

# INTERIM REPORT

happy shopping ★ bespoke experiences

# 2015/16



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)*

(Hong Kong Stock Code : 825)

時 新 尚 個 生 性 活

*Enriching Lives Enhancing Character*



# CORPORATE PROFILE



## **New World Department Store: Quality Merchandise For Quality Living**

New World Department Store China Limited (Hong Kong Stock Code: 825) is the retail flagship of New World Development Company Limited (Hong Kong Stock Code: 17), which owns around 72% shares of the Group. As one of the largest owners and operators of department stores in Mainland China, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. After decades of hard work, the Group has been widely recognized as a retailer of quality merchandise and a symbol of quality living.

## **Securing Strategic Footholds: Our Network**

To establish ourselves as a leading department store operator in Mainland China, the Group has been proactively expanding our store network across the country. As at 31 December 2015, we operated and managed 39 self-owned stores and four managed stores in Mainland China with a total gross floor area of approximately 1,667,980 square meters, including 31 "New World" branded department stores and 12 "Ba Li Chun Tian" (巴黎春天) branded department stores and shopping malls in Shanghai, covering 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao and Yantai.

## **Tapping Into China's Growing Affluence: Our Business**

The Group adopts a hybrid business model combining department store and shopping mall and introduces lifestyle complementary facilities such as restaurants and children's playgrounds to provide customers with a one-stop shopping experience. Our revenue is mainly derived from four sources: commission income from concessionaire sales, sales of goods for direct sales and rental income in our self-owned stores, and management and consultancy fees.

## **Efficient Management: Our Organizational Structure**

For organizational structure, the Group adopts an efficient three-tier management structure which comprises central management, regional management and local management. Operation-wise, the Group divides the national store network into three operating regions that leverage the headquarters' administrative support in human resources, finance and corporate communications, to enable higher level of flexibility on resource deployment.

## **Professionalism From Top To Bottom: Our People**

As at 31 December 2015, the Group employed 5,133 people, with the majority being local recruits. Well-trained and motivated, the whole crew is united under the leadership of a management team with over two-decade relevant experience in pursuit of our vision and mission.





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# FINANCIAL HIGHLIGHTS



## Revenue

(HK\$'000)

2,037,826 1,934,290



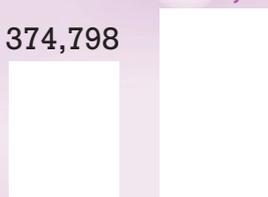
2014 2015

Six months ended  
31 December

## Sales of Goods - Direct Sales

(HK\$'000)

374,798 514,739



2014 2015

Six months ended  
31 December

## Rental Income

(HK\$'000)

320,863 324,763



2014 2015

Six months ended  
31 December





Profit for the period:  
**HK\$59,810 thousand**

	Six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
<b>Operating Result</b>		
Revenue	<b>1,934,290</b>	2,037,826
Representing:		
Commission income from concessionaire sales	<b>1,060,105</b>	1,297,836
Sales of goods – direct sales	<b>514,739</b>	374,798
Management and consultancy fees	<b>34,683</b>	44,329
Rental income	<b>324,763</b>	320,863
Operating profit	<b>137,658</b>	291,180
Profit for the period	<b>59,810</b>	205,962

	As at	As at
	31 December 2015	30 June 2015
	HK\$'000	HK\$'000
<b>Financial Position</b>		
Fixed deposits, cash and cash equivalents	<b>2,363,159</b>	2,115,917
Total assets	<b>12,987,393</b>	13,167,078
Total liabilities	<b>6,934,089</b>	6,874,441
Total equity	<b>6,053,304</b>	6,292,637

	2015	2014
<b>Financial Ratios</b>		
Revenue growth	<b>-5.1%</b>	-4.1%
Commission income rate	<b>17.7%</b>	18.3%
Gross margin of direct sales	<b>24.2%</b>	13.5%

# CHAIRMAN'S STATEMENT



In 2015, the Chinese economy continued to slow down due to the weak impetus provided by the “Troika” (exports, investment and consumption). As a result of sluggish global trade, China’s exports declined by 1.8% year-on-year. On the other hand, the growth in infrastructure investment could not make up for the slowdown in property investment and the increase in GDP owing to consumption was unable to cover the shortfalls in exports and investment. Therefore, the GDP growth in 2015 dropped to a 25-year low at 6.9%. Economic downturn, competition arising from online and mobile consumption, changes in consumer behaviors and ever-rising operating costs made the operating environment extremely challenging for the physical retail industry.

During the period under review, we exercised stringent cost control through reaching agreements with several landlords on rental reductions to lower our rental expense. On the other hand, we continually refined our management structure and streamlined our manpower establishment to improve the overall operational efficiency. To widen revenue channels, we expanded our direct sales business to lifestyle premiums, fashion apparel, F&B, etc, as well as developing joint-venture F&B projects and expanding leasing area for lifestyle complementary facilities with the aim of boosting sales of goods for direct sales and rental income.

For the six months ended on 31 December 2015, the Group’s revenue was HK\$1,934.3 million, declined by 5.1% over the same period of Previous Year. Profit for the period was HK\$59.8 million. Earnings per share was HK\$0.04.

As no consensus was reached on change of the rental fee with the landlord, the Group closed Beijing Shishang Store on 1 January 2016. We remained prudent and conservative, and slowed down the expansion of our self-owned stores and focusing on improving the operational efficiency. As at 31 December 2015, the Group operated and managed 39 self-owned stores and four managed stores, with a total GFA of approximately 1,667,980 sq.m.

For department store business, the Group continued to tactfully enhance categories such as gold and jewelry during the period under review while introducing more sports and children-related merchandise to adhere to the national policy. The Group also took the initiative to draw INMAN, one of the top three online ladieswear brands and craftsmen for linen and cotton, to establish its first O2O experiential store at Shanghai Pujian Branch Store, enabling real-time online and offline synchronization of product offerings and pricing. In the meantime, the Group sustained the hybrid business model with the introduction of more lifestyle complementary leasing projects, such as fitness centers, restaurants and children’s playgrounds, and the development of joint-venture F&B projects, which its first related project will be debuted in the second half of FY2016, to provide more bespoke F&B choices to our customers. Furthermore, the Group progressively implemented the “Happy New World” Project with the upgrade and revamp of in-store children’s playgrounds and the addition of giant slides, synthetic ice rinks and other large-scale recreational facilities to attract family customers.

The Group’s direct sales business is committed to providing lifestyle premiums, fashion apparel and F&B to the middle- to high-income consumers who pursue quality of life. The Group’s private label, LOL (Love • Original • Life) Concept Shop, mainly offers nationally exclusive and limited debuts of characterized art pieces and stylish lifestyle premiums. It strives to nurture a customer cluster with taste through enriched merchandise experience, interactive sharing, brand micro-exhibitions and VIP activities. LOL currently operates 14 stores and one online store. Well Metro Group Limited, a brand agent and distributor acquired by the Group in early 2015, continually expanded the sales network of the brands it represents, for instance, REDValentino opened new stores in Qingdao and Beijing while LOVE MOSCHINO opened new stores in Shanghai and Beijing during the period under review, totaling 39 specialty stores across the country. In addition, the Group tapped into bakery business and planned to establish a bakery brand called “n+” which upholds the business philosophy of “back to natural and healthy life” and sells handmade and store-baked European-style artisan bread. Its first store is expected to open in the second half of FY2016.



Breaking through the existing O2O business model, we had cross-industry collaborations with technology companies, China Mobile Games and Entertainment as well as Maichang, to launch offline activities such as “NWDS Dancing Seasons” and “Mobile Recording Studios” to attract online users to visit our physical stores. Moreover, we are establishing iBeacon platform to send location-based messages and vouchers to customers, so as to increase sales conversion rate along with the increment of mobile payment methods available at stores. The service platform is expected to launch in the second half of FY2016.

The Group believes that the key to corporate sustainability is to strike a balance among profits, society and environment. During the period under review, we continued to fulfill our corporate social responsibility and published the second standalone sustainability report which shares our related initiatives to all stakeholders in a comprehensive and precise manner. These initiatives included the “NWDS @Dream Annual Games” where the trainees of the “@Sports – Tennis Academy” tennis training program and the “@Sports – Cool Soccer” training program showcased what they had learned; the title-sponsorship of the “NWDS Sowers Action Challenging 12 Hours Charity Marathon” for the second time in which we rendered unreserved support for charity with the organization of the first in-store charity sale and the delegation of representatives to the marathon held in Hong Kong; organizing the “Advanced Project Feipeng – NWDS Management ‘Golden Ladder’ Nurturing Program” to nurture all-round talents at middle and senior managerial levels. Moreover, we proactively promoted volunteering culture by organizing the “2014-2015 Outstanding Volunteers and Volunteer Stars Selection Contest” which aimed to recognize our outstanding employees, their families and friends for their enthusiastic participation in voluntary activities during the period under review.

Looking forward, overcapacity, high indebtedness and the burst of stock market bubbles will still distress China. Coupled with fund outflows and ageing population, the Chinese economy may plummet further. However, in the short run, the Renminbi depreciation can boost exports and domestic consumption, which will in turn benefit commodities with good hedging properties such as gold and jewelry. With the launch of the 13th Five-Year Plan in 2016, a series of government policies promoting innovation and domestic consumption, such as the “two-child policy” and new urbanization policy, will be launched and are expected to generate sustainable momentum for the growth of the retail industry. In response to market changes, we will continue to optimize our operations and foster cross-industry collaborations in a prudent manner.

On behalf of the Board, I would like to express my heartfelt gratitude to all shareholders, customers and business partners for their support to the Group, as well as to the management team and all fellow staff members for their hard work in the past. We promise to continually strive for the stable development of our business to secure a reasonable return on investment for our shareholders.

