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)

enriching lives

Interim Report 2008/2009

Corporate Profile

New World Department Store: quality merchandise for quality living

New World Department Store China Limited is a Hong Kong-listed company approximately 72%-owned by New World Development Company Limited. We were one of the first investors in the retail sector of the PRC. Today, we are widely esteemed as a supplier of quality merchandise and a symbol of quality living.

Secured strategic foothold: our network

To become a dominant department store operator in the PRC, we have been growing our store network across the country. As of 31 December 2008, we have secured strategic footholds in 17 major cities, including Beijing, Shanghai, Shenyang and Wuhan, etc. Occupying an aggregate gross floor area of approximately 1,042,570 square metres, our retail chain comprises 20 self-owned stores and 13 managed stores in the PRC. We operate under two brands — "New World" in 26 stores around China and "巴黎春天" (Ba Li Chun Tian) in seven stores in Shanghai.

Tapping into China's growing affluence: our target market

We target the mid-high end of the PRC retail market and offer premium merchandise across the full spectrum of consumer products including fashion, accessories, jewellery and cosmetics. In line with the consumer trend for "one-stop shopping", we have also integrated a supermarket into four of our stores in Beijing, Wuhan and Lanzhou. We derive revenue mainly from four sources: commission income from concessionaire sales, direct sales and rental income in our self-owned stores, and management fees from our managed stores.

Organized for Top Efficiency: our set-up

Organizationally, we adopt an efficient three-tier structure which consists of central management, regional management and local management. Operation-wise, we group into different geographic regions that draw on a central pool of administrative support in human resources, finance and corporate communications.

Professionalism from top to bottom: our people

As at 31 December 2008, we employ 3,921 people, with the majority being local recruits. Well trained and motivated, the whole staff is united under the leadership of a management team with experience of over one decade in pursuit of our vision and mission.

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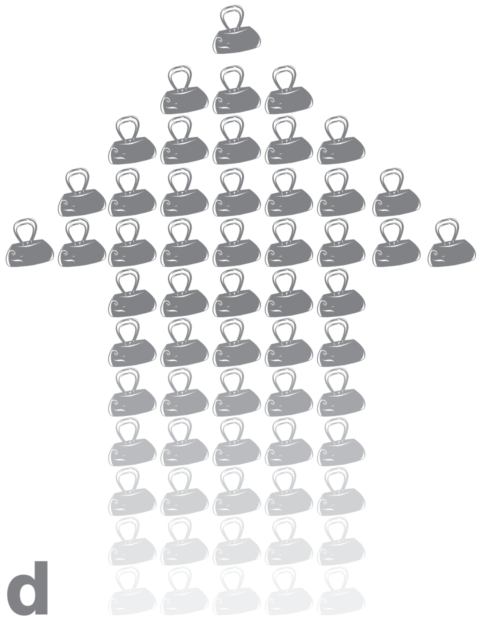
Financial Highlights

13.5%

increase in profit for the period to

HK$258,592 thousand



	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Operating Result		
Revenue	**883,899**	663,297
Representing:		
Commission income from concessionaire sales	**573,257**	443,532
Sales of goods — direct sales	**152,745**	88,631
Management fees	**108,689**	90,127
Rental income	**49,208**	41,007
	883,899	663,297
Operating profit	**324,348**	272,992
Profit for the period	**258,592**	227,844

	As at 31 December 2008 HK$'000	As at 30 June 2008 HK$'000
Financial Position		
Fixed deposits	**1,620,542**	790,909
Cash and cash equivalents	**1,483,648**	2,336,718
Total assets	**6,294,090**	5,760,430
Total liabilities	**2,058,176**	1,653,684
Total equity	**4,235,914**	4,106,746

Revenue

(HK$'000)

Operating profit

(HK$'000)

Total assets

(HK$'000)

	Six months ended 31 December	
	2008	2007
Financial Ratios		
Revenue growth	**33.3%**	36.9%
Operating profit margin	**36.7%**	41.2%
Net profit margin	**29.3%**	34.4%

	As at 31 December 2008	As at 30 June 2008
Current ratio (times)	**2.16**	2.78

Chairman's Statement

"Looking ahead, we will place greater emphasis on the long term, faced with immense changes in the operating environment. Strictly we will pursue regional expansion centering on Beijing, Shanghai, Shenyang and Wuhan, the core cities of the four operational regions of Northern China, Eastern China, Northeastern China and Central China, respectively. We will continue to consistently execute the growth strategies of "multiple presences in a single city" and "radiation cities". While providing quality products and services to customers, we will implement selective brand strategies, and introduce new modes of sales at timely moments to diversify their shopping experience. Meanwhile, we will strengthen our corporate profile and strive to innovate on all levels of service, merchandise and promotion, refreshing public perceptions of New World Department Store with an aim to becoming the pioneer in Chinese retailing."

In the latter half of 2008, the growth pace of the global economy slackened considerably in the wake of the financial tsunami. The blows to economic growth were felt even in a fast developing economy like that of China's.

According to National Bureau of Statistics, the growth rates for China's annual gross domestic product and per capita disposable income in 2008 fell by 4 and 2.7 percentage points, respectively, compared with those in 2007. In the fourth quarter of 2008, the financial crisis further affected the Mainland economy, with quarterly GDP growth falling to 6.8%, or a slide of 4.4 percentage points from the same period in 2007. It was clear that conditions in the macro economic environment had grown severer since the outbreak of the financial tsunami in the latter half of 2008.

In spite of that, the Group had maintained stable growth. For the six months ended 31 December 2008, total revenue of the Group amounted to HK$883.9 million, growing 33.3% year-on-year. Operating profit stood at HK$324.3 million. Profit attributable to shareholders increased by 13.5% to HK$258.6 million. Earnings per share was about HK$0.15. The Board of Directors resolved to declare an interim dividend of HK$0.08 per share.

During the period reported, we opened two stores, taking the number of department stores to 33, total GFA to about 1,042,570 square metres, and network coverage over 17 major Chinese cities. In addition, the new Taizhou Store will have its grand opening in the first half of 2009, while acquired properties in Zhengzhou and Shenyang will be developed as self-owned department stores for opening in 2010.

Concurrently, the Group had announced in January 2009, acquisition of the operating company of the managed Kunming New World Department Store and the managed Ningbo New World Trendy Department Store from our parent company. The acquisitions were meant to consolidate our presence in Southwestern China and further reinforce our market influence in Zhejiang, hence advancing regional development.

Capitalizing on the stability in operational status, abundance in liquid assets, effectiveness in cost saving, as well as the strength of supplier and VIP networks that we have built up over the years, the Group has the firm grounding required to overcome the economic downturn.

In 2008, *Forbes*, the internationally renowned financial magazine, ranked the Group among "Asia's 200 Best Under A Billion". The honour showed that our business fundamentals and financial position were sound and secure, and that we had the endurance to resist adversities, maintaining growth in sales and profit in a grim operating environment amidst the slide in the global economy.

Coping with uncertainties in the market outlook and negative impacts on all industries and trades, the Chinese Government had swiftly launched a RMB4,000 billion package to stimulate the economy and safeguard employment among urban and rural population. Raising income level and promoting urbanization had become the momentum driving expansion of domestic demand and promoting economic growth. As such, the Group remained cautiously optimistic about the Chinese retail market.

Chairman's Statement

Looking ahead, we will place greater emphasis on the long term, faced with immense changes in the operating environment. Strictly we will pursue regional expansion centering on Beijing, Shanghai, Shenyang and Wuhan, the core cities of the four operational regions of Northern China, Eastern China, Northeastern China and Central China, respectively.

Besides, we will continue to consistently execute the growth strategies of "multiple presences in a single city" and "radiation cities", competing for a bigger market share by setting up various stores in a core city, and grounding presences in different commercial circles. From there we will pursue further growth by radiating into provinces and cities on the periphery.

Concurrently, we will abide by stringent criteria while undertaking acquisitions and pursuing greenfield projects so that, keen as we are on seeking opportunities, we will remain prudent in controlling capital outlay at a time of deep crisis.

In future, the Group will tailor-make growth strategies in keeping with changes in the market. While providing quality products and services to customers, we will implement selective brand strategies, and introduce new modes of sales at timely moments to diversify their shopping experience.

Meanwhile, we will strengthen our corporate profile and strive to innovate on all levels of service, merchandise and promotion, refreshing public perceptions of New World Department Store with an aim to becoming the pioneer in Chinese retailing.

Trying our best in discharging our obligations as a conscientious corporate citizen is an important constituent of the Group's core values. In a climate of global depression, while striving to maintain business growth, the Group will continue to support a variety of charities, living up to our pledge of corporate citizenship.

On behalf of the Board of Directors, I would like to thank our shareholders, customers and business partners for their boundless confidence in and support for the Group. To management and staff I would also like to extend heartfelt thanks for their ceaseless efforts and professionalism.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong, 16 March 2009

Milestones

2008

July

15th anniversary and 1st anniversary of listing.

Announced acquisition of properties in Zhengzhou and Shenyang with approximate GFA of 34,530 sq.m. and 32,500 sq.m., respectively, for development as self-owned department stores and scheduled opening in 2010.

August

Announced expansion of Harbin Store from about 32,000 sq.m. to about 50,000 sq.m., to be fully operational in May 2009.

September

Opening of Beijing Liying Store, the 3rd store in Beijing with GFA of about 52,000 sq.m.

