period for		
0–30 days	**341,584**	235,274
31–60 days	**271,985**	253,177
61–90 days	**74,794**	59,392
Over 90 days	**170,020**	116,015
	858,383	663,858

13 Post balance sheet events

(a) On 7 July 2008, Wuhan New Eagle Development Co., Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with a third party to acquire a building and land use rights located in Zhengzhou City at an aggregate consideration of approximately RMB307,317,000 which is subject to further adjustments.

(b) On 25 July 2008, Shenyang New World Department Store Co., Ltd., a wholly-owned subsidiary of the Company, entered into agreements with a third party to acquire a building, land use rights and right of use of carpark located in Shenyang at an aggregate consideration of approximately RMB287,540,000 which is subject to further adjustments.

14 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

BUSINESS REVIEW

In the year under review, the Group's revenue increased 42.3% from HK$1,046.9 million in FY2007 (or "the Previous Year") to HK$1,489.3 million in FY2008 (or "the Current Year"). Profit for the year grew 57.4% from HK$302.8 million in the Previous Year to HK$476.6 million in the Current Year.

Business Network

In the Current Year, the Group operated 32 department stores, with a total gross floor area ("GFA") of about 962,570 square metres and a total operating floor area ("OFA") of about 703,100 square metres. Located in six operational regions, namely Northeastern China, Northern China, Eastern China, Central China, Southwestern China and Southern China, the stores covered 18 major cities and administrative regions in the PRC. These included Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Hong Kong, Shanghai, Dalian, Kunming, Lanzhou, Xiamen, Changsha, Chongqing, Chengdu, Anshan and Nanjing. Our business network comprised 19 self-owned stores and 13 managed stores.

Revenue Contribution

By region

The Eastern China Region contributed the most to the Group's revenue during the year under review, accounting for 34.4% of total revenue, followed by the Northeastern China Region and the Central China Region, accounting for 28.5% and 23.9%, respectively.

By segment

Commission from concessionaire sales was the major type of income, accounting for 68.3% of total revenue. Proceeds from direct sales and management fees accounted for 15.1% and 11.1%, respectively. Rental income accounted for 5.5%.

New Store and Store Expansion

In the year under review, the Group opened four new stores in Anshan, Shanghai, Nanjing and Wuhan. They included the two self-owned stores of Anshan New World Department Store ("Anshan Store") and Nanjing New World Department Store ("Nanjing Store"), as well as the two managed stores of Shanghai-Hong Kong New World Department Store — Pujian Branch Store ("Shanghai Pujian Branch Store") and Wuhan New World Department Store — Xudong Branch Store ("Wuhan Xudong Branch Store"). Besides, the Group expanded the Shanghai-Hong Kong New World Department Store — Hongkou Branch Store ("Shanghai Hongkou Branch Store"), bringing its total GFA from about 15,500 square metres to about 19,600 square metres. The new stores and the expanded store together brought our total GFA to approximately 962,570 square metres, up 17.8% from the Previous Year.

Operational Regions

Northeastern China Region

During the year under review, the Northeastern China Region contributed 28.5% to the Group's revenue. We operated five self-owned stores in the region. They were Harbin New World Department Store ("Harbin Store"), Shenyang New World Department Store — Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store"), Shenyang New World Department Store — Taiyuan Street Branch Store ("Shenyang Taiyuan Street Branch Store"), Shenyang New World Department Store — Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store"), Anshan Store and one managed store, the Dalian New World Department Store ("Dalian Store"). The Northeastern China Region had a total GFA of about 167,690 square metres.

Within the year, Anshan Store was opened in October 2007, the seven-storey new store measured about 35,000 square metres in GFA, being positioned as a contemporary one-stop shopping centre within the region.

Optimizing merchandise mix to reinforce market leadership

In the Current Year, each store in the region had carried out timely strategic business re-orientation and portfolio optimization, taking into account peculiar conditions in the market, customer source and regional climate. The Group broadened market penetration by re-aligning our market positioning at middle-to-high end, from the previous middle-to-high end with high-end bias, and optimized merchandise mix to make it even more targeted, thereby extending our reach to consumer groups in different segments.

