



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)



Interim Report 2009/2010

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 2009, we have secured strategic footholds in 17 major cities, including Beijing, Shanghai, Shenyang and Wuhan, etc. Occupying an aggregate gross floor area of approximately 1,068,330 square metres, our retail chain comprises 22 self-owned stores and 11 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 7 stores in Shanghai.

Tapping into China’s growing affluence: our target market

We target to develop our stores as Living Galleries for one-stop shopping and Fashion Galleries for themed shopping that offer premium merchandise across the full spectrum of consumer products including fashion, accessories, jewellery and cosmetics as well as providing complementary services, like dining, fitness center, beauty center, bank, entertainment etc. In line with the consumer trend for “one-stop shopping”, we have also integrated a supermarket into five of our stores in Beijing, Wuhan, Harbin 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 2009, we employ 3,918 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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時 尚 生 活
Enriching Lives Enhancing Character





▲ 18.3%

increase in profit for the period (before interest income on bank deposits) to

HK\$253,906 thousand

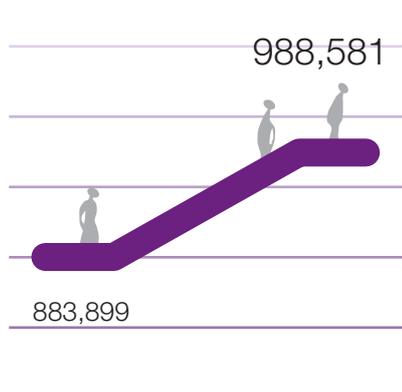
	Six months ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Operating Result		
Revenue	988,581	883,899
Representing:		
Commission income from concessionaire sales	575,787	573,257
Sales of goods — direct sales	271,757	152,745
Management fees	82,804	108,689
Rental income	58,233	49,208
	988,581	883,899
Operating profit (before interest income on bank deposits)	334,594	280,458
Operating profit	352,702	324,348
Profit for the period (before interest income on bank deposits)	253,906	214,702
Profit for the period	272,014	258,592
	As at 31 December 2009 HK\$'000	As at 30 June 2009 HK\$'000
Financial Position		
Fixed deposits	846,202	737,529
Cash and cash equivalents	2,567,477	2,185,992
Total assets	7,073,388	6,298,906
Total liabilities	2,471,922	1,869,485
Total equity	4,601,466	4,429,421





Revenue

(HK\$'000)

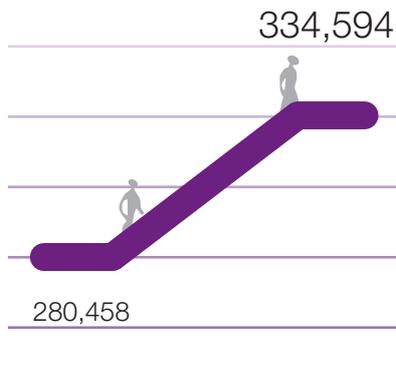


Six months ended 31 December
2008 2009

Operating profit

(before interest income on bank deposits)

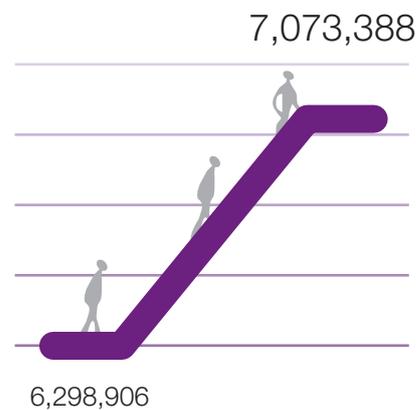
(HK\$'000)



Six months ended 31 December
2008 2009

Total assets

(HK\$'000)



As at 30 June 2009 As at 31 December 2009

	Six months ended 31 December	
	2009	2008
Financial Ratios		
Revenue growth	11.8%	33.3%
Operating profit margin	35.7%	36.7%
Net profit margin	27.5%	29.3%
	As at 31 December 2009	As at 30 June 2009
Current ratio (times)	2.04	2.45





“ Looking ahead, even though China's road to economic recovery is strewn with difficulties and challenges, we believe that China can keep recovering at a steady pace given the sustained efforts by the Central Government to perfect her economic structures. The Group is taking a cautious and positive outlook on China's prospect. We remain committed to expanding our business to meet consumer demands for excellence in trendy living. By promptly readjusting business strategies and stringently controlling costs to safeguard our competitiveness and profitability, we strive to maximize returns for shareholders. ”

Although markets in Europe and America had left the toughest times behind in the latter half of 2009, their recovery were unsteady, affecting likewise the overall performance of the global market. More substantial changes in business fundamentals were considered necessary before global recovery could resume a sustainable growth momentum. According to National Statistics Bureau of China, the Chinese economy was the first market to have reversed the slide in economic growth, with the overall economy returning to stability in 2009. Despite all this, corporate financing still encountered difficulties under the influence of the global economy. With substantially fallen exports weakening consumption drives in the Chinese retail sector, citizens were on the whole cautious towards retail spending.

The Group remains vigilant about the potential difficulties, uncertainties and challenges in the Chinese economy. Faced with a market that has just emerged from the prelude to severe recession, we will continue to exercise stringent cost control to maintain steady growth.

For the six months ended 31 December 2009, the total revenue of the Group amounted to HK\$988.6 million, growing 11.8% year-on-year. Operating profit stood at HK\$352.7 million. Profit attributable to equity holders increased to HK\$272.0 million. Earnings per share was about HK\$0.16. The Board of Directors resolved to distribute an interim dividend of HK\$0.08 per share.

The Group believes that the impending 2010 Shanghai World Expo will stimulate demand for retail services in China, bringing new opportunities to the Chinese retail industry. On 5 January 2010, the Group announced acquisition of the rights of operation for the managed Shanghai Pujian Branch Store. With the store becoming self-owned, the Group reinforced our presence and influence in the Shanghai market. Shanghai Baoshan





Branch Store, our eighth store in the city, commenced operation in January 2010. The ninth branch, Shanghai Chengshan Branch Store, is scheduled for opening within the same year. Concurrently, the Group actively expanded our foothold in other key Chinese cities. We planned to set up the first “feminine club” department store offering fashionable products for women in Beijing in 2010. The opening of Zhengzhou Store and Shenyang Jianqiao Road Branch Store was slated for 2011. As of 31 December 2009, the Group operated 33 stores in 17 major Chinese cities, with GFA totaling about 1,068,330 square metres.

The Group will carry on with our corporate rebranding program, repackaging our stores to afford customers with fresh enjoyment in trendy shopping. Tying in with the Mix & Match idea in our corporate rebranding while highlighting our competitive edge, we will enhance our Group image with a strategy of exclusive branding “N-Only”. By providing various combinations featuring N-Only merchandise, we can help customers create personalized fashion characters for their own. At the same time, the Group will enhance current VIP services to offer experiences of prestige and exclusivity.

The Group will continue to establish and maintain sound partnership with suppliers. Besides, we will actively source good suppliers to enhance our competitiveness and to offer a more diversified range of excellent products and services to customers.

Consistently executing our growth strategies of “multiple stores in a single city” and “radiation cities”, we will actively seek acquisition projects with good return on investment to further expand our retail empire, maintaining our competitive advantage in countrywide network.

For our abundance in capital reserve and stability in financial position, the Group was ranked among “Asia’s 200 Best Under A Billion” two times in a row by Forbes, the internationally renowned financial magazine. Moreover, the Group is committed to environmental conservation and actively partakes in charities to contribute to the community from which we generate profits. We supported “Bright Future Action” of OSJ Radiant Foundation and became the principal sponsor of the MSF Day of Medecins Sans Frontieres for the third consecutive year in shouldering our responsibilities as a corporate citizen, coming to the aid of those in need.

Looking ahead, even though China’s road to economic recovery is strewn with difficulties and challenges, we believe that China can keep recovering at a steady pace given the sustained efforts by the Central Government to perfect her economic structures. The Group is taking a cautious and positive outlook on China’s prospect. We remain committed to expanding our business to meet consumer demands for excellence in trendy living. By promptly readjusting business strategies and stringently controlling costs to safeguard our competitiveness and profitability, we strive to maximize returns for shareholders.

