New World Department Store China Limited
新世界百貨中國有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 0825)

INTERIM RESULTS ANNOUNCEMENT 2007/2008

HIGHLIGHTS ON INTERIM RESULTS

Same store sales[(1)] ("SSS") growth remains strong at 27.0%.

Revenue improved to HK$663.3 million, an increase of 36.9%, compared to HK$484.6 million of the same period of last year.

Operating profit improved to HK$273.0 million, an increase of 66.2%, compared to HK$164.3 million of the same period of last year.

Profit for the period improved to HK$227.8 million, an increase of 62.3%, compared to HK$140.4 million of the same period last year.

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

The board of directors (the "Board" or "Directors") of New World Department Store China Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 31 December 2007 (or the "Current Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	Audited
		Six months ended 31 December	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Revenue	4	**663,297**	484,643
Other income	5	**73,695**	18,811
Purchases of and changes in inventories		**(67,602)**	(37,047)
Employee benefit expense		**(96,119)**	(71,857)
Depreciation and amortisation		**(53,032)**	(48,423)
Operating lease rental expense		**(150,139)**	(128,939)
Other operating expenses	6	**(97,108)**	(84,845)
Gain on disposal of subsidiaries		**—**	31,933
Operating profit		**272,992**	164,276
Finance income	7	**10,789**	5,300
Profit before income tax		**283,781**	169,576
Income tax expense	8	**(55,937)**	(29,213)
Profit for the period		**227,844**	140,363
Attributable to equity holders of the Company		**227,844**	140,363
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK$ per share)			
— Basic	9	**0.14**	0.12
— Diluted	9	**0.14**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 31 December 2007** *HK$'000*	Audited As at 30 June 2007 *HK$'000*
Non-current assets			
Property, plant and equipment		**718,946**	563,723
Land use rights		**168,103**	168,449
Available-for-sale financial assets		**53,004**	—
Long-term prepaid rent and rental deposits		**42,471**	43,989
Deferred tax assets		**26,618**	24,658
		1,009,142	800,819
Current assets			
Inventories at net realisable value		**40,175**	29,705
Debtors	11	**53,712**	19,192
Prepayments, deposits and other receivables		**243,856**	143,978
Amounts due from fellow subsidiaries		**83,300**	96,750
Cash and cash equivalents		**3,932,117**	967,534
		4,353,160	1,257,159
Total assets		**5,362,302**	2,057,978
Equity			
Share capital		**168,615**	6,095
Reserves		**3,562,840**	851,134
		3,731,455	857,229
Liabilities			
Non-current liabilities			
Accruals		**201,047**	163,229
Deferred tax liabilities		**12,507**	10,577
		213,554	173,806
Current liabilities			
Creditors and accruals	12	**1,294,897**	949,564
Tax payable		**64,428**	39,011
Amounts due to fellow subsidiaries		**57,968**	38,368
		1,417,293	1,026,943
Total liabilities		**1,630,847**	1,200,749
Total equity and liabilities		**5,362,302**	2,057,978
Net current assets		**2,935,867**	230,216
Total assets less current liabilities		**3,945,009**	1,031,035

NOTES

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.

The Group underwent a group reorganisation (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"). Details of the Reorganisation were disclosed in the annual financial statements of the Group for the year ended 30 June 2007.

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

These condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. These condensed consolidated interim financial statements were approved for issue by the Board on 13 March 2008.

2 Basis of preparation

These condensed consolidated interim financial statements have been prepared using the principles of merger accounting, as described in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and presented the results of the Group as if the structure of the Group resulting from the Reorganisation had been in existence throughout the period. Comparative figures for the period ended 31 December 2006 have been prepared on the same basis.

These condensed consolidated interim financial statements for the six months ended 31 December 2007 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, issued by HKICPA.

These condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2007.

3 Accounting policies

The accounting policies are consistent with those as described in the Group's annual financial statements for the year ended 30 June 2007, except that the Group has adopted the following new standards, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2008:

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

The adoption of these new standard, amendment and interpretations does not have any significant impact on the results and financial position or changes in the accounting policies of the Group. However, the adoption of HKAS 1 Amendment and HKFRS 7 requires additional disclosures in the annual financial statements.

4 Revenue and segment information

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

	Unaudited	Audited
	Six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**443,532**	360,671
Sales of goods — direct sales	**88,631**	50,649
Management fees	**90,127**	42,467
Rental income	**41,007**	30,856
	663,297	484,643

The income from concessionaire sales is analysed as follows:

	Unaudited	Audited
	Six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**2,173,634**	1,740,636
Commission income from concessionaire sales	**443,532**	360,671

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.