Striving to create distinctive competitive edges

The Northeastern China Region strived for breakthroughs in its promotions during the year reported. By extending promotional activities to VIP members, we had enhanced VIP card usage. Apart from the conventional promotions for VIP members, more benefits were offered to members, including the introduction of "credit card bonus for cash coupons scheme" jointly organized with local banks. The scheme allowed customers to redeem "NWDS cash coupon" with credit card bonus, which successfully attracted VIP members to patronize our stores again and hence cultivated greater customer loyalty. The total number of VIP cards and platinum VIP cards issued in the Northeastern China Region in the Current Year increased by 9.58% and 36.10%, respectively, compared with that of the Previous Year.

Eastern China Region

During the year under review, the Eastern China Region contributed 34.4% to the Group's revenue. We operated eleven stores in the region, eight of them were self-owned stores, including five self-owned stores under the "Ba Li Chun Tian" brand. These included Shanghai — Hong Kong New World Department Store — Huaihai Branch Store ("Shanghai Huaihai Branch Store"), Shanghai — Hong Kong New World Department Store — Xinning Branch Store ("Shanghai Xinning Branch Store"), Shanghai Hongkou Branch Store, Shanghai — Hong Kong New World Department Store

— Changning Branch Store ("Shanghai Changning Branch Store") and Shanghai — Hong Kong New World Department Store — Qibao Branch Store ("Shanghai Qibao Branch Store"). The three self-owned stores under the "New World" brand were Wuxi New World Department Store ("Wuxi Store"), Ningbo New World Department Store ("Ningbo Store") and Nanjing Store. In addition, we also operated three managed stores: Shanghai — Hong Kong New World Department Store — Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store"), Shanghai Pujian Branch Store and Ningbo New World Trendy Department Store ("Ningbo Trendy Store"). The Eastern China Region had a total GFA of about 265,530 square metres.

Operational efficiency rises with resource integration

Starting 1 February 2008, Shanghai Municipality was subsumed into the Eastern China Region to maximize resource deployment. In the Current Year, the Eastern China Region opened one self-owned store, namely Nanjing Store, as well as one managed store, namely Shanghai Pujian Branch Store.

Opened in September 2007, Shanghai Pujian Branch Store offered a GFA of about 46,000 square metres over six levels. As the Group's first exquisite department store in new Pudong District, Shanghai, it housed spacious flagship concessionaires and carried an apparel emphasis. Nanjing Store, opened in November 2007 with a total GFA of about 30,000 square metres over five levels, marked the Group's latest move to enter into the Jiangsu market again. Its target customer group comprised young, fashion-conscious locals. In August 2007, Shanghai Hongkou Branch Store expanded its GFA by 4,100 square metres for use by the menswear and leisure wear operations, besides enlarging the sales areas for young ladies' fashion and ladies' wear.

Creative promotion strategies bring about new shopping experience

During the year reported, stores in the Eastern China Region launched a variety of innovative promotions. Not only did they boost sales effectively, but they also turned out to be talk of the town, achieving the aim of improving store traffic, exploring potential customers and building unique store image. To increase a sense of prestige in our VIPs, stores in the region had enhanced the services at their VIP lounges and set up platinum VIP lounges that provided tailored services and facilities. The total number of VIP cards issued in the Eastern China Region increased by 6.45% and platinum VIP cards increased by 113.26% in the Current Year.

Central China Region

In the year under review, the Central China Region contributed 23.9% to the Group's revenue. We operated five self-owned stores in the region. They were Wuhan New World Department Store ("Wuhan Store"), Wuhan New World Trendy Plaza ("Wuhan Trendy Plaza"), Wuhan New World Department Store — Wuchang Branch Store ("Wuhan Wuchang Branch Store"), Wuhan New World Department Store — Qiaokou Branch Store ("Wuhan Qiaokou Branch Store") and Xiamen New World Department Store ("Xiamen Store"). The Group also operated two managed stores in the region, namely Changsha New World Trendy Plaza ("Changsha Trendy Plaza") and Wuhan Xudong Branch Store. The Central China Region had a total GFA of about 214,650 square metres.

