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 2009/2010

HIGHLIGHTS

Same store sales[1] ("SSS") growth of 5.3%.

Revenue improved by 8.8% to HK$1,872.9 million.

Operating profit increased by 16.8% to HK$811.5 million. On a comparable basis to exclude other gains and interest income on bank deposits, operating profit increased by 9.2%.

Profit for the year increased by 5.5% to HK$577.6 million. On a comparable basis to exclude other gains, related income tax expense and interest income on bank deposits, profit for the year increased by 8.4%.

Earnings per share of HK$0.34.

Proposed final dividend of HK$0.07 per share.

(1) Same store sales growth represents change in total gross sales revenue and rental income for stores in operation throughout the comparable years.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 2010 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
Revenue	*3*	**1,872,905**	1,721,246
Other income	*4*	**72,718**	112,939
Other gains, net	*5*	**165,972**	61,772
Purchases of and changes in inventories		**(296,166)**	(209,275)
Employee benefit expense		**(239,617)**	(252,971)
Depreciation and amortisation		**(198,968)**	(170,603)
Operating lease rental expense		**(362,325)**	(325,075)
Other operating expenses, net	*6*	**(203,012)**	(243,001)
Operating profit		**811,507**	695,032
Share of loss of an associated company		**(203)**	(2,066)
Profit before income tax		**811,304**	692,966
Income tax expense	*7*	**(233,697)**	(145,657)
Profit for the year		**577,607**	547,309
Attributable to equity holders of the Company		**577,607**	547,309
Dividends	*8*	**252,922**	252,922
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– Basic and diluted	*9*	**0.34**	0.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**577,607**	547,309
Fair value gain on available-for-sale financial assets	**2,043**	32,085
Translation differences	**211**	5,514
Other comprehensive income for the year, net of tax	**2,254**	37,599
Total comprehensive income for the year	**579,861**	584,908
Total comprehensive income attributable to equity holders of the Company	**579,861**	584,908

There is no tax impact relating to the components of other comprehensive income for the year ended 30 June 2010 and 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	2010 HK$'000	2009 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,579,406**	1,225,977
Land use rights		**858,711**	764,928
Goodwill		**228,710**	172,435
Investment in an associated company		**–**	203
Other non-current assets	*10*	**206,640**	386,830
Long-term prepaid rent and rental deposits		**153,266**	99,595
Available-for-sale financial assets		**110,998**	108,955
Deferred income tax assets		**44,247**	31,052
		3,181,978	2,789,975
Current assets			
Inventories		**78,501**	53,448
Debtors	*11*	**19,612**	14,354
Prepayments, deposits and other receivables		**362,213**	489,555
Amount due from an associated company		**–**	690
Amounts due from fellow subsidiaries		**32,991**	27,363
Fixed deposits		**1,272,033**	737,529
Cash and cash equivalents		**2,324,666**	2,185,992
		4,090,016	3,508,931
Total assets		**7,271,994**	6,298,906
Equity			
Share capital		**168,615**	168,615
Reserves		**4,482,548**	4,142,776
Proposed dividend		**118,030**	118,030
		4,769,193	4,429,421
Liabilities			
Non-current liabilities			
Accruals and deferred income		**312,305**	282,960
Deferred income tax liabilities		**151,552**	154,601
		463,857	437,561

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2010

	Note	2010 HK$'000	2009 HK$'000
Current liabilities			
Creditors, accruals and other payables	12	**1,934,855**	1,377,040
Amounts due to fellow subsidiaries		**19,551**	6,432
Tax payable		**84,538**	48,452
		2,038,944	1,431,924
Total liabilities		**2,502,801**	1,869,485
Total equity and liabilities		**7,271,994**	6,298,906
Net current assets		**2,051,072**	2,077,007
Total assets less current liabilities		**5,233,050**	4,866,982

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 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 consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. The consolidated financial statements have been approved for issue by the Board on 4 October 2010.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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

For the year ended 30 June 2009, the Group has early adopted HKFRS 3 (Revised) "Business Combinations" and HKAS 27 (Revised) "Consolidated and Separate Financial Statements", which were prospectively applicable for the accounting periods beginning on or after 1 July 2009. In the current year, the Group has adopted the following new or revised standards, amendments to existing standards and interpretations are mandatory for the year ended 30 June 2010:

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Vesting Conditions and Cancellations
HKFRS 7 Amendment	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
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

In addition, the Group has early adopted HKAS 32 Amendment "Financial Instruments: Presentation – Classification of Right Issues" for the year ended 30 June 2010.

The adoption of these new or revised standards, amendments to existing standards and interpretations has no material impact on how the results for the current and/or prior accounting period are prepared and presented, except for the following:

HKAS 1 (Revised) prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income have been prepared under these revised disclosure requirements.

HKFRS 7 Amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group has included additional relevant disclosures in the consolidated financial statements.

HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that make strategic decisions.

The following new or revised standards, amendments to existing standards and interpretations are mandatory for the accounting periods beginning on or after 1 July 2010 or later periods which the Group has not early adopted:

HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 1 Amendment	Limited Exemption for Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs Amendments	Improvements to 2009 and 2010 HKFRSs

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

3 Revenue and segment information

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

The CODM considers the Group has a single operating and reportable segment – the operation and management of department stores. All revenue is generated in Mainland China and all significant operating assets of the Group are in Mainland China.

