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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 2017/2018**

### **HIGHLIGHTS**

Same-store sales<sup>(1)</sup> growth for the year was 0.8%. The growth for the Previous Year was 0.7%.

Revenue for the year was HK\$3,821.1 million compared with HK\$3,484.3 million in the Previous Year, with year-on-year growth of approximately 9.7%.

Operating profit for the year decreased to HK\$185.4 million from HK\$277.8 million in the Previous Year.

Profit for the year decreased to HK\$11.1 million from HK\$128.3 million in the Previous Year.

Earnings per share for the year was HK\$0.01.

Opening balance of reserves of the Group as at 1 July 2017 was adjusted to decrease by HK\$50.3 million due to the early adoption of HKFRS 15.

<sup>(1)</sup> Same-store sales calculation reflects the gross sales proceeds and the adjustment of the operational strategy for the stores in operation.

## ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018 as follows:

### CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	2	3,821,120	3,484,322
Other income	3	196,902	192,758
Other losses, net	4	(198,137)	(76,920)
Changes in fair value of investment properties		482	(6,591)
Purchases of and changes in inventories, net		(940,552)	(788,333)
Purchases of promotion items		(47,144)	–
Employee benefit expense		(640,890)	(623,154)
Depreciation and amortisation		(246,406)	(261,492)
Operating lease rental expense		(1,228,302)	(1,051,935)
Other operating expenses, net	5	(531,720)	(590,814)
Operating profit		<u>185,353</u>	<u>277,841</u>
Finance income		61,783	36,364
Finance costs		<u>(37,994)</u>	<u>(24,069)</u>
Finance income, net		<u>23,789</u>	<u>12,295</u>
Share of results of associated companies		<u>209,142</u>	<u>290,136</u>
		<u>(560)</u>	<u>416</u>
Profit before income tax		208,582	290,552
Income tax expense	6	<u>(197,497)</u>	<u>(162,263)</u>
Profit for the year		<u>11,085</u>	<u>128,289</u>
Attributable to:			
Shareholders of the Company		11,028	128,611
Non-controlling interests		<u>57</u>	<u>(322)</u>
		<u>11,085</u>	<u>128,289</u>
Earnings per share attributable to shareholders of the Company for the year (expressed in HK\$ per share)			
– Basic and diluted	8	<u>0.01</u>	<u>0.08</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year	<u>11,085</u>	<u>128,289</u>
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Fair value gain/(loss) on equity instrument at fair value through other comprehensive income	9,643	(16,376)
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	15,899	1,826
– Deferred income tax thereof	<u>(3,975)</u>	<u>(456)</u>
	<u>21,567</u>	<u>(15,006)</u>
<i>Item that may be reclassified subsequently to profit and loss</i>		
Translation differences	<u>209,033</u>	<u>(98,462)</u>
Other comprehensive income for the year, net of tax	<u>230,600</u>	<u>(113,468)</u>
Total comprehensive income for the year	<u>241,685</u>	<u>14,821</u>
Attributable to:		
Shareholders of the Company	241,630	15,147
Non-controlling interests	<u>55</u>	<u>(326)</u>
	<u>241,685</u>	<u>14,821</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2018*

	<i>Note</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,150,257</b>	1,278,071
Investment properties		<b>4,761,907</b>	4,528,348
Land use rights		<b>605,343</b>	627,466
Intangible assets		<b>2,127,125</b>	1,718,333
Interests in associated companies		<b>1,595</b>	1,619
Other non-current assets	9	<b>669,840</b>	627,848
Prepayments, deposits and other receivables		<b>363,543</b>	291,264
Financial asset at fair value through other comprehensive income		–	19,331
Financial asset at fair value through profit or loss		–	4,695
Deferred income tax assets		<b>124,337</b>	134,713
		<b>9,803,947</b>	9,231,688
<b>Current assets</b>			
Inventories		<b>318,044</b>	221,332
Debtors	10	<b>116,697</b>	106,053
Prepayments, deposits and other receivables		<b>400,506</b>	525,352
Amounts due from fellow subsidiaries		<b>2,696</b>	4,069
Amounts due from related companies		<b>1</b>	106
Fixed deposits		<b>42,439</b>	132,621
Cash and cash equivalents		<b>1,904,904</b>	2,003,676
		<b>2,785,287</b>	2,993,209
<b>Total assets</b>		<b>12,589,234</b>	12,224,897
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		<b>168,615</b>	168,615
Reserves		<b>5,950,726</b>	5,759,367
Shareholders' funds		<b>6,119,341</b>	5,927,982
Non-controlling interests		<b>7</b>	(48)
<b>Total equity</b>		<b>6,119,348</b>	5,927,934

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
*AS AT 30 JUNE 2018*

	<i>Note</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Accruals and other payables		<b>587,796</b>	497,866
Obligation under finance leases		<b>16</b>	31
Borrowings		<b>226,190</b>	298,851
Deferred income tax liabilities		<b>891,304</b>	835,143
		<u><b>1,705,306</b></u>	<u>1,631,891</u>
<b>Current liabilities</b>			
Creditors	<i>11</i>	<b>1,661,193</b>	1,752,963
Accruals and other payables		<b>1,043,546</b>	1,319,239
Contract liabilities		<b>332,998</b>	–
Amounts due to fellow subsidiaries		<b>22,213</b>	10,733
Amounts due to related companies		<b>25,389</b>	23,611
Amounts due to associated companies		–	687
Obligation under finance leases		<b>16</b>	16
Borrowings		<b>1,650,519</b>	1,467,932
Financial liability at fair value through profit or loss		–	912
Tax payable		<b>28,706</b>	88,979
		<u><b>4,764,580</b></u>	<u>4,665,072</u>
<b>Total liabilities</b>		<u><b>6,469,886</b></u>	<u>6,296,963</u>
<b>Total equity and liabilities</b>		<u><b>12,589,234</b></u>	<u>12,224,897</u>