Building trendy foothold in promising business zone

In the year reported, the Group succeeded in acquiring the rights of operation and property of Wuhan Store, our first managed store in China. Starting February 2008, the store formally changed from a managed store to a self-owned store. In January 2008, the Group opened our fifth Wuhan branch store, the Wuhan Xudong managed store. The store had a GFA of about 30,000 square metres over three levels. It offered renowned domestic and foreign brands and positioned itself at the middle-high end of the market, targeting new generations of locals aged between 24 and 40.

Ceaselessly innovating promotions

In the year reported, stores in the region held innovative, exclusive VIP events that coordinated well with media and SMS advertising. With our special offers we stimulated monthly patronage by VIP members. Through media advertising and coverage, such exclusive activities not only induced spending by VIP members, but also promoted store visit, in-store spending and membership enrolment by non-VIP customers. Within the year, membership of VIP card and platinum VIP card in the Central China Region grew by 19.67% and 67.05%, respectively, over the Previous Year.

Northern China Region

During the year under review, the Northern China Region contributed 11.1% to the Group's revenue. We operated one self-owned store called Tianjin New World Department Store ("Tianjin Store") and three managed stores, namely Beijing New World Shopping Mall ("Beijing Shopping Mall"), Beijing New World Trendy Department Store ("Beijing Trendy Store") and Lanzhou New World Department Store ("Lanzhou Store"). The Northern China Region had a total GFA of about 215,600 square metres.

Renewing public profile by re-orientating business

In the Current Year, our stores in the Northern China Region undertook major readjustments and re-orientations in store outlook and business, optimizing merchandise mix in accordance with market demand. Environment for shopping became more comfortable. Besides, more representative and bestselling brands were introduced to upgrade the profile of the product portfolio.

Adopting flexible marketing strategy to maintain market share

In view of the continuous challenges posed by our major competitors, the Northern China Region adjusted its promotion strategy and proactively expanded its business with the existing VIP basis, in order to maintain the market share of its stores. During the year under review, membership of VIP card and platinum VIP card in the Northern China Region grew by 19.93% and 56.34%, respectively, over the Previous Year.

Southwestern China Region

During the year under review, the Southwestern China Region contributed 1.7% to the Group's revenue. We operated three managed stores in the region, namely Chongqing New World Department Store ("Chongqing Store"), Chengdu New World Department Store ("Chengdu Store") and Kunming New World Department Store ("Kunming Store"). The Southwestern China Region had a total GFA of about 84,100 square metres.

In May 2008, rare massive earthquakes shook Sichuan, bringing serious destruction to the province. The two stores that the Group operated in the province emerged relatively unscathed, being located at city centres farther away from worst-hit districts. As both were managed stores, the effect on the Group's business was relatively mild. Observing government directives, Chengdu Store and Chongqing Store shut down for three days and one day, respectively, after the disaster struck.

Optimizing product portfolio to expand market share

The three stores that the Group operated in the Southwestern China Region were all managed stores, with each having a distinct market positioning. In the Current Year, they optimized merchandise mix and achieved rises in store traffic and business sales through a variety of promotions.

Focused promotions drive growth in VIP enrolment

During the year under review, stores in the Southwestern China Region actively explored opportunities to expand its main customer groups and drive growth in VIP card enrolment. The total number of VIP cards and platinum VIP cards issued in the Southwestern China Region in the Current Year increased by 25.83% and 63.64%, respectively, compared with that of the Previous Year.

FINANCIAL REVIEW

Revenue

Revenue of the Group surged to HK$1,489.3 million in FY2008 representing an increase of 42.3% from HK$1,046.9 million in FY2007. The growth primarily resulted from satisfactory performance of all sources of revenue including commission income from concessionaire sales, sales of goods for direct sales, management fees and rental income, which increased by 34.0%, 92.5%, 55.5% and 26.9% respectively from the Previous Year.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 36.9% to HK$5,057.7 million in FY2008 from HK$3,693.5 million for the Previous Year. The performance of gross sales revenue was primarily due to firstly, strong SSS growth of approximately 25.3% for stores having operations for more than two years; secondly, the gross sales revenue contribution of recognising a full year's operations of certain stores opened in FY2007 and thirdly, the gross sales revenue contribution of Anshan Store and Nanjing Store opened in the Current Year. The Wuhan Store, which we acquired from Solar Leader Limited, a fellow subsidiary of the Company and became our self-owned store during the Current Year, also contributed to the increase in gross sales revenue. Commission income rate was 21.0% in

