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 2008/2009

HIGHLIGHTS ON ANNUAL RESULTS

Same store sales[(1)] ("SSS") growth at 5%.

Revenue improved to HK$1,721.2 million, an increase of 15.6%, compared to HK$1,489.3 million of the Previous Year.

Operating profit improved to HK$695.0 million, an increase of 17.9%, compared to HK$589.4 million of the Previous Year.

Profit for the year improved to HK$547.3 million, an increase of 14.8%, compared to HK$476.6 million of the Previous Year.

Proposed final dividend of HK$0.07 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 2009

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 2009 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Revenue	*3*	**1,721,246**	1,489,345
Other income	*4*	**112,939**	119,250
Other gains	*5*	**62,093**	3,156
Purchases of and changes in inventories		**(209,275)**	(176,575)
Employee benefit expense		**(252,971)**	(214,920)
Depreciation and amortisation		**(170,603)**	(125,620)
Operating lease rental expense		**(325,075)**	(310,079)
Other operating expenses	*6*	**(243,322)**	(195,163)
Operating profit		**695,032**	589,394
Finance income	*7*	**–**	10,789
Share of loss of an associated company		**(2,066)**	–
Profit before income tax		**692,966**	600,183
Income tax expense	*8*	**(145,657)**	(123,608)
Profit for the year		**547,309**	476,575
Attributable to equity holders of the Company		**547,309**	476,575
Dividends	*9*	**252,922**	151,753
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– Basic and diluted	*10*	**0.32**	0.29

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**1,225,977**	1,147,114
Land use rights		**764,928**	787,371
Goodwill		**172,435**	172,435
Investment in an associated company		**203**	–
Non-current other assets	*11*	**386,830**	–
Long-term prepaid rent and rental deposits		**99,595**	37,136
Financial assets at fair value through profit or loss		**–**	60,154
Available-for-sale financial assets		**108,955**	–
Deferred income tax assets		**31,052**	27,133
		2,789,975	2,231,343
Current assets			
Inventories		**53,448**	57,472
Debtors	*12*	**14,354**	25,656
Prepayments, deposits and other receivables		**489,555**	257,363
Amount due from an associated company		**690**	–
Amounts due from fellow subsidiaries		**27,363**	60,969
Fixed deposits		**737,529**	790,909
Cash and cash equivalents		**2,185,992**	2,336,718
		3,508,931	3,529,087
Total assets		**6,298,906**	5,760,430
Equity			
Share capital		**168,615**	168,615
Reserves		**4,142,776**	3,786,378
Proposed dividend		**118,030**	151,753
		4,429,421	4,106,746
Liabilities			
Non-current liabilities			
Accruals and deferred income		**282,960**	237,981
Deferred income tax liabilities		**154,601**	147,334
		437,561	385,315

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Current liabilities			
Creditors, accruals and other payables	*13*	**1,377,040**	1,208,562
Amounts due to fellow subsidiaries		**6,432**	8,669
Tax payable		**48,452**	51,138
		1,431,924	1,268,369
Total liabilities		**1,869,485**	1,653,684
Total equity and liabilities		**6,298,906**	5,760,430
Net current assets		**2,077,007**	2,260,718
Total assets less current liabilities		**4,866,982**	4,492,061

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.

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

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 6 October 2009.

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 available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

The following new interpretations are mandatory for the first time for the financial period beginning 1 July 2008:

HKAS 39 and HKFRS 7 (Amendment)	Financial Instruments: Reclassification and Measurement – Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Amendments on Embedded Derivatives

The adoption of HK(IFRIC)-Int 13 does not have significant impact on the Group's financial statements. HKAS 39 and HKFRS 7 (Amendment), HK(IFRIC)-Int 12, HK(IFRIC)-Int 14, HK(IFRIC)-Int 9 and HKAS 39 (Amendments) are not relevant to the Group's operations.

In addition, the Group has early adopted the following revised standards for the year ended 30 June 2009:

HKFRS 3 (Revised)	Business Combination
HKAS 27 (Revised)	Consolidated and Separate Financial Statements

Certain new or revised standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 July 2009 or later periods but which the Group has not early adopted, are as follows:

HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRS 1 (Revised) and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs

3 Revenue and segment information

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

	2009	2008
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**1,163,257**	1,017,231
Sales of goods – direct sales	**273,588**	224,498
Management fees	**184,409**	165,518
Rental income	**99,992**	82,098
	1,721,246	1,489,345

The income from concessionaire sales is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**5,720,890**	4,833,230
Commission income from concessionaire sales	**1,163,257**	1,017,231

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

	2009	2008
	HK$'000	*HK$'000*
Interest income on bank deposits	**76,662**	94,120
Dividend income from available-for-sale financial assets	**3,994**	–
Government grants	**12,239**	8,804
Other commission income	**7,060**	6,009
Sundries	**12,984**	10,317
	112,939	119,250

