INTERIM REPORT 2017/2018

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)

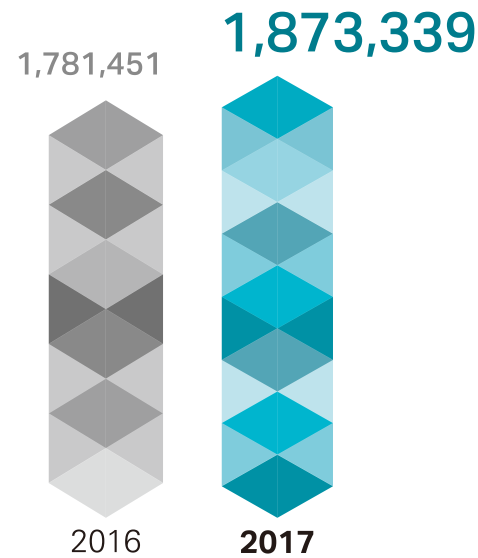
(Hong Kong Stock Code: 825)

時新尚個生性活

Enriching Lives Enhancing Character

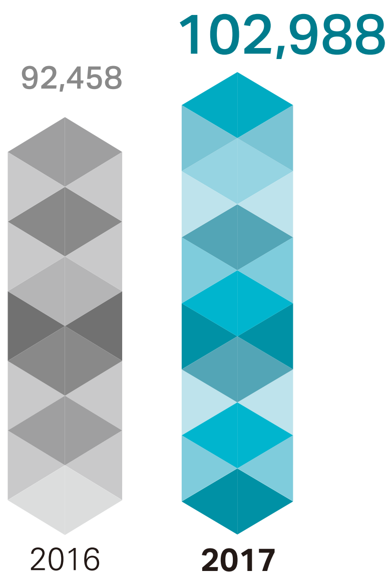
CONTENTS

FINANCIAL HIGHLIGHTS



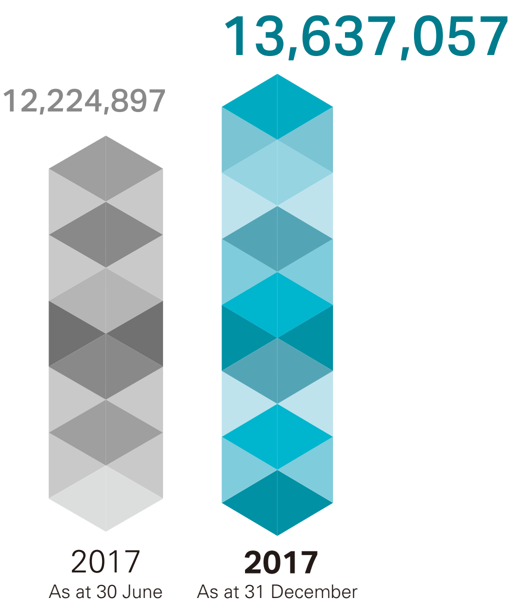
Six months ended 31 December

Revenue (HK$'000)



Six months ended 31 December

Net Profit (HK$'000)



Total Assets (HK$'000)

FINANCIAL HIGHLIGHTS

Profit for the period:
HK$102,988 thousand

	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Operating Result		
Revenue	**1,873,339**	1,781,451
Representing:		
Commission income from concessionaire sales	**835,672**	890,069
Sales of goods – direct sales	**643,140**	551,030
Rental income	**389,190**	332,568
Management and consultancy fees	**5,337**	7,784
Operating profit	**174,354**	156,190
Profit for the period ("Net profit")	**102,988**	92,458

	As at 31 December 2017 HK$'000	As at 30 June 2017 HK$'000
Financial Position		
Fixed deposits, cash and cash equivalents	**2,570,189**	2,136,297
Total assets	**13,637,057**	12,224,897
Total liabilities	**7,405,132**	6,296,963
Total equity	**6,231,925**	5,927,934
Net cash position	**715,491**	369,514

	2017	2016
Financial Ratios		
Merchandise gross margin	**17.8%***	18.1%
Operating profit growth	**11.6%**	13.5%
Net profit growth	**11.4%**	54.6%

* after excluding the effect on the early adoption of HKFRS 15 "Revenue from Contracts with Customers".

CHAIRMAN'S STATEMENT

During the second half of 2017, the global real economy grew at an accelerated rate, international trade and investment became robust again and residents were keener on spending in general. All these simulated economic improvements in both developed and emerging countries. China has maintained growth resilience and has exhibited stable and sound development in its economic performance. Its GDP grew 6.9% year-on-year and exceeded market expectations. The performance of the domestic retail industry showed an overall upward trend and the physical retail sector grew with good momentum. As consumption needs continued to strengthen and consumption structure picked up its speed in upgrading, abundant opportunities are expected in the retail industry of China in the future.

2017 is the first year of the Group's corporate reform. Seeing that the fundamentals of the retail industry is to capture consumers' heart through quality merchandise and services, as well as to establish brand value, we began our reform with the concept of "honouring people's heart as a requisite". Aiming to be pragmatic with our execution and to innovate in our reform, we first resolved core issues and improved our corporate core competence, then put efforts on operations and management enhancement, so as to fortify staff engagement and to cement the trust that our customers place on us. All these effectively spread the brand reputation of NWDS.

Ever since the reform has been implemented, we are delighted to see a more vibrant atmosphere in our corporate development while our business performance progressively improves. For the six months ended 31 December 2017, the Group's revenue for the period was HK$1,873.3 million. Comparing to HK$1,781.5 million in the same period of Previous Year, the period-on-period growth was approximately 5.2%. Profit for the period grew from HK$92.5 million in the same period of Previous Year to HK$103.0 million, registering a period-on-period growth of approximately 11.4%. Earnings per share for the period was HK$0.06.

As at 31 December 2017, the Group operated and managed 36 department stores and two shopping malls, covering 20 key locations across the country that occupied a total GFA of about 1,500,380 sq.m.

Supported by the new management team, the Group put its strength in double-line management into full play during the period and rolled out efficiency improvement and revenue enhancement programmes to give impetus to improved operations and enhanced management. Besides, the Group also further perfected its organisation structure and allocation, and optimised its talent cultivation system with "New NWDS Community" and a trio of echelon cultivation initiatives, thereby setting up an adequate talent pool and a good mechanism for the Group's management echelon. Through various motivational initiatives and management improvement solutions, the Group focused on enhancing operational efficiency and unleashing team potentials on innovative management. Going forward, we will proactively establish a "people-oriented" corporate culture, foster organisation reform and upgrade, strengthen talent cultivation and pipeline construction initiatives so as to construct a strong backing for the Group's strategic development.

Regarding our department store business, we rolled out store categorisation and "One Store, One Strategy" to motivate stores to innovate in their market strategies and to embark on a new journey of business revamp. During the period, we introduced the "MAX Commune", a street zone with themed food and beverage as its market differentiator, to Changsha Trendy Plaza, successfully innovating and evolving from the operations model of the "New Territories 88" street zone in Nanjing Store. We also completed strategic premise retrofitting and brand portfolio adjustments at Chongqing Store, Shanghai Pujian Branch Store and Zhengzhou Store to improve on the trendiness and product appeal of these stores. On the other hand, the Group expedited brand renewal, optimise its merchandise mix and strengthen the four key categories of cosmetics, sophisticated ladieswear, sports and children's products to drive concessionaire sales. We recognised the market has a strong demand for tasteful and quality skincare and cosmetic products, therefore we kicked off a strategic cooperation with the Korean cosmetics group Amore Pacific. Innisfree, the naturalistic brand of Amore Pacific, successfully landed on three NWDS' stores. We also feel glad to see Beijing Store registering brilliant sales performance in cosmetics and taking a solid third place in Beijing's cosmetics market. Going forward, the Group will focus on crafting consumption scenarios enriched with

CHAIRMAN'S STATEMENT

ambience and character, and is planning to introduce the first themed store of the Group to Wuhan Wuchang Branch Store to foster the transformation of stores into themed projects as our way to construct NWDS' brand character.

On the rental business front, the Group constantly innovated in its business models, and improved the proportion of interactive experience category, such as entertainment, food and beverage, children, etc. so as to accelerate the enrichment of interactive, refined and lifestyle-oriented elements in stores. During the period, we introduced emerging tenants such as "STELLAR INTERNATIONAL CINEPLEX", "DAYIN BOOKMALL", "Mi Home", etc. and strengthened cooperation with quality existing tenants, such as "Haidilao Hotpot" and "LEFIT" to stimulate growth in foot traffic for stores. As at 31 December 2017, rental business accounted for 36.4% of operating area in all NWDS' stores.

As for direct sales business, we proactively explored new forms of business and scopes, employing the multi-category business composition to create complete line-ups for our N+ and LOL private label series. During the period, a series of creative initiatives were implemented for the N+ line-up, including an upgrade of store layout and the adoption of an all-new operations model for the high-end bakery brand "N+ Natural Taste Plus", the introduction of our first "N+ Convenience Store" then our first mother-and-baby themed supermarket "N+ Baby" into Beijing Store, along with their growing product lines. The LOL line-up, which targets the gift and sundry goods markets, actively expanded its retail network, bringing its total store number to 17 nationwide. LOL's store categorisation and precision marketing proved to be effective and contributed to its double-digit growth in same-store sales for the period. In future, we will continue to launch creative projects and merchandise around the N+ and LOL line-ups to strengthen the Group's in-depth operating capabilities and putting the advantage of differentiated operations into full play.