5 Other income

	Unaudited Six months ended 31 December 2007 HK$'000	Audited 2006 HK$'000
Interest income on bank deposits	**59,898**	5,218
Government grants	**4,716**	2,460
Other commission income	**1,731**	1,391
Entry fee	**—**	3,686
Sundries	**7,350**	6,056
	73,695	18,811

6 Other operating expenses

	Unaudited Six months ended 31 December 2007 HK$'000	Audited 2006 HK$'000
Promotion, advertising and related expenses	**31,240**	20,384
Auditor's remuneration	**1,950**	1,072
Loss on disposal of property, plant and equipment	**551**	67
Water and electricity	**43,357**	40,497
Net exchange losses	**5,782**	2,699
Others	**14,228**	20,126
	97,108	84,845

7 Finance income

	Unaudited Six months ended 31 December 2007 HK$'000	Audited 2006 HK$'000
Interest income from deposits relating to share subscription under the Listing	**10,789**	—
Net exchange gains	**—**	5,300
	10,789	5,300

8 Income tax expense

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

	Unaudited	Audited
	Six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**561**	501
— Mainland China taxation	**55,329**	28,297
(Over)/under provision in prior years	**(510)**	951
Deferred income tax	**557**	(536)
	55,937	29,213

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 period. 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.

	Unaudited	Audited
	Six months ended 31 December	
	2007	2006
Profit attributable to the equity holders of the Company (HK$'000)	**227,844**	140,363
Weighted average number of ordinary shares in issue (shares in thousands)	**1,649,600**	1,218,900
Basic earnings per share (HK$ per share)	**0.14**	0.12

(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.

Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

During the six months ended 31 December 2007, there was no potential dilutive effect from the share options.

10 Dividend

No dividend had been paid or declared by the Company during the period (six months ended 31 December 2006: Nil).

11 Debtors

The Group normally grants credit terms of 30 days. The ageing analysis of the debtors, based on the invoice date, is as follows:

	Unaudited As at 31 December 2007 *HK$'000*	Audited As at 30 June 2007 *HK$'000*
Within period for		
0–30 days	**50,748**	19,192
31–60 days	**963**	—
61–90 days	**1,097**	—
Over 90 days	**904**	—
	53,712	19,192

The debtors are denominated in Renminbi. The carrying amounts of debtors approximate their fair values.

12 Creditors

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

	Unaudited As at 31 December 2007	Audited As at 30 June 2007
	HK$'000	*HK$'000*
Within period for		
0–30 days	**482,497**	235,274
31–60 days	**264,725**	253,177
61–90 days	**105,536**	59,392
Over 90 days	**108,765**	116,015
	961,523	663,858

The creditors are denominated in Renminbi. The carrying amounts of creditors approximate their fair values.

13 Events after the balance sheet date

On 17 December 2007, New Bright Resources Limited ("New Bright Resources"), being a direct wholly-owned subsidiary of the Company, entered into an agreement with Solar Leader Limited ("Solar Leader"), being an indirect wholly-owned subsidiary of New World Development Company Limited ("NWD"), a controlling shareholder of the Company, pursuant to which New Bright Resources conditionally agreed to acquire the entire issued share capital of Uphill Group Limited ("Uphill Group"), being a direct wholly-owned subsidiary of Solar Leader, and the outstanding shareholder's loan of Uphill Group owed to Solar Leader at an aggregate consideration of HK$885,417,000. The acquisition was approved by the shareholders of the Company other than NWD and its associates on 29 January 2008.

14 Comparative figures

Certain comparative figures have been reclassified to conform with the Current Period's presentation.

BUSINESS REVIEW

The Group's revenue increased by 36.9% from HK$484.6 million for the six months ended 31 December 2006 (or "1HFY2007") to HK$663.3 million for the six months ended 31 December 2007 (or "1HFY2008"). Profit for the period grew 62.3% from HK$140.4 million in 1HFY2007 to HK$227.8 million in 1HFY2008.

Business Network

In 1HFY2008, the Group operates 31 department stores, with a total gross floor area (GFA) of about 932,180 square metres and a total operating floor area of about 649,000 square metres. Located in six operational regions, namely Northeastern China, Northern China, Shanghai Municipality, Eastern China, Central China and Southwestern China, the stores cover 18 major cities and administrative regions in the PRC. These include Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Hong Kong, Shanghai, Dalian, Kunming, Lanzhou, Xiamen, Changsha, Chongqing, Chengdu, Anshan and Nanjing. Our business network comprises 18 self-owned stores and 13 managed stores.