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

Hong Kong, 22 February 2016



# MILESTONES

## 2015

### JULY

- Launched the “NWDS @Dream Annual Games”, an annual heavy-weighted activity series of the “@Dream Program”, to increase public awareness to under-resourced children
- FY2014 Annual Report and Sustainability Report achieved record-breaking results of 13 awards and honors in the LACP 2014 Vision Awards Annual Report Competition
- NWDS Management Academy entered the top ten Chinese Corporate Universities list in the “China Chain Store & Franchise Association (CCFA) Top Ten Corporate Universities” and its “Direct Sales Merchandise Knowledge APP” project garnered the “Retail Innovation Award”

### AUGUST

- FY2014 Annual Report and Sustainability Report won three awards in the 2015 International ARC Awards
- The “@Dream Program” won the “Outstanding Charity Award” in the “2014-2015 China Marketing Awards”

### SEPTEMBER

- Held the fifth “Green Mid-Autumn Festival - Moon Cake Box Recycling Campaign” and a series of parent-child workshops and exhibitions featuring green lanterns to promote waste recycling
- Launched a nationwide inter-store marketing campaign called “Tailored Feast For you - Super Feast” to provide customers with multiple shopping privileges

### OCTOBER

- FY2014 Annual Report won the Honors Award in the category of “Annual Reports - Print: Retail – Department Store” in the 2015 Galaxy Awards

### NOVEMBER

- INMAN, one of the top three online ladieswear brands and craftsmen for linen and cotton, established its first O2O experiential store at Shanghai Pujian Branch Store
- Title-sponsored the “NWDS Sowers Action Challenging 12 Hours Charity Marathon” for the second consecutive year, and organized in-store “Take the Challenge! Battle Arena Games!” to raise customer awareness to under-resourced students in Mainland China
- Developed “Green Office Policy” and *Sustainable Office Guide*, providing stores with the Group’s green office direction and specific energy saving and waste reduction measures

2016

## DECEMBER

- Published the second standalone sustainability report, *NWDS Sustainability Report 2015*, reporting the Group's sustainability performance and achievements
- Garnered "Corporate Citizenship Logo" in the categories of "Enterprise" and "Volunteer" respectively in the "6th Hong Kong Outstanding Corporate Citizenship Award" organized by the Hong Kong Productivity Council
- The "@Dream Program" garnered the "Outstanding Organization" in the "China Homework" charity event
- Hong Kong Office garnered the "Green Office" label and the UNMDG's "Better World Company" label in the "Green Office Awards Labelling Scheme" organized by the World Green Organization for the third consecutive year

## JANUARY

- Won the Gold Award in the category of "Financial Performance, Corporate Governance, Social Responsibility and Investor Relations" in "The Asset Corporate Awards 2015"
- NWDS Management Academy garnered four awards in the award ceremony of the "Chinese Corporate University Rankings", including "2015 China's Best Corporate University", "2015 China Corporate Training Program", "2015 Most Newsworthy Award" and "2015 Most Popular Corporate University"
- Organized a nationwide sports-themed Christmas voluntary activity, "Busy Ping Pong", for the second year to play table tennis-inspired games and handicrafts with over 650 under-resourced children
- Garnered the "Charity Festival – 5-year Special Tribute Award" and "2015 China Charity – Group Award" in the "2015 China Charity Festival", while the nationwide green activity, "Go Green with NWDS", won the "2015 Best Green Project"



# BUSINESS REVIEW



The Group's revenue declined by 5.1% from HK\$2,037.8 million for the six months ended 31 December 2014 (or "1HFY2015" or "the same period of Previous Year") to HK\$1,934.3 million for the six months ended 31 December 2015 (or "1HFY2016" or "the Current Period"). Profit for the Current Period was HK\$59.8 million.

## BUSINESS NETWORK

As at 31 December 2015, the Group operated 41 department stores and two shopping malls, with a total gross floor area ("GFA") of about 1,667,980 square metres ("sq.m.") in which the total GFA of self-owned stores was approximately 1,512,280 sq.m. Total operating floor area ("OFA") was about 1,342,130 sq.m. Located in three operating regions, namely Northern China, South Eastern China and Central Western China, the stores covered 21 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, Yanjiao, and Yantai with 39 self-owned stores and four managed stores.

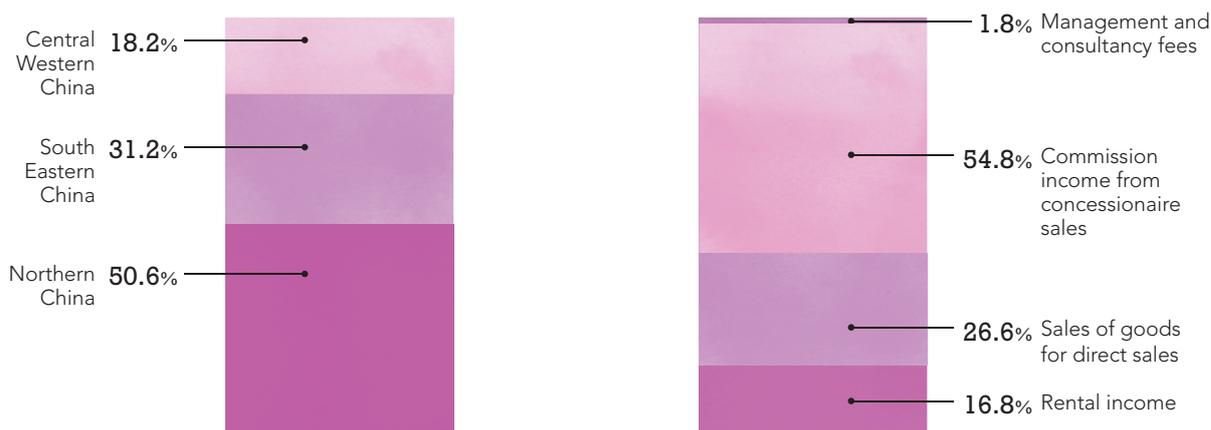
## REVENUE CONTRIBUTION

### By Region

The Northern China Region contributed the most to the Group's revenue during the period under review, accounting for 50.6% of revenue, followed by the South Eastern China Region and the Central Western China Region, accounting for 31.2% and 18.2%, respectively.

### By Segment

Commission income from concessionaire sales was the major source of revenue, accounting for 54.8% of revenue. Sales of goods for direct sales and rental income accounted for 26.6% and 16.8% respectively. Management and consultancy fees accounted for 1.8%.



## OPERATIONS STRATEGIES

During the period under review, economic growth in China slowed notably to its 25-year low. The year-on-year nominal growth for the total retail sales of consumer goods in 2015 was further down to only 10.7%. Coupled with the competition arising from online and mobile consumption, changing consumer behaviors, rising operating costs and other factors, the operating environment of the physical retail industry was very challenging. In response to the current situation, the Group gave priority to operations optimization and corporate restructuring to improve its operational efficiency, while exercising stringent cost control with the closure of Beijing Shishang New World Department Store ("Beijing Shishang Store") and the negotiations with landlords on rental reductions. Riding on the O2O ("online-to-offline") trend, the Group increased cross-industry collaborations with technology companies to draw foot traffic from various sources. Simultaneously, carrying through the Artisanal spirit, the Group expanded its direct sales business to lifestyle premiums, fashion apparel and food and beverage ("F&B") as well as developing joint-venture F&B projects and expanding leasing area for lifestyle complementary facilities, delivering more bespoke goods and services to customers with the aim of boosting sales of goods for direct sales and rental income.

### Refining Management Structure and Reaching Consensus on Rental Reductions to Lower Operating Costs

Rental and staff costs usually play a big part of the operating expenses of a department store. During the period under review, the Group exercised stringent cost control through reaching agreements with landlords on rental reductions to lower its rental expense. On the other hand, the Group continually refined its management structure and streamlined its manpower establishment to improve the overall operational efficiency. The results are expected to gradually emerge in the future.

### Enhancing Gold, Jewelry, Sports and Children's Merchandise Mix and Introducing Online Brands to Stores

As a forerunner of lifestyle department stores, the Group always takes consumer needs as its first priority and strives to optimize its merchandise mix continually. The Renminbi depreciation drove consumers to invest in gold and jewelry for hedging purposes. Therefore, during the period under review, the Group introduced quality brands such as TSL and Emperor Jewellery into the stores while Hong Kong New World Department Store – Shanghai Hongkou Branch Store ("Shanghai Hongkou Branch Store") and Wuhan New World Trendy Plaza ("Wuhan Trendy Plaza") expanded the operating area for jewelry. The *National Fitness Plan (2011-2015)* has prompted the popularity of sports and outdoor products among consumers. During the period under review, the Group therefore introduced ASICS, MLB, SKECHERS and other brands into the stores and expanded the operating area for sports and outdoor products. For instance, Changsha New World Trendy Plaza ("Changsha Trendy Plaza") added a trendy sports hall, while Hong Kong New World Department Store – Shanghai Changning Branch Store ("Shanghai Changning Branch Store") positioned itself as a sports outlet. Moreover, to seize the opportunities arising from the full rollout of the "two-child policy", the stores further enriched their kidswear offerings with the introduction of adidas kids, Annil, JJKIDS and other kidswear brands. Some stores optimized the children-themed sales floor; for instance, Dalian New World Department Store ("Dalian Store") decorated the kidswear zone with soft plastic mats on passageways and colorful paintings on the entrance to enhance the overall ambience.



To attract young customers, the Group proactively sought collaboration opportunities with quality B2C (“business-to-customer”) brands. During the period under review, the Group collaborated with INMAN, one of the top three online ladieswear brands and craftsmen for linen and cotton, to establish its first O2O experiential store at Hong Kong New World Department Store – Shanghai Pujian Branch Store (“Shanghai Pujian Branch Store”). This breakthrough realized real-time online and offline synchronization of product offerings and pricing which enabled the brand to enjoy dual advantages of great exposure of traditional retail channels and high cost-effectiveness and operational flexibility of e-commerce. Looking forward, the Group plans to foster the collaboration and extend the business to four cities including Wuhan, Shanghai, Beijing and Yantai.

### **Increasing Lifestyle Complementary Facilities and the Proportion of Leasing Area**

Shopping experience is essential to consumers. During the period under review, carrying through its hybrid business model, the Group actively introduced lifestyle complementary leasing projects, such as fitness centers, restaurants and children’s playgrounds to increase the proportion of leasing area in order to boost its rental income. For great customer-retaining F&B projects, the Group successfully introduced well-known restaurants into the stores, such as Kong Yiji, Ba Dou Ji, Huang Ji Huang and Sheng Le Tu South American BBQ Buffet, as well as popular Korean cuisine, such as Korean Barbecue and Gyeonggi-do Rice Cake Hot Pot, in order to attract young consumers. During the period under review, the Group keenly worked with popular and appealing F&B brands to develop joint-venture projects. They will commence operation in the second half of FY2016.

At the same time, the Group progressively implemented the “Happy New World” Project with the upgrade and revamp of in-store children’s playgrounds and the addition of giant slides, synthetic ice rinks and other large-scale recreational facilities. For instance, Shanghai Pujian Branch Store added musical stairs and a rooftop vegetable garden to deliver a pleasant shopping experience to customers.