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

	2010	2009
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**1,197,085**	1,163,257
Sales of goods – direct sales	**397,419**	273,588
Management fees	**154,247**	184,409
Rental income	**124,154**	99,992
	1,872,905	1,721,246

The income from concessionaire sales is analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**6,156,659**	5,720,890
Commission income from concessionaire sales	**1,197,085**	1,163,257

4 Other income

	2010	2009
	HK$'000	*HK$'000*
Interest income on bank deposits	**37,606**	76,662
Government grants	**10,754**	12,239
Dividend income from available-for-sale financial assets	**7,104**	3,994
Other commission income	**6,923**	7,060
Sundries	**10,331**	12,984
	72,718	112,939

5 Other gains, net

	2010	2009
	HK$'000	*HK$'000*
Gain/(loss) on disposal of property, plant and equipment, and land use right	**165,972**	(321)
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	**–**	35,622
Fair value gain of financial assets at fair value through profit or loss	**–**	16,716
Gain on disposal of a subsidiary	**–**	9,755
	165,972	61,772

6 Other operating expenses, net

	2010	2009
	HK$'000	*HK$'000*
Water and electricity	**114,385**	100,708
Promotion, advertising and related expenses	**52,500**	60,726
Auditor's remuneration	**3,950**	3,499
Share-based payments	**3,472**	5,948
Net exchange losses	**1,841**	7,604
(Write-back of)/provision for doubtful debts	**(5,278)**	23,953
Others	**32,142**	40,563
	203,012	243,001

7 Income tax expense

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

	2010	2009
	HK$'000	*HK$'000*
Current income tax		
– Mainland China taxation	**200,683**	146,929
– Mainland China land appreciation tax	**35,867**	–
Under/(over) provision in prior years	**936**	(4,620)
Deferred income tax	**(3,789)**	3,348
	233,697	145,657

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 profit tax as the Group has no estimated assessable profit in Hong Kong for the year ended 30 June 2010 (2009: Nil).

Subsidiaries of the Group in Mainland China are subject to enterprise income tax at a rate of 25% (2009: 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and related business tax paid.

8 Dividends

	2010	2009
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.08 (2009: HK$0.08) per share	**134,892**	134,892
Final dividend proposed of HK$0.07 (2009: HK$0.07) per share	**118,030**	118,030
	252,922	252,922

At a meeting held on 4 October 2010, the Directors recommended a final dividend of HK$0.07 (2009: HK$0.07) per share for the year ended 30 June 2010. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2010.

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.

	2010	2009
Profit attributable to the equity holders of the Company (HK$'000)	**577,607**	547,309
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.34**	0.32

(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 2009 and 2010, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

10 Other non-current assets

Balance mainly represents the following transactions:

(i) On 7 July 2008, Wuhan New World Department Store Co., Ltd., a wholly-owned subsidiary of the Company entered into an agreement with a third party to acquire a building and land use right located in Zhengzhou City. For the year ended 30 June 2010, the Group has made progress payment of approximately HK$322,201,000 (2009: HK$214,471,000) and paid direct costs of approximately HK$17,087,000 (2009: HK$14,444,000) in connection with such acquisition. Upon completion of the transaction in April 2010, the carrying amounts of the building and land use right were transferred to property, plant and equipment and land use rights.

(ii) On 25 July 2008, Shenyang New World Department Store Ltd., a wholly-owned subsidiary of the Company, entered into agreements with a third party to acquire a building, land use right and right of use of carpark located in Shenyang City. As at 30 June 2010, the Group has made progress payment of approximately HK$194,473,000 (2009: HK$145,748,000) and paid direct costs of approximately HK$12,167,000 (2009: HK$ 12,167,000) in connection with such acquisition. As at 30 June 2010, the capital commitment in respect of property, plant and equipment, and land use rights of the Group in relation to this acquisition is approximately HK$130,359,000.

11 Debtors

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**19,612**	38,307
Less: provision for impairment of receivables	**–**	(23,953)
Trade receivables – net	**19,612**	14,354

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

Aging analysis of debtors is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within period for		
0-30 days	**17,187**	11,797
31-60 days	**1,501**	965
61-90 days	**866**	707
Over 90 days	**58**	24,838
	19,612	38,307

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

12 Creditors, accruals and other payables

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

	2010	2009
	HK$'000	*HK$'000*
Within period for		
0-30 days	**440,938**	350,772
31-60 days	**370,643**	247,754
61-90 days	**93,480**	64,048
Over 90 days	**191,997**	137,562
	1,097,058	800,136

Included in creditors was a trading amount due to a related company of HK$18,935,000 (2009: HK$12,707,000) which was unsecured, interest free and repayable within 90 days.

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

BUSINESS REVIEW

In the year under review, the Group's revenue increased 8.8% from HK$1721.2 million in FY2009 (or "the Previous Year") to HK$1,872.9 million in FY2010 (or "the Current Year"). Profit for the year grew 5.5% from HK$547.3 million in the Previous Year to HK$577.6 million in the Current Year.

Business Network

In the Current Year, the Group operated 35 department stores, with a total gross floor area ("GFA") of about 1,174,530 square metres and a total operating floor area of about 904,900 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 25 self-owned stores and 10 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 32.4% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 31.5% and 20.7% of total revenue, respectively.

By segment

Commission from concessionaire sales was the major type of income, accounting for 64.0% of total revenue. Proceeds from direct sales and management fees accounted for 21.2% and 8.2%, respectively. Rental income accounted for 6.6%.

Store Network Development

In the year under review, the Group opened three new self-owned stores in Shanghai and Beijing, including Shanghai – Hong Kong New World Department Store – Baoshan Branch Store ("Shanghai Baoshan Branch Store") , Shanghai – Hong Kong New World Department Store – Chengshan Branch Store ("Shanghai Chengshan Branch Store") and Beijing Shishang New World Department Store ("Beijing Shishang Store"). Besides, Shenyang New World Department Store – Taiyuan Street Branch Store ("Shenyang Taiyuan Street Branch Store") ceased to be the Group's self-owned store since April 2010.