In terms of marketing and promotion, the Group strived to promote innovative marketing, executing novel product marketing strategies during major sales festivals to stimulate sales volume at stores. Furthermore, the Group flexibly employed different marketing tactics, such as O2O all-channel marketing, cross-industry spending rebates and cooperation with strategic brands, and successfully created market noise and improved marketing effectiveness. The Group actively integrated cross-industry resources to optimise benefits and privileges for VIP members. We also organised exclusive members' discount days, along with cultural and creative events, to enhance their affinity. Meanwhile, the CMF customer relationship management platform was constantly upgraded and optimised, expediting the process of new member recruitment. In future, the Group will continue to drive the digitisation of VIP membership system, and target the phone-savvy young consumer groups to strengthen new media and self-media marketing so as to execute new marketing strategies that are low-cost yet highly effective.

Looking into 2018, the market expects steady growth in the Chinese economy with GDP growth to sustain at about 6.7%. Consumption will continue to be a major force in the way forward for the "Troika", and the overall consumption market will maintain a steady and faster pace in growth. As such, the Group remains cautiously optimistic with the prospects of China's retail industry. 2018 is a critical year for our corporate reform. The Group will ride on the good impetus of our reform and fine-tune our traditional business to strive for new breakthroughs. We will uphold our core competence in retail and flexibly make use of our decades-long experience in the Chinese retail market in order to establish new benchmarks for NWDS' merchandise and services. Meanwhile, we will continue to carry through our development strategies of "multiple presences within a single city" and "radiation city", focusing on the Greater Beijing, Greater Shanghai and Greater South Western markets, and establish signature stores with national influence and innovation capability to cement the Group's leading position in the retail industry of China.

Taking this opportunity and on behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers, business partners, as well as our staff. Thanks to all your support, the Group has continued to innovate and advance. In future, we will make a bigger effort to further excel in our performance to reward your confidence.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong,
26 February 2018

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

REVENUE AND OTHER INCOME

Revenue of the Group was HK$1,873.3 million in 1HFY2018 (or the "Current Period") (1HFY2017 (or the "same period of Previous Year"): HK$1,781.5 million). After excluding the effect on the early adoption of HKFRS 15, revenue of the Group was HK$1,905.1 million in the Current Period.

Gross sales revenue of the Group, as previously defined, was HK$6,387.3 million in 1HFY2018 (1HFY2017: HK$6,189.8 million). After excluding the effect on the early adoption of HKFRS 15, gross sales revenue of the Group was HK$6,419.1 million in the Current Period.

The Group's merchandise gross margin was 16.9% in the Current Period (1HFY2017: 18.1%). After excluding the effect on the early adoption of HKFRS 15, the Group's merchandise gross margin was 17.8% in the Current Period. In 1HFY2018, ladieswear and accessories made up approximately 61.9% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 8.7% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest. Direct sales revenue in the Current Period mainly comprised sales of ladieswear and menswear (approximately 40.4%), cosmetic products (approximately 31.0%), groceries, housewares and perishables (approximately 27.4%), as well as accessories and miscellaneous items (approximately 1.2%).

Rental income increased by 17.0% to HK$389.2 million in 1HFY2018 from HK$332.6 million in 1HFY2017, mainly due to increased rentable area and improved tenant mix in the Current Period and the acquisition of a group of managed stores, which included Wuhan New World Department Store – Xudong Branch Store ("Wuhan Xudong Branch Store"), Yanjiao New World Department Store ("Yanjiao Store") and its subsidiaries in September 2017 (the "Acquired Subsidiaries"). The increase was partially offset by the reduced rental area as a result of the closure of Hong Kong New World Department Store – Shanghai Xinning Branch Store ("Shanghai Xinning Branch Store") and Ningbo New World Department Store ("Ningbo Store") in June 2017.

Management and consultancy fees was HK$5.3 million in 1HFY2018 decreased from HK$7.8 million in 1HFY2017. The decrease was primarily due to drop in Group's recognition of fees from managed stores in the Current Period.

Other income of the Group was HK$140.5 million in 1HFY2018 compared with HK$76.4 million in 1HFY2017. The increase in other income was mainly due to the inclusion of HK$69.4 million of one-off fire insurance compensation related to a property in Zhengzhou City from an independent insurance company in 1HFY2018.

OTHER (LOSSES)/GAINS, NET

Net other losses of the Group in the Current Period was HK$85.6 million which was primarily resulted from HK$69.4 million of impairment loss on property, plant and equipment and HK$7.9 million of impairment loss on prepayment, deposits and other receivables for mainly two department stores in light of the latest market environment and the management's assessment on the business prospect thereof, and HK$5.2 million of loss in fair value on the indemnification in connection with the acquisition of a subsidiary.

CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES

A gain in fair value of investment properties in the Current Period was HK$0.3 million which was related to a property in Shanghai City.

PURCHASES OF AND CHANGES IN INVENTORIES, NET

The purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It increased to HK$461.4 million in 1HFY2018 from HK$397.8 million in 1HFY2017. The increase was in line with the increase in sales of goods for direct sales in the Current Period.

PURCHASES OF PROMOTION ITEMS

The purchases of promotion items of HK$27.4 million represented the costs of promotion items transferred to the customers of concessionaire sales and direct sales upon their consumption in department stores or redemption of reward points granted under customer loyalty programme, which was reclassified from net other operating expenses due to the early adoption of HKFRS 15 in the Current Period.

EMPLOYEE BENEFIT EXPENSE

Employee benefit expense decreased to HK$300.1 million in 1HFY2018 from HK$312.4 million in 1HFY2017. Employee benefit expense decreased primarily due to the continuous efforts by management to carry out cost control measures as well as the closure of Ningbo Store and Shanghai Xinning Branch Store in June 2017. The decrease was partially offset by the opening of specialty shops of direct sales business in the Current Period and the acquisition of the Acquired Subsidiaries.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expense decreased from HK$131.2 million in 1HFY2017 to HK$121.4 million in 1HFY2018, primarily due to no depreciation provided in the Current Period for property, plant and equipment impaired for mainly three department stores in FY2017 and some stores with assets that have been fully depreciated.

OPERATING LEASE RENTAL EXPENSE

Operating lease rental expense increased to HK$587.7 million in 1HFY2018 from HK$534.8 million in 1HFY2017, primarily due to the increase on the rental rates of certain existing operating leases, the opening of specialty shops of direct sales business in the Current Period and the acquisition of the Acquired Subsidiaries.

OTHER OPERATING EXPENSES, NET

Net other operating expenses decreased to HK$256.0 million in 1HFY2018 from HK$316.0 million in 1HFY2017. The decrease in the Current Period was primarily resulted from the effective control of water and electricity expenses, promotion and advertising expenses by management, HK$27.4 million of the costs of promotion items reclassified to purchases of promotion items due to the early adoption of HKFRS 15 and HK$33.3 million of net exchange gains mainly arising from Renminbi against Hong Kong dollar due to the appreciation of Renminbi during 1HFY2018. However, the decrease was partially offset by HK$14.7 million of allowance provision for debtors and a total of HK$35.3 million of compensation to the suppliers and the landlord for mainly two department stores due to the fire accident and reduction of lease area respectively.

OPERATING PROFIT

Operating profit was HK$174.4 million in 1HFY2018 compared with HK$156.2 million in 1HFY2017.

INCOME TAX EXPENSE

Income tax expense of the Group was HK$81.0 million in 1HFY2018 compared with HK$67.0 million in 1HFY2017.

PROFIT FOR THE PERIOD

As a result of the reasons mentioned above, profit for the period increased by approximately 11.4% to HK$103.0 million compared with HK$92.5 million in the same period of Previous Year.

MANAGEMENT DISCUSSION & ANALYSIS
FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

Fixed deposits and cash and cash equivalents of the Group amounted to HK$2,570.2 million as at 31 December 2017 (30 June 2017: HK$2,136.3 million).

The Group's borrowings as at 31 December 2017 were HK$1,854.7 million (30 June 2017: HK$1,766.8 million) of which HK$311.4 million (30 June 2017: HK$356.3 million) was secured by an investment property.

At 31 December 2017, the Group's current liabilities exceeded its current assets by HK$2,026.8 million (30 June 2017: HK$1,671.9 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 commitments of the Group as at 31 December 2017 were HK$110.3 million which were contracted but not provided for in the condensed consolidated statement of financial position. For the contractual payment of HK$110.3 million, approximately HK$63.1 million is for the redevelopment project of a building in Shenyang City.

PLEDGE OF ASSETS

As at 31 December 2017, an investment property of HK$1,833.7 million (30 June 2017: HK$1,759.8 million) of the Group was pledged as securities for bank borrowings of HK$311.4 million (30 June 2017: HK$356.3 million).

TREASURY POLICIES

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar, United States dollar and Euro against Renminbi and from Renminbi and Euro against Hong Kong dollar. 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 2017.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

BUSINESS NETWORK

As at 31 December 2017, the Group operated and managed 36 department stores and two shopping malls, with a total gross floor area of about 1,500,380 square metres. These stores are located in three operating regions in the Northern China, the Eastern China and the Central Western China, covering 20 key locations across the country, including Beijing, Tianjin, Yanjiao, Yantai, Lanzhou, Xi'an, Harbin, Shenyang, Anshan, Shanghai, Ningbo, Nanjing, Yancheng, Wuhan, Changsha, Zhengzhou, Chengdu, Chongqing, Kunming and Mianyang.

