



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 2010/2011



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 2010, we have secured strategic footholds in 17 major cities, including Beijing, Shanghai, Shenyang, Wuhan, Harbin, Dalian, Anshan, Tianjin, Lanzhou, Wuxi, Ningbo, Nanjing, Taizhou, Changsha, Chengdu, Chongqing and Kunming. Occupying an aggregate gross floor area of approximately 1,224,420 square metres, our retail chain comprised 28 self-owned stores and 8 managed stores in the PRC. The Group operated under two brands – “New World” in 27 stores around China and “巴黎春天” (Ba Li Chun Tian) in 9 stores in Shanghai.

Tapping into China’s growing affluence: our target market

We develop our stores as Living Galleries for one-stop shopping and Fashion Galleries for themed shopping. “Living Gallery” targets people of all ages and both genders, 20%-30% of the store area is reserved for providing complementary services, like supermarket, dining, fitness centre, spa centre, bank etc, satisfying people’s needs from all walks of life. “Fashion Gallery” is positioned as “Trendy” and full of “Character” and “Taste”, emphasizing “Mix & Match” with exclusive brands and designer labels introduced. 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 communication.

Professionalism from top to bottom: our people

As at 31 December 2010, we employed 5,989 people, with the majority being local recruits. Well trained and motivated, the whole staff is united under the leadership of a management team with experience of over one decade in pursuit of our vision and mission.





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Financial Highlights

Profit for the period:
HK\$294,539 thousand



	Six months ended 31 December	
	2010 HK\$'000	2009 HK\$'000
Operating Result		
Revenue	1,283,880	988,581
Representing:		
Commission income from concessionaire sales	879,115	575,787
Sales of goods – direct sales	260,649	271,757
Management fees	48,386	82,804
Rental income	95,730	58,233
	1,283,880	988,581
Operating profit	401,605	352,702
Profit for the period	294,539	272,014
	As at 31 December 2010 HK\$'000	As at 30 June 2010 HK\$'000
Financial Position		
Fixed deposits, cash and cash equivalents	4,286,265	3,596,699
Total assets	9,116,247	7,271,994
Total liabilities	4,122,482	2,502,801
Total equity	4,993,765	4,769,193



Financial Highlights



Revenue

(HK\$'000)

988,581 **1,283,880**



Six months ended
31 December
2009 2010

Operating profit

(HK\$'000)

352,702 **401,605**

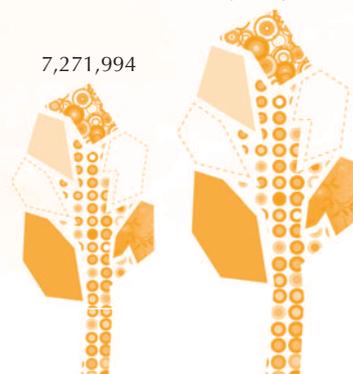


Six months ended
31 December
2009 2010

Total assets

(HK\$'000)

7,271,994 **9,116,247**



As at
30 June
2010 As at
31 December
2010

Financial Ratios

Revenue growth
Operating profit margin
Net profit margin

Six months ended 31 December

2010

2009

29.9%

11.8%

31.3%

35.7%

22.9%

27.5%

As at
31 December
2010

As at
30 June
2010

Current ratio (times)

1.45

2.01

Chairman's Statement

“Looking ahead, the Chinese economy will remain rise steadily. The Group will continue to seek a breakthrough in line with the market trends and national policies. In addition, we will seize the opportunities brought by the development of Chinese economy to expand our business network, creating a modern, metropolitan lifestyle with creativity, foresight and efficiency in China. Moreover, we will strive to promptly readjust operational strategies and control the cost stringently to stay competitive and maintain profitability as well as maximizing return for shareholders, becoming China's most influential department store chain operator with the highest return on equity.”

In 2010, Chinese Government adopted a proactive fiscal policy and loose monetary measures to boost per capita income, spending desire and hence domestic consumption. Such maneuvers helped accelerate the pace of economic development, creating a favourable atmosphere for the development of domestic retail industry. During the review period, the rebranding program was in full swing and the whole program is expected to complete in 2012. The Group endeavored to create an unprecedented and personalized shopping environment to customers by gradually initiating innovative maneuvers in formulation and implementation of our operational strategies.

For the six months ended 31 December 2010, the total revenue of the Group amounted to HK\$1,283.9 million, growing 29.9% year-on-year. Operating profit stood at HK\$401.6 million. Profit attributable to equity holders increased to HK\$294.5 million. Earnings per share was about HK\$0.17. The Broad of Directors resolved to distribute an interim dividend of HK\$0.085 per share.

For business development, the Group will extend its footholds from first-tier & second-tier cities to second-tier & third-tier cities, and will continue to deploy the expansion strategies of “multiple presences in a single city” and “radiation city”. Among them, the Company will strengthen the implementation of “radiation city” strategy, so as to attain a higher market share as well as to reduce the risks when entering new markets. With the opening of Beijing Qianzi Store in September last year, the Group laid a solid foundation of our presence and influence in Beijing, the first-tier city. The brand new store is themed as a “Living Gallery” which targets people of all ages and both genders, catering for their needs in terms of “Clothing”, “Dining”, “Living”, “Travelling” and “Entertainment”. In order to increase and intensify our market share in the potential second-tier & third-tier cities, we will open Shenyang Jianqiao Road Branch Store and Zhengzhou Store in 2011, whilst our new project in Mianyang is in full swing, which is expected to complete in 2012, further expanding the Group's retail roadmap. In addition to opening new stores, the Group is also actively considering the acquisition of potential managed stores and other outstanding projects. Apart from acquiring the operating rights of Beijing Store, Chengdu Store and Changsha Trendy Plaza, the Group agreed to acquire the operating rights of Beijing Trendy Store and Chongqing Store in January 2011, increasing the number of self-owned stores as well as consolidating the business foundation. As of 31 December 2010, the Group operated 36 stores in 17 major Chinese cities, with GFA totaling about 1,224,420 square metres.



Chairman's Statement

The Group continues to formulate a thong of new marketing strategies befitting the ever-changing market. We are committed to developing online social network platform by launching our mini-blog and our brand new blog – “Get Interactive with NWDS” during the period under review. The two platforms provide the newest consumption tips, latest trends and activities updates, leading the audience to explore “Enriching Lives•Enhancing Character” with interaction. In order to stand out in the fierce competitive market and consolidate the brand image, apart from strengthening the symbol of “N-only” and the exclusive brand strategy continuously, the Group also launched the private menswear’s brand, XII, in Shanghai Pujian Branch Store, Shanghai Huaihai Branch Store, Shanghai Hongkou Branch Store and Wuhan Xudong Branch Store in December 2010.

For our profitability, market position and corporate governance, the Group was accredited as “Asia’s 200 Best Under A Billion” three times in a row by *Forbes*, the internationally renowned financial magazine. Following the philosophy of “give-and-take” spirit in the community, the Group is striving to support environmental protection and achieved remarkable results by promoting energy conservation and carbon reduction projects. During the reporting period, our stores organized 66 environmental activities, ranging from uniform donation, used book donation, old batteries recycling, second-hand goods trade fairs and environmental quiz competitions etc, to promote environmental awareness. In addition, the Group actively partakes in charities to contribute to the community. We became the principal sponsor of the MSF Day of Medecins Sans Frontieres for the forth consecutive year in shouldering corporate social responsibilities.

The National People’s Congress considered the draft proposal of “The Twelfth Five-year” plan last October, indicating that China will carry out two-way economic and social transformation in the next five years by focusing on transforming the development mode and adjusting the economic structure. The strategy will concentrate on stimulation of consumer demand so as to expand the domestic demand, further releasing the consumption potential of urban residents. Such maneuvers create a favorable atmosphere for the development of domestic retail industry. Hence, the Group is optimistic on the future development of the department store industry. Looking ahead, the Chinese economy will remain rise steadily. The Group will continue to seek a breakthrough in line with the market trends and national policies. In addition, we will seize the opportunities brought by the development of Chinese economy to expand our business network, creating a modern, metropolitan lifestyle with creativity, foresight and efficiency in China. Moreover, we will strive to promptly readjust operational strategies and control the cost stringently to stay competitive and maintain profitability as well as maximizing return for shareholders, becoming China’s most influential department store chain operator with the highest return on equity.

On behalf of the Board, I would like to extend heartfelt gratitude to 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 review period, I am deeply thankful to them.

Dr. Cheng Kar-shun, Henry

Chairman

Hong Kong, 23 February 2011

Milestones

2010

July

FY2009 Annual Report won Bronze Award for “Overall Annual Report: Retail – Department Store & Convenience Store” in International ARC Awards Competition and Bronze Award for “Annual Report: Retail” in LACP’s 2009 Vision Awards.

Became principal sponsor of MSF Day for the 4th consecutive year. NWDS staff contributed HK\$330,000 to total donation of HK\$410,000 collected by New World Group who was again the largest contributor in the private sector.

August

Beijing New World Department Store (“Beijing Store”) was converted from managed to self-owned, with GFA of approximately 93,000 square metres, further strengthening Beijing as the core city in Northern China Region.

September

Beijing New World Qianzi Department Store (“Beijing Qianzi Store”), which is the fifth store in Beijing, was opened. It further brings the advantages of the strategy of “multiple stores in a single city”.

October

Acquired the property ownership right and the land use right of a land parcel adjacent to Shenyang New World Department Store-Nanjing Street Branch Store (“Shenyang Nanjing Street Branch Store”). The acquired land parcel will allow more flexibility for Shenyang Nanjing Street Branch Store’s future expansion and development.

Acquired the operating right of Chengdu New World Department Store (“Chengdu Store”). Chengdu Store was converted from managed to self-owned.

Launched NWDS mini-blog to reach and communicate with broader audience in Hong Kong and China, widening customer base through online platform.

November

Launched NWDS blog – “Get Interactive with NWDS” on 11 November 2010.

Accredited as “Asia’s 200 Best Under A Billion” by *Forbes Magazine* for 3 consecutive years.

December

Organized an extensive Christmas decoration with unified theme cum “Fantastic Crown•Dreams Come True” activity in 7 stores of 6 major cities throughout China.

Launched a menswear private label – XII.