October

FY2007 Annual Report won five awards for the Group, including the Silver Award for "Copywriting: Annual Reports" in the 19th Annual International Galaxy Awards Competition.

November

Opening of Wuhan Hanyang Store, the 6th store in Wuhan, marked the Group's network expansion into Hanyang District among the "Three Towns of Wuhan". The first to fifth level, with a GFA of about 43,000 sq.m., entered into service while the sixth level, with a GFA of about 10,000 sq.m., will commence operation by the end of 2009.

December

Accredited as "Asia's 200 Best Under A Billion" by *Forbes*, the internationally renowned financial magazine.

2009

January

Announced a joint cooperative project for 1st store in Taizhou, Zhejiang Province, with GFA of about 30,000 sq.m. and scheduled grand opening in first half of 2009.

Announced acquisition of the operating company of Kunming Store and Ningbo Trendy Store from parent company, further consolidating the Group's market position in Southwestern China and enhancing Group influence in Zhejiang.

February

FY2008 Annual Report won Bronze Award for "Overall Presentation: Department Store" in 22nd Annual International Mercury Awards Competition.

Accredited by The Hong Kong Council of Social Service as one of the 2008/09 Caring Companies in recognition of Group efforts at corporate citizenship.

Business Review

The Group's revenue increased by 33.3% from HK$663.3 million for the six months ended 31 December 2007 (or "1HFY2008") to HK$883.9 million for the six months ended 31 December 2008 (or "1HFY2009" or "the Current Period"). Net Profit for the period grew 13.5% from HK$227.8 million in 1HFY2008 to HK$258.6 million in 1HFY2009.

BUSINESS NETWORK

In 1HFY2009, the Group operated 33 department stores, with a total gross floor area ("GFA") of about 1,042,570 square metres and a total operating floor area ("OFA") of about 768,200 square metres. Located in five operational regions, namely Northeastern China, Northern China, Eastern China, Central China and Southwestern China, the stores covered 17 major cities in the PRC. These included Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Xiamen, Changsha, Chongqing, Chengdu, Anshan and Nanjing. Our business network comprised 20 self-owned stores and 13 managed stores.

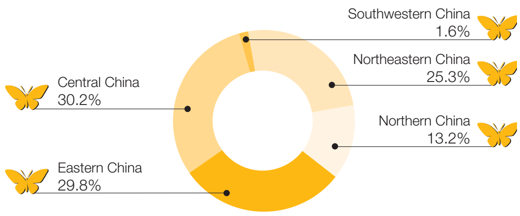
REVENUE CONTRIBUTION

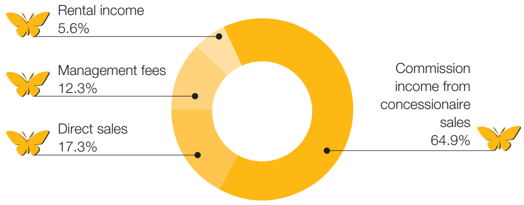
By region

The Central China Region contributed the most to the Group's revenue during the period under review, accounting for 30.2% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 29.8% and 25.3%, respectively.

By segment

Commission from concessionaire sales was the major type of income, accounting for 64.9% of total revenue. Proceeds from direct sales and management fees accounted for 17.3% and 12.3%, respectively. Rental income accounted for 5.6%.





During the period under review, commission from concessionaire sales increased 29.3% year-on-year. This was attributable mainly to the rise in gross sales revenue, and to the commission income recognized for the whole Current Period, contributed by Wuhan New World Department Store ("Wuhan Store") since it became self-owned in February 2008.

Following the strengthening of operational management, the proportion of direct sales to revenue increased from 13.4% to 17.3% during the period under review. Total direct sales of goods rose 72.3% year-on-year, mainly including sales of cosmetics, Olympics-themed products, accessories, handbags and underwears, groceries, perishables and housewares.

In the period under review, the Group's proceeds from management fees rose 20.6% for two main reasons. First, the Group added within the Current Period one managed store, namely Beijing New World Liying Department Store ("Beijing Liying Store"). Second, Shanghai-Hong Kong New World Department Store — Pujian Branch Store ("Shanghai Pujian Branch Store") and Wuhan New World Department Store — Xudong Branch Store ("Wuhan Xudong Branch Store"), which were opened in September 2007 and January 2008 respectively, had been in operation for over six months and therefore recognized a full period of management fees. However, after Wuhan Store converted from a managed store to a self-owned store in February 2008 and Hong Kong New World Department Store ("Hong Kong Store") ceased to be a managed store in July 2008, both stores no longer contributed any management fees in the Current Period as compared with the same period in the previous year.

Besides, the Group sublet part of its store areas to third parties, generating rental income and benefiting in-store traffic. Rental income grew 20.0% within the Current Period.

GROWTH IN NATIONWIDE VIP MEMBERSHIP

During the period under review, the membership for both VIP card and platinum VIP card maintained a continual rise, increasing by 24% and 28% year-on-year, respectively. The total VIP membership nationwide exceeded 1.53 million. VIP sales contributed over 48% of total sales. Holders of the co-branded credit card increased to 470,000 within the period, up 128% year-on-year.

STORE NETWORK DEVELOPMENT

In the period under review, the Group added two new stores in Wuhan and Beijing. They were the self-owned Wuhan New World Department Store — Hanyang Branch Store ("Wuhan Hanyang Branch Store") and the managed Beijing Liying Store. The additional floor area of about 95,000 square metres brought our total GFA to about 1,042,570 square metres.

The newly added Wuhan Hanyang Branch Store in Central China Region occupied a GFA of about 53,000 square metres over six levels. Since November 2008, operation had already commenced for Level 1–Level 5, which together offered about 43,000 square metres. Level 6, measuring about 10,000 square metres, was scheduled for opening before the end of 2009. The opening of the Wuhan Hanyang Branch Store was consistent with the Group's expansion strategy of "multiple presences in a single city". The inroad into Hanyang completed our network coverage of "Three Towns in Wuhan", namely Hankou, Wuchang and Hanyang, and brought our number of stores in the city to six.

Apart from Wuhan Hanyang Branch Store, the Group also set up the managed Beijing Liying Store in the core city of the Northern China Region. Occupying about 52,000 square metres in GFA, in a prime location in Chaoyang District, Beijing Liying Store was our third store in Beijing, and our fifth in Northern China Region. The new store further increased our market share and accelerated our expansion in the region.

Starting July 2008, Hong Kong Store ceased to be a managed store since New World Development Company Limited had confirmed resumption for redevelopment of the East Wing of New World Centre in Tsimshatsui, Hong Kong, where the store was located. Opened in April 1999, Hong Kong Store had a GFA of about 15,000 square metres.

Business Review

OPERATIONAL STRATEGY

In the period under review, the Group optimized the merchandise mix at various stores, concentrating efforts to strengthen brands that enjoyed good sales. Brand integration took place in keeping with changes in the market. Widening our market positioning, from mid-high to high end, to mid to mid-high end market, we brought our merchandise mix closer to market needs and consumer demands, in line with changes in the economy.

In introducing new brands and exploring new products, the Group has established effective market research practices to ensure capture of market opportunities. For instance, *Best-selling Brand Chart* enables quick grasp of the most popular brands both region-wise and nation-wise, ensuring that brands on our portfolios have mass support. *New Products & Supplier Update* helps spot newly launched and hugely promising products for introduction across the Group network so that our stores will never run out of new products to draw crowds and stimulate sales in-store.

As we optimized the merchandise mix and introduced new brands, the Group sought to expand the rental areas at our stores to accommodate more third-party services for trendy living. With the introduction of specialty dining outlets, entertainment and convenience facilities, we enhanced in-store services for customers and enriched their shopping experience.

Besides, the six-region operational mode adopted by the Group not only facilitates optimization and integration of regional resources. Capitalizing on the advantage of “multiple presences in a single city”, the mode also plays a promotional role in expanding the scale of operation for direct-sales products. In the past, headquarters used to spearhead development of direct-sales operations. Yet, as regional operations increasingly strengthen, each operational region can fully exploit the advantage of “multiple presences in a single city” to develop on its own direct-sales market best suited to its region. The six-region operational mode also offers conditions more favourable for organizing large-scale joint promotions through which we may enhance shopper traffic at individual stores, and overall sales across the region.

In addition, the Group has always valued and maintained sound collaboration with existing suppliers and actively cultivated partnership with suppliers rich in market promises. Over the years, we have formed a very stable team of suppliers. By implementing “Top 150 Brands Retainer Scheme” and “Strategic Partnership Scheme”, we will continue to deepen collaboration with quality suppliers and to create a win-win scenario in the long run.

Faced with the global economic downturn and a worsening operating environment, the Group has aptly formulated suitable development tactics for the short term and the longer run to ensure profitability.

For the short term, the Group will temporarily mitigate the upgrade of product portfolio and deftly fine-tune the merchandise mix to strengthen, for instance, products that are selling well. In addition, the Group will intensify promotions and adjust sales methods. In the period reported, all operational regions had lengthened their promotional cycles and had stepped up on cultural activities to attract visits by the family customers, successfully reaching out to target groups from all walks of life. Besides, the Group will actively implement measures to save resources and tighten cost control, ensuring sufficiency in cash flow for daily operations and business expansion.