FY2008, slightly below the rate of 21.2% for the Previous Year, mainly due to the increase in promotion of sales activities during the Current Year. In FY2008, ladieswear and accessories made up approximately 55.8% of gross sales revenue. Menswear and accessories made up approximately 29.0% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue. Direct sales mainly covered cosmetic products, Beijing Olympics-themed products, accessories and handbags, groceries and perishables and others by approximately 41.0%, 39.8%, 6.2%, 6.5% and 6.5%.

Management fees increased by 55.5% to HK$165.5 million in FY2008, primarily as a result of recognising a full year's management fees from certain managed stores which became our new managed stores in the Previous Year. The opening of Shanghai Pujian Branch Store and Wuhan Xudong Branch Store in FY2008 also contributed to the growth of management fees in the Current Year. However, the management fee from Wuhan Store was recognised for only the first 7 months in the Current Year, prior to our acquisition of it, as compared with the management fee for full period in the Previous Year.

Rental income increased by 26.9% to HK$82.1 million in FY2008 mainly due to leasing area in newly opened self-owned stores.

Other income and gain on fair value of financial assets at fair value through profit or loss

Other income of the Group was HK$119.3 million in FY2008 primarily comprised interest income of HK$94.1 million on bank deposits. Gain on fair value of investment in Renhe amounted to HK$3.2 million.

Purchases of and changes in inventories

The purchases of and changes in inventories represent the cost of sales for direct sales of goods. The purchases of and changes in inventories increased by 107.0% to HK$176.6 million in FY2008 from HK$85.3 million for the Previous Year. As a percentage to direct sales of goods, gross profit margin in FY2008 was 21.3% which was 5.5% lower than 26.8% for the Previous Year, primarily due to the lower margins of precious Olympic metals sold and promotion of other merchandises.

Employee benefit expense

Employee benefit expense increased from HK$147.4 million in FY2007 to HK$214.9 million in FY2008. This increase was primarily due to the inclusion of employee share option expenses for the share options granted and vested during the Current Year, an increase in wages and salaries and other employment benefits as a result of recognising a full year's operations of self-owned stores opened in the Previous Year, and increase in manpower from newly opened Anshan and Nanjing Stores and also from the Wuhan Store which was acquired in the Current Year.

Depreciation and amortisation

Depreciation and amortisation expense increased by 28.8% from HK$97.5 million in FY2007 to HK$125.6 million in FY2008. This increase was primarily due to increase in depreciation and amortisation as a result of recognising a full year's operations of certain stores opened in the Previous Year, self-owned Anshan and Nanjing stores opened in the Current Year and the acquisition of Wuhan Store property having a gross floor area of approximately 42,000 sq.m. Depreciation and amortisation expense as a percentage to revenue slightly decreased by 0.9% in FY2008.

Operating lease rental expense

Operating lease rental expense increased by 15.8% from HK$267.7 million in FY2007 to HK$310.1 million in FY2008, primarily due to the effect of recognising a full year's operations of certain stores opened in the Previous Year and Anshan and Nanjing Stores newly opened in the Current Year. Operating lease rental expense as a percentage to revenue decreased by 4.8% in FY2008 mainly as a result of operating leverage of the expense.

Other operating expenses

Other operating expenses increased by HK$6.6 million or 3.5% from HK$188.6 million in FY2007 to HK$195.2 million in FY2008. This increase was primarily due to a HK$3.2 million increase in promotion, advertising and related expenses and a HK$15.3 million increase in water and electricity expenses relating primarily to the newly opened stores, the acquisition of Wuhan Store and the effect of recognising a full year's operations of certain stores in the Current Year. Other operating expenses as a percentage to revenue decreased by 4.9% in FY2008.