Milestones

2011

January

Obtained the Jade Award for the corporate website (<http://www.nwds.com.hk>) in “Web Care Award 2010” in recognition of the Group’s effort in promoting web accessibilities by building no-barrier website last year, providing an equal opportunity to the needy and sharing the benefits from internet development in Hong Kong.

Crowned by *Life Style*, a lifestyle magazine in China, as “The Most Influential Commercial Institution of the Year” in recognition of the outstanding performance of the Group in China.

Completed the operating right acquisition of Changsha New World Trendy Plaza (“Changsha Trendy Plaza”). The store was converted from a managed store to a self-owned store.

Launched a thematic Chinese New Year decoration cum activities – “Embracing good fortune through delivering gift” in 7 stores of 6 major cities throughout China.

Agreed to acquire the operating right of Beijing New World Trendy Department Store (“Beijing Trendy Store”) with the application on progress. The store will be converted from managed to self-owned.

Agreed to acquire the operating right of Chongqing New World Department Store (“Chongqing Store”) with the application on progress. The store will be converted from managed to self-owned.

February

Announced the entering of Sichuan Province with development of Mianyang Project in Southwestern China, the brand new “Living Gallery” is expected to open in 2012.

Business Review

The Group's revenue increased by 29.9% from HK\$988.6 million for the six months ended 31 December 2009 (or "1HFY2010" or "the same period of Previous Year") to HK\$1,283.9 million for the six months ended 31 December 2010 (or "1HFY2011" or "the Current Period"). Profit for the period grew 8.3 % from HK\$272.0 million in 1HFY2010 to HK\$294.5 million in 1HFY2011.

BUSINESS NETWORK

In 1HFY2011, the Group operated 36 department stores, with a total gross floor area ("GFA") of about 1,224,420 square metres and a total operating floor area ("OFA") of about 947,400 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 28 self-owned stores and 8 managed stores.

REVENUE CONTRIBUTION

By region

The Northern China Region contributed the most to the Group's revenue during the period under review, accounting for 31.7% of total revenue, followed by the Eastern China Region and the Central China Region, accounting for 26.9% and 25.2%, respectively.

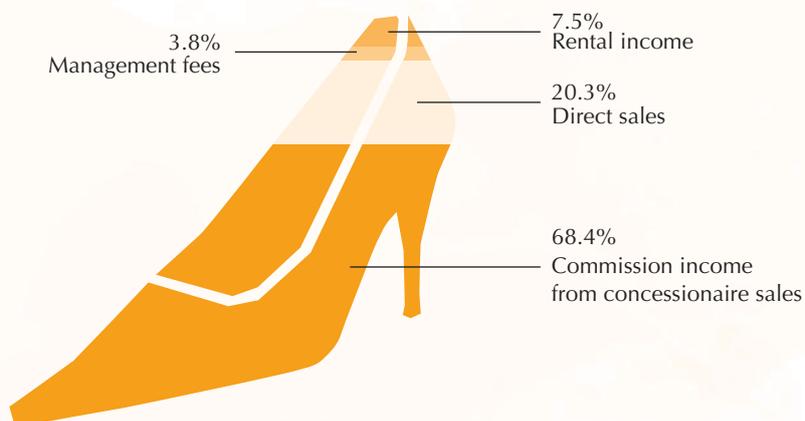




Business Review

By segment

Commission income from concessionaire sales was the major type of income, accounting for 68.4% of total revenue. Proceeds from direct sales and rental income accounted for 20.3% and 7.5%, respectively. Management fees accounted for 3.8%.



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 15% increase year-on-year, numbering in excess of 1.95 million. VIP sales accounted for about 46% of total sales. Total membership of our three exclusive VIP clubs, namely “Smart Lady Club”, “Perfect House Wife Club” and “Platinum Style Club”, increased to 650,000 in the Current Period, representing a year-on-year growth of 223%.

STORE NETWORK DEVELOPMENT

In the period under review, the Group opened one new self-owned store, Beijing Qianzi Store. In addition, Beijing Store and Chengdu Store were converted from managed stores to self-owned stores in August 2010 and October 2010 respectively, whilst Changsha Trendy Plaza was also converted from the Group’s managed store to self-owned store since January 2011.

Therefore, as of 31 December 2010, the Group’s total GFA was approximately 1,224,420 square metres, up 14.6% from the same period of Previous Year. The total GFA of self-owned stores reached 929,320 square metres, representing an increase of 53.7% when compared with the same period of Previous Year.

OPERATIONAL STRATEGY

During the period under review, the rebranding program continued to play a major role in the Group's operational strategy. Endeavoring to revamp all stores into "Fashion Gallery" and "Living Gallery", stores are presented in a shopping ambience that fully demonstrates the essence of "Enriching Lives • Enhancing Character" by optimizing the merchandise mix and refurbishing the store decoration. Moreover, facing the rapid change of China's retail market, the Group had formulated a series of timely and appropriate operational strategies to deal with the circumstance which included launching new private label, maintaining good relationship with suppliers, optimizing brand strategy and exploring new electronic promotional channels, in order to boost the Group's competitiveness, to expand our market share as well as to maintain a sound gross profit level for our merchandise.

Our rebranding program pioneered the department store industry with the operational mode of "Fashion style" and "Living style", all stores will gradually be revamped into either "Fashion Gallery" or "Living Gallery". Tianjin New World Department Store ("Tianjin Store"), Shanghai – Hong Kong New World Department Store – Huaihai Branch Store ("Shanghai Huaihai Branch Store"), Shanghai – Hong Kong New World Department Store – Pujian Branch Store ("Shanghai Pujian Branch Store"), Wuhan New World Department Store – Hanyang Branch Store ("Wuhan Hanyang Branch Store"), Harbin New World Department Store ("Harbin Store"), Beijing New World Liying Department Store ("Beijing Liying Store") have all completed the rebranding and store renovation in the period under review. As at the end of December 2010, about 42% of the total GFA of stores that needed renovation and rebranding has been completed.

After the revamp, stores operate in distinguished "fashion style" or "living style". "Living Gallery" is a one-stop shopping department store with its merchandise catering the needs for "Clothing", "Dining", "Living", "Travelling" and "Entertainment". For instance, the revamped Tianjin Store is operated with the fusion concept of shopping mall which is elaborated with the introduction of trendy shoe corner, digital product concept concessionaire and stylish living goods. Together with the enlargement of floor area for catering outlets, its store traffic flow continued to rise whilst the time customers stay at store also prolonged significantly. "Fashion Gallery" is a themed department store with its focus on building category killers to accentuate its mix & match elements, further enhancing the operational competitive edge. For example, Shanghai Huaihai Branch Store has placed its emphasis on extending its floor area for women's shoes during rebranding. By introducing dozens of fashionable shoe's brands, the store successfully established itself as the landmark with most comprehensive shoe brand arrays within the Huaihai commercial circle. In the Current Period, both the traffic flow and same-store-sales growth of rebranded stores showed improvement, reflecting the positive effect from rebranding program towards uplifting the edge of store.

In terms of brand strategy, the Group continues its efforts on establishing and consolidating its category killers. During the period under review, all stores carried out timely reorientation in brand portfolio. In accordance to the consumer needs in specific geographic location, the Group established its category killers by bringing new potential brands in that particular category, building a more tailored brand mix and thus resulted in enhancement of store competitiveness. Besides, the extensive promotion of N-only symbol with the exclusive brand strategy carried on through the channels of e-catalogue, store activities and extra bonus scheme etc. Not only did it strengthen our exclusive brand's recognition, but also drawing in customers on a regular basis to buy trendy clothing and accessories that match their personal styles, which in turn boost sales.



Business Review

In recent years, the Group strives to enlarge the proportion of direct-sales goods. Followed by the launch of “one-price shop” selling direct-sales products in various stores, we launched a new menswear private label, XII, this year. This was a response to the growing demand of brand products among Chinese consumers with menswear as a product category of promising potential. All these factors brought forth the launch of this private label by New World Department Store. XII’s concessionaires were already opened in Shanghai Huaihai Branch Store, Shanghai – Hong Kong New World Department Store – Hongkou Branch Store (“Shanghai Hongkou Branch Store”), Shanghai Pujian Branch Store and Wuhan New World Department Store – Xudong Branch Store (“Wuhan Xudong Branch Store”) starting from December 2010. The Group also planned to open more concessionaires of the brand in Eastern China and Central China Region within 2011. The birth of XII signifies the Group’s continuous efforts on direct-sales goods development, taking the effect of profit structure optimization.

Concurrently, the Group maintained sound relationship with suppliers through the platforms of “Top 150 Brands Retainer Scheme”, “Strategic Partnership Scheme” and “New World Net”. To further strengthen the collaboration with key suppliers, in the Current Period, the Group endeavored to set cooperative targets with these suppliers and to raise the feasibility of greater collaboration based on market and sales data analysis. In addition, we also conducted in-depth analysis on brand structure in terms of its contribution to “sales volume”, “profit margin” and “brand awareness”. By categorizing brands precisely with its features, it helps improve the Group’s retainment and systematic management of concessionaire brands. Apart from brand structure analysis, the Group utilized constant market research to set “Bestselling Brand Chart”, ensuring our stores are updated with all the hot brands in market.

For the long-established New World Net of the Group, besides its traditional supplier gatherings, new featured activities such as cross-over seminar with driving tour, thanksgiving dinner and yearly review activities were organized during the period under review to deepen the interaction between store management and suppliers, fostering a long-term relationship with our suppliers.

Regarding the marketing strategy, the Group acted proactively in the Current Period to boost store traffic flow, retain VIP membership, stimulate VIP’s active consumption in stores and enlarge the proportion of VIP sales contribution. To boost store traffic flow, each stores within the Group utilized their innovative spirit to organize various large-scale themed activities, such as “Catwoman Make-up Competition & Purebred Cat Expo”, “Halloween Party”, “Vogue Graffiti Rabbit”, “Riding Boots Festival” etc. With these novel themes, the activities drew immediate media coverage and became hot gossips that attracted potential customers to our stores. Taking the advantage of “multiple presences in a single city”, the Group launched a number of joint promotions in the period reported, for instance the “Shopping All Night Long” program at all 9 stores in Shanghai has proved effective in raising traffic flow.