During the period under review, the Group changed the operating model of two managed stores to self-owned stores; these include Yanjiao Store and Wuhan Xudong Branch Store. Following the above adjustment, the Group's retail network now comprises 37 self-owned stores and one managed store.

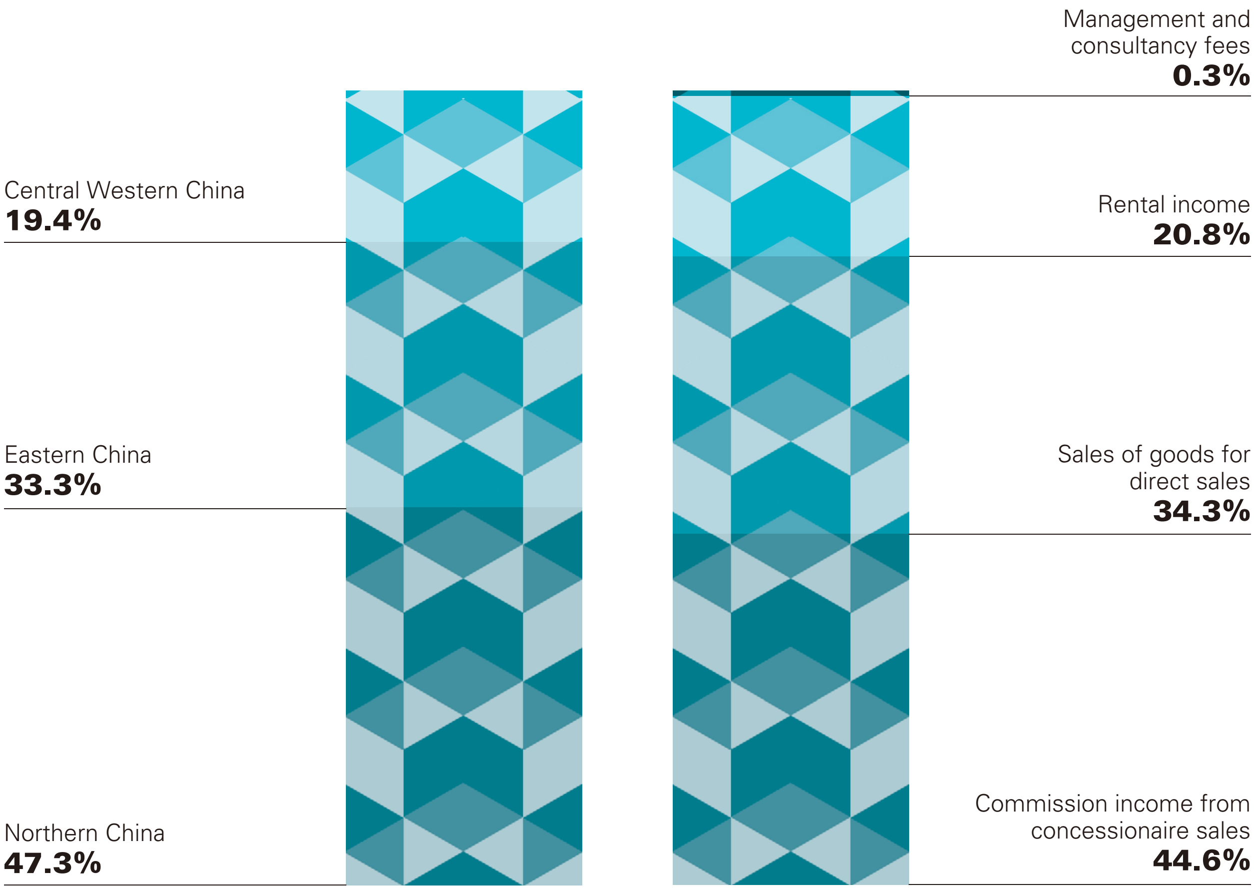
REVENUE BREAKDOWN

BY REGION

The Northern China Region continued to be the biggest contributor to the Group, accounting for 47.3% of revenue; this was followed by the Eastern China Region and the Central Western China Region, accounting for 33.3% and 19.4% respectively.

BY SEGMENT

Commission income from concessionaire sales was the major source of income, accounting for 44.6% of revenue. Sales of goods for direct sales and rental income accounted for 34.3% and 20.8% respectively. Management and consultancy fees accounted for 0.3%.



MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS REVIEW

OPERATIONS OVERVIEW

OPERATIONS STRATEGIES

Putting the Advantage of Double-line Management into Full Play; Focusing on Operational Efficiency Enhancements and Inspiring Management Innovation

Agile and responsive corporate decision-making and execution are instrumental to promoting transformation and encouraging innovation. During the period under review, the Group put its double-line management advantage into full play and promoted professional assurance and resource sharing, as well as kicked off efficiency improvement and revenue enhancement programmes. Through the professional support from the headquarters and the aligned benchmarking and self-rectification of stores, the double-line mechanism gave impetus to improved operations and enhanced management. At the same time, the Group made clear definitions on functions and division of labour and established a job duty qualifications system, further optimising the organisation structure and allocation to complement the talent pool and talent development ladder as a way to support optimised selection and deployment of human resources. In terms of talent cultivation, the Group fostered potential development amongst its young core staff, selecting proactive, positive and quality post-85s core members to set up the "New NWDS Community". The selected group was empowered to take up challenging innovation projects and was given the mission to mentor "Xinpeng" members so as to encourage their holistic development. Besides, a trio of echelon cultivation initiatives was strategically implemented. Through recruitment, referrals, examinations and evaluations, the Group reserved talents for various levels and supported them with a cultivation and assurance mechanism to retain outstanding core staff members to ensure that roles at different levels are suitably filled with the right competence, so that efficiency could be constantly improved. In terms of motivation and innovation, the Group rolled out initiatives such as merit evaluation, sales competitions, etc. Management improvement solutions, such as an evaluation system for operations management, key performance target evaluation, new projects and store operations partners, etc. were also established. These initiatives focused on enhancing operational efficiency and unleashing team potentials on innovative management. Going forward, the Group will proactively establish a "people-oriented" corporate culture, foster organisation reform and upgrade, optimise the talent structure, and strengthen the four talent cultivation and pipeline construction initiatives to offer assurance and support for the implementation of the Group's strategies.

Implementing Store Categorisation and "One Store, One Strategy"; Promoting Crafting of Stores' Ambience and Character

In face of China's new normal for consumption, the Group constantly innovated for changes and deepened its strategies of store categorisation and "One Store, One Strategy" during the period under review. As a result, "One Store, One Strategy" has become one of the important tactics for stores to quickly respond to market changes. The Group rationalised the market positioning of its stores based on their operating conditions and sorted them into four categories, namely "novel department store", "quasi-shopping mall", "neighbourhood centre" and "urban outlet". It then established the business strategies of each store based on the management model of "One Store, One Strategy", which was followed by assurance measures implemented at the headquarters to formulate a united force in order to ensure the landing of the Group's strategies. Through "One Store, One Strategy", the Group effectively motivated the stores to adopt different strategies to suit their specific markets, and to actively explore their way of innovation and engage in self-initiated business revamp for breakthroughs. As it continually deepened and optimised this strategy, the Group also ceaselessly strived for breakthroughs in innovating the shopping ambience, operational efficiency improvement, marketing innovation, and cooperation with Internet companies, etc. In terms of "One Store, One Strategy", Nanjing New World Department Store took the lead and rolled out the cultural and creative street zone "New Territories 88" in FY2017 and received acclaim from the market. The Group then began to introduce the themed street zone concept to other stores. It launched "MAX Commune", the upgraded version of "New Territories 88", at Changsha New World Trendy Plaza in July 2017, developing yet another operations model with themed food and beverage as the market differentiator. In addition to the above-mentioned themed street zones, Chongqing New World Department Store, Hong Kong New World Department Store – Shanghai Pujian Branch Store ("Shanghai Pujian Branch Store") and Zhengzhou New World Department Store ("Zhengzhou Store"), etc. completed strategic premise retrofitting and adjustments in brand portfolio. Certain floors were set up as test points to reshape the retail flow and optimise the interior layout as ways to improve the trendiness and merchandise appeal of these stores. In future, the Group will focus on crafting consumption scenarios enriched with ambience and character. Expansion and upgrading for "7 Temple Street" at Zhengzhou Store is planned, where a themed street zone integrated with nostalgia, recreation, art and culture, specialty snacks, etc. will be created. The first themed store of the Group will be introduced to Wuhan New World Department Store – Wuchang Branch Store to foster the transformation of stores into themed projects.