Revenue Contribution

By region

Northeastern China contributed the most to the Group's revenue during the period under review, accounting for 30.1% of total revenue, followed by 25.3% and 17.9% from Shanghai Municipality and Central China, respectively.

By segment

Commission from concessionaire sales was the major type of income, accounting for 66.9% of total revenue. Proceeds from direct sales and management fees accounted for 13.4% and 13.6%, respectively. Rental income accounted for 6.2%.

During the period under review, commission from concessionaire sales grew 23.0% from the same period of last year. The growth in gross sales revenue contributed to the rise of commission income.

As for direct sales of goods, the Group strengthened operational management and optimized merchandise mix. The proportion of direct sales to total revenue rose from 10.4% to 13.4% during the period under review. Total direct sales of goods grew 75.1% year-on-year, due mainly to the growth in sales of cosmetics and Olympics-related goods.

In the period under review, management fees surged 112.0%, boosting their contribution to total revenue from 8.8% to 13.6%. The surge was mainly due to several reasons. First, the Group added Shanghai-Hong Kong New World Department Store-Pujian Store ("Shanghai Pujian Store"), a managed store that opened in the Current Period in New Pudong District, Shanghai. Second, five managed stores opened within the 2007 financial year had been in operation for over six months and recognized a full period management fees. Of the five, Changsha New World Trendy Plaza and Chongqing New World Department Store were opened in September 2006; Chengdu New World Department Store and Shanghai-Hong Kong New World Department Store-Wujiaochang Store were opened in December 2006; while Beijing New World Trendy Department Store commenced operation in March 2007. Third, Kunming New World Department Store and Ningbo New World Trendy Department Store had begun contributing to management fee income since their conversion from self-owned to managed stores in January 2007.

In addition, the Group also sublet portions of its store areas to third parties and earned rental income. Tenants such as Kentucky Chicken, Starbucks and Watsons helped boost visitor traffic at the stores. Rental income grew 32.7% within the Current Period.

New Store and Store Expansion

In the period under review, the Group expanded the Shanghai-Hong Kong New World Department Store — Hongkou Store ("Shanghai Hongkou Store") and opened three new stores in Shanghai, Anshan and Nanjing. These included the self-owned Anshan New World Department Store ("Anshan Store") and Nanjing New World Department Store ("Nanjing Store"), as well as the managed Shanghai Pujian Store. Together, they provided additional GFA of about 115,100 square metres, bringing total GFA to about 932,180 square metres.

During the Current Period, the Group added the self-owned Anshan Store with a GFA of about 35,000 square metres to the Northeastern China Region in Anshan, Liaoning. Leveraging our strong presence in Shenyang of Liaoning Province, the opening of the new store was consistent with the Group's growth strategy for network expansion by radiating from an existing foothold into other prime locations with heavy pedestrian traffic.

Apart from the Anshan Store, the Group applied the same radiation strategy to set up Nanjing Store, another self-owned store measuring about 30,000 square metres of GFA in Nanjing, Jiangsu, in our Eastern China Region during the period under review.

Also within the Current Period, the Group set up Shanghai Pujian Store, a managed store of about 46,000 square metres in GFA in New Pudong District, Shanghai. As the seventh branch store in the city, the new store underscored another growth strategy: "multiple presences in a single city". With such a strategy, we could further reinforce market share in major Chinese cities and improve cost effectiveness.

Besides, the Group expanded within the Current Period the GFA of Shanghai Hongkou Store from about 15,500 square metres to about 19,600 square metres. Along with the new Shanghai Pujian Store, the expansion took our total GFA in Shanghai to about 196,330 square metres.

Operational Strategy

During the period under review, the Group adjusted its brand lineup and merchandise mix, lifting portfolio profile across the board. We reinforced carriage of international brands, enlarged coverage of exclusive labels, and further lowered the rate of product overlap with competitors with a view to encouraging customer loyalty.

As we optimized our brands, we staged effective promotions to boost sales. The Group's marketing activities in China grew increasingly innovative. They had double focuses on lifting sales and upgrading corporate profile. We deployed a diversity of promotional tactics. Keeping in line with government policy requirements, instead of offering regularly priced items plus cash coupons, our sale packages featured a combination of price-reduced and gift items. Other promotional tactics included double bonus points, price reduction for additional items and direct discounts. In addition, we sought to enhance the ambience at points-of-sales by improving the shopping environment and service standard.

To develop our VIP customer base, the Group explored into target markets in wider and wider peripheral regions from current operational footholds. Gradually we perfected our merchandise structure and enriched the product portfolio.

