

NWDS



Interim Report
2011/2012

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)

Explicit Positioning

Categorizing department stores into "Fashion Gallery" and "Living Gallery", creating an explicit brand image

Customers Come First

Diversified products and services, offering customers with "taste" and "personalized" shopping experience

Enthusiastic at Innovation

Abundant theme marketing activities with innovation, keeping us to stand out in the ever-changing department store market



時 新 尚 個 生 性 活
Enriching Lives Enhancing Character

新世界百貨
NEW WORLD DEPARTMENT STORES

新世界百貨
NEW WORLD DEPARTMENT STORES



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 recognized as a retailer of quality merchandise and a symbol of quality living.

Secured strategic foothold: our network

To establish ourselves as a leading department store operator in the PRC, we have been proactively expanding our store network across the country. As of 31 December 2011, we have secured strategic footholds in 18 major cities, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Taizhou, Zhengzhou and Mianyang. Our retail chain comprised 35 self-owned stores and 4 managed stores in the PRC with an aggregate gross floor area of approximately 1,353,670 square meters. We currently operate a large national network of 29 “New World” branded department stores, 9 “Ba Li Chun Tian” (巴黎春天) branded department stores in Shanghai and 1 “Channel 1” (調頻壹) branded shopping mall in Shanghai.

Tapping into China’s growing affluence: our target market

Our goal is to 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 complementary services, such as supermarket, dining, fitness centre, spa centre, bank etc, satisfying needs from all walks of life. “Fashion Gallery” is positioned as “Trendy” with the elements of “Characters” and “Taste”, emphasising “Mix & Match” by introducing exclusive brands and merchandises. Our revenue is mainly derived 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 organization structure

In view of the organization structure, we adopt an efficient three-tier structure which comprises central management, regional management and local management. Operationwise, we group into different geographic regions that draw on a central pool of administrative support in human resources, finance and corporate communications.

Professionalism from top to bottom: our people

As at 31 December 2011, we employed 6,935 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.





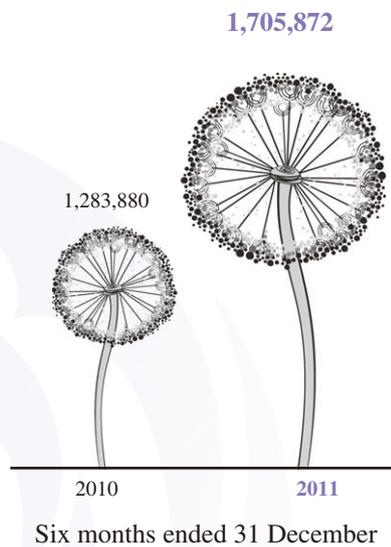
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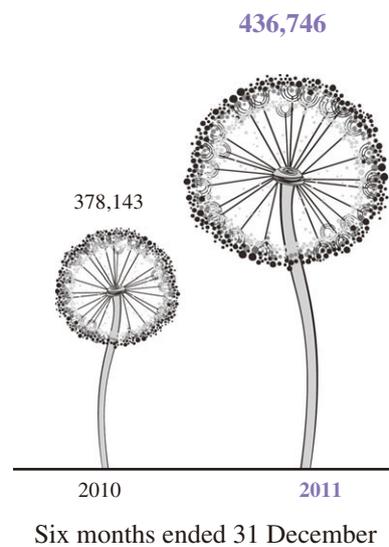
Financial Highlights

Profit for the period: HK\$330,048 thousand

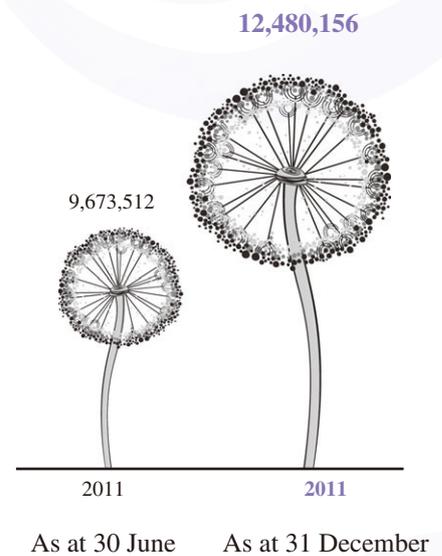
Revenue (HK\$'000)



Operating profit (HK\$'000)



Total assets (HK\$'000)



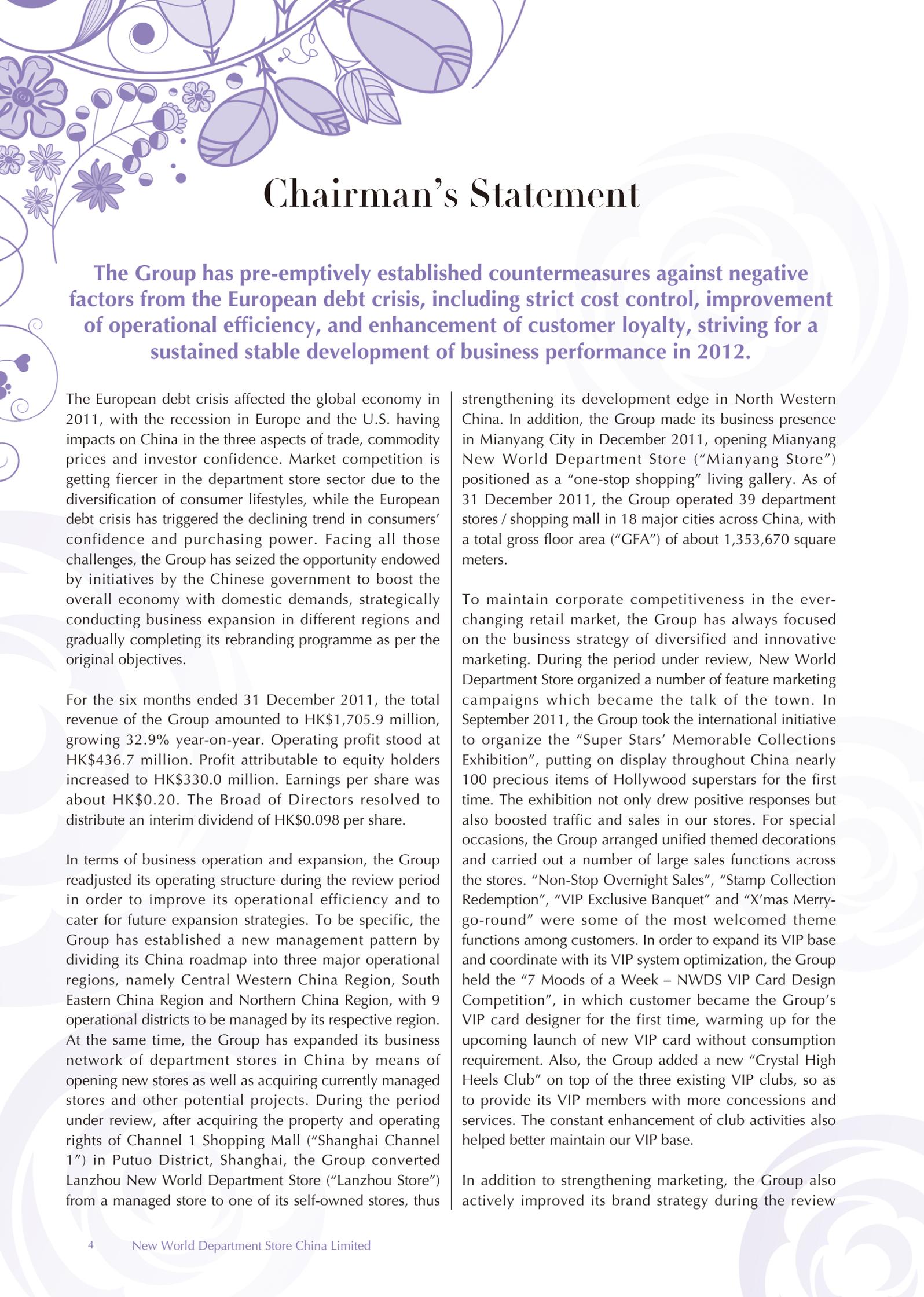
Financial Highlights

	Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Operating Result		
Revenue	1,705,872	1,283,880
Representing:		
Commission income from concessionaire sales	1,194,966	879,115
Sales of goods – direct sales	316,114	260,649
Management fees	16,022	48,386
Rental income	178,770	95,730
	1,705,872	1,283,880
Operating profit	436,746	378,143
Profit for the period	330,048	294,539

	As at 31 December 2011 HK\$'000	As at 30 June 2011 HK\$'000
Financial Position		
Fixed deposits, cash and cash equivalents	4,250,160	4,153,037
Total assets	12,480,156	9,673,512
Total liabilities	6,646,227	4,101,084
Total equity	5,833,929	5,572,428

	Six months ended 31 December	
	2011	2010
Financial Ratios		
Revenue growth	32.9%	29.9%
Operating profit margin	25.6%	29.5%
Net profit margin	19.3%	22.9%

	As at 31 December 2011	As at 30 June 2011
Current ratio (times)	1.16	1.46



Chairman's Statement

The Group has pre-emptively established countermeasures against negative factors from the European debt crisis, including strict cost control, improvement of operational efficiency, and enhancement of customer loyalty, striving for a sustained stable development of business performance in 2012.

The European debt crisis affected the global economy in 2011, with the recession in Europe and the U.S. having impacts on China in the three aspects of trade, commodity prices and investor confidence. Market competition is getting fiercer in the department store sector due to the diversification of consumer lifestyles, while the European debt crisis has triggered the declining trend in consumers' confidence and purchasing power. Facing all those challenges, the Group has seized the opportunity endowed by initiatives by the Chinese government to boost the overall economy with domestic demands, strategically conducting business expansion in different regions and gradually completing its rebranding programme as per the original objectives.

For the six months ended 31 December 2011, the total revenue of the Group amounted to HK\$1,705.9 million, growing 32.9% year-on-year. Operating profit stood at HK\$436.7 million. Profit attributable to equity holders increased to HK\$330.0 million. Earnings per share was about HK\$0.20. The Board of Directors resolved to distribute an interim dividend of HK\$0.098 per share.

In terms of business operation and expansion, the Group readjusted its operating structure during the review period in order to improve its operational efficiency and to cater for future expansion strategies. To be specific, the Group has established a new management pattern by dividing its China roadmap into three major operational regions, namely Central Western China Region, South Eastern China Region and Northern China Region, with 9 operational districts to be managed by its respective region. At the same time, the Group has expanded its business network of department stores in China by means of opening new stores as well as acquiring currently managed stores and other potential projects. During the period under review, after acquiring the property and operating rights of Channel 1 Shopping Mall ("Shanghai Channel 1") in Putuo District, Shanghai, the Group converted Lanzhou New World Department Store ("Lanzhou Store") from a managed store to one of its self-owned stores, thus

strengthening its development edge in North Western China. In addition, the Group made its business presence in Mianyang City in December 2011, opening Mianyang New World Department Store ("Mianyang Store") positioned as a "one-stop shopping" living gallery. As of 31 December 2011, the Group operated 39 department stores / shopping mall in 18 major cities across China, with a total gross floor area ("GFA") of about 1,353,670 square meters.

To maintain corporate competitiveness in the ever-changing retail market, the Group has always focused on the business strategy of diversified and innovative marketing. During the period under review, New World Department Store organized a number of feature marketing campaigns which became the talk of the town. In September 2011, the Group took the international initiative to organize the "Super Stars' Memorable Collections Exhibition", putting on display throughout China nearly 100 precious items of Hollywood superstars for the first time. The exhibition not only drew positive responses but also boosted traffic and sales in our stores. For special occasions, the Group arranged unified themed decorations and carried out a number of large sales functions across the stores. "Non-Stop Overnight Sales", "Stamp Collection Redemption", "VIP Exclusive Banquet" and "X'mas Merry-go-round" were some of the most welcomed theme functions among customers. In order to expand its VIP base and coordinate with its VIP system optimization, the Group held the "7 Moods of a Week – NWDS VIP Card Design Competition", in which customer became the Group's VIP card designer for the first time, warming up for the upcoming launch of new VIP card without consumption requirement. Also, the Group added a new "Crystal High Heels Club" on top of the three existing VIP clubs, so as to provide its VIP members with more concessions and services. The constant enhancement of club activities also helped better maintain our VIP base.