Therefore, as of 30 June 2010, the Group's total GFA was approximately 1,174,530 square metres, up 10.44% from the Previous Year.

Operational Regions

Northeastern China Region

During the year under review, the Northeastern China Region contributed 20.7% to the Group's revenue. We operated four 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 – 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").

Starting from September 2009, the Northeastern China Region has pioneered in the new operation mode of 'Fashion Style' and 'Living Style'. As the first store rebranded into "Fashion Gallery", Shenyang Nanjing Street Branch Store prided itself on featuring renowned international and stylish brands. On top of its existing popular brands, the store further introduced exclusive brands to strive for a differentiated operation with its strong presence of branded goods and highly acclaimed VIP services. Shenyang Zhonghua Road Branch Store, on the other hand, was revamped as the one-stop shopping "Living Gallery" with living facilities enlarged to meet consumers' needs, effectively implementing a differentiated operation with Shenyang Nanjing Street Branch Store within the same business zone in Taiyuan Street. Targeting to be a "Living Gallery", Harbin Store gradually transformed into one-stop shopping department store for all walks of life. In addition, Anshan Store and Dalian Store will soon begin preparation for the store rebranding, where both of them are targeted to become "Fashion Gallery".

Bountiful Promotion Activities to Draw Customers' Patronage

In the year reported, the Northeastern China Region has done a lot to retain VIP customers and stimulate customers' patronage and spending. Shenyang Nanjing Street Branch Store, among all, was renowned for its powerful VIP activities and privileges. The store offered hotel boutique sales event and luxury goods sales event that received overwhelming support from members. These activities helped enhance VIP loyalty significantly. During the year reported, the number of platinum VIP members increased by 3.4%.

Apart from the above maneuvers, the Northeastern China Region also hosted a thong of sizable promotion activities, in which strategies included multiple bonus points, gift and instant rebate for designated amounts of spending were adopted to raise customers' spending. The events ended in great success with increase in both sales results and store traffic flow.

Eastern China Region

During the year under review, the Eastern China Region contributed 31.5% to the Group's revenue. We operated fourteen stores in the Eastern China Region: nine of them were under the "Ba Li Chun Tian" brand, including eight self-owned stores: 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"), Shanghai – Hong Kong New World Department Store – Qibao Branch Store ("Shanghai Qibao Branch Store"), Shanghai – Hong Kong New World Department Store – Pujian Branch Store ("Shanghai Puijian Branch Store"), Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store; and one managed store: Shanghai – Hong Kong New World Department Store – Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store"). In addition, there were also five self-owned stores under the "New World" brand in this region: 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 New World Department Store ("Taizhou Store").

In line with our "multiple presences in a single city" strategy, the Group has opened two self-owned stores in Shanghai in January 2010 and April 2010 respectively: they were Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store. Shanghai Baoshan Branch Store is located at a newly-developed community- Baoshan commercial circle. Shanghai Baoshan Branch Store, with 7 storeys and a GFA of approximately 39,000 sq.m., is the first newly developed 'Living Gallery' with around 30% of store's area reserved for providing complementary services, including beauty & hair salon, pre-school children centre and food & beverage outlets.

Situated in the centre of Dahua Jinxiu in Pudong District, Shanghai Chengshan Branch Store is adjacent to the site of World Expo Shanghai, taking the advantage of this strategic location. The store has 4 storeys with a GFA of about 38,000 sq.m. The store renders a spa centre and beauty gallery exclusively provided for female customers as well as a house galleria that includes household product outlet, homeware corner and one price shop with bountiful household supplies. Moreover, there are children product outlets, children's playground, pre-school children centre as well as children recreation and photography facilities, providing comprehensive care for children. To cater the needs of tourists visiting World Expo, the store also houses numerous specialty counters for customers to purchase souvenirs.

Following Northeastern China Region, Eastern China Region is our second operational region to undergo store rebranding. Since the end of 2009, stores in Eastern China Region have been gradually preparing and launching the revamp according to consumer demands and the characteristics of specific business circle where stores are located in.

Integrating Regional Resources for Brilliant Joint Campaigns

During the year under review, Eastern China Region exerted itself to develop VIP customer groups and launch a variety of VIP tailored events and featured activities to enhance sales after having integrated all shared resources under the circumstance of multiple stores in a single city. Eastern China stores all jointly cooperated and launched a "VIP Return Day" whereas VIP club of Ningbo stores also organized exclusive outdoor activities to attract members' participation and in turn boosted VIP sales. Moreover, creative and interesting events and activities were launched, which not only became talk of the town, but also helped boost pedestrian flow. In the Current Year, the total number of VIP members in Eastern China Region increased by 2.0%.

Central China Region

In the year under review, the Central China Region contributed 32.4% 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 New World Department Store – Hanyang Branch Store ("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").

Facing fierce competitions among the industry, all stores in Wuhan were dedicated in integrating all the resources in the city, expanding their scope of direct sales and putting emphasis on key commodities in order to achieve differentiated operation effectively and maintain the Group's leading role in the region. On the other hand, Changsha Trendy Plaza put its emphasis on developing young fashion brands to consolidate its position in the region.

Colorful VIP Promotion Activities Became Talk of the Town

In the year under review, stores in Central China Region has organized various innovative VIP activities and has done a lot to improve their interaction with customers, raising customers' recognition towards New World Department Store. Special VIP events in the Current Year made use of games or engaging activities to allow VIP actively participate and interact with New World Department Store. The number of VIP and platinum VIP members in Central China Region increased by 16.1% and 20.6% respectively.