Capitalising on the advantage of "multiple presences in a single city", we held a series of joint promotions. For instance, during the period reported, our four Wuhan stores in Central China Region celebrated shop anniversaries with a joint launch of new autumn arrivals. The stores also held in turn evening sale sessions offering increasingly greater benefits to our customers. Such coordinated efforts effectively multiplied awareness and goodwill for our own brand within the region.

Concurrently, we cultivated relationships with major suppliers, making good use of our "Strategic Partnership Scheme", "Maintenance Scheme for Major Brands" and our communication platform, the "New World Net", to further strengthen collaboration.

Expansion Strategy

The Group has formulated a comprehensive, long-term expansion strategy. Apart from opening self-owned stores, we will continue to further grow our business through acquisitions, adding managed stores and developing greenfield projects.

The Group adopts three principles in determining the location and development for a new self-owned store. First, keep on looking for suitable sites to locate new stores in prime locations and cities. Second, implement "multiple presences in a single city or province" to increase market share and enjoy cost-effectiveness. Third, enter cities radiated from where we have firmly established businesses to reduce risks and enhance bargaining powers at supplier negotiations.

Besides opening new self-owned stores, we will also consider adding managed stores at opportune moments to provide steady incomes. Concurrently, we will seek greenfield projects with good potential to extend the opportunities for growth.

The Group has planned to open new stores in cities where we either have strong presence or see good prospects for retail store operations, such as Beijing, Wuhan, Xi'an and Taiyuan. Meanwhile, more acquisitions are under consideration for managed stores that are making a profit. Existing managed stores, leased properties and stores in prime locations are priority targets for acquisition.

To seize opportunities for acquisition and new store opening, the Group has formulated a five-year project development plan, keeping a close monitor on the progress in store opening. In addition to setting up project development teams in our six operational regions, we have formed a task group comprising headquarters staff to fast-track development of new projects and to liaise proactively with the government and developers.

To reinforce and optimize our mode of large-scale regional operations in China, we will carry out resource integration in our six operational regions. Starting 1 February 2008, we will institute a new operational region, Southern China, to enable more effectiveness in exploration and development of new projects and greater efficiency in operations. Besides, Shanghai Municipality will be subsumed within Eastern China Region. While optimizing deployment of human resources, we will make due allowance for convenience in merchandising and management so that we can better capitalise on regional advantages.

Nationwide Growth in VIP Membership

During the period under review, the membership of both VIP card and platinum VIP card maintained a steady rise, increasing by 23% and 36% year-on-year, respectively. In the Current Period, total VIP membership nationwide has exceeded 1.23 million and VIP sales account for over 45% of total sales. In addition to our own VIP cards, the Group also jointly launched a co-branded credit card with Bank of Communication in February 2007, widening channels of access to potential VIP members. Holders of the co-branded card numbered over 200,000 in the Current Period.

Outlook

According to National Bureau of Statistics of China, the national economy in 2007 maintained double-digit growth five years in a row, with GDP rising by 11.4% to RMB24,661.9 billion. The department store sector thrived on the market boom as total retail sales of consumer goods rose 16.8% to RMB8,921 billion. The per capita disposable income of urban population grew by 17.2%.

Positive about the prospects of the PRC market, the Group will continue to benefit from persistent rises in GDP and consumption power because of our unique competitive strengths. We have brand recognition and brand equities accumulated over 15 years in the market. We enjoy economy of scale in operations arising from our extensive retail network. In addition we have established a clear, consistently communicated vision of our own market positioning.

The Group will continue to enhance our competitive advantage, upgrade operational standard and increase profitability. Through concerted efforts by our staff we will maximize return for shareholders.

FINANCIAL REVIEW

Revenue

Revenue of the Group surged to HK$663.3 million in 1HFY2008 representing an increase of 36.9% from HK$484.6 million in 1HFY2007. The growth was primarily resulted from strong 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 23.0%, 75.1%, 112.0% and 32.7% respectively from the same period of last year.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 26.3% to HK$2,262.2 million in 1HFY2008 from HK$1,791.2 million for the same period of last year. The performance of gross sales revenue was primarily due to firstly, strong SSS growth of approximately 27.0% for stores having operations for more than two years, secondly, the gross sales revenue contribution of recognizing a full period's operations of certain stores opened in FY2007 (or "last year") and thirdly, the gross sales revenue contribution of certain new stores opened in the Current Period. Commission income rate was 20.4% in 1HFY2008, slightly below the rate of 20.7% for the same period of last year, mainly due to the promotion of sales activities during the period under review.

Management fees increased by 112.0% to HK$90.1 million in 1HFY2008, primarily as a result of recognizing a full period's management fees from certain managed stores which became managed stores in last year and the opening of Shanghai Pujian Store in 1HFY2008, also contributed to the growth of management fees in the Current Period.