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 of the Group. For the hardworking, loyalty and contribution of the management and staff during the period, I am deeply thankful to them.

Dr. Cheng Kar-shun, Henry

Chairman

Hong Kong, 15 March 2010





2009

July

FY2008 Annual Report won Honors Award for “Cover Photo/Design: Retail—Convenience Store and Department Store” in 2009 International ARC Awards.

Became principal sponsor of MSF Day for the third consecutive year. Over 22,000 NWDS staff members contributed HK\$300,000 to total donation of HK\$480,000 collected by New World Group, which was the largest donor in the private sector in Hong Kong.

September

Launching ceremony for nationwide corporate rebranding cum Northeastern China Region semi-final of “1st NWDS Spokesperson Contest” took place in Shenyang on 9 September 2009. Marking a new phase in Group development, corporate rebranding would be implemented sequentially in all operational regions, kicking off in Shenyang, the activation city of Northeastern China Region.

October

Announced plans for eighth and ninth self-owned stores in Shanghai, making inroads into potential community zones under strategy of “multiple stores in a single city”.

Ferrari and Maserati staged national automobile road shows at NWDS, first-ever for such shows to take place inside a department store in China.

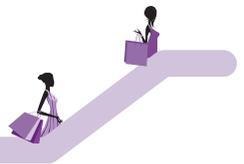
November

Ranked among “Asia’s 200 Best Under A Billion” by internationally renowned financial publication, Forbes, for the second consecutive year.

Northern China Region semi-final of “1st NWDS Spokesperson Contest” took place in Beijing on 1 November 2009.

Southwestern China Region semi-final of “1st NWDS Spokesperson Contest” took place in Chengdu on 22 November 2009.





2010

January

Acquisition of Shanghai Pujian Branch Store, which was previously managed but now self-owned and with a GFA of about 46,000 square metres, further strengthened Shanghai as a core growth city.

With a GFA of about 39,000 square metres, Shanghai Baoshan Branch Store commenced operation as the eighth Shanghai store and the first “Living Gallery” in Eastern China Region.

Eastern China Region semi-final of “1st NWDS Spokesperson Contest” took place in Shanghai on 24 January 2010.

FY2009 Annual Report won Gold Award for “Annual Reports-Overall Presentation: Department Store”, Gold Award for “Design: Overall Annual Report Interior-Between 130-200 pages” and Honors Award for “Design: Annual Report Cover-Abstract/Graphics” in 23rd Annual International MERCURY Awards.





The Group's revenue increased by 11.8% from HK\$883.9 million for the six months ended 31 December 2008 (or "1HFY2009" or "the same period of Previous Year") to HK\$988.6 million for the six months ended 31 December 2009 (or "1HFY2010" or "the Current Period"). Profit for the period grew 5.2% from HK\$258.6 million in 1HFY2009 to HK\$272.0 million in 1HFY2010.

BUSINESS NETWORK

In 1HFY2010, the Group operated 33 department stores, with a total gross floor area ("GFA") of about 1,068,330 square metres and a total operating floor area ("OFA") of about 807,500 square metres. Located in five operational regions, namely Northeastern China, Northern China, Eastern China, Central China and Southwestern China, the stores covered 17 major cities in the PRC. These included Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing and Taizhou. Our business network comprised 22 self-owned stores and 11 managed stores.

REVENUE CONTRIBUTION

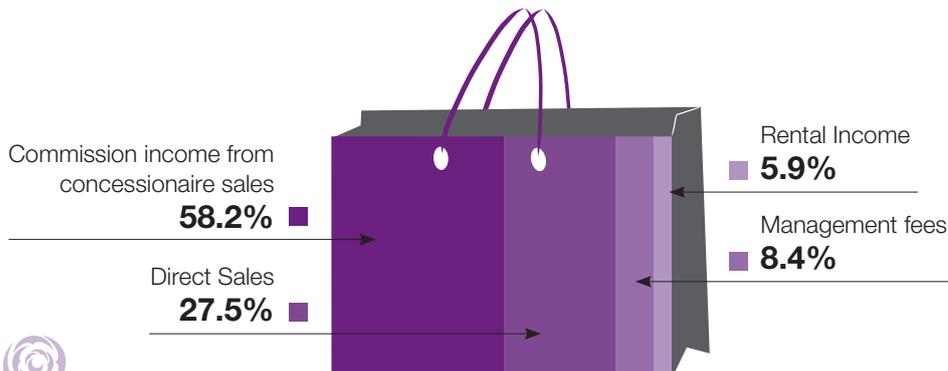
By region

The Central China Region contributed the most to the Group's revenue during the period under review, accounting for 32.5% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 29.0% and 21.0%, respectively.



By segment

Commission income from concessionaire sales was the major type of income, accounting for 58.2% of total revenue. Proceeds from direct sales and management fees accounted for 27.5% and 8.4%, respectively. Rental income accounted for 5.9%.





GROWTH IN NATIONWIDE VIP MEMBERSHIP

During the period under review, the membership for both VIP card and platinum VIP card maintained a continual rise. Total combined VIP membership nationwide registered a 16% increase year-on-year, numbering in excess of 1.77 million. VIP sales accounted for about 45% of total sales. Holders of co-branded credit card increased to 490,000 within the period, up 5% year-on-year.

STORE NETWORK DEVELOPMENT

The Group activated the corporate rebranding program around the PRC on 9 September 2009 from Shenyang in the Northeastern China Region. Stores in the city pioneered with operational modes of “Fashion Gallery” and “Living Gallery” in order to cultivate a broad customer base through differentiated marketing.

Following the rebranding program, Shenyang New World Department Store—Nanjing Street Branch Store (“Shenyang Nanjing Street Branch Store”) and Shenyang New World Department Store—Zhonghua Road Branch Store (“Shenyang Zhonghua Road Branch Store”) each operated under a distinct theme. As a “Fashion Gallery”, Shenyang Nanjing Street Branch Store highlighted international brands and introduced popular, trendy products and exclusive designer labels. To reinforce its market leadership as the landmark of trendy living in Shenyang, it also enhanced its VIP services with exclusive benefits such as member-only multiple bonus points, guided shopping, wine-tasting sessions and fashion launch parties.

Shenyang Zhonghua Road Branch Store operated as a “Living Gallery” for one-stop shopping, with its facilities area doubled to 20% of GFA. Newly added were themed restaurant, snack outlet, computer and telecommunication zone, beauty parlour, pre-school education centre and children centre. A multi-purpose Event Hall was introduced for regular staging of a diversity of promotions.

In the period under review, the Shenyang stores also reformed their in-store signage, relaxation areas, washrooms and VIP lounges, hence embellishing the overall shopping ambience. The “Fashion Gallery” was established as the hub of trends in the locality and the “Living Gallery”, the choice destination for family fun and leisure.

OPERATIONAL STRATEGY

In the period under review, we had formulated growth strategies for the short to medium-and-longer term that were timely and appropriate to the circumstance to ensure steady, satisfactory profits for the Group.

As a short-term strategy, the Group set up separate task groups for stores which had been running for over eight years. Aimed at ensuring sustained growth and enhancing profitability for mature stores, such task groups would undertake a comprehensive reappraisal of and carry out reform on the merchandise mix, marketing strategy, VIP maintenance and overall positioning of individual stores.

Besides, to increase overall operational efficacy, the Group arranged special study tours to Japan for management and staff in charge of branch operations and marketing. Taking hints from the successes of our counterparts in Japan, we planned for introduction of fresh shopping ambience across our network. By deploying sensory marketing strategy that appealed to the sight, hearing, smell, touch and taste; and by adding humanized services, we aimed to enhance traffic retention in-store.





For the medium-to-long term development, the Group will continue to thrive on the new operational concepts of “fashion style” and “living style”. Looking into the critical growth factors through vigorous analyses of market data, we will reposition the store branding and redefine the target customer groups for current stores. All stores will be reformed gradually into Living Galleries and Fashion Galleries.

Following the launching of rebranding program in Shenyang of the Northeastern China Region in Sept 2009, the rebranding program will continue in the Eastern China Region and Northern China Region in 2010, from activation cities of Shanghai and Beijing, respectively. The Central China Region and Southwestern China Region will follow suit in 2011, from Wuhan and Chengdu, respectively. The whole rebranding program is expected to complete in 2011.