Promotional activities in Central China Region have fully made use of the advantages of festivals to increase traffic flow, such as Christmas event and promotions with Halloween features. All these activities encouraged the mass to participate and celebrate festivals together in our stores.

Northern China Region

During the year under review, the Northern China region contributed 13.5% to the Group's revenue. We operated two self-owned stores: Beijing Shishang Store and 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 New World Liying Department Store ("Beijing Liying Store") and Lanzhou New World Department Store ("Lanzhou Store").

The Group opened a brand new self-owned store, Beijing Shishang Store, in Chongwen District in Beijing in May 2010. This new Fashion Gallery, with a GFA of about 40,000 sq.m., is the first feminine club department store in Beijing. It is targeting urban female white-collars, hence, the merchandise mix, promotions and club activities are all tailored to meet the expectations of female customers.

Since 2010, stores in the Northern China Region have been moving steps by steps towards the rebranding program, in which Beijing Store in the Current Year has already transformed from a traditional department store into a "Living Gallery" which focuses on enhancing lifestyle. Beijing Trendy Store, Beijing Liying Store and Lanzhou Store were preparing proactively for their store revamp, aiming at setting a sharp contrast with its competitors within the same commercial circle.

Creative Promotions Gained Mass Support

In the year under review, stores in Northern China Region strived to consolidate VIP membership and stimulate spending through various fabulous VIP activities. Activities like spring VIP exclusive events, pet contest were held to boost VIPs' revisit rate and consolidate customers' loyalty towards New World Department Store. In the Current Year, the number of VIP and platinum VIP members of Northern China Region increased by 22.7% and 9.1% respectively.

Moreover, stores seized the opportunities to host various festive promotions such as Thanksgiving event, thematic Children's Day celebration, Rice Dumpling Making Contest in Tuen Ng Festival, successfully raising store traffic flow. During the 2010 FIFA World Cup South Africa, stores especially hosted a series of continuous themed event to stimulate VIP's patronage and in-store spending.

Southwestern China Region

During the year under review, the Southwestern China Region contributed 1.9% to the Group's revenue. We operated one self-owned store called Kunming New World Department Store ("Kunming Store") and two managed stores, namely Chengdu New World Department Store ("Chengdu Store") and Chongqing New World Department Store ("Chongqing Store"), in the Southwestern China Region.

The three stores in the region all made clear plans for business optimization and merchandise integration in the year reported, to cater for different needs from different customers. Since there are an increasing number of large shopping malls incorporated with international brands proliferating in the region, stores in Southwestern China Region must speed up its process in highlighting its competitive edges to be in line with the rebranding to be launched soon.

Diversified Promotions Strengthened Market Position

Southwestern China Region was committed to getting in line with VIP club development of the Group across the nation during the year under review. Based on this, stores in this region launched various promotional campaigns, in which VIP consumers actively interacted with stores, and were encouraged to revisit our stores and therefore enhanced VIP sales. During the year under review, the number of VIP and platinum VIP members of Southwestern China Region increased by 27.4% and 16.3% respectively.

Stores also actively engaged in cooperative opportunities with New World Group and Chow Tai Fook in terms of VIP special programs, reaching the goal of sharing VIP resources with New World Group's subsidiaries and brother company. For example, Chengdu Store jointly hosted an evening party with New World China Land and Chow Tai Fook. With generous gifts-giving and multiple bonus privilege, VIP members' prestige were raised, and therefore VIP loyalty was strengthened.

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$1,872.9 million in FY2010 representing an increase of 8.8% from HK$1,721.2 million in FY2009. The growth was primarily contributed from commission from concessionaire sales, sales of goods for direct sales and rental income.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 9.3% to HK$6,554.1 million in FY2010 from HK$5,994.5 million in FY2009. The increase was due to firstly, the increase in sales of goods for direct sales of 45.2% to HK$397.4 million in the Current Year from HK$273.6 million in the Previous Year. Direct sales turnover was mainly comprised of cosmetic products (approximately 38.0%), ladieswear and menswear (approximately 27.5%), groceries, housewares and perishables (approximately 14.5%), accessories, handbags and underwears (approximately 10.4%). Gross margin of direct sales in the Current Year achieved 25.5% compared to 23.5% of the Previous Year; secondly, the increase in gross revenue from concessionaire sales to HK$6,156.7 million in the Current Year from HK$5,720.9 million in the Previous Year. Commission income rate was 19.4% compared with 20.3% in the Previous Year. In FY2010, ladieswear and accessories made up approximately 57.3% of gross sales revenue. Menswear and accessories made up approximately 26.7% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue.

Management fees was HK$154.2 million in FY2010 showing a decrease from HK$184.4 million in FY2009. The decrease was primarily due to the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively and there was no contribution to the management fee in the Current Year as compared with the management fee for approximately nine months in FY2009. Moreover, Shanghai Pujian Branch Store was converted from managed store to self-owned store in January 2010 and there was only management fee for approximately six months in the Current Year as compared with the management fee for full period in the Previous Year.

Rental income increased by 24.2% to HK$124.2 million in FY2010 mainly due to increased leasing area from firstly, the opening of new self-owned Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store in the Current Year and secondly, the conversion of Shanghai Pujian Branch Store to self-owned store in the Current Year and thirdly, recognising a full year operation of certain stores opened and acquired in the Previous Year.

Other income

Other income of the Group was HK$72.7 million in FY2010 and primarily comprised interest income on bank deposits for HK$37.6 million in the Current Year compared with HK$76.7 million in the Previous Year. The decrease was due to low deposit interest rates prevailing in the Current Year.