### **Expanding Direct Sales Business to Serve All Aspects of Life**

The Group’s direct sales business is committed to providing lifestyle premiums, fashion apparel and F&B for the middle- to high-income consumers who pursue quality of life. After a two-year development, LOL (Love • Original • Life) Concept Shop (“LOL”), the Group’s private label, dedicated its efforts on optimizing the operations and positioning of the existing stores during the period under review. LOL currently operates a total of 14 stores as well as a flagship store on Tmall.com. The brand mainly offers nationally exclusive and limited debuts of characterized art pieces and stylish lifestyle premiums, and plans to introduce merchandise including handmade wooden music boxes, unique essential oil and customized jewelry. In addition to merchandise offerings, LOL plans to provide coffee, light meals and snacks to customers to experience a leisure lifestyle. Well Metro Group Limited (“Well Metro Group”), a brand agent and distributor acquired by the Group in early 2015, continually expanded the sales network of the brands it represents; for instance, REDValentino opened new stores in Qingdao and Beijing while LOVE MOSCHINO opened new stores in Shanghai and Beijing during the period under review, totaling 39 specialty stores across 11 major cities in China, including Beijing, Shanghai, Hangzhou, Nanjing, Qingdao and Chengdu.



In response to consumers' pursuit of a healthy diet, the Group tapped into bakery business during the period under review and established the "n+" brand. Upholding the Artisanal spirit and the business philosophy of "back to natural and healthy life", "n+" features European-style artisan bread that is handmade and store-baked with high-quality imported ingredients. Its first store is expected to open in the second half of FY2016, with a plan of scaling up to over 20 stores in the next three years.

#### **Enhancing F&B Tenant Recruitment and Drawing Online Brands to Physical Stores**

The Group's Commerce Department takes the lead of merchandising to strategically recruit sizeable and appealing brands into the stores to elevate its brand portfolio. During the period under review, the Group enhanced its effort on recruiting popular F&B tenants and developing joint-venture F&B projects to provide more and better F&B mix. Moreover, the Group extended its efforts to recruit outstanding online brands with potentials and helped them establish presence in physical stores, so as to enrich the Group's brand portfolio.



#### **Launching Cross-industry Collaborations with Technology Companies to Strengthen Technology Applications in Business Aspects**

In response to the "Internet Plus" initiative that advocates greater Internet applications in industries, during the period under review, the Group actively launched cross-industry collaborations with several technology companies to draw online traffic to physical stores. These collaborations included an offline activity called "NWDS Dancing Seasons" co-organized with China Mobile Games and Entertainment, the developer and publisher of the well-known mobile game "Tian Tian Xuan Wu", at Beijing New World Department Store ("Beijing Store"). Game players were invited to compete at Beijing Store and the activity was broadcasted with the viewership of over 20,000. Moreover, the Group collaborated with a renowned mobile karaoke social application, Maichang, to organize "Mobile Recording Studios" at Hong Kong New World Department Store – Shanghai Wujiaochang Branch Store ("Shanghai Wujiaochang Branch Store") and Hong Kong New World Department Store – Shanghai 118 Branch Store ("Shanghai 118 Branch Store"). Coupled with promotions and discounts on young fashion and apparel brands to boost customer participation, the activities received enthusiastic responses.

Furthermore, the Group strengthened the application of Internet technologies at stores to enhance service quality and sales efficiency. During the period under review, the Group further enriched the mobile payment methods available at stores and completed the infrastructure of WeChat Payment. In the meantime, the Group is establishing iBeacon platform to send location-based messages and vouchers to customers, so as to increase sales conversion rate. The service platform is expected to launch in the second half of FY2016.



### **Refining Membership Structure and Building Member Sharing Platform**

During the period under review, the Group simplified and revamped its VIP membership structure and successfully upgraded over 70,000 members to Gold Card members. Furthermore, a new electronic membership card – N-Joy card was created to engage with young customers. In order to foster a closer communication with VIP members, the Group planned to develop a member application with its retail-related affiliated companies such as K11 and Chow Tai Fook. The application would push information relating to the store locations and promotional activities of the three companies as well as other fashion tips to members to enhance resource leveraging. The trial run of the application will be conducted at selected stores in the second half of FY2016.

### **EXPANSION STRATEGIES**

During the period under review, due to the slowdown in China's economic growth and the volatility in stock market, consumer sentiment was seriously affected. Moreover, the competition from e-commerce and outbound travel hit the sales of physical retail industry in Mainland China. The Group remained prudent and conservative amid this challenging operating environment by slowing down the expansion of its self-owned stores and focusing on improving operational efficiency, striving to strengthen its existing business. New projects are underway and are expected to complete during or after FY2017.

Benefiting from the "two-child policy", new urbanization policy as well as the stimulation on domestic consumption as a result of the Renminbi depreciation, China's retail market still has room for further development in the long run. Carrying through its expansion strategy of "radiation city", the Group plans to open self-owned stores in Shiyuan City and Jingmen City, the surrounding cities of Wuhan City in Hubei Province, with a total GFA of approximately 50,000 sq.m. and 35,000 sq.m. respectively. To provide customers with a better shopping experience, Shenyang Nanjing Street Branch Store Phase I Redevelopment Project and Shenyang Nanjing Street Branch Store Phase II Expansion Project are both underway. Upon completion of the work, the two phases will form a department store with a total GFA of approximately 52,000 sq.m.

At the same time, depending on market needs and project natures, the Group will extend its network to potential third- and fourth-tier cities through the provision of management and consultancy services with the "low-risk, low-investment" approach. In the future, the Group plans to open managed stores in Yibin City in Sichuan Province and Tongliang District in Chongqing City.



## OUTLOOK

Affected by the US Federal Reserve's rate hikes and continual European sovereign debt crisis, the recovery of the global economy slowed down in 2015. In the meantime, China faced further challenges relating to serious overcapacity, intensified financial risks and ageing population. The internal and external pressures slackened China's economic growth in 2015, with the growth rate of Gross Domestic Product ("GDP") dropped to its 25-year low at 6.9%. According to the National Bureau of Statistics of the People's Republic of China, despite that the total retail sales of consumer goods in 2015 amounted to RMB30,093.1 billion with the year-on-year nominal growth of 10.7%, it dropped by 1.3% compared with the previous year.

With the launch of the 13th Five-Year Plan in 2016, China is dedicated to establishing an economic model driven mainly by innovation and consumption. As the market anticipates the gradual introduction of the relevant policies, complemented with the full rollout of the "two-child policy" and new urbanization policy, they are believed to generate sustainable momentum for the growth of the retail industry. However, due to the slow recovery of the global economy, the Chinese economy is still at its critical stage and the economic landscape continues to be challenging in 2016. Therefore, the prospects of the retail industry remain uncertain.

In such austere operating environment, the Group will remain prudent and conservative and carry on exploring new sources of income and managing expenses. On one hand, the Group will expand its direct sales and leasing business by increasing the number of joint-venture F&B projects and the leasing area for lifestyle complementary facilities with the aim of exploring new revenue channels. On the other hand, the Group will streamline its operating structure and consolidate store resources to control costs and improve the overall operational efficiency, securing a reasonable return on investment for shareholders. In respect of business development, the Group will focus on stabilizing the existing businesses and slow down the expansion of self-owned stores. The Group will timely extend its network to potential third- and fourth-tier cities with the "low-risk, low-investment" approach, ensuring a long-term and stable development for the Group's business.



# MANAGEMENT DISCUSSION & ANALYSIS



## FINANCIAL REVIEW

### Revenue

Revenue of the Group was HK\$1,934.3 million in 1HFY2016 representing a decline of 5.1% from HK\$2,037.8 million in 1HFY2015.

Gross sales revenue, comprising gross revenue from concessionaire sales, sales of goods for direct sales, management and consultancy fees, rental income and other income decreased by 12.4% to HK\$6,947.1 million in 1HFY2016 from HK\$7,928.4 million in 1HFY2015. Gross revenue from concessionaire sales decreased to HK\$5,986.3 million from HK\$7,072.7 million in the same period of Previous Year. Commission income rate decreased from 18.3% in the same period of Previous Year to 17.7% in the Current Period. The decrease was primarily due to proportionate increase in sales of gold and jewelry as well as sportswear which had lower margins. Sales of goods for direct sales was HK\$514.7 million in 1HFY2016 compared with HK\$374.8 million in 1HFY2015. Direct sales revenue mainly comprised sales of groceries, housewares and perishables (approximately 38.6%), cosmetic products (approximately 28.4%), ladieswear and menswear (approximately 27.5%), as well as accessories and miscellaneous items (approximately 5.5%). Gross margin of direct sales was 24.2% compared to 13.5% in the same period of Previous Year. The increase was mainly contributed by Well Metro Group acquired in January 2015 which had a higher gross margin. In 1HFY2016, ladieswear and accessories made up approximately 63.3% of gross revenue from concessionaire sales and sales of goods for direct sales, menswear and accessories made up approximately 9.7%, and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest.

Management and consultancy fees was HK\$34.7 million in 1HFY2016 showing a decrease by 21.8% from HK\$44.3 million in 1HFY2015. The decrease was primarily due to drop in Group's recognition of fees for the provision of consultancy services for new projects in the Current Period.

Rental income increased by 1.2% to HK\$324.8 million in 1HFY2016 from HK\$320.9 million in 1HFY2015, mainly due to expanded rentable area and improved tenant mix, which was partially offset by the reduced rentable area as a result of the closure of Wuhan New World Department Store – Qiaokou Branch Store in November 2014 and the downsizing of Shenyang New World Department Store – Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store") in March 2015.

### Other Income

Other income of the Group was HK\$86.7 million in 1HFY2016 compared with HK\$115.7 million in 1HFY2015. Other income in 1HFY2016 mainly comprised HK\$41.5 million of income from suppliers, HK\$14.1 million of government grants and HK\$15.9 million of compensation for termination of lease of Beijing Shishang Store.

### Changes in Fair Value of Investment Properties

A loss in fair value of investment properties in the Current Period was HK\$5.7 million which related to a property of Shenyang Jianqiao Road Branch Store.

### Other Gains, Net

Net other gains of the Group in the Current Period was HK\$7.5 million which was primarily resulted from a gain on fair value of the indemnification in connection with the acquisition of Well Metro Group of HK\$9.3 million.