To cope with the market situation and utilizing differentiated strategy among stores more effectively, the Group has adopted the mode of "Brand Outlet" in selected stores with a smaller GFA. Such stores can attract much heavier shopper traffic with attractively priced out-seasoned offerings from celebrated local and international brands. Unlike conventional bargain stalls, where product display is disorderly, our outlets present renowned brands in a style consistent, from design to packaging, with those found in concessionaire counters elsewhere on our network. With this operational mode, we will afford opportunities of seasonal stock clearance for concessionaires, and of purchasing branded goods at concessionary prices for consumers. Shanghai-Hong Kong New World Department Store — Changning Branch Store ("Shanghai Changning Branch Store"), for instance, is being developed into a local hot spot for discounted branded goods.

For the longer run, the Group will identify crucial growth factors through in-depth analyses of operational data, followed by launch of corresponding operational practices and growth strategies. Given that shopper traffic concentrates mostly on the street level and lower levels, the Group also started to transform the top levels at some stores with a larger GFA as Event Halls for staging large-scale themed promotions during the period reported. While effectively drawing customers to join the functions on top levels, the Event Hall strategy creates a "showering effect" and enables top-to-base traffic diversion to levels with relatively fewer customers. As in-store traffic evens out, concessionaires at different corners and levels will all stand to gain. We will continue to adopt this strategy more extensively in the future.

In order to outpace our competitors, the Group believes in the necessity to break with the traditional modes of running a department store. Hence, we are planning a comprehensive rebranding program, with a view to projecting a unique image among competitors, and committing ourselves to becoming a pioneer in the industry. In our plan, the traditional framework for market positioning by class-basis will be abandoned and be replaced by the concepts of "fashion style" and "living style". The Group will position future stores as either a "Fashion Gallery" or a "Living Gallery". A "Fashion Gallery" will emphasize "mix and match". By introducing exclusive brands and designer labels, highlighting merits of individuality and taste, it will aspire to be a landmark of vogue. Combining elements of shopping mall, a "Living Gallery" will set aside about 30% of its floor area for the provision of dining facilities and various complementary services. Catering to the all-round needs, from daily necessities to leisure attractions, of family customers of all age groups and genders, it will become a leisure hangout for the whole family.

EXPANSION STRATEGY

The Group has formulated a set of comprehensive, long-term strategies for business expansion. We seek to grow our business network by opening new stores, acquiring store businesses with promising potential, adding managed stores and developing greenfield projects.

The Group holds on to below principles in locating new self-owned stores and guiding their subsequent development. First, opt for prime locations in cities with booming economies or huge growth potential. Second, pursue regional expansion through execution of the expansion strategies of "multiple presences in a single city" and "radiation cities", in such designated regional core cities as Wuhan in Central China Region, Shenyang in Northeastern China Region, Beijing in Northern China Region and Shanghai in Eastern China Region.

By "multiple presences in a single city", we refer to the setting up of various stores in the same province or city, so as to increase market share and enjoy cost effectiveness. For instance, in Northeastern China Region, the Group will open the fourth store in Shenyang, maximizing our advantage in the city after establishing strong footholds

Business Review

in the commercial circles of Nanjing Street and Taiyuan Street. To be located in the prosperous Zhong Street Commercial Circle, Shenyang New World Department Store — Jinqiao Road Branch Store ("Shenyang Jinqiao Road Branch Store") measures about 32,500 square metres and is scheduled for opening in 2010.

The Group also endeavours to expand business by radiating from a core city where we have firm presence, into another city on the periphery. In Central China Region, for instance, we have radiated from Wuhan, the provincial capital of Hubei where we have many footholds, into the peripheral city of Changsha, the provincial capital of Hunan. Zhengzhou, in Henan, is another peripheral city reckoned with rich growth potential. We will radiate into the city and further expand business with a greenfield project to build Zhengzhou New World Department Store ("Zhengzhou Store"). Scheduled for opening in 2010, the new store will have a GFA of about 34,530 square metres. The strategy of "radiation cities" effectively reduces the risks associated with entering new markets, promotes synergy within an operational region, and lends an edge to the stores during negotiations with suppliers.

While adding new self-owned stores, the Group also strives to expand and optimize current operations. This is yet another strategy with which we seek sustainable development for existing stores even as we build up new retail footholds. It is borne out by our expansion of the Harbin New World Department Store ("Harbin Store") which, when fully operational in May 2009, will have its approximate GFA raised from 32,000 square metres to 50,000 square metres.

Apart from actively setting up self-owned stores, we will also add managed stores at opportune moments. On the one hand, this provides steady income from management fees, and on the other hand, enabling further expansion of our store network.

In the latter half of 2008, though the financial tsunami affected the department store market, it brought acquisition opportunities to store operators staying financially secure. Besides considering acquisition of managed stores, the Group also seek acquisitions elsewhere in China, concentrating on projects in first-tier cities, as well as second- and third-tier cities with good potential. We will assign priorities to existing projects in prime locations, with GFAs of at least 30,000 square metres, stable turnover and modest market leadership. Those projects under construction at a reasonable acquisition cost and is worthwhile in commercial value are also under consideration.

Besides, we will also approach fellow subsidiary New World China Land Limited or other developers for co-development of greenfield projects. We will participate at the planning stage so that the stores will be developed in conformity with the Group's operational strategy.

OUTLOOK

China's annual gross domestic product ("GDP") for 2008 rose 9.0% over that for the previous year, according to data from National Statistics Bureau of China. There was a drop of 4 percentage points in the growth rate, as the country registered less than two-digit growth for the first time since 2002. In quarterly comparison, from a GDP growth of 10.6% in the first quarter of 2008, the pace of growth had quickly slowed down to 6.8% in the fourth, dropping by 3.8 percentage points. Per capita disposal income increased by 14.5%, or 2.7 percentage points below that for the previous year.

Telling from the figures, the fall in China's GDP showed that negative impacts of the snowstorms and the Sichuan earthquakes in the first half of 2008 had gradually surfaced. With the abrupt downturn in the US and European markets in the wake of the financial tsunami in the latter half of 2008, China's export-predominated economy suffered a swift decline in growth rate. As disposable income fell, the department store industry was inevitably affected.

However, 30 years of economic reform in China have firmly grounded the country's economic base, besides nurturing a massive internal market. The Chinese Government has also striven to introduce a series of policy measures to stimulate the internal economy. All this, it is believed, will enable China to emerge from the financial crisis ahead of other countries and to resume its robust growth.

In addition, China's total retail sales of consumer goods has continued to grow, having recorded in 2008 a substantial rise of 21.6%, or 4.8 percentage points, over that for the previous year. This indicated a keen demand for higher standard of living and better quality in consumer products, sustaining growth for the retail industry.

Looking ahead, despite uncertainties in the Chinese economy, the Group firmly believes that we can capture opportunities to continue growing our business, capitalizing on strengths and experiences accumulated over 15 years in China, on the stable customer base, our sound reputation, strong liquidity, and deftly formulated strategies to cope with the financial tsunami in the short term and beyond. Perfecting operational modes across our business network, we will continue to maximize return for our shareholders in the face of formidable challenges ahead.

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$883.9 million in 1HFY2009 representing an increase of 33.3% from HK$663.3 million in 1HFY2008. The growth primarily resulted from satisfactory performance of all sources of revenue including commission income from concessionaire sales, sales of goods for direct sales, management fees and rental income, which increased by 29.3%, 72.3%, 20.6% and 20.0% respectively from the same period of Previous Year.

Gross sales revenue, comprising gross revenue from concessionaire sales increased by 33.1% to HK$2,892.0 million in 1HFY2009 from HK$2,173.6 million for the same period of Previous Year. The performance of gross sales revenue was primarily due to firstly, SSS growth of approximately 10.9% for stores having operations for more than two years; secondly, the gross sales revenue contribution of recognising a full period's operations of certain stores expanded, opened and acquired in FY2008 (or "Previous Year") and thirdly, the gross sales revenue contribution of Wuhan Hanyang Branch Store opened in the Current Period. Commission income rate was 19.8% in 1HFY2009, 0.6% below the rate of 20.4% for the same period of Previous Year, mainly due to the increase in promotion of sales activities during the Current Period. In 1HFY2009, ladieswear and accessories made up approximately 56.5% of gross sales revenue. Menswear and accessories made up approximately 28.0% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue. Direct sales mainly covered cosmetic products, Beijing Olympics-themed products, groceries, housewares and perishables, accessories, handbags and underwears, and others by approximately 45.2%, 16.3%, 15.4%, 11.1%, and 12.0%.

Management fees increased by 20.6% to HK$108.7 million in 1HFY2009, primarily as a result of recognising a full period's management fees from certain managed stores which became our new managed stores in the Previous Year. The opening of Beijing Liying Store in 1HFY2009 also contributed to the growth of management fees in the Current Period. However, these increases were partially offset by the decrease in management fee from Wuhan Store which had converted from a managed store to a self-owned store in February 2008 and as a result of the cessation of management consultancy service for Hong Kong Store in July 2008, as compared with the management fee for full period in the same period of Previous Year. The management consultancy service for Hong Kong Store was ceased to enhance the Group's focus in the business development in PRC.

Rental income increased by 20.0% to HK$49.2 million in 1HFY2009 mainly due to leasing area in newly opened self-owned stores and recognizing a full period's rental income of certain stores expanded, opened and acquired in the Previous Year.