The stores will carry out rebranding gradually in three phases. In the first phase, they will readjust their merchandise mix according to their positioning either as a Living Gallery or a Fashion Gallery. Suitable brands will be introduced while product categories popular with target customer groups will be strengthened. For Fashion Galleries, for instance, we will introduce trendy brands, designer labels, exclusive brands and stylish ministores, along with “category killers” consistent with the thematic positioning of individual stores. For Living Galleries, the emphasis is on the strengthening of dining, entertainment and leisure facilities and services to cater for the all-round needs of customers of both genders at all ages. With the addition of multi-purpose Event Halls, the family traffic generated will in turn enhance traffic in-store.

In the second phase, in-store signage and display will be re-configured. In the third phase, interior decoration and shopping ambience will be refreshed, as we inject trendy-living elements into daily operations and marketing promotions to offer a brand new shopping experience.

Besides, the Group will continue to use effective, proven practices of market research, such as *Bestselling Brand Chart*, *New Product Highlight* and *Supplier Update*. They can keep us posted on all the hot brands and ensure that the most popular and potentially bestselling new brands are available at our stores to offer fresh experiences to visiting customers and to stimulate sales.

In addition, to capitalize on our nationwide presence, we adopted a regional operational mode and kept on optimizing regional resources. Committed to expanding the scope of direct sales of goods, we reported continual growth in both store area and product variety in this business segment in the period reported. The rising proportion of this segment to concessionaire sales underscored our efforts in developing direct sales operation. The regional operational mode also benefited large-scale joint promotions amongst regional stores. We enjoyed enhanced in-store traffic and increased overall regional sales during, for instance, anniversary celebrations, round-the-clock promotions and VIP reward programmes.

Concurrently, the Group maintained sound collaboration with existing suppliers while cultivating partnership with new ones rich with market potential. Over the years, we had been strengthening interaction and deepening collaboration with quality suppliers through a series of activities including *Top 150 Brands Retainer Scheme*, *Strategic Partnership Scheme* and *New World Net*. Starting October 2009, the Group regularly issued *Electronic News for New World Suppliers*, which promptly updated suppliers on our corporate developments. By promoting sound communication and collaboration we forged a win-win scenario in the long run.





EXPANSION STRATEGY

The Group has formulated a set of comprehensive growth strategies for the long run. Through opening new stores, acquiring existing managed stores and promising stores and pursuing greenfield projects, we seek to expand our business network.

The Group will continue to set up new self-owned stores in line with two main criteria. First, we will look for new sites in prime locations of cities with either a booming economy or good growth prospect. Second, we will pursue regional growth by implementing expansion strategies of “multiple stores in a single city” and “radiation cities” in various core growth cities within our operational regions. These include Wuhan in Central China Region, Shenyang in Northeastern China Region, Beijing in Northern China Region, Shanghai in Eastern China Region and Chengdu in Southwestern China Region.

The strategy of “multiple stores in a single city” refers to the setting up of a number of department stores in a single province or city so as to enjoy a bigger market share and cost effectiveness. After securing our foothold in a core growth city through “multiple stores in a single city”, we will expand business into “radiation cities” on the periphery. Holding on to these two major strategies, the Group vigorously pursues growth in each operational region.

Take Shanghai in the Eastern China Region as an example, since the opening of the first store in the prosperous Huaihai Road in 2001, the Group had made inroads into key business districts in the city. Optimistic about the prospect of the emergent Baoshan community zone and the opportunities arising from the Shanghai World Expo in the vicinity of Pudong New District, we would open two new branch stores in Shanghai. As our eighth and ninth stores in the city, Shanghai-Hong Kong New World Department Store—Baoshan Branch Store (“Shanghai Baoshan Branch Store”) and Shanghai-Hong Kong New World Department Store—Chengshan Branch Store (“Shanghai Chengshan Branch Store”) would maximize our competitive advantage throughout the commercial zones in Shanghai. With a GFA of about 39,000 square metres, Shanghai Baoshan Branch Store had commenced operation in January 2010. Measuring about 38,000 square metres in GFA, Shanghai Chengshan Branch Store was scheduled for opening within 2010. Both stores were planned as “Living Gallery” offering one-stop shopping.

To further reinforce our market leadership in Beijing in the Northern China Region, the Group planned to open the fourth Beijing store in Chongwen District in 2010, namely Beijing Shishang New World Department Store (“Beijing Shishang Store”). Measuring about 40,000 square metres in GFA, it would be the first feminine club department store in Beijing. Along with Beijing New World Department Store (“Beijing Store”), a store positioned as a “Living Gallery” and located in the same commercial zone, both stores would pursue differentiated marketing in tandem.

In the Northeastern China Region, having established our presence in the Taiyuan Street commercial zone, the Group planned to enter the market in the prosperous Zhong Street business district by setting up Shenyang New World Department Store—Jianqiao Road Branch Store (“Shenyang Jianqiao Road Branch Store”). With a GFA of about 32,500 square metres, it is expected to commence operation in 2011.

In the Central China Region, our business expanded from Wuhan, the provincial capital of Hubei, into the radiation city of Changsha in the peripheral Hunan Province. In addition, the Group had identified the next target of development in the hugely promising Zhengzhou city in Henan. There we planned to construct Zhengzhou New World Department





Store (“Zhengzhou Store”), with a GFA of about 35,500 square metres, for opening in 2011. The Group fully capitalized on the “radiation cities” strategy to minimize the risks associated with entering new markets and to achieve intra-regional synergy in strengthening the competitive advantage for our stores in the Central China Region.

Though the gloom of the 2009 financial tsunami has yet to dissipate, the Group remains steadfast in our pace of opening two to three self-owned stores per fiscal year. Apart from confirmed projects for new stores, the Group will seize suitable opportunities to acquire managed stores and other acquisitions that are of great growth potentials. The target acquisition opportunities mainly lie in top-tier Chinese cities as well as second- and third-tier cities with good prospects of growth. While assessing potential acquisitions, we will base decisions on the targets’ location, financial position and market reputation. Meanwhile, the Group will continue to pursue joint greenfield projects with New World China Land Limited, a fellow subsidiary of our parent company, and with other developers. We will partake in project planning to ensure full compatibility with the Group’s operational strategy.

OUTLOOK

The world got by in 2009 overshadowed by the financial tsunami. Due to the drop in total annual export, the Chinese economy remained heavily battered, and confronted with numerous challenges in both domestic and international markets. Worse still, with unemployment rising and income falling, leading in turn to weak domestic consumption, the Chinese retail industry could be said to have undergone a really tough year.

With the global economy in the doldrums, governments strove to introduce a range of market rescue policies. China, likewise, had implemented a basket of measures to assure growth, adjust industry structure, expedite reform and enhance livelihood. Gradually reversing the slide in total annual turnover, China succeeded in hitting the 8% growth target in 2009 and stabilizing her economy throughout the year.

Despite such efforts, the outlook on the global economy in 2010 remains uncertain. Recovery in the international market is beset by latent worries as governments around the world plan to exit the market and withdraw their bailout funds. China has yet to face high unemployment as well as rising consumer prices and raw material costs, all of which are dampening Chinese citizens’ confidence in the economic rebound.

Looking ahead, with the Government driving on with its economic stimulus package, one can expect stable growth in 2010. Despite big challenges in the operating environment, the Group remains confident that by capitalizing on experiences and strengths accumulated over more than 16 years, on our firm customer base, our sound reputation, and the nationwide corporate rebranding underway since 2009, we can outperform our counterparts amidst intense competition with a distinct profile and keep on enlarging our retail roadmap and maximizing returns for shareholders.