In addition to strengthening marketing, the Group also actively improved its brand strategy during the review

Chairman's Statement

period. Apart from continuing with the pursuit of “N-only” symbol and the exclusive brand strategy, the Group was also determined to establish and consolidate its category killers, so as to better spotlight branded commodities of the department store. Besides, we optimized the product mix in line with consumer preferences and highlighted our advantages in differential operation.

During the period under review, the Group received a number of awards from well-known organizations thanks to its excellent performance in profitability, corporate governance and formulation of development strategies. Among other things, the Group was accredited as Asia's 200 Best Under A Billion by *Forbes* for the fourth consecutive year in 2011. And our rebranding marketing campaign won the “Citation for Excellence in Mainland Marketing” Award in the HKMA/TVB Awards for Marketing Excellence 2011, as an industry-wide recognition of our innovation in brand planning.

The Group has always cherished the responsibilities of promoting environmental protection and contributing to the community. Our stores organized various activities to promote environmental conservation and public welfare during the review period. The Group also organized three nationwide environmental campaigns in the second half of 2011, including “NWDS Green Rewards”, “NWDS Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign” and “Let's Donate a Tree to Save the Earth” waste paper recycling campaign, effectively enhancing the environmental awareness of customers. In July 2011, the Group became the principal sponsor of “MSF Day” for the fifth consecutive year, practicing the give-and-take spirit in the community.

Looking ahead, the Group will continue to implement the business concepts of “Fashion Gallery” and “Living Gallery” under the brand-new pattern of regional operation, highlighting the “Fashion Gallery” as a thematic department store with a “trendy character”, as well as conducting the “Living Gallery” into a “One-stop Shopping Department Store”. Besides, we will expand our business in line with the two major strategies of “multiple presences within a single city” and “radiation city”, with our business focus to be extended from first and second tier cities to the potential second and third tier cities. The Group plans to add self-owned stores with a total GFA of about one million square meters in the next five years.

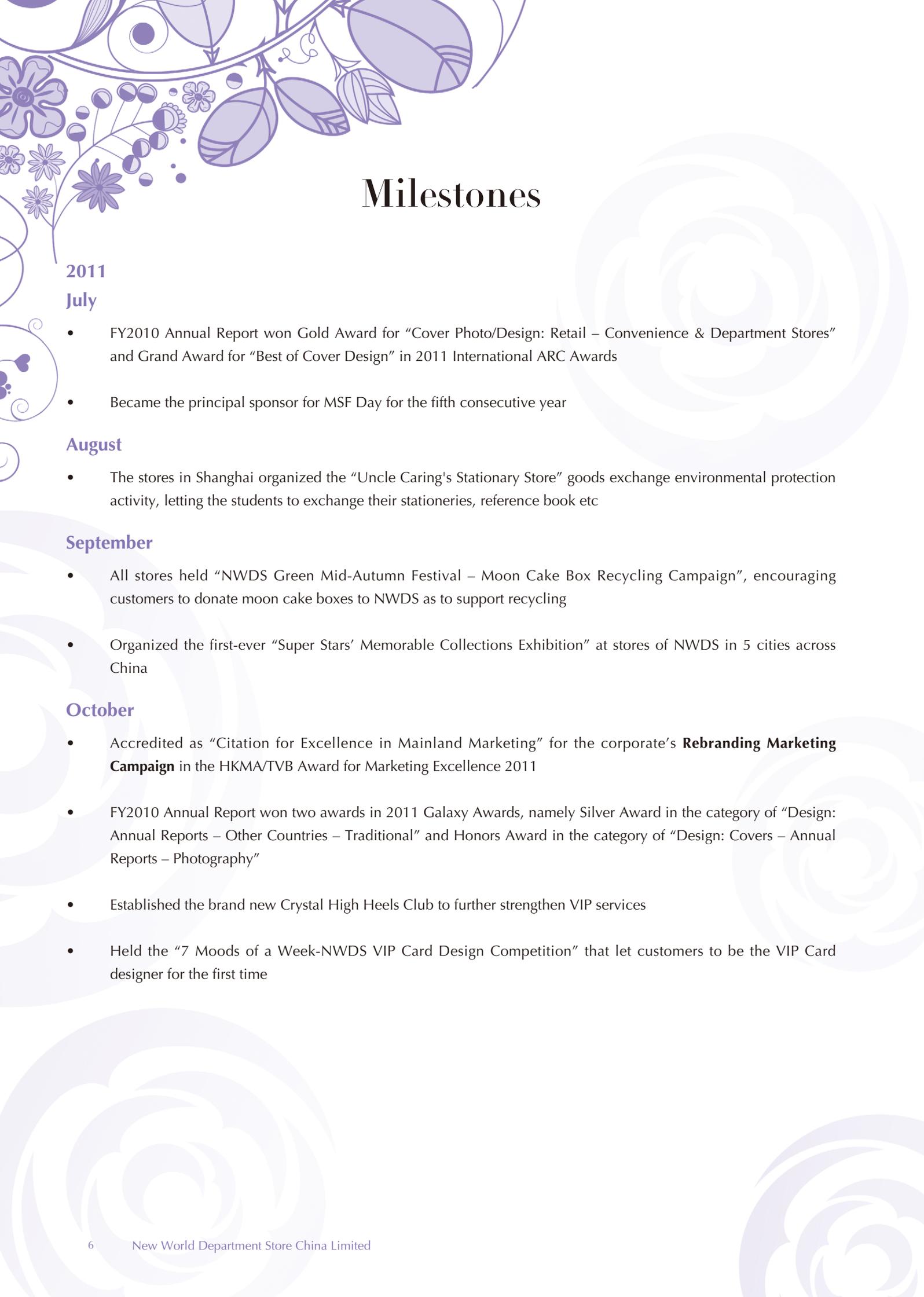
The Group has pre-emptively established countermeasures against negative factors from the European debt crisis, including strict cost control, improvement of operational efficiency, and enhancement of customer loyalty, striving for a sustained stable development of business performance in 2012. Figures released by the Chinese government showed that consumption on the Mainland maintained a steady growth in 2011, with significant improvement in the contribution of consumption to GDP growth. With uncertainties in the external economic environment and insufficiency of external demands, boosting domestic demands becomes the driving force to maintain rapid economic growth. The Central Economic Work Conference in December 2011 also proposed “adherence to expanding domestic demands and stabilizing external demands” as the means to stabilize the economy. Therefore, new consumption incentives can be expected in the market in the future. In view of that, we are full of expectation of and cautiously optimistic about the Group's development in the coming year.

On behalf of the Board, I would like to extend heartfelt gratitude to shareholders, customers and business partners for their long-term support for the Group. I am also deeply thankful for the hard work and contributions of the management and staff during the review period.

Dr. Cheng Kar-shun, Henry

Chairman

Hong Kong, 28 February 2012



Milestones

2011

July

- FY2010 Annual Report won Gold Award for “Cover Photo/Design: Retail – Convenience & Department Stores” and Grand Award for “Best of Cover Design” in 2011 International ARC Awards
- Became the principal sponsor for MSF Day for the fifth consecutive year

August

- The stores in Shanghai organized the “Uncle Caring's Stationary Store” goods exchange environmental protection activity, letting the students to exchange their stationeries, reference book etc

September

- All stores held “NWDS Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign”, encouraging customers to donate moon cake boxes to NWDS as to support recycling
- Organized the first-ever “Super Stars’ Memorable Collections Exhibition” at stores of NWDS in 5 cities across China

October

- Accredited as “Citation for Excellence in Mainland Marketing” for the corporate’s **Rebranding Marketing Campaign** in the HKMA/TVB Award for Marketing Excellence 2011
- FY2010 Annual Report won two awards in 2011 Galaxy Awards, namely Silver Award in the category of “Design: Annual Reports – Other Countries – Traditional” and Honors Award in the category of “Design: Covers – Annual Reports – Photography”
- Established the brand new Crystal High Heels Club to further strengthen VIP services
- Held the “7 Moods of a Week-NWDS VIP Card Design Competition” that let customers to be the VIP Card designer for the first time

Milestones

November

- Acquired the property and operating rights of Shanghai Channel 1, of which is located in Shanghai Putuo District engaging in the retail business, with a GFA of about 42,000 sq.m.
- Lanzhou Store with a GFA of approximately 27,200 sq.m. has been converted from a managed store to a self-owned store since November, further strengthening the development edge of the Group in Northwestern China Region
- Accredited as “Asia’s 200 Best Under A Billion” by *Forbes* for the fourth consecutive year
- Awarded as the 2011 “Family-Friendly Employer” by the Hong Kong Family Council, becoming a recognized organization that met the requirements of the *Family-Friendly Employers Award Scheme* organized by the council

December

- All stores organized the “Let’s Donate a Tree to Save the Earth” waste paper recycling activity to improve customers’ awareness of environmental protection, achieving the purpose of waste reduction as well as protection for the trees of the Earth
- Put up large scale “X’mas Merry-go-round” themed decoration and organized a series of celebrating activities in stores of five cities in China, celebrating Christmas with customers
- Mianyang Store commenced operation in December, further extending our presence in South Western District

2012

January

- Beijing New World Liying Department Store (“Beijing Liying Store”) with a GFA of approximately 52,000 sq.m. has been converted from a managed store to a self-owned store in January 2012
- Set up a large scale Chinese New Year themed decoration in five cities and launched a series of activities named “New World Dragon Dance • Joyful Family”

February

- FY2011 Annual Report won Gold Award in the category of “Annual Reports – Overall Presentation: Department Store” in the 2011/12 Mercury Awards

Business Review

The Group's revenue increased by 32.9% from HK\$1,283.9 million for the six months ended 31 December 2010 (or "1HFY2011" or "the same period of Previous Year") to HK\$1,705.9 million for the six months ended 31 December 2011 (or "1HFY2012" or "the Current Period"). Profit for the period grew 12.1% from HK\$294.5 million in 1HFY2011 to HK\$330.0 million in 1HFY2012.

BUSINESS NETWORK

In 1HFY2012, the Group operated 39 department stores, with a total GFA of about 1,353,670 square meters and a total operating floor area ("OFA") of about 1,012,800 square meters. Located in three operational regions, namely Northern China Region, South Eastern China Region and Central Western China Region, the stores covered 18 major cities in the PRC. These included Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Taizhou, Zhengzhou and Mianyang. Our business network comprised 35 self-owned stores and 4 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 46.9% of total revenue, followed by the Central Western China Region and the South Eastern China Region, accounting for 29.2% and 23.9%, respectively.

By segment

Commission income from concessionaire sales was the major type of income, accounting for 70.1% of total revenue. Proceeds from direct sales and rental income accounted for 18.5% and 10.5%, respectively. Management fees accounted for 0.9%.

South Eastern China Region

23.9%

Central Western China Region

29.2%

Northern China Region

46.9%



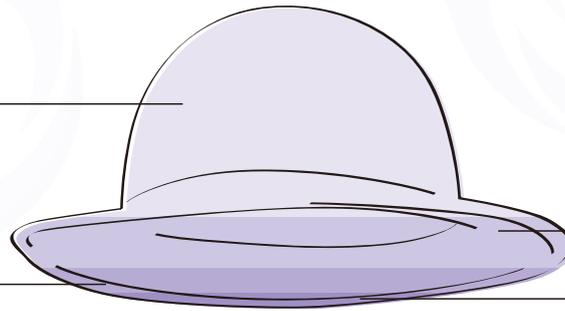
Business Review

Commission income from
concessionaire sales

70.1%

Rental income

10.5%



Direct sales

18.5%

Management fees

0.9%

GROWTH IN NATIONWIDE VIP MEMBERSHIP

During the period under review, the membership for both VIP card and platinum VIP card maintained a continual rise. Total combined VIP membership nationwide registered a 22.6% increase year-on-year, numbering in excess of 2.39 million. VIP sales accounted for about 51% of total sales. During the period under review, the Group added a new “Crystal High Heels Club” on top of the three existing VIP clubs, namely “Smart Lady Club”, “Perfect House Wife Club” and “Platinum Style Club”. The Group has 4 VIP clubs at present with total membership increased to 960,000 in the Current Period, representing a year-on-year growth of 47.7%.

STORE NETWORK DEVELOPMENT

In the period under review, the Group opened a self-owned store, Mianyang Store, in Mianyang city. In addition, the Group successfully acquired the property and operating rights of Shanghai Channel 1 located in Shanghai Putuo District in November 2011, whilst Lanzhou Store was converted from the Group’s managed store to self-owned store at the same month.