Other income and Fair value gain on financial assets at fair value through profit or loss

Other income of the Group was HK$62.0 million in 1HFY2009 primarily comprised interest income of HK$43.9 million on bank deposits. Due to lower deposit interest rates offered in the Current Period, interest income on bank deposits was lower than that of Previous Year. Gain on fair value of investment in Renhe Commercial Holdings Company Limited amounted to HK$16.7 million.

Purchases of and changes in inventories

The purchases of and changes in inventories represent the cost of sales for direct sales of goods. The purchases of and changes in inventories increased by 71.6% to HK$116.0 million in 1HFY2009 from HK$67.6 million for the same period of Previous Year. As a percentage to direct sales of goods, gross profit margin in 1HFY2009 was 24.0% which was 0.3% higher than 23.7% for the same period of Previous Year, primarily due to the lessen effect made by Beijing Olympics-themed products.

Employee benefit expense

Employee benefit expense increased from HK$96.1 million in 1HFY2008 to HK$139.7 million in 1HFY2009. This increase was primarily due to the inclusion of employee share option expenses in the amount of HK$11.3 million for the share options vested during the Current Period, an increase in wages and salaries and other employment benefits as a result of recognising a full period's operations of self-owned stores expanded, opened and acquired in the Previous Year, and increase in manpower from newly opened Wuhan Hanyang Branch Store.

Depreciation and amortisation

Depreciation and amortisation expense increased from HK$53.0 million in 1HFY2008 to HK$82.2 million in 1HFY2009. This was primarily due to the acquisition of Wuhan Store property and Shenyang New World Department Store — Nanjing Street Branch Store property in 2HFY2008 which brought with them a total depreciation of HK$15.3 million in the Current Period. In addition, the recognition of a full period's operations of certain stores expanded, opened and acquired in the Previous Year and the opening of new self-owned Wuhan Hanyang Branch Store in the Current Period also contributed to the increase in overall depreciation and amortisation.

Operating lease rental expense

Operating lease rental expense increased from HK$150.1 million in 1HFY2008 to HK$157.1 million in 1HFY2009, primarily due to the effect of recognising a full period's operations of certain stores opened in the Previous Year and Wuhan Hanyang Branch Store newly opened in the Current Period. Operating lease rental expense as a percentage to revenue decreased by 4.8% in 1HFY2009 mainly as a result of operating leverage of the expense.

Other operating expenses

Other operating expenses increased by HK$49.3 million from HK$94.0 million in 1HFY2008 to HK$143.3 million in 1HFY2009. This increase was primarily due to the increase in promotion, advertising and related expenses, utility and other operating expenses primarily in relation to the newly opened stores, the acquisition of Wuhan Store and the effect of recognising a full period's operations of certain stores in the Current Period. In addition, a HK$17.9 million provision for management fee income was made under a policy to be more conservative at global economic downturn.

Operating profit

Operating profit increased by 18.8% to HK$324.3 million in 1HFY2009 from HK$273.0 million in 1HFY2008. Operating profit as a percentage to revenue in the Current Period was 36.7% compared with 41.2% in 1HFY2008. The effect on operating profit margin of the Current Period was mainly caused by lower interest income on bank deposits and the provision for management fee income.

Finance income

Finance income decreased by HK$10.8 million primarily due to the inclusion in Previous Year of HK$10.8 million interest income from deposits relating to share subscription under the listing of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2007.

Management Discussion & Analysis

Income tax expense

Income tax expense increased by 17.7% from HK$55.9 million in 1HFY2008 to HK$65.8 million in 1HFY2009, primarily as a result of the increase in profit before income tax. Effective income tax rate of the Current Period was 20.3%.

Profit for the period

As a result of the reasons mentioned above, profit for the Current Period was HK$258.6 million. Net profit margin in the Current Period was 29.3%.

Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK$3,104.2 million as at 31 December 2008 (30 June 2008: HK$3,127.6 million). The financial resources are still sufficient for the company's current operation and future development.

The Group had no borrowings as at 31 December 2008.

The capital commitments of the Group as at 31 December 2008 were HK$376.0 million, of which HK$370.0 million were contracted but not provided for in the balance sheet. About HK$325.2 million for the contractual payment to acquire a building and land use rights located in Zhengzhou City, a building, land use rights and right of use of carpark located in Shenyang City.

Pledge of assets

Assets of the Group were not pledged as at 31 December 2008.

Treasury policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts or currency borrowings to hedge its foreign exchange risk.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2008.

Acquisition of subsidiaries

On 20 January 2009, the Group entered into the agreements with Solar Leader Limited ("Solar Leader"), being an indirect wholly-owned subsidiary of New World Development Company Limited ("NWD"), a controlling shareholder of the Group, to acquire 100% of the equity interest in Yunnan New World Department Store Co., Ltd. and Ningbo New World Trendy Department Store Co., Ltd. at a consideration of HK$3.0 million and RMB2.0 million respectively.

Report on Review of Interim Financial Statements

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TO THE BOARD OF DIRECTORS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 18 to 37, which comprises the condensed consolidated balance sheet of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2009

Condensed Consolidated Income Statement

For the six months ended 31 December 2008

	Note	Unaudited Six months ended 31 December 2008 HK$'000	Unaudited 2007 HK$'000
Revenue	4	**883,899**	663,297
Other income	5	**61,995**	70,583
Fair value gain on financial assets at fair value through profit or loss		**16,717**	—
Purchases of and changes in inventories		**(116,008)**	(67,602)
Employee benefit expense	6	**(139,667)**	(96,119)
Depreciation and amortisation		**(82,236)**	(53,032)
Operating lease rental expense		**(157,048)**	(150,139)
Other operating expenses	7	**(143,304)**	(93,996)
Operating profit		**324,348**	272,992
Finance income	8	**—**	10,789
Profit before income tax		**324,348**	283,781
Income tax expense	9	**(65,756)**	(55,937)
Profit for the period		**258,592**	227,844
Attributable to equity holders of the Company		**258,592**	227,844
Dividend	10	**129,296**	—
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK$ per share)			
— Basic	11	**0.15**	0.14
— Diluted	11	**0.15**	0.14

The notes on pages 23 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

As at 31 December 2008

	Note	Unaudited As at 31 December 2008 HK$'000	Audited As at 30 June 2008 HK$'000
Non-current assets			
Property, plant and equipment		**1,209,356**	1,147,114
Land use rights		**776,150**	787,371
Goodwill		**172,435**	172,435
Prepayment		**359,231**	—
Long-term prepaid rent and rental deposits		**105,960**	37,136
Financial assets at fair value through profit or loss	13	**—**	60,154
Available-for-sale financial assets	14	**77,630**	—
Deferred income tax assets		**28,474**	27,133
		2,729,236	2,231,343
Current assets			
Inventories		**64,347**	57,472
Debtors	15	**27,167**	25,656
Prepayments, deposits and other receivables		**337,680**	257,363
Amounts due from fellow subsidiaries	16	**31,470**	60,969
Fixed deposits		**1,620,542**	790,909
Cash and cash equivalents		**1,483,648**	2,336,718
		3,564,854	3,529,087
Total assets		**6,294,090**	5,760,430
Equity			
Share capital	17	**168,615**	168,615
Reserves	18	**3,938,003**	3,786,378
Interim dividend	10	**129,296**	—
Proposed final dividend		**—**	151,753
		4,235,914	4,106,746
Liabilities			
Non-current liabilities			
Accruals	19	**259,121**	237,981
Deferred income tax liabilities		**149,040**	147,334
		408,161	385,315

The notes on pages 23 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

As at 31 December 2008

	Note	**Unaudited As at 31 December 2008 HK$'000**	Audited As at 30 June 2008 HK$'000
Current liabilities			
Creditors and accruals	19	**1,596,193**	1,208,562
Amounts due to fellow subsidiaries	16	**9,253**	8,669
Tax payable		**44,569**	51,138
		1,650,015	1,268,369
Total liabilities		**2,058,176**	1,653,684
Total equity and liabilities		**6,294,090**	5,760,430
Net current assets		**1,914,839**	2,260,718
Total assets less current liabilities		**4,644,075**	4,492,061

The notes on pages 23 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2008

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based compensation reserve HK$'000	Available-for-sale investments HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2007 — Audited	6,095	–	337,568	11,360	–	–	17,680	484,526	857,229
Translation differences	–	–	–	–	–	–	28,963	–	28,963
Net income recognised directly in equity	–	–	–	–	–	–	28,963	–	28,963
Profit for the period	–	–	–	–	–	–	–	227,844	227,844
Total recognised income and expense for the period	–	–	–	–	–	–	28,963	227,844	256,807
Issue of shares in connection with the Listing (Note 17)	46,725	2,663,296	–	–	–	–	–	–	2,710,021
Capitalisation of share premium account (Note 17)	115,795	(115,795)	–	–	–	–	–	–	–
Share issuance costs	–	(149,251)	54,020	–	–	–	–	–	(95,231)
Share-based payments	–	–	–	–	2,629	–	–	–	2,629
Lapse of share options	–	–	–	–	(5)	–	–	5	–
Transfer to statutory reserve	–	–	–	5,755	–	–	–	(5,755)	–
At 31 December 2007 — Unaudited	168,615	2,398,250	391,588	17,115	2,624	–	46,643	706,620	3,731,455
At 1 July 2008 — Audited	**168,615**	**2,398,250**	**391,588**	**35,676**	**17,448**	**–**	**158,363**	**936,806**	**4,106,746**
Fair value gain on available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**759**	**–**	**–**	**759**
Translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**6,339**	**–**	**6,339**
Net income recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**759**	**6,339**	**–**	**7,098**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**258,592**	**258,592**
Total recognised income and expense for the period	**–**	**–**	**–**	**–**	**–**	**759**	**6,339**	**258,592**	**265,690**
Share-based payments	**–**	**–**	**–**	**–**	**15,231**	**–**	**–**	**–**	**15,231**
Lapse of share options	**–**	**–**	**–**	**–**	**(791)**	**–**	**–**	**791**	**–**
Dividend paid relating to the year ended 30 June 2008	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(151,753)**	**(151,753)**
Transfer to statutory reserve	**–**	**–**	**–**	**13,754**	**–**	**–**	**–**	**(13,754)**	**–**
At 31 December 2008 — Unaudited	**168,615**	**2,398,250**	**391,588**	**49,430**	**31,888**	**759**	**164,702**	**1,030,682**	**4,235,914**

The notes on pages 23 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2008

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Net cash generated from operating activities	233,363	571,501
Net cash used in investing activities	(939,884)	(2,198,077)
Net cash (used in)/generated from financing activities	(151,608)	2,560,769
Effect of foreign exchange rate changes	5,059	8,464
Net (decrease)/increase in cash and cash equivalents	(853,070)	942,657
Cash and cash equivalents, at 1 July	2,336,718	960,391
Cash and cash equivalents, at 31 December	1,483,648	1,903,048
Analysis of cash and cash equivalents:		
Cash and bank deposits	1,483,648	1,903,048

The notes on pages 23 to 37 are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

New World Department Store China Limited (the "Company") was incorporated in the Cayman Islands on 25 January 2007 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are engaged in department store operations in Mainland China.

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

These condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. These condensed consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2009.

2 BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 31 December 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies are consistent with those of the Group's annual financial statements for the year ended 30 June 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 ACCOUNTING POLICIES (continued)

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

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

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

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

Effective for the year ending 30 June 2010

HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 2 Amendments	Vesting Conditions and Cancellations
HKFRS 3 (Revised) and HKAS 27 (Revised)	Business Combinations and Consolidated and Separate Financial Statements
HKFRS 7 Amendment	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRS 1 (Revised) and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 Amendment	Eligible Hedged Items
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in Foreign Operation
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) — Int 18	Transfer of Assets from Customers
HKFRSs Amendments	Improvements to HKFRSs

3 ACCOUNTING POLICIES (continued)

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures and measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results of operations and financial position.

4 REVENUE AND SEGMENT INFORMATION

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Commission income from concessionaire sales	**573,257**	443,532
Sales of goods — direct sales	**152,745**	88,631
Management fees	**108,689**	90,127
Rental income	**49,208**	41,007
	883,899	663,297

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Gross revenue from concessionaire sales	**2,892,034**	2,173,634
Commission income from concessionaire sales	**573,257**	443,532

No segment analysis for business segment is presented as the Group principally operates in one business segment, which is the operation of department stores.

No segment analysis for geographical segment is presented as substantially all of the revenue, operating results, assets and liabilities are in Mainland China.

Notes to the Condensed Consolidated Financial Statements

5 OTHER INCOME

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Interest income on bank deposits	**43,890**	59,898
Government grants	**6,405**	4,716
Other commission income	**3,441**	1,731
Sundries	**8,259**	4,238
	61,995	70,583

6 EMPLOYEE BENEFIT EXPENSE

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Wages and salaries	**81,493**	64,416
Retirement benefit costs — defined contribution plans	**12,269**	8,443
Share-based payments	**11,319**	1,931
Other employee benefits	**34,586**	21,329
	139,667	96,119

7 OTHER OPERATING EXPENSES

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Water and electricity	51,592	40,232
Promotion, advertising and related expenses	38,545	31,240
Net exchange losses	6,866	5,782
Share-based payments	3,912	698
Auditor's remuneration	1,733	1,950
Loss on disposal of property, plant and equipment	305	551
Provision for management fee receivables	17,857	—
Others	22,494	13,543
	143,304	93,996

8 FINANCE INCOME

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Interest income from deposits relating to share subscription under the Listing	—	10,789

Notes to the Condensed Consolidated Financial Statements

9 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 December 2008 HK$'000	Unaudited 2007 HK$'000
Current income tax		
— Hong Kong profits tax	—	561
— Mainland China taxation	71,093	55,329
Over-provision in prior years	(5,702)	(510)
Deferred income tax	365	557
	65,756	55,937

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2007: 17.5%) on the estimated assessable profit for the period.

Mainland China enterprise income tax ("EIT") or foreign enterprise income tax ("FEIT") is provided on the basis of the profit for statutory financial reporting purpose. The applicable EIT or FEIT rate for the subsidiaries of the Group in Mainland China is 25% (six months ended 31 December 2007: 33%).

10 DIVIDEND

	Unaudited Six months ended 31 December 2008 HK$'000	Unaudited 2007 HK$'000
Interim dividend of HK$0.08 (2007: Nil) per share	129,296	—

11 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 period. In determining the weighted average number of ordinary shares in issue, a total of 1,218,900,000 ordinary shares were deemed to be in issue since 1 July 2007.

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
Profit attributable to the equity holders of the Company (HK$'000)	**258,592**	227,844
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,649,600
Basic earnings per share (HK$ per share)	**0.15**	0.14

(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 six months ended 31 December 2007 and 2008, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

12 CAPITAL EXPENDITURE

For the six months ended 31 December 2008, the Group has acquired property, plant and equipment of HK$134,058,000 (six months ended 31 December 2007: HK$186,225,000). The Group has disposed of property, plant and equipment of net book amount of HK$802,000 (six months ended 31 December 2007: HK$981,000).

Notes to the Condensed Consolidated Financial Statements

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 31 December 2008 HK$'000	Audited As at 30 June 2008 HK$'000
Unlisted shares and investments, at fair value		
Debt securities	**—**	60,154

The financial assets at fair value through profit or loss are denominated in Renminbi.

On 14 December 2007, Skybird International Limited, a wholly-owned subsidiary of the Company, acquired 5,000 preferred shares of Renhe Commercial Holdings Company Limited (or "Renhe"). The investment in Renhe was recognised as financial assets at fair value through profit or loss.

On 22 October 2008, Renhe was listed on the Stock Exchange. The 5,000 preferred shares were converted into 68,096,801 ordinary shares of Renhe. The investment in the ordinary shares of Renhe was recognised as available-for-sale financial assets (Note 14).

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited As at 31 December 2008 HK$'000	Audited As at 30 June 2008 HK$'000
Listed securities, at fair value		
Equity securities — Hong Kong	**77,630**	—

The available-for-sale financial assets are denominated in Hong Kong dollars.

The fair value of equity securities is based on their bid prices in an active market at the balance sheet date.

15 DEBTORS

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

Aging analysis of the debtors is as follows:

	Unaudited As at 31 December 2008 HK$'000	Audited As at 30 June 2008 HK$'000
Within period for		
0–30 days	**26,837**	18,438
31–60 days	**155**	2,326
61–90 days	**—**	1,196
Over 90 days	**175**	3,696
	27,167	25,656

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

16 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

The balances with fellow subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts of amounts due from/(to) fellow subsidiaries approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

17 SHARE CAPITAL

	Note	Number of shares '000	Nominal value HK$'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 30 June 2008 and 31 December 2008		**10,000,000**	**1,000,000**
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 July 2007 — Audited		**60,946**	**6,095**
Issue of shares in connection with the Listing	(i)	**467,245**	**46,725**
Capitalisation of share premium account	(ii)	**1,157,954**	**115,795**
At 30 June 2008 — Audited and 31 December 2008 — Unaudited		**1,686,145**	**168,615**

(i) On 12 July 2007, the Company issued 406,300,000 ordinary shares of HK$0.1 each at HK$5.8 per share in connection with the Listing, and raised gross proceeds of approximately HK$2,356,540,000.

On 7 August 2007, pursuant to the exercise of the over-allotment option, the Company issued 60,945,000 ordinary shares of HK$0.1 each at HK$5.8 per share and raised gross proceeds of approximately HK$353,481,000.

(ii) On 12 July 2007, 1,157,954,000 ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HK$0.1 each to New World Development Company Limited ("NWD"), the shareholder of the Company in proportion to NWD's then shareholding in the Company. The amount was paid up in full by applying an amount of HK$115,795,400 standing to the credit of share premium account of the Company.

17 SHARE CAPITAL (continued)

Share option scheme

The Company's share option scheme was adopted on 12 June 2007. The Board of Directors may, at their discretion, granted options to any eligible participants (as defined in the share option scheme), to subscribe for shares in the Company.

Movement of the number of share options outstanding and their related exercise prices during the period are as follows:

Date of grant	Exercise price per share HK$	Number of options '000 At 1 July 2008	Granted during the period	Lapsed during the period	At 31 December 2008
27 November 2007 (i)	**8.66**	**19,925**	**—**	**(657)**	**19,268**
25 March 2008 (ii)	**8.44**	**4,133**	**—**	**—**	**4,133**
		24,058	**—**	**(657)**	**23,401**

(i) The share options granted on 27 November 2007 were divided into 5 tranches and exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013.

(ii) The share options granted on 25 March 2008 were divided into 5 tranches and exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014.

Notes to the Condensed Consolidated Financial Statements

18 RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share option reserve HK$'000	Available-for-sale investments HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2007 — Audited	—	337,568	11,360	—	—	17,680	484,526	851,134
Issue of shares in connection with the Listing (Note 17(i))	2,663,296	—	—	—	—	—	—	2,663,296
Capitalisation of share premium account (Note 17(ii))	(115,795)	—	—	—	—	—	—	(115,795)
Share issuance costs	(149,251)	54,020	—	—	—	—	—	(95,231)
Share-based payments	—	—	—	2,629	—	—	—	2,629
Lapse of share options	—	—	—	(5)	—	—	5	—
Transfer to statutory reserve	—	—	5,755	—	—	—	(5,755)	—
Profit for the period	—	—	—	—	—	—	227,844	227,844
Translation differences	—	—	—	—	—	28,963	—	28,963
At 31 December 2007 — Unaudited	2,398,250	391,588	17,115	2,624	—	46,643	706,620	3,562,840
At 1 July 2008 — Audited	**2,398,250**	**391,588**	**35,676**	**17,448**	**—**	**158,363**	**936,806**	**3,938,131**
Fair value gain on available-for-sale financial assets	**—**	**—**	**—**	**—**	**759**	**—**	**—**	**759**
Share-based payments	**—**	**—**	**—**	**15,231**	**—**	**—**	**—**	**15,231**
Lapse of share options	**—**	**—**	**—**	**(791)**	**—**	**—**	**791**	**—**
Transfer to statutory reserve	**—**	**—**	**13,754**	**—**	**—**	**—**	**(13,754)**	**—**
Dividend paid relating to the year ended 30 June 2008	**—**	**—**	**—**	**—**	**—**	**—**	**(151,753)**	**(151,753)**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**258,592**	**258,592**
Translation differences	**—**	**—**	**—**	**—**	**—**	**6,339**	**—**	**6,339**
	2,398,250	**391,588**	**49,430**	**31,888**	**759**	**164,702**	**1,030,682**	**4,067,299**
Interim dividend (Note 10)	**—**	**—**	**—**	**—**	**—**	**—**	**(129,296)**	**(129,296)**
At 31 December 2008 — Unaudited	**2,398,250**	**391,588**	**49,430**	**31,888**	**759**	**164,702**	**901,386**	**3,938,003**

19 CREDITORS AND ACCRUALS

	Unaudited As at 31 December 2008 HK$'000	Audited As at 30 June 2008 HK$'000
Creditors	**1,189,897**	858,383
Accruals	**665,417**	588,160
Less: long-term rental accruals	**(259,121)**	(237,981)
	1,596,193	1,208,562

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

	Unaudited As at 31 December 2008 HK$'000	Audited As at 30 June 2008 HK$'000
Within period for		
0–30 days	**566,139**	341,584
31–60 days	**403,590**	271,985
61–90 days	**84,755**	74,794
Over 90 days	**135,413**	170,020
	1,189,897	858,383

Included in creditors was a trading amount due to a related company of HK$15,211,000 (30 June 2008: HK$16,815,000) which was unsecured, interest free and repayable within 90 days.

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

Notes to the Condensed Consolidated Financial Statements

20 CAPITAL COMMITMENTS

Capital commitments for capital expenditure of the Group at the balance sheet date are as follows:

	Unaudited As at 31 December 2008 HK$'000	Audited As at 30 June 2008 HK$'000
Contracted but not provided for	**369,976**	62,879
Authorised but not contracted for	**6,013**	6,112
	375,989	68,991

21 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The following is a summary of significant related party transactions during the period carried out by the Group in the normal course of its business:

	Note	**Unaudited Six months ended 31 December 2008 HK$'000**	Unaudited 2007 HK$'000
Fellow subsidiaries			
Management fee income	(i)	**32,041**	47,178
Operating lease rental expenses	(ii)	**35,030**	45,229
Building management expenses	(iii)	**5,832**	4,254
Purchase of leasehold improvements	(iv)	**23,990**	46,615
Related companies			
Commission income from concessionaire sales	(v)	**9,670**	6,293
Operating lease rental expenses	(ii)	**14,777**	12,667

21 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The income is charged in accordance with master management agreement and terms of service fees in accordance with respective operational agreements.

(ii) The operating lease rental expense is charged in accordance with respective tenancy agreements.

(iii) The building management fee is charged at fixed monthly amounts in accordance with respective contracts.

(iv) This represents the purchase of leasehold improvement in respect of certain department stores. Such fee is charged in accordance with the terms of respective contracts.

(v) The income is charged in accordance with concessionaire counter agreements with Chow Tai Fook Jewellery Company Limited or its subsidiaries, an associate of Chow Tai Fook Enterprises Limited, a shareholder of NWD. The commissions are mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(b) Key management compensation

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
Basic salaries, allowances and benefits in kind	**8,121**	7,704
Retirement benefit costs — defined contribution plans	**515**	473
Share-based payments	**3,624**	509
	12,260	8,686

22 EVENTS AFTER THE BALANCE SHEET DATE

On 20 January 2009, New World Department Stores Investment (China) Co., Ltd., a wholly-owned subsidiary of the Company, entered into the agreements with Solar Leader Limited, being an indirect wholly-owned subsidiary of NWD, a controlling shareholder of the Group, to acquire 100% of the equity interest in Yunnan New World Department Store Co., Ltd. and Ningbo New World Trendy Department Store Co., Ltd. at a consideration of HK$3,000,000 and RMB2,000,000 respectively.

23 ULTIMATE HOLDING COMPANY

The Directors regard NWD, a company incorporated in Hong Kong, as being the ultimate holding company of the Group.

24 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

Corporate Citizenship

COMMUNITY AND CHARITABLE ACTIVITIES

As a conscientious corporate citizen, the Group believes in contributing to the community from which we make our profits. Living up to our faith, we have been committed to charity and community service.

MSF Day 2008

Supporting *MSF Day* two times in row, the Group became the principal sponsor of *MSF Day 2008*, raising HK$300,000 for Médecins Sans Frontières (or "MSF"). Participating staff wore "MSF Day Badges" on 7 July 2008 in embodiment of their voluntarism.

"Bright Future Action" brings a new world to children with amblyopia

The Group co-organized *Bright Future Action — A New World for children with amblyopia* with China Children and Teenagers' Fund. The Group placed donation boxes in stores across our network between December 2007 and December 2008, contributing to those in need.

Northeastern China Region cares for poverty-stricken families and children of disaster areas

In July and August of 2008, Shenyang New World Department Store — Taiyuan Street Branch Store and Shenyang New World Department Store — Zhonghua Road Branch Store donated cash and relief supplies to children living in areas devastated by the Sichuan earthquake through China Children and Teenagers' Fund and Shenyang Red Cross respectively. In July 2008, Dalian New World Department Store also offered care by donating 1,500 pieces of used clothing to poverty-stricken families.

Northern China Region holds charity bazaar

In July 2008, Tianjin New World Department Store held an umbrella charity bazaar and donated the proceeds to Red Cross. In November 2008, Lanzhou New World Department Store ("Lanzhou Store") donated cotton clothing and cotton blankets to areas devastated by the earthquakes in Longnan, Gansu.

Central China Region joins hands for a better tomorrow for schoolchildren

In August 2008, our stores in Wuhan launched *A Hope for a Better Tomorrow for Schoolchildren*, collecting used books, stationery and sporting goods from customers for subsequent donation to Wuhan Youth Development Foundation in aid of schoolchildren in need.

Eastern China Region visits elders on Double Ninth Festival

On Double Ninth Festival, 7 October 2008, in love and reverence for the elderly, Ningbo New World Department Store ("Ningbo Store") and Ningbo New World Trendy Department Store ("Ningbo Trendy Store") visited an elderly home and entertained the elders with mini performances.

Southwestern China Region brings warmth in wintry days

On 14 December 2008, Kunming New World Department Store ("Kunming Store") supported China Foundation For Poverty Alleviation on the large-scale *Jiangling · Qiqiao Bridge Development Project*, kicking off charity publicity and donating warm clothing and school textbooks. On 30 December, Kunming Store arranged for hanging of wishing cards on a tree of blessing in-store by mentally-handicapped children from Kunming Xinmin School. The store also mobilized customers and staff in donation of presents to fulfill the children's wishes.

GROUP HONOURS

In the period under review, counting on our quality merchandise and sincere services, the Group received many awards by Government and social institutions. Such awards reflected the great approval and acclaim they held towards the Group.

"Asia's 200 Best Under A Billion"

In 2008, *Forbes*, the internationally renowned financial magazine, honoured the Group with "Asia's 200 Best Under A Billion". The magazine selected 200 enterprises from among the 25,864 listed in Asia with an annual turnover not exceeding US$1 billion. References were made to enterprises with consistent growth of sales, net profit, profit margin, return on equity and earnings per share in the previous three years.

"Jin Ding Department Store", "On Target Department Store", "Top Grade Enterprise", "Honesty-based Business", "Showcase Store in No-fakes Campaign"

Harbin New World Department Store was designated "Jin Ding Department Store" and "On Target Department Store" by the Ministry of Commerce. Shanghai-Hong Kong New World Department Store — Wujiaochang Store ("Shanghai Wujiaochang Branch Store") won designation of "Top Grade Enterprise" in the *Yangpu District Wujiaochang Graded Quality Service*. It also won in the joint promotions of "Honesty-based Business, Quality Service" in Yangpu. Shanghai-Hong Kong New World Department Store — Xinning Branch Store won designation of "Xincheng Showcase Store in No-fakes Campaign".

Corporate Citizenship

"Customer Satisfaction Enterprise", "Customer Satisfaction Brand", "Customer Satisfaction Product", "Star Enterprise in Contemporary Business"

Lanzhou Store won designations of "Gansu Customer Satisfaction Enterprise" and "Customer Satisfaction Brand". Wuhan New World Department Store — Wuchang Branch Store won designations of "Wuhan Contract-abiding Enterprise", "Hubei Customer Satisfaction Unit" and "Hubei Customer Satisfaction Product". Chengdu New World Department Store was awarded "Star Enterprise in Contemporary Business" jointly by the District Committee and District Government of Jinjiang.

"Advanced Unit", "Environmentally Aware Mall", "Honesty Unit", "Advanced Group in Union Affairs"

Shanghai-Hong Kong New World Department Store — Huaihai Branch Store ("Shanghai Huaihai Branch Store") won designations of "Environmentally Aware Mall", "Advanced Unit in Management of Civic Security Project in Luwan District" and "Honesty Unit in Luwan District". Shanghai-Hong Kong New World Department Store — Pujian Branch Store ("Shanghai Pujian Branch Store") was awarded "Advanced Group in Union Affairs" by Workers' Union of Shanghai New Pudong District Tangqiao Community. Wuxi New World Department Store was designated "Honest Labour Security Unit in Wuxi". Changsha New World Trendy Plaza was designated "2008 Safety in Production Advanced Unit" by Street Office and selected as a checkpoint of "Optimized Economic Environment and Organizational Effectiveness in Hunan".

"Council Unit of Promotion Council for Branded Goods", "Workers' Vanguard", "Distinguished Foreign-invested Enterprise", "Best Organization in Haishu Shopping Festival"

Ningbo Store was designated "2008 Council Unit of Ningbo Promotion Council for Branded Goods" by Ningbo Promotion Council for Branded Goods. It was also designated "Workers' Vanguard" by the five major workers' unions and "Distinguished Foreign-invested Enterprise" by Ningbo Jiangdong Bureau of External Trade and Economic Cooperation. In August 2008, Ningbo Trendy Store was designated for the second consecutive year "Best Organization in Haishu Shopping Festival" by the Organizing Committee of Ningbo Haishu Shopping Festival.

"Olympics Outstanding Group Contribution", "Olympics Individual Contribution", "Advanced Group in Olympics Security"

Beijing New World Shopping Mall was designated "Advanced Group in Olympics Security among Volunteers in Key Industries" by Beijing Municipal Public Security Bureau. It was also designated "Advanced Group in Country-wide Survey of Investment and Production" by National Bureau of Statistics. Beijing New World Trendy Department Store ("Beijing Trendy Store") was awarded "Outstanding Group Contribution for Olympic 2008 in Jianwai District" by Jianwai Street Working Committee in Beijing Chaoyang District and People's Government of Jianwai Street Office in Beijing Chaoyang District. Beijing Trendy Store was also awarded "Beijing Olympics, Paralympics Individual Contribution" by the Beijing Olympics.

CONSERVATION ACTIVITIES

Promoting environmental awareness

In the period under review, in support of environmental conservation, stores across the Group network deployed new shopping bags made from environment-friendly paper and non-woven textile. Newly designed plastic bags imprinted with safety warnings were also deployed inside our supermarkets.

In addition, Anshan New World Department Store produced a ten-metre high Christmas wishing tree from around 10,000 plastic jars collected by staff, promoting environmental conservation as we celebrated the holiday season.

CARE FOR STAFF

Promoting all round development for staff

The Group provided many regular internal trainings and activities that could enhance the skills and know-how of our staff in terms of leadership and management, customer service, industry development and interpersonal communication. Examples including legal seminar, retail management certificate program, English for service industry, techniques for telecommunications and sign language, color coordination skills and service etiquette training. Through different outdoor activities and staff gatherings we helped our staff relieve work pressures, promoted teamwork spirit and strengthened cohesion among different departments.

Other Information

INTERIM DIVIDENDS

The board of directors (the "Directors" or "Board") of the Company (or together with its subsidiaries, the "Group") have resolved to declare an interim dividend of HK$0.08 per share (2007: Nil) for the six months ended 31 December 2008 to shareholders whose names appear on the register of members of the Company on 16 April 2009. It is expected that the interim dividend will be paid on or about 18 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9 April 2009 to Thursday, 16 April 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to establish entitlements to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Wednesday, 8 April 2009.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with requirements of the Rules Governing the Listing of Securities on the Stock Exchange (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 unaudited condensed consolidated financial statements and the interim report for the six months ended 31 December 2008 and discussed the financial related matters with management. The unaudited interim results of the Group for the six months ended 31 December 2008 have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 31 December 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Upon the Company's specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company during the six months ended 31 December 2008.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2008, total number of employees for the Group was 3,921 (2007: 3,585). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2008. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the six months ended 31 December 2008.

DEED OF NON-COMPETITION

Under the deed of non-competition dated 22 June 2007 given by NWD (or together with its subsidiaries, the "NWD Group") in favour of the Company (the "Deed"), details of which were stated in the prospectus of the Company dated 28 June 2007 (the "Prospectus"), NWD has undertaken not to engage or carry on (including through any associate, subsidiary, body corporate or other contractual arrangement) the following business ("Restricted Business") in the PRC:

(a) department stores;
(b) supermarkets;
(c) hypermarkets;
(d) convenience stores;
(e) specialty merchandise stores; and
(f) supercentres.

If there is any disagreement between the Company and NWD as to whether an activity of the NWD Group constitutes a Restricted Business, the matter shall be determined by the majority of the independent non-executive Directors whose decision shall be binding.

Other Information

DEED OF NON-COMPETITION (continued)

In addition, NWD has undertaken under the Deed to use its best endeavour to transfer Beijing New World Shopping Mall (the "Beijing Shopping Mall"), Kunming New World Department Store (the "Kunming Store"), Ningbo New World Trendy Department Store (the "Ningbo Trendy Store"), Hong Kong New World Department Store (the "Hong Kong Store") and Wuhan New Eagle Development Co., Ltd. Wuhan New World Department Store (the "Wuhan Store") (collectively the "Excluded Stores") (save and except the Hong Kong Store) to the Company as soon as practicable and in any event no later than three years from 12 July 2007 (the date of listing of the Company's shares on the main board of the Stock Exchange (the "Listing Date")) and to keep the Company informed every six months from the Listing Date as regards the progress on the resolution of the difficulties in transferring the Excluded Stores to the Company. NWD has also undertaken to provide to the Company all information necessary for the annual review by the independent non-executive Directors to determine whether the Deed has been complied with by NWD.

As regards the Wuhan Store, the Board announced that on 17 December 2007, New Bright Resources Limited ("New Bright"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Solar Leader, whereby New Bright agreed to acquire from Solar Leader the entire issued share capital of Uphill Group Limited ("Uphill Group") and the outstanding shareholder's loan of Uphill Group owed to Solar Leader in the total amount of approximately HK$586,356,000 as of 30 November 2007 for an aggregate consideration of HK$885,417,000. Uphill Group is an investment holding company which owns 100% legal and beneficial interests in Wuhan New Eagle Development Co., Ltd. ("Wuhan New Eagle"), which owns 100% legal and beneficial interests in the Wuhan Store and its property.

As regards the Kunming Store, the Board announced that on 20 January 2009, New World Department Stores Investment (China) Co., Ltd. ("NWDSIC"), an indirect-wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Solar Leader, NWD and Yunnan New World Department Store Co., Ltd. ("Yunnan Co"), the operator of Kunming Store, whereby NWDSIC agreed to acquire from Solar Leader all interests and rights of Solar Leader arising or derived from the trust agreement entered into between Solar Leader and the registered owners of the registered capital of Yunnan Co, on 1 January 2007 including any beneficial interest in the entire equity interest in the registered capital of Yunnan Co for a consideration of HKD3,000,000.

As regards the Ningbo Trendy Store, the Board also announced that on 20 January 2009, NWDSIC entered into a sale and purchase agreement with Solar Leader and the Ningbo New World Trendy Department Store Co., Ltd. ("Ningbo Co"), the operator of Ningbo Trendy Store (the "Ningbo Agreement"), whereby NWDSIC agreed to acquire from Solar Leader the entire equity interest in the registered capital of Ningbo Co (the "Ningbo Sale Interest") for a consideration of RMB2,000,000. Pursuant to the Ningbo Agreement, Solar Leader has also agreed to procure the transfer of the legal title of the Ningbo Sale Interest by the registered owners of the registered capital of Ningbo Co to NWDSIC on terms acceptable to NWDSIC. Such transfer was effected pursuant to the rights provided to Solar Leader under the trust agreement entered into between Solar Leader and the registered owners of the registered capital of Ningbo Co on 1 January 2007.