FINANCIAL REVIEW

Revenue

Revenue of the Group was HK\$988.6 million in 1HFY2010 representing an increase of 11.8% from HK\$883.9 million in 1HFY2009. The growth was primarily contributed from sales of goods for direct sales and rental income, which increased by 78.0% and 18.3% respectively from the same period of Previous Year.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 6.4% to HK\$3,238.5 million in 1HFY2010 from HK\$3,044.8 million for 1HFY2009. The increase was due to firstly, the increase in sales of goods for direct sales to HK\$271.8 million in the Current Period from HK\$152.7 million in the same period of Previous Year. The increase in sales of goods for direct sales of 78.0% was mainly contributed by sales promotion and the extension of various products to customers in the Current Period. Direct sales turnover was mainly comprised of ladieswear and menswear (approximately 36.1%), cosmetic products (approximately 31.9%), groceries, housewares and perishables (approximately 10.5%), accessories, handbags and underwears (approximately 9.2%). Gross profit margin of direct sales in the Current Period achieved 27.2% compared to 24.0% of the same period of Previous Year; secondly, the increase in gross revenue from concessionaire sales to HK\$2,966.8 million in the Current Period from HK\$2,892.0 million in the same period of Previous Year. Commission income rate, mainly resulting from various activities to promote sales in the Current Period, was 19.4% or 0.4% below the rate in the same period of Previous Year. In 1HFY2010, ladieswear and accessories made up approximately 57.6% of gross sales revenue. Menswear and accessories made up approximately 26.9% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue.

Management fees was HK\$82.8 million in the 1HFY2010 showing a decrease from HK\$108.7 million in 1HFY2009. The decrease was primarily a result of the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively and there was no contribution to the management fee in the Current Period as compared with the management fee for full period in the same period of Previous Year. Moreover, Beijing Liying Branch Store which was opened in September 2008 and contributed an one-off management fee prior to its opening in the same period of the Previous Year, had no one-off management fee contribution in the Current Period.

Rental income increased by 18.3% to HK\$58.2 million in 1HFY2010 mainly due to the effect of recognizing a full period's operation of certain stores opened and acquired in FY2009.

Other income

Other income of the Group was HK\$28.6 million in 1HFY2010 and primarily comprised interest income on bank deposits for HK\$18.1 million in the Current Period compared with HK\$43.9 million in the same period of Previous Year. The decrease was due to low deposit interest rates prevailing in the Current Period.





Other gain

The Group had no other gain in the Current Period while there was a fair value gain of HK\$16.7 million of investment in Renhe Commercial Holdings Company Limited in the same period of Previous Year.

Purchases of and changes in inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It increased by 70.7% to HK\$198.0 million in 1HFY2010 from HK\$116.0 million for 1HFY2009. The percentage of increase was approximately in line with the increase in sales of goods for direct sales. Gross profit margin of direct sales in the Current Period was 27.2% which was 3.2% higher than 24.0% for the same period of Previous Year.

Employee benefit expense

Employee benefit expense decreased to HK\$112.5 million in 1HFY2010 from HK\$139.7 million in 1HFY2009. The improvement was primarily due to the decrease of employee share option expenses to HK\$5.8 million in the Current Period from HK\$11.3 million in the same period of Previous Year, the decrease in employee benefit expense as a result of disposal of Xiamen Store in May 2009 and the continuous efforts by management to carry out cost control measures in the Current Period. However, the improvement was partially offset by the increase in employee benefit expenses as a result of recognizing a full period's operation of Wuhan Hanyang Branch Store opened in November 2008, and the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively.

Depreciation and amortisation

Depreciation and amortisation expense increased to HK\$93.5 million in 1HFY2010 from HK\$82.2 million in 1HFY2009. The increase was primarily due to additional depreciation and amortization as a result of the capital expenditure for expansion of Harbin Store. The recognition of a full period's operations of Wuhan Hanyang Branch Store opened in November 2008 and the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively also contributed to the increase of depreciation and amortization in the Current Period.

Operating lease rental expense

Operating lease rental expense increased to HK\$166.8 million in 1HFY2010 from HK\$157.0 million in 1HFY2009, primarily due to the effect of recognising a full period's operations of Wuhan Hanyang Branch Store opened in November 2008, and the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively. Operating lease rental expense as a percentage of revenue decreased by 0.9% to 16.9% in the Current Period compared to 17.8% in the same period of Previous Year mainly as a result of continuous operating leverage of the expense.





Other operating expenses, net

Other operating expenses decreased to HK\$93.7 million in 1HFY2010 from HK\$143.3 million in 1HFY2009. The decrease was primarily due to the existence of a provision for management fee receivable of HK\$17.9 million made in the same period of the Previous Year and no provision for management fee receivable was made in the Current Period. In addition, a write-back of provision of HK\$7.6 million, mainly for the provision made in FY2009 for the recovery of receivables in relation to store-valued card, was included in the Current Period. Moreover, the decrease in other operating expenses was also contributed by the effective control of advertising, promotion expenses and other operating expenses by management in the Current Period.

Operating profit

Operating profit was HK\$352.7 million in 1HFY2010 compared with HK\$324.3 million of 1HFY2009. Operating profit as a percentage of revenue was 35.7% compared with 36.7% of 1HFY2009. Operating profit before interest income on bank deposits in the Current Period was HK\$334.6 million or increased by 19.3% from HK\$280.5 million of the same period of Previous Year.

Share of results of an associated company

In 2HFY2009, the Group had entered into an agreement with a third party to establish Taizhou New World Department Store Co., Ltd. ("Taizhou Co.") and contributed RMB2.0 million or 25% of equity interest of Taizhou Co. The share of results of an associated company of HK\$0.2 million in the Current Period represents the sharing of the loss of Taizhou Co. in the Current Period.

Income tax expense

Income tax expense increased to HK\$80.5 million in 1HFY2010 from HK\$65.8 million in 1HFY2009. Effective income tax rate in Current Period was 22.8% compared with 20.3% in the same period of Previous Year. Excluding non-taxable Hong Kong-sourced interest income and fair value gain of financial assets at fair value through profit or loss, effective income tax rate in Current Period was 23.0% compared with 22.9% in the same period of Previous Year.

Profit for the period

As a result of the reasons mentioned above, profit for the Current Period was HK\$272.0 million compared with HK\$258.6 million for the same period of Previous Year.

Liquidity and financial resources

Cash and cash equivalents and fixed deposits of the Group amounted to HK\$3,413.7 million as at 31 December 2009 (30 June 2009: HK\$2,923.5 million). The financial resources are sufficient for the operation and development of the Group.





The Group had no borrowings as at 31 December 2009.

The capital commitments of the Group as at 31 December 2009 were HK\$346.2 million, of which HK\$294.4 million were contracted but not provided for in the balance sheet. For the contractual payment of HK\$294.4 million, approximately HK\$221.1 million was related to acquiring a building, land use rights located in Zhengzhou City and acquiring 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 2009.

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 2009.





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**TO THE BOARD OF DIRECTORS OF
NEW WORLD DEPARTMENT STORE CHINA LIMITED**

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 38, 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 2009 and the related condensed consolidated income statement and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended 31 December 2009 and other explanatory notes. 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 information 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 this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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". A review of interim financial information 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 information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 15 March 2010



Condensed Consolidated Income Statement

For the six months ended 31 December 2009



		Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Revenue	4	988,581	883,899
Other income	5	28,621	61,995
Other gain	6	–	16,717
Purchases of and changes in inventories		(198,034)	(116,008)
Employee benefit expense	7	(112,466)	(139,667)
Depreciation and amortisation		(93,457)	(82,236)
Operating lease rental expense		(166,844)	(157,048)
Other operating expenses, net	8	(93,699)	(143,304)
Operating profit		352,702	324,348
Share of loss of an associated company		(203)	–
Profit before income tax		352,499	324,348
Income tax expense	9	(80,485)	(65,756)
Profit for the period		272,014	258,592
Attributable to equity holders of the Company		272,014	258,592
Dividend	10	134,892	134,892
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK\$ per share)			
– Basic and diluted	11	0.16	0.15

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.





Condensed Consolidated Statement of Comprehensive Income



For the six months ended 31 December 2009

	Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Profit for the period	272,014	258,592
Fair value gain on available-for-sale financial assets	10,214	759
Translation differences	42	6,339
Other comprehensive income for the period, net of tax	10,256	7,098
Total comprehensive income for the period	282,270	265,690
Total comprehensive income attributable to equity holders of the Company	282,270	265,690

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.