Besides, one of the Group’s key visual marketing strategies is to carry out thematic store decoration in major festivals each year. During the Christmas period of 2010, the Group launched the Christmas decoration in unified theme of “Fantastic Crown • Dreams Come True” in stores of the Group’s six major operating cities. The decoration was accompanied by the “Fantastic Crown • Dreams Come True” triple fun activity. With the special shopping ambience, it successfully boosted store traffic and prolonged customers’ hour of stay at store, leading to better sales performance.

Business Review

Targeting to raise the activeness of VIP members, the Group introduced different programs during the period reported, for example, establishing VIP day gradually at most stores in the Current Period, VIP were offered with shopping discounts, welcome-back gift at designated day each month etc.. These programs nurtured the VIPs' habit of proactive shopping at our stores regularly. On the other hand, the Group also offered attractive appeal like gift-redemption stamps upon purchase at certain amount etc. to stimulate VIPs' continuous consumption at our stores within a specific period. In order to magnify our VIP's prestige, the Group distinguished common customers, VIP and platinum VIP customers during sales promotions with different shopping privileges, for instance, VIP can enjoy multiple bonus and extra shopping benefits whereas platinum VIPs may enjoy luxurious prizes as well as immediate rebate. These special privileges greatly enhanced VIP members' loyalty toward New World Department Store and helped enlarge the VIP sales contribution.

During the period under review, the Group especially hosted prestigious programs for platinum VIP with extremely high spending power, such as a super platinum VIP gathering co-hosted with the Group's associated companies including Chow Tai Fook, New World China Land. These programs not only served to retain this group of high-spending platinum VIP with strong sense of belonging to New World Department Store, but also allured top-tier customers from associated companies to become our Group's VIP, beneficial to our VIP membership expansion.

Social networking websites have become increasingly popular, the Group therefore embraced the benefits of online platforms such as mini-blog and blog to promote New World Department Store. In October 2010, the Group first launched its corporate mini-blog of NWDS. In November 2010, we also launched "Get Interactive with NWDS" blog. The introduction of these two platforms are expected to communicate and interact with audience in Hong Kong and the PRC actively, targeting to build brand awareness of New World Department Store among more people.

EXPANSION STRATEGY

The Group has been expanding its business network in China by opening new stores, acquiring existing managed stores and other potential department stores as well as developing greenfield projects.

With steady business growth in mainland China, the Group will continue to stick to its expansion strategy by opening 2 to 3 new self-owned stores, contributing about 100,000-120,000 square metres GFA in total per fiscal year. While selecting location for new stores, the Group will expand our business network from first-tier and second-tier cities to the potential second-tier and third-tier cities as well as continue developing our business by pursuing "multiple presences in a single city" and "radiation city" strategies, in which we will strengthen the implementation of "radiation city" strategy by extending our business from cities where have strong presence to the nearby cities, further expanding our regional business network.

Taking Central China Region as an example, we will spread our business from Wuhan, the capital of Hubei Province, to Zhengzhou of Henan Province, the surrounded potential radiation city, by opening Zhengzhou New World Department Store ("Zhengzhou Store"), strengthening the operational edge of our department store in Central China Region. The new store is expected to commence operation in 2011 with a GFA of about 35,500 square metres.

In Southwestern China Region, following the "Western China Development" rolled out by the Central government, the Group will extend its foothold to Mianyang, the radiation city on the periphery of Chengdu, by opening the forth store in Southwestern China Region, further expanding the business in the region. The new store is located in the east of Lin Yuan Road in Mianyang, where is the heart of new business center. Providing GFA of approximately 35,000 square metres, the new store is scheduled for opening in 2012. Capitalizing on "radiation city" strategy can minimize the risks associated with entering new markets, achieving intra-regional synergy.



Business Review

In the meantime, the Group will continue to deploy “multiple presences in a single city” strategy, designating regional core cities including Shenyang in Northeastern China Region, Beijing in Northern China Region, Shanghai in Eastern China Region, Wuhan in Central China Region and Chengdu in Southwestern China Region to enlarge market share as well as achieving cost-effectiveness.

Taking Beijing in Northern China Region as an example, the Group entered the prosperous Chongwen District by opening Beijing Store in 1998 and subsequently opened another store, Beijing Shishang New World Department Store (“Beijing Shishang Store”), in Chongwen District in May 2010. The two stores are positioned as “Living Gallery” and “Fashion Gallery” of differentiated operation to expand customer base as well as gaining greater market share. Moreover, the Group has been setting up a number of stores in other main districts and commercial circles in Beijing outside Chongwen District. Located in Shunyi District, a new community zone, Beijing Qianzi Store is the fifth store in Beijing opened by the Group in September 2010. With a GFA of about 40,000 square metres, the store is positioned as a one-stop shopping “Living Gallery”.

After establishing a stronghold in Taiyuan Street business district in Shenyang, the core city of Northeastern China Region, the Group will enter Zhong Street, another prosperous business circle in the city, by opening a new store named Shenyang New World Department Store – Jianqiao Road Branch Store (“Shenyang Jianqiao Road Branch Store”). Themed as a “Living Gallery”, the new store is scheduled for opening in 2011 with a GFA of about 34,000 square metres, providing customers with comprehensive shopping experience.

To further expand the Group’s retail roadmap, we will also consider to enter the new potential cities, for instance, Xi’an, Capital of Shaanxi Province as well as Shandong Province, etc.

Apart from adding new self-owned stores, the Group also plans to acquire 2 to 3 stores from existing managed stores and/or other potential projects from third party per fiscal year. The Group acquired the operating rights of Shanghai Pujian Branch Store and Beijing Store in January 2010 and August 2010 respectively. In addition, considering Chengdu city’s rapid development and growth potential, the Group acquired the managed Chengdu Store, which is located at Yanshikou business area, in October 2010 and it was then converted to a self-owned store. As the “Rising Strategy of Central China” is gradually rolled out by the Central government, both living and floating population in the cities of Central China will be driven an influx in future, bringing a favorable environment for the development of retail market in the region. Thus, the Group acquired the operating right of Changsha Trendy Plaza, further consolidating the development edge of Central China Region. The Group also agreed to acquire the operating rights of Beijing Trendy Store and Chongqing Store in January 2011; the two stores will be converted from managed to self-owned.

In addition to acquiring existing managed stores, the Group will also seek acquisitions in second-tier and third-tier cities in China that are of splendid growth prospect. The Group will assess the potential targets based on their location, financial position and market reputation. Meanwhile, the Group will also explore the opportunity of pursuing joint Greenfield projects with other developers as well as participating in project planning to develop the department store in line with the Group’s operational strategies.

OUTLOOK

According to data from National Bureau of Statistics of China, China's annual gross domestic product ("GDP") recorded 10.3% year-on-year growth for 2010. It is expected that retail and department store sector in China will continue to benefit from its economic development and policy in the next few years. In light of the International Monetary Fund's anticipation, China's GDP is expected to sustain for more than 9% growth per annum during 2011 to 2015; The World Bank Group also forecasted that there will be more than 8% growth per annum on China's GDP in the next 2 years. The figures indicate the economy of China will keep improving and the favourable economic environment will prevail in the coming few years. Meanwhile, China's economic growth driver will gradually steer to domestic demand from export, together with rapid urbanization, demands for consumer goods from domestic customers will rise further, offering opportunities for development in retail and department store sector. Given the Chinese market will continue to benefit from China's overall positive economic development, amidst the unstable factors of the appreciation of Renminbi and inflation, the Group is optimistic about the development of the industry.

Along the marco-economic development, per capita income in China will continue to improve. According to statistics from National Bureau of Statistics of China, disposable income per capita of urban population in 2010 increased 7.8% to that of Previous Year; in addition to the "twelfth five-year plan", the purchasing power of urban population is expected to further liberate. The demand of the consumer is expected to increase subsequently. As such, the Group will continue to keep an eye on the development trend and consumption pattern of China's retail market, then to formulate suitable strategy for the time being, so as to strive for a more stable and sustainable business growth in long run.



FINANCIAL REVIEW

Revenue

Revenue of the Group was HK\$1,283.9 million in 1HFY2011 representing an increase of 29.9% from HK\$988.6 million in 1HFY2010. The growth was primarily contributed from commission income from concessionaire sales and rental income.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 54.0% to HK\$4,988.3 million in 1HFY2011 from HK\$3,238.5 million in 1HFY2010. Gross revenue from concessionaire sales increased to HK\$4,727.6 million from HK\$2,966.8 million in the same period of Previous Year. Commission income rate was 18.6% in the Current Period compared with 19.4% in the same period of Previous Year. Sales of goods for direct sales was HK\$260.6 million in 1HFY2011 compared with HK\$271.8 million in 1HFY2010. Direct sales turnover was mainly comprised of cosmetic products (approximately 45.2%), groceries, housewares and perishables (approximately 37.0%), accessories, handbags and underwears (approximately 8.4%), ladieswear and menswear (approximately 7.7%). Gross margin of direct sales was 17.3% compared to 27.1% in the same period of Previous Year. In 1HFY2011, ladieswear and accessories made up approximately 58.8% of gross sales revenue. Menswear and accessories made up approximately 23.0% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue. The above incorporated the results of Beijing Store which was converted into self-owned store in August 2010.

Management fees was HK\$48.4 million in 1HFY2011 showing a decrease from HK\$82.8 million in 1HFY2010. The decrease was primarily due to the conversion of Shanghai Pujian Branch Store, Beijing Store and Chengdu Store from managed stores to self-owned stores in January, August and October 2010 respectively and there was nil, one month and three months contribution from Shanghai Pujian Branch Store, Beijing Store and Chengdu Store to the management fees in the Current Period respectively as compared with the management fees for full period in the same period of Previous Year.

Rental income increased by 64.4% to HK\$95.7 million in 1HFY2011 mainly due to increased leasing area from firstly, the opening of new self-owned Beijing Qianzi Store in September 2010; secondly, the conversion of Beijing Store and Chengdu Store from managed stores to self-owned stores in August and October 2010 respectively and thirdly, recognising a full period's operation of self-owned stores acquired and opened in FY2010. Those stores include Shanghai Pujian Branch Store, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store.