Accelerating Brand Renewal to Develop Competitive Categories

To respond to the young customer group characterised by ever-changing tastes, the Group expedited brand renewal, optimised its brand offerings and merchandise mix, as well as strengthened its competitive categories to lift the product appeal and competitiveness of stores. During the period under review, the Group commenced its strategic cooperation with renowned Korean cosmetics group Amore Pacific. Innisfree, the naturalistic brand of Amore Pacific, successfully landed on three NWDS' stores, and an extended scope of cooperation is being planned. Furthermore, the Group actively introduced international cosmetics brands, such as M·A·C, SK-II, FANCL, L'OCCITANE, The History of Whoo, MAKE UP FOR EVER, LANCÔME, ESTĒE LAUDER, CHANEL and GUERLAIN, etc. to some of its Shanghai stores to improve the classiness and category competitiveness of these stores. Beijing New World Department Store ("Beijing Store") stood out in terms of cosmetics sales among the stores. It recorded double-digit year-on-year growth in cosmetics sales during the period under review and took a solid third place in Beijing's cosmetics market. As a fitness craze sweeps Mainland China, the Group accelerated the upgrade and adjustment of the sports zone of Chengdu New World Department Store. The concept of "chic and dynamic" now runs through the level, converging popular sports brands such as NIKE and NIKE lifestyle store, adidas and adidas lifestyle store, PUMA, New Balance, Li-Ning, etc. to provide customers with more comprehensive product choices. Besides, Wuhan New World Trendy Plaza introduced the trendy multi-sports-brand store FOOTMARK to further strengthen the store's sports category. In future, the Group will continue to elevate its merchandise appeal and strengthen the four key categories of cosmetics, sophisticated ladieswear, sports and children's products by introducing emerging, talk-of-the-market brands so as to drive concessionaire sales of the Group.

Improving the Proportion of Interactive Experience Category; Enriching Stores with Interactive, Refined and Lifestyle-oriented Elements

In terms of the rental business, the Group constantly innovated in its business models to enrich consumers' in-store experience. During the period under review, the Group added emerging categories such as entertainment, food and beverage, children, etc. Emerging tenants such as "STELLAR INTERNATIONAL CINEPLEX", "DAYIN BOOKMALL", "Nesno", "UJI MATCHA", "Mi Home" and "HIMO" photography studio, etc. were introduced. It also began strategic cooperation with existing tenants such as "Haidilao Hotpot" and "LEFIT" by increasing the number of collaborative stores. As at 31 December 2017, rental business accounted for 36.4% of operating area in all NWDS' stores. In future, the Group will strive to introduce the up and coming interactive experience category to cover more in-demand spending categories so as to accelerate the enrichment of interactive, refined and lifestyle-oriented elements in stores.

Strengthening In-depth Operating Capabilities to Create Complete Line-ups for the N+ and LOL Private Label Series

To strengthen its brand character and differentiated operations, the Group put much effort to develop its direct sales business by employing the multi-category business composition to create complete line-ups for its private label series, apart from existing private labels such as the New World Supermarket and the designer ladieswear multi-brand store "Xin Shuo Retail Space". These series include the N+ line-up which focuses on lifestyle merchandise and the LOL (Love • Original • Life) Concept Shop ("LOL") line-up which targets the gift and sundry goods markets.

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS REVIEW

As one of the signature labels within the Group's strategic setup of its direct sales business, the N+ line-up actively developed a range of businesses as well as developed and operated three private labels during the period under review, namely the high-end bakery brand "N+ Natural Taste Plus", the mother-and-baby themed supermarket "N+ Baby", and the first convenience store business "N+ Convenience Store". "N+ Convenience Store" and "N+ Baby" commenced operations in late November and late December 2017 respectively and have received positive market feedbacks since then. Moving forward, the Group will continue to expand the N+ line-up to cover multiple businesses including food and beverage, supermarket, lifestyle apparel, children's entertainment, etc. with the aim to establish it as a considerable-scale private label series with enriched brand contents and enhanced capabilities to fulfil consumers' diversified needs.

The LOL line-up is yet another important component in the Group's private label series. With the categorised management of black, gold and silver label stores yielding positive results, LOL actively expanded its retail network and added five new stores during the period under review. In addition to tapping into the NWDS' stores in Mianyang and Wuhan, LOL also successfully opened new stores in Wuhan K11 and Life Hub @ Jinqiao, Shanghai, further expanding outside of the Group's store network. As at 31 December 2017, LOL was operating 17 stores that spanned across five provinces and cities in Mainland China. Since August 2017, LOL vigorously expanded its OEM (Original Equipment Manufacturer) merchandise, which stimulated growth in its merchandise gross margin. Product categories were also actively renewed with 39 new brands introduced to improve its product competitiveness. During the period under review, LOL continued to implement precision marketing according to the different purchasing power of its customer base and maintained double-digit growth in same-store sales. In future, the Group will strive to strengthen LOL's brand influence and product competitiveness and build up a full line-up of LOL in a multi-category model.

On the other hand, the Group's distribution business of high-end fashion brands also saw active expansion into the high-end retail premises of many tier-one cities during the period under review, bringing its total store number to 71. Nationwide, its same-store sales achieved double-digit growth.

MARKETING STRATEGIES

Creating Market Noise with Hot Styles, Highly Sought-after Products; Implementing Innovative Marketing with Cross-industry Partners

The Group strived to innovate its marketing strategies and leveraged on buzz marketing, cross-industry collaboration and online marketing tactics to improve the reach and influence of its campaigns. During the period under review, the headquarters initiated a range of nationwide inter-store marketing campaigns with very positive results. These include the "812 More than 50%-off Promotion", "An Extraordinary Double 11", "Hot & Chic Items Shopping Festival" on Double 12, anniversary celebrations, etc. Amongst these, the Group moved away from the old practice of discounting across the board and turned the spotlight on hot styles and highly sought-after products in "An Extraordinary Double 11" to drive sales with buzz marketing. The Group also joined hands with the e-commerce platform ffan.com to offer spending rebates alongside synchronized online-offline offers to create mutually stimulating sales. On top of exploring cross-industry collaboration, the Group also attempted to integrate new and playful online marketing ideas to enhance the entertaining and interactive elements of its marketing campaigns. In December 2017, Shanghai Pujian Branch Store collaborated with the mobile phone application "Lianlian" and built the "Magical Shop Window" online marketing platform. Riding on the excitement and engagement of crowdfunding, the platform triggered experiential consumption and associated sales in the young customer group and successfully drove the number of transactions and business volume of the entire store. Besides, the Group also actively engaged in cross-industry collaboration with Tencent's WeBank, China UnionPay's Mobile QuickPass, and Apple Inc.'s Apple Pay, leveraging on O2O all-channel marketing and various spending rebates to stimulate in-store sales growth.

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The Group continued to strengthen its collaboration with strategic brands and made use of new product launches together with synchronized online-offline offers to drive concessionaire sales of gold and jewellery products. During the period under review, the Group co-organised two "brand day" campaigns with Chow Tai Fook, rolling out the "9.9 Chow Tai Fook Brand Day" in 32 NWDS' stores and debuted new products of the Bao Bao Family collection. Pre-event online hype building and self-media promotion were employed to stimulate offline foot traffic, creating an exciting shopping ambience. In December 2017, the global launch event of "Butterfly Invincible", a limited collection to commemorate the brand's 88th anniversary, was held at Beijing Store to coincide with the "Double 12" campaign, driving a significant increase in the sales volume of the entire store.

Looking ahead, the Group will develop innovative marketing campaigns, such as super brand days or hot styles festivals, according to the market positioning, consumption scenarios and competitive categories of its stores to drive sales with buzz marketing and elevate the effectiveness of its marketing efforts.

Cooperation Empowered by Deepened Digital Strategies; Digitisation Drove Online-Offline Integration

The Group kept abreast of the latest retail trends and increased its investment in digitising resources. On one hand, the Group unceasingly developed and introduced digitised consumer services, such as the integration of smart POS and system, as well as the close cooperation with institutions such as China UnionPay to create an expeditious services system; it also continuously enhanced its service quality. On the other hand, the Group upgraded its information technology (IT) services system, so that its Enterprise Resource Planning (ERP) System and CRM membership system could be equipped with digitised marketing support capabilities. A more user-friendly operation interface was employed to improve data utilisation as well as to strengthen the ability of internal staff to embrace the digital revolution.

In terms of digitisation, the Group made use of an open platform and leveraged on the technological strengths of Internet companies to cooperate fully with businesses that are willing to share and equipped with digital capabilities. From four layers and angles, the collaborating parties joined up to integrate and develop their users through cooperation in platform, marketing, social media and services. By empowering each other in these cooperations, the Group's progress and capabilities to go digital were speeded up, enabling it to better serve its consumers. Through working with companies such as Tencent's WeBank, the Group commenced deepened cooperation from end user terminals through consumer finance terminals, providing consumers with even more interactive and convenient services. In parallel, the Group cooperated with online companies and rode on their new marketing ambience setup to jointly develop value added services for in-store visitors. The collaborating parties developed users together, so that consumers could experience the Group's new changes that advance with time.

Integrating Cross-industry Resources to Optimise Services for VIP Members; Promoting Low-cost Marketing with Support from Self-media

The Group ceaselessly enhanced its capabilities on VIP member relations maintenance and management. Riding on the integration and upgrading of the CMF customer relationship management platform ("CMF platform") and the CRM membership system, the Group integrated and rationalised its VIP member resources to better understand their consumption habits, which in turn facilitated precision marketing. On one hand, the Group actively integrated cross-industry resources to optimise benefits and privileges for VIP members, and at the same time, rolled out level upgrade for VIP members to strengthen their loyalty. On the other hand, the Group constantly optimised the CMF platform to

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facilitate and expedite the new member recruitment process, which helps further expand its new member resources pool. After system integration and upgrade, customers could electronically operate and record their transactions, as well as enjoy offers from close to 1,000 affiliated merchants nationwide. VIP members of Shanghai stores could even redeem electronic coupons via NWDS' WeChat official accounts. As at 31 December 2017, the Group's VIP base grew to almost five million, representing an increase of close to 5.88% as compared to 30 June 2017.