5 Other gains

	2009	2008
	HK$'000	*HK$'000*
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	**35,622**	–
Gain on disposal of a subsidiary	**9,755**	–
Fair value gain of financial assets at fair value through profit or loss	**16,716**	3,156
	62,093	3,156

6 Other operating expenses

	2009	2008
	HK$'000	*HK$'000*
Water and electricity	**100,708**	85,736
Promotion, advertising and related expenses	**60,726**	51,647
Net exchange losses	**7,604**	3,053
Share-based payments	**5,948**	4,125
Auditor's remuneration	**3,499**	3,454
Loss on disposal of property, plant and equipment	**321**	1,089
Provision for doubtful debts	**23,953**	–
Others	**40,563**	46,059
	243,322	195,163

7 Finance income

	2009	2008
	HK$'000	*HK$'000*
Interest income from deposits relating to share subscription under the Listing	**–**	10,789
	–	10,789

8 Income tax expense

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

	2009	2008
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**–**	1,033
– Mainland China taxation	**146,929**	119,972
Over provision in prior years	**(4,620)**	(1,885)
Deferred income tax	**3,348**	4,488
	145,657	123,608

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which members of the Group are domiciled and operates. No provision for Hong Kong profits tax as the Group has no estimated assessable profit in Hong Kong for the year ended 30 June 2009. For the year ended 30 June 2008, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

Subsidiaries of the Group in Mainland China are subject to enterprise income tax at a rate of 25% (2008: 25%).

9 Dividends

	2009	2008
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.08 (2008: Nil) per share	**134,892**	–
Final dividend proposed of HK$0.07 (2008: HK$0.09) per share	**118,030**	151,753
	252,922	151,753

At a meeting held on 6 October 2009, the Directors recommended a final dividend of HK$0.07 (2008: HK$0.09) per share for the year ended 30 June 2009. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2009.

10 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.

	2009	2008
Profit attributable to the equity holders of the Company (HK$'000)	**547,309**	476,575
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,667,773
Basic earnings per share (HK$ per share)	**0.32**	0.29

(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 2008 and 2009, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

11 Non-current other assets

Balance mainly represents the following transactions:

(a) On 7 July 2008, Wuhan New World Department Store Co., Ltd. (formerly known as 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. As at 30 June 2009, the Group has made progress payment of approximately HK$214,471,000 in connection with such acquisition.

(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 City. As at 30 June 2009, the Group has made progress payment of approximately HK$145,748,000 in connection with such acquisition.

12 Debtors

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**38,307**	25,656
Less: provision for impairment of receivables	**(23,953)**	–
Trade receivables – net	**14,354**	25,656

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

Aging analysis of debtors is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within period for		
0-30 days	**11,797**	18,438
31-60 days	**965**	2,326
61-90 days	**707**	1,196
Over 90 days	**24,838**	3,696
At 30 June	**38,307**	25,656

13 Creditors, accruals and other payables

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:

	2009	2008
	HK$'000	*HK$'000*
Within period for		
0-30 days	**350,772**	341,584
31-60 days	**247,754**	271,985
61-90 days	**64,048**	74,794
Over 90 days	**137,562**	170,020
At 30 June	**800,136**	858,383

BUSINESS REVIEW

In the year under review, the Group's revenue increased 15.6% from HK$1,489.3 million in FY2008 (or "the Previous Year") to HK$1,721.2 million in FY2009 (or "the Current Year"). Profit for the year grew 14.8% from HK$476.6 million in the Previous Year to HK$547.3 million in the Current Year.

Business Network

In the Current Year, the Group operated 33 department stores, with a total gross floor area (GFA) of about 1,063,470 square metres and a total operating floor area of about 786,500 square metres. Located in five operational regions, namely Northeastern China, Northern China, Eastern China, Central China and Southwestern China, the stores covered 17 major cities in the PRC. These included Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing and Taizhou. Our business network comprised 22 self-owned stores and 11 managed stores.

Revenue Contribution

By region

The Central China Region contributed the most to the Group's revenue during the year under review, accounting for 31.8% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 28.6% and 25.1%, respectively.

By segment

Commission from concessionaire sales was the major type of income, accounting for 67.6% of total revenue. Proceeds from direct sales and management fees accounted for 15.9% and 10.7%, respectively. Rental income accounted for 5.8%.

Store Network Development

In the year under review, the Group opened three new stores in Wuhan, Beijing and Taizhou. They included two self-owned stores: Wuhan New World Department Store – Hanyang Branch Store ("Wuhan Hanyang Branch Store") and Taizhou New World Department Store ("Taizhou Store"), as well as one managed store: Beijing New World Liying Department Store ("Beijing Liying Store"). Apart from opening new stores, the Group expanded the Harbin New World Department Store ("Harbin Store") in the Current Year, bringing its total GFA from about 32,000 square metres to about 50,000 square metres. Besides, Hong Kong New World Department Store ("Hong Kong Store") ceased to be the Group's managed store in July 2008, and Xiamen New World Department Store ("Xiamen Store") ceased to be the Group's self-owned store starting June 2009. Therefore, as of 30 June 2009, the Group's total GFA was approximately 1,063,470 square metres, up 10.5% from the Previous Year.