### Purchases of and Changes in Inventories

The purchases of and changes in inventories primarily represented the cost of sales for direct sales of goods. It increased by 20.4% to HK\$390.2 million in 1HFY2016 from HK\$324.2 million in 1HFY2015. The increase was in line with the increase in sales of goods for direct sales in the Current Period.

### Employee Benefit Expense

Employee benefit expense decreased to HK\$323.8 million in 1HFY2016 from HK\$377.6 million in 1HFY2015. The decrease in employee benefit expense was primarily due to the continuous efforts by management to carry out cost control measures.

**Depreciation and Amortisation**

Depreciation and amortisation expense decreased from HK\$171.1 million in 1HFY2015 to HK\$155.6 million in 1HFY2016 because no depreciation is provided in the Current Period for property, plant and equipment impaired for mainly two department stores in 2HFY2015.

**Operating Lease Rental Expense**

Operating lease rental expense increased to HK\$603.2 million in 1HFY2016 from HK\$585.5 million in 1HFY2015, primarily due to recognition of a full-period rental expense of the newly opened Shanghai 118 Branch Store in November 2014 and Well Metro Group which was acquired in January 2015.

**Other Operating Expenses, Net**

Net other operating expenses decreased to HK\$412.2 million in 1HFY2016 from HK\$413.1 million in 1HFY2015. The decrease was primarily due to the effective control of water and electricity, promotion and advertising expenses by management and a decline in other tax expenses which was in line with the decline of revenue in 1HFY2016. The decrease was partially offset by the inclusion of exchange loss for HK\$53.1 million mainly arising from the devaluation of Renminbi. In addition, the newly opened Shanghai 118 Branch Store in November 2014 and the acquisition of Well Metro Group in January 2015 also contributed to the increase of other operating expenses in the Current Period.

**Operating Profit**

Operating profit was HK\$137.7 million in 1HFY2016 compared with HK\$291.2 million in 1HFY2015.

**Income Tax Expense**

Income tax expense of the Group was HK\$96.5 million in 1HFY2016 compared with HK\$96.4 million in 1HFY2015. A reversal of deferred tax asset of approximately HK\$16.3 million, with respect to previously recognised tax losses which were not expected to be utilised before expiry dates based on Group's latest estimate on the profitability of respective stores, was included in Current Period.

**Profit for the Period**

As a result of the reasons mentioned above, profit for the period decreased by approximately 71.0% to HK\$59.8 million compared with HK\$206.0 million in the same period of Previous Year. Core profit for the period excluding net other gains, changes in fair value of investment properties and its related income tax expense and other non-core items, decreased by approximately 36.2% to HK\$124.5 million from HK\$195.2 million of the same period of Previous Year.

**Liquidity and Financial Resources**

Cash and fixed deposits of the Group amounted to HK\$2,363.2 million as at 31 December 2015 (30 June 2015: HK\$2,115.9 million).

The Group's borrowings from banks as at 31 December 2015 were HK\$1,343.1 million (30 June 2015: HK\$1,707.0 million) of which HK\$419.2 million (30 June 2015: HK\$524.3 million) was secured by pledge of asset.

At 31 December 2015, the Group's current liabilities exceeded its current assets by HK\$955.2 million (30 June 2015: HK\$709.3 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitment of the Group as at 31 December 2015 were HK\$479.6 million, of which HK\$446.1 million were contracted but not provided for in the condensed consolidated statement of financial position. For the contractual payment of HK\$446.1 million, approximately HK\$378.7 million is for the redevelopment project of a building in Shenyang City.

**Pledge of Assets**

As at 31 December 2015, an investment property of HK\$1,824.0 million (30 June 2015: a property, land use rights and investment properties of HK\$1,952.5 million) of the Group were pledged as securities for bank borrowings and banking facilities of HK\$419.2 million (30 June 2015: HK\$525.0 million).

**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, mainly 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 2015.

# CORPORATE SUSTAINABILITY

The Group is committed to promoting corporate sustainability and shouldering social responsibility. In December 2015, the Group published the second standalone sustainability report to share its sustainability performance and achievements in FY2015 with stakeholders and to disclose information relating to our suppliers for the first time. Environmental protection is one of the most important agendas to the Group. Hence, during the period under review, the Group formulated “Green Office Policy” and *Sustainable Office Guide*, providing stores and departments with the Group’s green office direction and specific energy saving and waste reduction measures as an effort to minimize environmental impacts caused by its operations. On the other hand, the Group has been actively promoting corporate volunteering culture and organized the “2014-2015 Outstanding Volunteers and Volunteer Stars Selection Contest” during the period under review, in which awards for volunteer nominators and volunteer families were introduced for the first time to recognize its employees, their families and friends who are enthusiastic about serving the community.

## COMMUNITY SERVICES

Adhering to the ethos of “giving back to society”, the Group works closely with non-profit organizations to render support to the community in response to the needs of underprivileged groups.

### “@Dream Sustainable Development Program”

Since 2013, the Group has launched its large-scale sustainability development community project, “@Dream Sustainable Development Program” (“@Dream Program” or the “Program”), which has provided free music and sports training to over 7,000 migrant children, facilitating the holistic development of their physical and mental wellness. From July to September 2015, the Group organized the “NWDS @Dream Annual Games” (the Games) with a series of soccer and tennis competitions and online voting, which created learning and matching opportunities for the Program’s trainees while raising public awareness to under-resourced children. The Games consisted of five components, namely the “@Dream Cup • Soccer Tournament”, the “@Dream Cup • Tennis Tournament”, the “@Dream Sunshine Teen” Voting Campaign, the “Demonstration Show cum Award Ceremony of the ‘@Dream Annual Games’ Finalists” (the Ceremony) and the “@Dream Sunshine Teen Charity Actions”.

The “@Dream Cup • Soccer Tournament” and the “@Dream Cup • Tennis Tournament” are public competitions which successfully drew many organizations in participation. After rounds of matches, the champions of “@Dream Cup • Soccer Tournament” and “@Dream Cup • Tennis Tournament” went to Shanghai Changning District Tianshan No.2 Primary

School team which was comprised of trainees from the “@Sports – Cool Soccer” training program and Shanghai Jinshan District Haitang Primary School team respectively. The winners replayed their fabulous skills in front of over 400 guests at the Ceremony held in September 2015. Besides, the Group held the “@Dream Sunshine Teen” Voting Campaign on the Shanghai Education News Network. Over 770,000 citizens voted for the “Sunshine Teen” in recognition of his outstanding performances in sports and academics. In October of the same year, the “Sunshine Teen” and the benefited trainees of the Program took part in the “@Dream Sunshine Teen Charity Actions”, where they staged dance and singing performances for the elderly. The Games’ activity series received 125 pieces of media coverage, successfully raising public awareness to under-resourced children.

### Title-sponsoring “NWDS Sowers Action Challenging 12 Hours Charity Marathon” for the Second Time

During the period under review, the Group title-sponsored the “NWDS Sowers Action Challenging 12 Hours Charity Marathon 2015” (“Sowers Action Challenging 12 Hours”) held in Hong Kong on 1 November 2015. The number of participants reached a record high of over 2,300, raising education-aiding funds of over HK\$3 million. Apart from the donation of HK\$450,000, the Group delegated mainland employees and customers to participate in the marathon held in Hong Kong for the first time. The results were extraordinary and a representative from the Northern China Region won the second runner-up in the 42km Individual Men Open.

In addition, the Group held the first charity sale at LOL Concept Shops and organized the “Face • Challenge” and the “NWDS CSR Weibo • Bless Challenge” retweeting activities on NWDS CSR Weibo which was well supported by about 62,000 fans. On the marathon day, all stores organized the “Take the Challenge! Battle Arena Games!” with registrations from over 500 customers to compete for the title of bigger giver with Hong Kong runners.

### **Calling for Caring Left-behind Children in 5km Mountain Challenge**

In response to the “Sowers Action Challenging 12 Hours”, stores in the Northern China Region co-organized a 5km Wucaiqian Mountain Challenge called “5-year Companionship with Lasting Love” with China Charities Aid Foundation for Children on 25 October 2015. Stores involved sponsored over 300 customers to participate in the challenge, raising public awareness to left-behind children.

### **Volunteer Teams Care for the Elderly and Children**

During the period under review, NWDS Volunteer Team organized various activities to care for children and the elderly. In December 2015, it held a nationwide sports-themed Christmas voluntary activity called “Busy Ping Pong”. More than 150 volunteers across the country transformed themselves to Santa Clauses and played table tennis-inspired games with over 650 under-resourced children to celebrate Christmas. To arouse public awareness to migrant children, the Group launched the “Busy Golden Ping Pong” golden egg-cracking game on NWDS WeChat with participation from over 8,000 online users.

On the other hand, the stores organized their own voluntary activities to care for the community on a regular basis. For examples, the volunteer teams of the South Eastern China Region visited sick children at Shanghai Children’s Medical Center and encouraged them to fight against sickness with positive attitude; the volunteer teams of the Central Western China Region visited the elderly at nursing homes with festive presents and heartfelt blessings during Chung Yeung Festival.

## **ENVIRONMENTAL PROTECTION**

During the period under review, the Group developed “Green Office Policy” and *Sustainable Office Guide* to guide stores to save energy and reduce emissions as well as organizing numerous environmental friendly activities to advocate environmental protection to employees and customers.

### **Developing Environmental Protection Policy and Guideline**

The Group laid down “Green Office Policy” and *Sustainable Office Guide* in November 2015 to depict its green direction as well as suggestions on office energy conservation and emissions reduction to urge stores and departments to put them into routine practices to minimize the possible impacts on the environment caused by business operations.

### **Recycling Lanterns Promotes Waste Utilization**

From September to October 2015, the Group organized a nationwide green activity, “Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign”, for the fifth consecutive year. The activity collected over 2,800 excessive moon cake boxes, amounting to almost 25,000 pieces in total over the years. The activity organized a series of parent-child workshops and exhibitions featuring a new theme of green lanterns, which were well supported by over 700 customers. In the meantime, the Group organized the “NWDS CSR Weibo • Find Moon Cake Boxes” retweeting activity on NWDS CSR Weibo, attracting over 2,500 fans to join us in celebrating a green Mid-Autumn Festival.

### **Volunteer Teams Organize Community-based Green Activities**

During the period under review, volunteer teams from different stores heavily engaged with the community and actively promoted environmental protection to the public. For instance, Harbin New World Department Store (“Harbin Store”) and Wuhan New World Department Store held cleanup activities to clean the environment. Yancheng New World Department Store held the “Adding Green into Park” activity to promote the importance of environmental protection in the park to raise public awareness of the subject.