To enrich the exclusive experience for VIP members, the Group hosts featured events on a regular basis. For instance, Beijing New World Liying Department Store initiated the "Hot & Chic Items Shopping Festival VIP Day" event, during which VIP members could interact with a popular mainland boy's group via the live video broadcast in the outdoor plaza, and obtain WeChat red packets by scanning QR codes on site. The event successfully attracted participation by 800 VIP members. Besides, Hong Kong New World Department Store – Shanghai Huaihai Branch Store collaborated with "DAYIN BOOKMALL" to launch experiential lifestyle classes targeted at office workers, including make-up, tea ceremony, leather keyholder making, as well as literary events such as script-reading, music appreciation sessions, etc. Nearly 50 classes were held during the period under review, attracting participation of close to 1,500 VIP members and successfully established a vivid image of the Group as a close-to-everyday-life and culturally enriching brand.

Seeing that the huge popularity of social media in Mainland China has made it easier to absorb post-90s and post-00s young customer groups in recent years, the Group has been striving to maintain its WeChat official account and the official Weibo platform, actively interacting and communicating with fans. At present, the size of its online fan base has grown to close to four million. Leveraging on the ever-growing impact of WeChat, the Group made use of the special feature of WeChat Moments, i.e. its easiness to share and forward promotional messages, by actively pushing Wei-articles as warm-up for its marketing campaigns. The initiative did not only manage to attract online users to take an interest in the Group's business, but also strengthened the online presence of the campaigns, successfully increasing the number of WeChat fans by 183 thousand during the period under review.

In future, the Group will accelerate the progress of digitalising its VIP member system and continue to make good use of its existing online resources, strengthen its new media and self-media marketing, expand the target customer base across the country so as to achieve new marketing strategies that are low cost and highly efficient.

OUTLOOK

Throughout the second half of 2017, the global real economy has grown at an accelerated rate, turning around the sustained downturn over the past five years, in which the upward trends in Europe and Asia were particularly prominent. As trade and investment regained good momentum around the world, residents were also keener on spending, which in turn stimulated economic improvements in both developed and emerging countries. The market expects that as the U.S. tax reform finalises, the new measures shall provide impetus to local economic activities, bringing positive impact to the U.S. and its trade partners. The growth momentum of the global economy is thus expected to strengthen further. However, the geopolitical crises on the Korean Peninsula and in the Middle East are yet to be eliminated and risks still exist in the financial markets of certain countries, which might affect global politics and economies in the long run.

As a key member amongst emerging economies, China has maintained growth resilience during the second half of 2017, exhibiting stable and sound development in its economic performance. At 6.9%, the year-on-year growth in China's Gross Domestic Product ("GDP") has exceeded market expectations in 2017. Riding on the rising trend in recent years, consumption was the biggest contributor to GDP growth. With the annual total retail sales of consumer goods rose 10.2% year-on-year, it continues to fuel the "Troika". The nationwide per capita disposable income of residents achieved a real increase of 7.3%, providing incentives for consumption growth in Mainland China. According to the research figures of the Chinese Ministry of Commerce, the performance of China's retail industry showed an overall upward trend in 2017. The physical retail sector saw good momentum in its development, demonstrating accelerated growth in sales volumes, strengthened corporate profitability, and recovery in major businesses. It is hoped that retailers would carry on the rising trend from last year's innovation and transformation, and continue to upgrade in 2018 with the continual integration of online and offline retail. This would give impetus to the recovery of the physical retail industry as well as a steady and faster pace in growth for the overall consumption market. Therefore, the Group remains cautiously optimistic about the outlook of China's retail industry.

Following the continued economic growth and rising spending levels in Mainland China, the impact of consumption on China's economic development will gradually strengthen. The post-90s and post-00s new generation, which currently represents about 25% of the total population of China, is forming the core spending force. The demographic is characterised by an ever-changing taste and an emphasis on cost-performance ratio. They look for simple and convenient modes of consumption and have a preference towards personalised, lifestyle-oriented consumption experiences. As such, retailers should have an accurate grasp of their ways of thinking and integrate resources such as the Internet and big data to establish an operating setup that features multiple businesses and integrates all channels to assume a leading position in the market. Therefore, the Group will continue to delve into its core business to build consumption scenarios with merchandise as the core, supported by lifestyle experience services, while accelerating the brand renewal rate and driving the operations and marketing of products by categories and in themed zones. It will spare no effort in building complete line-ups and ecosystems for its goods for direct sales to fortify its core competitiveness. The Group will uphold its development strategies of "multiple presences within a single city" and "radiation city", focusing on the Greater Beijing, Greater Shanghai and Greater South Western markets. The Group is committed to establishing signature stores with national influence and innovation capability in a setup with "novel department stores" as the main pillar and supported by the synergy of "quasi-shopping malls", "neighbourhood centres" and "urban outlets", so as to cement the Group's leading position in China's retail industry.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

pwc

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 17 to 48, 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 2017 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, 26 February 2018

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2017

	Note	Unaudited Six months ended 31 December 2017 HK$'000	Unaudited 2016 HK$'000
Revenue	6	**1,873,339**	1,781,451
Other income	8	**140,511**	76,426
Other (losses)/gains, net	9	**(85,610)**	1,025
Changes in fair value of investment properties		**286**	(10,471)
Purchases of and changes in inventories, net		**(461,421)**	(397,842)
Purchases of promotion items		**(27,448)**	–
Employee benefit expense	10	**(300,129)**	(312,397)
Depreciation and amortisation		**(121,423)**	(131,187)
Operating lease rental expense		**(587,749)**	(534,782)
Other operating expenses, net	11	**(256,002)**	(316,033)
Operating profit		**174,354**	156,190
Finance income		**29,390**	10,050
Finance costs		**(19,635)**	(7,037)
Finance income, net	12	**9,755**	3,013
		184,109	159,203
Share of results of associated companies		**(148)**	279
Profit before income tax		**183,961**	159,482
Income tax expense	13	**(80,973)**	(67,024)
Profit for the period		**102,988**	92,458
Attributable to:			
Shareholders of the Company		**102,932**	92,782
Non-controlling interests		**56**	(324)
		102,988	92,458
Earnings per share attributable to shareholders of the Company during the period (expressed in HK$ per share)			
– Basic and diluted	15	**0.06**	0.05

The notes on pages 24 to 48 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Profit for the period	**102,988**	92,458
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Fair value loss on equity instrument at fair value through other comprehensive income	**(181)**	(16,591)
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	**–**	1,775
– Deferred income tax thereof	**–**	(444)
	(181)	(15,260)
Item that may be reclassified subsequently to profit and loss		
Translation differences	**251,455**	(264,343)
Other comprehensive income for the period, net of tax	**251,274**	(279,603)
Total comprehensive income for the period	**354,262**	(187,145)
Attributable to:		
Shareholders of the Company	**354,207**	(186,823)
Non-controlling interests	**55**	(322)
	354,262	(187,145)

The notes on pages 24 to 48 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,241,518**	1,278,071
Investment properties	17	**4,721,870**	4,528,348
Land use rights		**641,938**	627,466
Intangible assets		**2,247,694**	1,718,333
Interests in associated companies		**2,417**	1,619
Other non-current assets	18	**665,349**	627,848
Prepayments, deposits and other receivables		**280,254**	291,264
Financial asset at fair value through other comprehensive income	19	**21,218**	19,331
Financial asset at fair value through profit or loss	20	**–**	4,695
Deferred income tax assets		**151,767**	134,713
		9,974,025	9,231,688
Current assets			
Inventories		**285,684**	221,332
Debtors	21	**182,480**	106,053
Prepayments, deposits and other receivables		**610,296**	525,352
Amounts due from fellow subsidiaries	22	**6,327**	4,069
Amounts due from related companies	22	**8,056**	106
Fixed deposits		**310,478**	132,621
Cash and cash equivalents		**2,259,711**	2,003,676
		3,663,032	2,993,209
Total assets		**13,637,057**	12,224,897
Equity and liabilities			
Equity			
Share capital	23	**168,615**	168,615
Reserves	24	**6,063,303**	5,759,367
Shareholders' funds		**6,231,918**	5,927,982
Non-controlling interests		**7**	(48)
Total equity		**6,231,925**	5,927,934

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Liabilities			
Non-current liabilities			
Accruals and other payables		604,130	497,866
Obligation under finance leases		23	31
Borrowings	25	227,545	298,851
Deferred income tax liabilities		883,572	835,143
		1,715,270	1,631,891
Current liabilities			
Creditors	26	2,492,276	1,752,963
Accruals and other payables		1,091,880	1,319,239
Contract liabilities	6	342,705	–
Amounts due to fellow subsidiaries	22	19,999	10,733
Amounts due to related companies	22	11,929	23,611
Amounts due to associated companies		–	687
Obligation under finance leases		16	16
Borrowings	25	1,627,153	1,467,932
Financial liability at fair value through profit or loss	20	–	912
Tax payable		103,904	88,979
		5,689,862	4,665,072
Total liabilities		7,405,132	6,296,963
Total equity and liabilities		13,637,057	12,224,897