Therefore, as of 31 December 2011, the Group’s total GFA was approximately 1,353,670 square meters, up 10.6% from the same period of Previous Year. The total GFA of self-owned stores reached 1,193,970 square meters, representing a year-on-year increase of 28.5%.

OPERATIONAL STRATEGIES

The Group readjusted its operating structure during the period reported in order to cater for future expansion & development strategies, to improve its operational efficiency and to lower the overall operational costs. The Group divided its national network into three major operational regions, with a total of nine districts under the three regions. These included the Northern China Region covering the Northern District, the North Eastern District and the North Western District, the Central Western China Region with the Central District, the Central Southern District and the South Western District as well as the South Eastern China Region with the Shanghai District, the Eastern District and the Southern District.



Business Review

Under the new operational structure, the Group continued to actively implement the two major operating concepts of “Fashion” and “Living”, emphasizing the essence of “Enriching Lives • Enhancing Character” throughout the rebranding program. The rebranding program made satisfactory progress during the period under review. As of the end of December 2011, we had completed about 59% of the store floor areas requiring rebranding and interior decorations, including stores in the cities of Shenyang, Harbin, Tianjin, Beijing, Lanzhou and Shanghai, bringing a new shopping experience for customers.

“Fashion”, “Living” thematic merchandising strategy

In terms of brand strategy, the Group actively established and consolidated its category killers, developed more exclusive brands and enhanced efforts in promoting its private labels, so as to highlight the merits of differentiated operation during the period under review. At the same time, the Group also strengthened its brand marketing strategies. It promoted the number of repeated purchases and increased the times of consumption among customers by means of cross merchandising and brand mix display in line with consumer preferences and habits, so as to achieve greater sales turnover. In addition, the Group adopted different strategies of brand enhancement for its “Fashion Gallery” and “Living Gallery”. In view of the emphasis of the “Fashion Gallery” on “style” and “personality”, brand analysis and research were actively conducted in the period reported in order to accurately understand consumer preferences. For example, Hong Kong New World Department Store – Shanghai Huaihai Branch Store (“Shanghai Huaihai Branch Store”) cooperated with different media e.g. Vogue magazine and ddm.com to hold a series of activities to cater for consumers’ demands for trendy and quality products. For the “Living Gallery”, efforts were made to further enrich and improve the complementary facilities of department stores. The new

Mianyang Store, for example, features “Environmental Paradise” in its interior decorations and design. That theme, seamlessly showcasing the design of human-oriented space with diversified categories of commodities, providing customers with the fun of carefree shopping, thus attracting families of all ages to the store.

Diversified means of communication with suppliers

In order to enhance the Group’s cooperation with concessionaires and suppliers, we not only continued to conduct the “Top 150 Brand Retainer Scheme”, the “Strategic Partnership Scheme” and made good use of the “New World Net” communication platform, but also carried out numerous activities to consolidate the relations with concessionaires and suppliers of our stores nationwide during the period under review. With diversified means of communication and exchanges, we managed to integrate the information and resources of our stores and suppliers in a more extensive and effective manner, thus realizing comprehensive cooperation in terms of visual merchandising, marketing and interaction.

Creative and thematic promotional activities

In terms of marketing promotions, the Group actively carried out a number of creative marketing activities during the period under review, so as to increase the sales volumes and traffic flows of its stores nationwide. The Group continued to organize activities and decorations with unified themes during major traditional festivals, so as to foster the customers’ anticipation of the Group’s annual activities and cultivate their buying habits. For example, the Group launched the special decoration of “X’mas Merry-go-round” in five major cities during Christmas, together with the feature function of “Bear Messengers for Christmas Eve and Day”. For the Mid-Autumn Festival, the Group held the “Moonlight Waltz in NWDS”, greatly stimulating customers’ desire of spending and successfully motivating consumption in the

Business Review



Group's stores during the traditional festivals. The Group also made good use of non-traditional but popular festivals nowadays to create purchase desires for customers and to increase their frequency of visits to the stores. For example, the Group carried out activities such as "Gifts for Pumpkin Festival" on Halloween and "Sweet Double Seven in NWDS" for the Chinese Lovers' Day. By providing quality commodities and fabulous options for consumers in their cultural life, we successfully attracted different types of customers to spend in the stores on newly welcomed festivals and increased the traffic flows on non-traditional festive seasons. In addition, the Group held a number of large-scale and exciting sales promotion activities timely on non-holidays, such as the "Exhibition of Classic Ferrari Cars and Parts" for consumers fond of racing cars, the "3v3 Basketball Contest" for sport-lovers, the "Cosplay: Large Animation Show" and "Fashion Season in NWDS" for fashion-conscious customers, "Taobao Day" for those who like the treasure-hunting shopping style, etc., providing customers with a leisure shopping spot on non-festive days. During the period under review, various feature activities successfully drew a lot of media attention and coverage, which not only increased the sales but also established the Group's good reputation in the industry and among consumers.

Expand the VIP base

The Group focused on consolidating the loyalty of VIP members during the period under review, with activities such as "Privilege Day", "Homecoming Day" and "Treasure-hunting Night" especially for its members. Different kind of exclusive activities were also organized for members of the three clubs, including "Yoga for Soul Inspiration", talk on "SPA Beauty Salon" and "Sunny M for Beautiful Summer" for the Smart Lady Club, "Agile Weaving Moms" seminar, "Beauty from Head and Health from Feet" and "Family DIY Green Bags for Fashion" for the Perfect House Wife

Club, as well as "Golf Carnival", "Red Wine Tasting" and "Exclusive Jewellery Appraisal" for the Platinum Style Club. Those activities provided VIP customers with more privileged shopping experiences, effectively increasing their number of store visits and repeated spending. At the same time, in order to offer a wider selection of clubs and to cater for female consumers' fancy habit of buying shoes, the Group added a new "Crystal High Heels Club" during the period under review, providing potential VIP members with one more option as well as strengthening the overall VIP membership system. In addition, the Group held the "7 Moods of a Week – NWDS VIP Card Design Competition" especially for young consumers, in which customers became VIP card designer for the first time. The activity, catering for young customers' fondness of creation and interaction, was intended to extend the Group's customer base and to draw the attention of more consumers to the Group. The whole competition received more than 2,000 designs and over 595,000 people voted in the competition, successfully attracting different kind of consumers to the stores during the period under review.

New media promotion strategy

The growing popularity of online platforms and interactive new media has made them an important channel to communicate with customers. To enable the Group's closer contacts with consumers, we made great efforts in the period reported to promote NWDS's products and spread marketing message via the extensive use of different social entertainment websites, videos, microblogs and mobile phone platforms, enhancing the Group's interaction and exchanges with netizens in Hong Kong and various Mainland cities. For example, branch stores in Shanghai designed the mobile phone app of "Non-stop overnight sales", letting customer to get posted on the latest information and download different coupons during the activity period.



Business Review

EXPANSION STRATEGIES

The Group has always been active and prudent in developing business expansion strategies on a comprehensive and long-term basis, together with adjustments in line with the policy guidance of the Chinese government, the actual operating situation of various regions as well as the market development trends. In the next five years, the Group is planning to add self-owned stores with a total GFA of about one million square meters. We will continue to expand our business presence in China's department store roadmap through the opening of new stores, the acquisition of existing managed stores and potential department stores, as well as the development of greenfield projects. In terms of our store network, the Group will extend its footholds from first and second tier cities to second and third tier ones with great potentials, and will carry through the two major strategies of business expansion, i.e., "multiple presences within a single city" and "radiation city". To gradually expand our business from core cities to peripheral ones, we will focus on and strengthen the "radiation city" strategy in future for regional business expansion. The Group has formulated different development plans for the three re-divided operational regions during the review period.

In Central Western China Region, for example, with gradual implementation of the "Western Development" programme by the Chinese Central Government, the Group has radiated its foothold from Chengdu City to Mianyang City, opening the fourth store in South Western District to further expand the business in the region. With a GFA of about 35,000 square meters, Mianyang Store is located on the east of Linyuan Road of the city, which is the heart of new business centre. The new store commenced operation in December 2011. Besides, we have opened a store in Changsha as early as 2006 in view of the excellent development potential of Hunan Province, where the city is located. To further expand our market influence in Hunan, we plan to open a new self-owned store in Hengyang, another city in the province in FY2014, with a GFA of about 42,200 square meters.

In Northern China Region, Xi'an is one of the kernel cities in China's seven regions and the provincial capital of Shaanxi with the greatest spending power in the province. Over the years, the Group has established an extensive store network in surrounding provinces and cities of Shaanxi, including Lanzhou, Chengdu, Chongqing, Wuhan, Zhengzhou and Changsha, which has resulted in the advantage of agglomerative economy. In FY2013, the Group will open a new store with a GFA of about 58,500 square meters in Xi'an City, expecting to play a significant strategic role in the Group's future expansion of North Western China. In addition, the Group also plans to extend its presence to Yantai, the third largest city in Shandong Province in FY2013, by opening a self-owned store with a GFA of about 55,000 square meters.

In South Eastern China Region, the Group targets at Yancheng, the largest provincial city in Jiangsu Province where a new store will be opened in FY2013. The Yancheng project, featuring a one-stop living gallery with a GFA of about 54,000 square meters, will certainly initiate synergy effects in the region among different cities in Jiangsu.

In the meantime, the Group will continue to deploy the expansion strategy of "multiple presences in a single city", designating regional core cities including Shenyang and Beijing in Northern China Region, Shanghai in South Eastern China Region, Wuhan and Chengdu in Central Western China Region, for the sake of greater market shares and enjoy cost-effectiveness.

In addition to opening new self-owned stores, the Group will also continue to acquire currently managed stores and/or other potential projects. In November 2011, the Group acquired the property and operating rights of Shanghai Channel 1 in Putuo District, Shanghai. Lanzhou Store was converted from a managed store to a self-owned store at the same month. Besides, Beijing Liying Store, which was previously a managed store, has also become one of the Group's self-owned stores in January 2012. In the future,

Business Review

the Group also plans to expand the areas of its existing stores to cater for the consumers' needs, including the expansion plan of Shenyang New World Department Store – Jianqiao Road Branch Store (“Shenyang Jianqiao Road Branch Store”) in FY2012, with its GFA to be increased from the current 34,000 square meters to about 68,000 square meters, as well as the expansion for Phase II of Shenyang New World Department Store – Nanjing Street Branch Store (“Shenyang Nanjing Street Branch Store”) in FY2014, with about 25,400 square meters to add to its GFA.

Furthermore, we will also add managed stores/shopping mall at opportune moments. In FY2013, the Group will open a new managed store in Ningbo, with a GFA of about 60,000 square meters. In FY2014, we will also manage a shopping mall with a GFA of about 46,000 square meters in Yantai. On the one hand, this provides steady income from management fees for the Group, and on the other hand, enabling further expansion of our store network.

OUTLOOK

In 2011, the European debt crisis triggered economic slowdown or recession in Europe and the United States, while dealing a blow to China's economic development and investor confidence. Uncertainties in the external economic environment also affected consumer confidence and purchasing power in China's retail sector in 2011. Nevertheless, figures released by China's National Bureau of Statistics show that the nation recorded a GDP of RMB26,578.83 billion for the second half of 2011, with a year-on-year increase of 17.3%. And China's total retail sales of consumer goods exceeded RMB18.1 trillion in 2011, with a year-on-year growth of 17.1%, reflecting steady growth in the Mainland's consumption and predicting the potential of sustainable development of China's retail sector.

The Chinese government has made it clear in the “12th Five-Year Plan” to encourage consumer spending as a strategic focus to boost domestic demands. In December 2011, the Central Economic Work Conference reaffirmed the importance of expanding consumption growth. At the same time, the Chinese Ministry of Commerce revealed an average annual growth of about 15% in the total retail sales of consumer goods during the “12th Five-Year Plan” period as well as predicting an increase of over 14% in that aspect in 2012. According to government statistics, the per capita disposable annual income in urban areas stood at RMB21,810 in 2011, with an increase of 14.1% over the previous year. Those figures all indicate the gradual rise in the purchasing and spending powers of Chinese consumers in the future.

Looking ahead to 2012, it is especially important to maintain the steady growth of China's economy by expanding consumption against the threatened prospect of decelerating exportation and investment due to the European debt crisis. It is expected that, with the support of related government policies, consumption in second and third tier cities will be continuously boosted by the constant improvement of people's livelihood, growth of residents' incomes as well as great expansion of public services. In the future, the Group will seize the opportunity and adapt itself to market changes in formulating strategies conducive to its development planning and interests, striving to stand out in the highly competitive sector of department store in China.