Condensed Consolidated Balance Sheet

As at 31 December 2009



	Note	Unaudited As at 31 December 2009 HK\$'000	Audited As at 30 June 2009 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		1,241,461	1,225,977
Land use rights		753,706	764,928
Goodwill		172,435	172,435
Investment in an associated company		–	203
Other non-current assets	13	534,188	386,830
Long-term prepaid rent and rental deposits		105,440	99,595
Available-for-sale financial assets	14	119,169	108,955
Deferred income tax assets		32,727	31,052
		2,959,126	2,789,975
Current assets			
Inventories		60,332	53,448
Debtors	15	129,131	14,354
Prepayments, deposits and other receivables		479,329	489,555
Amount due from an associated company		676	690
Amounts due from fellow subsidiaries	16	31,115	27,363
Fixed deposits		846,202	737,529
Cash and cash equivalents		2,567,477	2,185,992
		4,114,262	3,508,931
Total assets		7,073,388	6,298,906
Equity			
Share capital	17	168,615	168,615
Reserves	18	4,297,959	4,142,776
Interim dividend	10	134,892	–
Proposed final dividend		–	118,030
		4,601,466	4,429,421
Liabilities			
Non-current liabilities			
Accruals and deferred income	19	298,096	282,960
Deferred income tax liabilities		153,628	154,601
		451,724	437,561

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.





Condensed Consolidated Balance Sheet

As at 31 December 2009



	Note	Unaudited As at 31 December 2009 HK\$'000	Audited As at 30 June 2009 HK\$'000
Current liabilities			
Creditors, accruals and other payables	19	1,949,881	1,377,040
Amounts due to fellow subsidiaries	16	5,098	6,432
Tax payable		65,219	48,452
		2,020,198	1,431,924
Total liabilities		2,471,922	1,869,485
Total equity and liabilities		7,073,388	6,298,906
Net current assets		2,094,064	2,077,007
Total assets less current liabilities		5,053,190	4,866,982

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.



Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2009



	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Share-based reserve HK\$'000	Available- for-sale investments HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2008 – Audited	168,615	2,398,250	391,588	35,676	17,448	-	158,363	936,806	4,106,746
Profit for the period	-	-	-	-	-	-	-	258,592	258,592
Other comprehensive income:									
Fair value gain on available-for-sale financial assets	-	-	-	-	-	759	-	-	759
Translation differences	-	-	-	-	-	-	6,339	-	6,339
Total comprehensive income for the period ended 31 December 2008	-	-	-	-	-	759	6,339	258,592	265,690
Share-based payments	-	-	-	-	15,231	-	-	-	15,231
Lapse of share options	-	-	-	-	(791)	-	-	791	-
Dividend 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
At 1 July 2009 – Audited	168,615	2,398,250	391,588	79,255	40,077	32,085	163,877	1,155,674	4,429,421
Profit for the period	-	-	-	-	-	-	-	272,014	272,014
Other comprehensive income:									
Fair value gain on available-for-sale financial assets	-	-	-	-	-	10,214	-	-	10,214
Translation differences	-	-	-	-	-	-	42	-	42
Total comprehensive income for the period ended 31 December 2009	-	-	-	-	-	10,214	42	272,014	282,270
Share-based payments	-	-	-	-	7,805	-	-	-	7,805
Lapse of share options	-	-	-	-	(2,844)	-	-	2,844	-
Dividend relating to the year ended 30 June 2009	-	-	-	-	-	-	-	(118,030)	(118,030)
Transfer to statutory reserve	-	-	-	17,435	-	-	-	(17,435)	-
At 31 December 2009 – Unaudited	168,615	2,398,250	391,588	96,690	45,038	42,299	163,919	1,295,067	4,601,466

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.





Condensed Consolidated Cash Flow Statement



For the six months ended 31 December 2009

	Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Net cash generated from operating activities	688,391	233,363
Net cash used in investing activities	(189,072)	(939,884)
Net cash used in financing activities	(117,876)	(151,608)
Effect of foreign exchange rate changes	42	5,059
Net increase/(decrease) in cash and cash equivalents	381,485	(853,070)
Cash and cash equivalents, at 1 July	2,185,992	2,336,718
Cash and cash equivalents, at 31 December	2,567,477	1,483,648

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.





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.

This condensed consolidated financial information are presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the board of directors on 15 March 2010.

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 31 December 2009 has 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”).

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2009, 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 annual financial statements for the year ended 30 June 2009, 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 or revised standards, amendments to standards and interpretations are mandatory for the first time for the accounting period beginning 1 July 2009:

HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 2 Amendments	Vesting Conditions and Cancellations
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

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

HKAS1 (Revised) prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income have been prepared under these revised disclosure requirements.

HKFRS 7 Amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make relevant disclosures in the consolidated financial statements for the year ended 30 June 2010.





3 ACCOUNTING POLICIES (continued)

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

The following new or revised standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendment	Classification of Right Issues
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

4 REVENUE AND SEGMENT INFORMATION

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

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



**4 REVENUE AND SEGMENT INFORMATION** (continued)

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

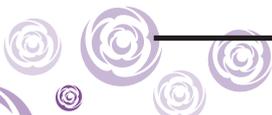
	Unaudited Six months ended 31 December	Unaudited
	2009	2008
	HK\$'000	HK\$'000
Commission income from concessionaire sales	575,787	573,257
Sales of goods-direct sales	271,757	152,745
Management fees	82,804	108,689
Rental income	58,233	49,208
	988,581	883,899

The income from concessionaire sales is analysed as follows:

	Unaudited Six months ended 31 December	Unaudited
	2009	2008
	HK\$'000	HK\$'000
Gross revenue from concessionaire sales	2,966,763	2,892,034
Commission income from concessionaire sales	575,787	573,257

5 OTHER INCOME

	Unaudited Six months ended 31 December	Unaudited
	2009	2008
	HK\$'000	HK\$'000
Interest income on bank deposits	18,108	43,890
Government grants	2,532	6,405
Other commission income	2,066	3,441
Sundries	5,915	8,259
	28,621	61,995





6 OTHER GAIN

	Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Fair value gain on financial assets at fair value through profit or loss	–	16,717

7 EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Wages and salaries	64,972	81,493
Retirement benefit costs – defined contribution plans	11,162	12,269
Share-based payments	5,839	11,319
Other employee benefits	30,493	34,586
	112,466	139,667

8 OTHER OPERATING EXPENSES, NET

	Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Water and electricity	56,850	51,592
Promotion, advertising and related expenses	27,681	38,545
Net exchange losses	975	6,866
Share-based payments	1,966	3,912
Auditor's remuneration	2,027	1,733
Loss on disposal of property, plant and equipment	789	305
Provision for management fee receivables	–	17,857
Others	3,411	22,494
	93,699	143,304





9 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Current income tax		
– Mainland China taxation	82,925	71,093
Under/(over)provision in prior years	208	(5,702)
Deferred income tax	(2,648)	365
	80,485	65,756

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 2008: 16.5%) 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 2008: 25%).

10 DIVIDEND

	Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Interim dividend of HK\$0.08 (2008: HK\$0.08) per share	134,892	134,892



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.

	Unaudited Six months ended 31 December 2009 HK\$'000	Unaudited 2008 HK\$'000
Profit attributable to the equity holders of the Company (HK\$'000)	272,014	258,592
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK\$ per share)	0.16	0.15

(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 2008 and 2009, 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 2009, the Group has acquired property, plant and equipment of HK\$99,092,000 (six months ended 31 December 2008: HK\$134,058,000). The Group has disposed of property, plant and equipment of net book amount of HK\$1,374,000 (six months ended 31 December 2008: HK\$802,000).

13 OTHER NON-CURRENT ASSETS

Balance mainly represents the following transactions:

- (a) On 7 July 2008, Wuhan New World Department Store Co., Ltd., a wholly-owned subsidiary of the Company entered into an agreement with a third party to acquire a building and land use rights located in Zhengzhou City. As at 31 December 2009, the Group has made progress payment of approximately HK\$268,336,000 (30 June 2009: HK\$214,471,000) in connection with such acquisition.