Other gains, net

Other gains of the Group was HK$166.0 million in the Current Year compared with HK$61.8 million in the Previous Year. Other gains in the Current Year included HK$167.6 million gain before deduction of related income tax expense on disposal of land use right and a property at which Shenyang Taiyuan Street Branch Store was situated. Related income tax expense was HK$69.3 million including land appreciation tax expense of HK$35.9 million and enterprise income tax expense of HK$33.4 million which were classified into income tax expense mentioned below. Net gain after deduction of related income tax expense on disposal of land use right and the property was HK$98.3 million.

Purchases of and changes in inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It increased by 41.5% to HK$296.2 million in FY2010 from HK$209.3 million for FY2009. The percentage of increase was in line with the increase in sales of goods for direct sales. Gross margin of direct sales in the Current Year was 25.5% compared with 23.5% for the Previous Year.

Employee benefit expense

Employee benefit expense decreased to HK$239.6 million in FY2010 from HK$253.0 million in FY2009. The improvement was primarily due to the decrease of employee share option expenses to HK$9.4 million in the Current Year from HK$18.5 million in the same period of Previous Year, the decrease in employee benefit expense as a result of disposal of Xiamen New World Department Store in May 2009 and the continuous efforts by management to carry out cost control measures in the Current Year. However, the improvement was partially offset by the increase in employee benefit expenses as a result of recognising a full year's operation of Wuhan Hanyang Branch Store opened in November 2008, the conversion of Kunming Store, Ningbo Trendy Store and Shanghai Pujian Branch Store from managed stores to self-owned stores in March, April 2009 and January 2010 respectively, and the opening of new self-owned Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store in January, April and May 2010 respectively.

Depreciation and amortisation

Depreciation and amortisation expense increased to HK$199.0 million in FY2010 from HK$170.6 million in FY2009. The increase was primarily due to additional depreciation and amortisation as a result of the capital expenditure for expansion of Harbin Store. The recognition of a full year's operation of Wuhan Hanyang Branch Store opened in November 2008, the conversion of Kunming Store, Ningbo Trendy Store and Shanghai Pujian Branch Store from managed stores to self-owned stores in March, April 2009 and January 2010 respectively and newly opened Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store also contributed to the increase of depreciation and amortisation in the Current Year.

Operating lease rental expense

Operating lease rental expense increased to HK$362.3 million in FY2010 from HK$325.1 million in FY2009, primarily due to the effect of recognising a full year's operation of Wuhan Hanyang Branch Store opened in November 2008, the conversion of Kunming Store and Ningbo Trendy Store and Shanghai Pujian Branch Store from managed stores to self-owned stores in March, April 2009 and January 2010 respectively and newly opened Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store in the Current Year. Operating lease rental expense as a percentage of revenue was 19.3% in the Current Year slightly above 18.9% in the Previous Year.

Other operating expenses, net

Other operating expenses decreased from HK$243.0 million in FY2009 to HK$203.0 million in FY2010 mainly due to firstly, a write-back of provision of HK$5.3 million, primarily in relation to the provision of HK$24.0 million made in FY2009 for the recovery of receivables on store-valued card; secondly, effective control of advertising, promotion expenses and other operating expenses by management in the Current Year. However, the decreases were partially offset by the increase in expenses due to the recognition of a full year's operation of Wuhan Hanyang Branch Store opened in November 2008, the conversion of Kunming Store, Ningbo Trendy Store and Shanghai Pujian Branch Store from managed stores to self-owned stores in March and April 2009 and January 2010 respectively, and newly opened Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store in the Current Year.

Operating profit

Operating profit was HK$811.5 million in FY2010 compared with HK$695.0 million of FY2009. Operating profit as a percentage of revenue was 43.3% compared with 40.4% of FY2009.

Share of results of an associated company

In FY2009, 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 the equity interest of Taizhou Co. The share of results of an associated company of HK$0.2 million in the Current Year represents the Group's share of the loss of Taizhou Co in the Current Year.

Income tax expense

Income tax expense increased to HK$233.7 million in FY2010 from HK$145.7 million in FY2009. Income tax expense in the Current Year included related income tax expense on disposal of land use right and a property at which Shenyang Taiyuan Street Branch Store was situated. Related income tax expense was HK$69.3 million including land appreciation tax expense of HK$35.9 million and enterprise income tax expense of HK$33.4 million.

Excluding the gain of HK$167.6 million on disposal of land use right and a property at which Shenyang Taiyuan Street Branch Store was situated in the Current Year and its related income tax expense of HK$69.3 million, effective income tax rate in the Current Year was 25.5% compared with 21.0% in the Previous Year.

Profit for the Year

As a result of the reasons mentioned above, profit for the Current Year was HK$577.6 million compared with HK$547.3 million for the Previous Year.

Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK$3,596.7 million as at 30 June 2010 (30 June 2009: HK$2,923.5 million). The financial resources are sufficient for the operation and development of the Group.

The Group had no borrowings as at 30 June 2010.

The capital commitment of the Group as at 30 June 2010 were HK$249.5 million, of which HK$248.7 million were contracted but not provided for in the statement of financial position. For the contractual payment of HK$248.7 million, approximately HK$130.4 million to acquire a building, land use right and right of use of carpark located in Shenyang City, and approximately HK$108.1 million for the acquisition of 100% the equity interest of Broad Park Limited ("Broad Park") and its outstanding shareholder's loan from Solar Leader Limited ("Solar Leader"), a fellow subsidiary of the Company. Broad Park is a company incorporated in Hong Kong and a wholly-owned subsidiary of Solar Leader.