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK\$1,705.9 million in 1HFY2012 representing an increase of 32.9% from HK\$1,283.9 million in 1HFY2011. The growth was primarily contributed from commission from concessionaire sales, sales of goods for direct sales and rental income.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 36.3% to HK\$6,801.5 million in 1HFY2012 from HK\$4,988.3 million in 1HFY2011. Gross revenue from concessionaire sales increased to HK\$6,485.4 million from HK\$4,727.6 million in the same period of Previous Year. Commission income rate was 18.4% in the Current Period compared with 18.6% in the same period of Previous Year. Sales of goods for direct sales was HK\$316.1 million in 1HFY2012 compared with HK\$260.6 million in 1HFY2011. Direct sales turnover was mainly comprised of cosmetic products (approximately 44.1%), groceries, housewares and perishables (approximately 42.3%), ladieswear and menswear (approximately 6.3%), accessories, handbags and underwears (approximately 6.0%). Gross margin of direct sales was 16.5% compared to 17.3% in the same period of Previous Year. In 1HFY2012, ladieswear and accessories made up approximately 61.2% of gross sales revenue. Menswear and accessories made up approximately 21.4% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest of gross sales revenue.

Management fees was HK\$16.0 million in 1HFY2012 showing a decrease from HK\$48.4 million in 1HFY2011. The decrease was primarily due to the conversion of Beijing New World Department Store ("Beijing Store"), Chengdu New World Department Store ("Chengdu Store"), Changsha New World Trendy Plaza ("Changsha Trendy Plaza"), Beijing New World Trendy Department Store ("Beijing Trendy Store"), Chongqing New World Department Store ("Chongqing Store") and Lanzhou Store

from managed stores to self-owned stores in August, October and December 2010, March, April and November 2011 respectively, as compared with there was one month and three months contribution from Beijing Store and Chengdu Store respectively and a full period contribution from Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store and Lanzhou Store in the same period of Previous Year.

Rental income increased by 86.8% to HK\$178.8 million in 1HFY2012 mainly due to increased leasing area from firstly, recognising a full period's operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store acquired in August, October and December 2010, March and April 2011 respectively, and Beijing New World Qianzi Department Store ("Beijing Qianzi Store"), Zhengzhou New World Department Store ("Zhengzhou Store") and Shenyang Jianqiao Road Branch Store opened in September 2010, April and May 2011 respectively; secondly, the completed acquisition of Shanghai Channel 1 in November 2011; thirdly, the conversion of Lanzhou Store from a managed store to a self-owned store in November 2011 and fourthly, the opening of newly self-owned Mianyang Store in December 2011.

Other income

Other income of the Group was decreased from HK\$97.8 million in 1HFY2011 to HK\$62.4 million in 1HFY2012. The decrease was mainly due to the decrease of write-back of other payables in the course of operating in 1HFY2012.

Other gains, net

Other gains, net of the Group was HK\$46.0 million in the Current Period compared with HK\$16.5 million in the same period of the Previous Year. Other gains in the Current Period primarily comprised a gain of HK\$47.1 million on the disposal of entire equity interest in Focus Smart Limited, a wholly-owned subsidiary of the Group which is also the owner of a portion of the property and land use rights situated in Wuxi City.

Management Discussion & Analysis



Changes in fair value of investment properties

In the Current Period, there was no changes in fair value of investment properties of the Group.

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 22.4% to HK\$263.9 million in 1HFY2012 from HK\$215.6 million in 1HFY2011. The percentage of increase was approximately in line with the increase in sales of goods for direct sales.

Employee benefit expense

Employee benefit expense increased to HK\$263.9 million in 1HFY2012 from HK\$187.5 million in 1HFY2011. 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 Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store, Beijing Qianzi Store, Zhengzhou Store and Shenyang Jianqiao Road Branch Store acquired and opened in FY2011; the newly acquired Lanzhou Store and Shanghai Channel 1 in November 2011 and the newly opened Mianyang Store in December 2011.

Depreciation and amortisation

Depreciation and amortisation expense increased from HK\$129.2 million in 1HFY2011 to HK\$141.1 million in 1HFY2012. This was primarily due to recognising a full period's operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store, Beijing Qianzi Store, Zhengzhou Store and Shenyang Jianqiao Road Branch Store acquired and opened in FY2011; the conversion of Lanzhou Store from a managed store to a self-owned store and the newly acquired Shanghai Channel 1 in November 2011 and the newly opened Mianyang Store in December 2011.

Operating lease rental expense

Operating lease rental expense increased to HK\$415.1 million in 1HFY2012 from HK\$309.9 million in 1HFY2011, primarily due to recognising a full period's operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store acquired in August, October and December 2010, March and April 2011 respectively and Beijing Qianzi Store opened in September 2010. In addition, the newly opened Mianyang Store in December 2011 and the conversion of Lanzhou Store from a managed store to a self-owned store in November 2011 also contributed to the increase of operating lease rental expense in the Current Period.

Other operating expenses, net

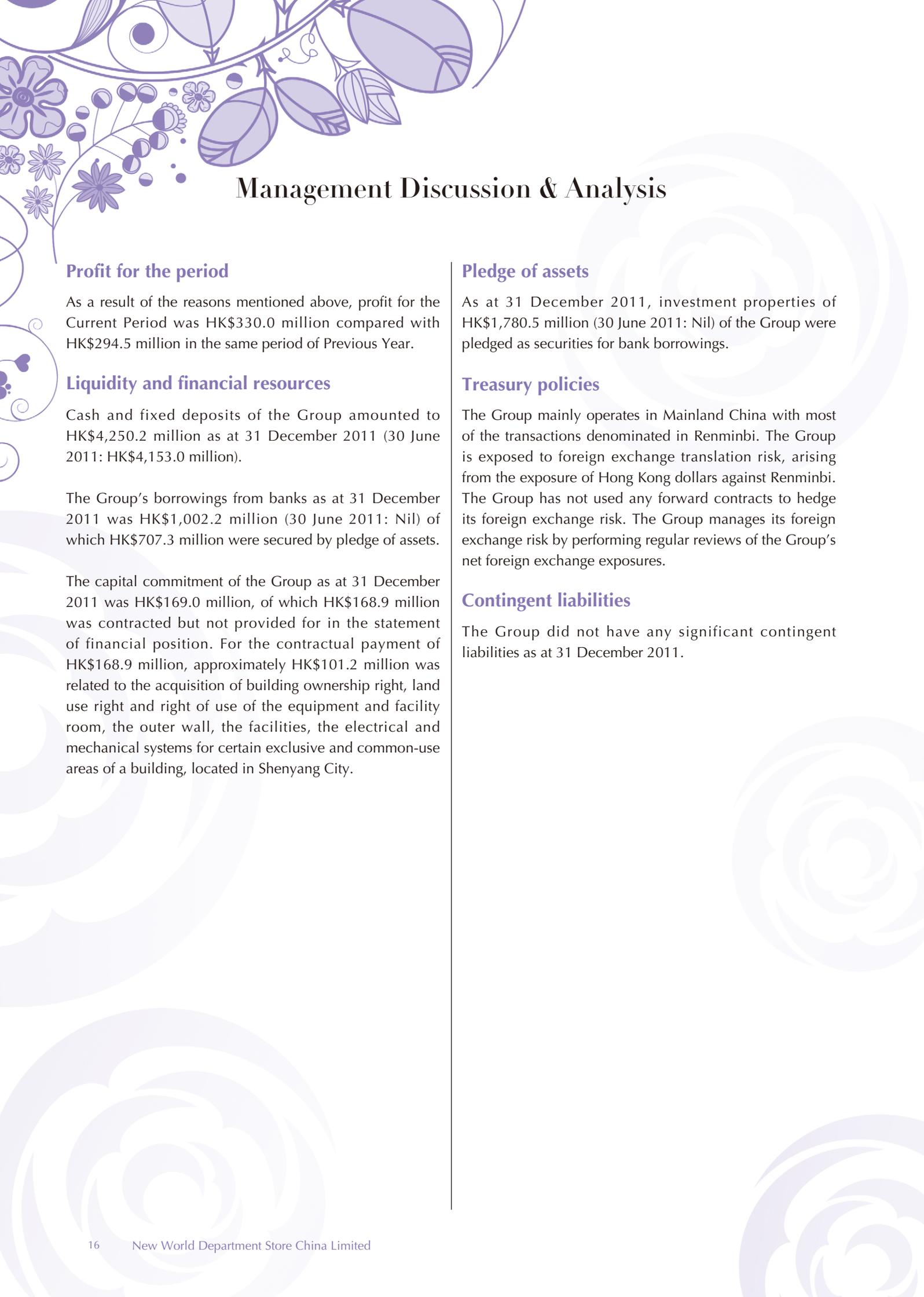
Other operating expenses increased to HK\$293.4 million in 1HFY2012 from HK\$192.5 million in 1HFY2011. The increase in other operating expenses as a result of recognising a full period's operation of Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store, Chongqing Store, Beijing Qianzi Store, Zhengzhou Store and Shenyang Jianqiao Road Branch Store acquired and opened in FY2011. Moreover, the increase was also due to the newly acquired Lanzhou Store and Shanghai Channel 1 in November 2011 and the newly opened Mianyang Store in December 2011.

Operating profit

Operating profit was HK\$436.7 million in 1HFY2012 compared with HK\$378.1 million of 1HFY2011.

Income tax expense

Income tax expense increased to HK\$124.5 million in 1HFY2012 from HK\$107.1 million in 1HFY2011, primarily as a result of the increase in profit before income tax.



Management Discussion & Analysis

Profit for the period

As a result of the reasons mentioned above, profit for the Current Period was HK\$330.0 million compared with HK\$294.5 million in the same period of Previous Year.

Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK\$4,250.2 million as at 31 December 2011 (30 June 2011: HK\$4,153.0 million).

The Group's borrowings from banks as at 31 December 2011 was HK\$1,002.2 million (30 June 2011: Nil) of which HK\$707.3 million were secured by pledge of assets.

The capital commitment of the Group as at 31 December 2011 was HK\$169.0 million, of which HK\$168.9 million was contracted but not provided for in the statement of financial position. For the contractual payment of HK\$168.9 million, approximately HK\$101.2 million was related to the acquisition of building ownership right, land use right and right of use of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems for certain exclusive and common-use areas of a building, located in Shenyang City.

Pledge of assets

As at 31 December 2011, investment properties of HK\$1,780.5 million (30 June 2011: Nil) of the Group were pledged as securities for bank borrowings.

Treasury policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts to hedge its foreign exchange risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2011.

Review Report on Interim Financial Information



羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 18 to 42, 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 2011 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, 28 February 2012

Condensed Consolidated Income Statement

For the six months ended 31 December 2011

		Unaudited Six months ended 31 December 2011 HK\$'000	Unaudited 2010 HK\$'000
Revenue	3	1,705,872	1,283,880
Other income	4	62,391	97,836
Other gains, net	5	46,006	16,533
Changes in fair value of investment properties		–	14,684
Purchases of and changes in inventories		(263,944)	(215,584)
Employee benefit expense	6	(263,940)	(187,524)
Depreciation and amortisation		(141,054)	(129,228)
Operating lease rental expense		(415,143)	(309,909)
Other operating expenses, net	7	(293,442)	(192,545)
Operating profit		436,746	378,143
Finance income	8	24,415	23,462
Finance costs	8	(6,572)	–
Finance income, net	8	17,843	23,462
Profit before income tax		454,589	401,605
Income tax expense	9	(124,541)	(107,066)
Profit for the period		330,048	294,539
Attributable to equity holders of the Company		330,048	294,539
Dividend	10	165,242	143,322
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK\$ per share) – Basic and diluted	11	0.20	0.17

The notes on pages 23 to 42 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2011

	Unaudited Six months ended 31 December	Unaudited
	2011	2010
	HK\$'000	HK\$'000
Profit for the period	330,048	294,539
Fair value loss on available-for-sale financial assets	–	(6,987)
Revaluation of property upon reclassification from property, plant and equipment to investment properties	–	2,424
– Deferred tax thereof	–	(606)
Release of investment revaluation upon disposal of available-for-sale financial assets	–	(22,803)
Translation differences	55,632	71,583
Other comprehensive income for the period, net of tax	55,632	43,611
Total comprehensive income for the period	385,680	338,150
Total comprehensive income attributable to equity holders of the Company	385,680	338,150

There was no tax impact relating to the components of other comprehensive income for the period ended 31 December 2011.