## **STAFF DEVELOPMENT AND BENEFITS**

The Group strives to provide a spectrum of professional training and a comfortable work environment to unleash the full potential of its employees.

### **Professional Training Projects Nurture All-round Talents**

In September 2015, NWDS Management Academy and the Overseas Education College Shanghai Jiao Tong University continued to co-organize the “Certificate Program of Further Studies in Retail Operation and Management 2015”. The course features the professional skills, knowledge and advanced concepts of the industry to help nurture professional operations experts to cope with the demands arising from the Group’s strategical transformation. Moreover, the Group continued the “Advanced Project Feipeng – NWDS Management ‘Golden Ladder’ Nurturing Program” to nurture all-round talents at middle and senior levels.

**Numerous Staff Activities Promote Physical and Mental Health**

The Group values the physical and mental well being of its employees. Therefore, it held plenty of staff activities during the period under review to foster interactions and exchanges among employees. For instances, Harbin Store organized a self-guided tour called "Refreshing Summer Tour" for its employees; Ningbo New World Beilun Department Store launched the "NWDS Couple" Pageant and a love song duet singing contest during Qixi Festival; Zhengzhou New World Department Store organized the "New World Superman – NWDS Fun Games 2015" to enhance team spirit. Between August and December 2015, the Group also organized the first NWDS Cultural Festival, "NWDS' Got Talent", which was held in the form of competition to select talented employees to perform in the Group's annual dinner.

**GROUP HONORS**

During the period under review, the Group received numerous awards and commendations for its excellent performance in the aspects of corporate communications, investor relations, community services, environmental protection, and staff benefits and development.

**Corporate Communications**

The Group's FY2014 Annual Report and Sustainability Report received multiple international awards.

*Annual Report*

Competition	Category	Awards
LACP 2014 Vision Awards Annual Report Competition	Consumer Services – Other	Platinum Award
	Retailing – Multi-line Retail	Bronze Award
	Best Letter to Shareholders Worldwide	Silver Award
	Best Letter to Shareholders Asia-Pacific Region	Platinum Award

Competition	Category	Awards
2015 International ARC Awards	Interior Design in Retail: Convenience & Dept. Stores	Honors Award
2015 Galaxy Awards	Annual Reports – Print: Retail – Department Store	Honors Award

*Sustainability Report*

Competition	Category	Awards
LACP 2014 Vision Awards Annual Report Competition	Sustainability	Platinum Award
	Most Improved Report Worldwide	Silver Award
	Most Improved Report Asia-Pacific Region	Gold Award
2015 International ARC Awards	Non-Traditional Annual Report: Sustainability Report	Gold Award
	Cover Photo/ Design: Sustainability Report	Bronze Award

**Investor Relations**

*The Asset Corporate Awards*

The Group garnered the Gold Award in the category of "Financial Performance, Corporate Governance, Social Responsibility and Investor Relations" in "The Asset Corporate Awards 2015".

**Community Services**

*Hong Kong Community Volunteers (Corporate Member) Certificate of Appreciation*

With 243 service hours in 2014, the Group's Hong Kong Office was presented the "Hong Kong Community Volunteers (Corporate Member) Certificate of Appreciation" by the Agency for Volunteer Service.

### *Hong Kong Outstanding Corporate Citizenship Award*

The Group garnered "Corporate Citizenship Logo" in the categories of "Enterprise" and "Volunteer" respectively in the "6th Hong Kong Outstanding Corporate Citizenship Award" organized by the Hong Kong Productivity Council.

### *"China Homework" Charity Event*

The Group was awarded as the "Outstanding Organization" in the "China Homework" charity event co-organized by the Shanghai Education News Network and the official Weibo and Wechat account of Shanghai Jiao Tong University. Besides, two trainees from the "@Sports – Cool Soccer" training program won the Bronze Award.

### *China Charity Festival*

The Group received the "Charity Festival – 5-year Special Tribute Award", the "2015 China Charity – Group Award" in the "2015 China Charity Festival" organized by several media agencies, while the nationwide green activity, "Go Green with NWDS", won the "2015 Best Green Project".

### *China Outstanding Marketing Awards*

The Group's "@Dream Sustainable Development Program" was awarded the "Outstanding Charity Award" in the "2014-2015 China Marketing Awards" co-organized by *The Economic Observer* and The Hong Kong Management Association.

### **Environmental Protection**

#### *Green Office Awards Labelling Scheme*

The Group's Hong Kong Office received the "Green Office" label and the UNMDG's "Better World Company" label for the third consecutive year in the "Green Office Awards Labelling Scheme" organized by the World Green Organization.

#### *"Wastewi\$e Certificate" Scheme*

The Group's Hong Kong Office was presented the "Wastewi\$e Certificate" in its scheme under the "Hong Kong Green Organization Certification" co-organized by 11 organizations, including the Environmental Campaign Committee and the Environmental Protection Department, for the second consecutive year.

### **Staff Benefits and Development**

#### *CCFA Top Ten Corporate Universities*

NWDS Management Academy was listed as one of the top ten China Corporate Universities in the "CCFA Top Ten Corporate Universities" selection organized by the China Chain Store & Franchise Association (CCFA), and was designated by CCFA as a partner of the China Retail Training Camp. NWDS Management Academy's "Direct Sales Merchandise Knowledge APP" project garnered CCFA's "Retail Innovation Award".

### *China Corporate University Rankings*

NWDS Management Academy garnered the "2015 China's Best Corporate University", the "2015 China Corporate Training Program", the "2015 Most Newsworthy Award" and the "2015 Most Popular Corporate University" in the "China Corporate University Rankings" organized by the Overseas Education College Shanghai Jiao Tong University.

### **Regional Honors**

#### *Northern China Region*

Yanjiao New World Department Store was appointed by the Langfang Municipal State Administration of Taxation as the "Tax Service Supervisor" and was presented a Honors Certificate. Dalian Store garnered the title of the "2015 Most Influential Stylish Mall in Dalian Region". The volunteer team of Beijing New World Trendy Department Store was titled as the "Outstanding Volunteer Service Team" by the Party Committee of East Beilang Community.

#### *Central Western China Region*

Wuhan Trendy Plaza was awarded the "2015 Top 100 Outstanding Enterprises by Revenue in Jiang'an District" by the Jiang'an District Enterprise Confederation, Jiang'an District Enterprise Directors Association and Jiang'an District Federation of Industry and Commerce. Wuhan New World Department Store - Wuchang Branch Store and Wuhan New World Department Store – Xudong Branch Store were both honored as the "2014 Citywide Advanced Entity in Union Affairs" by the All Wuhan Federation of Trade Unions. Kunming New World Department Store was selected as the "2015 Most Economical Shopping Hotspot" by *Chuncheng Evening News • Fashion Weekly*, as well as the "Most Vibrant Landmark" in the "2015 Kunming Stylish Landmark Mega Selection".

#### *South Eastern China Region*

Shanghai Hongkou Branch Store was presented the "Volunteer in Action Certificate" by the "Jiaxing with me" Jiaxing Street Community Care Project for childless families. Shanghai 118 Branch Store garnered the "Outstanding Event Planning Award" in the "2015 Shanghai Shopping Festival". Hong Kong New World Department Store – Shanghai Xinning Branch Store and Shanghai Changning Branch Store were both awarded the "2015 Advanced Entity in Corporate Governance for Service Industry in Changning District" by the Changning District Development and Reform Commission.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

## Introduction

We have reviewed the interim financial information set out on pages 21 to 44, 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 2015 and the related condensed consolidated income statement, 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, 22 February 2016

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2015

	Notes	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Revenue	6	1,934,290	2,037,826
Other income	7	86,673	115,714
Other gains, net	8	7,477	6,877
Changes in fair value of investment properties		(5,676)	2,254
Purchases of and changes in inventories		(390,247)	(324,215)
Employee benefit expense	9	(323,849)	(377,601)
Depreciation and amortisation		(155,570)	(171,081)
Operating lease rental expense		(603,207)	(585,524)
Other operating expenses, net	10	(412,233)	(413,070)
Operating profit		137,658	291,180
Finance income		41,833	34,491
Finance costs		(23,140)	(23,358)
Finance income, net	11	18,693	11,133
Profit before income tax		156,351	302,313
Income tax expense	12	(96,541)	(96,351)
Profit for the period		59,810	205,962
Profit attributable to equity holders of the Company		59,810	205,962
Dividend	13	–	102,855
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK\$ per share)			
– Basic and diluted	14	0.04	0.12

The notes on pages 27 to 44 are an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2015

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Profit for the period	59,810	205,962
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Release of exchange reserve upon liquidation of a subsidiary	–	(10,097)
Fair value loss on available-for-sale financial asset	(7,267)	–
Translation differences	(261,525)	67,713
Other comprehensive income for the period, net of tax	(268,792)	57,616
Total comprehensive income for the period	(208,982)	263,578
Total comprehensive income attributable to equity holders of the Company	(208,982)	263,578

The notes on pages 27 to 44 are an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	Unaudited As at 31 December 2015 HK\$'000	Audited As at 30 June 2015 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,667,156	1,794,395
Investment properties	16	4,522,932	4,717,926
Land use rights		756,739	803,474
Intangible assets		1,790,719	1,869,132
Other non-current assets	17	306,689	314,707
Prepayments, deposits and other receivables		353,451	395,627
Available-for-sale financial asset	18	32,227	–
Financial asset at fair value through profit or loss	19	9,256	–
Deferred income tax assets		165,256	162,571
		<b>9,604,425</b>	10,057,832
<b>Current assets</b>			
Inventories		254,119	230,412
Debtors	20	120,367	98,206
Prepayments, deposits and other receivables		634,736	637,139
Amounts due from fellow subsidiaries	21	8,323	27,207
Amounts due from related companies	21	2,264	365
Fixed deposits		17,060	26,806
Cash and cash equivalents		2,346,099	2,089,111
		<b>3,382,968</b>	3,109,246
<b>Total assets</b>		<b>12,987,393</b>	13,167,078
<b>Equity</b>			
Share capital	22	168,615	168,615
Reserves	23	5,884,689	6,093,671
Proposed dividend		–	30,351
		<b>6,053,304</b>	6,292,637
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Accruals and other payables	25	554,597	601,043
Obligation under finance leases		54	62
Borrowings	24	1,176,585	1,578,056
Deferred income tax liabilities		864,658	876,775
		<b>2,595,894</b>	3,055,936