Other income

Other income of the Group increased from HK\$28.6 million in 1HFY2010 to HK\$99.6 million in 1HFY2011. The increase was primarily due to a write-back of other payable of HK\$41.8 million in the course of operation and the conversion of Beijing Store and Chengdu Store to self-owned stores in August and October 2010 respectively.

Other gains/(losses), net

Other gains, net of the Group was HK\$16.5 million and primarily comprised a gain of HK\$17.5 million from the disposal of investment in Renhe Commercial Holdings Company Limited.

Changes in fair value of investment properties

Changes in fair value of investment properties in the Current Period was HK\$14.7 million related to a property located in Shenyang City.

Management Discussion & Analysis

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 8.9% to HK\$215.6 million in 1HFY2011 from HK\$198.0 million in 1HFY2010. Gross margin of direct sales in the Current Period was 17.3% reflecting the contributed effect made by direct sales of supermarket of Beijing Store converted from managed store to self-owned store in the Current Period.

Employee benefit expense

Employee benefit expense increased to HK\$187.5 million in 1HFY2011 from HK\$112.5 million in 1HFY2010. This increase was primarily due to the increase in wages and salaries, retirement benefit costs and other employee benefits as a result of recognising a full period's operation of Shanghai Pujian Branch Store acquired in January 2010, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store, Beijing Shishang Store opened in January, April, May 2010 respectively and the newly opened Beijing Qianzi Store in September 2010. In addition, the conversion of Beijing Store and Chengdu Store from managed stores to self-owned stores also contributed to the increase of employee benefit expense in the Current Period.

Depreciation and amortisation

Depreciation and amortisation expense increased from HK\$93.5 million in 1HFY2010 to HK\$129.2 million in 1HFY2011. This was primarily due to the conversion of Beijing Store and Chengdu Store from managed stores to self-owned stores in August and October 2010 respectively, the recognition of a full period's operation of Shanghai Pujian Branch Store acquired in January 2010, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store, Beijing Shishang Store opened in January, April, May 2010 respectively and newly opened Beijing Qianzi Store in September 2010. Moreover, the completion of acquisition of properties and land use rights in Zhengzhou City and Shenyang City in April and September 2010 respectively also contributed to the increase of depreciation and amortisation in the Current Period.

Operating lease rental expense

Operating lease rental expense increased to HK\$309.9 million in 1HFY2011 from HK\$166.8 million in 1HFY2010, primarily due to the conversion of Beijing Store and Chengdu Store from managed stores to self-owned stores in August and October 2010 respectively, the effect of recognising a full period's operation of Shanghai Pujian Branch Store acquired in January 2010, Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store, Beijing Shishang Store opened in January, April, May 2010 respectively and the opening of new self-owned Beijing Qianzi Store in September 2010.

Other operating expenses, net

Other operating expenses increased to HK\$170.8 million in 1HFY2011 from HK\$92.9 million in 1HFY2010. The increase in other operating expenses was mainly due to the conversion of Beijing Store and Chengdu Store from managed stores to self-owned stores in August and October 2010 respectively. Moreover, the increase was due to the effect of recognising a full period's operation of Shanghai Pujian Branch Store acquired in January 2010 and Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store, Beijing Shishang Store opened in January, April, May 2010 respectively. In addition, the newly opened Beijing Qianzi Store in September 2010 also contributed to the increase of relevant expenses.

Operating profit

Operating profit was HK\$401.6 million in 1HFY2011 compared with HK\$352.7 million of 1HFY2010.



Management Discussion & Analysis

Income tax expense

Income tax expense increased to HK\$107.1 million in 1HFY2011 from HK\$80.5 million in 1HFY2010, primarily as a result of the increase in profit before income tax. The current income tax rate in the Current Period was 20.7% compared with 23.5% in the same period of Previous Year. Deferred income tax expense in 1HFY2011 was HK\$24.9 million represented the temporary differences resulted in liabilities or assets to be payable or recoverable in the foreseeable future.

Profit for the period

As a result of the reasons mentioned above, profit for the Current Period was HK\$294.5 million compared with HK\$272.0 million for the same period of Previous Year.

Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK\$4,286.3 million as at 31 December 2010 (30 June 2010: HK\$3,596.7 million). The financial resources are sufficient for the operation and development of the Group.

The Group had no borrowings as at 31 December 2010.

The capital commitment of the Group as at 31 December 2010 were HK\$576.4 million, of which HK\$568.0 million were contracted but not provided for in the statement of financial position. For the contractual payment of HK\$568.0 million, approximately HK\$477.8 million was related to the acquisition of building ownership right, land use right of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems.

Pledge of assets

Assets of the Group were not pledged as at 31 December 2010.

Treasury policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange 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. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2010.

Review Report on Interim Financial Information



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central Hong Kong

**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 36, which comprises the condensed consolidated statement of financial position of New World Department Store China Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2010 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, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on 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" issued by the Hong Kong Institute of Certified Public Accountants. 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, 23 February 2011

Condensed Consolidated Income Statement



New World
Department Store
China Limited

Interim Report
2010/2011

For the six months ended 31 December 2010

	Note	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Revenue	3	1,283,880	988,581
Other income	4	99,589	28,621
Other gains/(losses), net	5	16,533	(789)
Changes in fair value of investment properties		14,684	–
Purchases of and changes in inventories		(215,584)	(198,034)
Employee benefit expense	6	(187,524)	(112,466)
Depreciation and amortisation		(129,228)	(93,457)
Operating lease rental expense		(309,909)	(166,844)
Other operating expenses, net	7	(170,836)	(92,910)
Operating profit		401,605	352,702
Share of loss of an associated company		–	(203)
Profit before income tax		401,605	352,499
Income tax expense	8	(107,066)	(80,485)
Profit for the period		294,539	272,014
Attributable to equity holders of the Company		294,539	272,014
Dividend	9	143,322	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	10	0.17	0.16

The notes on pages 24 to 36 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Profit for the period	294,539	272,014
Fair value (loss)/gain on available-for-sale financial assets	(6,987)	10,214
Revaluation of property upon reclassification from property, plant and equipment to investment properties	2,424	–
– Deferred tax thereof	(606)	–
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	(22,803)	–
Translation differences	71,583	42
Other comprehensive income for the period, net of tax	43,611	10,256
Total comprehensive income for the period	338,150	282,270
Total comprehensive income attributable to equity holders of the Company	338,150	282,270

There was no tax impact relating to the components of other comprehensive income for the period ended 31 December 2009.

The notes on pages 24 to 36 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Financial Position



New World
Department Store
China Limited

Interim Report
2010/2011

As at 31 December 2010

	Note	Unaudited As at 31 December 2010 HK\$'000	Audited As at 30 June 2010 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		1,946,681	1,579,406
Investment properties	12	245,218	–
Land use rights		910,586	858,711
Goodwill		620,783	228,710
Other non-current assets	13	74,585	206,640
Long-term prepaid rent and rental deposits		95,051	153,266
Available-for-sale financial assets	14	29,668	110,998
Deferred income tax assets		75,917	44,247
		3,998,489	3,181,978
Current assets			
Inventories		159,206	78,501
Debtors	15	62,477	19,612
Prepayments, deposits and other receivables		608,653	362,213
Amounts due from fellow subsidiaries	16	1,157	32,991
Fixed deposits		1,123,398	1,272,033
Cash and cash equivalents		3,162,867	2,324,666
		5,117,758	4,090,016
Total assets		9,116,247	7,271,994
Equity			
Share capital	17	168,615	168,615
Reserves	18	4,681,828	4,482,548
Interim dividend	9	143,322	–
Proposed final dividend		–	118,030
Total equity		4,993,765	4,769,193
Liabilities			
Non-current liabilities			
Accruals and deferred income	19	434,487	312,305
Deferred income tax liabilities		164,846	151,552
		599,333	463,857
Current liabilities			
Creditors, accruals and other payables	19	3,411,663	1,934,855
Amounts due to fellow subsidiaries	16	32,282	19,551
Amounts due to related companies	16	12,831	–
Tax payable		66,373	84,538
		3,523,149	2,038,944
Total liabilities		4,122,482	2,502,801
Total equity and liabilities		9,116,247	7,271,994
Net current assets		1,594,609	2,051,072
Total assets less current liabilities		5,593,098	5,233,050

The notes on pages 24 to 36 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Statutory reserve HK\$'000	Share-based compensation reserve HK\$'000	Available-for-sale investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
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
Comprehensive income										
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
Transactions with owners										
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)	–
Total transactions with owners	–	–	–	–	17,435	4,961	–	–	(132,621)	(110,225)
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
At 1 July 2010 – Audited	168,615	2,398,250	391,588	–	139,171	48,525	34,128	164,088	1,424,828	4,769,193
Comprehensive income										
Profit for the period	–	–	–	–	–	–	–	–	294,539	294,539
Other comprehensive income										
Fair value loss on available-for-sale financial assets	–	–	–	–	–	–	(6,987)	–	–	(6,987)
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	–	–	–	1,818	–	–	–	–	–	1,818
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	–	–	–	–	(22,803)	–	–	(22,803)
Translation differences	–	–	–	–	–	–	–	71,583	–	71,583
Total comprehensive income for the period ended 31 December 2010	–	–	–	1,818	–	–	(29,790)	71,583	294,539	338,150
Transactions with owners										
Share-based payments	–	–	–	–	–	4,452	–	–	–	4,452
Lapse of share options	–	–	–	–	–	(426)	–	–	426	–
Dividend relating to the year ended 30 June 2010	–	–	–	–	–	–	–	–	(118,030)	(118,030)
Transfer to statutory reserve	–	–	–	–	15,510	–	–	–	(15,510)	–
Total transactions with owners	–	–	–	–	15,510	4,026	–	–	(133,114)	(113,578)
At 31 December 2010 – Unaudited	168,615	2,398,250	391,588	1,818	154,681	52,551	4,338	235,671	1,586,253	4,993,765

The notes on pages 24 to 36 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flows



New World
Department Store
China Limited



Interim Report
2010/2011

For the six months ended 31 December 2010

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Net cash from operating activities	951,898	688,391
Net cash used in investing activities	(20,342)	(189,072)
Net cash used in financing activities	(120,730)	(117,876)
Effect of foreign exchange rate changes	27,375	42
Net increase in cash and cash equivalents	838,201	381,485
Cash and cash equivalents, at 1 July	2,324,666	2,185,992
Cash and cash equivalents, at 31 December	3,162,867	2,567,477

The notes on pages 24 to 36 are an integral part of this condensed consolidated financial information.