The notes on pages 23 to 42 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Financial Position

As at 31 December 2011

	Note	Unaudited As at 31 December 2011 HK\$'000	Audited As at 30 June 2011 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		2,165,483	2,083,104
Investment properties	13	2,058,105	274,220
Land use rights		895,322	898,898
Goodwill		1,216,496	785,137
Other non-current assets	14	462,448	352,301
Long-term prepaid rent and rental deposits		277,473	244,644
Deferred income tax assets		138,367	125,939
		7,213,694	4,764,243
Current assets			
Inventories		158,314	144,682
Debtors	15	91,676	29,685
Prepayments, deposits and other receivables		763,668	572,497
Amounts due from fellow subsidiaries	16	2,644	2,251
Fixed deposits		366,390	1,205,463
Cash and cash equivalents		3,883,770	2,947,574
		5,266,462	4,902,152
Non-current assets classified as assets held for sale		–	7,117
		5,266,462	4,909,269
Total assets		12,480,156	9,673,512
Equity			
Share capital	17	168,615	168,615
Reserves	18	5,500,072	5,277,352
Interim dividend	10	165,242	–
Proposed dividend		–	126,461
		5,833,929	5,572,428
Liabilities			
Non-current liabilities			
Long-term borrowings	19	996,069	–
Accruals	20	609,297	564,095
Deferred income tax liabilities		488,611	184,304
		2,093,977	748,399
Current liabilities			
Creditors, accruals and other payables	20	4,374,902	2,979,653
Amounts due to fellow subsidiaries	16	5,411	225,186
Amounts due to related companies	16	40,569	57,156
Tax payable		125,270	90,690
Current portion of long-term borrowings	19	6,098	–
		4,552,250	3,352,685
Total liabilities		6,646,227	4,101,084
Total equity and liabilities		12,480,156	9,673,512
Net current assets		714,212	1,556,584
Total assets less current liabilities		7,927,906	6,320,827

The notes on pages 23 to 42 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2011

	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 2010	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 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
	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	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	
At 1 July 2011	168,615	2,398,250	391,588	1,990	187,361	54,395	397,955	1,972,274	5,572,428	
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	330,048	330,048	
Other comprehensive income										
Translation differences	-	-	-	-	-	-	55,632	-	55,632	
Total comprehensive income for the period ended 31 December 2011	-	-	-	-	-	-	55,632	330,048	385,680	
Transactions with owners										
Share-based payments	-	-	-	-	-	2,282	-	-	2,282	
Lapse of share options	-	-	-	-	-	(4,432)	-	4,432	-	
Dividend relating to the year ended 30 June 2011	-	-	-	-	-	-	-	(126,461)	(126,461)	
Transfer to statutory reserve	-	-	-	-	26,127	-	-	(26,127)	-	
Total transactions with owners	-	-	-	-	26,127	(2,150)	-	(148,156)	(124,179)	
At 31 December 2011 – Unaudited	168,615	2,398,250	391,588	1,990	213,488	52,245	453,587	2,154,166	5,833,929	

The notes on pages 23 to 42 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2011

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Net cash from operating activities	1,314,579	951,898
Net cash used in investing activities	(574,233)	(20,342)
Net cash from/(used in) financing activities	164,258	(120,730)
Effect of foreign exchange rate changes	31,592	27,375
Net increase in cash and cash equivalents	936,196	838,201
Cash and cash equivalents, at 1 July	2,947,574	2,324,666
Cash and cash equivalents, at 31 December	3,883,770	3,162,867

The notes on pages 23 to 42 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 and property investment 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 dollars, unless otherwise stated. This condensed consolidated financial information has been approved for issue by the Board of Directors on 28 February 2012.

2 Basis of preparation

This condensed consolidated financial information of the Company for the six months ended 31 December 2011 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 2011, 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 2011, 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 2011, the Group has adopted the following revised standard, amendments to existing standards and interpretation which are mandatory for the accounting period beginning on 1 July 2011:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HKAS 34 (Amendment)	Interim Financial Reporting
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HKFRSs Amendments	Improvements to HKFRSs 2010

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

Notes to the Condensed Consolidated Financial Information

2 Basis of preparation (continued)

The following new or revised standards, amendments to existing standards and interpretation are mandatory for the accounting periods beginning on or after 1 January 2012 which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (revised 2011)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Associates and Joint ventures
HKAS 32 (Amendment) and HKFRS 7 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities and Disclosures – Offsetting Financial Assets and Financial Liabilities
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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.

Change in accounting estimate

During the period ended 31 December 2011, a review of useful lives of the leasehold improvements for the department store operations was conducted. With effect from 1 July 2011, the estimated useful lives of certain categories of leasehold improvements have been revised from 10 years to 15 years. This represents a change in accounting estimates and is accounted for prospectively. As a result of this change, the depreciation charge of the Group for the six months ended 31 December 2011 have been decreased by approximately HK\$21,331,000. Such effect is expected to recur over the remaining lives of the relevant assets.

Notes to the Condensed Consolidated Financial Information

3 Revenue and segment information

Revenue recognised during the period are as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Commission income from concessionaire sales	1,194,966	879,115
Sales of goods – direct sales	316,114	260,649
Management fees	16,022	48,386
Rental income	178,770	95,730
	1,705,872	1,283,880

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Gross revenue from concessionaire sales	6,485,410	4,727,607
Commission income from concessionaire sales	1,194,966	879,115

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 department store and property investment business. The CODM assesses the performance of the operating segments based on their revenue and operating result. The measurement of segment operating results excludes the effect of changes in fair value of investment properties, gain on disposal of available-for-sale financial assets and unallocated corporate expenses. In addition, finance income, net are not allocated to segments. There is no inter-segment sales.

All revenue is generated in Mainland China and all significant operating assets are in Mainland China.

Notes to the Condensed Consolidated Financial Information

3 Revenue and segment information (continued)

Six months ended 31 December 2011

	Department store HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Segment revenue	1,678,670	27,202	1,705,872
Segment results	422,348	22,685	445,033
Unallocated corporate expenses			(8,287)
Operating profit			436,746
Finance income			24,415
Finance costs			(6,572)
Finance income, net			17,843
Profit before income tax			454,589
Income tax expense			(124,541)
Profit for the period			330,048
As at 31 December 2011			
Segment assets	9,953,183	2,383,325	12,336,508
Deferred income tax assets			138,367
Cash and cash equivalents			5,226
Other corporate assets			55
Total assets			12,480,156
For the six months ended 31 December 2011			
Additions to non-current assets (Note)	416,334	2,094,823	2,511,157
Depreciation and amortisation	141,054	–	141,054

Notes to the Condensed Consolidated Financial Information

3 Revenue and segment information (continued)

For the six months ended 31 December 2010

	Department store HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Segment revenue	1,283,880	–	1,283,880
Segment results	353,712	(551)	353,161
Changes in fair value of investment properties			14,684
Gain on disposal of available-for-sale financial assets			17,471
Unallocated corporate expenses			(7,173)
Operating profit			378,143
Finance income			23,462
Finance costs			–
Finance income, net			23,462
Profit before income tax			401,605
Income tax expense			(107,066)
Profit for the period			294,539

As at 30 June 2011

Segment assets	8,914,276	274,899	9,189,175
Deferred income tax assets			125,939
Cash and cash equivalents			358,276
Other corporate assets			122
Total assets			9,673,512

For the six months ended 31 December 2010

Additions to non-current assets (Note)	1,022,883	170,860	1,193,743
Depreciation and amortisation	129,228	–	129,228

Note:

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

Notes to the Condensed Consolidated Financial Information

4 Other income

	Unaudited Six months ended 31 December	Unaudited 2010
	2011 HK\$'000	HK\$'000
Government grants	3,894	6,596
Income from suppliers	23,975	16,729
Write-back of other payables	24,146	59,678
Sundries	10,376	14,833
	62,391	97,836

5 Other gains, net

	Unaudited Six months ended 31 December	Unaudited 2010
	2011 HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment	(1,093)	(938)
Gain on disposal of assets held for sale (Note)	47,099	–
Gain on disposal of available-for-sale financial assets	–	17,471
	46,006	16,533

Note:

The amount represented gain on disposal of entire equity interest in Focus Smart Limited, a wholly-owned subsidiary of the Group, which is also the owner of a portion of the property and land use rights situated in Wuxi City.

Notes to the Condensed Consolidated Financial Information

6 Employee benefit expense

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Wages and salaries	150,690	108,291
Retirement benefit costs – defined contribution plans	26,073	18,810
Share-based payments	1,949	3,450
Other employee benefits	85,228	56,973
	263,940	187,524

7 Other operating expenses, net

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Water and electricity	104,787	83,819
Promotion, advertising and related expenses	98,264	61,133
Net exchange losses	2,087	6,363
Share-based payments	333	1,002
Auditor's remuneration	2,791	2,114
Others	85,180	38,114
	293,442	192,545

8 Finance income, net

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Interest income on bank deposits	24,415	23,462
Interest on bank loans		
Wholly-repayable within five years	(6,572)	–
	17,843	23,462

Notes to the Condensed Consolidated Financial Information

9 Income tax expense

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Current income tax		
– Mainland China taxation	102,551	83,068
Over-provision in prior years	(1,090)	(908)
Deferred income tax		
– Deferred taxation on undistributed dividends	5,541	(816)
– Other temporary differences	17,539	25,722
	124,541	107,066

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which the members of the Group are domiciled and operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the period ended 31 December 2010 and 2011.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2010: 25%).

10 Dividend

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Interim dividend of HK\$0.098 (2010: HK\$0.085) per share	165,242	143,322

Notes to the Condensed Consolidated Financial Information

11 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 31 December 2011	Unaudited 2010
Profit attributable to the equity holders of the Company (HK\$'000)	330,048	294,539
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK\$ per share)	0.20	0.17

(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 2010 and 2011, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

12 Capital expenditure

For the six months ended 31 December 2011, the Group has additions of property, plant and equipment, land use rights and investment properties of HK\$188,205,000, nil and HK\$1,792,555,000 respectively (2010: HK\$479,109,000, HK\$74,364,000 and HK\$170,860,000 respectively). The Group has disposed of property, plant and equipment with net book amount of HK\$3,543,000 (2010: HK\$1,817,000).

13 Investment properties

In November 2011, the Group acquired an investment property located in Shanghai City through business combination (Note 21(b)).

As at 31 December 2011, the investment properties were valued on a market value basis by Jones Lang LaSalle, an independent professional valuer.

As at 31 December 2011, an investment property of HK\$1,780,487,000 is pledged to secure bank borrowings of HK\$707,317,000.

Notes to the Condensed Consolidated Financial Information

14 Other non-current assets

Balance as at 31 December 2011 mainly represents the following transaction:

On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co") entered into agreements 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 2011, the Group has made progress payment of approximately HK\$435,280,000 (30 June 2011: HK\$110,008,000) and paid direct costs of approximately HK\$22,549,000 (30 June 2011: HK\$22,277,000) in connection with such acquisition. As at 31 December 2011, 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\$101,231,000 (30 June 2011: HK\$220,016,000) (Note 22).

15 Debtors

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2011	2011
	HK\$'000	HK\$'000
Trade receivables	91,676	29,685

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

Aging analysis of the debtors is as follows:

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2011	2011
	HK\$'000	HK\$'000
Within period for		
0-30 days	81,132	27,837
31-60 days	4,970	185
61-90 days	4,736	185
Over 90 days	838	1,478
	91,676	29,685

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

Notes to the Condensed Consolidated Financial Information

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 2011 (audited) and 31 December 2011 (unaudited)	10,000,000	1,000,000
Ordinary shares of HK\$0.1 each, issued and fully paid:		
At 30 June 2011 (audited) and 31 December 2011 (unaudited)	1,686,145	168,615

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.