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	Unaudited As at 31 December 2015 HK\$'000	Audited As at 30 June 2015 HK\$'000
Current liabilities			
Creditors, accruals and other payables	25	4,044,985	3,583,344
Amounts due to fellow subsidiaries	21	7,188	4,086
Amounts due to related companies	21	14,385	12,356
Obligation under finance leases		16	16
Borrowings	24	166,473	128,970
Tax payable		105,148	89,733
		<b>4,338,195</b>	3,818,505
Total liabilities		<b>6,934,089</b>	6,874,441
Total equity and liabilities		<b>12,987,393</b>	13,167,078
Net current liabilities		<b>(955,227)</b>	(709,259)
Total assets less current liabilities		<b>8,649,198</b>	9,348,573

The notes on pages 27 to 44 are an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2014	168,615	2,061,021	86,736	391,588	344,381	-	629,406	2,734,796	6,416,543
Comprehensive income									
Profit for the period	-	-	-	-	-	-	-	205,962	205,962
Release of exchange reserve upon liquidation of a subsidiary	-	-	-	-	-	-	(10,097)	-	(10,097)
Translation differences	-	-	-	-	-	-	67,713	-	67,713
Total comprehensive income for the period ended 31 December 2014	-	-	-	-	-	-	57,616	205,962	263,578
Transactions with owners									
Final dividend relating to the year ended 30 June 2014	-	(101,169)	-	-	-	-	-	-	(101,169)
Transfer to statutory reserve	-	-	-	-	11,106	-	-	(11,106)	-
Total transactions with owners	-	(101,169)	-	-	11,106	-	-	(11,106)	(101,169)
At 31 December 2014 – Unaudited	168,615	1,959,852	86,736	391,588	355,487	-	687,022	2,929,652	6,578,952
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2015	168,615	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,292,637
Comprehensive income									
Profit for the period	-	-	-	-	-	-	-	59,810	59,810
Fair value loss on available-for-sale financial asset	-	-	-	-	-	(7,267)	-	-	(7,267)
Translation differences	-	-	-	-	-	-	(261,525)	-	(261,525)
Total comprehensive income for the period ended 31 December 2015	-	-	-	-	-	(7,267)	(261,525)	59,810	(208,982)
Transactions with owners									
Final dividend relating to the year ended 30 June 2015	-	(30,351)	-	-	-	-	-	-	(30,351)
Transfer to statutory reserve	-	-	-	-	15,691	-	-	(15,691)	-
Total transactions with owners	-	(30,351)	-	-	15,691	-	-	(15,691)	(30,351)
At 31 December 2015 – Unaudited	168,615	1,826,646	109,049	391,588	375,079	(7,267)	355,945	2,833,649	6,053,304

The notes on pages 27 to 44 are an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Cash flows from operating activities		
Net cash from operating activities	<b>819,478</b>	1,123,616
Cash flows from investing activities		
Additions to investment properties	<b>(8,336)</b>	(9,655)
Additions to property, plant and equipment and other non-current assets	<b>(94,324)</b>	(205,550)
Interest received	<b>51,701</b>	34,491
Decrease in fixed deposits	<b>8,622</b>	586,508
Proceeds from disposal of property, plant and equipment	<b>13,234</b>	142
Acquisition of available-for-sale financial asset	<b>(39,466)</b>	–
Net cash (used in)/from investing activities	<b>(68,569)</b>	405,936
Cash flows from financing activities		
Drawdown of bank borrowings	<b>164,382</b>	875,000
Repayment of bank borrowings	<b>(516,861)</b>	–
Finance costs paid	<b>(25,223)</b>	(25,043)
Dividends paid	<b>(30,351)</b>	(101,169)
Net cash (used in)/from financing activities	<b>(408,053)</b>	748,788
Net increase in cash and cash equivalents	<b>342,856</b>	2,278,340
Cash and cash equivalents at 1 July	<b>2,089,111</b>	896,538
Effect of foreign exchange rate changes	<b>(85,868)</b>	(7,010)
Cash and cash equivalents at 31 December	<b>2,346,099</b>	3,167,868

The notes on pages 27 to 44 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 other related businesses, and property investment business 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 is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated financial information has been approved for issue by the board of directors on 22 February 2016.

## 2 Basis of preparation

This condensed consolidated financial information of the Company for the six months ended 31 December 2015 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

At 31 December 2015, the Group's current liabilities exceeded its current assets by HK\$955,227,000 (30 June 2015: HK\$709,259,000). Taking into account the cash flows from operating activities, ability to generate additional financing and its asset backing, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the condensed consolidated financial information.

## 3 Accounting policies

The following new or revised standard and amendments to existing standards are mandatory for the accounting periods beginning on or after 1 July 2016 which the Group has not early adopted:

HKFRS 9 (2014)	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 Accounting policies (continued)

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2015, as described in those annual financial statements, with the exception of additional accounting policies as follows:

### *Investments*

The Group classifies its investments in the categories of financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments are acquired.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated as at fair value through profit or loss at inception under certain circumstances. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in the category are classified as current assets if they are expected to be settled within twelve months; otherwise, they are classified as non-current.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable and are included in current assets, except for those with maturities more than twelve months after the end of the reporting period, which are classified as non-current assets.

#### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the condensed consolidated income statement in the financial period in which they arise. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are sold, the accumulated fair value adjustments are included in the condensed consolidated income statement as gains or losses from financial assets. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in the condensed consolidated income statement; translation differences on non-monetary financial assets are recognised in other comprehensive income.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets classified as loans and receivables. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 Accounting policies (continued)

### *Investments (continued)*

Financial assets and liabilities are offset and the net amount reported in the condensed consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The fair values of listed investments are based on quoted bid prices at the end of the reporting period. If the market for a financial asset is not active and for unlisted financial assets, the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### *Impairment of financial assets*

#### (i) **Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the condensed consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the condensed consolidated income statement.

#### (ii) **Assets classified as available for sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the condensed consolidated income statement, is removed from equity and recognised in the condensed consolidated income statement. Impairment losses recognised in the condensed consolidated income statement on equity instruments are not reversed through the condensed consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in condensed consolidated income statement, the impairment loss is reversed through the condensed consolidated income statement.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4 Estimates

The preparation of condensed consolidated financial information of the Company requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2015, with the exception of additional estimate as follows:

### *Fair value of financial asset at fair value through profit or loss*

The fair value of financial asset at fair value through profit or loss that is not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select discounted cash flow model and evaluates among other factors, the duration and extent to which the fair value of an instrument is less than its cost; and the financial health and short-term business outlook for the investee. The key assumptions adopted on project cash flow are based on management's best estimates.

## 5 Financial risk management and financial instruments

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2015.

There have been no changes in the financial risk management policies since the last financial year end date as at 30 June 2015.

### 5.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the financial instruments of the Group are as follows:

- (i) Listed instrument is stated at market price. The quoted market price used for financial asset held by the Group is the bid price at the end of the reporting period. It is included in level 1.
- (ii) Unlisted instrument is stated at fair value which is estimated using valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 Financial risk management and financial instruments (continued)

### 5.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2015:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial asset	32,227	–	–	32,227
Financial asset at fair value through profit or loss	–	–	9,256	9,256
	32,227	–	9,256	41,483

The Group had no financial assets that are measured at fair value as at 30 June 2015.

There were no significant transfer of financial assets between level 1 and level 2 fair value hierarchy classification and changes in valuation techniques during the period.

The following table presents the changes in level 3 financial instrument for the six months ended 31 December 2015:

	Financial asset at fair value through profit or loss HK\$'000
At 1 July 2015	–
Fair value gain recognised in the condensed consolidated income statement	9,256
At 31 December 2015	9,256

The Group prepares and updates detailed forecasts on the business on a semi-annual basis as part of its normal operating processes. These forecasts use external market forecasts, management's evaluation of the revenue, costs and expected margins, based on past experiences, and are subject to detailed review at entity and group level.

The key unobservable assumptions used in the valuation include the projected cumulative loss under the indemnification clause in connection with the acquisition of a subsidiary and discount rate.

The projected cumulative loss is based on financial estimates of the subsidiary. The average gross margin of direct sales used to estimate the fair value is 56.9%. The higher the projected cumulative loss is, the higher the fair value will be.

The discount rate used to compute the fair value is 29.7%. The lower the discount rate is, the higher the fair value will be.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 Revenue and segment information

	<b>Unaudited Six months ended 31 December 2015 HK\$'000</b>	Unaudited 2014 HK\$'000
Commission income from concessionaire sales	<b>1,060,105</b>	1,297,836
Sales of goods – direct sales	<b>514,739</b>	374,798
Management and consultancy fees	<b>34,683</b>	44,329
Rental income	<b>324,763</b>	320,863
	<b>1,934,290</b>	2,037,826

The income from concessionaire sales is analysed as follows:

	<b>Unaudited Six months ended 31 December 2015 HK\$'000</b>	Unaudited 2014 HK\$'000
Gross revenue from concessionaire sales	<b>5,986,284</b>	7,072,738
Commission income from concessionaire sales	<b>1,060,105</b>	1,297,836

The chief operating decision-maker ("CODM") has been identified as executive Directors. 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 other related businesses, and property investment business. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of net other gains, changes in fair value of investment properties and unallocated corporate expenses. In addition, net finance income is not allocated to segments. The measurement of segment assets excludes deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

Revenue is primarily generated in Mainland China and all significant operating assets of the Group are in Mainland China.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 Revenue and segment information (continued)

	Department store and other related businesses HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>Six months ended 31 December 2015</b>			
Segment revenue	1,852,845	81,445	1,934,290
Segment results	89,822	50,826	140,648
Other gains, net	7,477	–	7,477
Changes in fair value of investment properties	–	(5,676)	(5,676)
Unallocated corporate expenses			(4,791)
Operating profit			137,658
Finance income			41,833
Finance costs			(23,140)
Finance income, net			18,693
Profit before income tax			156,351
Income tax expense			(96,541)
Profit for the period			59,810
<b>Six months ended 31 December 2014</b>			
Segment revenue	1,958,240	79,586	2,037,826
Segment results	248,052	41,092	289,144
Other gains, net	6,877	–	6,877
Changes in fair value of investment properties	–	2,254	2,254
Unallocated corporate expenses			(7,095)
Operating profit			291,180
Finance income			34,491
Finance costs			(23,358)
Finance income, net			11,133
Profit before income tax			302,313
Income tax expense			(96,351)
Profit for the period			205,962