Pledge of assets

Assets of the Group were not pledged as at 30 June 2010.

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 2010.

OUTLOOK

Domestic consumption has walked out of global economic slump since the second half of 2009, and is back on track now. According to National Statistics Bureau of China, total retail sales of consumer goods and per capita disposable income of urban residents also increased in the first half of 2010. In December 2009, the Central Economic Working Conference delivered the State's major concerns and guidelines to stimulate economic growth through the policy of "To Stabilize Development, To Adjust Structures and To Prevent Inflation". Among them, "To Adjust Structures" brings opportunities for the development of Chinese consumption market. Retail industry will be greatly enhanced as well. The Chinese retail industry has already seen the silver lining after financial crisis, hence, we are cautiously optimistic about the development of the industry. We will formulate our long-term and comprehensive development strategies timely in response to the domestic consumption conditions and trends, as well as in line with our rebranding program launched in June 2009.

STRATEGIES FOR FUTURE DEVELOPMENT

For 17 years since our founding, the Group has never ceased pursuing the corporate mission of becoming one of the dominant department store operators in the PRC. After the rebranding program was launched in June 2009, the Group abandons the conventional store positioning by "Class Basis" and initiates "Fashion Style" & "Living Style" concept in the retail industry by categorizing the stores into one-stop shopping department store and themed department store, namely "Living Gallery" and "Fashion Gallery" respectively, creating the brand new concept of "Enriching Lives • Enhancing Character". The rebranding program was first launched in Shenyang and has then been carrying out in different cities in an orderly schedule, targeting for completion in 2012.

To echo with the implementation of the rebranding program, the Group hosted the 11-month contest of "The 1st New World Department Store Spokesperson" since July 2009. A male and a female were selected as spokesperson to represent the innovative and ever-energetic New World Department Store, bringing the new image of "Enriching Lives • Enhancing Character" to the public.

Operational Strategy

In the course of rebranding program, the Group has built a benign corporate culture and structure through brand-new corporate values internally; while externally renovating the image of all stores, striving to create an unprecedented shopping environment with "Enriching Lives • Enhancing Character". The rebranding program will reform merchandise mix, optimize VIP services and enhance staff quality as well as revamping store interior and shopping ambience, in order to meet discerning customers' needs for a quality living.

Reform Merchandise Mix

Abandon the Old and Initiate the New by Introducing "Fashion Gallery" and "Living Gallery"

The Group took the lead to introduce "Fashion Style" and "Living Style" as the core positioning strategy of our stores. All stores are therefore categorized into "Fashion Gallery" and "Living Gallery" coupled with the optimization of merchandize mix and complementary services in line with the positioning.

"Fashion Gallery" is a "Themed Department Store" selling fashion and accessories with its focus on "Trendy" and "Character". It emphasizes "Mix & Match" elements with exclusive brands and designer brands introduced, striving to become the "Trendy" landmark in the cities, such as Beijing Shishang Store with the theme of feminine club department store, Shanghai Changning Branch Store themed as "Fashion Brand Outlet" and Shenyang Nanjing Street Branch Store positioned as "Fashion Brand Gallery".

"Living Gallery" is a "One-stop Shopping Department Sore" that targets people of all ages and both genders, catering for their needs in terms of "Clothing", "Dining", "Living", "Travelling" and "Entertainment". "Living Gallery" especially reserves around 20%-30% of the store's area for service facilities like supermarket, children's playground, education centre, spa & beauty centre, laundry, shoe repair services, ice-skating rink, dining facilities and cinema etc., to meet families' needs as well as extend the time they spend in store.

Re-structure Floors to Increase Customer Flow

Further to the new shopping experience brought by "Living Gallery" and "Fashion Gallery", multi-purpose Event Hall is set up on the top level of some stores for organizing themed promotion with topics changed regularly; alternately, "Brand Outlet Floor" with a variety of out-seasoned products from fashionable brands offered at attractive prices is established on top floors of store. These establishments can successfully attract customers to top floors and create the top-down customer flow diversion effect. In the year under review, sport outlet and household product outlet were set up in Shanghai Chengshan Branch Store; Beijing Liying Store opened cashmere outlet and men's casual wear outlet; while Shanghai Qibao Branch Store added bedding discount corner and household product discount corner mainly providing household items, driving customer flow by attractive prices and further improving the sales performances.

Breakthrough Tight Market Competition by Deploying the Symbol of "N-only" and Exclusive Brand Strategy

Striving to achieve a differentiated business operation mode from competitors as well as realizing the concept of Mix & Match and personal character, starting from April 2010, the symbol of "N-only" was introduced to enable customers to differentiate the exclusive brands of New World Department Store easily. Brands and products sold on the counters with the symbol of "N-only" indicate that they are monopolies of New World Department Store within the located district. This strategy is expected to draw in customers on a regular basis effectively. Besides increasing customer traffic, it also helps strengthen customer loyalty.

Recombine Merchandise Mix and Introduce Killer Category

Rebranding program emphasizes maintaining the competitive edges by flexibly adjusting merchandise mix and defining killer product categories. In the year under review, many stores have participated in weeding out the least popular categories and introduced pillar brands in market, as well as optimizing and recombining key categories.

Increase Proportion of Direct-sales Goods to Raise Gross Profit

The Group endeavors to enlarge the proportion of direct-sales goods, for instance, many stores are equipped with direct-sales "one price shop" selling commodities from kitchenware to stationary supplies while Changsha Trendy Plaza has expanded its direct-sales counter, Home of New World, selling household products and beddings. Based on operational requirements, the direct-sales operations are organized in a three-tier structure of headquarters, region and store. The ode of product sourcing will be determined according to the nature of individual products to afford greater flexibility, ensuring sufficient and stable supply to raise gross profit margin and optimize profit structure.