The notes on pages 24 to 48 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Attributable to shareholders of the Company										
	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	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2016	168,615	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,912,839	(4)	5,912,835
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	92,782	92,782	(324)	92,458
Other comprehensive income											
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	–	–	1,775	–	–	–	–	–	1,775	–	1,775
– Deferred income tax thereof	–	–	(444)	–	–	–	–	–	(444)	–	(444)
Fair value loss on equity instrument at fair value through other comprehensive income	–	–	–	–	–	(16,591)	–	–	(16,591)	–	(16,591)
Translation differences	–	–	–	–	–	–	(264,343)	–	(264,343)	2	(264,341)
Total comprehensive income for the period ended 31 December 2016	–	–	1,331	–	–	(16,591)	(264,343)	92,782	(186,821)	(322)	(187,143)
Transactions with owners											
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	274	274
Transfer to statutory reserve	–	–	–	–	10,885	–	–	(10,885)	–	–	–
Total transactions with owners	–	–	–	–	10,885	–	–	(10,885)	–	274	274
At 31 December 2016 – Unaudited	168,615	1,826,646	125,465	391,588	400,109	(20,990)	(52,649)	2,887,234	5,726,018	(52)	5,725,966

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2017	168,615	1,826,646	125,504	391,588	412,606	(20,775)	113,232	2,910,566	5,927,982	(48)	5,927,934
Adjustment on adoption of HKFRS 15, net of tax (Note 3.2)	–	–	–	–	–	–	–	(50,271)	(50,271)	–	(50,271)
At 1 July 2017, as adjusted	168,615	1,826,646	125,504	391,588	412,606	(20,775)	113,232	2,860,295	5,877,711	(48)	5,877,663
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	102,932	102,932	56	102,988
Other comprehensive income											
Fair value loss on equity instrument at fair value through other comprehensive income	–	–	–	–	–	(181)	–	–	(181)	–	(181)
Translation differences	–	–	–	–	–	–	251,456	–	251,456	(1)	251,455
Total comprehensive income for the period ended 31 December 2017	–	–	–	–	–	(181)	251,456	102,932	354,207	55	354,262
Transactions with owners											
Transfer to statutory reserve	–	–	–	–	11,505	–	–	(11,505)	–	–	–
Total transactions with owners	–	–	–	–	11,505	–	–	(11,505)	–	–	–
At 31 December 2017 – Unaudited	168,615	1,826,646	125,504	391,588	424,111	(20,956)	364,688	2,951,722	6,231,918	7	6,231,925

The notes on pages 24 to 48 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Cash flows from operating activities		
Net cash from operating activities	580,681	548,534
Cash flows from investing activities		
Net cash outflow from acquisition of a subsidiary	(3,215)	–
Settlement of non-operating liabilities of the acquired subsidiary	(232,071)	–
Additions to investment properties	(3,420)	(3,907)
Additions to property, plant and equipment	(57,439)	(49,469)
Additions to investment in associated company	(865)	–
(Increase)/decrease in fixed deposits	(169,257)	16,406
Proceeds from disposal of property, plant and equipment	5,677	1,564
Interest received	28,474	14,386
Net cash used in investing activities	(432,116)	(21,020)
Cash flows from financing activities		
Drawdown of bank borrowings	198,520	404,384
Repayment of bank borrowings	(282,360)	(176,363)
Drawdown of shareholder loans	133,000	–
Interest paid	(25,734)	(16,480)
Net cash from financing activities	23,426	211,541
Net increase in cash and cash equivalents	171,991	739,055
Cash and cash equivalents at 1 July	2,003,676	1,163,409
Effect of foreign exchange rate changes	84,044	(45,989)
Cash and cash equivalents at 31 December	2,259,711	1,856,475

The notes on pages 24 to 48 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 retail related businesses, and property investment operations in Mainland China.

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

This condensed consolidated financial information is presented in Hong Kong dollar ("HK$"), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the board of directors on 26 February 2018.

2 BASIS OF PREPARATION

This condensed consolidated financial information of the Group for the six months ended 31 December 2017 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

At 31 December 2017, the Group's current liabilities exceeded its current assets by approximately HK$2,026,830,000 (30 June 2017: HK$1,671,863,000). 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 accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2017, as described in those annual financial statements, except for the adoption of the amendments to existing standards effective for the accounting period beginning on 1 July 2017 and the early adoption of HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15").

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

3 ACCOUNTING POLICIES (continued)

3.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

For the six months ended 31 December 2017, the Group has adopted the following amendments to existing standards which are mandatory for the accounting period beginning on 1 July 2017:

Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes
Annual Improvements Project	Annual Improvements 2014-2016 Cycle

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

3.2 CHANGES IN ACCOUNTING POLICIES

HKFRS 15 "Revenue from Contracts with Customers" as issued by the HKICPA is effective for the accounting period beginning or after 1 January 2018.

The Group however has elected to early adopt HKFRS 15 for the accounting period beginning on 1 July 2017 because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

The Group has also elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 30 June 2017 are adjusted at the opening balance of equity as at 1 July 2017 and prior period comparatives are not restated. The effects of the adoption of HKFRS 15 are set out below.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

From 1 July 2017 onwards, the Group has adopted the following accounting policies on revenues.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the good or service.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES (continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer relative to the remaining goods or services promised under the contract; or

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs.

The Group sells goods directly to retail customers within department stores. Revenue from sales of goods to retail customers is recognised when the product is transferred to the customers upon sale. Payment of the transaction price is due immediately when the customers purchase the good. The payment is usually settled in cash or using credit cards. It is the Group's policy to sell its products to the customers with a right of return within a reasonable period. No contract liability and right to the returned goods are recognised as insignificant amount of returns are expected based on accumulated experience.

The Group sells goods to wholesalers. Revenue from sales of goods to wholesalers is recognised when control of the products has transferred, being when the products are delivered to the wholesalers and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

The Group grants counter suppliers the right to operate business within department stores under a concession. The Group recognises commission income from concessionaire sales upon sales of goods or provisions of services by counter suppliers. The Group receives the gross proceeds of concessionaire sales from retail customers on behalf of the counter suppliers and subsequently transfers the proceeds to the counter suppliers after deducting the commission income.

The Group provides management services to department store operators. Revenue from management fees is recognised when management services are rendered according to the terms of management service agreements.

The Group grants the department store operators the right to use the brand of the Company. Revenue from royalty fees is recognised on a straight line basis over the period that the department store operators are entitled to use the patent as stated in royalty agreements.

Payments received in advance that are related to sales of goods or provisions of services not yet delivered to customers are deferred and recognised as contract liabilities. Revenues are recognised when goods or services are delivered to customers. The outstanding receipts in advance after expiry of prepaid stored value cards are recognised as income based on the Group's previous experience in forfeiture of prepaid stored value cards by retail customers.

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to redeem award points for gifts in the future. The transaction price is allocated to the product and the award points on a relative stand-alone selling price basis. Revenue from the award points is recognised when the award points are redeemed. Contract liabilities are recognised until the award points are redeemed. The cost of those gifts is recognised as 'purchases of promotion items'.

The Group makes marketing or promotional offer to retail customers at the time of the sales of goods. The transaction price is allocated to the product and the promotion item on a relative stand-alone selling price basis. Revenue from the promotion items is recognised when the Group delivers the promotion items to the customers. The cost of those promotion items is recognised as 'purchases of promotion items'.

3 ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES (continued)

Discounts, coupons, vouchers and other cash incentives to customers are accounted for as reduction of the transaction prices.

The Group does not expect to have any contracts with a significant financing component where the period between the transfer of the promised good or service to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the effects of the time value of money.

The impact of the adoption of HKFRS 15 is shown as follows.

(a) Presentation of contract liabilities

The Group has changed the presentation of certain amounts in the condensed consolidated statement of financial position to reflect terminology of HKFRS 15:

- Contract liabilities in relation to prepayments from customers were previously included in 'accruals and other payables';
- Contract liabilities in relation to customer loyalty programme were previously included in 'accruals and other payables'.

(b) Accounting for contracts for a bundle of goods or services

In previous reporting periods, the Group considered customer loyalty programme and promotion items transferred to retail customers to be marketing incentives and recognised the cost of customer loyalty programme and those promotion items as selling, promotion, advertising and related expenses in 'other operating expenses, net' without allocating consideration for purposes of revenue recognition.

Under HKFRS 15, marketing or promotional offer made to customers at the time of the sales of goods is a separate performance obligation, and the likelihood of settlement of the outstanding performance obligation must be estimated and allocated to the consideration received on a relative stand-alone selling price basis. Contract liabilities are recognised until the promotion items are transferred to retail customers. As a consequence, the consideration received from the sales of goods is allocated to the inventories sold and the promotion items, and contract liabilities of HK$50,271,000 was recognised as of 1 July 2017 (date of initial adoption) with a corresponding adjustment in retained earnings. The cost of those promotion items is recognised as 'purchases of promotion items'.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

		As at 1 July 2017	
	As previously stated HK$'000	Effects of the early adoption of HKFRS 15 HK$'000	Restated HK$'000
Condensed consolidated statement of financial position (extract)			
Accruals and other payables	1,817,105	(279,956)	1,537,149
Contract liabilities	–	330,227	330,227
Retained earnings	2,910,566	(50,271)	2,860,295

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES (continued)

The amount by each financial statements line item affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2017		
	Results without the early adoption of HKFRS 15 HK$'000	Effects of the early adoption of HKFRS 15 HK$'000	Results as reported HK$'000
Condensed consolidated statement of financial position (extract)			
Accruals and other payables	1,984,340	(288,330)	1,696,010
Contract liabilities	–	342,705	342,705
Retained earnings	3,003,954	(52,232)	2,951,722
Exchange reserve	366,831	(2,143)	364,688

	Six months ended 31 December 2017		
	Results without the early adoption of HKFRS 15 HK$'000	Effects of the early adoption of HKFRS 15 HK$'000	Results as reported HK$'000
Condensed consolidated income statement (extract)			
Revenue	1,905,133	(31,794)	1,873,339
Purchases of promotion items	–	(27,448)	(27,448)
Other operating expenses, net	(313,283)	57,281	(256,002)

	Six months ended 31 December 2017		
	Results without the early adoption of HKFRS 15 HK$'000	Effects of the early adoption of HKFRS 15 HK$'000	Results as reported HK$'000
Condensed consolidated statement of cash flows (extract)			
Cash flows from operating activities			
– Profit before income tax	341,791	(1,961)	339,830
Changes in working capital			
– Accruals and other payables	(135,260)	30,424	(104,836)
– Contract liabilities	–	(28,463)	(28,463)

4 ESTIMATES

The preparation of this condensed consolidated financial information 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 Group's annual financial statements for the year ended 30 June 2017.

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, interest rate risk and price risk), credit risk and liquidity risk.

This 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 for the year ended 30 June 2017.

There have been no changes in the risk management policies since the last financial year end.

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

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 instrument that is measured at fair value at 31 December 2017.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Asset				
Financial asset at fair value through other comprehensive income	**21,218**	**–**	**–**	**21,218**

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2017.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial asset at fair value through other comprehensive income	19,331	–	–	19,331
Financial asset at fair value through profit or loss	–	–	4,695	4,695
	19,331	–	4,695	24,026
Liability				
Financial liability at fair value through profit or loss	–	912	–	912

There were no significant transfers of financial assets and financial liability between level 1, level 2 and level 3 fair value hierarchy classification.

There were no changes in valuation techniques during the period.

5.3 VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 FAIR VALUE

As at 30 June 2017, level 2 financial instrument comprises a forward currency contract. This forward currency contract has been fair valued using forward exchange rates that are quoted in an active market.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

The following table presents the changes in level 3 financial instrument for the six months ended 31 December 2017 and 2016:

	Indemnification in connection with the acquisition of a subsidiary HK$'000
At 1 July 2016	9,040
Translation difference	(346)
At 31 December 2016	8,694
At 1 July 2017	**4,695**
Changes in fair value recognised in the condensed consolidated income statement	**(4,695)**
At 31 December 2017	**–**

5.5 GROUP'S VALUATION PROCESSES

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.

5.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The fair value of the following financial assets and liabilities approximate their carrying amount, since they are expected to be recovered or settled within twelve months from the reporting date, repayable demand, or bear interest at variable rate:

- Debtors
- Deposits and other receivables
- Fixed deposits
- Cash and cash equivalents
- Creditors
- Other payables
- Contract liabilities
- Amounts due from/to fellow subsidiaries, related companies and associated companies
- Borrowings

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Commission income from concessionaire sales	**835,672**	890,069
Sales of goods – direct sales	**643,140**	551,030
Management and consultancy fees	**5,337**	7,784
Revenue from contracts with customers	**1,484,149**	1,448,883
Rental income	**389,190**	332,568
	1,873,339	1,781,451

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Gross revenue from concessionaire sales	**5,209,108**	5,222,033
Commission income from concessionaire sales	**835,672**	890,069

The Group has recognised the following revenue-related contract liabilities:

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2017	2017
	HK$'000	HK$'000
Contract liabilities in relation to prepayments from customers	**288,330**	N/A
Contract liabilities in relation to customer loyalty programme	**54,375**	N/A
Total contract liabilities	**342,705**	N/A

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers good or service to the customer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as executive Directors and chief executive officer of the Company. 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 retail 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 losses/gains, changes in fair value of investment properties and net unallocated corporate income/expenses. In addition, net finance income and share of results of associated companies are not allocated to segments. The measurement of segment assets excludes interests in associated companies, 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.

	Department store and other retail related businesses HK$'000	Property investment business HK$'000	Consolidated HK$'000
Six months ended 31 December 2017			
Segment revenue	1,772,849	100,490	1,873,339
Segment operating results	109,043	130,059	239,102
Other losses, net	(85,609)	(1)	(85,610)
Changes in fair value of investment properties	–	286	286
Unallocated corporate income, net			20,576
Operating profit			174,354
Finance income			29,390
Finance costs			(19,635)
Finance income, net			9,755
			184,109
Share of results of associated companies			(148)
Profit before income tax			183,961
Income tax expense			(80,973)
Profit for the period			102,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 SEGMENT INFORMATION (continued)

	Department store and other retail related businesses HK$'000	Property investment business HK$'000	Consolidated HK$'000
Six months ended 31 December 2016			
Segment revenue	1,693,735	87,716	1,781,451
Segment operating results	101,163	67,988	169,151
Other gains, net	1,149	(124)	1,025
Changes in fair value of investment properties	–	(10,471)	(10,471)
Unallocated corporate expenses, net			(3,515)
Operating profit			156,190
Finance income			10,050
Finance costs			(7,037)
Finance income, net			3,013
			159,203
Share of results of associated companies			279
Profit before income tax			159,482
Income tax expense			(67,024)
Profit for the period			92,458

7 SEGMENT INFORMATION (continued)

	Department store and other retail related businesses HK$'000	Property investment business HK$'000	Consolidated HK$'000
As at 31 December 2017			
Segment assets	**7,729,785**	**5,732,850**	**13,462,635**
Interests in associated companies	**2,417**	**–**	**2,417**
Deferred income tax assets	**151,767**	**–**	**151,767**
Unallocated corporate assets:			
Cash and cash equivalents			**19,965**
Others			**273**
Total assets			**13,637,057**
Six months ended 31 December 2017			
Additions to non-current assets (Note)	**117,399**	**3,648**	**121,047**
Depreciation and amortisation	**120,945**	**478**	**121,423**
Impairment loss on property, plant and equipment	**69,365**	**–**	**69,365**
Impairment loss on prepayments, deposits and other receivables	**7,918**	**–**	**7,918**
As at 30 June 2017			
Segment assets	6,395,670	5,658,282	12,053,952
Interests in associated companies	1,619	–	1,619
Deferred income tax assets	134,713	–	134,713
Unallocated corporate assets:			
Cash and cash equivalents			34,388
Others			225
Total assets			12,224,897
Six months ended 31 December 2016			
Additions to non-current assets (Note)	61,808	3,962	65,770
Depreciation and amortisation	130,344	843	131,187

Note:

Additions to non-current assets represented additions to non-current assets other than financial instruments, deferred income tax assets and interests in associated companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 OTHER INCOME

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Compensation from insurance claim	69,375	–
Government grants	17,652	11,970
Income from suppliers	31,048	32,755
Sundries	22,436	31,701
	140,511	76,426

9 OTHER (LOSSES)/GAINS, NET

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Changes in fair value on financial asset or liability at fair value through profit or loss	(5,455)	1,204
Impairment loss on property, plant and equipment (Note)	(69,365)	–
Impairment loss on prepayments, deposits and other receivables (Note)	(7,918)	–
Loss on disposal of property, plant and equipment	(2,872)	(179)
	(85,610)	1,025

Note:

The impairment provisions were made to reflect management's latest plan for mainly two department stores (2016: Nil) in light of the latest market environment and the management's assessment on the business prospect thereof.

10 EMPLOYEE BENEFIT EXPENSE

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Wages, salaries and other benefits	269,957	282,727
Retirement benefit costs – defined contribution plans	30,172	29,670
	300,129	312,397

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 OTHER OPERATING EXPENSES, NET

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Water and electricity	**37,540**	54,791
Selling, promotion, advertising and related expenses	**21,093**	76,761
Cleaning, repairs and maintenance	**38,207**	41,060
Auditor's remuneration		
– Audit services	**3,000**	3,000
– Non-audit services	**1,102**	913
Net exchange (gains)/losses (Note)	**(33,346)**	18,515
Other tax expenses	**85,969**	81,494
Others	**102,437**	39,499
	256,002	316,033

Note:

The amounts excluded exchange losses arising from foreign currency borrowings capitalised to other non-current assets of HK$Nil (2016: HK$1,015,000), which represented the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies.

12 FINANCE INCOME, NET

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Interest income on bank deposits	**29,390**	10,050
Interest expense on bank loans	**(26,075)**	(18,647)
Interest expense on shareholder loans	**(4,546)**	–
Less: amount capitalised (Note)	**10,986**	11,610
	(19,635)	(7,037)
	9,755	3,013

Note:

To the extent funds are borrowed generally and used for the purpose of financing the qualifying assets, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation, including the effect of capitalisation of exchange difference (Note 11), is 3.4% per annum (2016: 3.5% per annum) for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 INCOME TAX EXPENSE

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Current income tax		
– Mainland China taxation	84,549	76,169
– (Over)/under-provision in prior years	(253)	1,375
Deferred income tax		
– Undistributed retained earnings	–	(353)
– Other temporary differences	(3,323)	(10,167)
	80,973	67,024

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 2017 and 2016.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2016: 25%).