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 Revenue and segment information (continued)

	Department store and other related businesses HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>As at 31 December 2015</b>			
Segment assets	7,097,644	5,722,371	12,820,015
Deferred income tax assets			165,256
Unallocated corporate assets:			
Cash and cash equivalents			2,073
Others			49
Total assets			<u>12,987,393</u>
<b>Six months ended 31 December 2015</b>			
Additions to non-current assets (Note)	97,214	8,688	105,902
Depreciation and amortisation	154,484	1,086	155,570
<b>As at 30 June 2015</b>			
Segment assets	7,174,905	5,823,887	12,998,792
Deferred income tax assets			162,571
Unallocated corporate assets:			
Cash and cash equivalents			5,485
Others			230
Total assets			<u>13,167,078</u>
<b>Six months ended 31 December 2014</b>			
Additions to non-current assets (Note)	215,073	5,112	220,185
Depreciation and amortisation	170,482	599	171,081

Note:

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 7 Other income

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Government grants	14,139	13,147
Income from suppliers	41,520	48,687
Compensation for termination of lease (Note 27(a)(v))	15,859	26,744
Sundries	15,155	27,136
	<b>86,673</b>	115,714

## 8 Other gains, net

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Fair value gain on financial asset at fair value through profit or loss	9,256	–
Gain on liquidation of a subsidiary	–	10,097
Loss on disposal of property, plant and equipment (Note)	(1,779)	(3,220)
	<b>7,477</b>	6,877

Note:

For the six months ended 31 December 2014, loss on disposal of property, plant and equipment of approximately HK\$1,759,000 was derived taking into account the compensation amount from the termination of lease (Note 27(a)(v)).

## 9 Employee benefit expense

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Wages, salaries and other benefits	290,424	339,772
Retirement benefit costs – defined contribution plans	33,425	37,829
	<b>323,849</b>	377,601

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 10 Other operating expenses, net

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Water and electricity	75,156	91,116
Selling, promotion, advertising and related expenses	95,948	142,720
Cleaning, repairs and maintenance	48,107	49,924
Auditor's remuneration	3,338	3,661
Net exchange losses/(gains)	53,143	(15,365)
Other tax expenses	96,842	109,538
Others	39,699	31,476
	<b>412,233</b>	413,070

## 11 Finance income, net

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Interest income on bank deposits	41,833	34,491
Interest on bank loans		
– wholly repayable within five years	(27,429)	(28,339)
Less: amount capitalised	4,289	4,981
	<b>(23,140)</b>	(23,358)
	<b>18,693</b>	11,133

## 12 Income tax expense

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

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Current income tax		
– Mainland China taxation	80,635	86,236
Under/(over)-provision in prior years	71	(2,181)
Deferred income tax		
– Deferred taxation on undistributed retained earnings	–	(6,962)
– Other temporary differences	15,835	19,258
	<b>96,541</b>	96,351

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the six months ended 31 December 2015 and 2014.

Subsidiaries of the Group in Mainland China are subject to corporate income tax at a rate of 25% (2014: 25%).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 13 Dividend

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Interim dividend of HK\$Nil (2014: HK\$0.061) per share	–	102,855

## 14 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 2015	Unaudited 2014
Profit attributable to the equity holders of the Company (HK\$'000)	59,810	205,962
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK\$ per share)	0.04	0.12

### (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 2015 and 2014, there was no dilutive potential ordinary share.

## 15 Capital expenditure

For the six months ended 31 December 2015, the Group has acquired property, plant and equipment and investment properties of approximately HK\$98,586,000 and HK\$8,336,000 (2014: HK\$219,715,000 and HK\$9,655,000) respectively. The Group has disposed property, plant and equipment with net book amount of approximately HK\$15,882,000 (2014: HK\$32,677,000).

## 16 Investment properties

As at 31 December 2015, the investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and BMI Appraisals Limited, independent professional valuers. Valuations were based on market value assessment, where appropriate, by reference to the income approach.

As at 31 December 2015, an investment property of approximately HK\$1,823,950,000 (30 June 2015: HK\$1,922,500,000) is pledged to secure certain bank borrowings of the Group (Note 24).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 17 Other non-current assets

Balance as at 31 December 2015 and 30 June 2015 represented the following transaction:

On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Shenyang New World Hotel Co., Ltd. ("SYNWH"), a wholly-owned subsidiary of New World China Land Limited ("NWCL") and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH agreed to cooperate in a property redevelopment project in Shenyang City. Shenyang Trendy agreed to surrender to the local government authority the land and building where Shenyang New World Department Store – Nanjing Street Branch Store was situated for a compensation of RMB250,012,000 and to make contribution of RMB527,060,000 (subject to further adjustments) to SYNWH for the related costs of demolition of the existing building and design, construction and payment of any relevant land grant premium of certain portion of the redeveloped building. As at 31 December 2015, the balance in connection to this transaction was approximately HK\$306,689,000 (30 June 2015: HK\$314,707,000).

## 18 Available-for-sale financial asset

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Listed securities, at fair value		
Equity securities – Korea	<b>32,227</b>	–

The available-for-sale financial asset is denominated in Korean Won.

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

## 19 Financial asset at fair value through profit or loss

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Indemnification in connection with the acquisition of a subsidiary	<b>9,256</b>	–

The financial asset at fair value through profit or loss is denominated in Renminbi.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 20 Debtors

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Debtors	<b>138,992</b>	121,524
Less: provision for doubtful debts	<b>(18,625)</b>	(23,318)
Debtors, net	<b>120,367</b>	98,206

The Group grants credit terms within 30 days in majority.

Ageing analysis of the debtors, based on the invoice dates, is as follows:

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Within period for		
0 – 30 days	<b>85,528</b>	69,423
31 – 60 days	<b>10,530</b>	6,198
61 – 90 days	<b>2,282</b>	2,697
Over 90 days	<b>22,027</b>	19,888
Debtors, net	<b>120,367</b>	98,206

Debtors included amounts due from fellow subsidiaries of approximately HK\$3,072,000 (30 June 2015: HK\$9,804,000) which were unsecured, interest free and repayable on demand.

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

## 21 Amounts due from/(to) fellow subsidiaries and related companies

Except for the amount due from a fellow subsidiary of approximately HK\$Nil (30 June 2015: HK\$24,004,000), which is repayable in accordance with the termination agreement (Note 27(a)(v)), the balances with fellow subsidiaries and related companies are unsecured, interest free, repayable on demand and denominated in Renminbi.

The carrying amounts of amounts due from/(to) fellow subsidiaries and related companies approximate their fair values.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 22 Share capital

	Number of shares '000	Nominal Value HK\$'000
Ordinary shares of HK\$0.1 each, authorised: At 30 June 2015 (audited) and 31 December 2015 (unaudited)	10,000,000	1,000,000
Ordinary shares of HK\$0.1 each, issued and fully paid: At 30 June 2015 (audited) and 31 December 2015 (unaudited)	1,686,145	168,615

## 23 Reserves

	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2014	2,061,021	86,736	391,588	344,381	-	629,406	2,734,796	6,247,928
Final dividend relating to the year ended 30 June 2014	(101,169)	-	-	-	-	-	-	(101,169)
Transfer to statutory reserve	-	-	-	11,106	-	-	(11,106)	-
Profit for the period	-	-	-	-	-	-	205,962	205,962
Release of exchange reserve upon liquidation of a subsidiary	-	-	-	-	-	(10,097)	-	(10,097)
Translation differences	-	-	-	-	-	67,713	-	67,713
	1,959,852	86,736	391,588	355,487	-	687,022	2,929,652	6,410,337
Interim dividend (Note 13)	(102,855)	-	-	-	-	-	-	(102,855)
At 31 December 2014 – Unaudited	1,856,997	86,736	391,588	355,487	-	687,022	2,929,652	6,307,482
At 1 July 2015	1,856,997	109,049	391,588	359,388	-	617,470	2,789,530	6,124,022
Final dividend relating to the year ended 30 June 2015	(30,351)	-	-	-	-	-	-	(30,351)
Transfer to statutory reserve	-	-	-	15,691	-	-	(15,691)	-
Profit for the period	-	-	-	-	-	-	59,810	59,810
Fair value loss on available-for-sale financial asset	-	-	-	-	(7,267)	-	-	(7,267)
Translation differences	-	-	-	-	-	(261,525)	-	(261,525)
At 31 December 2015 – Unaudited	1,826,646	109,049	391,588	375,079	(7,267)	355,945	2,833,649	5,884,689

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24 Borrowings

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Non-current		
Secured bank loans	<b>395,210</b>	500,000
Unsecured bank loans	<b>781,375</b>	1,078,056
	<b>1,176,585</b>	1,578,056
Current		
Secured bank loans	<b>23,952</b>	24,257
Unsecured bank loans	<b>142,521</b>	104,713
	<b>166,473</b>	128,970
	<b>1,343,058</b>	1,707,026

The effective interest rates of borrowings are analysed as follows:

	<b>Unaudited As at 31 December 2015</b>	Audited As at 30 June 2015
Hong Kong dollars	<b>2.08%</b>	2.03%
Renminbi	<b>4.67%</b>	5.90%
United States dollars	<b>2.87%</b>	3.71%
Others	<b>2.89%</b>	3.24%

The carrying amounts of the borrowings are denominated in the following currencies:

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Hong Kong dollars	<b>840,295</b>	1,129,856
Renminbi	<b>431,651</b>	507,948
United States dollars	<b>14,367</b>	16,847
Others	<b>56,745</b>	52,375
	<b>1,343,058</b>	1,707,026

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24 Borrowings (continued)

The bank loans are repayable as follows:

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Within one year	166,473	128,970
In the second year	83,832	1,165,556
In the third to fifth year	1,092,753	412,500
	<b>1,343,058</b>	1,707,026

As at 31 December 2015, the bank borrowings of approximately HK\$419,162,000 (30 June 2015: HK\$524,257,000) was secured by a property, land use rights and investment properties of approximately HK\$Nil (30 June 2015: HK\$10,215,000), HK\$Nil (30 June 2015: HK\$19,745,000) and HK\$1,823,950,000 (30 June 2015: HK\$1,922,500,000) respectively.

