

Chairman's Statement





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Year 2007 marked a milestone for the Group as we were successfully listed on the Stock Exchange of Hong Kong on 12 July. The listing enables the Group to access the capital market to fund its future growth. It also raises our profile as an independent entity while enjoying support from our parent company, New World Development Company Limited. Through the listing, we would be able to share our success with a wide spectrum of the public.

The Group's first annual results recorded an operating profit of HK\$353.9 million, for the year ended 30 June 2007, on a total revenue of HK\$982.2 million, representing a robust growth of 31% over the same period last year. Profit attributable to equity holders increased by 91.8% to HK\$302.8 million.

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The booming economy of Mainland China provides a wealth of opportunities for the Group. In the first half of 2007, China's GDP rose 11.5% to RMB10,676.8 billion while the disposable income per capita of urban citizens also increased by 14.2%. Over the decade, similar robust growths in the economy and consumption power have facilitated the emergence of a prosperous retail industry. The compound annual growth rate of GDP in China surpassed those of the United States and Japan. In the department store sector, the growth rate of retail sales of consumer goods is expected to keep rising.

Capturing the flourishing retail industry, the Group will boost its number of stores to 32 by the end of 2008. Our store network will then cover 17 major cities. We plan to set up three new stores in Shanghai, Wuhan and Anshan this year. Having opened a new store in Beijing earlier this year, we have plans to open yet another in 2008, the Olympic year.

The Group is also looking for potential markets for further expansion through organic growth and acquisitions. Identifying appropriate sites for new stores in prime locations is one of our expansion strategies. Apart from cities with existing operations, we will also develop our business in other cities with huge growth potential, such as Nanjing, Xian, Zhengzhou and Taiyuan. Our acquisition targets include stores in prime locations as well as the leased properties at existing stores.

Expanding and upgrading current stores constitute another key to success for our development plan. Leveraging on our strong brand equity, the Group will continue to bring in a stable stream of income at a minimum of capital outlay by providing management consultancy services.

Throughout the years, we have established strong and long-term relationships with concessionaires and direct sales suppliers. Numerous world-renowned brands and a majority of our direct sales suppliers have collaborated with us for more than five years. Our huge scale of operations also attracts many major concessionaires and suppliers.



Our success is inseparable from the dedication of our staff and the support from our shareholders, customers and business partners. On behalf of the Board of Directors, I would like to express my gratitude for their continual support and encouragement. And to members of the Board I would also like to extend appreciation for their inspiring leadership.

Looking ahead, the Group is well positioned to become a dominant player in the department store industry in China. We pledge greater efforts in enhancing value for our shareholders.

Dr. Cheng Kar-shun, Henry

Chairman

Hong Kong, 10 October 2007



A Symphony of Trends and Brands