Notes to the Condensed Consolidated Financial Information

17 Share capital (continued)

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\$	Unaudited Number of options '000				Unaudited Number of options '000				Unaudited No. of share options exercisable '000
		At 1 July 2010	Granted during the period	Lapsed during the period	At 31 December 2010	At 1 July 2011	Granted during the period	Lapsed during the period	At 31 December 2011	At 31 December 2011
27 November 2007 (Note i)	8.660	16,999	–	(171)	16,828	16,469	–	(1,224)	15,245	12,196
25 March 2008 (Note ii)	8.440	3,524	–	–	3,524	3,524	–	(444)	3,080	1,848
		20,523	–	(171)	20,352	19,993	–	(1,668)	18,325	14,044
Weighted average exercise price of each category (HK\$)		8.622	–	8.660	8.622	8.621	–	8.601	8.623	8.631

- (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 2010	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 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 10)	–	–	–	–	–	–	–	(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

	Share premium HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Statutory reserve HK\$'000	Share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2011	2,398,250	391,588	1,990	187,361	54,395	397,955	1,972,274	5,403,813
Share-based payments	–	–	–	–	2,282	–	–	2,282
Lapse of share options	–	–	–	–	(4,432)	–	4,432	–
Transfer to statutory reserve	–	–	–	26,127	–	–	(26,127)	–
Dividend relating to the year ended 30 June 2011	–	–	–	–	–	–	(126,461)	(126,461)
Profit for the period	–	–	–	–	–	–	330,048	330,048
Translation differences	–	–	–	–	–	55,632	–	55,632
	2,398,250	391,588	1,990	213,488	52,245	453,587	2,154,166	5,665,314
Interim dividend (Note 10)	–	–	–	–	–	–	(165,242)	(165,242)
At 31 December 2011 – Unaudited	2,398,250	391,588	1,990	213,488	52,245	453,587	1,988,924	5,500,072

Notes to the Condensed Consolidated Financial Information

19 Long-term borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method where appropriate.

	Unaudited As at 31 December 2011 HK\$'000	Audited As at 30 June 2011 HK\$'000
Non-current	996,069	–
Current	6,098	–
	1,002,167	–

	Unaudited As at 31 December 2011 HK\$'000	Audited As at 30 June 2011 HK\$'000
Bank loans		
Secured	707,317	–
Unsecured	294,850	–
	1,002,167	–

Movements in borrowings is analysed as follows:

	HK\$'000
Six months ended 31 December 2011	
At 1 July 2011	–
Proceeds from bank loans	294,850
Acquisition of subsidiaries (Note 21(b))	712,111
Translation differences	(4,794)
At 31 December 2011	1,002,167

Notes to the Condensed Consolidated Financial Information

19 Long-term borrowings (continued)

The bank loans are repayable as follows:

	Unaudited As at 31 December 2011 HK\$'000	Audited As at 30 June 2011 HK\$'000
Repayable within one year	6,098	–
Between one and two years	142,098	–
Between two and five years	451,532	–
Over five years	402,439	–
	1,002,167	–

As at 31 December 2011, the bank loan of HK\$707,317,000 is secured by an investment property of HK\$1,780,488,000.

Interest expense on borrowings for the six months ended 31 December 2011 is HK\$6,572,000 (2010: Nil).

20 Creditors, accruals and other payables

	Unaudited As at 31 December 2011 HK\$'000	Audited As at 30 June 2011 HK\$'000
Creditors	2,844,793	1,832,616
Accruals	2,139,406	1,711,132
Less: long-term rental accruals	(609,297)	(564,095)
	4,374,902	2,979,653

Notes to the Condensed Consolidated Financial Information

20 Creditors, accruals and other payables (continued)

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 2011 HK\$'000	Audited As at 30 June 2011 HK\$'000
Within period for		
0-30 days	1,634,914	803,572
31-60 days	675,601	556,777
61-90 days	200,602	170,103
Over 90 days	333,676	302,164
	2,844,793	1,832,616

Creditors included amounts due to related companies of HK\$121,361,000 (30 June 2011: HK\$88,050,000) which are unsecured, interest free and repayable within 90 days.

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

21 Business combination

(a) Acquisition of Lanzhou New World Department Store Co., Ltd.

In November 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights of Lanzhou New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB3,500,000 (equivalent to approximately HK\$4,298,000).

The acquired business contributed revenues of HK\$64,846,000 and net profit of HK\$3,654,000 to the Group for the period from 1 November 2011 to 31 December 2011. If the acquisition had occurred on 1 July 2011, Group's revenue would have been HK\$1,743,705,000; profit for the period would have been HK\$332,782,000. These amounts have been calculated using the Group's accounting policies.

Details of net liabilities acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	4,298
Fair value of net liabilities acquired	117,980
Goodwill	122,278

Notes to the Condensed Consolidated Financial Information

21 Business combination (continued)

(a) Acquisition of Lanzhou New World Department Store Co., Ltd. (continued)

The assets and liabilities arising from the acquisition are as follows:

	HK\$'000
Property, plant and equipment	28,420
Inventories	5,778
Debtors	2,495
Prepayment, deposits and other receivables	13,337
Deferred income tax assets	21,268
Cash and cash equivalents	42,852
Creditors, accruals and other payables	(232,130)
Net liabilities acquired	(117,980)

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

(b) Acquisition of Moral High Limited

In November 2011, the Group acquired the entire equity interest from independent third parties, including all interest and rights of Moral High Limited (“MHL”), a limited liability company incorporated in Samoa and its wholly-owned subsidiary, Peak Moral Commercial Development (Shanghai) Co., Ltd (“PHL”), a limited liability company incorporated in the PRC, for a gross consideration of RMB1,460,000,000 (equivalent to approximately HK\$1,792,555,000) less outstanding bank borrowing amount of RMB580,000,000 (equivalent to approximately HK\$712,111,000) and an adjustment amount to the net liabilities of MHL and PHL as at the date of acquisition. The net consideration is equivalent to approximately HK\$1,059,038,000.

The principal activities of MHL is the investment holding and PHL is the property holding and the operation of a retail business in Shanghai. The acquired business contributed revenues of HK\$10,911,000 and net profit of HK\$1,206,000 to the Group for the period from 18 November 2011 to 31 December 2011. If the acquisition had occurred on 1 July 2011, Group’s revenue would have been HK\$1,748,247,000; profit for the period would have been HK\$317,493,000. These amounts have been calculated using the Group’s accounting policies.

Details of net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	1,059,038
Fair value of net assets acquired	(756,770)
Goodwill	302,268

Notes to the Condensed Consolidated Financial Information

21 Business combination (continued)

(b) Acquisition of Moral High Limited (continued)

At the end of the reporting period, the Group has not finalised the fair value assessments for net assets acquired from the acquisition. The relevant fair value of net assets acquired stated is on a provisional basis. The carrying amounts of the assets and liabilities of the acquired business approximate their fair values and are as follows:

	HK\$'000
Investment property	1,792,555
Debtors	4,316
Prepayment, deposits and other receivables	6,137
Cash and cash equivalents	13,705
Creditors, accruals and other payables	(55,846)
Bank borrowing	(712,111)
Deferred income tax liabilities	(291,986)
Net assets acquired	756,770

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

22 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 2011 HK\$'000	Audited As at 30 June 2011 HK\$'000
Contracted but not provided for	168,874	228,292
Authorised but not contracted for	122	–
	168,996	228,292

Notes to the Condensed Consolidated Financial Information

23 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:

		Unaudited Six months ended 31 December	Unaudited
	Note	2011 HK\$'000	2010 HK\$'000
Fellow subsidiaries			
Management fee incomes	(i)	–	4,943
Operating lease rental expenses	(ii)	(48,923)	(44,747)
Building management expenses	(iii)	(7,495)	(10,543)
Purchase of leasehold improvements	(iv)	–	(45,473)
Deposit paid for building and land use right	(v)	(101,231)	(53,085)
Sale of goods, prepaid shopping cards and vouchers	(vi)	10,390	1,101
Reimbursement of shopping vouchers	(vii)	2,155	288
Rebates on prepaid shopping cards and vouchers	(viii)	135	–
Related companies			
Concessionaire commissions	(ix)	50,514	11,666
Operating lease rental expenses	(ii)	(127,086)	(83,224)
Building management expenses	(iii)	(11,480)	(8,575)
Sale of goods, prepaid shopping cards and vouchers	(vi)	1,382	822
Write-back of other payable	(x)	–	41,840

Notes:

- (i) The incomes are charged in accordance with the terms of service fees stated in respective agreements.
- (ii) The operating lease rental expenses are charged in accordance with respective tenancy agreements.
- (iii) The building management fees are 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 fees are 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 14.
- (vi) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers issued by the Group to New World Development Company Limited ("NWD") and its subsidiaries (except the Group).
- (vii) The reimbursement of shopping vouchers is charged in accordance with respective agreements with NWCL or its subsidiaries and Chow Tai Fook Jewellery Company Limited or its subsidiaries ("CTF Jewellery Group"), an associate of Chow Tai Fook Enterprises Limited, a shareholder of NWD.

Notes to the Condensed Consolidated Financial Information

23 Related party transactions *(continued)*

(a) Transactions with related parties *(continued)*

- (viii) This represents rebates offered by the CTF Jewellery Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and the CTF Jewellery Group.
- (ix) The income is charged in accordance with concessionaire counter agreements with CTF Jewellery Group. The commissions are mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.
- (x) The other payable is waived by a jointly controlled entity of NWCL.

(b) Key management compensation

	Unaudited	Unaudited
	Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	6,917	7,161
Retirement benefit costs – defined contribution plans	512	533
Share-based payments	632	1,246
	8,061	8,940

24 Events after the reporting period

In January 2012, the Group acquired 100% of the equity interest in Beijing New World Liying Department Store Company Limited at a consideration of RMB5,000,000 from certain independent parties.

The Group will assess the fair value of assets and liabilities of the acquired business as at the date of acquisition and it is impracticable to disclose the amounts and the resulting effects at this stage.

25 Ultimate holding company

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

26 Comparative figures

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

Corporate Citizenship



The Group always cherishes the responsibilities of promoting environmental protection and contributing to the community, and thus it has organized a variety of environmental and charitable functions in line with the give-and-take spirit in the community.

CHARITABLE ACTIVITIES

MSF Day 2011

On 7 July 2011, New World Department Store became the principal sponsor for “MSF Day” for the fifth consecutive year, with more than 26,000 employees making donations to “MSF Day 2011”. New World Group raised a total of HK\$480,000, of which HK\$400,000 came from New World Department Store. The New World Group was once again the biggest donor in private sector in Hong Kong.

Enthusiasm of Stores in Central Western China Region for Charitable Work

In August 2011, Wuhan New World Department Store – Xudong Branch Store (“Wuhan Xudong Branch Store”) initiated donation of winter clothing to secondary school students in Tibet. Tianjin Store held the charity sales entitled “Let Love Flourish” to make concrete contributions to society. In November, Wuhan New World Department Store – Qiaokou Branch Store (“Wuhan Qiaokou Branch Store”) organized the event of “Thankful Donation for a Warm Winter”, donating winter clothing and bringing warmth to students of the local Project Hope school. In December, Kunming New World Department Store (“Kunming Store”) collected wish cards from students of a local school for the mentally handicapped, and hung the cards on the wish tree in the department store, so that customers and employees could help the children realize their New Year wishes.

Active Planning by Stores in South Eastern China Region for Social Activities

Employees of Ningbo New World Department Store (“Ningbo Store”) took part in the “Volunteers in Action” event in July 2011, with some helping the police to maintain traffic order and others serving as guides to provide services for people in need. They also visited the local elderly homes during the Mid-Autumn Festival, sending gifts to the senior citizens. During the Double Ninth Festival, employees of Taizhou New World Department Store (“Taizhou Store”) visited the local senior apartments and sent daily necessities and healthcare products to the elderly residents there.

Selfless Offerings by Stores in Northern China Region

In July 2011, Harbin New World Department Store (“Harbin Store”) organized a charitable event for a local school for deaf-mutes, giving teenaged books to the students there as gifts. Volunteers from Dalian New World Department Store (“Dalian Store”) and Shenyang New World Department Store – Zhonghua Road Branch Store (“Shenyang Zhonghua Road Branch Store”), on their part, visited elderly homes in September, making dumplings and organizing birthday parties for the elders. Besides, Anshan New World Department Store (“Anshan Store”) and Beijing Qianzi Store made charitable donations to local Disabled Persons’ Federation in August and December respectively.

ENVIRONMENTAL ACTIVITIES

Promotion of Resource Recycling

During the review period, New World Department Store launched two nationwide environmental campaigns to promote resource recycling. From December 2011 to January 2012, the stores carried out the “Let’s Donate a Tree to Save the Earth” waste paper recycling campaign. The campaign transferred the waste paper collected from customers to recyclers for further processing, while the proceeds were donated to charitable organizations afterwards. During the Mid-Autumn Festival, our stores across China launched the “NWDS Green Mid-Autumn



Corporate Citizenship

Festival – Moon Cake Box Recycling Campaign”, which encouraged customers to donate moon cake boxes to NWDS to be transferred to recyclers for further processing. The event gained enthusiastic support from customers, with more than 8,900 moon cake boxes collected in total.