## NOTES

### 1 BASIS OF PREPARATION

The consolidated financial statements of the Company for the year ended 30 June 2018 have been prepared in accordance with all applicable 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 investment properties, financial asset at fair value through other comprehensive income and financial asset and liability at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

As at 30 June 2018, the Group’s current liabilities exceeded its current assets by approximately HK\$1,979,293,000 (2017: HK\$1,671,863,000). Taking into account the cash flows from operating activities, ability to generate additional financing and its asset backing, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

In the current year, the Group has adopted the following amendments to existing standards, if applicable, which are mandatory for the financial year ended 30 June 2018:

Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Project	Annual Improvements 2014-2016 Cycle

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

The Group has elected to early adopt HKFRS 15 for the financial year beginning on 1 July 2017 because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. The Group has also elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 30 June 2017 are adjusted at the opening balance of equity as at 1 July 2017 and comparatives figures are not restated. The impact of the adoption of HKFRS 15 was disclosed in the consolidated financial statements of the Group for the year ended 30 June 2018.

## 2 REVENUE AND SEGMENT INFORMATION

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Commission income from concessionaire sales	<b>1,681,128</b>	1,695,959
Sales of goods – direct sales	<b>1,322,607</b>	1,108,232
Management and consultancy fees	<b>5,502</b>	13,437
	<hr/>	<hr/>
Revenue from contracts with customers	<b>3,009,237</b>	2,817,628
Rental income	<b>811,883</b>	666,694
	<hr/>	<hr/>
	<b>3,821,120</b>	3,484,322
	<hr/>	<hr/>

The income from concessionaire sales is analysed as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Gross revenue from concessionaire sales	<b>10,300,440</b>	9,955,619
	<hr/>	<hr/>
Commission income from concessionaire sales	<b>1,681,128</b>	1,695,959
	<hr/>	<hr/>

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

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

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

2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Department store and other retail related businesses <i>HK\$'000</i>	Property investment business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>For the year ended 30 June 2018</i>			
Segment revenue	<u>3,613,547</u>	<u>207,573</u>	<u>3,821,120</u>
Segment operating results	230,646	152,080	382,726
Other losses, net	(198,150)	13	(198,137)
Changes in fair value of investment properties	–	482	482
Unallocated corporate income, net			<u>282</u>
Operating profit			----- 185,353
Finance income			61,783
Finance costs			<u>(37,994)</u>
Finance income, net			----- 23,789
Share of results of associated companies			<u>209,142</u> (560)
Profit before income tax			208,582
Income tax expense			<u>(197,497)</u>
Profit for the year			<u>11,085</u>
<i>For the year ended 30 June 2017</i>			
Segment revenue	<u>3,316,907</u>	<u>167,415</u>	<u>3,484,322</u>
Segment operating results	249,170	115,814	364,984
Other losses, net	(76,794)	(126)	(76,920)
Changes in fair value of investment properties	–	(6,591)	(6,591)
Unallocated corporate expenses, net			<u>(3,632)</u>
Operating profit			----- 277,841
Finance income			36,364
Finance costs			<u>(24,069)</u>
Finance income, net			----- 12,295
Share of results of associated companies			<u>290,136</u> 416
Profit before income tax			290,552
Income tax expense			<u>(162,263)</u>
Profit for the year			<u>128,289</u>



2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Department store and other retail related businesses <i>HK\$'000</i>	Property investment business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>As at 30 June 2018</i>			
Segment assets	6,673,903	5,779,330	12,453,233
Interests in associated companies	1,595	–	1,595
Deferred income tax assets	124,337	–	124,337
Unallocated corporate assets:			
Cash and cash equivalents			9,855
Others			214
Total assets			<u>12,589,234</u>

*For the year ended 30 June 2018*

Additions to non-current assets ( <i>Note</i> )	642,220	5,815	648,035
Depreciation and amortisation	245,507	899	246,406
Impairment loss on goodwill	108,490	–	108,490
Impairment loss on property, plant and equipment	72,671	–	72,671
Impairment loss on prepayments, deposits and other receivables	<u>8,108</u>	<u>–</u>	<u>8,108</u>

*As at 30 June 2017*

Segment assets	6,395,670	5,658,282	12,053,952
Interests in associated companies	1,619	–	1,619
Deferred income tax assets	134,713	–	134,713
Unallocated corporate assets:			
Cash and cash equivalents			34,388
Others			225
Total assets			<u>12,224,897</u>

*For the year ended 30 June 2017*

Additions to non-current assets ( <i>Note</i> )	170,677	21,224	191,901
Depreciation and amortisation	260,048	1,444	261,492
Impairment loss on property, plant and equipment	49,808	–	49,808
Impairment loss on prepayments, deposits and other receivables	<u>19,653</u>	<u>–</u>	<u>19,653</u>