Operating profit

Operating profit increased by 68.0% to HK$589.4 million in FY2008 from HK$350.8 million in FY2007. Operating profit as a percentage to revenue increased by 6.1% to 39.6% in FY2008, primarily as a result of satisfactory same store sales growth, commission income rate, direct sales, management fee income and management of various operating expenses, all on the back of market condition and management strategies and performance.

Finance income

Finance income increased by HK$5.5 million primarily due to the inclusion of HK$10.8 million interest income from deposits relating to share subscription under the Listing on the Main Board of the Stock Exchange on 12 July 2007.

Income tax expense

Income tax expense increased by 131.9% from HK$53.3 million in FY2007 to HK$123.6 million in FY2008, primarily as a result of increase in profit before income tax.

Profit for the year

As a result of the reasons mentioned above, profit for the year increased by 57.4% to HK$476.6 million in FY2008 from HK$302.8 million in FY2007. Net profit margin increased to 32.0% in FY2008 from 28.9% for the Previous Year, primarily as a result of expansion strategies of the Group, organic growth of revenue and costs control.

Liquidity and financial resources

Cash and fixed deposits of the Group increased by HK$2,160.1 million to HK$3,127.6 million as at 30 June 2008 (30 June 2007: HK$967.5 million). This increase primarily comprised the cash received during the Listing on the Main Board of the Stock Exchange on 12 July 2007 and net cash generated from operating activities in the Current Year.

The Group had no borrowings as at 30 June 2008.

The capital commitments of the Group as at 30 June 2008 were HK$69.0 million, of which HK$62.9 million were contracted but not provided for in the balance sheet.

Pledge of assets

Assets of the Group were not pledged as at 30 June 2008.

Treasury policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts or currency borrowings to hedge its foreign exchange risk.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2008.

Acquisition of a subsidiary, a building and land use rights

During the year ended 30 June 2008, the Group has acquired 100% of the equity interest in Uphill Group Limited from Solar Leader Limited, a fellow subsidiary of the Company, at a consideration of about HK$885.4 million; a building and land use rights in Shenyang from New World Development (China) Limited, a fellow subsidiary of the Company, at a consideration of HK$270.0 million.

Use of net proceeds from Main Board Listing

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 12 July 2007, with a total number of the shares of 467,245,000 ordinary shares issued under the Global Offering as defined and set out in the prospectus of the Company dated 28 June 2007 (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the shares listing aggregated to approximately HK$2,558 million. On 5 May 2008, the Company announced the revision of use of proceeds. Up to 30 June 2008, the utilised net proceeds from the above shares listing were all in line with the items disclosed in the revised use of proceeds.

OUTLOOK

The sub-prime crisis that broke out in the United States affected economies around the world. Overshadowed by the slowdown in the global economy, China's economic growth slackened in 2008. Natural disasters such as snowstorms and earthquakes that struck the mainland also dampened consumption sentiments, slowing down the pace of growth in the retail market.

Figures from National Bureau of Statistics showed that gross domestic product (GDP) increased 10.4% in the first half of 2008, with the growth rate dropping 1.8 percentage points year-on-year. This reflected China's overall economy remains strong despite a slowdown in its growth pace.

Slow economic growth reflected a cool down in investments and exports. Yet, per capita disposable income and total retail sales of consumer goods recorded year-on-year rises of 14.4% and 21.4%, respectively, indicating that consumer demand had maintained a tendency for steady climb.

As growth in internal demand sustains, personal income keeps on rising, and government's inflation controls prove effective, the Group believes that both the economy and the retail sector remain in good health in Mainland China. In future, we will maintain a cautiously optimistic outlook, despite challenges ahead in the slide in peripheral economies as well as the macro austerity adjustment and inflation in China. We will continue to actively develop the China retail market, which still promises boundless opportunities. Our ultimate goal is to become a dominant department store operator in the PRC. We believe our mission is achievable by consolidating our major footholds in regional core cities and proactively entering into new markets in the upcoming years.