**13 OTHER NON-CURRENT ASSETS** (continued)

- (b) On 25 July 2008, Shenyang New World Department Store Co., Ltd., a wholly-owned subsidiary of the Company, entered into agreements with a third party to acquire a building, land use rights and right of use of carpark located in Shenyang. As at 31 December 2009, the Group has made progress payment of approximately HK\$194,473,000 (30 June 2009: HK\$145,748,000) in connection with such acquisition.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited As at 31 December 2009 HK\$'000	Audited As at 30 June 2009 HK\$'000
Listed securities, at fair value		
Equity securities – Hong Kong	119,169	108,955

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

	Unaudited As at 31 December 2009 HK\$'000	Audited As at 30 June 2009 HK\$'000
Trade receivables	146,458	38,307
Less: Provision of impairment of receivables	(17,327)	(23,953)
	129,131	14,354

The Group grants credit terms within 60 days in majority, based on the invoice date.





15 DEBTORS (continued)

Aging analysis of the debtors is as follows:

	Unaudited As at 31 December 2009 HK\$'000	Audited As at 30 June 2009 HK\$'000
Within period for		
0-30 days	103,356	11,797
31-60 days	25,773	965
61-90 days	2	707
Over 90 days	17,327	24,838
	146,458	38,307

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.

17 SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each At 30 June 2009 and 31 December 2009	10,000,000	1,000,000
Ordinary shares of HK\$0.1 each, issued and fully paid:		
At 30 June 2009 – Audited and 31 December 2009 – Unaudited	1,686,145	168,615



**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	At 1 July 2009	Granted during the period	Lapsed during the period	At 31 December 2009
27 November 2007 (Note i)	8.66	19,925	-	(657)	19,268	18,770	-	(1,176)	17,594
25 March 2008 (Note ii)	8.44	4,133	-	-	4,133	3,965	-	(377)	3,588
		24,058	-	(657)	23,401	22,735	-	(1,553)	21,182
Weighted average exercise price of each category (HK\$)		8.622	-	8.660	8.621	8.622	-	8.607	8.623

- (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.





18 RESERVES

	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 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 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)	-	-	-	-	-	-	(134,892)	(134,892)
At 31 December 2008 – Unaudited	2,398,250	391,588	49,430	31,888	759	164,702	895,790	3,932,407
At 1 July 2009 – Audited	2,398,250	391,588	79,255	40,077	32,085	163,877	1,155,674	4,260,806
Fair value gain on available-for-sale financial assets	-	-	-	-	10,214	-	-	10,214
Share-based payments	-	-	-	7,805	-	-	-	7,805
Lapse of share options	-	-	-	(2,844)	-	-	2,844	-
Transfer to statutory reserve	-	-	17,435	-	-	-	(17,435)	-
Dividend relating to the year ended 30 June 2009	-	-	-	-	-	-	(118,030)	(118,030)
Profit for the period	-	-	-	-	-	-	272,014	272,014
Translation differences	-	-	-	-	-	42	-	42
	2,398,250	391,588	96,690	45,038	42,299	163,919	1,295,067	4,432,851
Interim dividend (Note 10)	-	-	-	-	-	-	(134,892)	(134,892)
At 31 December 2009 – Unaudited	2,398,250	391,588	96,690	45,038	42,299	163,919	1,160,175	4,297,959



**19 CREDITORS, ACCRUALS AND OTHER PAYABLES**

	Unaudited As at 31 December 2009 HK\$'000	Audited As at 30 June 2009 HK\$'000
Creditors	1,285,727	800,136
Accruals	962,250	859,864
Less: long-term rental accruals and deferred income	(298,096)	(282,960)
	1,949,881	1,377,040

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 2009 HK\$'000	Audited As at 30 June 2009 HK\$'000
Within period for		
0-30 days	622,182	350,772
31-60 days	416,713	247,754
61-90 days	96,885	64,048
Over 90 days	149,947	137,562
	1,285,727	800,136

Included in creditors was a trading amount due to a related company of HK\$19,217,000 (30 June 2009: HK\$12,707,000) which was unsecured, interest free and repayable within 90 days.

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



20 CAPITAL COMMITMENTS

Capital commitments in respect of land use rights, property, plant and equipment of the Group at the balance sheet date are as follows:

	Unaudited As at 31 December 2009 HK\$'000	Audited As at 30 June 2009 HK\$'000
Contracted but not provided for	294,399	328,421
Authorised but not contracted for	51,763	2,062
	346,162	330,483

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 2009 HK\$'000	Unaudited 2008 HK\$'000
Fellow subsidiaries			
Management fee income	(i)	34,142	32,041
Operating lease rental expenses	(ii)	37,839	35,030
Building management expenses	(iii)	6,139	5,832
Purchase of leasehold improvements	(iv)	39,967	23,990
Related companies			
Concessionaire commissions	(v)	8,170	9,670
Operating lease rental expenses	(ii)	14,777	14,777





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 New World Development Company Limited ("NWD"). The commissions are mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(b) Key management compensation

	Unaudited Six months ended 31 December	Unaudited
	2009	2008
	HK\$'000	HK\$'000
Basic salaries, other allowances and other benefits in kind	6,321	8,121
Retirement benefit costs – defined contribution plans	515	515
Share-based payments	2,052	3,624
	8,888	12,260

22 EVENTS AFTER THE BALANCE SHEET DATE

- (a) In January 2010, New World Department Stores Investment (China) Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% of the equity interest in Shanghai New World Huiya Department Store Co., Ltd. from independent third parties, at a consideration of RMB2,000,000.
- (b) In March 2010, Shenyang New World Department Store Ltd., a wholly-owned subsidiary of the Company in the PRC and the owner of the Property, as defined below, entered into sale and purchase agreements with an independent third party to sell the property at which Shenyang Taiyuan Street Branch Store is situated (the "Property") for an aggregate consideration of RMB224,000,000.

23 ULTIMATE HOLDING COMPANY

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





CHARITABLE ACTIVITIES

As a conscientious corporate citizen, the Group believes in contributing to the community from which we generate profits. In shouldering our responsibilities, we have always been committed to charity and environmental conservation.

MSF Day 2009

In support of Medecins Sans Frontieres (“MSF”) for the third consecutive year, the Group became the principal sponsor of *MSF Day 2009* with participation from over 22,000 staff members. The New World Group was the biggest donor in the private sector in Hong Kong. Of the total donation of HK\$480,000 raised, NWDS accounted for HK\$300,000.

Bright Future Action brings a new world to children with poor eyesight

The Group supported the *Bright Future Action* organized by OSJ Radiant Foundation for the second year. We placed donation boxes in over 30 stores across our network, put up posters and played a video trailer on poor eyesight, all aimed at disseminating accurate knowledge about the ailment and providing a chance of free treatment for afflicted children in Hong Kong and China.

Northeastern China supports poverty families, visits elders and cares for handicapped children

In August 2009, Dalian New World Department Store (“Dalian Store”) cared for poverty families by donating T-shirts to Qing Ni Wa Qiao Street Shanghai Community Committee. In October 2009, representatives of Dalian Store communicated concern for the elderly by distributing warm-keeping gifts during a visit to a rehabilitation centre in Dalian. In December 2009, the store joined with Dalian Confederation of Young Volunteers in purchasing cotton yarn for an activity called *Loving Mamas Knitting for Handicapped Children*.

Northern China subsidizes university education and donates computers and books

In October 2009, Beijing New World Trendy Department Store (“Beijing Trendy Store”) donated RMB100,000 to Beijing Normal University through *Education for 100 • Dreams Come True*, a 20-year subsidy program aimed at helping poor students complete their university education. In October 2009, Tianjin New World Department Store (“Tianjin Store”) donated a number of computers to children living in poor mountainous regions. In November 2009, Beijing New World Liying Department Store (“Beijing Liying Store”) launched *Thanksgiving Day Book Donation*, collecting books for subsequent donation to children living in mountainous regions in northwestern Wangjing.