Secure Close Relations with Concessionaires and Suppliers

The Group endeavors to maintain cooperative relationships with concessionaires and suppliers in order to provide excellent quality products to customers. We will stick to our heritage to identify new partners among quality suppliers with good market potential whilst marinating sound partnership with existing suppliers so as to gain support from them. By the business communication platform of "New World Net", the Group will keep on promoting sound, long-term relationship with suppliers and partners.

Optimize VIP Services and Enhance Staff Quality

Tying in with our new mission of "To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China", the Group puts lots of efforts in providing sincere VIP services that help boost members' senses of belonging and esteem externally; while internally enhancing staff training to provide the best services to customers.

Enhance VIP Services to Expand Customer Base and Reinforce Customer Loyalty

To complement the corporate rebranding, the Group launched three VIP clubs during the year reported. Targeted young females, "Smart Lady Club" offers joint programs with well-known cosmetic brands, such as makeup classroom and beauty salon; "Perfect House Wife Club" invites members to parenting program, travel talks, cooking and housekeeping courses and home décor talks; "Platinum VIP Club" benefits platinum VIPs with privileged programs like wine-tasting party, private guided shopping, 12% off discount. The Group is committed to offering customized activities and endearing services to VIPs of different backgrounds, strengthening the loyalty and senses of privilege of club members. With only one year ever since these VIP clubs were launched, the number of our VIP club members was over 400,000, whereas club activities also successfully attracted more new VIP members, the total number of VIP members therefore increased to 1.88 million in the Current Year from 1.65 million in the Previous Year.

Under the year of review, the Group has created brand new deluxe VIP lounge with internet access service and massage chair facility provided in new stores. We will continue to renovate the existing Customer Service Centres, VIP lounges and washrooms to upgrade the pleasant shopping environment for customers.

To expand the VIP base, New World Department Store, together with the subsidiaries of New World Group including New World China Land, New World Hotel and our brother company, Chow Tai Fook, present joint VIP membership, which allows sharing of VIP privileges among multiple parties. Meanwhile, we will further our collaboration with Bank of Communications in the development of co-branded card to enrich our customer base.

Nurture Talents to Lay a Robust Foundation

The Group values employees as the most precious assets. Following the philosophy of "nurturing talents with respect, care and trust", we strive to nurture talents who, in turn, lay a robust foundation for future business development.

Our experienced and insightful management team is capable of designing forward-looking and competitive development strategies according to market changes. Apart from keeping abreast of local market situations, the team has also partaken in a business field trip to Japan in the Current Year, fostering exchange of insights into operational opportunities and challenges of department stores in the two countries.

In line with the rebranding program, the Group has invited a renowned Japanese designer to conduct a visual merchandising and display design course through which our staffs can acquire general design skills. The course was followed by a visual merchandising contest where staff across all stores could showcase their talents and demonstrate what they have learnt by decorating individual stores and their windows according to different themes. Besides, diverse training courses and programs are offered, including Intern Management Training Plan, Post Shifting Plan, Benefit Training Plan, and Overseas Training Plan to bring out the best in our employees.

Enhance Interior Decoration and Shopping Ambience of Stores

Tying in with the new image of the Group, we have adopted a sensory marketing strategy through which different elements concerning atmosphere (sight), catering (taste), scent (smell), music (sound) and an open display (touch) are used to attract different customers.

"Fashion Gallery" embodies an avant-garde and dynamic design which projects individuality using sharp contrast in terms of color and form. Multi-media areas are incorporated to convey latest fashion information. All recreational areas are also decorated with abstract artifacts to manifest our distinguished image of chic, novelty and excellence. For "Living Gallery", the theme of "Eco Paradise" is adopted. Using a reddish-orange palette, the stores are decorated with various design elements inspired by the nature, creating an lively and relaxing shopping environment that helps promote green concept.

During Lunar New Year in 2010, the Group has conceived a unified theme decoration, aiming to introduce the most excellent shopping environment steeped in festive atmosphere, drawing in endless customer flow.

In terms of sensory of sound, the Group will assign different music playlist based on different store themes. Listening to appealing music, customers will feel relaxed while enjoying shopping fun.

The group strives to bring in a large variety of dining options to the stores to satisfy the needs of different customers. As a department store for family, the "Living Gallery" like Shanghai Baoshan Branch Store boasts nearly 100 food and dining outlets, providing a plethora of options. For "Fashion Gallery", quality catering and themed restaurants are featured. A prominent example is the innovative composite operation mode of book bar in Beijing Shishang Store, which combines bookstore and café to form a unique space for discerning modern ladies to unwind, have snack and enjoy life.

Pleasant scent can refresh your mind and boost your well-being. In view of this, the Group will use different scents for different areas, creating a unique shopping experience accompanied by an olfactory enjoyment. Smell can also spark the desire for shopping. For example, Beijing Shishang Store combines a book store with a café helps ignite the patronized desire of customers reading in the bar with the stimulation of strong and delicious scent of coffee.

For sensory of touch, all stores of New World Department Store boast open-style counters and displays, which encourage self-help fittings that allow Mix & Match of customers' own accord to demonstrate individual styles.