Operational Regions

Northeastern China Region

During the year under review, the Northeastern China Region contributed 25.1% to the Group's revenue. We operated five self-owned stores in the region. They were 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") and Anshan New World Department Store ("Anshan Store"). In addition, we also operated one managed store: Dalian New World Department Store ("Dalian Store"). The Northeastern China region had a total GFA of about 185,690 square metres.

In the Current Year, Harbin Store was expanded from about 32,000 square metres to about 50,000 square metres in GFA and the expanded area was in phased operation since May 2009, with merchandise concentrating for men. In addition, targeting family customers with the introduction of a wealth of household products, premium items and small electrical appliances, the store was gradually shifting its focus from internationally branded goods to a one-stop shopping "Living Gallery".

Implementing business readjustment to increase market influence

In keeping with changes in the market, the Northeastern China Region undertook an overall integration of its sales platforms and regularized its market operations. By ever adjusting its concessionaire brands and introducing exclusive products with distinctive features, it optimized its portfolio structure. With strategic business re-orientation, it brought store operations in line with the current market trend. To cope with changes in the Shenyang market and meeting consumers' demand, the three Shenyang stores carried out business adjustments. Each store aimed to achieve a more distinct profile for effective differentiated operations: Shenyang Nanjing Street Branch Store fully utilized the advantage of its reputation and expanded its unique operational strategy as an exquisite department store, striving towards the position of an "International Fashion Brand Gallery"; In May 2009, Shenyang Taiyuan Street Branch Store transformed into a "Fashion Brand Outlet", the first of its kind in Liaoning Province, offering mainly out-seasoned products from renowned brands; Shenyang Zhonghua Road Branch Store was committed to strengthening its brand portfolio and with the plan of adding service facilities like personal healthcare chainstore and bakery etc. to cater consumers' daily needs which foster the new image of a "Living Gallery".

Intensifying promotions to generate bigger sales

In the Current Year, the Northeastern China Region planned and implemented large-scale promotions and festive sales, attracting consumption through innovative, flexible marketing tactics and launched various marketing activities targeting specific customer groups, for instance, *Fragrance Offers at New World*, *Fashion for Papa* and *Knotted Hearts in Valentine* series promotion. Stores also collaborated with banks in the region so that bonus points accumulated on credit cards would entitle cardholders to shopping discounts at New World Department Store. By cultivating the group purchase segment through giveaways and store revisit benefits, all added up to increase sales. To promote the use of VIP cards, the Northeastern China Region continued to host a variety of exclusive VIP activities, including *Platinum Dinner and Autumn Impressions – Fashion 2008*. The total number of VIP cards issued in the Northeastern China Region during the Current Year increased by 17.6% compared with that of last year.

Eastern China Region

During the year under review, the Eastern China Region contributed 28.6% to the Group's revenue. We operated twelve stores in the region, of which ten were self-owned, 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 – Hong Kong New World Department Store – Hongkou 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 other five self-owned stores under the "New World" brand were Wuxi New World Department Store ("Wuxi Store"), Ningbo New World Department Store ("Ningbo Store"), Ningbo New World Trendy Department Store ("Ningbo Trendy Store"), Nanjing New World Department Store ("Nanjing Store") and Taizhou Store. In addition, we also operated two managed stores: Shanghai – Hong Kong New World Department Store – Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store") and Shanghai – Hong Kong New World Department Store – Pujian Branch Store ("Shanghai Puijian Branch Store"). The Eastern China Region had a total GFA of about 296,430 square metres.

Ever since we set up strong foothold in Shanghai of the Eastern China Region and after radiating into markets in Ningbo, Zhejiang and Nanjing, Jiangsu, the Group further expanded the business into Taizhou in the Current Year by establishing Taizhou Store in April 2009. As the Group's joint venture, the three-level Taizhou Store occupies a GFA of about 30,000 square metres and has a basement carpark. It houses the largest ladies' footwear section in Taizhou, and affords debut for many ladies' fashion labels in the city. There is a brand outlet floor on Level 1 for sports labels renowned locally and internationally. By offering trendy labels and merchandise, Taizhou Store has become the latest landmark of fashionable shopping.

Ningbo Trendy Store commenced operation in 2004. In the Current Year, when the Group acquired the interest of Ningbo Trendy Store from parent company, the store had formally converted from managed to self-owned since April 2009. In the Current Year, the store was repositioned for the young and the trendy, pursuing a differentiated operation with Ningbo Store.