Notes to the 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 on 12 July 2007.

This condensed consolidated financial information are presented in Hong Kong dollar, unless otherwise stated. This condensed consolidated financial information has been approved for issue by the board of directors on 23 February 2011.

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 31 December 2010 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2010, 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.

For the six months ended 31 December 2010, the Group has adopted the following amendments to existing standards and interpretations which are mandatory for the accounting period beginning on 1 July 2010:

HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 1 Amendment	Limited Exemption for Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs Amendment	Improvements to 2009 HKFRSs

The Group adopted Hong Kong Interpretation 5 “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause” effective on 29 November 2010.

In addition, the Group has early adopted HKAS 12 Amendment “Deferred Tax: Recovery of Underlying Assets” for the period ended 31 December 2010.

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

The following new or revised standards, amendments to existing standards and interpretation are mandatory for the accounting periods beginning on or after 1 January 2011 which the Group has not early adopted:

HKFRS 7 Amendment	Disclosures – Transfer of Financial Assets
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HKFRSs Amendment	Improvements to 2010 HKFRSs

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



Notes to the Condensed Consolidated Financial Information

3 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 that the Group has a single operating and reporting segment which is the operation and management of department stores. CODM assesses the performance of this single segment based on a measure of revenue and operating result before income tax. All revenue is generated in Mainland China and all significant operating assets are in Mainland China.

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

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Commission income from concessionaire sales	879,115	575,787
Sales of goods – direct sales	260,649	271,757
Management fees	48,386	82,804
Rental income	95,730	58,233
	1,283,880	988,581

The income from concessionaire sales is analysed as follows:

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Gross revenue from concessionaire sales	4,727,607	2,966,763
Commission income from concessionaire sales	879,115	575,787

4 OTHER INCOME

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Interest income on bank deposits	23,462	18,108
Government grants	6,596	2,532
Other commission income	9,812	2,066
Write-back of other payable (Note 22(a))	41,840	–
Sundries	17,879	5,915
	99,589	28,621

Notes to the Condensed Consolidated Financial Information

5 OTHER GAINS/(LOSSES), NET

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Loss on disposal of property, plant and equipment	(938)	(789)
Gain on disposal of available-for-sale financial assets	17,471	–
	16,533	(789)

6 EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Wages and salaries	108,291	64,972
Retirement benefit costs – defined contribution plans	18,810	11,162
Share-based payments	3,450	5,839
Other employee benefits	56,973	30,493
	187,524	112,466

7 OTHER OPERATING EXPENSES, NET

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Water and electricity	83,819	56,850
Promotion, advertising and related expenses	61,133	27,681
Net exchange losses	6,363	975
Share-based payments	1,002	1,966
Auditor's remuneration	2,114	2,027
Others	16,405	3,411
	170,836	92,910

Notes to the Condensed
Consolidated Financial Information**8 INCOME TAX EXPENSE**

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

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Current income tax		
– Mainland China taxation	83,068	82,925
(Over)/under-provision in prior years	(908)	208
Deferred income tax	24,906	(2,648)
	107,066	80,485

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profit tax has been made as the Group has no estimated assessable profit in Hong Kong for the period ended 31 December 2009 and 2010.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2009: 25%).

9 DIVIDEND

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Interim dividend of HK\$0.085 (2009: HK\$0.080) per share	143,322	134,892

10 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 2010	Unaudited 2009
Profit attributable to the equity holders of the Company (HK\$'000)	294,539	272,014
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK\$ per share)	0.17	0.16

(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 2009 and 2010, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

Notes to the Condensed Consolidated Financial Information

11 CAPITAL EXPENDITURE

For the six months ended 31 December 2010, the Group has additions of property, plant and equipment, land use rights and investment properties of HK\$479,109,000, HK\$74,364,000 and HK\$170,860,000 respectively (2009: property, plant and equipment of HK\$99,092,000). The Group has disposed of property, plant and equipment of net book amount of HK\$1,817,000 (2009: HK\$1,374,000).

12 INVESTMENT PROPERTIES

Investment property is initially measured at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Changes in fair value are recognised in the income statement.

In September 2010, the carrying amounts of other non-current assets of approximately HK\$170,860,000 have been transferred to investment properties upon the completion of the transaction as described in Note 13.

On 31 December 2010, part of a building of approximately HK\$32,034,000 and land use right of approximately HK\$27,640,000 located in Zhengzhou City have been transferred to investment properties at fair value due to the change of use.

As at 31 December 2010, the investment properties were revalued on a market value basis by Jones Lang LaSalle Sallmanns, an independent professional valuer.

13 OTHER NON-CURRENT ASSETS

On 25 July 2008, Shenyang New World Department Store Ltd. ("Shenyang Co"), a wholly-owned subsidiary of the Company, entered into agreements with a third party to acquire a building, land use right and right of use of carpark located in Shenyang City. Up to the date of completion of the acquisition, the Group has made progress payment of approximately HK\$332,386,000 (30 June 2010: HK\$194,473,000) and paid direct costs of approximately HK\$15,586,000 (30 June 2010: HK\$12,167,000) in connection with such acquisition. Upon the completion of the transaction in September 2010, the carrying amounts of these other non-current assets were transferred to investment properties, property, plant and equipment and land use rights, where appropriate.

Balance as at 31 December 2010 represents the following transaction:

On 4 October 2010, Shenyang Co entered into an agreement with Shenyang New World Hotel Co., Ltd., a wholly-owned subsidiary of New World China Land Limited ("NWCL") and a fellow subsidiary of the Company. Shenyang Co agreed to acquire the building ownership right, land use right of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems, for a consideration of approximately RMB456,534,000 which is subject to the terms of the agreements for further adjustments. As at 31 December 2010, the Group has made progress payment of approximately HK\$53,085,000 and paid direct costs of approximately HK\$21,500,000 in connection with such acquisition. As at 31 December 2010, the capital commitment in respect of investment properties, property, plant and equipment and land use rights of the Group in relation to this acquisition is approximately HK\$477,768,000 (Note 21).

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited As at 31 December 2010 HK\$'000	Audited As at 30 June 2010 HK\$'000
Listed securities, at fair value		
Equity securities – Hong Kong	29,668	110,998

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

The fair value of equity securities is based on their bid prices in an active market at the end of the reporting period.

Notes to the Condensed
Consolidated Financial Information**15 DEBTORS**

	Unaudited As at 31 December 2010 HK\$'000	Audited As at 30 June 2010 HK\$'000
Trade receivables	62,477	19,612

The Group grants credit terms of 30 to 60 days in majority, based on the invoice date.

Aging analysis of the debtors is as follows:

	Unaudited As at 31 December 2010 HK\$'000	Audited As at 30 June 2010 HK\$'000
Within period for		
0 - 30 days	57,432	17,187
31 - 60 days	4,034	1,501
61 - 90 days	240	866
Over 90 days	771	58
	62,477	19,612

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

16 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES AND RELATED COMPANIES

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

17 SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each At 30 June 2010 and 31 December 2010	10,000,000	1,000,000
Ordinary shares of HK\$0.1 each, issued and fully paid:		
At 30 June 2010 – Audited and 31 December 2010 – Unaudited	1,686,145	168,615

Notes to the Condensed Consolidated Financial Information

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 – Unaudited								Unaudited
		At 1 July 2009	Granted during the period	Lapsed during the period	At 31 December 2009	At 1 July 2010	Granted during the period	Lapsed during the period	At 31 December 2010	Number of options exercisable '000
27 November 2007 (Note i)	8.660	18,770	–	(1,176)	17,594	16,999	–	(171)	16,828	10,097
25 March 2008 (Note ii)	8.440	3,965	–	(377)	3,588	3,524	–	–	3,524	1,410
		22,735	–	(1,553)	21,182	20,523	–	(171)	20,352	11,507
Weighted average exercise price of each category (HK\$)		8.622	–	8.607	8.623	8.622	–	8.660	8.622	8.633

- (i) The share options granted on 27 November 2007 were divided into 5 tranches and are 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 are exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013, respectively, to 24 March 2014.



Notes to the Condensed Consolidated Financial Information

18 RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Statutory reserve HK\$'000	Share-based compensation reserve HK\$'000	Available- for-sale investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
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 9)	–	–	–	–	–	–	–	(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
At 1 July 2010 – Audited	2,398,250	391,588	–	139,171	48,525	34,128	164,088	1,424,828	4,600,578
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(6,987)	–	–	(6,987)
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	–	–	1,818	–	–	–	–	–	1,818
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	–	–	–	(22,803)	–	–	(22,803)
Share-based payments	–	–	–	–	4,452	–	–	–	4,452
Lapse of share options	–	–	–	–	(426)	–	–	426	–
Transfer to statutory reserve	–	–	–	15,510	–	–	–	(15,510)	–
Dividend relating to the year ended 30 June 2010	–	–	–	–	–	–	–	(118,030)	(118,030)
Profit for the period	–	–	–	–	–	–	–	294,539	294,539
Translation differences	–	–	–	–	–	–	71,583	–	71,583
	2,398,250	391,588	1,818	154,681	52,551	4,338	235,671	1,586,253	4,825,150
Interim dividend (Note 9)	–	–	–	–	–	–	–	(143,322)	(143,322)
At 31 December 2010 – Unaudited	2,398,250	391,588	1,818	154,681	52,551	4,338	235,671	1,442,931	4,681,828

Notes to the Condensed Consolidated Financial Information

19 CREDITORS, ACCRUALS AND OTHER PAYABLES

	Unaudited As at 31 December 2010 HK\$'000	Audited As at 30 June 2010 HK\$'000
Creditors	2,086,729	1,097,058
Accruals and other payables	1,759,421	1,150,102
Less: long-term accruals and deferred income	(434,487)	(312,305)
	3,411,663	1,934,855

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

	Unaudited As at 31 December 2010 HK\$'000	Audited As at 30 June 2010 HK\$'000
Within period for		
0 - 30 days	1,127,869	440,938
31 - 60 days	546,961	370,643
61 - 90 days	151,854	93,480
Over 90 days	260,045	191,997
	2,086,729	1,097,058

Creditors included amounts due to related companies of HK\$31,639,000 (30 June 2010: HK\$18,935,000) which were unsecured, interest free and repayable within 90 days.