DEED OF NON-COMPETITION (continued)

As regards the Beijing Shopping Mall, NWD currently holds the entire beneficial ownership of the project company which holds this store. Pursuant to the Deed, NWD has undertaken to use its best endeavors to transfer the Beijing Shopping Mall to the Company as soon as practicable and in any event not later than three years from the Listing Date. NWD is still procuring the legal title holder of the project company, who is an independent third party, to transfer the legal title of this project company. In light of the above, the independent non-executive Directors have decided not to exercise the relevant rights (the "Acquisition Rights") granted to the Company under the Deed to acquire the Beijing Shopping Mall. The Acquisition Rights will continue to subsist until the earlier of the date of completion of the Company's acquisition of the Beijing Shopping Mall and if this shopping mall ceases to operate prior to such acquisition, the date of such cessation. The independent non-executive Directors may appoint an independent financial adviser as necessary to advise them relating to the Acquisition Rights.

UPDATE ON DIRECTOR'S INFORMATION

Mr. Cheng Chi-kong, Adrian, executive Director of the Company, has been appointed Honorary Chairman of Fundraising Committee, Wu Zhi Qiao (Bridge to China) Charitable Foundation in March 2009.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2008, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or the shares, underlying shares and debentures of any associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

(a) Long positions in shares

	Number of Shares				Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests	Total	
The Company					
Mr. Cheng Chi-kong, Adrian	–	–	1,107,000[1]	1,107,000	0.07
Mr. Cheung Fai-yet, Philip	660,000	–	–	660,000	0.04
Mega Choice Holdings Limited					
Dr. Cheng Kar-shun, Henry	–	–	3,710[2]	3,710	34.61
New World China Land Limited					
Dr. Cheng Kar-shun, Henry	12,500,000	1,950,000	52,271,200[3]	66,721,200	1.74
Ms. Ngan Man-ying, Lynda	100,000	–	–	100,000	negligible
New World Development Company Limited					
Dr. Cheng Kar-shun, Henry	–	300,000	–	300,000	0.01
NWS Holdings Limited					
Dr. Cheng Kar-shun, Henry	9,179,199	–	8,000,000[3]	17,179,199	0.84

Notes:

(1) These shares are beneficially-owned by a company wholly-owned by Mr. Cheng Chi-kong, Adrian.

(2) These shares are beneficially-owned by certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.

(3) These shares are beneficially-owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares — share options

i. *The Company*

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2008	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 31 December 2008	Exercise price per share HK$
Dr. Cheng Kar-shun, Henry	27 November 2007	(1)	1,000,000	–	–	–	1,000,000	8.660
Mr. Au Tak-cheong	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Cheng Chi-kong, Adrian	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheung Fai-yet, Philip	27 November 2007	(1)	1,500,000	–	–	–	1,500,000	8.660
	25 March 2008	(2)	500,000	–	–	–	500,000	8.440
Mr. Lin Tsai-tan, David	27 November 2007	(1)	459,000	–	–	–	459,000	8.660
	25 March 2008	(2)	230,000	–	–	–	230,000	8.440
Mr. Wong Kwok-kan, Kenneth	27 November 2007	(1)	501,000	–	–	–	501,000	8.660
	25 March 2008	(2)	250,000	–	–	–	250,000	8.440
Ms. Ngan Man-ying, Lynda	27 November 2007	(1)	500,000	–	–	–	500,000	8.660
Mr. Cheong Ying-chew, Henry	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Chan Yiu-tong, Ivan	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Tong Hang-chan, Peter	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
Mr. Yu Chun-fai, Henry	27 November 2007	(1)	250,000	–	–	–	250,000	8.660
			6,690,000	–	–	–	6,690,000	

Notes:

(1) From 27 November 2008 to 26 November 2013. Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(2) From 25 March 2009 to 24 March 2014. Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(3) The cash consideration paid by each Director for each grant of the share options is HK$1.00.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares — share options (continued)

ii. New World China Land Limited

			Number of share options					Exercise
Name	Date of grant	Exercisable period (Note)	Balance as at 1 July 2008	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 31 December 2008	price per share HK$
Dr. Cheng Kar-shun, Henry	7 January 2008	(1)	2,000,000	–	–	–	2,000,000	6.972
	29 December 2008	(3)	–	1,600,000	–	–	1,600,000	1.500
Mr. Cheng Chi-kong, Adrian	25 July 2006	(2)	331,600	–	–	–	331,600	2.865
	7 January 2008	(1)	1,500,000	–	–	–	1,500,000	6.972
	29 December 2008	(3)	–	1,200,000	–	–	1,200,000	1.500
Ms. Ngan Man-ying, Lynda	7 January 2008	(1)	1,000,000	–	–	–	1,000,000	6.972
	29 December 2008	(3)	–	900,000	–	–	900,000	1.500
			4,831,600	3,700,000	–	–	8,531,600	

Notes:

(1) From 8 February 2008 to 7 February 2011. Divided into 3 tranches, exercisable from 8 February 2008, 8 February 2009 and 8 February 2010, respectively, to 7 February 2011.

(2) From 26 August 2006 to 25 August 2011. Divided into 5 tranches, exercisable from 26 August 2006, 26 August 2007, 26 August 2008, 26 August 2009 and 26 August 2010, respectively, to 25 August 2011.

(3) From 30 January 2009 to 29 January 2013. Divided into 4 tranches, exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012, respectively, to 29 January 2013.

(4) The closing price per share immediately before 29 December 2008, the date of grant, was HK$2.21.

(5) The cash consideration paid by each Director for each grant of the share options is HK$10.00.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares — share options (continued)

iii. New World Development Company Limited

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2008	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 31 December 2008	Exercise price per share HK$
Dr. Cheng Kar-shun, Henry	19 March 2007	(1)	36,500,000	–	–	–	36,500,000	17.756
Mr. Cheng Chi-kong, Adrian	19 March 2007	(2)	500,000	–	–	–	500,000	17.756
Mr. Au Tak-cheong	19 March 2007	(2)	1,200,000	–	–	–	1,200,000	17.756
			38,200,000	–	–	–	38,200,000	

Notes:

(1) Exercisable from 19 March 2007 to 18 March 2012.

(2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011, respectively, to 18 March 2012.

(3) The cash consideration paid by each Director for grant of the share options is HK$10.00.

iv. NWS Holdings Limited

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2008	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 31 December 2008	Exercise price per share HK$
Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	3,001,277	–	–	–	3,001,277	16.193
			3,001,277	–	–	–	3,001,277	

Notes:

(1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011, respectively, to 20 August 2012.

(2) The cash consideration paid by the Director for grant of the share options is HK$10.00.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

(c) Long positions in underlying shares — debentures

New World China Land Finance Limited ("NWCLF")

Name	Amount of debentures in RMB issued by NWCLF: Personal interests	Family interests	Corporate interests	Total	Percentage of the total debentures in issue as at 31 December 2008
Mr. Cheng Chi-kong, Adrian	—	—	2,000,000(Note)	2,000,000	0.08

Note:

These debentures are convertible into 260,034 shares of HK$0.1 each of NWCL, representing approximately 0.01% of its issued share capital as at 31 December 2008, for the period from 26 June 2007 to 26 May 2012, which are held by a company wholly-owned by Mr. Cheng Chi-Kong, Adrian.

Save as disclosed above, as at 31 December 2008, none of the Directors and chief executives of the Company or any of their associate had or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS

Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2008	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 31 December 2008	Exercise price per share HK$
27 November 2007	(1)	14,215,000	—	—	(657,000)	13,558,000	8.660
25 March 2008	(2)	3,153,000	—	—	—	3,153,000	8.440
		17,368,000	—	—	(657,000)	16,711,000	

Notes:

(1) From 27 November 2008 to 26 November 2013. Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012, respectively, to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS (continued)

Notes: (continued)

(2) From 25 March 2009 to 24 March 2014. Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(3) The cash consideration paid by each participant for each grant of the share options is HK$1.00.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2008, the following persons (not being Directors) have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO:

	Number of Shares held			Approximate percentage of shareholding
Name	Beneficial interests	Corporate interests	Total	(direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")(1)	—	1,218,900,000	1,218,900,000	72.29
Centennial Success Limited ("Centennial")(2)	—	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited ("CTF")(3)	—	1,218,900,000	1,218,900,000	72.29
NWD	1,218,900,000	—	1,218,900,000	72.29

Notes:

(1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares of the Company deemed to be interested by Centennial.

(2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTF.

(3) CTF together with its subsidiaries hold an aggregate of approximately 37.92% interest in NWD and is accordingly deemed to have an interest in the shares of the Company interested by NWD.

Save as disclosed above, the Directors are not aware of any person (not being Directors) who, as at 31 December 2008, have an interest or a short position in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Kar-shun, Henry *(Chairman)*
Mr. Au Tak-cheong

Executive Directors

Mr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip *(Managing Director)*
Mr. Lin Tsai-tan, David
Mr. Wong Kwok-kan, Kenneth
Ms. Ngan Man-ying, Lynda

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry
Mr. Chan Yiu-tong, Ivan
Mr. Tong Hang-chan, Peter
Mr. Yu Chun-fai, Henry

COMPANY SECRETARY

Mr. Wong Kwok-kan, Kenneth

AUDITORS

PricewaterhouseCoopers

SOLICITORS

Huen Wong & Co. in association
with Fried, Frank, Harris, Shriver & Jacobson LLP
Woo, Kwan, Lee & Lo

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
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Cayman Islands

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PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

STOCK CODE

Hong Kong Stock Exchange 825

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