*Note:*

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

### 3 OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Compensation from insurance claim	71,046	–
Compensation for termination of lease	–	43,182
Government grants	33,562	18,111
Income from suppliers	57,759	58,227
Sundries	34,535	73,238
	<u>196,902</u>	<u>192,758</u>

### 4 OTHER LOSSES, NET

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Changes in fair value on financial asset or liability at fair value through profit or loss	(5,462)	(5,042)
Gain on disposal of an associated company	503	–
Impairment loss on goodwill ( <i>Note</i> )	(108,490)	–
Impairment loss on property, plant and equipment ( <i>Note</i> )	(72,671)	(49,808)
Impairment loss on prepayments, deposits and other receivables ( <i>Note</i> )	(8,108)	(19,653)
Loss on disposal of property, plant and equipment	(3,909)	(2,417)
	<u>(198,137)</u>	<u>(76,920)</u>

*Note:*

The impairment provision was made to reflect management's latest plan for mainly four department stores (2017: four department stores) in light of the latest market environment and the management's assessment on the business prospect thereof.

### 5 OTHER OPERATING EXPENSES, NET

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Water and electricity	62,095	83,038
Selling, promotion, advertising and related expenses	57,497	132,987
Cleaning, repairs and maintenance	79,523	83,365
Auditor's remuneration		
– Audit services	5,640	5,640
– Non-audit services ( <i>Note (i)</i> )	1,962	1,902
Net exchange (gains)/losses ( <i>Note (ii)</i> )	(20,309)	14,059
Other tax expenses	160,645	146,352
Provision for doubtful debts, net	16,350	6,591
Others	168,317	116,880
	<u>531,720</u>	<u>590,814</u>

## 5 OTHER OPERATING EXPENSES, NET (CONTINUED)

Notes:

- (i) For the year ended 30 June 2017, the amount excluded professional fees capitalised to property, plant and equipment of approximately HK\$276,000.
- (ii) For the year ended 30 June 2017, the amount excluded exchange losses arising from foreign currency borrowings capitalised to other non-current assets of approximately HK\$1,003,000, which represented the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies.

## 6 INCOME TAX EXPENSE

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

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– Mainland China taxation	<b>165,271</b>	152,696
– (Over)/under-provision in prior years	<b>(295)</b>	2,465
Deferred income tax		
– Undistributed retained earnings	–	(349)
– Other temporary differences	<b>32,521</b>	7,451
	<b><u>197,497</u></b>	<b><u>162,263</u></b>

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the years ended 30 June 2018 and 2017.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2017: 25%).

## 7 DIVIDENDS

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2018 (2017: HK\$Nil).

## 8 EARNINGS PER SHARE

### (a) Basic

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

	2018	2017
Profit attributable to shareholders of the Company (HK\$'000)	<u>11,028</u>	<u>128,611</u>
Weighted average number of ordinary shares in issue (shares in thousands)	<u>1,686,145</u>	<u>1,686,145</u>
Basic earnings per share (HK\$ per share)	<u>0.01</u>	<u>0.08</u>

### (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 2018 and 2017, there was no dilutive potential ordinary share.

## 9 OTHER NON-CURRENT ASSETS

Balances as at 30 June 2018 and 2017 represented the following transaction:

On 8 February 2013, Shenyang Trendy Property Company Limited (“Shenyang Trendy”), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Shenyang New World Hotel Co., Ltd. (subsequently renamed as “Shenyang New World Xin Hui Properties Co., Ltd.”) (“SYNWXH”), a wholly-owned subsidiary of New World Development Company Limited and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWXH agreed to cooperate in a property redevelopment project in Shenyang City. Shenyang Trendy agreed to surrender to the local government authority the land and building where Shenyang New World Department Store – Nanjing Street Branch Store was situated for a compensation of RMB250,012,000 and to make contribution of RMB527,060,000 (subject to further adjustments) to SYNWXH for the related costs of demolition of the existing building and design, construction and payment of any relevant land grant premium of certain portion of the redeveloped building. As at 30 June 2018, the balance in connection to this transaction and the costs capitalised was approximately HK\$669,840,000 (2017: HK\$627,848,000).

## 10 DEBTORS

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Debtors	<b>138,675</b>	112,826
Less: loss allowance provision	<b>(21,978)</b>	(6,773)
Debtors, net	<b><u>116,697</u></b>	<u>106,053</u>

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within period for		
0 – 30 days	<b>97,455</b>	65,924
31 – 60 days	<b>13,245</b>	19,476
61 – 90 days	<b>2,986</b>	4,085
Over 90 days	<b>3,011</b>	16,568
	<b><u>116,697</u></b>	<u>106,053</u>

The debtors were primarily denominated in Renminbi.

## 11 CREDITORS

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within period for		
0 – 30 days	<b>1,263,689</b>	1,313,017
31 – 60 days	<b>163,571</b>	204,890
61 – 90 days	<b>91,362</b>	54,055
Over 90 days	<b>142,571</b>	181,001
	<b><u>1,661,193</u></b>	<u>1,752,963</u>

Creditors included amounts due to related companies of approximately HK\$78,464,000 (2017: HK\$73,542,000) which were unsecured, interest free and repayable within 90 days.

The creditors were primarily denominated in Renminbi.

## **BUSINESS REVIEW**

### **Business Network**

As at 30 June 2018, the Group operated 35 department stores and two shopping malls, with a total gross floor area of about 1,455,780 square metres. These stores are located in three operating regions in the Northern China, the Eastern China and the Central Western China, covering 19 key locations across the country, including Beijing, Tianjin, Yanjiao, Yantai, Lanzhou, Xi'an, Harbin, Shenyang, Anshan, Shanghai, Nanjing, Yancheng, Wuhan, Changsha, Zhengzhou, Chengdu, Chongqing, Kunming and Mianyang.

In financial year 2018 ("FY2018" or the "Current Year"), the Group converted two managed stores into self-owned stores; these include Yanjiao New World Department Store ("Yanjiao Store") and Wuhan New World Department Store — Xudong Branch Store ("Wuhan Xudong Branch Store"). Following the above adjustment, the Group's retail network now comprises self-owned stores only.

### **Revenue Breakdown**

#### *By region*

The Northern China Region continued to contribute the most to the Group, accounting for 48.0% of revenue; this was followed by the Eastern China Region and the Central Western China Region, which accounted for 32.5% and 19.5% of revenue respectively.

#### *By segment*

Commission income from concessionaire sales was the major source of income, accounting for 44.0% of revenue. Sales of goods for direct sales and rental income accounted for 34.6% and 21.3% of revenue respectively. Management and consultancy fees accounted for 0.1% of revenue.

## **OPERATIONS OVERVIEW**

### **Human Resources Strategies**

*Empowerment and motivation propelled long term development of organisation*

Empowering the organisation and motivating innovation and reforms are fundamental to a company's adaptability to market competition and long-term development. During the year under review, the Group actively consolidated its competitive resources and established innovation platforms to continuously develop employees' potentials. Individuals, and the organisation as a whole, were activated, preliminarily setting up an empowered organisation. The Group attempted to break down boundaries in the organisation and to establish an open and cooperative personnel structure, and fully exerted the strengths of converging smaller modular organisations for flexibility and high efficiency, and for stimulating the creation of individuals' values. At the same time, the Group constructed a motivation mechanism for sharing improved efficiency that motivates regions and stores to generate more revenue and to create higher efficiency, which facilitated the sharing of operational achievements with the company and supported the implementation of the Group's operating strategy.

In terms of echelon cultivation and people empowerment, the Group made enriched platform resources and practise opportunities available for key persons. Eighty talents were selected to join the trio of career advancement initiatives to participate in job rotation, such that they could delve deep into management from multiple angles and broaden their professionalism. Among them, seven store supervisor trainees took part in a project-based talent grooming and empowerment programme to fast-track their path for becoming core management personnels. Under the guidance of senior executive mentors, 59 young core persons of the "New NWDS Community" and "Xinpeng" schemes incubated innovative projects and received comprehensive experiences. The "Thousand Minds" and "Hundred Minds" specialist's training programme was initiated to develop a mindset for innovative online marketing and business expansion, so as to drive business innovation and optimisation.

In future, the Group will continue to establish platforms that are conducive to innovative development, strengthen the nurturing and development of successors to middle to senior executives in order to actualise organisational empowerment.

### **Operations Strategies**

*Fortifying in-store ambiences and experiences to enhance department store competitiveness*

In the face of ever-changing consumption trends and the accelerated transformation of the market, the Group deepened categorised management of its stores during the year under review. Based on the categories of "novel department store", "quasi-shopping mall", "industry-benchmark store" and "urban outlet", the Group further categorised its stores into four types, namely competitive, breakthrough, strengthened and turnaround resolutions, depending on the location, scale and merchandise appeal of stores, etc. Targeted strategies were then formulated to improve operating efficiency. The Group also continued to foster its operations

strategy of “One Store, One Strategy”, starting from sound protection measures developed by the headquarters, to ensure the implementation of the Group’s strategies. Through multi-dimensional categorised operations and targeted marketing strategies, the Group effectively motivated stores to explore their way of innovation and at the same time, seek breakthroughs in ambience innovation, operations efficiency enhancement, innovative marketing, and Internet strategies, etc.

During the year under review, Chongqing New World Department Store first renovated the fourth level to create a stage-like retail space with enhanced spaciousness and branding ambience. Hong Kong New World Department Store — Shanghai Pujian Branch Store, as a demonstrative “quasi-shopping mall”, upgraded the image of the third and the fourth levels in Phase 1 to improve on its personalised ambience and the comfort level of shopping. A good number of power brands were introduced to replace traditional ones that were past their prime. As a breakthrough type of “urban outlet”, Hong Kong New World Department Store — Shanghai Qibao Branch Store developed the essential character of an outlet after upscaling the brands and adjusting the categories it carried.

In future, the Group plans to introduce the thematic street zone “New Territories 88” into three department stores located in Zhengzhou, Tianjin and Wuhan and to enrich the in-store ambience and experience so as to accelerate the introduction of themed projects in stores.

*Driving sales through strategic cooperation with international brands and growth of competitive categories*

In terms of sales performance of different categories in the Current Year, the five competitive categories of the Group are gold and jewellery, young ladieswear, ladies’ footwear, sports, and cosmetics. Amongst them, the year-on-year growth in sales was more evident in gold and jewellery as well as cosmetics. To speed up the landing of international cosmetics brands in its stores, the Group entered into strategic cooperation with multi-national companies such as the renowned U.S. consumer goods company Procter & Gamble and Korean cosmetics group Amore Pacific, etc. during the year under review. In particular, cosmetics sales of Beijing New World Department Store stood out. The scale and the number of brands it carried ranked the top three in the Beijing market. In the ladies’ footwear category, sales from more than half of ladies’ footwear concessionaires in Hong Kong New World Department Store — Shanghai Wujiaochang Branch Store topped the list of Shanghai during the year under review. In future, the Group will continue to fortify and expand existing competitive categories and to capitalise on the latest development trends in the market, with a focus on building the cosmetics, sports and leisure, and children’s products categories to strengthen its brand competitiveness and to give traction to the Group’s concessionaire sales.



*Strengthening experiential businesses to enrich stores with interactive, refined and lifestyle-oriented elements*

As for the rental business, the Group stayed close to the trends in the mainland and was committed to crafting consumption scenarios with commodities as the core and lifestyle experiences as the underlying philosophy, and accelerating brand renewal to address the fast-changing tastes of the young consumer group. During the year under review, the Group added in-store businesses of the food and beverage, entertainment experiences and complementary facilities categories. Emerging trendy tenants such as “Uji Matcha”, “CouCou Hotpot”, “Mi Home” and “Stellar International Cineplex” were introduced, while cooperation was deepened with strategic brands “Haidilao Hotpot”, “LEFIT” and “Sanfu Easy Fashion Easy Life” by increasing the number of collaborative stores. As at 30 June 2018, rental business accounted for about 39% of operating area in all NWDS’ stores. In future, the Group will strive to introduce more in-demand consumption projects so as to accelerate the enrichment of interactive, refined and lifestyle-oriented elements in its in-store businesses.

*Vertical expansion of private label series to enhance product marketability*

To enhance its vertical operating capabilities and to actualise differentiated operations, the Group rode on the foundation of the New World Supermarket and actively expanded the N+ line-up and LOL (Love•Original•Life) Concept Shop (“LOL”) to diversify the composition in direct sales business.

To date, there are four private labels in the N+ line-up, including the high-end bakery brand “N+ Natural Taste Plus” with three outlets, the newly-introduced mother-and-baby themed supermarket “N+ Baby”, the Group’s first convenience store “N+ Convenience Store” and “N+ Quality Goods” which offers a variety of household goods. The Group’s brand character was gradually established in terms of contents and products. In future, the Group will continue to fortify and to perfect the N+ line-up, fostering the scaleable development of a multi-brand and multi-category private label series that lives up to new consumption trends.

Having operated for five years, LOL picked up its pace in store opening by adding eight new stores during the year under review. As at 30 June 2018, LOL operated 20 stores, six of which are set up outside of the Group’s store network. The six stores are opened in the K11 Art Malls in Shanghai, Wuhan and Shenyang; Shanghai Joy City, Life Hub @ Jinqiao, Shanghai and Chongqing IF Plaza. As categorised management yielded results in its stores, LOL further enriched its categories during the year under review by introducing trendy products that fit the different positioning of stores. LOL also developed its products for direct sales, focusing on trendiness and coolness to uplift the brand image of and customers’ affinity to the brand. In future, LOL will extend its expansion strategy in first-tier cities and consider tapping into mature commercial lots in second-tier cities with high spending power in the periphery of Shanghai. Internally, LOL will rationalise the positioning and style of certain existing stores to create refreshed and upgraded experience for customers.

Furthermore, the Group’s distribution business of high-end fashion brands saw steady growth during the year under review. The line-up of brands grew stronger with the addition of the made-in-Italy luxury footwear brand SERGIO ROSSI as the Group won its exclusive distributing rights in Mainland China in early 2018. As at 30 June 2018, the Group had 77 directly operating stores in 19 cities in Mainland China, covering its five high-end fashion brands which include MOSCHINO, LOVE MOSCHINO, RED VALENTINO, DSQUARED2 and YVES SALOMON.

## **Marketing Strategies**

*Capturing consumers’ preference for sharing trendy experiences, crafting unconventional image through new media*

With new retail growing vigorously, the Group initiated a number of experiential marketing campaigns during the year under review, riding on consumers’ preference for sharing trendy experiences and their pursuit of values recognition. The Group’s 25<sup>th</sup> anniversary campaign, for example, was built around the theme of “immense love for customers”. From 20 April to 1 May 2018, a 10-day event was rolled out in all NWDS’ stores. Four stores in Beijing kicked off the talent hunt programme “Idol Wooha!”, which was followed by an open audition to generate noise and to draw foot traffic to stores. Eleven stores in Shanghai jointly organised the “25<sup>th</sup> Anniversary Ba Li Chun Tian Music Children’s Vocal Competition”, introducing a grand family experience event into department stores for the very first time. Complemented by a pre-event online voting segment, traffic was created online and offline to actualise experiential marketing.

The Group also actively made use of new media such as the music video platform TikTok, WeChat Moments mini-videos, Jie Pai, etc. to carry out highly effective marketing with unconventional and intriguing videos. A noteworthy example came from the headquarters, which initiated the event “Labour Pain Experience for Men”, a Mother’s Day collaboration between stores and local hospitals. A labour pain simulator was used such that male customers could experience child birth. With event videos going viral on TikTok, Weibo and other platforms and successfully generating a hot topic throughout the country within a short time, the initiative crafted an innovative and unconventional image for the Group.

*Injecting recreation and social elements in consumption scenarios, leveraging experiential marketing to draw foot traffic from online and offline*

The Group actively engaged itself in cross-industry collaboration with WeBank, Apple Pay and online ambience crafter “cn.dface” and “imiaoj.com”. Innovative technologies were employed to create a novel entertaining retail experience. During the year under review, the Group worked with “cn.dface” to launch interactive WeChat H5 games integrated with online marketing. “Best Two out of Three” allowed 31 store general managers to interact and compete with customers online. In “What’s the Price?” and “Shopping Mall Monopoly”, price guessing games excited users and generated consumption. “Magic Gift Truck”, on the other hand, used an interactive smart window display to demonstrate how to mix and match different fashion brands, attracting in-store foot traffic with an entertaining experience. On top of these, customers could obtain game point rebates through the inter-connected membership systems of “cn.dface” and the Group. The initiative helped in driving repeated sales in the physical stores and coupon conversion, boosting number of transactions and sales volumes.

During the year under review, the Group continued to carry forward the progress of membership digitisation. In addition to upgrading the electronic membership system to implement digitised member identification and online interactive channels, it also leveraged cross-industry resources to enhance the benefits for VIP members with an upgrading mechanism to improve member loyalty. As at 30 June 2018, the Group had about 5.39 million VIP members. Meanwhile, the Group also actively maintained its existing online resources and accumulated about 4.13 million fans on the WeChat and Weibo platforms, representing an 8% growth year-on-year.

*Digitisation upgrading in full throttle, breaking new grounds with cross-industry retail*

The Group actively promoted digitisation upgrades, joining up with different industries and empowering cooperations to facilitate the integration of online and offline. Riding on the foundation of WeChat electronic membership and electronic cards and vouchers, the Group strengthened its cooperation with WeBank to launch a number of electronic services during the year under review. “Social Gift Cards” not only allow customers to give gifts online but also make social marketing possible within the WeChat ecology. With the “Social Joint-name Cards”, customers can quickly become a member after completing WeChat payments and activate essential member functions, including financial accounts, spending rebates, electronic cards and vouchers, etc. Leveraging the big data capabilities of WeBank, consumer preferences were gathered to materialise targeted online marketing and increase member conversion rates and loyalty. Furthermore, the Group piloted the “New Lab” online shopping module in Beijing, where hot styles and discounted items were offered to attract customers’ scrambling, actualising online ordering and offline pick-up. Customers were brought to the stores to promote associated spending.

Internally, the Group successfully rolled out system upgrades in its information technology (IT) services during the year under review, ensuring that the Enterprise Resource Planning (ERP) system and CRM membership system are equipped with the necessary functions to support digitised marketing. A more user-friendly operation interface was also introduced to improve the efficiency of data processing. At the same time, the Group launched the mobile applications of “Business Intelligence (BI)” and “Office Automation (OA)” to improve the efficiency in corporate decision making and approval. The “24-hour Online Academy”, on the other hand, enables the staff to learn with their smart phones across geographies and at any time, helping to create a knowledge-based organisation. In future, the Group will continue to optimise internal operations with new digital technologies, and introduce new media technologies, using digitisation to propel business growth. The goal is to promote online and offline integration to meet the current needs of consumers.

## OUTLOOK

In 2017, the global economy has steered away from the negative impact and relevant hindrance arisen from the global financial crisis and the subsequent European sovereign debt issues since 2008. Thanks to the rebound in trade and the improved investment environment, the economy recorded a growth of 3.8%, the fastest since 2011. Certain economies have demonstrated stronger growth. China alone, for example, has contributed about one-third of the global growth. However, risks still exist in the global economy, including the escalating trade dispute between China and the U.S., the worsening tension in global trade, the economies of certain developing countries which are faced with variables, and the more heightened tensions seen in the geopolitical situation. These factors are affecting the stability for economic growth and could linger in the long run.

While uncertainties are present in international trade, the financial market and the geopolitical situation, the Chinese economy has continued to remain stable and solid, as supported by the continued recovery of the global economy. In the first half of 2018, China's Gross Domestic Product grew 6.8% year-on-year, in line with market expectations. In particular, the contribution made by consumption to economic growth rose to 78.5% and has continued to give major traction to the "Troika". During the same period, the total retail sales of consumer goods maintained a year-on-year growth at 9.4%; there were also a mild increase in the consumer price index and a steady rise in residents' disposable income. These factors imply that the Chinese retail market is vast and stable. However, in the short term, the Chinese economy will face quite many challenges. Externally, it will be affected by factors such as the trade dispute with the U.S. In addition, domestic factors like debt pressures in China's local governments, and policy changes in second- and third-tier cities triggered by soaring property prices have both added weight to the downward move of the Chinese economy in the second half of the year. China's economy is expected to slow down mildly from last year in the second half of and throughout 2018. Despite so, in the scope of consumption, the consumer confidence index is standing tall, coupled with the launch of favourable policies, accelerated upgrade of consumption structure and faster growth in service consumption, the momentum in steady expansion is expected to continue.

With the rapid development of the mainland economy and the increased nationals' income level in recent years, people's ability and desire to consume have been continuously increasing. Amongst them, the post-80s, post-90s and post-00s new generations are expected to become the main driving force in the consumption market. Retailers have to thoroughly understand their lifestyle habits and consumption patterns, and make broader use of the Internet and big data to create a diversified set up with multiple businesses, ambience marketing and smart retail in order to accelerate the upgrading of traditional retail businesses and respond to market needs. The Group will continue to prudently set up its businesses with precise positioning. By propelling brand renewal and introducing fast moving brands, it strives to establish core competitive categories, to optimise and reform stores, and to create iconic ambiances as the means for constant upgrade of the business so as to strengthen its core competitiveness. The Group will also actively develop its private labels and build on a cross-discipline and synergised business model with multiple businesses. At the same time, the Group will uphold the expansion strategies of "multiple presences within a single city" and "radiation city", delving deep into the core business to further cement its position in the Chinese retail market.

## FINANCIAL REVIEW

### Revenue and Other Income

Revenue of the Group was HK\$3,821.1 million in FY2018 (FY2017 (or the “Previous Year”): HK\$3,484.3 million). In Renminbi (“RMB”) terms, revenue of the Group was RMB3,171.5 million in FY2018 (FY2017: RMB3,066.2 million).

Gross sales revenue, as previously defined, was HK\$12,637.3 million in FY2018 (FY2017: HK\$11,936.7 million). In RMB terms, gross sales revenue was RMB10,489.0 million in FY2018 (FY2017: RMB10,504.3 million).

The Group’s merchandise gross margin was 17.3% in the Current Year (FY2017: 18.2%). In FY2018, ladieswear and accessories made up approximately 62.0% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 8.3% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest. Direct sales revenue in the Current Year mainly comprised sales of ladieswear and menswear (approximately 41.4%), cosmetic products (approximately 31.2%), groceries, housewares and perishables (approximately 26.7%), as well as accessories and miscellaneous items (approximately 0.7%).

Rental income increased by 21.8% to HK\$811.9 million in FY2018 from HK\$666.7 million in FY2017, mainly due to increased rentable area and improved tenant mix in the Current Year and the acquisition of a group of managed stores, which included Wuhan Xudong Branch Store, Yanjiao Store and its subsidiaries in September 2017 (the “Acquired Subsidiaries”). The increase was partially offset by the reduced rental area as a result of the closure of Hong Kong New World Department Store — Shanghai Xinning Branch Store (“Shanghai Xinning Branch Store”) and Ningbo New World Department Store (“Ningbo Store”) in June 2017.

Management and consultancy fees was HK\$5.5 million in FY2018 decreased from HK\$13.4 million in FY2017. The decrease was primarily due to drop in Group’s recognition of fees from managed stores in the Current Year.

Other income of the Group was HK\$196.9 million in FY2018 compared with HK\$192.8 million in FY2017. The increase in other income was mainly due to the inclusion of HK\$71.0 million of one-off fire insurance compensation related to a property in Zhengzhou City from an independent insurance company in FY2018 compared with the inclusion of HK\$43.2 million of compensation from a landlord for the early termination of lease of Shanghai Xinning Branch Store in FY2017.

## **Other Losses, Net**

Net other losses of the Group in the Current Year was HK\$198.1 million which was primarily resulted from HK\$108.5 million of impairment loss on goodwill, HK\$72.7 million of impairment loss on property, plant and equipment and HK\$8.1 million of impairment loss on prepayment, deposits and other receivables for mainly four department stores in light of the latest market environment and the management's assessment on the business prospect thereof, and HK\$5.2 million of loss in fair value on the indemnification in connection with the acquisition of a subsidiary.

## **Changes in Fair Value of Investment Properties**

A gain in fair value of investment properties in the Current Year was HK\$0.5 million which was primarily related to a property in Shanghai City.

## **Purchases of and Changes in Inventories, Net**

The purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It increased to HK\$940.6 million in FY2018 from HK\$788.3 million in FY2017. The increase was in line with the increase in sales of goods for direct sales in the Current Year.

## **Purchases of Promotion Items**

The purchases of promotion items of HK\$47.1 million represented the costs of promotion items transferred to the customers of concessionaire sales and direct sales upon their consumption in department stores or redemption of reward points granted under customer loyalty programme, which was reclassified from net other operating expenses due to the early adoption of HKFRS 15 in the Current Year.

## **Employee Benefit Expense**

Employee benefit expense increased to HK\$640.9 million in FY2018 from HK\$623.2 million in FY2017. In RMB terms, employee benefit expense decreased from RMB548.4 million in FY2017 to RMB531.9 million in FY2018, primarily due to the continuous efforts by management to carry out cost control measures as well as the closure of Ningbo Store and Shanghai Xinning Branch Store in June 2017. The decrease was partially offset by the opening of specialty shops of direct sales business in the Current Year and the acquisition of the Acquired Subsidiaries.

## **Depreciation and Amortisation**

Depreciation and amortisation expense decreased from HK\$261.5 million in FY2017 to HK\$246.4 million in FY2018, primarily due to no depreciation provided in the Current Year for property, plant and equipment impaired for three department stores in FY2017 and some stores with assets that have been fully depreciated.

### **Operating Lease Rental Expense**

Operating lease rental expense increased to HK\$1,228.3 million in FY2018 from HK\$1,051.9 million in FY2017, primarily due to the renewal of certain existing operating leases, the opening of specialty shops of direct sales business and the acquisition of the Acquired Subsidiaries in the Current Year.

### **Other Operating Expenses, Net**

Net other operating expenses decreased to HK\$531.7 million in FY2018 from HK\$590.8 million in FY2017. The decrease in the Current Year was primarily resulted from the effective control of water and electricity expenses, promotion and advertising expenses by management, HK\$47.1 million of the costs of promotion items reclassified to purchases of promotion items due to the early adoption of HKFRS 15 and HK\$20.3 million of net exchange gains mainly due to the appreciation of Renminbi during FY2018. However, the decrease was partially offset by HK\$16.4 million of net provision for debtors and a total of HK\$44.6 million of compensation to the affected parties for mainly three department stores due to the fire accident or reduction of leased area.

### **Operating Profit**

Operating profit was HK\$185.4 million in FY2018 compared with HK\$277.8 million in FY2017.

### **Income Tax Expense**

Income tax expense of the Group was HK\$197.5 million in FY2018 compared with HK\$162.3 million in FY2017. A reversal of deferred income tax asset previously recognised of approximately HK\$24.5 million, which were not utilised or not expected to be utilised before expiry dates based on Group's latest estimate on the profitability of respective stores, was included in the Current Year.

### **Profit for the Year**

As a result of the reasons mentioned above, profit for the year decreased by approximately 91.4% to HK\$11.1 million compared with HK\$128.3 million in the Previous Year.

### **Liquidity and Financial Resources**

Fixed deposits and cash and cash equivalents of the Group amounted to HK\$1,947.3 million as at 30 June 2018 (30 June 2017: HK\$2,136.3 million).

The Group's borrowings as at 30 June 2018 were HK\$1,876.7 million (30 June 2017: HK\$1,766.8 million) of which HK\$309.5 million (30 June 2017: HK\$356.3 million) was secured by pledge of an investment property.

As at 30 June 2018, the Group's current liabilities exceeded its current assets by HK\$1,979.3 million (30 June 2017: HK\$1,671.9 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 30 June 2018 were HK\$125.7 million which were contracted but not provided for in the consolidated statement of financial position. For the contractual payment of HK\$125.7 million, approximately HK\$62.7 million is for the redevelopment project of a building in Shenyang City.

### **Pledge of Assets**

As at 30 June 2018, an investment property of HK\$1,824.5 million (30 June 2017: HK\$1,759.8 million) of the Group was pledged as securities for bank borrowings of HK\$309.5 million (30 June 2017: HK\$356.3 million).

### **Treasury Policies**

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar, United States dollar and Euro against Renminbi and from Renminbi and Euro against Hong Kong dollar. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2018.

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

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



## **FINAL DIVIDEND**

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2018 (2017: nil).

## **EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME**

As at 30 June 2018, the total number of employees of the Group was 4,598 (31 December 2017: 4,778). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

## **ACQUISITION AND DISPOSAL**

In September 2017, Beijing New World Qianzi Department Store Co., Ltd., a wholly-owned subsidiary incorporated in Mainland China with limited liability, entered into a share purchase agreement with an independent third party, to acquire the entire issued share capital of Sanhe New World Department Store Co., Ltd. ("Sanhe Co"), a company incorporated in Mainland China with limited liability, for a consideration of RMB25.0 million. Sanhe Co and its subsidiaries are engaged in operations of department store and other retail related businesses in Mainland China.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **SUFFICIENCY OF PUBLIC FLOAT**

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

On 25 October 2017, the Company was informed by the Offeror, being its controlling shareholder that a wholly-owned subsidiary of the Offeror (i.e. a party acting in concert with the Offeror) which held shares in the Company had disposed of 11,376,000 shares of the Company (representing approximately 0.67% of the total issued share capital of the Company as at 18 September 2018, the latest practicable date prior to the publication of this announcement) on the open market (the “Disposal”) for the purpose of restoring the public float of the Company.

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, immediately following the Disposal and as at 18 September 2018, the latest practicable date prior to the publication of this announcement, the percentage of the Company’s shares which were held by the public exceeds 25% of the total issued share capital of the Company. Accordingly, the public float of the Company has been restored and the Company is in compliance with Rule 8.08(1)(a) of the Listing Rules.

### **CORPORATE GOVERNANCE CODE**

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the time being in force during the year ended 30 June 2018 except for the deviation from code provision E.1.2.

Code provision E.1.2, among other things, provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-shun, Henry, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 20 November 2017 (the “AGM”) due to his other engagement. Dr. Cheng Chi-kong, Adrian, an executive Director who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

### **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 2018.

## **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 risk management and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal control and the annual results and the consolidated financial statements for the year ended 30 June 2018 and discussed the financial related matters with the management.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 14 November 2018 to Monday, 19 November 2018, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements 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 agent of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 13 November 2018.

For and on behalf of the board of  
**New World Department Store China Limited**  
**Dr. Cheng Kar-shun, Henry**  
*Chairman*

Hong Kong, 19 September 2018

*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 Dr. Cheng Chi-kong, Adrian and Mr. Cheung Fai-yet, Philip; 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.*