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



20 BUSINESS COMBINATION

(a) Acquisition of Broad Park Limited

In June 2010, the Group entered into an agreement with Solar Leader Limited (“Solar Leader”), a fellow subsidiary of the Company, whereby the Group agreed to acquire from Solar Leader 100% of equity interest in Broad Park Limited (“Broad Park”) and the amount due to Solar Leader (approximately HK\$11,515,000) by Broad Park, for an aggregate consideration of RMB150,000,000 (equivalent to approximately HK\$170,454,000) less the outstanding registered capital (approximately RMB54,908,000, equivalent to approximately HK\$62,395,000) of Beijing Yixi New World Department Store Co., Ltd., a wholly-owned subsidiary of Broad Park. The net consideration is equivalent to approximately HK\$108,059,000. The acquisition was approved by the shareholders on 27 July 2010 and completed on 1 August 2010.

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the acquisition are as follows:

	HK\$'000
Property, plant and equipment	84,021
Deferred income tax assets	6,949
Inventories	46,588
Debtors	20,968
Prepayment, deposits and other receivables	27,591
Amount due from a related company	137
Cash and cash equivalents	167,270
Creditors, accruals and other payables	(411,660)
Amount due to a fellow subsidiary	(8,750)
Amounts due to related companies	(73,985)
Total identifiable net liabilities	(140,871)
Goodwill	248,930
	108,059

Goodwill can be attributable to the anticipated profitability of the acquired business.

The acquired business contributed revenues of HK\$298,818,000 and net profit of HK\$91,266,000 to the Group for the period from 1 August 2010 to 31 December 2010. If the acquisition had occurred on 1 July 2010, Group’s revenue would have been HK\$1,331,647,000; profit for the period would have been HK\$291,038,000. These amounts have been calculated using the Group’s accounting policies.

Notes to the Condensed Consolidated Financial Information

20 BUSINESS COMBINATION (continued)

(b) Acquisition of Chengdu New World Department Store Co., Ltd.

In October 2010, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Chengdu New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB2,000,000 (equivalent to approximately HK\$2,316,000).

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the acquisition are as follows:

	HK\$'000
Property, plant and equipment	39,278
Deferred income tax assets	22,437
Inventories	2,130
Debtors	1,006
Prepayment, deposits and other receivables	17,038
Cash and cash equivalents	19,539
Creditors, accruals and other payables	(174,441)
Total identifiable net liabilities	(73,013)
Goodwill	75,329
	2,316

Goodwill can be attributable to the anticipated profitability of the acquired business.

The acquired business contributed revenues of HK\$24,433,000 and net profit of HK\$6,591,000 to the Group for the period from the date of completion of the acquisition to 31 December 2010. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK\$1,301,264,000; profit for the period would have been HK\$292,892,000. These amounts have been calculated using the Group's accounting policies.

(c) Acquisition of Changsha New World Trendy Plaza Co., Ltd.

On 31 December 2010, the Group acquired the entire equity interest from independent third parties, including all interest and rights, of Changsha New World Trendy Plaza Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB10,000,000 (equivalent to approximately HK\$11,752,000).

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the acquisition are as follows:

	HK\$'000
Property, plant and equipment	33,206
Deferred income tax assets	17,107
Inventories	1,305
Debtors	2,016
Prepayment, deposits and other receivables	25,492
Cash and cash equivalents	27,073
Creditors, accruals and other payables	(165,013)
Total identifiable net liabilities	(58,814)
Goodwill	70,566
	11,752

Goodwill can be attributable to the anticipated profitability of the acquired business.

The acquired business did not contribute any revenues or net profit to the Group for the period from 1 July 2010 to 31 December 2010. If the acquisition had occurred on 1 July 2010, Group's revenue would have been HK\$1,313,663,000; profit for the period would have been HK\$291,648,000. These amounts have been calculated using the Group's accounting policies.



Notes to the Condensed Consolidated Financial Information

21 CAPITAL COMMITMENT

Capital commitment in respect of investment properties, property, plant and equipment, and land use rights of the Group at the end of the reporting period are as follows:

	Unaudited As at 31 December 2010 HK\$'000	Audited As at 30 June 2010 HK\$'000
Contracted but not provided for	568,040	140,644
Authorised but not contracted for	8,354	807
	576,394	141,451

As at 30 June 2010, the Group has entered into an agreement to acquire 100% of the equity interest in Broad Park and its outstanding shareholder's loan from Solar Leader. The capital commitment in relation to this transaction, contracted but not provided for (not included above) is approximately HK\$108,059,000.

22 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to those disclosed in other sections of the financial information, the following significant related party transactions have been entered into by the Group in the normal course of its business during the period:

	Note	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Fellow subsidiaries			
Management fee income	(i)	4,943	34,142
Operating lease rental expenses	(ii)	(44,747)	(37,839)
Building management expenses	(iii)	(10,543)	(6,139)
Purchase of leasehold improvements	(iv)	(45,473)	(39,967)
Deposit paid for building and land use right	(v)	(53,085)	–
Sale of prepaid shopping cards	(vi)	1,101	–
Reimbursement of shopping vouchers	(vii)	288	–
Related companies			
Commission income from concessionaire sales	(viii)	11,666	8,170
Operating lease rental expenses	(ii)	(83,224)	(14,777)
Building management expenses	(iii)	(8,575)	–
Sale of prepaid shopping cards	(vi)	822	–
Write-back of other payable	(ix)	41,840	–

Notes to the Condensed Consolidated Financial Information

22 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) The income is charged in accordance with the terms of service fees stated in respective agreements.
- (ii) The operating lease rental expense is charged in accordance with respective tenancy agreements.
- (iii) The building management expense 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) This represents deposit paid for the purchase of building and land use right as described in Note 13.
- (vi) This represents the amounts received in respect of the goods sold by means of accepting the prepaid shopping cards issued by the Group to New World Development Company Limited ("NWD") and its subsidiaries (except the Group), or by other means acceptable to the Group.
- (vii) The reimbursement of shopping vouchers is charged in accordance with respective agreements with NWCL and Chow Tai Fook Jewellery Company Limited or its subsidiaries, an associate of Chow Tai Fook Enterprises Limited, a shareholder of NWD.
- (viii) The income is charged in accordance with concessionaire counter agreements with Chow Tai Fook Jewellery Company Limited or its subsidiaries. The commission income is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.
- (ix) The other payable is waived by a jointly controlled entity of NWCL.

(b) Key management compensation

	Unaudited Six months ended 31 December 2010 HK\$'000	Unaudited 2009 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	7,161	6,321
Retirement benefit costs – defined contribution plans	533	515
Share-based payments	1,246	2,052
	8,940	8,888

23 EVENTS AFTER THE REPORTING PERIOD

- (a) On 28 December 2010, the Group entered into a sale and purchase agreement with an independent third party, whereby the Group agreed to dispose of 100% of equity interest in Luxland Limited, a wholly-owned subsidiary of the Group, for an aggregate consideration of RMB385,000,000. As at 31 December 2010, the completion of the transaction is subject to the fulfillment of certain precedent conditions.
- (b) In January 2011, the Group agreed to acquire 100% of the equity interest in Beijing New World Trendy Department Store Co., Ltd. and Chongqing New World Department Store Co., Ltd. for a consideration of RMB5,000,000 each, from certain independent third parties.

24 ULTIMATE HOLDING COMPANY

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



Corporate Citizenship

CHARITABLE ACTIVITIES

The Group practises the spirit of “contributing to the community from which it generates profits”, thus it is committed to charitable activities, dedicated to work on environmental conservation to shoulder its responsibilities to the social environment.

MSF Day 2010

The Group became the principal sponsor of Medecin Sans Frontieres Day (“MSF Day”) for the fourth consecutive year, with participation from over 26,000 staff members. The New World Group was once again the biggest donor in private sector in Hong Kong. Of the total donation of HK\$410,000 raised, NWDS staff accounted for HK\$330,000.

Northeastern China Region Supported the Dependents

In November 2010, Anshan New World Department Store (“Anshan Store”) joined hands with local organizations and organized two newspaper charitable sales for the children and elderly living in poverty-stricken hillside regions in China. In the same month, Anshan Store jointly organized a “Thanksgiving and Sharing Warmth” visit with *Northern Morning Post* to an elderly home and an orphanage in Anshan to express cares and thanks of NWDS towards these retired soldiers and disabled children. Dalian New World Department Store (“Dalian Store”) donated old uniforms to the remoted rural area in August 2010 through the assistance of Dalian Charity Federation. Besides, the store also recruited staff volunteers to make dumplings for an elderly home during their resting hours in Oct 2010.

Northern China Region Gave a Helping Hand to the Disadvantaged

Beijing Trendy Store donated clothes to Beijing Children Welfare Institute in Shunyi District in July 2010. On 15 October 2010, the store also organized an outdoor charity fair with Nanlang East Community with all the proceeds donated to people with employment difficulties. Beijing Store also held a cloth donation event in November 2010, all collected clothes were given to help disadvantaged children. Cooperated with Tianjin Store, Beijing Store organized “Caring GAGA painting activity cum charity sales” during 6 to 14 November 2010 to raise funds for children suffered from brittle bone disease. Meanwhile, Beijing Liying Store participated in a community service activity “Join hand-in-hand, Serve the Community Whole-heartedly” which was arranged by Wangjing streets committee to help Wangjing residents in Beijing.

Selfless Offerings by Central China Region

As the Gansu Zhouqu residents were greatly affected by large-scale mudslide, Wuhan Xudong Branch Store therefore organized a fund-raising activity, mobilizing staff and customers to donate for the disaster victims. The donations reached the affected area afterwards through Wuhan Red Cross to help victims in rebuilding their homes. In July 2010, staff at Wuhan New World Trendy Plaza (“Wuhan Trendy Plaza”) helped the children with poor eyesight with the proceeds collected from selling used plastic drink bottles and used papers. In face of the blood reserve shortage at Wuhan City Blood Centre, Wuhan New World Department Store – Qiaokou Branch Store (“Wuhan Qiaokou Branch Store”) initiated a “Light the lives up with our blood” event at K11 Wuhan outdoor plaza with Wuhan New World Hotel and the Gourmet Tower of K11 Wuhan, mobilizing their staff members to donate blood.