Evolving effective operational modes in line with changing needs

In a rapidly changing economic climate, consumer behaviour on the whole turned rational and conservative. Accordingly, stores in the Eastern China Region readjusted their strategies for merchandising and marketing. In merchandise mix, the region stressed more on mass-oriented daily necessities with prices better matching consumer demands. Major efforts were devoted to enlarging the sales area for the more popular concessionaires.

Devising promotions that answer consumer needs

In the Current Year, the Eastern China Region was confronted with dampened consumption sentiments and heightened consumption cautiousness. All our branch stores focused more and more on the needs of the mass market as they planned for marketing activities and joint promotions. For example, all stores in Shanghai jointly organized *Treasure Hunt Day* and distributed Consumption Coupons of Ba Li Chun Tian and 30 renowned dining and entertainment outlets to Shanghai citizens for free. The goal was to increase sales by offering benefits to customers in a more direct way.

Stores in the region were keen on maintaining sound relationship with VIP members. In return for VIP support, the stores organized a wealth of activities such as *Handbook for the Perfect Bride* prepared for "Smart Lady Club" members; "Perfect House Wife Club" offered club members benefits in foreign-travel services; "Platinum Style Club" provided a variety of meticulous, comfortable services and facilities that intensified the sense of prestige for club members. Within the year, the total number of VIP cards issued in the Eastern China Region increased by 9.0%.

Central China Region

In the year under review, the Central China Region contributed 31.8% 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 Wuhan Hanyang Branch Store. The Group also operated two managed stores in the region, namely Changsha New World Trendy Plaza ("Changsha Trendy Plaza") and Wuhan New World Department Store – Xudong Branch Store ("Wuhan Xudong Branch Store"). The Central China Region had a total GFA of about 237,650 square metres.

Wuhan Hanyang Branch Store was opened in the Current Year with a GFA of about 53,000 square metres over six levels and had a basement carpark. Since November 2008, operation had already commenced for Level 1 – Level 5, which together offered about 43,000 square metres. Level 6, measuring about 10,000 square metres, was scheduled for opening in 2010. The Hanyang population comprised mainly young families and yet had a shortage of shopping and leisure facilities and related services in the area. Seizing the opportunity, the Group positioned Wuhan Hanyang Branch Store as an integrated living department store for shopping, entertainment, dining and services. The opening of Wuhan Hanyang Branch Store marked further extension of the New World Department Store retail network into the Hanyang district of "Three Towns in Wuhan". Adding the sixth outlet in Wuhan significantly reinforced the Group's influence in the city and Central China.

Realizing potentialities to enhance regional competitive advantage

Operating under the strategy of "multiple presences in a single city", the Central China Region carried out resource optimization and integration, and expanded the scale of direct-sales operation. Apart from direct-sales labels launched out by the headquarters, stores in the region gradually developed direct-sales labels of their own that suited the local conditions, thus promoting the growth of the Group's direct-sales business.

VIP activities enhance customer loyalty

In the year under review, stores in the Central China Region enhanced customer loyalty by holding innovative, exclusive VIP functions, for instance, *Platinum Dinner Party* which afforded in-store shopping in a specific session when the sales venue was closed to ordinary shoppers; promoting new products through various VIP salons; launching novel festive activities such as *Halloween English Party for Devil Kiddies* that stimulated store revisits and in-store spending as well as enhancing customer loyalty. Within the year, membership of VIP card in the Central China Region grew by 13.3% over the Previous Year.

Northern China Region

During the year under review, the Northern China Region contributed 12.7% to the Group's revenue. We operated one self-owned store called Tianjin New World Department Store ("Tianjin Store") and four managed stores, namely Beijing New World Department Store ("Beijing Store"), Beijing New World Trendy Department Store ("Beijing Trendy Store"), Beijing Liying Store and Lanzhou New World Department Store ("Lanzhou Store"). The Northern China Region had a total GFA of about 259,600 square metres.

Consistent with the strategy of "multiple presences in a single city", the Group entered the prospering Wangjing commercial zone by setting up its third store in Beijing – the managed Beijing Liying Store, after securing footholds in core sections in Chongwen and Chaoyang districts. Beijing Liying Store has a GFA of about 52,000 square metres over six levels. Offering more than 300 well-known local and international labels, with a third of which making their debuts in Wangjing, the store brought fresh, unique brand experiences to consumers. Considering the prevalence of family shopping in the commercial zone, about 30% of the store area was planned as service facilities including a mix of restaurants offering diverse national ambiences, fitness centre, beauty parlour, bank as well as special toy court, parent-child washroom and family playground etc, becoming a destination for shopping, leisure, gathering and holidaying for the whole family.