Expansion Strategy

Select Site-location Strictly to Complement a Gradual Expansion Strategy

The Group will carry on with the expansion strategy of opening 2 to 3 self-owned stores per fiscal year, amounting to about 100,000-120,000 sq.m. in total. In locating new self-owned stores, we will focus strictly on prime locations in cities with good development potential. The criterion on site selection concentrates mainly on prime commercial circles and gradually expands into community circles. Shanghai Chengshan Branch Store opened in April 2010 and Beijing New World Qianzi Department Store ("Beijing Qianzi Store") opened in Shunyi district of Beijing this September are two examples of entering community zone. In addition, the Group will evaluate figures such as GDP per capita, total retail sales of consumer goods and per capita disposable income in determining the opportune moment for entering into appropriate department store market. Shenyang New World Department Store – Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch store") and Zhengzhou New World Department Store ("Zhengzhou Store") which will commence operation in 2011, are new footholds in second-tier cities.

Apart from exploring other outstanding development opportunities in existing cities, such as Beijing, Sichuan, Harbin and Liaoning Province, the Group will seek for the right occasions to expand into new cities, like Xian in Shaanxi, Taiyuan in Shanxi and Guangzhou in Guangdong.

Stick to "Multiple Presences in a Single City" and "Radiation City" Strategies

The Group has designated a core city for each operational region. With the strategy of "multiple stores in a single city", we increase our footholds in each core city.

The Group gained a footing in Beijing, the core city of Northern China Region, as early as 1998. After setting up Beijing Store, Beijing Trendy Store and Beijing Liying Store, we have opened Beijing Shishang Store and Beijing Qianzi Store in May and September 2010 respectively. In the Eastern China Region, for instance, we are running 9 stores in Shanghai after the opening of Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store in the Current Year. By adopting the strategy of "multiple stores in a single city" we can increase market share and organize joint functions with fellow city stores to exploit economy of scale and achieve synergy effect.

To minimize the risks associated with entering new markets, the Group will continue to deploy the "radiation city" strategy as we expand our business from a core city into other cities on the periphery. For instance, Zhengzhou, where we have scheduled a new store – Zhengzhou Store for opening in 2011, is a radiation city on the periphery of Wuhan, the core city of Central China Region.

Seize Opportunity to Acquire Project with Potential

During the year under review, the Group has acquired the operating right of Shanghai Pujian Branch Store in January 2010, converting the store from managed to self-owned. In August of the same year, the Group successfully acquired the operating right of Beijing Store and agreed to acquire Chengdu Store as self-owned store with the application on progress. In future, the Group will continue to actively seek worthwhile acquisition targets including existing managed stores and potential greenfield projects.

Increase Managed Stores at Opportune Moments

Meanwhile, the Group will seek to add potential managed stores at opportune moments to maintain steady income from management fees.

Moreover, the Group will also expand existing stores after careful evaluation of local market needs and potential to maintain competitive advantage.

DIVIDEND

The Directors have resolved to recommend a final dividend of HK$0.07 per share (2009: HK$0.07 per share) for the year ended 30 June 2010 to shareholders whose names appear in the register of members of the Company on 23 November 2010. It is expected that the proposed final dividend will be paid on or about 21 December 2010 subject to shareholders' approval at the forthcoming annual general meeting of the Company.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2010, total number of employees of the Group was 4,842 (2009: 3,768). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

ACQUISITION AND DISPOSAL

In January 2010, New World Department Stores Investment (China) Co., Ltd., a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, acquired the entire equity interest from independent third parties, including all interest and rights, of Shanghai New World Huiya Department Store Co., Ltd., a limited liability company incorporated in the PRC and the operator of Shanghai Pujian Branch Store, for an aggregate consideration of RMB2.0 million.

In March 2010, Shenyang New World Department Store Ltd. ("Shenyang Co"), a wholly-owned subsidiary of the Company in the PRC and the owner of the Property, as defined below, entered into sale and purchase agreements with an independent third party, 上海美特斯邦威服飾股份有限公司, to sell land use right and the property at which Shenyang Taiyuan Street Branch Store was situated (the "Property"), with an approximate gross floor area of 10,716 square metres, for an aggregate consideration of RMB224.0 million.

In June 2010, the Group entered into an agreement with Solar Leader whereby the Group agreed to acquire from Solar Leader 100% of the equity interest and the amount due to Solar Leader (approximately HK$11.5 million) of Broad Park, for an aggregate consideration of RMB150.0 million (equivalent to approximately HK$170.5 million) less the outstanding registered capital (approximately RMB54.9 million, equivalent to approximately HK$62.4 million) of Beijing Yixi New World Department Store Co., Ltd., a wholly-owned subsidiary of Broad Park. The acquisition was approved by the shareholders of the Company other than New World Development Company Limited and associates on 27 July 2010, as defined under The Rules Governing the Listing of Securities on the Stock Exchange, and completed on 1 August 2010.

In August 2010, the Group agreed to acquire 100% of the equity interest in Chengdu New World Department Store Co., Ltd. ("Chengdu Co") for a consideration of RMB2.0 million from certain independent third parties. Chengdu Co is engaged in operations of a department store in Chengdu.

On 4 October 2010, Shenyang Co entered into an agreement for sale and purchase of property with Shenyang New World Hotel Co., Ltd., a wholly-owned subsidiary of New World China Land Limited and a fellow subsidiary of the Company. Shenyang Co agreed to acquire the building ownership right, land use right and right of use of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems for certain exclusive and common-use areas of a building, located in Shenyang City, for a consideration of approximately RMB456.5 million which is subject to further adjustments.

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 set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 30 June 2010.

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. 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 2010.

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 2010 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, 18 November 2010 to Tuesday, 23 November 2010, 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 and identity of shareholders who are entitled to attend and voting at the forthcoming annual general meeting of the Company, 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, 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, 17 November 2010.

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

Hong Kong, 4 October 2010

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.