Corporate Citizenship

Eastern China Region Donates Generously

On 20 November 2010, Shanghai-Hong Kong New World Department Store – Chengshan Branch Store (“Shanghai Chengshan Branch Store”) launched a “Caring Thanksgiving Day”, in which a “RMB 9 Charity Auction” section was one of the highlights of the day, all sale income from the auction were donated to Welfare Centre at Pudong new district. In addition, Shanghai Huaihai Branch Store, Shanghai Pujian Branch Store and Taizhou New World Department Store (“Taizhou Store”) actively responded to their local community’s call to participate in blood donation campaign in their respective districts. On the other hand, Nanjing New World Department Store (“Nanjing Store”) organized a “Love to the Elder Soldier Campaign” to donate blankets for old soldiers living alone.

Efforts of Southwestern China Region to Alleviate Poverty

In August 2010, Chongqing Store and Chengdu Store donated clothes to the highly impoverished schools through Chongqing charity organizations. At the same month, with the assistance of China Charity Federation – Yunnan Branch, Kuming New World Department Store (“Kunming Store”) donated unused old-fashioned uniforms to poor mountainous area in Yunnan Lincang.

GROUP HONOURS

Counting on our customer-first service attitude and quality merchandise, the Group was widely recognized by government and social institutions for its outstanding achievements. Thus, the Group received numerous awards in different aspects, reflecting the Group’s spirit to strive for excellence continuously.

“Asia’s 200 Best Under A Billion”

The Group was awarded “Asia’s 200 Best Under A Billion” three years in a row by *Forbes*, the international renowned financial magazine. In 2010, from among 13,000 small and medium-sized enterprises that were listed in Asia Pacific with an annual turnover not exceeding US\$1 billion, *Forbes* compiled its listing of 200 companies with each possessing outstanding credentials in income growth, sales growth and returns to shareholders in the past 12 months and over the last 3 years.

Bronze Award in both ARC Awards – “Overall Annual Report: Retail Convenience & Department Store” Category and LACP’s 2009 Vision Awards – “Annual Report: Retail” Category

To demonstrate a new image of “Enriching Lives • Enhancing Character” of NWDS and the diversified shopping experiences, the 2009 Annual Report featured the new rebranding icon “Hundred Birds Forwarding to the Sun” and consumers in fabulous colors. Grey rebranding icons together with the variegated consumers on the cover highlighted the unique trendy image of NWDS and the enjoyable shopping experiences of consumers. The idea and design of the annual report were recognized by ARC Awards and LACP’s 2009 Vision Awards, they presented the Group with bronze award in “Overall Annual Report: Retail Convenience & Department Store” category and bronze award in “Annual Report: Retail” category respectively in July 2010.

Internet Professional Association “Web Care Award 2010” – Jade Award

NWDS corporate website <http://www.nwds.com.hk> won jade award in “Web Care Award 2010” organized by Internet Professional Association, in recognition of the Company’s effort last year in promoting web accessibilities by building no-barrier website, which in turn, offering an equal opportunities to the needy and sharing the benefits from internet development in Hong Kong with them.



Corporate Citizenship

“The Most Influential Commercial Institution of the Year”, “The Highlighted Marketing Event of the Year”, “The Brand New Shopping Experience of the Year”

The Group won “The Most Influential Commercial Institution of the Year” from *Life Style*, a lifestyle and service magazine in China. Collaborated with Consumption and Fashion Research Institute under Life Style Media Group, *Life Style* selected NWDS after different levels of assessment to be the China’s influential enterprise, acclaiming its overall outstanding performance in China.

At the same time, *Life Style* also evaluated the shopping malls in Beijing in 2010 with outstanding performance in market turnover, sector contribution, creativity and customer services, in which NWDS won high recognitions in a number of aspects. The “Shopping All Night Long” marketing activity, organized by Beijing Store of the Group, won “2010 Gold *Life Style* Professional Award – The Highlighted Marketing Event of the Year”. On the other hand, Beijing Shishang Store was crowned “2010 Gold *Life Style* Trendy Award – The Brand New Shopping Experience of the Year”.

“Caring Cooperation Unit”, “The Fashionable Enterprise of the Year”, “Gold Fascinating Service Ambassador”, “Innovative Service Award”

In October 2010, Anshan Store was designated as “Caring Cooperation Unit” by Anshan Charity Federation. Meanwhile, Shenyang Nanjing Street Branch Store was awarded “The Fashionable Enterprise of the Year” by *Style Weekly*. Shenyang Consumer Council and *Huashang Morning Paper* also conferred Shenyang Nanjing Street Branch Store as “Gold Fascinating Service Ambassador”, and awarded the “Innovative Service Award” to Shenyang New World Department Store – Zhonghua Road Branch Store (“Shenyang Zhonghua Road Branch Store”).

“Building Five Good Two New Parties”, “Outstanding Merchant of National Unionpay Commercial Cashier Skills Competition”, “Outstanding Team of National Unionpay Commercial Cashier Skills Competition”

In July 2010, Beijing Trendy Store received the title of “Building Five Good Two New Parties” from Chinese Communist Party at Chaoyang District, whereas Lanzhou New World Department Store (“Lanzhou Store”) received “Outstanding Merchant” award and “Outstanding Team” award from “National Unionpay Commercial Cashier Skills Competition”.

Honorable title of “2009 Best Business Ethics Labor and Social Security Employer”, “2nd runner-up in Credit Card Knowledge Competition for Cashier of Commercial Service Sector in Hubei Province”

In July 2010, Wuhan New World Department Store (“Wuhan Store”) was honored with the title of “2009 Best Business Ethics Labor and Social Security Employer” from Wuhan Bureau of Human Resources and Social Security. Besides, the store was also awarded “2nd runner-up in Credit Card Knowledge Competition for Cashier of Commercial Service Sector in Hubei Province”.

“2010 Advanced Unit in Shanghai Commercial Quality Service Group”, “Outstanding Participating Unit of Shanghai Region in the 4th Unionpay Award – National Commercial Cashier Skills Competition”

In July 2010, Shanghai-Hong Kong New World Department Store – Qibao Branch Store (“Shanghai Qibao Branch Store”) received honorable title of “2010 Advanced Unit in Shanghai Commercial Quality Service Group” from Shanghai Commercial Association. In September 2010, Shanghai-Hong Kong New World Department Store – Wujiaochang Branch Store (“Shanghai Wujiaochang Branch Store”) also won the title of “Outstanding Participating Unit of Shanghai region in the 4th Unionpay Award – National Commercial Cashier Skills Competition”.

CONSERVATION ACTIVITIES

Old Battery Collection for Recycling

During the period reported, numerous stores organized old battery collection for recycling program. Through this program, the Group targeted to minimize disruption to environment due to mishandling of used batteries. In July 2010, Beijing Liying Store introduced “Recycling Battery in Office” by providing central collection of used batteries in office. In November 2010, Beijing Shishang Store, Wuhan New World Department Store – Wuchang Branch Store (“Wuhan Wuchang Branch Store”), Wuhan Hanyang Branch Store ran used battery collection program, urging both staff members and customers to donate used batteries. Wuhan Store also organized “Little Battery, Big Impact to Environment” activity that a RMB 10 voucher designated to Japanese and Korean merchandise zone would be given to every customer who put 10 or more pieces of used batteries to the in-store recycling bin, aiming to encourage customers to handle used battery properly.

Raising Environmental Awareness Among Staff

The Group proactively promoted environmental awareness to its staff during the period under review through launching various activities. By organizing environmental conservation essay writing program in November 2010 to January 2011, staff were stimulated to ponder on the connection between their daily lives and the environment, so as to embed the idea of environmental conservation in their hearts. On 20 August 2010, Wuhan Trendy Plaza held green cycling activity and encouraged its staff members to ride bicycle when they went to work and returned home, which could both relieve the traffic pressure and reduce energy consumption. Harbin Store also hosted a “Quiz on Environmental Protection • Low Carbon • Energy Saving” on 11 November 2010, serving as a mean to enhance staff members’ interest in environmental protection and raising their awareness to the environment. On 14th of the same month, staff members of Dalian Store contributed to the cleanliness of the society by participating in a leaf-sweeping activity during their resting day.

Advocate Low-Carbon Concept Among the Public

Wuhan Store cooperated with *Changjiang Daily* from 30 July to 22 August 2010 to create a column called “New World Environmental Window” in the newspaper. In 3 consecutive weeks, articles about new concepts on low-carbon lifestyle were published to raise the public’s awareness. Wuxi New World Department Store (“Wuxi Store”) also launched an organic fruit day “The More Environmentally-Conscious, The More Happy and Healthy I am” to advocate a low-carbon lifestyle to our customers whilst promoting the benefits of organic fruits.



Corporate Citizenship

CARE FOR STAFF

Creating Harmonious Working Atmosphere

In order to provide a pleasant working environment to staff, the Group strives to develop positive corporate culture. Through the introduction of “A+B=C³”, it encouraged appreciation among staff towards mutual assistance, working attitude, creative ideas and so on by expressing with the appreciation card. This would help boost the solidarity among staff and create a harmonious working atmosphere.

Promoting Staff Potential

The Group organized a variety of internal training activities and courses on a regular basis. Since 17 May 2010, the Group conducted an eight-month “2010 Probationary Store Manager Nurturing Programme” as well as holding 3 sessions of training courses on “Effective Management – Habit and Thought” from June to October 2010, aiming to boost the ability of middle management staff members. Besides, the Group also invited experienced staff from Japan VMD Association and Japanese Business Environment Designers’ Association to be tutor for our intermediate and advanced classes of “VMD Shop Display and Visual Merchandising Training Program” held between 27–29 July 2010 in Wuhan, dedicating to enhance stores’ competitiveness in visual merchandising. In addition, Chengdu Store has organized the courses of “Enhancement in Floor Management” and “Customer Service Training” for trainers on 13–21 September, 2010. There were altogether 30 staff joining the program and helped raise their professional skills and their sense of work safety.