Implementing business readjustments to meet market needs

Since late 2008, Beijing Store and Tianjin Store had undertaken large-scale business re-adjustments to cater to market needs. Beijing Trendy Store and Beijing Liying Store had also flexibly optimized merchandise mix to keep in line with market conditions and customer shopping modes, paving the way for the revamp into "Fashion Gallery" and "Living Gallery" in future.

Brilliant promotions stimulate consumption sentiments

In the Current Year, stores in the Northern China Region attracted in-store spending, stimulated sales and strengthened share in respective local market through a variety of brilliant promotions. Stores in the region strove to attract VIP customers by tying in with the nationwide "Smart Lady Club", "Perfect House Wife Club" and "Platinum Style Club" and organized exclusive activities addressing specific club-member needs. For examples, we had organized child-bonding program called *Learning English with Mommy* for "Perfect House Wife Club" member; high-level gatherings like equestrian tournaments, theatre and cinema shows were organized for "Platinum Style Club" members; exclusive benefits in beauty, fitness and makeup services as well as co-organizing seminars and related job-searching services like *Spotlights on Job Market* with professional recruitment websites and agencies were offered for members of "Smart Lady Club". All these successfully enhanced the revisit rate of VIP members. During the year under review, membership of VIP card in the Northern China Region grew by 53.0% over the Previous Year.

Southwestern China Region

During the year under review, the Southwestern China Region contributed 1.8% to the Group's revenue. We operated one self-owned store called Kunming New World Department Store ("Kunming Store") and two managed stores, namely Chongqing New World Department Store ("Chongqing Store") and Chengdu New World Department Store ("Chengdu Store"), in the Southwestern China Region. The Southwestern China Region had a total GFA of about 84,100 square metres.

Kunming Store was opened in June 2004. Following acquisition of the interest of Kunming Store from parent company in the year reported, the store converted from a managed store to a self-owned store in March 2009. As the first such store of the Group in the Southwestern China Region, it laid down the foundation for the Group's long-term growth in the region.

Business grows fast as operational profile strengthens

Sustaining optimization of merchandise mix and deploying effective marketing promotion with flexibility, the three stores in Southwestern China Region had kept on enhancing their market influence and customer recognition.

Topical marketing enhances store recognition

In the Current Year, stores in the region had formulated a detailed, comprehensive marketing plan in line with its own market positioning. All stores stepped up interaction with customers by means of ingeniously conceived and flexibly executed topical promotions that addressed the needs of target customer groups. The stores embedded promotion of competitive products in everyday operations to induce impulsive buying in-store, which aimed at maximizing the effectiveness of the promotions. Besides, all stores continued to grow their VIP customer groups through various shopping benefits, gift offers and exclusive activities. The total number of VIP cards issued in the Southwestern China Region this year increased by 4.6% compared with that of the Previous Year.

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$1,721.2 million in FY2009 representing an increase of 15.6% from HK$1,489.3 million in FY2008. The growth was primarily contributed from all sources of revenue including commission income from concessionaire sales, sales of goods for direct sales, management fees and rental income, which increased by 14.4%, 21.9%, 11.4% and 21.8% respectively from the Previous Year.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 18.5% to HK$5,994.5 million in the Current Year from HK$5,057.7 million for the Previous Year. The performance of gross sales revenue was primarily due to firstly, SSS growth of approximately 5% 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 expanded, opened and acquired in the Previous Year. Those stores include Anshan Store, Nanjing Store, expanded floor of Shanghai Hongkou Branch Store and Wuhan Store; thirdly, the gross sales revenue contribution of Wuhan Hanyang Branch Store opened in the Current Year. The Kunming Store and Ningbo Trendy Store, which we acquired from Solar Leader Limited, a fellow subsidiary of the Company and became our self-owned stores during the Current Year, also contributed to the increase in gross sales revenue. Commission income rate was 20.3% in FY2009, 0.7% below the rate of 21.0% for the Previous Year, mainly due to the increase in promotion of sales activities during the Current Year. In the Current Year, ladieswear and accessories made up approximately 56.4% of gross sales revenue. Menswear and accessories made up approximately 28.2% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue. Direct sales mainly covered cosmetic products (approximately 49.6%), groceries, housewares and perishables (approximately 17.6%), accessories, handbags and underwears (approximately 12.4%).

Management fees increased by 11.4% to HK$184.4 million in the Current Year, 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 Beijing Liying Branch Store in the Current Year also contributed to the growth of management fees in the Current Year. However, these increases were partially offset by the decrease in management fees from Kunming Store and Ningbo Trendy Store which had converted from managed stores to self-owned stores in March 2009 and April 2009 respectively and as a result of the cessation of management consultancy service for Hong Kong New World Department Store in July 2008, as compared with the management fee for full period in the same period of the Previous Year. In addition, Wuhan Store had converted from managed store to a self-owned store in February 2008 and had no contribution to the management fee in the Current Year as compared with the management fee for approximately seven months in the Previous Year.