Central China subsidizes cataract surgeries, supports youth fund, builds primary school and mobilizes for blood donation

In August 2009, our six Wuhan stores launched *Free Sight-recovery Surgeries for 1,000 Poor Cataract Patients* jointly with Wuhan Welfare Fund for the Handicapped. The stores were Wuhan New World Department Store (“Wuhan Store”), Wuhan New World Trendy Plaza (“Wuhan Trendy Plaza”), Wuhan New World Department Store—Wuchang Branch Store (“Wuhan Wuchang Branch Store”), Wuhan New World Department Store—Qiaokou Branch Store (“Wuhan Qiaokou Branch Store”), Wuhan New World Department Store—Xudong Branch Store (“Wuhan Xudong Branch Store”) and Wuhan New World Department Store—Hanyang Branch Store (“Wuhan Hanyang Branch Store”). In August 2009, these stores also launched *Hand in Hand for a Bright Future for Poor Students* and donated all items collected to Wuhan Youth Development Foundation. In December 2009, the six Wuhan stores, Changsha New World Trendy Plaza (“Changsha Trendy Plaza”) and Lukadilong Menswear jointly held a charity sale, *Kindling Hopes at Christmas*, proceeds from which were donated towards the construction of a Project Hope primary school. Changsha Trendy Plaza also mobilized store staff for blood donation in aid of disaster-stricken people in Taiwan.

Eastern China cares for the elderly

To convey love and concern for elders, in October 2009, our staff at Wuxi New World Department Store (“Wuxi Store”) gathered gifts including down scarves and reading glasses for a visit to Wuxi Wuhe Elderly Home.

Southwestern China fulfills New Year dreams for students

In December 2009, Kunming New World Department Store (“Kunming Store”) organized *Your Sincerity Lights Up My Life*, collecting students’ New Year wishing cards and distributing gifts from customers and staff to students at Kunming Xinmin School.

GROUP HONOURS

In the period under review, the Group received wide approval from government bodies and social institutions for our customer-first service approach and unique quality products. Numerous awards and honours in various fields attested to the Group’s ceaseless quest for excellence.

“Asia’s 200 Best Under A Billion”

In 2009, the Group was ranked among “Asia’s 200 Best Under A Billion” two times in a row by *Forbes*, the internationally renowned financial magazine. *Forbes* compiled its listing of 200 small and medium-sized enterprises from among 25,326 that were listed in Asia Pacific, with each possessing an annual turnover not exceeding US\$1 billion, and outstanding credentials in profitability, company growth, liability records and potential for development.

“Jin Din Department Store”, “Ideal Brand of General Shopping Mall in Service Industry Category”, “Trusted Consumption Enterprise”, “Hottest Activity”

In September 2009, Harbin New World Department Store (“Harbin Store”) was designated “Jin Din Department Store” by the Ministry of Commerce, PRC. In October 2009, Shenyang Nanjing Street Branch Store was designated “Ideal Brand of General Shopping Mall in Service Industry Category” in the 2009 Survey of Ideal Brands Among Shenyang Consumers organized by *Guide to Trendy Living*. In November 2009, our three Shenyang stores were designated “Trusted Consumption Enterprise” by Shenyang Federation of Consumers, with Shenyang Zhonghua Road Branch Store further awarded “Hottest Activity”.





“Contribution to Guaranteed Services for National Day”, “Advanced Unit of Trendsetting Civility for Upcoming National Day in Chaoyang District”, “Creativity in Trendy Rights Chart”, “Distinguished Unit”, “Celebrated Gansu Commercial Enterprise”

Beijing Trendy Store was awarded “Contribution to Guaranteed Services for National Day” by Beijing Chaoyang District and “Advanced Unit of Trendsetting Civility for Upcoming National Day in Chaoyang District” by Beijing Chaoyang District Committee for Promotion of Civility. Tianjin Store was designated “Creativity in Trendy Rights Chart” by *Trendy Media*. Lanzhou New World Department Store (“Lanzhou Store”) was designated “Distinguished Unit” in district-wide basic assurance for maintenance of elders by Gansu Lanzhou Chengguan District Management Bureau for Social Assurance and “Celebrated Gansu Commercial Enterprise” by Union of Gansu Businesses.

“District Civility Unit”, “Entrance Showcase Unit”

Wuhan Hanyang Branch Store was designated “District Civility Unit” by District Government of Wuhan Hanyang and “Entrance Showcase Unit” by Leadership Group of Municipal Government of Wuhan.

“Shanghai Role Model Store of Honesty”, “Creative Group for Youth Civility for Upcoming Shanghai Expo”, “Qualified Patriotic Hygiene Unit for Upcoming Shanghai Expo”, “Best Organization in 2009 Haishu Shopping Festival”, “Jiangsu Star Enterprise Funded by Overseas Chinese Capital”

Shanghai-Hong Kong New World Department Store—Huaihai Branch Store (“Shanghai Huaihai Branch Store”) and Shanghai-Hong Kong New World Department Store—Wujiaochang Branch Store (“Shanghai Wujiaochang Branch Store”) were designated “Shanghai Role Model Store of Honesty” by Union of Shanghai Businesses. Shanghai Wujiaochang Branch Store was also designated “Creative Group for Youth Civility for Upcoming Shanghai Expo”. Shanghai-Hong Kong New World Department Store—Pujian Branch Store (“Shanghai Pujian Branch Store”) and Shanghai Huaihai Branch Store were designated “Qualified Patriotic Hygiene Unit for Upcoming Shanghai Expo”. For the third consecutive year, Ningbo New World Trendy Department Store (“Ningbo Trendy Store”) was designated “Best Organization in 2009 Haishu Shopping Festival” by the Organizing Committee of Ningbo Haishu Shopping Festival. In October 2009, Wuxi Store was designated “Jiangsu Star Enterprise Funded by Overseas Chinese Capital” by Office of Overseas Chinese Affairs of Jiangsu Provincial Government.

CONSERVATION ACTIVITIES

Promoting Environmental Awareness

In December 2009, Shenyang Nanjing Street Branch Store, Shenyang New World Department Store — Taiyuan Street Branch Store (“Shenyang Taiyuan Street Branch Store”) and Shenyang Zhonghua Road Branch Store promoted environmental awareness in *Exchanging Old Batteries for Shopping Bags*, a joint program with New World China Land, New World Hotel and New World Team of Volunteers.

CARE FOR STAFF

Promoting all round development for staff

The Group organized a variety of internal training courses and activities on a regular basis. In October 2009, we conducted a workshop on *Creativity in Trendy Culture* across our store network. In November 2009, Taizhou New World Department Store (“Taizhou Store”) held an autumn mountaineering athletics for staff. Anshan New World Department Store (“Anshan Store”) also ran a wealth of training courses starting December 2009. Through such outdoor activities and staff gatherings we helped our staff relieve work pressures, promoted teamwork spirit and strengthened cohesion among different departments.





INTERIM DIVIDEND

The board of directors (the “Directors” or “Board”) of New World Department Store China Limited (the “Company”, or together with its subsidiaries, the “Group”) has resolved to declare an interim dividend of HK\$0.08 per share (2008: HK\$0.08 per share) for the six months ended 31 December 2009 to shareholders whose names appear in the register of members of the Company on 15 April 2010. It is expected that the interim dividend will be paid on or about 18 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 April 2010 to Thursday, 15 April 2010, both days inclusive, during which period no transfer of share 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, 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 Friday, 9 April 2010.

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 information and the interim report for the six months ended 31 December 2009 and discussed the financial related matters with management. The unaudited interim results of the Group for the six months ended 31 December 2009 have been reviewed by the Company’s auditor, 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 set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the six months ended 31 December 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the Directors. Upon the Company’s specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors’ securities transactions adopted by the Company during the six months ended 31 December 2009.





EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2009, total number of employees for the Group was 3,918 (2008: 3,921). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

ACQUISITION AND DISPOSAL

In January 2010, New World Department Stores Investment (China) Co., Ltd., a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, acquired the entire equity interest from independent third parties, including all interest and rights, of Shanghai New World Huiya Department Store Co., Ltd., a limited liability company incorporated in the PRC and the operator of Shanghai Pujian Branch Store, for an aggregate consideration of RMB2,000,000.

In March 2010, Shenyang New World Department Store Ltd., a wholly-owned subsidiary of the Company in the PRC and the owner of the Property, as defined below, entered into sale and purchase agreements with an independent third party, 上海美特斯邦威服飾股份有限公司, to sell the property at which Shenyang Taiyuan Street Branch Store is situated (the "Property"), with an approximate gross floor area of 10,716 square metres, for an aggregate consideration of RMB224,000,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2009. 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 2009.