FUTURE EXPANSION STRATEGY

Opening self-owned stores and entering new cities

The Group will continue to rent suitable properties to increase our footholds of self-owned stores, striving to include, in the terms of lease, provisions for the right to extend the lease agreement and the right of first refusal to acquire. The Group is exploring new development opportunities in cities with a booming economy, including existing markets in Shanghai, Beijing, Zhejiang, Jiangsu and Sichuan province. We will strive to open new stores in cities where we have no foothold, such as Xi'an in Shaanxi and Taiyuan in Shanxi, to increase our market share. At opportune moments, we will expand or renovate the well-established stores to enlarge their sales area.

Clarifying guideline for store-opening and confirming target of growth

We have mapped out our development plan and followed up tightly on store-opening criteria. Capitalizing on the veteran experience and firm reputation of New World Development Company Limited, our parent company, the Group enjoyed considerable advantage in entering into prime locations with growth potential to locate new stores. We opted to locate new stores mainly in first- and second-tier cities and cities with huge growth potential. Project development divisions have been set up in our six operational regions, with specialists tasked with advancing the new projects. For the coming financial year, the Group has set forth the objective of adding a total GFA of 60,000 to 90,000 square metres of self-owned store (estimate to open 2 to 3 self-owned stores) in pursuit of our mission of becoming a dominant department store operator in the PRC.

Deploying "multiple presences in a single city" strategy to deliver synergy

The Group has designated, respectively, Shenyang, Shanghai, Wuhan and Beijing as the core growth city for the Northeastern China Region, Eastern China Region, Central China Region and Northern China Region. By deploying expansion strategies of "multiple presences in a single city", we will initially set up a number of operations in each core growth city, practise differentiated marketing and seek to deliver synergy, so as to increase market share and enjoy cost efficacy. Like in the Current Year, capitalizing on "multiple presences in a single city", the Central China Region realized resource advantage for business alliances. That broadened the room for cooperation with suppliers and enabled retention of market shares for our stores. Since stores in the region covered different commercial circles over an extensive area, they had developed a distinct operational advantage in Central China.

Growing in core growth cities and radiating to peripheral regions

The Group will further expand around the designated core cities by adopting the "radiation strategy". By expanding into radiation cities in neighbouring cities and provinces, we can minimize risks associated with entering new markets. For instance, following the establishment of a firm foothold in Shenyang in the Northeastern China Region, we radiated into Anshan, where pedestrian traffic was heavy, to set up a new store.

Adding managed stores and developing greenfield projects

While actively seeking to open new self-owned stores, we will also consider adding managed stores to provide stable income from management fees when opportunities come. Concurrently, we will explore promising greenfield projects to enhance the prospect for growth. We will also develop new projects with our fellow subsidiary New World China Land Limited and other leading property developers in China, in which we can involve in the store construction from its planning process and thus help cost control.

Looking out for promising acquisition opportunities

We will consider acquiring stores currently under our management, and other outstanding department-store properties and businesses. We will also consider taking ownership of currently leased properties and stores in prime locations. In addition we will negotiate, with the government or real estate developers, for the buying of land for construction of department stores, or the acquisition of commercial properties with large retail space on street level.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2008, total number of employees for the Group was approximately 3,893 (2007: 3,198). 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: pension plans, medical, unemployment, work related injury and maternity insurance. Such arrangements are in compliance with relevant laws and regulations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules since the listing date of the Company, 12 July 2007 (the "Listing Date"), to 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 and the relevant employees. 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 since the Listing Date to 30 June 2008.

AUDIT COMMITTEE

Audit committee was established in accordance with requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee consists of the four independent non-executive directors of the Company. The audit committee has reviewed the systems of internal control and the financial statements for the year ended 30 June 2008 and discussed the financial related matters with management.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 November 2008 to Monday, 1 December 2008, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlements to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 pm on Friday, 21 November 2008.

For and on behalf of the Board
Dr. Cheng Kar-shun, Henry
Chairman and Non-executive Director

Hong Kong, 9 October 2008

As at the date of this announcement, the non-executive Directors are Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong; the executive Directors are Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Lin Tsai-tan, David, Mr. Wong Kwok-kan, Kenneth and Ms. Ngan Man-ying, Lynda; and the independent non-executive Directors are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry.