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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 2014/2015

HIGHLIGHTS

Same-store sales[1] ("SSS") declined by 7.0%.

Gross sale revenue declined by 7.1% to HK$15,258.4 million from HK$16,428.0 million in the Previous Year.

Revenue declined by 2.6% to HK$4,029.4 million from HK$4,136.2 million in the Previous Year.

Core profit for the year[2] decreased by approximately 52.6% to HK$264.1 million from HK$557.1 million in the Previous Year.

Earnings per share was HK$0.04.

Proposed final dividend was HK$30.4 million.

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

(2) Core profit for the year excludes net other losses, changes in fair value of investment properties and its related income tax expense and other non-core items.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

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 2015 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*2*	**4,029,351**	4,136,206
Other income	*3*	**168,589**	136,140
Other losses, net	*4*	**(176,422)**	(8,442)
Changes in fair value of investment properties		**766**	16,834
Purchases of and changes in inventories		**(719,380)**	(671,074)
Employee benefit expense		**(747,285)**	(661,424)
Depreciation and amortisation		**(344,248)**	(321,212)
Operating lease rental expense		**(1,191,655)**	(1,118,450)
Other operating expenses, net	*5*	**(788,844)**	(831,369)
Operating profit		**230,862**	677,209
Finance income		**74,850**	66,386
Finance costs		**(48,819)**	(31,035)
Finance income, net		**26,031**	35,351
Profit before income tax		**256,893**	712,560
Income tax expense	*6*	**(187,152)**	(192,035)
Profit for the year		**69,741**	520,525
Attributable to equity holders of the Company		**69,741**	520,525
Dividends	*7*	**133,206**	596,896
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– Basic and diluted	*8*	**0.04**	0.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**69,741**	520,525
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	**29,750**	3,911
– Deferred tax thereof	**(7,437)**	(978)
	22,313	2,933
Items that may be reclassified subsequently to profit or loss		
Release of exchange reserve upon liquidation of a subsidiary	**(10,097)**	–
Translation differences	**(1,839)**	(81,719)
	(11,936)	(81,719)
Other comprehensive income for the year, net of tax	**10,377**	(78,786)
Total comprehensive income for the year	**80,118**	441,739
Total comprehensive income attributable to equity holders of the Company	**80,118**	441,739

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	2015 HK$'000	2014 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,794,395**	2,171,857
Investment properties		**4,717,926**	4,339,656
Land use rights		**803,474**	899,678
Intangible assets		**1,869,132**	1,867,241
Other non-current assets	*9*	**314,707**	305,111
Prepayments, deposits and other receivables		**395,627**	442,200
Deferred income tax assets		**162,571**	179,656
		10,057,832	10,205,399
Current assets			
Inventories		**230,412**	160,617
Debtors	*10*	**98,206**	105,101
Prepayments, deposits and other receivables		**637,139**	678,126
Amounts due from fellow subsidiaries		**27,207**	2,161
Amounts due from related companies		**365**	24
Fixed deposits		**26,806**	630,574
Cash and cash equivalents		**2,089,111**	896,538
		3,109,246	2,473,141
Total assets		**13,167,078**	12,678,540
Equity			
Share capital		**168,615**	168,615
Reserves		**6,093,671**	6,146,759
Proposed dividend		**30,351**	101,169
		6,292,637	6,416,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2015

	Notes	2015 HK$'000	2014 HK$'000
Liabilities			
Non-current liabilities			
Accruals and other payables		**601,043**	608,723
Obligation under finance leases		**62**	–
Borrowings		**1,578,056**	696,844
Deferred income tax liabilities		**876,775**	852,224
		3,055,936	2,157,791
Current liabilities			
Creditors, accruals and other payables	*11*	**3,583,344**	3,959,809
Amounts due to fellow subsidiaries		**4,086**	24,911
Amounts due to related companies		**12,356**	30,809
Obligation under finance leases		**16**	–
Borrowings		**128,970**	–
Tax payable		**89,733**	88,677
		3,818,505	4,104,206
Total liabilities		**6,874,441**	6,261,997
Total equity and liabilities		**13,167,078**	12,678,540
Net current liabilities		**(709,259)**	(1,631,065)
Total assets less current liabilities		**9,348,573**	8,574,334

NOTES

1 Basis of preparation

The consolidated financial statements of the Company for the year ended 30 June 2015 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 investment properties.

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.

At 30 June 2015, the Group's current liabilities exceeded its current assets by HK$709,259,000 (2014: HK$1,631,065,000). 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 new or revised standards, amendments to standards and interpretation which are mandatory for the financial year ended 30 June 2015:

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non–Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies
Amendments to HKAS 19 (Revised 2011)	Employee Benefits: Defined Benefit Plans – Employee Contributions
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)	Investment Entities
Annual Improvements Project	Annual Improvements 2010 – 2012 Cycle
Annual Improvements Project	Annual Improvements 2011 – 2013 Cycle

The adoption of these new or revised standards, amendments to standards and interpretation does not have any significant effect on the results and financial position of the Group.

1 Basis of preparation (Continued)

The following new standards and amendments to standards are mandatory for the accounting periods beginning on or after 1 July 2015 or later periods which the Group has not early adopted:

Effective for the year ending 30 June 2016:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012 – 2014 Cycle

Effective for the year ending 30 June 2017 or after:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on 1 July 2015 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 Revenue and segment information

	2015 *HK$'000*	2014 *HK$'000*
Commission income from concessionaire sales	**2,441,660**	2,635,070
Sales of goods – direct sales	**895,410**	787,058
Management and consultancy fees	**53,565**	55,970
Rental income	**638,716**	658,108
	4,029,351	4,136,206

The income from concessionaire sales is analysed as follows:

	2015 *HK$'000*	2014 *HK$'000*
Gross revenue from concessionaire sales	**13,502,152**	14,790,731
Commission income from concessionaire sales	**2,441,660**	2,635,070

The chief operating decision-maker ("CODM") has been identified as executive Directors. 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 related businesses, and property investment businesses. 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 unallocated corporate expenses. In addition, net finance income is not allocated to segments. The measurement of segment assets excludes 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 related businesses *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
For the year ended 30 June 2015			
Segment revenue	**3,870,350**	**159,001**	**4,029,351**
Segment results	**337,432**	**75,627**	**413,059**
Other losses, net	**(176,422)**	**–**	**(176,422)**
Changes in fair value of investment properties	**–**	**766**	**766**
Unallocated corporate expenses			**(6,541)**
Operating profit			**230,862**
Finance income			**74,850**
Finance costs			**(48,819)**
Finance income, net			**26,031**
Profit before income tax			**256,893**
Income tax expense			**(187,152)**
Profit for the year			**69,741**
For the year ended 30 June 2014			
Segment revenue	3,941,101	195,105	4,136,206
Segment results	525,560	153,549	679,109
Other loss	(8,442)	–	(8,442)
Changes in fair value of investment properties	–	16,834	16,834
Unallocated corporate expenses			(10,292)
Operating profit			677,209
Finance income			66,386
Finance costs			(31,035)
Finance income, net			35,351
Profit before income tax			712,560
Income tax expense			(192,035)
Profit for the year			520,525

2 Revenue and segment information (Continued)

	Department store and other related businesses *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
As at 30 June 2015			
Segment assets	**7,174,905**	**5,823,887**	**12,998,792**
Deferred income tax assets			**162,571**
Unallocated corporate assets:			
Cash and cash equivalents			**5,485**
Others			**230**
Total assets			**13,167,078**
For the year ended 30 June 2015			
Additions to non-current assets (Note)	**387,273**	**56,167**	**443,440**
Depreciation and amortisation	**342,697**	**1,551**	**344,248**
Impairment loss on property, plant and equipment	**123,147**	**–**	**123,147**
As at 30 June 2014			
Segment assets	7,514,903	4,976,169	12,491,072
Deferred income tax assets			179,656
Unallocated corporate assets:			
Cash and cash equivalents			7,792
Others			20
Total assets			12,678,540
For the year ended 30 June 2014			
Additions to non-current assets (Note)	951,953	714,521	1,666,474
Depreciation and amortisation	320,324	888	321,212

Note:

Additions to non-current assets represent additions to non-current assets other than financial instruments and deferred income tax assets.

3 Other income

	2015	2014
	HK$'000	*HK$'000*
Government grants	**21,036**	29,699
Income from suppliers	**83,217**	81,303
Compensation for termination of lease	**26,410**	–
Sundries	**37,926**	25,138
	168,589	136,140

4 Other losses, net

	2015	2014
	HK$'000	*HK$'000*
Gain on liquidation of a subsidiary	**10,097**	–
Loss on disposal of property, plant and equipment (Note i)	**(63,372)**	(8,442)
Impairment loss on property, plant and equipment (Note ii)	**(123,147)**	–
	(176,422)	(8,442)

Notes:

(i) For the year ended 30 June 2015, loss on disposal of property, plant and equipment of approximately HK$4,432,000 is derived taking into account the compensation amount from the termination of lease.

(ii) The impairment provision was made to reflect management's assessment for mainly two department stores in light of the latest market environment and the prospect thereof.

5 Other operating expenses, net

	2015	2014
	HK$'000	*HK$'000*
Water and electricity	**159,052**	178,263
Selling, promotion, advertising and related expenses	**250,956**	272,581
Cleaning, repairs and maintenance	**102,062**	99,960
Auditor's remuneration	**6,540**	6,500
Net exchange (gains)/losses	**(9,798)**	15,577
Other tax expenses	**201,996**	221,045
Provision for doubtful debts, net	**12,152**	4,382
Others	**65,884**	33,061
	788,844	831,369

6 Income tax expense

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

	2015	2014
	HK$'000	*HK$'000*
Current income tax		
– Mainland China taxation	**161,637**	174,595
(Over)/under provision in prior years	**(2,571)**	707
Deferred income tax		
– Deferred taxation on undistributed retained earnings	**(6,962)**	(19,993)
– Other temporary differences	**35,048**	36,726
	187,152	192,035

Taxation has been provided at the tax rates prevailing in the tax jurisdictions in which 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 2015 and 2014.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2014: 25%).

7 Dividends

	2015	2014
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.061 (2014: HK$0.094) per share	**102,855**	158,498
Special dividend paid of HK$Nil (2014: HK$0.200) per share	**–**	337,229
Final dividend proposed of HK$0.018 (2014: HK$0.060) per share	**30,351**	101,169
	133,206	596,896

At a meeting held on 23 September 2015, the Directors recommended a final dividend of HK$0.018 (2014: HK$0.060) per share for the year ended 30 June 2015. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2015 and will be paid out of share premium account.

8 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.

	2015	2014
Profit attributable to the equity holders of the Company (HK$'000)	**69,741**	520,525
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.04**	0.31

(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 2015, there was no dilutive potential ordinary share.

During the year ended 30 June 2014, shares issuable upon exercise of the share options were the only potential ordinary shares. There was no dilutive effect from the share options.

9 Other non-current assets

Balances as at 30 June 2015 and 2014 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. ("SYNWH"), a wholly-owned subsidiary of New World China Land Limited and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH 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 SYNWH 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 2015, the balance in connection to this transaction was approximately HK$314,707,000 (2014: HK$305,111,000).

10 Debtors

	2015	2014
	HK$'000	*HK$'000*
Debtors	**121,524**	116,267
Less : provision for doubtful debts	**(23,318)**	(11,166)
Debtors, net	**98,206**	105,101

The Group grants credit terms within 30 days in majority.

Ageing analysis of the debtors, based on the invoice dates, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within period for		
0 – 30 days	**69,423**	59,113
31 – 60 days	**6,198**	5,224
61 – 90 days	**2,697**	9,112
Over 90 days	**19,888**	31,652
	98,206	105,101

Debtors included amounts due from fellow subsidiaries and a related company of approximately HK$9,804,000 (2014: HK$6,232,000) and HK$Nil (2014: HK$1,425,000) respectively, which were unsecured, interest free and repayable on demand.

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

11 Creditors

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

	2015	2014
	HK$'000	*HK$'000*
Within period for		
0 – 30 days	**914,025**	1,012,268
31 – 60 days	**567,276**	653,098
61 – 90 days	**147,174**	171,437
Over 90 days	**400,326**	421,692
	2,028,801	2,258,495

Creditors included amounts due to related companies of approximately HK$59,452,000 (2014: HK$53,113,000) which were unsecured, interest free and repayable within 90 days.

The carrying amounts of creditors approximate their fair values.

12 Event after the reporting period

In September 2015, the management decided to terminate, with effect from 1 January 2016, the operations of Shenyang New World Department Store – Zhonghua Road Branch Store and Ningbo New World Department Store. An estimated net post-tax effect on the Group's profit and loss, based on the management's best estimate, in connection with such terminations will be approximately RMB20,000,000 of loss in the year ending 30 June 2016, which is subject to further adjustments.

BUSINESS REVIEW

During the year under review, the Group's revenue declined by 2.6% from HK$4,136.2 million in FY2014 (or the "Previous Year") to HK$4,029.4 million in FY2015 (or the "Current Year"). Profit for the year was HK$69.7 million.

Business Network

During the Current Year, the Group operated 41 department stores and two shopping malls, with a total gross floor area ("GFA") of about 1,667,780 square metres ("sq.m.") and a total operating floor area ("OFA") of about 1,346,230 sq.m. Located in three operating regions, namely Northern China, South Eastern China and Central Western China, the stores covered 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao, and Yantai with 39 self-owned stores and four managed stores.

Revenue Contribution

By Region

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 50.3% of revenue, followed by the South Eastern China Region and the Central Western China Region, accounting for 30.9% and 18.8%, respectively.

By Segment

Commission income from concessionaire sales was the major source of income, accounting for 60.6% of revenue. Sales of goods for direct sales and rental income accounted for 22.2% and 15.9% respectively. Management and consultancy fees accounted for 1.3%.

Store Network Development

During the year under review, the Group opened its 12th self-owned store in Shanghai, Hong Kong New World Department Store – Shanghai 118 Branch Store ("Shanghai 118 Branch Store"), with a total GFA of approximately 62,600 sq.m. It is the Group's first large-scale retail project that adopts a department store-shopping mall hybrid model, further reinforcing its market presence in Shanghai. In addition, the Group acquired Well Metro Group Limited ("Well Metro Group") in January 2015 and planned to develop the apparel brands it represents, MOSCHINO, LOVE MOSCHINO and REDValentino, and leverage its merchandising experience for the further expansion of the Group's direct sales business.

As at 30 June 2015, the Group's total GFA was approximately 1,667,780 sq.m. The total GFA of self-owned stores was approximately 1,512,080 sq.m.

Operations Strategies

Streamlining Operating Structure and Consolidating Store Network with Effects to Manifest within the Next Year

Amid the challenging operating environment, during the year under review, the Group streamlined its operating structure to improve information dissemination and decision-making effectiveness, and consolidated its store network to reduce rental expense while enhancing management efficiency. These effects are expected to gradually manifest in FY2016. Looking forward, the Group will take immediate actions against underperforming or loss-making stores, and continue its efforts to reduce costs.

Continuously Strengthening Experiential Offerings while Optimizing Merchandise and Service Mix

With "lifestyle department store" as fundamental positioning and catering for customers' everyday needs as objective, the Group will continue to strengthen its in-store complementary facilities from the perspective of living, introducing featured catering, fitness centers, yoga centers and other leasing projects, so as to make New World Department Stores ("NWDS") must-go shopping and leisure destinations. For the operations of concessionaire counters, the Group will keep on optimizing its brand and merchandise mix to meet customers' ever-changing needs. For instance, in light of the growing demand driven by baby boom, the Group will enrich merchandise in infant and children categories; in response to the policies promoting sportswear consumption, the Group will enrich the portfolio of sports merchandise and expand its operating area. The Group also plans to increase the number of discount concessionaire counters in community-based stores to match with the purchasing power of local customers.

Widening the Scope of Direct Sales Business to Cover Broader Aspects of Life

Through direct procurement and acquisition of brand distribution rights, the Group will further expand its direct sales business and extend its business scope from lifestyle premiums to fashion apparel and accessories and food and beverage ("F&B") to cover broader aspects of life. It helps boost the procurement team's merchandising instincts and comprehensive capabilities, so as to get better hold of customers' needs. Founded two years ago, LOL (Love • Original • Life) Concept Shop will continue to introduce lifestyle merchandise that are "same-day worldwide release, nationally exclusive, international debuts, limited edition and designer models" while strengthening its in-store interactive facilities, such as projector screens and iPad product directories. Going forward, the Group plans to expand LOL's product categories to coffee, books, floral displays, lighting devices, small home appliances and derivatives from art exhibition, as well as developing its own OEM (Original Equipment Manufacturer) series to enhance product uniqueness. LOL will also review its existing store network to re-position or consolidate underperforming stores and plans to set up an online store at Weidian and physical stores at Beijing and Shanghai retail properties, further strengthening its dual sales channels.

Furthermore, the Group will utilize Well Metro Group's extensive procurement experience to explore more potential high-end fashion brands. Well Metro Group will extend the sales network of the three high-end ladieswear brands it represents, namely MOSCHINO, LOVE MOSCHINO and REDValentino, to cities including Qingdao, Dalian and Chongqing, aiming to increase over 10 speciality stores in the coming two years. It will continue the search for cooperation opportunities with artists whose image are in line with the brands to raise brand awareness across the country. In view of the growing demand for quality food as a result of improved living standards in Mainland China, the Group plans to start its bakery business with the brand positioning of "Perfect Balance of Health and Taste", providing low-oil, low-fat, low-sugar European-style artisan bread that are handmade and store-baked to meet customers' pursuit of healthy diet.

Enhance System Integrations and Information Technology Applications

To offer greater support to the development of the Group's diversified business, a more flexible and comprehensive Enterprise Resource Planning (ERP) system will be built to integrate systems of concessionaire counters, leasing, direct sales and finance to realize data exchange while improving operational efficiency and speed of responding. The Group will also promote computerized management to replace some manual procedures to reduce costs. In response to the growing popularity of mobile shopping, the Group will actively cooperate with Alibaba, Tencent and other well-known technology companies to enhance the application of mainstream information technologies, delivering a convenient and interactive shopping experience to consumers.

Introducing Elite Training Programs to Support Business Development

Carrying through the conviction of "Nurture Talents with Respect, Care and Trust", the Group will continue to co-organize the "Certificate Program of Further Studies in Retail Operation and Management 2015" with Shanghai Jiao Tong University and carry on the "Advanced Project Feipeng – NWDS Management 'Golden Ladder' Nurturing Program" and other training programs, aiming to enhance elite senior employees' strategic vision and management capabilities. For frontline employees, the Group will introduce training courses related to business negotiations, leasing and direct sales business to improve their holistic ability. The Group also emphasizes the nurture of in-house trainers with curriculum which is timely and updated with recent developments in the retail market, so that trainers could pass on their knowledge to staff members at stores.

Merchandising Strategies

Headquarters Take Lead to Acquire Experiential Consumption Leasing Projects

In order to improve brand portfolio at stores, Commerce Department at the headquarters will take the lead to establish direct communication with large suppliers to help acquire appealing brands with scale into the stores, as well as facilitating bilateral strategic cooperation on the national level. Carrying on the operations strategies launched in recent years to reinforce in-store experiential consumption projects, the Group will continue to increase its efforts in acquiring tenants providing lifestyle complementary facilities and seeking cooperation with quality F&B brands, so as to adapt to customers' current spending habits.

A Dedicated Department Set up to Foster Relationships with Strategic Suppliers

Considering its suppliers as close business partners, the Group always attaches great importance to maintaining desirable bilateral relations. Therefore, the Group will continue to foster and optimize the "Head office – Region – Store" three-tier supplier management system and set up a Strategic Supplier Management Department to maintain relationship with strategic suppliers, including concessionaires of category killers and renowned F&B tenants, to establish a long-term and stable partnership.

Marketing Strategies

Adding In-store Children and Recreational Facilities to Execute the "Happy New World" Project

The Group will advance the execution of the "Happy New World" project by strengthening in-store children and recreational facilities, such as indoor synthetic ice rinks, giant slides and piano stairs. The project incorporates the fantasy of large-scale theme parks into the relaxing shopping experience of department stores to deliver a brand new shopping and entertaining experience to customers. Upon the installation of these facilities, the Group will launch a series of themed activities such as ice performances, games and contests, together with joyful parades, dramas, family activities and other live activities organized on a regular basis, to deeply engage with customers and make NWDS a must-go destination for leisure, entertainment and shopping for all family members.

Partnering with Online Service Providers to Improve Customer Shopping Experience

Entering the "Internet +" era, the Group will continue to strengthen its O2O (Online-to-Offline) marketing efforts with online partners such as Weibo, WeChat, Alibaba, Baidu and Dianping.com to introduce products such as group-buying coupons, online queueing and O2O traffic directing, expanding its sales and promotion channels. The Group also plans to develop its own application software, which will incorporate features such as in-store navigation, parking system, brand promotions and voucher giveaways. The cooperation with WeChat payment and Baidu Wallet is underway to further enrich mobile payment methods available at stores, which could accelerate paperless verification and increase shopping convenience.

Fostering Cross-industry Collaboration to Increase Foot Traffic and Synergies

Cross-industry cooperation could promote resource sharing and expand each other's edge. Hence, the Group plans to join hands with a well-known mobile game developer and publisher, China Mobile Games and Entertainment, to organize game-inspired online and offline activities. Apart from that, the Group will set up in-store mobile recording studios and organize annual talent quests and other offline activities with the emerging social media software Mai Chang. The Group will also develop in-depth cooperation with Baidu on Baidu Map and other products to create win-win. At the same time, the Group will enhance collaboration with affiliated companies, such as Chow Tai Fook and New World China Land, to provide exclusive privileges to both customers, so as to increase resource exchange and synergies.

Increasing Nationwide Inter-Store Campaigns on Non-Festive Days to Nurture Year-Round Shopping Habits

The Group will continue to organize regionwide and nationwide inter-store marketing campaigns to generate greater influence and significance. In addition to signature events and sales promotions during traditional festivals such as “Blast of Joy”, “Tailored Feast for You” and “Non-stop Mega Sales”, the Group will roll out more nationwide activities on non-festive days such as Qixi Festival and Halloween, and extend event duration to help nurture customers’ year-round shopping habits.

Enhancing VIP System to Facilitate Interactions and Communications

To establish seamless communication with VIP members, the Group will upgrade its membership system to collect and analyze data related to their preferences and consumption habits. The Group will manage to send information they are interested to increase conversion rate. Event data can also be collected for the use of optimizing future activities. Through increasing the number of launching VIP-only activities and leveraging WeChat and other mobile terminals to interact with its members, the Group aims to increase VIP members’ adhesion to the brand. To boost VIP members’ satisfaction, the Group will grant greater flexibility to stores to enable them to develop localized privilege terms in accordance with the preference of their VIP members.

Expansion Strategies

In addition to the lower consumer sentiment as a result of China’s economic slowdown, the competition from e-commerce hits the sales of brick and mortar stores. The Group will remain prudent and conservative amid this challenging environment. By slowing down the pace of its business development, the Group will allocate most efforts on optimizing its management and operational efficiency and will take immediate actions against underperforming stores when necessary. When encountering suitable retail real estate projects, the Group will also consider providing management and consultancy services to extend its network to potential third- and fourth-tier cities with the “low-risk, low-investment” approach.

Radiating from Footholds to Increase Operational Efficiency

Carrying through the expansion strategy of "radiation city", the Group plans to open self-owned stores in third- and fourth-tier cities, Shiyan City and Jingmen City, adjacent to its foothold Wuhan, with a total GFA of approximately 50,000 sq.m. and 35,000 sq.m. respectively, to achieve economies of scale so that marginal operating cost can be reduced.

Customers' shopping experience is always the Group's top priority. Therefore, Shenyang Nanjing Street Branch Store Phase I Redevelopment Project and the expansion of Shenyang Nanjing Street Branch Store Phase II Project are both underway, with a total GFA of approximately 26,300 sq.m. and 25,400 sq.m. respectively. The two phases will become one department store with a total GFA of about 52,000 sq.m. upon the completion of construction to provide customers with sufficient shopping space.

Expanding with the "Low-Risk, Low-Investment" Approach Through the Provision of Management and Consultancy Services

In view of the market downturn, the Group timely adjusts its expansion strategies and extends its outreach by offering third party management and consultancy services with the "low-risk, low-investment" approach. The Group will be able to learn about the purchasing power and operating environment of respective markets through overseeing the daily operations of its managed stores which in return help the Group explore potential retail projects. The Group will open managed stores in Jiamusi City, Helongjiang Province and Yibin City, Sichuan Province, with a total GFA of approximately 40,000 sq.m. and 32,000 sq.m. respectively.

OUTLOOK

In the first half of 2015, despite the gradual improvement of the United States, the Eurozone and Japan economies, the Greek debt crisis contributed to the financial market turbulence and the high volatility of capital flows, adding uncertainties to the global economic development. Being one of the biggest economies in emerging markets, China is currently at the stage of "superimposition of three periods" of slower economic growth, economic restructuring and initial adaptation to new policies which hugely slowed down its economic growth. In addition, the volatility in China stock market created many market concerns and doubts. According to the National Bureau of Statistics of the People's Republic of China, Gross Domestic Product ("GDP") growth in the first half of 2015 was only 7.0% year-on-year, which is lower than the 7.4% in the same period of last year. Most rating agencies have lowered their global economic growth forecasts for 2015 because of the inconsistent pace of recovery in the world's major economies.

In response to the global economic downturn and China's decelerated economic growth, the Chinese government will speed up the introduction of policies related to increasing infrastructure investment, promoting prudent monetary policies and reducing tariffs. Although they may not deliver instant results, the market believes that they can benefit China's economy in the long run. The economic data for the first half of 2015 shows that disposable income per capita of rural residents has been rising, while the final consumption expenditure has increased and accounted for 60% of China's GDP growth. Hence, the overall purchasing power of the market should not be disregarded. The Chinese government still considers domestic consumption as a major economic growth driver and thus, will continue to speed up new urbanization to further unleash potential domestic consumption. In balance of all these factors, the Group remains prudently optimistic about future business development.

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$4,029.4 million in FY2015 representing a decline of 2.6% from HK$4,136.2 million in FY2014.

Gross sales revenue, comprising gross revenue from concessionaire sales, sales of goods for direct sales, management and consultancy fees, rental income and other income decreased by 7.1% to HK$15,258.4 million in FY2015 from HK$16,428.0 million in FY2014. Gross revenue from concessionaire sales decreased to HK$13,502.2 million from HK$14,790.7 million in the Previous Year. Commission income rate increased from 17.8% in the Previous Year to 18.1% in the Current Year. The increase was primarily due to generally improved commission income rates for certain major categories, including gold and jewelry, ladieswear and footwear as well as sportswear. Sales of goods for direct sales was HK$895.4 million in FY2015 compared with HK$787.1 million in FY2014. Direct sales revenue mainly comprised sales of groceries, housewares and perishables (approximately 45.1%), cosmetic products (approximately 37.5%), ladieswear and menswear (approximately 14.4%), as well as accessories and miscellaneous items (approximately 3.0%). Gross margin of direct sales was 19.7% compared to 14.7% in the Previous Year. The increase was mainly contributed by newly acquired Well Metro Group which had a higher gross margin. In FY2015, ladieswear and accessories made up approximately 62.7% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 10.3% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest.

Management and consultancy fees was HK$53.6 million in FY2015 showing a decrease by 4.3% from HK$56.0 million in FY2014. The decrease was primarily due to drop in Group's receipt of fees for the provision of management services for managed stores in the Current Year.

Rental income decreased by 2.9% to HK$638.7 million in FY2015, mainly due to tenant mix revision and deferred revamp in both Hong Kong New World Department Store – Shanghai Tianshan Road Branch Store ("Shanghai Tianshan Road Branch Store") (previously named as "Shanghai Hongxin Trendy Plaza") and Hong Kong New World Department Store – Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store"), as well as the closure of Wuhan New World Department Store – Qiaokou Branch Store in the Current Year.

Other Income

Other income of the Group was HK$168.6 million in FY2015 compared with HK$136.1 million in FY2014. Other income in FY2015 mainly comprised HK$83.2 million of income from suppliers, HK$21.0 million of government grants and HK$26.4 million of compensation for termination of lease.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Year was HK$0.8 million which related to the properties of Shanghai Shaanxi Road Branch Store, Shanghai Tianshan Road Branch Store, Zhengzhou New World Department Store, Shenyang New World Department Store – Jianqiao Road Branch Store and Tianjin New World Department Store.

Other Losses, Net

Net other losses of the Group in the Current Year was HK$176.4 million which was primarily resulted from the inclusion of HK$10.1 million gain on liquidation of a subsidiary in Wuxi City, HK$54.6 million loss on disposal of property, plant and equipment due to the scale down of a store in Shenyang City and HK$123.1 million impairment loss on property, plant and equipment of the existing stores.

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 7.2% to HK$719.4 million in FY2015 from HK$671.1 million in FY2014. The increase was in line with the increase in sales of goods for direct sales in the Current Year.

Employee Benefit Expense

Employee benefit expense increased to HK$747.3 million in FY2015 from HK$661.4 million in FY2014. This increase was primarily due to the increase in wages and salaries, retirement benefit costs and other employee benefits as a result of recognising a full-year operation of Shanghai Tianshan Road Branch Store acquired on 30 July 2013, the conversion of Hong Kong New World Department Store – Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store") from a managed store to a self-owned store in November 2013 and the opening of Yantai New World Department Store ("Yantai Store") in December 2013. In addition, the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015 also contributed to the increase of employee benefit expense in the Current Year.

Depreciation and Amortisation

Depreciation and amortisation expense increased from HK$321.2 million in FY2014 to HK$344.2 million in FY2015. The increase was a result of recognising a full-year operation of Shanghai Wujiaochang Branch Store and Yantai Store acquired and opened respectively in FY2014. Moreover, the increase was also due to the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015.

Operating Lease Rental Expense

Operating lease rental expense increased to HK$1,191.7 million in FY2015 from HK$1,118.5 million in FY2014, primarily due to recognising a full-year operation of Shanghai Wujiaochang Branch Store and Yantai Store acquired and opened respectively in FY2014, the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015.

Other Operating Expenses, Net

Net other operating expenses decreased to HK$788.8 million in FY2015 from HK$831.4 million in FY2014. The decrease was mainly due to effective control of water and electricity, promotion and advertising expenses by management and a decline in other tax expenses which was in line with the decline of revenue in FY2015. However, the decreases were partially offset by the increase in expenses due to the recognition of a full-year operation of Shanghai Tianshan Road Branch Store and Shanghai Wujiaochang Branch Store acquired, and Yantai Store opened in FY2014, the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015.

Operating Profit

Operating profit was HK$230.9 million in FY2015 compared with HK$677.2 million in FY2014.

Income Tax Expense

Income tax expense of the Group was HK$187.2 million in FY2015 compared with HK$192.0 million in FY2014. Excluding HK$54.6 million loss on disposal of property, plant and equipment of a store in Shenyang City and HK$123.1 million impairment loss on property, plant and equipment of the existing stores, effective income tax rate in the Current Year was 43.1%.

Profit for the Year

As a result of the reasons mentioned above, profit for the year decreased by approximately 86.6% to HK$69.7 million compared with HK$520.5 million in the Previous Year. Core profit for the year excluding net other losses, changes in fair value of investment properties and its related income tax expenses and other non-core items, decreased by approximately 52.6% to HK$264.1 million from HK$557.1 million of the Previous Year.

Liquidity and Financial Resources

Cash and fixed deposits of the Group amounted to HK$2,115.9 million as at 30 June 2015 (30 June 2014: HK$1,527.1 million).

The Group's borrowings from banks as at 30 June 2015 as HK$1,707.0 million (30 June 2014: HK$696.8 million) of which HK$524.3 million (30 June 2014: HK$500.0 million) was secured by pledge of assets.

At 30 June 2015, the Group's current liabilities exceeded its current assets by HK$709.3 million (30 June 2014: HK$1,631.1 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 commitment of the Group as at 30 June 2015 were HK$474.4 million, of which HK$474.4 million were contracted but not provided for in the statement of financial position. For the contractual payment of HK$474.4 million, approximately HK$395.3 million is for the redevelopment project of a building in Shenyang City.

Pledge of Assets

As at 30 June 2015, a property, land use rights and investment properties of HK$1,952.5 million (30 June 2014: HK$1,900.0 million) of the Group were pledged as securities for bank borrowings and banking facilities of HK$525.0 million (30 June 2014: HK$500.0 million).

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 to hedge its foreign exchange risk. 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 2015.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK$0.018 per share (2014: HK$0.060 per share) for the year ended 30 June 2015 to shareholders whose names appear in the register of members of the Company on 30 November 2015. It is expected that the proposed final dividend will be paid on or about 29 December 2015 subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 17 November 2015.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2015, total number of employees of the Group was 4,949 (2014: 6,563). 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

On 16 January 2015, Techwise Enterprises Limited, a wholly-owned subsidiary incorporated in the British Virgin Islands with limited liability, entered into a share purchase agreement to acquire the entire issued share capital of Well Metro Group Limited, a company incorporated in the British Virgin Islands with limited liability, for a consideration of HK$1.0 million. Well Metro Group Limited and its subsidiaries have the franchise and distribution right in relation to fashion apparels and accessories for certain brand names in the PRC and have a network of retail operation in the PRC.

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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the time being in force during the year ended 30 June 2015.

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 2015.

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 annual results and the financial statements for the year ended 30 June 2015 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 Monday, 16 November 2015 to Tuesday, 17 November 2015, 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 Friday, 13 November 2015.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable to shareholders whose name appear in the register of members of the Company on Monday, 30 November 2015. The register of members of the Company will be closed from Friday, 27 November 2015 to Monday, 30 November 2015, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer 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 Thursday, 26 November 2015.

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

Hong Kong, 23 September 2015

As at the date of this announcement, the non-executive Directors are Dr. Cheng Kar-shun, Henry, Mr. Au Tak-cheong and Ms. Ngan Man-ying, Lynda; 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.