Rental income increased by 21.8% to HK$100.0 million in the Current Year mainly due to leasing area in newly opened and newly acquired self-owned stores and recognizing a full year's rental income of certain stores expanded, opened and acquired in the Previous Year.

Other income

Other income of the Group was HK$112.9 million in the Current Year slightly below HK$119.3 million in the Previous Year mainly because of the decrease in interest income on bank deposits. Interest income on bank deposits was HK$76.7 million in the Current Year compared with HK$94.1 million in the Previous Year. The decrease was due to low deposit interest rates prevailing in current market. However, this was mitigated by dividend income from Renhe Commercial Holdings Company Limited (or "Renhe").

Other gains

Other gains of the Group was HK$62.1 million in the Current Year comprised firstly, the excess of fair values of net assets acquired over costs of acquisition of Kunming Store and Ningbo Trendy Store in the amounts of HK$22.9 million and HK$12.7 million respectively; secondly, the fair value gain of HK$16.7 million of investment in Renhe; thirdly, the disposal gain of HK$9.8 million on disposing the entire interest in Xiamen Store to Independent Third Parties as Xiamen Store is not matching the strategic development of the Group and is not expected to generate profit in the near future. The disposal can further improve the Group's liquidity and financial resources.

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 18.5% to HK$209.3 million in the Current Year from HK$176.6 million for the Previous Year. As a percentage to direct sales of goods, gross profit margin in the Current Year was 23.5% which was 2.2% higher than 21.3% for the Previous Year.

Employee benefit expense

Employee benefit expense increased from HK$214.9 million in the Previous Year to HK$253.0 million in the Current Year. This increase was primarily due to the increase in wages and salaries, retirement benefit costs, share option expenses and other employment benefits as a result of recognising a full year's operations of self-owned stores expanded, opened and acquired in the Previous Year. Those stores include Anshan Store, Nanjing Store, expanded floor of Shanghai Hongkou Branch Store and Wuhan Store. The increase in employee benefit expense was also contributed by newly opened Wuhan Hanyang Branch Store and newly acquired Kunming Store and Ningbo Trendy Store.

Depreciation and amortisation

Depreciation and amortisation expense increased from HK$125.6 million in the Previous Year to HK$170.6 million in the Current Year. This was primarily due to the acquisition of Wuhan Store property and Shenyang Nanjing Street Branch Store property in 2HFY2008 and the acquisition of Kunming Store and Ningbo Trendy Store in 2HFY2009 which brought with them a total depreciation and amortisation of HK$32.5 million in the Current Year. In addition, the recognition of a full year's operations of certain stores expanded, opened and acquired in the Previous Year and the opening of new self-owned Wuhan Hanyang Branch Store in the Current Year also contributed to the increase in overall depreciation and amortisation.

Operating lease rental expense

Operating lease rental expense increased from HK$310.1 million in the Previous Year to HK$325.1 million in the Current Year, primarily due to the effect of recognising a full year's operations of Anshan Store, Nanjing Store and expanded floor of Shanghai Hongkou Branch Store opened in the Previous Year. In addition, Wuhan Hanyang Branch Store opened in November 2008 as well as Kunming Store and Ningbo Trendy Store acquired in 2HFY2009 also contributed to the increase of overall operating lease rental expense. Operating lease rental expense as a percentage to revenue decreased by 1.9% in the Current Year mainly as a result of operating leverage of the expense.

Other operating expenses

Other operating expenses increased by HK$48.1 million from HK$195.2 million in the Previous Year to HK$243.3 million in the Current Year. This increase was primarily due to HK$24.0 million provision for the recovery of receivables from a store-valued card issuing company in North-eastern Region of the Group. The provision represents full amount outstanding and no further provision will be required for the card issuing company. The Group has taken all necessary measures to recover the debt by means of court in Mainland China. With regard to the increase in advertising and promotion expenses, utility and other operating expenses, that was mainly due to Wuhan Hanyang Branch Store opened in November 2008 as well as Kunming Store and Ningbo Trendy Store acquired in 2HFY2009. Moreover, the effect of recognising a full year's operations of Anshan Store, Nanjing Store and expanded floor of Shanghai Hongkou Branch Store opened in the Previous Year also contributed to the increase of relevant expenses.

Operating profit

Operating profit increased by 17.9% to HK$695.0 million in the Current Year from HK$589.4 million in the Previous Year. Operating profit, including the excess of fair values of net assets acquired over costs of acquisition of Kunming Store and Ningbo Trendy Store and the disposal gain in relation to Xiamen Store, as a percentage to revenue in the Current Year was 40.4% compared with 39.6% in the Previous Year.

Finance income

No finance income was reported for the Current Year as compared with 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 reported in the Previous Year.