Rental income

Rental income increased by 32.7% to HK$41.0 million in 1HFY2008 mainly because of the newly opened stores and the effect of recognizing a full period's operations of certain stores in the Current Period.

Other income

Other income of the Group was HK$73.7 million in 1HFY2008 representing an increase of 292.0% or HK$54.9 million from HK$18.8 million for the same period of last year, primarily as a result of an increase in interest income on bank deposits of HK$54.7 million in which was mainly contributed by the Listing proceeds.

Purchases of and changes in inventories

The purchases of and changes in inventories represent the cost of inventory sold for direct sales of goods. The purchases of and changes in inventories increased by 82.7% to HK$67.6 million in 1HFY2008 from HK$37.0 million for the same period of last year. As a percentage to direct sales of goods, gross profit margin in 1HFY2008 was 23.7% which was 3.2% lower than 26.9% for the same period of last year, primarily due to the promotion of sales turnover.

Employee benefit expense

Employee benefit expense increased from HK$71.9 million in 1HFY2007 to HK$96.1 million in 1HFY2008. This increase was primarily due to an increase in wages and salaries and other employment benefits as a result of annual increment, recognizing a full period's operations of certain stores opened in last year and the opening of our new stores during the period under review. Employee benefit expense as a percentage to revenue decreased by 0.3% in 1HFY2008 to reflect improved operating efficiency.

Depreciation and amortisation

Depreciation and amortisation expense increased by 9.5% from HK$48.4 million in 1HFY2007 to HK$53.0 million in 1HFY2008. This increase was primarily due to the effect of recognizing a full period's operations of certain stores opened in last year and the opening of our new stores during the period under review. Depreciation and amortisation expense as a percentage to revenue decreased by 2.0% in 1HFY2008 primarily due to strong performance of revenue.

Operating lease rental expense

Operating lease rental expense increased by 16.4% from HK$128.9 million in 1HFY2007 to HK$150.1 million in 1HFY2008, primarily due to the effect of recognizing a full period's operations of certain stores opened in last year and the opening of our new stores during the period under review. Operating lease rental expense as a percentage to revenue decreased by 4.0% in 1HFY2008 mainly as a result of operating leverage of the expense.

Other operating expenses

Other operating expenses increased by HK$12.3 million or 14.5% from HK$84.8 million in 1HFY2007 to HK$97.1 million in 1HFY2008. This increase was primarily due to a HK$10.8 million increase in promotion, advertising and related expenses and a HK$2.9 million increase in water and electricity expenses relating primarily to the newly opened stores and the effect of recognizing a full period's operations of certain stores in the Current Period. Other operating expenses as a percentage to revenue decreased by 2.9% in 1HFY2008.

Operating profit

Operating profit increased by 66.2% to HK$273.0 million in 1HFY2008 from HK$164.3 million in 1HFY2007. Operating profit as a percentage to revenue increased by 7.3% to 41.2% in 1HFY2008, primarily as a result of strong organic growth of revenue.

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 91.4% from HK$29.2 million in 1HFY2007 to HK$55.9 million in 1HFY2008, primarily as a result of increase in profit before income tax. Income tax expense as a percentage to profit before income tax in 1HFY2008 was 19.7% which was slightly above 17.2% for the same period of last year.

Profit for the period

As a result of the reasons mentioned above, profit for the period increased by 62.3% to HK$227.8 million in 1HFY2008 from HK$140.4 million in 1HFY2007. Net profit margin increased to 34.3% in 1HFY2008 from 29.0% for the same period of last year, primarily as a result of strong organic growth of revenue.

Liquidity and financial resources

Cash and cash equivalents of the Group increased by HK$2,964.6 million to HK$3,932.1 million as at 31 December 2007 (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.

The Group had no borrowings as at 31 December 2007.

The capital commitments of the Group as at 31 December 2007 were HK$914.5 million, of which HK$895.0 million were contracted but not provided for in the balance sheet. About HK$885.4 million for the acquisition of Uphill Group and its outstanding shareholder's loan was included in the capital commitments.

Pledge of assets

No asset of the Group was pledged as at 31 December 2007.

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 31 December 2007.

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 unaudited condensed consolidated interim financial statements and the interim report for the Current Period and discussed the financial related matters with management. The unaudited interim results of the Group for the Current Period have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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.

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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, total number of employees for the Group was approximately 3,585. 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 THE COMPANY'S LISTED SECURITIES

The Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the securities during the six months ended 31 December 2007.

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

Hong Kong, 13 March 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.