DEED OF NON-COMPETITION

Under the deed of non-competition dated 22 June 2007 given by New World Development Company Limited ("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, 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(es)") in the PRC:

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





DEED OF NON-COMPETITION *(continued)*

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.

In addition, under the Deed, NWD has undertaken, among other things, 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, among other things, 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 Limited (“Solar Leader”), a limited liability company incorporated in the British Virgin Islands and an indirect-wholly-owned subsidiary of NWD, 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 World Department Store Co., Ltd. (“Wuhan New World”, a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, formerly known as “Wuhan New Eagle Development Co., Ltd.”), which owns 100% legal and beneficial interests in the Wuhan Store and its property. Such acquisition has been completed.

As regards the Kunming Store, the Board announced that on 20 January 2009, New World Department Stores Investment (China) Co., Ltd. (“NWDSIC”), a 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”), a limited liability company incorporated in the PRC and the operator of Kunming Store, whereby NWDSIC agreed to acquire from Solar Leader all its interests and rights arising or derived from the trust agreement entered into among 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 HK\$3,000,000. Yunnan Co owns 100% legal and beneficial interests in the Kunming Store. Such acquisition has been completed. The legal title of the entire equity interest in the registered capital of Yunnan Co has also been subsequently transferred to NWDSIC.





DEED OF NON-COMPETITION (continued)

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 Ningbo New World Trendy Department Store Co., Ltd. ("Ningbo Co"), a limited liability company incorporated in the PRC and the operator of Ningbo Trendy Store, whereby NWDSIC agreed to acquire from Solar Leader the entire equity interest in the registered capital of Ningbo Co for a consideration of RMB2,000,000. Ningbo Co owns 100% legal and beneficial interests in the Ningbo Trendy Store. Such acquisition has been completed.

As regards the Beijing Shopping Mall, NWD has transferred the assets of the Beijing Shopping Mall to one of its wholly-owned subsidiaries (the "Subsidiary"). However, certain licences with respect to the operation of the Beijing Shopping Mall have yet to be obtained by the Subsidiary. NWD shall continue to procure resolutions of this issue as soon as practicable and shall use their best endeavors to transfer the Beijing Shopping Mall or the Subsidiary holding the Beijing Shopping Mall to the Company as soon as practicable and in any event not later than three years from the Listing Date. 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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's 2009 Annual Report are set out below:

Dr. Cheng Kar-shun, Henry resigned as the chairman and an executive director of Taifook Securities Group Limited, a listed public company in Hong Kong, on 13 January 2010.



**DIRECTORS' INTERESTS IN SECURITIES**

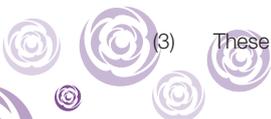
As at 31 December 2009, the interests and short positions, if any, of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO); or (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:

(a) Long positions in shares

	Number of shares			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
The Company					
(Ordinary shares of HK\$0.10 each)					
Mr. Cheng Chi-kong, Adrian	–	–	1,107,000 ⁽¹⁾	1,107,000	0.07
Mega Choice Holdings Limited					
(In liquidation)					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	–	420,585,070 ⁽²⁾	420,585,070	34.61
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	18,750,000	2,925,000	78,406,800 ⁽³⁾	100,081,800	1.74
Ms. Ngan Man-ying, Lynda	100,000	–	–	100,000	0.00
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	300,000	–	300,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	9,179,199	–	8,000,000 ⁽³⁾	17,179,199	0.83

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 31 December 2009	Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period		
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) 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) 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.



**DIRECTORS' INTERESTS IN SECURITIES** (continued)**(b) Long positions in underlying shares — share options** (continued)*ii. New World China Land Limited*

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 31 December 2009	Exercise price per share (before adjustment) HK\$ ⁽⁴⁾	Exercise price per share (after adjustment) HK\$ ⁽⁴⁾
			Balance as at 1 July 2009	Granted during the period	Adjusted during the period ⁽⁴⁾	Lapsed during the period			
Dr. Cheng Kar-shun, Henry	7 January 2008	(1)	2,000,000	–	238,806	–	2,238,806	6.972	6.228
	29 December 2008	(3)	1,600,000	–	191,045	–	1,791,045	1.500	1.340
Mr. Cheng Chi-kong, Adrian	25 July 2006	(2)	331,600	–	39,594	–	371,194	2.865	2.559
	7 January 2008	(1)	1,500,000	–	179,104	–	1,679,104	6.972	6.228
	29 December 2008	(3)	1,200,000	–	143,284	–	1,343,284	1.500	1.340
Ms. Ngan Man-ying, Lynda	7 January 2008	(1)	1,000,000	–	119,403	–	1,119,403	6.972	6.228
	29 December 2008	(3)	900,000	–	107,463	–	1,007,463	1.500	1.340
			8,531,600	–	1,018,699	–	9,550,299		

Notes:

- (1) Divided into 3 tranches, exercisable from 8 February 2008, 8 February 2009 and 8 February 2010 respectively to 7 February 2011.
- (2) 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) 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) Pursuant to the share option scheme of New World China Land Limited ("NWCL"), the number of share options and exercise price are subject to adjustment in case of alteration in NWCL's capital structure. Accordingly, the rights issue as announced by NWCL on 9 October 2009 constitutes an event giving rise to an adjustment to the exercise prices and the number of outstanding share options in accordance with the share option scheme on 17 November 2009.
- (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 31 December 2009	Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period		
Dr. Cheng Kar-shun, Henry	19 March 2007	(1)	36,710,652	—	—	—	36,710,652	17.654
Mr. Cheng Chi-kong, Adrian	19 March 2007	(2)	502,885	—	—	—	502,885	17.654
Mr. Au Tak-cheong	19 March 2007	(2)	1,206,925	—	—	—	1,206,925	17.654
			38,420,462	—	—	—	38,420,462	

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 31 December 2009	Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period		
Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	3,001,277	—	—	—	3,001,277	16.193

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.



**DIRECTORS' INTERESTS IN SECURITIES** (continued)**(c) Long positions in underlying shares — debentures***New World China Land Finance Limited*

The following Director has interests in the debentures issued by New World China Land Finance Limited ("NWCLF"), an indirect wholly-owned subsidiary of NWCL. Details of the debentures of NWCLF held by the Director as at 31 December 2009 were as follows:

Name	Amount of debentures in RMB issued by NWCLF			Total	Approximate percentage to the total amount of debentures in issue as at 31 December 2009
	Personal Interests	Family Interests	Corporate Interests		
Mr. Cheng Chi-kong, Adrian	—	—	2,000,000 ^(Note)	2,000,000	0.08

Note:

These debentures are beneficially held by a company wholly-owned by Mr. Cheng Chi-kong, Adrian and are convertible into 296,910 shares of HK\$0.10 each of NWCL, representing approximately 0.01% of its issued share capital as at 31 December 2009, for the period from 26 June 2007 to 26 May 2012.

Save as disclosed above, as at 31 December 2009, none of the Directors and the chief executive of the Company or any of their associates 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*The Company*

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 31 December 2009	Exercise price per share HK\$
		Balance as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period		
27 November 2007	(1)	13,060,000	—	—	(1,176,000)	11,884,000	8.660
25 March 2008	(2)	2,985,000	—	—	(377,000)	2,608,000	8.440
		16,045,000	—	—	(1,553,000)	14,492,000	





SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS (continued)

Notes:

- (1) 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) 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 2009, the following persons (not being Directors or the chief executive of the Company) had 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 which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name	Number of shares held			Approximate percentage of shareholding (direct or indirect)
	Beneficial Interests	Corporate Interests	Total	
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
New World Development Company Limited	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 interested by or 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 38.61% 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 or the chief executive of the Company) who, as at 31 December 2009, had 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 by the Company under Section 336 of Part XV of the SFO.





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

AUDITOR

PricewaterhouseCoopers

SOLICITORS

Stephen Mok & Co. in association with Eversheds LLP
Woo, Kwan, Lee & Lo

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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

INVESTOR INFORMATION

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新世界百貨中國有限公司

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(Stock Code: 825)

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