Share of results of an associated company

During the year ended 30 June 2009, the Group had entered into an agreement with a third party to establish Taizhou New World Department Store Co., Ltd. ("Taizhou Co") and contributed RMB2.0 million or 25% of equity interest of Taizhou Co. The share of results of an associated company of HK$2.1 million represents 25% share of the loss of Taizhou Co in the Current Year.

Income tax expense

Income tax expense increased by 17.9% from HK$123.6 million in the Previous Year to HK$145.7 million in the Current Year, primarily as a result of the increase in profit before income tax. Effective income tax rate of the Current Year was 21.0%.

Profit for the year

As a result of the reasons mentioned above, profit for the Current Year was HK$547.3 million or 14.8% increase over the Previous Year.

Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK$2,923.5 million as at 30 June 2009 (30 June 2008: HK$3,127.6 million). The financial resources are sufficient for the operation and development of the Group.

The Group had no borrowings as at 30 June 2009.

The capital commitments of the Group as at 30 June 2009 were HK$330.5 million, of which HK$328.4 million were contracted but not provided for in the balance sheet. Approximately HK$323.7 million for the contractual payment to acquire a building, land use rights located in Zhengzhou City and a building, land use rights and right of use of carpark located in Shenyang City.

Pledge of assets

Assets of the Group were not pledged as at 30 June 2009.

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 2009.

Acquisition of subsidiaries

During the year ended 30 June 2009, the Group entered into the agreements with Solar Leader Limited, being an indirect wholly-owned subsidiary of New World Development Company Limited, a controlling shareholder of the Company, to acquire 100% of the equity interest in Kunming Store and Ningbo Trendy Store at a consideration of HK$3.0 million and RMB2.0 million respectively.

OUTLOOK

Since the outbreak of the financial crisis in October 2008, many national economies had remained shrouded in gloom. However, as the Government launched in late 2008 a RMB4,000 billion policy package to stimulate the economy, domestic demand had been rising gradually ever since. Banks overflowed with cash and total investment increased, whilst the properties and stock markets also rebounded. All these fully indicated that the Chinese economy was steadily recovering. Besides, the Central Government continued to accelerate urbanization, promoting integration of cities and villages. With low-income population decreasing, and the gap between urban and rural income narrowing, the quality of living and power of consumption of the Chinese people were improved on the whole. All such factors benefited development of the domestic market. According to National Statistics Bureau of China, the country's gross domestic product ("GDP") increased 7.1% year-on-year in the first half of 2009. GDP growth reached 6.1% in the first quarter, rising to 7.9% in the second, reflecting a steady recovery in the national economy during the period. Consumption sentiments were also improving steadily, judging from the 15.0% rise year-on-year in total retail sales of consumer goods, which benefited the development of the retail market. The Group believes that the Chinese economy will rise steadily in the latter half of the year, offering more opportunities to the department store industry in China.

STRATEGIES FOR FUTURE DEVELOPMENT

For 16 years since our founding, the Group has been developing the department store business in China as we pursue the corporate mission of becoming the dominant department store operator in the PRC. Given the conditions and trends in the Chinese retail market, we have formulated timely, comprehensive strategies for future development.

Operational Strategy

New operational modes of "Fashion style" and "Living style" introduced in rebranding

In June 2009, the Group announced its rebranding program of adopting the new operational modes of "fashion style" and "living style" to project a new corporate image of "Enriching Lives • Enhancing Character". Our nationwide stores will no longer be positioned by class-basis. Instead, they will operate either as a "Fashion Gallery" or a "Living Gallery". A Living Gallery is a "one-stop shopping spot" combining operational characteristics of a department store and a shopping mall. Around 20%-30% of the GFA will be earmarked for service facilities catering fully to the needs in all aspects of daily living and entertainment of both genders at all ages. A Fashion Gallery is a "themed department store" selling mainly fashion items, with an emphasis on a "Mix & Match" style. It will introduce exclusive brands and designer labels, and build up signature product categories as it aspires to become a hotspot of trends in the city in which it operates. The Group expects that with the implementation of the rebranding program, the stores can increase their transaction volume, per ticket sales and customer traffic. The rebranding is also expected to help reinforcing customer loyalty and expanding customer groups.

The Group will implement rebranding across the operational regions in phases, kicking off in the Northeastern China Region, with Shenyang as the launching city. The Northern China Region and Eastern China Region will activate rebranding in 2010, from Beijing and Shanghai, respectively. Rebranding will continue in 2011 in the Central China Region and Southwestern China Region with Wuhan and Chengdu as the launching cities, respectively.

Each store will gradually carry out rebranding in three stages. Initially, it will readjust merchandise mix. In the second stage, it will reconfigure in-store graphics and decoration. In the third stage, it will refresh interior design and shopping ambience.