Raising Concern about Food Waste

In order to raise the staff awareness about the food waste problem, stores of NWDS carried out Phase II of the food waste reduction activity in October 2011. Through adjusting the portions of food, deploying lunch monitors on duty, offering incentives to employees without wasting food, etc., the stores encouraged their staff to reduce food squandering.

Encouragement of Resource Recycling and “Turning Waste into Treasure”

In July 2011, all stores in Wuhan carried out the green shopping bags design campaign together with promotional activities in the stores. In August, stores in Shanghai held the bartering activity of “Uncle Caring’s Stationery Store”, in which students could exchange stationery, reference books etc. During Christmas, Anshan Store made a 10-metre Christmas tree with used beverage bottles to promote energy conservation and environmental protection. In September 2011, Harbin Store called on the activity of collecting used newspapers and bed sheets and donating them to small animal protection organizations.

Promotion of Waste Pollution Reduction and Low-carbon Green Life

With the aim of reducing maritime waste pollution, Wuhan Xudong Branch Store and Dalian Store organized their employees to pick up beach trash in July and August 2011 respectively. In November, Nanjing New World Department Store (“Nanjing Store”) worked with its VIP customers to pick up garbage in Zijin Mountain. Chengdu Store held the “Flower City” event in August 2011, with all the staff wore a Flower City label during the promotion. The store also launched the potted plant adoption activity, conveying the concept of green life to customers.

CARE FOR STAFF

Strengthening of Staff Training

The Group always attaches great importance to staff training. In August 2011, we organized a 10-day comprehensive instructor training course in Beijing for the improvement of customer services. In July 2011, the Group collaborated with Shanghai Jiao Tong University to hold “Certificate Programme of Further Studies in Retail Operation and Management”, providing specific training for middle and senior managers. In September 2011, a total of 34 middle and senior managers of the Group made study tour in Japan, where they visited famous department stores, thus broadening their horizon.

Encouragement of Staff Creativity and Recognition of Staff Contributions

The Group continued to deploy the “Creative Operation Concepts Reward Programme” during the review period, conducting creative concept solicitation activities on different subjects in different periods, with related rewards given to authors of outstanding proposals. In Phases I & II of the programme, our employees nationwide showed marvellous enthusiasm and submitted a total of 1,260 proposals. Our stores also organized different kinds of writing competitions from time to time and opened photography columns, so that employees could have a platform to share their creative ideas. In August 2011, the Group carried out a competition to display and acknowledge excellent marketing initiatives, with praises given to the winning stores. During the Teachers’ Day in September, the Group particularly commended all in-store instructors nationwide, in order to acknowledge their hard work.

Corporate Citizenship

Diversified Recreational, Social Activities and Competitions for Staff

Our stores nationwide carried out different kinds of recreational activities to provide employees with more options after work as well as relieve their work pressure. Stores in Shanghai organized sports teams of swimming, badminton, bowling and tennis. Stores in different regions also organized diversified sport matches. By holding a number of social activities, such as birthday parties, group travels, KTV competitions, the friendship among colleagues of the stores were enhanced. During the review period, our stores organized a variety of competitions, including “Excellent Sales Teams”, “Champion 360 – Employee Skills Competition”, “Assessment on Knowledge of Corporate Culture and Professional Skills”, etc., which boosted morale and initiative of employees.

HONOURS

During the review period, the Group received a number of awards from well-known organizations thanks to its excellent performance in marketing, profitability and corporate communication.

“Asia’s 200 Best Under A Billion”

The Group was accredited as “Asia’s 200 Best Under A Billion” by internationally renowned magazine of *Forbes* for the fourth consecutive year, which recognized our outstanding performance on earnings growth, sales growth and shareholders’ return on equity.

“Citation for Excellence in Mainland Marketing” in the HKMA/TVB Award

In October 2011, the Group’s **rebranding marketing campaign** won the “Citation for Excellence in Mainland Marketing” in the HKMA/TVB Award for Marketing Excellence 2011. Considered the “Oscar” of the marketing industry, the HKMA/TVB Award is highly recognized in this field. The honour shows recognition of the Group’s innovation and efforts in brand planning within the industry.

Galaxy Awards and ARC Awards

FY10 Annual Report of New World Department Store has gained numerous prizes in the Galaxy Awards and the ARC Awards.

Contest	Category	Award
2011 ARC Awards	Best of Cover Design	Grand Award
	Cover Photo/Design: Retail: Convenience & Department Stores	Gold Award
2011 Galaxy Awards	Design: Annual Reports – Other Countries – Traditional	Silver Award
	Design: Covers – Annual Reports – Photography	Honors Award

“Family-Friendly Employer” Award

The Group was presented the “Family-Friendly Employer” Award 2011 by the Hong Kong Family Council in November 2011, thus becoming a recognized enterprise of the Council’s Family-Friendly Employer Award Scheme. The award shows how the Group attaches importance to the family-friendly spirit and is happy to implement family-friendly employment policies and measures.



Corporate Citizenship

Numerous Awards for Regional Branches

Stores in Central Western China Region won a number of honours, including “Best Organizer”, “Advanced Entity”, “Civilized Entity”, “Award for the Best Presented Mini-blog”, “Award for the Most Vigorous Mini-blog”, the Second and the Third Prizes in “The Fifth UnionPay Cup Competition on Knowledge and Skills of Cashiers of Designated Merchants in Sichuan Province” and “Most Popular Fashion Store”.

Wuhan Qiaokou Branch Store was honoured as “Excellent Organizer” and “Advanced Entity” by Wuhan Municipal Federation of Trade Unions in July 2011. In August, the store was accredited as “Civilized Entity” by the local people’s government, as well as receiving the “Award for the Best Presented Mini-blog” by Sina’s Hubei Branch and Mini-blog website. In the same month, Wuhan New World Trendy Plaza (“Wuhan Trendy Plaza”) was presented the “Award for the Most Vigorous Mini-blog” by sina.com. In October 2011, staff of Chengdu Store got the second and the third prizes in the “Fifth UnionPay Cup Competition on Knowledge and Skills of Cashiers of Designated Merchants in Sichuan Province”. And the store was honoured as the “Most Popular Fashion Store” in December.

Honours for stores in South Eastern China Region included “Excellent Enterprise Award in the First Zhejiang Golden Autumn Shopping Festival & Bank Card Joint Marketing Initiatives in 2011”, “Excellence Award in the Third UnionPay Cup Competition on Professional Skills of Cashiers in Business and Service Sectors in Ningbo City” and “Bronze Prize for Charity Supporting Entity in Fund-raising Projects for Poverty Alleviation and Disaster Relief in China in 2011”.

In November 2011, Taizhou Store was presented the “Excellent Enterprise Award in the First Zhejiang Golden Autumn Shopping Festival & Bank Card Joint Marketing Initiatives in 2011” by the Zhejiang Trade Association of Commerce and the Zhejiang Branch of China UnionPay Co., Ltd. In July, staff of Ningbo Store gained the “Excellence Award in the Third UnionPay Cup Competition on Professional Skills of Cashiers in Business and Service Sectors in Ningbo City” at the UnionPay Cup Knowledge Competition. Besides, in December, Hong Kong New World Department Store – Shanghai Qibao Branch Store (“Shanghai Qibao Branch Store”) was awarded the “Bronze Prize for Charity Supporting Entity in Fund-raising Projects for Poverty Alleviation and Disaster Relief in China in 2011” by China Foundation for Poverty Alleviation.

Stores in Northern China Region were recognized with honours of “AA Tax Payer in 2011”, “Grade A Tax Payer”, “Grade A Integrity Entity Observing Labour Laws and Regulations in 2010”, “Outstanding Award for Security Work” and “Civilized Entity in Anshan City”.

In July 2011, Dalian Store was recognized as “AA Tax Payer in 2011” by the local branch of the State Administration of Taxation and Dalian Local Taxation Bureau. In the same month, Beijing Trendy Store was honoured as “Grade A Tax Payer” by Beijing Local Taxation Bureau. In September, the store was given the title of “Grade A Integrity Entity Observing Labour Laws and Regulations in 2010” by the local Human Resources and Social Security Bureau. In addition, Shenyang Zhonghua Road Branch Store was presented the “Outstanding Award for Security Work” by Heping Branch of Shenyang Municipal Public Security Bureau. In October, Anshan Store was accredited as “Civilized Entity in Anshan City” by the municipal Administration and Law Enforcement Bureau.

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\$0.098 per share (2010: HK\$0.085 per share) for the six months ended 31 December 2011 to shareholders whose names appear in the register of members of the Company on 17 April 2012. It is expected that the interim dividend will be paid on or about 18 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 April 2012 to Tuesday, 17 April 2012, 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 Wednesday, 11 April 2012.

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 2011 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2011 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 for the time being in force during the six months ended 31 December 2011.

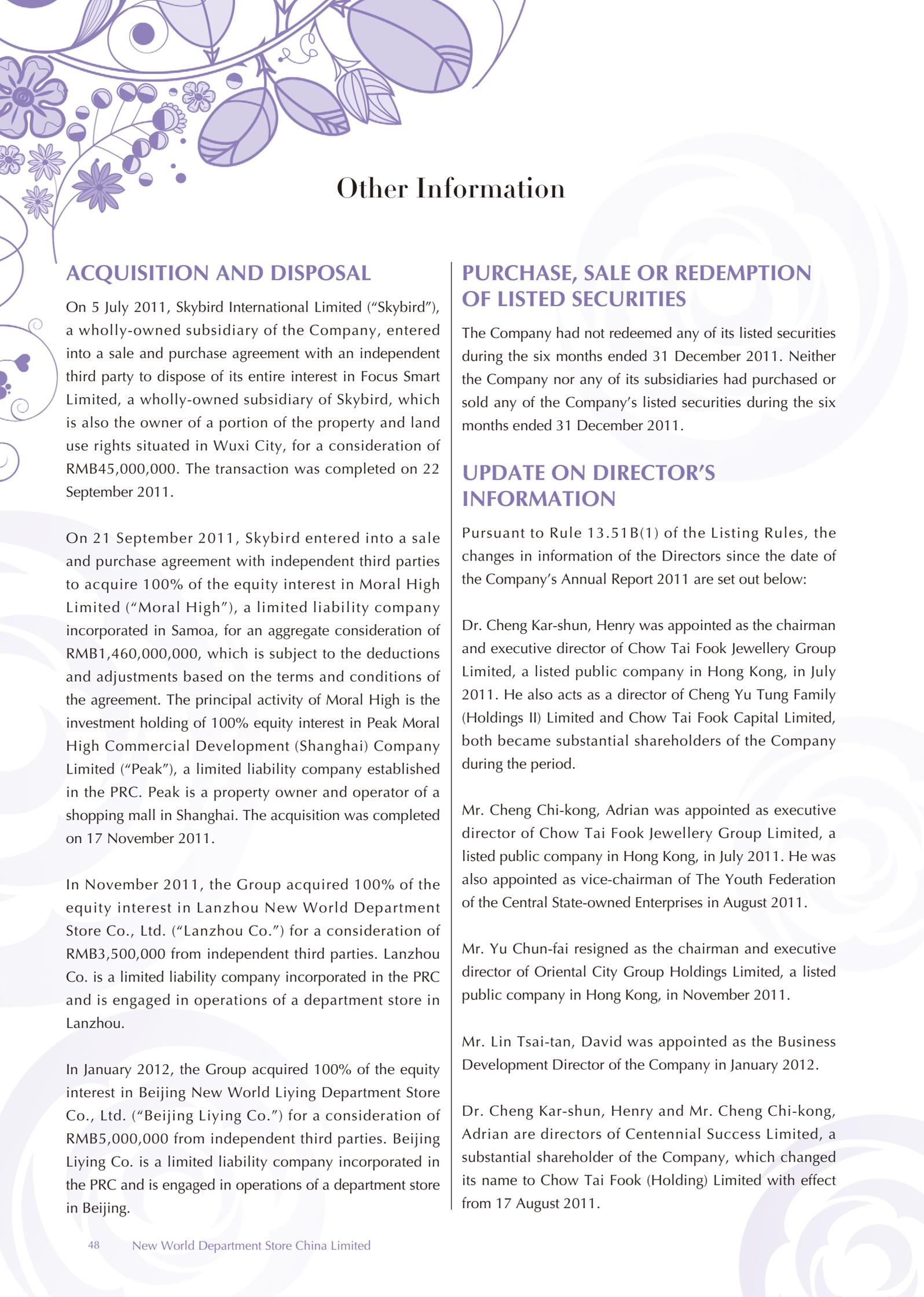
MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2011.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2011, total number of employees for the Group was 6,935 (2010: 5,989). 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.