## 25 Creditors, accruals and other payables

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Creditors	2,561,964	2,028,801
Accruals and other payables	2,037,618	2,155,586
	<b>4,599,582</b>	4,184,387
Less: long-term accruals and other payables	<b>(554,597)</b>	(601,043)
	<b>4,044,985</b>	3,583,344

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

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Within period for		
0-30 days	1,085,771	914,025
31-60 days	884,623	567,276
61-90 days	232,799	147,174
Over 90 days	358,771	400,326
	<b>2,561,964</b>	2,028,801

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 25 Creditors, accruals and other payables (continued)

Creditors included amounts due to related companies of approximately HK\$84,469,000 (30 June 2015: HK\$59,452,000) which were unsecured, interest free and repayable within 90 days.

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

## 26 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:

	<b>Unaudited As at 31 December 2015 HK\$'000</b>	Audited As at 30 June 2015 HK\$'000
Contracted but not provided for	446,075	474,364
Authorised but not contracted for	33,533	–
	<b>479,608</b>	474,364

## 27 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:

	Notes	<b>Unaudited Six months ended 31 December 2015 HK\$'000</b>	Unaudited 2014 HK\$'000
<b>Fellow subsidiaries</b>			
Operating lease rental expenses	(i)	(29,666)	(48,718)
Building management expenses	(ii)	(12,889)	(13,381)
Reimbursement of shopping vouchers	(iii)	–	4,557
Sale of goods, prepaid shopping cards and vouchers	(iv)	1,145	3,985
Compensation for termination of lease and the refurbishment and enhancement work	(v)	30,488	50,414
<b>Related companies</b>			
Concessionaires commissions	(vi)	42,972	51,172
Operating lease rental expenses	(i)	(125,071)	(138,377)
Building management expenses	(ii)	(14,053)	(14,098)
Sale of goods, prepaid shopping cards and vouchers	(iv)	587	8,129
Rebates on prepaid shopping cards and vouchers	(vii)	106	101
Purchase of leasehold improvement	(viii)	–	(34,298)
Rental income	(ix)	90	94
Other service fee expenses	(x)	(4)	(7)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 27 Related party transactions (continued)

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

Notes:

- (i) The operating lease rental expenses are charged in accordance with respective tenancy agreements.
- (ii) The building management expenses are charged at fixed monthly amounts in accordance with respective contracts.
- (iii) The reimbursement of shopping vouchers is charged in accordance with respective agreements with New World Development Company Limited ("NWD") or its subsidiaries (except the Group), and Chow Tai Fook Jewellery Group Limited, a related company of the Company, or its subsidiaries ("CTF Jewellery Group").
- (iv) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers issued by the Group to the subsidiaries of NWD (except the Group), CTF Jewellery Group and companies owed by Mr. Doo Wai-hoi ("Mr. Doo"), an associate of certain Directors.
- (v) This represents the aggregate amount of compensation receivable from wholly-owned subsidiaries of NWCL in accordance with termination agreements dated 11 December 2015 and dated 28 November 2014 respectively in connection with the early termination of the lease of a store each in Beijing and Wuhan City, compensating the Group's related payments and the refurbishment and enhancement work made to the property of approximately HK\$30,488,000 and HK\$50,414,000 for the stores in Beijing and Wuhan City respectively.
- (vi) The income is charged in accordance with concessionaire counter agreements with CTF Jewellery Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.
- (vii) 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.
- (viii) 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.
- (ix) The income is charged in accordance with rental agreements with the companies owned by Mr. Doo.
- (x) This represents other services provided by the companies owned by Mr. Doo.

### (b) Related party balances

The details for balances with related parties are disclosed in Note 20, 21 and 25 to this condensed consolidated financial information.

### (c) Key management compensation

	Unaudited Six months ended 31 December 2015 HK\$'000	Unaudited 2014 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	8,910	11,181
Retirement benefit costs - defined contribution plans	504	647
	<b>9,414</b>	<b>11,828</b>

## 28 Ultimate holding company

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

# 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 not to declare an interim dividend for the six months ended 31 December 2015 (2014: HK\$0.061 per share).

## 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 interim results of the Group for the six months ended 31 December 2015 and the unaudited condensed consolidated financial information and the interim report for the six months ended 31 December 2015 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2015 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.

## CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the time being in force during the six months ended 31 December 2015.

## 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 2015.

## EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2015, the total number of employees of the Group was 5,133 (30 June 2015: 4,949). 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 insurance, unemployment assistance, work related injury and maternity insurance. Such arrangements are in compliance with relevant laws and regulations.

## ACQUISITION AND DISPOSAL

The Group did not have any significant acquisition and disposal during the six months ended 31 December 2015.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2015. 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 2015.

### UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors since the date of the Company's Annual Report 2015 is set out below:

Dr. Cheng Kar-shun, Henry was appointed as the chairman and a non-executive director of FSE Engineering Holdings Limited, whose shares have been listed on the Stock Exchange since 10 December 2015, on 28 August 2015.

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 Divisions 7 and 8 of Part XV of the SFO or the Model Code were as follows:

#### (a) Long positions in shares

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
<b>New World Development Company Limited</b> (Ordinary shares)					
Dr. Cheng Kar-shun, Henry	Interest of spouse	Family interest	600,000	600,000	0.01
<b>NWS Holdings Limited</b> (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	18,349,571	30,349,571	0.80
	Controlled corporation	Corporate interest	12,000,000 <sup>(1)</sup>		

Note:

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

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

Under the share option scheme of a 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 2015 were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held				Balance as at 31 December 2015	Exercise price per share HK\$
			Balance as at 1 July 2015	Granted during the period	Exercised during the period	Lapsed during the period		
Dr. Cheng Kar-shun, Henry	18 January 2011	(1)	2,077,922	-	-	-	2,077,922	3.036
Dr. Cheng Chi-kong, Adrian	18 January 2011	(2)	935,066	-	-	-	935,066	3.036
Ms. Ngan Man-ying, Lynda	18 January 2011	(1)	1,038,961	-	-	-	1,038,961	3.036
			4,051,949	-	-	-	4,051,949	

## Notes:

- (1) 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.
- (2) Divided into 3 tranches, exercisable from 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.
- (3) The cash consideration paid by each of the above Directors for each grant of the share options is HK\$10.00.

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SECURITIES (continued)

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

##### ii. 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 2015 were as follows:

Name	Date of grant	Exercisable period (Notes)	Number of share options held				Balance as at 31 December 2015	Exercise price per share <sup>(4)</sup> HK\$
			Balance as at 1 July 2015	Adjusted during the period <sup>(4)</sup>	Exercised during the period	Lapsed during the period		
Dr. Cheng Kar-shun, Henry	19 March 2012	(1)	10,664,813	10,824	–	–	10,675,637	9.152
Dr. Cheng Chi-kong, Adrian	19 March 2012	(1)	3,732,683	3,788	–	–	3,736,471	9.152
Mr. Au Tak-cheong	19 March 2012	(2)	1,345,328	1,365	–	–	1,346,693	9.152
	22 January 2014	(3)	532,442	540	–	–	532,982	9.756
			16,275,266	16,517	–	–	16,291,783	

#### Notes:

- (1) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.
- (2) Divided into 3 tranches exercisable from 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.
- (3) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (4) NWD declared final dividend for the year ended 30 June 2015 in cash (with scrip 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 granted on 19 March 2012 was adjusted from HK\$9.161 to HK\$9.152 on 29 December 2015. The exercise price per share of the share options granted on 22 January 2014 was adjusted from HK\$9.766 to HK\$9.756 on 29 December 2015.
- (5) The cash consideration paid by each of the above Directors for each grant of the share options is HK\$10.00.

**DIRECTORS' INTERESTS IN SECURITIES** (continued)**(b) Long positions in underlying shares – share options** (continued)**iii. 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 2015 were as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options held				Balance as at 31 December 2015	Exercise price per share <sup>(2)</sup> HK\$
			Balance as at 1 July 2015	Granted during the period	Adjusted during the period <sup>(2)</sup>	Lapsed during the period		
Dr. Cheng Kar-shun, Henry	9 March 2015	(1)	7,401,080	-	6,845	-	7,407,925	14.145
			7,401,080	-	6,845	-	7,407,925	

## Notes:

- (1) 60% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) NWSH declared final dividend for the year ended 30 June 2015 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\$14.158 to HK\$14.145 on 29 December 2015.
- (3) The cash consideration paid by the above Director for each grant of the share options is HK\$10.00.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 Divisions 7 and 8 of Part XV of the SFO or the Model Code.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2015, the following persons (other than the Directors or chief executives of the Company) had interests or short positions 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, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

#### *Long positions in the shares of the Company*

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") <sup>(1)</sup>	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") <sup>(2)</sup>	Controlled corporation	Corporate Interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Capital Limited ("CTFC") <sup>(3)</sup>	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook (Holding) Limited ("CTFH") <sup>(4)</sup>	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
Chow Tai Fook Enterprises Limited ("CTF") <sup>(5)</sup>	Controlled corporation	Corporate interest	1,218,900,000	1,218,900,000	72.29
New World Development Company Limited ("NWD")	Beneficial owner	–	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 46.65% 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 78.58% 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 have interest in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by NWD.

**OTHER PERSONS' INTERESTS IN SECURITIES**

As at 31 December 2015, the interests or short positions of persons (other than Directors or chief executives or substantial shareholders (as defined in the Listing Rules) of the Company) in the shares and underlying shares of the Company as recorded in the register as required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, were as follows:

*Long positions in the shares of the Company*

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
GMT Capital Corp	Controlled corporation	Corporate interest	85,117,000	85,117,000	5.05

Save as disclosed above, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who, as at 31 December 2015, had interests or short positions 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, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

**SHARE OPTION SCHEME**

The existing share option scheme of the Company was adopted on 12 June 2007.

As at 31 December 2015, there was no outstanding share option of the Company which was granted under the existing share option scheme of the Company.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Non-executive Directors*

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

Mr. Au Tak-cheong

Ms. Ngan Man-ying, Lynda

### *Executive Directors*

Dr. Cheng Chi-kong, Adrian

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

### *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

Mayer Brown JSM

Eversheds

Woo, Kwan, Lee & Lo

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor

Royal Bank House

24 Shedden Road

George Town

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## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

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## PRINCIPAL BANKERS

Hang Seng Bank Limited

Industrial and Commercial Bank of China Limited

Mizuho Bank

## STOCK CODE

Hong Kong Stock Exchange 825

## INVESTOR INFORMATION

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## WEBSITE

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新世界百貨中國有限公司  
New World Department Store China Limited

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(Hong Kong Stock Code : 825)

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