Introducing Event Halls and Brand Outlet Floors

The Group will continue to adopt flexible and effective operational strategies. We will set up a multi-purpose Event Hall on the top level of larger stores in which themed promotions are staged and refreshed once every two weeks. Apart from increasing customer traffic, the Event Hall can channel traffic to the top level and enable top-to-bottom showering to even out the traffic to areas on different floors.

Selected floor of certained stores combining with Event Hall concept will be transformed into Brand Outlet Floors, where a variety of out-seasoned products from fashionable brands will be offered at attractive prices. It will offer more choices to customers in search of fashionable, branded goods at discounted prices. In the year under review, Dalian Store turned its third floor into a Brand Outlet mainly for ladies' fashion.

Enhanced VIP services expand customer base and reinforce customer loyalty

To attract more potentially big-spending customers and reinforce loyalty of current customer groups, the Group will focus on enhancing services for VIP members. Tying in with the corporate rebranding, the Group launched three service schemes in the form of VIP clubs. They include the Smart Lady Club targeted at young females; the Perfect House Wife Club targeted at mothers; and the Platinum Style Club exclusively for platinum VIP members. With these clubs the Group is committed to offering suitable activities and endearing services to VIPs of different backgrounds.

Increasing proportion of direct-sales goods to raise gross profit

The Group will enlarge the proportion of direct-sales goods. Based on operational requirements, the direct-sales operations will be organized in a three-tier structure of headquarters, region and branch. The mode of product sourcing will be determined according to the nature of individual products to afford greater flexibility, ensuring sufficient, stable supply to raise gross profit and optimize profit structure.

Expansion Strategy

Adding self-owned stores according to clear-cut site-locating criteria

The Group will carry on with the expansion strategy of opening two to three self-owned stores in each financial year.

In locating new self-owned stores, the Group will focus strictly on prime locations in cities with good growth potential. For top-tier cities, the criterion is to concentrate mainly on those prime commercial circles within the city. For second-tier cities, we will evaluate data such as GDP per capita, total retail sales of consumer goods and per capita disposable income in determining the opportune moment for entry into their department-store markets.

Pursuing strategies of "multiple stores in a single city" and "radiation city" with consistency

The Group has designated a core growth city for each operational region. With the strategy of "multiple stores in a single city", we are setting up multiple branch operations in each core growth city.

In the Northeastern China Region, for instance, in the core growth city of Shenyang, besides current operations at Nanjing Street, Taiyuan Street and Zhonghua Road, we are opening Shenyang New World Department Store – Jianqiao Road Branch Store in the Zhong Street commercial zone in 2011, with a GFA of about 32,500 square metres. In Beijing, the core growth city of the Northern China Region, after setting up Beijing Store, Beijing Trendy Store and Beijing Liying Store, we will open Beijing Shishang New World Department Store ("Beijing Shishang Store") in 2010. It will be the first feminine club-style department store in Beijing offering fashionable products for women. By adopting the strategy of "multiple stores in a single city" we can increase market share, pursue differentiated operation, and organize joint functions with fellow city stores to exploit economy of scale and achieve synergy.

The Group also seeks to minimize the risks associated with entering new markets by applying the "radiation city" strategy as we expand our business from a core growth city into other cities on the periphery. For instance, Zhengzhou, where we have scheduled a new store – Zhengzhou New World Department Store ("Zhengzhou Store") with about 34,500 square metres in GFA for opening in 2011, is a radiation city on the periphery of Wuhan, the core growth city of the Central China Region. From Shanghai, the core growth city of the Eastern China Region in which we are running seven stores, we have expanded into peripheral radiation cities of Wuxi, Nanjing, Ningbo and Taizhou. Thus, we have formed a vast sales network in the Changjiang Delta in Eastern China, centered on Shanghai and comprising other major Delta regions of Wuxi, Ningbo and Nanjing. Establishing footholds in the department-store markets of major commercial zones in the Changjiang Delta enables the Group to undertake resource integration effectively.

Keeping an edge through extensions and growing by acquisitions

In addition to opening self-owned stores, the Group also maintains competitive advantage by extension of current stores. Extended floor areas at Harbin Store have entered service by phases starting May 2009. Meanwhile, the Group will actively seek worthwhile acquisition targets to facilitate quick inroads into new markets with good growth potential. Considerations include potential-rich stores currently under Group management. We have acquired the respective interests of Kunming Store and Ningbo Trendy Store from parent company in the Current Year.

Adding managed stores at opportune moments

Aside from opening self-owned stores, extending current stores and making acquisitions, the Group also seeks to add managed stores at opportune moments to ensure steady income from management fees.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2009, total number of employees for the Group was 3,768 (2008: 3,893). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

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.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 30 June 2009.

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 of 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 2009.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 30 June 2009 and discussed the financial related matters with management.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 December 2009 to Tuesday, 8 December 2009, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to the proposed final dividend, all transfers of shares of the Company 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 at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Wednesday, 2 December 2009.

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

Hong Kong, 6 October 2009

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.