Other Information

ACQUISITION AND DISPOSAL

On 5 July 2011, Skybird International Limited (“Skybird”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in Focus Smart Limited, a wholly-owned subsidiary of Skybird, which is also the owner of a portion of the property and land use rights situated in Wuxi City, for a consideration of RMB45,000,000. The transaction was completed on 22 September 2011.

On 21 September 2011, Skybird entered into a sale and purchase agreement with independent third parties to acquire 100% of the equity interest in Moral High Limited (“Moral High”), a limited liability company incorporated in Samoa, for an aggregate consideration of RMB1,460,000,000, which is subject to the deductions and adjustments based on the terms and conditions of the agreement. The principal activity of Moral High is the investment holding of 100% equity interest in Peak Moral High Commercial Development (Shanghai) Company Limited (“Peak”), a limited liability company established in the PRC. Peak is a property owner and operator of a shopping mall in Shanghai. The acquisition was completed on 17 November 2011.

In November 2011, the Group acquired 100% of the equity interest in Lanzhou New World Department Store Co., Ltd. (“Lanzhou Co.”) for a consideration of RMB3,500,000 from independent third parties. Lanzhou Co. is a limited liability company incorporated in the PRC and is engaged in operations of a department store in Lanzhou.

In January 2012, the Group acquired 100% of the equity interest in Beijing New World Liying Department Store Co., Ltd. (“Beijing Liying Co.”) for a consideration of RMB5,000,000 from independent third parties. Beijing Liying Co. is a limited liability company incorporated in the PRC and is engaged in operations of a department store in Beijing.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2011. 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 2011.

UPDATE ON DIRECTOR’S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company’s Annual Report 2011 are set out below:

Dr. Cheng Kar-shun, Henry was appointed as the chairman and executive director of Chow Tai Fook Jewellery Group Limited, a listed public company in Hong Kong, in July 2011. He also acts as a director of Cheng Yu Tung Family (Holdings II) Limited and Chow Tai Fook Capital Limited, both became substantial shareholders of the Company during the period.

Mr. Cheng Chi-kong, Adrian was appointed as executive director of Chow Tai Fook Jewellery Group Limited, a listed public company in Hong Kong, in July 2011. He was also appointed as vice-chairman of The Youth Federation of the Central State-owned Enterprises in August 2011.

Mr. Yu Chun-fai resigned as the chairman and executive director of Oriental City Group Holdings Limited, a listed public company in Hong Kong, in November 2011.

Mr. Lin Tsai-tan, David was appointed as the Business Development Director of the Company in January 2012.

Dr. Cheng Kar-shun, Henry and Mr. Cheng Chi-kong, Adrian are directors of Centennial Success Limited, a substantial shareholder of the Company, which changed its name to Chow Tai Fook (Holding) Limited with effect from 17 August 2011.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in shares

	Number of shares held			Total	Approximate percentage of shareholding
	Personal interests	Family interests	Corporate interests		
The Company (Ordinary shares of HK\$0.10 each)					
Mr. Lin Tsai-tan, David	1,103,000	–	–	1,103,000	0.07
Mega Choice Holdings Limited (In liquidation) (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	–	420,585,070 ⁽¹⁾	420,585,070	34.61
New World China Land Limited (Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-shun, Henry	28,125,000	4,387,500	117,610,200 ⁽²⁾	150,122,700	1.74
Mr. Cheng Chi-kong, Adrian	371,194	–	–	371,194	0.00
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	–	450,000	–	450,000	0.01
NWS Holdings Limited (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	13,768,798	–	12,000,000 ⁽²⁾	25,768,798	0.74

Notes:

- (1) These shares are beneficially owned by certain companies wholly-owned by Dr. Cheng Kar-shun, Henry.
- (2) 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 position 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. Certain details of the share options of the Company held by them during the six months ended 31 December 2011 were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held				Balance as at 31 December 2011	Exercise price per share HK\$
			Balance as at 1 July 2011	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	

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.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

ii. New World China Land Limited

Under the share option scheme of the fellow subsidiary, New World China Land Limited (“NWCL”), the undermentioned Directors have personal interests in share options to subscribe for shares of NWCL. Certain details of the share options of NWCL held by them during the six months ended 31 December 2011 were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held					Balance as at 31 December 2011	Exercise price per share ⁽³⁾ HK\$
			Balance as at 1 July 2011	Granted during the period	Adjusted during the period ⁽³⁾	Exercised during the period	Lapsed during the period		
Dr. Cheng Kar-shun, Henry	29 December 2008	(1)	1,791,045	–	69,781	–	–	1,860,826	1.290
	18 January 2011	(2)	2,000,000	–	77,922	–	–	2,077,922	3.036
Mr. Cheng Chi-kong, Adrian	29 December 2008	(1)	337,284	–	13,141	–	–	350,425	1.290
	18 January 2011	(2)	1,500,000	–	58,442	–	–	1,558,442	3.036
Ms. Ngan Man-ying, Lynda	29 December 2008	(1)	507,463	–	19,771	–	–	527,234	1.290
	18 January 2011	(2)	1,000,000	–	38,961	–	–	1,038,961	3.036
			7,135,792	–	278,018	–	–	7,413,810	

Notes:

- (1) Divided into 4 tranches, exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.
- (2) Divided into 5 tranches, exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.
- (3) The rights issue as announced by NWCL on 18 October 2011 which became unconditional on 22 December 2011 constituted an event giving rise to adjustments to the number of outstanding share options and the exercise prices in accordance with the share option scheme on 23 December 2011. The exercise price per share of the share options was adjusted from HK\$3.154 to HK\$3.036, and HK\$1.340 to HK\$1.290.
- (4) The cash consideration paid by each Director for each grant of the share options is HK\$10.00.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

iii. New World Development Company Limited

Under the share option scheme of the holding company, New World Development Company Limited (“NWD”), the undermentioned Directors have personal interests in share options to subscribe for shares of NWD. Certain details of the share options of NWD held by them during the six months ended 31 December 2011 were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held					Balance as at 31 December 2011	Exercise price per share ⁽³⁾ HK\$
			Balance as at 1 July 2011	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)	36,714,392	–	3,784,390	–	–	40,498,782	16.003
Mr. Cheng Chi-kong, Adrian	19 March 2007	(2)	502,935	–	51,840	–	–	554,775	16.003
Mr. Au Tak-cheong	19 March 2007	(2)	1,207,047	–	124,417	–	–	1,331,464	16.003
			38,424,374	–	3,960,647	–	–	42,385,021	

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 2011 in scrip form (with cash option) during the period and announced rights issue on 18 October 2011 which became unconditional on 25 November 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$17.652 to HK\$16.004 on 28 November 2011, and further to HK\$16.003 on 30 December 2011.
- (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 position 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. Certain details of the share options of NWSH held by him during the six months ended 31 December 2011 were as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options held					Balance as at 31 December 2011	Exercise price per share ⁽²⁾ HK\$
			Balance as at 1 July 2011	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)	4,553,871	–	9,107	–	–	4,562,978	10.650
			4,553,871	–	9,107	–	–	4,562,978	

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 the final dividend for the year ended 30 June 2011 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\$10.672 to HK\$10.650 on 29 December 2011.
- (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 2011, none of the Directors and chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or, as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 2011	Exercise price per share HK\$
		Balance as at 1 July 2011	Granted during the period	Exercised during the period	Lapsed during the period		
27 November 2007	(1)	10,759,000	–	–	(1,224,000)	9,535,000	8.660
25 March 2008	(2)	2,544,000	–	–	(444,000)	2,100,000	8.440
		13,303,000	–	–	(1,668,000)	11,635,000	

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

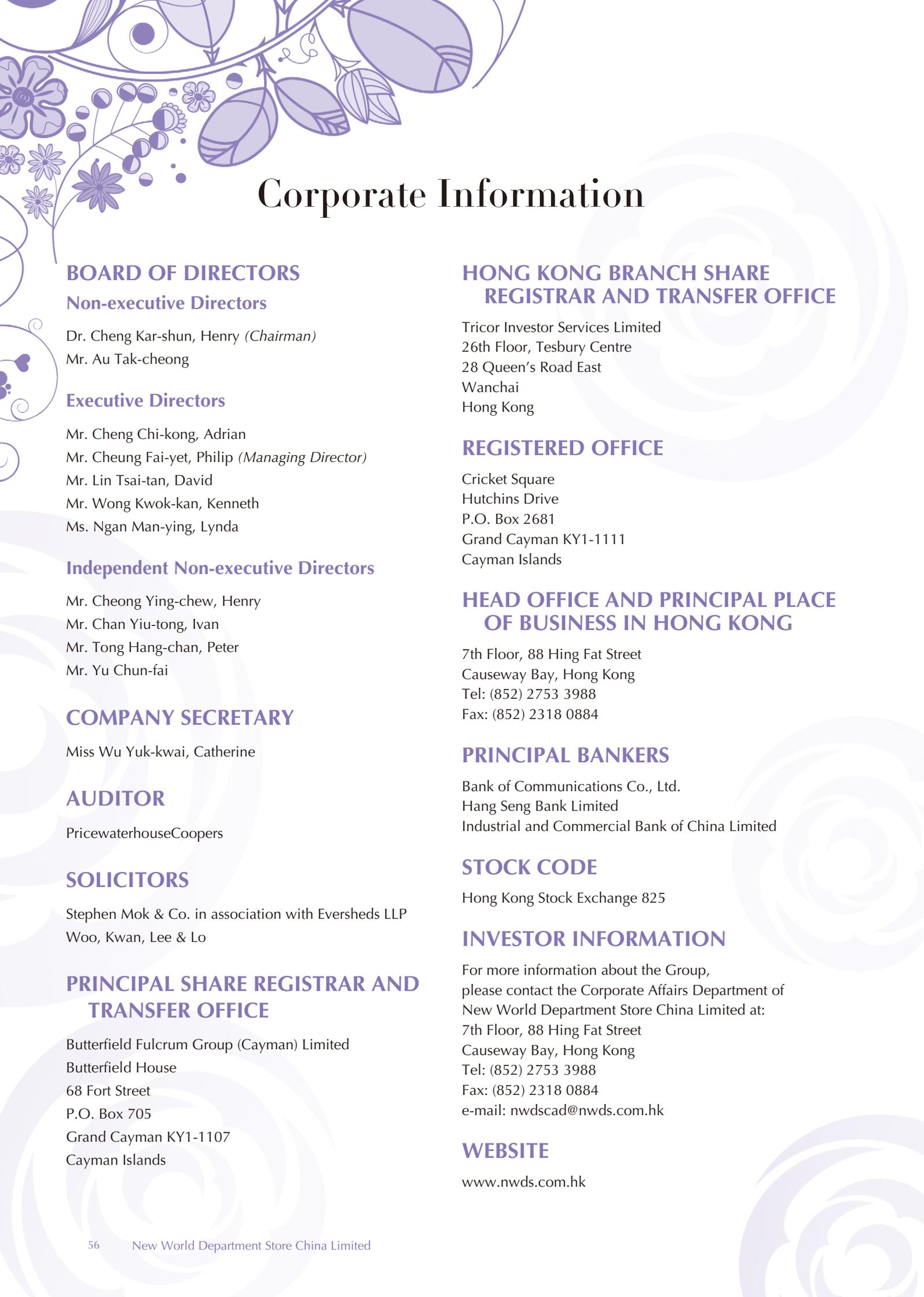
As at 31 December 2011, the following persons (not being the Directors or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	–	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	–	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) ("CTFH") ⁽⁴⁾	–	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited ("CTF") ⁽⁵⁾	–	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 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.
- (2) CYTFH-II holds 40.23% direct interest in CTFC and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFC.
- (3) CTFC holds 74.07% direct interest in CTFH and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFH.
- (4) CTFH 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.
- (5) CTF together with its subsidiaries hold an aggregate of approximately 39.73% 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 2011, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 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

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, 88 Hing Fat Street
Causeway Bay, Hong Kong
Tel: (852) 2753 3988
Fax: (852) 2318 0884

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

For more information about the Group,
please contact the Corporate Affairs Department of
New World Department Store China Limited at:
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Fax: (852) 2318 0884
e-mail: nwdsacad@nwds.com.hk

WEBSITE

www.nwds.com.hk





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)

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Facebook: www.facebook.com/nwds.hk