Creating Internship for Local Youths

The Group has been supporting New World Group’s “Creating a New World” internship program and 2010 was the 3 consecutive years for the Group to show its support to this program, offering opportunities for local youths to have an internship at the stores of New World Department Store in mainland China. During the summer holiday of 2010, 12 students from five universities in Hong Kong were assigned to work in the Group’s stores in Shanghai and received training in customer service and retail management. This helped lay a good foundation for youths before they went into the job market and it was also a golden opportunity for recruiting potential new staff for the Group.

Consolidating Solidarity Among Staff

The Group hosted various outdoor activities and staff gatherings during the period reported, for examples, the badminton competition organized in Wuhan Trendy Plaza, Shanghai Huaihai Branch Store and Kunming Store, providing opportunities for integration among staff and manifesting team spirit. In November 2010, Chengdu Store also organized a tug-of-war contest, whilst Lanzhou Store launched a mountain-climbing fitness activity in December 2010. These sport activities can relieve staff’s stress from daily work, strengthen their will power and enhance team solidarity. Moreover, stores hosted staff birthday parties regularly to help raise sense of belonging among our staff.

Other Information

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\$0.085 per share (2009: HK\$0.080 per share) for the six months ended 31 December 2010 to shareholders whose names appear in the register of members of the Company on 15 April 2011. It is expected that the interim dividend will be paid on or about 18 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 April 2011 to Friday, 15 April 2011, 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 Monday, 11 April 2011.

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 2010 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2010 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 Hong Kong Institute of Certified Public Accountants.

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 2010.

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 2010.



Other Information

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2010, total number of employees for the Group was 5,989 (2009: 3,918). 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 June 2010, the Group entered into an agreement with Solar Leader Limited ("Solar Leader") and Broad Park Limited ("Broad Park") whereby the Group agreed to acquire from Solar Leader 100% of equity interest in Broad Park and the amount due to Solar Leader (approximately HK\$11,515,000) by Broad Park, for an aggregate consideration of RMB150,000,000 (equivalent to approximately HK\$170,454,000) less the outstanding registered capital (approximately RMB54,908,000, equivalent to approximately HK\$62,395,000) as at 18 June 2010 of Beijing Yixi New World Department Store Co., Ltd., a wholly-owned subsidiary of Broad Park. The acquisition was approved by the shareholders of the Company other than New World Development Company Limited ("NWD") and its associates on 27 July 2010, as defined under the Listing Rules, and completed on 1 August 2010.

In October 2010, New World Department Stores Investment (China) Co., Ltd. ("NWDSIC"), 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 Chengdu New World Department Store Co., Ltd., a limited liability company incorporated in the PRC and the operator of Chengdu Store, for an aggregate consideration of RMB2,000,000.

On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co.") entered into a framework agreement for sale and purchase of property with Shenyang New World Hotel Co., Ltd., a wholly-owned subsidiary of New World China Land Limited ("NWCL") and a fellow subsidiary of the Group. Shenyang Co. agreed to acquire the building ownership right, land use right of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems, for a consideration of approximately RMB456,534,000 which is subject to the terms of the agreements for further adjustments.

Other Information

ACQUISITION AND DISPOSAL (continued)

On 28 December 2010, the Group entered into a sale and purchase agreement with an independent third party, whereby the Group agreed to dispose of 100% of the equity interest in Luxland Limited, a wholly-owned subsidiary of the Group, for an aggregate consideration of RMB385,000,000.

On 31 December 2010, NWDSIC acquired the entire equity interest from independent third parties, including all interest and rights, of Changsha New World Trendy Plaza Co., Ltd., a limited liability company incorporated in the PRC and the operator of Changsha Trendy Plaza, for an aggregate consideration of RMB10,000,000.

In January 2011, the Group agreed to acquire 100% of the equity interest in Beijing New World Trendy Department Store Co., Ltd. ("Beijing Trendy Co.") and Chongqing New World Department Store Co., Ltd. ("Chongqing Co.") for a consideration of RMB5,000,000 each, from certain independent third parties. Beijing Trendy Co. and Chongqing Co. are engaged in operations of a department store in Beijing and Chongqing respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2010. 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 2010.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors since the date of the Company's Annual Report 2010 is set out below:

Mr. Au Tak-cheong has been appointed as the chief financial officer of NWD in January 2011.



Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2010, the interests and short positions, if any, of the Directors and 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	600,000	–	–	600,000	0.01
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	13,768,798	–	12,000,000 ⁽³⁾	25,768,798	0.78

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.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long positions in underlying shares – share options

i. The Company

Under the share option scheme of the Company, the undermentioned Directors have personal interests in share options to subscribe for shares of the Company and accordingly they are regarded as interested in the underlying shares of the Company respectively. Certain details of the share options of the Company held by them during the six months ended 31 December 2010 are as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options				Balance as at 31 December 2010	Exercise price per share HK\$
			Balance as at 1 July 2010	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	27 November 2007	(1)	250,000	-	-	-	250,000	8.660
			6,690,000	-	-	-	6,690,000	



Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

i. The Company (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 Director for each grant of the share options is HK\$1.00.

ii. New World China Land Limited

Under the share option schemes of the fellow subsidiary, NWCL, the undermentioned Directors have personal interests in share options to subscribe for shares of NWCL and accordingly they are regarded as interested in the underlying shares of NWCL respectively. Certain details of the share options of NWCL held by them during the six months ended 31 December 2010 are as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options				Balance as at 31 December 2010	Exercise price per share HK\$
			Balance as at 1 July 2010	Granted during the period	Exercised during the period	Lapsed during the period		
Dr. Cheng Kar-shun, Henry	7 January 2008	(1)	2,238,806	-	-	-	2,238,806	6.228
	29 December 2008	(3)	1,791,045	-	-	-	1,791,045	1.340
Mr. Cheng Chi-kong, Adrian	25 July 2006	(2)	371,194	-	-	-	371,194	2.559
	7 January 2008	(1)	1,679,104	-	-	-	1,679,104	6.228
	29 December 2008	(3)	1,343,284	-	-	-	1,343,284	1.340
Ms. Ngan Man-ying, Lynda	7 January 2008	(1)	1,119,403	-	-	-	1,119,403	6.228
	29 December 2008	(3)	1,007,463	-	(500,000)	-	507,463	1.340
			9,550,299	-	(500,000)	-	9,050,299	

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

ii. *New World China Land Limited (continued)*

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

iii. *New World Development Company Limited*

Under the share option schemes of the holding company, NWD, the undermentioned Directors have personal interests in share options to subscribe for shares of NWD and accordingly they are regarded as interested in the underlying shares of NWD respectively. Certain details of the share options of NWD held by them during the six months ended 31 December 2010 are as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options					Balance as at 31 December 2010	Exercise price per share ⁽³⁾ HK\$
			Balance as at 1 July 2010	Granted during the period	Adjusted during the period ⁽³⁾	Exercised during the period	Lapsed during the period		
Dr. Cheng Kar-shun, Henry	19 March 2007	(1) 36,710,652		-	1,086	-	-	36,711,738	17.653
Mr. Cheng Chi-kong, Adrian	19 March 2007	(2) 502,885		-	14	-	-	502,899	17.653
Mr. Au Tak-cheong	19 March 2007	(2) 1,206,925		-	35	-	-	1,206,960	17.653
			38,420,462	-	1,135	-	-	38,421,597	

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) NWD declared final dividend for the year ended 30 June 2010 in scrip form (with cash option) during the period which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$17.654 to HK\$17.653 on 28 December 2010.
- (4) The cash consideration paid by each Director for grant of the share options is HK\$10.00.



Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

iv. NWS Holdings Limited

Under the share option scheme of a fellow subsidiary, NWS Holdings Limited (“NWSH”), the undermentioned Director has personal interests in share options to subscribe for shares of NWSH and accordingly he is regarded as interested in the underlying shares of NWSH. Certain details of the share options of NWSH held by him during the six months ended 31 December 2010 are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options					Balance as at 31 December 2010	Exercise price per share ⁽²⁾ HK\$
			Balance as at 1 July 2010	Granted during the period	Adjusted during the period ⁽²⁾	Exercised during the period	Lapsed during the period		
			Dr. Cheng Kar-shun, Henry	21 August 2007	(1)	3,026,828	-		
			3,026,828	-	1,518,408	-	-	4,545,236	

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) NWSH declared bonus issue of shares and final dividend for the year ended 30 June 2010 in scrip form (with cash option) during the period which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$16.055 to HK\$10.692 on 29 December 2010.
- (3) The cash consideration paid by the Director for grant of the share options is HK\$10.00.

Save as disclosed above, as at 31 December 2010, none of the Directors and 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.

Other Information

SHARE OPTION MOVEMENTS OF OTHER ELIGIBLE PARTICIPANTS

The Company

Date of grant	Exercisable period (Notes)	Number of share options				Balance as at 31 December 2010	Exercise price per share HK\$
		Balance as at 1 July 2010	Granted during the period	Exercised during the period	Lapsed during the period		
27 November 2007	(1)	11,289,000	–	–	(171,000)	11,118,000	8.660
25 March 2008	(2)	2,544,000	–	–	–	2,544,000	8.440
		13,833,000	–	–	(171,000)	13,662,000	

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 participant for each grant of the share options is HK\$1.00.



Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2010, the following persons (not being the Directors or chief executive of the Company) had an interest or a short position in the shares of the Company 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 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 40.25% 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 the Directors or chief executive of the Company) who, as at 31 December 2010, had an interest or a short position in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Kar-shun, Henry (*Chairman*)

Mr. Au Tak-cheong

Executive Directors

Mr. Cheng Chi-kong, Adrian

Mr. Cheung Fai-yet, Philip (*Managing Director*)

Mr. Lin Tsai-tan, David

Mr. Wong Kwok-kan, Kenneth

Ms. Ngan Man-ying, Lynda

Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry

Mr. Chan Yiu-tong, Ivan

Mr. Tong Hang-chan, Peter

Mr. Yu Chun-fai

COMPANY SECRETARY

Miss Wu Yuk-kwai, Catherine

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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PRINCIPAL BANKERS

Bank of Communications Co., Ltd.

Hang Seng Bank Limited

Industrial and Commercial Bank of China 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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This interim report is printed on environmental paper.