14 DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2017 (2016: HK$Nil).

15 EARNINGS PER SHARE

(a) BASIC

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
Profit attributable to shareholders of the Company (HK$'000)	102,932	92,782
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings per share (HK$ per share)	0.06	0.05

15 EARNINGS PER SHARE (continued)

(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 2017 and 2016, there was no dilutive potential ordinary share.

16 CAPITAL EXPENDITURE

For the six months ended 31 December 2017, the Group has additions of property, plant and equipment, investment properties and other non-current assets of approximately HK$61,421,000, HK$3,420,000 and HK$10,986,000 (2016: HK$49,156,000, HK$3,907,000 and HK$12,625,000) respectively. The Group has disposed of property, plant and equipment with net book amount of approximately HK$8,549,000 (2016: HK$16,297,000).

17 INVESTMENT PROPERTIES

As at 31 December 2017, the investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professional valuer. Valuations were based on market value assessment, where appropriate, by reference to the income approach.

As at 31 December 2017, an investment property with carrying value of approximately HK$1,833,747,000 (30 June 2017: HK$1,759,770,000) was pledged to secure bank borrowings of the Group (Note 25).

18 OTHER NON-CURRENT ASSETS

Balance as at 31 December 2017 and 30 June 2017 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. (subsequently renamed as "Shenyang Xin Hui Properties Co., Ltd.") ("SYNWXH"), a wholly-owned subsidiary of New World Development Company Limited ("NWD") and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWXH 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 SYNWXH 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 2017, the balance in connection to this transaction and the cost capitalised was approximately HK$665,349,000 (30 June 2017: HK$627,848,000).

19 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Listed securities, at fair value		
– Equity securities – Korea	**21,218**	19,331

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The financial asset was denominated in Korean Won ("WON").

The fair value of equity securities is based on their bid prices in an active market at the end of reporting period. All equity securities in the financial asset at fair value through other comprehensive income were sold in an active market in February 2018.

20 FINANCIAL ASSET/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Asset		
– Indemnification in connection with the acquisition of a subsidiary	**–**	4,695
Liability		
– Forward currency contract	**–**	912

The indemnification in connection with the acquisition of a subsidiary was denominated in Renminbi ("RMB").

The forward currency contract was entered with creditworthy banks with no recent history of default to manage the foreign exchange risk on WON. The notional principal amount of the outstanding forward currency contracts at a forward contract rate WON1,170 to United States dollar ("USD") 1 at 30 June 2017 was WON6,000,000,000.

21 DEBTORS

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Debtors	**204,348**	112,826
Less: loss allowance provision	**(21,868)**	(6,773)
Debtors, net	**182,480**	106,053

During the six months ended 31 December 2017, impairment losses of HK$14,737,000 (2016: HK$2,460,000) were recognised in profit or loss in relation to impaired debtors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 DEBTORS (continued)

The Group grants credit terms within 30 days in majority. Ageing analysis of the net debtors, based on the invoice dates, is as follows:

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Within period for		
0–30 days	**164,488**	65,924
31–60 days	**15,464**	19,476
61–90 days	**823**	4,085
Over 90 days	**1,705**	16,568
Debtors, net	**182,480**	106,053

The debtors were primarily denominated in RMB.

22 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES, RELATED COMPANIES AND ASSOCIATED COMPANIES

As at 31 December 2017 and 30 June 2017, the balances were unsecured, interest free, repayable on demand and denominated in RMB.

The related companies represent the joint ventures of NWD, Chow Tai Fook Jewellery Group Limited and its subsidiaries ("CTFJ Group") and members of the companies controlled by Mr. Doo Wai-hoi ("Mr. Doo"), an associate of certain Directors.

23 SHARE CAPITAL

	Number of shares '000	**Share capital HK$'000**
Ordinary shares of HK$0.1 each, issued and fully paid:		
At 30 June 2017 (Audited) and 31 December 2017 (Unaudited)	**1,686,145**	168,615

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 RESERVES

	Attributable to shareholders of the Company							
	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 2016	1,826,646	124,134	391,588	389,224	(4,399)	211,694	2,805,337	5,744,224
Profit for the period	–	–	–	–	–	–	92,782	92,782
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	–	1,775	–	–	–	–	–	1,775
– Deferred income tax thereof	–	(444)	–	–	–	–	–	(444)
Fair value loss on equity instrument at fair value through other comprehensive income	–	–	–	–	(16,591)	–	–	(16,591)
Translation differences	–	–	–	–	–	(264,343)	–	(264,343)
Transfer to statutory reserve	–	–	–	10,885	–	–	(10,885)	–
At 31 December 2016 – Unaudited	1,826,646	125,465	391,588	400,109	(20,990)	(52,649)	2,887,234	5,557,403

	Attributable to shareholders of the Company							
	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2017	1,826,646	125,504	391,588	412,606	(20,775)	113,232	2,910,566	5,759,367
Adjustment on adoption of HKFRS 15, net of tax (Note 3.2)	-	-	-	-	-	-	(50,271)	(50,271)
At 1 July 2017, as adjusted	1,826,646	125,504	391,588	412,606	(20,775)	113,232	2,860,295	5,709,096
Profit for the period	-	-	-	-	-	-	102,932	102,932
Fair value loss on equity instrument at fair value through other comprehensive income	-	-	-	-	(181)	-	-	(181)
Translation differences	-	-	-	-	-	251,456	-	251,456
Transfer to statutory reserve	-	-	-	11,505	-	-	(11,505)	-
At 31 December 2017 – Unaudited	1,826,646	125,504	391,588	424,111	(20,956)	364,688	2,951,722	6,063,303

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 BORROWINGS

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Non-current		
Secured bank loans	**227,545**	298,851
Current		
Secured bank loans	**83,832**	57,471
Unsecured bank loans	**910,321**	910,461
Shareholder loans	**633,000**	500,000
	1,627,153	1,467,932
	1,854,698	1,766,783

Shareholder loans are interest-bearing at Hong Kong Interbank Offered Rate plus 0.90% per annum, unsecured and repayable within one year.

Interest payable of shareholder loans of approximately HK$7,560,000 (30 June 2017: HK$2,814,000) was included in 'accruals and other payables'.

The effective interest rates of borrowings are analysed as follows:

	Unaudited As at 31 December 2017	Audited As at 30 June 2017
HK$	**1.60%**	2.02%
RMB	**5.34%**	5.29%
USD	**3.57%**	2.23%
EURO	**2.57%**	2.57%

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

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
HK$	**985,800**	852,800
RMB	**747,384**	774,142
USD	**4,843**	5,093
EURO	**116,671**	134,748
	1,854,698	1,766,783

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 BORROWINGS (continued)

The borrowings are repayable as follows:

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Within one year	**1,627,153**	1,467,932
In the second year	**227,545**	80,460
In the third to fifth year	**–**	218,391
	1,854,698	1,766,783

The borrowings of approximately HK$1,854,698,000 (30 June 2017: HK$1,766,783,000) are wholly repayable within five years.

As at 31 December 2017, the bank loans of approximately HK$311,377,000 (30 June 2017: HK$356,322,000) was secured by an investment property with carrying value of approximately HK$1,833,747,000 (30 June 2017: HK$1,759,770,000).

26 CREDITORS

The Group normally receives credit terms of 60 to 90 days. The creditors were primarily denominated in RMB.

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

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Within period for		
0-30 days	**2,034,788**	1,313,017
31-60 days	**199,653**	204,890
61-90 days	**53,385**	54,055
Over 90 days	**204,450**	181,001
	2,492,276	1,752,963

Creditors included amounts due to related companies of approximately HK$107,456,000 (30 June 2017: HK$73,542,000) which were unsecured, interest free and repayable within 90 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

27 CAPITAL COMMITMENT

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

	Unaudited As at 31 December 2017 HK$'000	Audited As at 30 June 2017 HK$'000
Contracted but not provided for	**110,339**	104,421

28 BUSINESS COMBINATION

In September 2017, Beijing New World Qianzi Department Store Co., Ltd., a wholly-owned subsidiary incorporated in Mainland China with limited liability, entered into a share purchase agreement to acquire the entire issued share capital of Sanhe New World Department Store Co., Ltd. ("Sanhe Co"), a company incorporated in Mainland China with limited liability, from an independent third party, for a gross consideration of RMB25,000,000 (equivalent to approximately HK$29,308,000). Sanhe Co and its subsidiaries are engaged in the operations of department store and other retail related businesses in Mainland China. The acquisition was completed on 25 September 2017.

The acquired business contributed revenue of HK$34,886,000 and profit or loss of HK$648,000 to the Group for the period from 26 September 2017 to 31 December 2017. If the acquisition had occurred on 1 July 2017, consolidated revenue and consolidated profit for the six months ended 31 December 2017 would have been HK$1,904,766,000 and HK$4,342,000 respectively. These amounts have been calculated using the Group's accounting policies.

Details of net identifiable liabilities acquired and goodwill were as follows:

	HK$'000
Purchase consideration	
– Cash paid	**29,308**
Fair value of net identifiable liabilities acquired – shown as below	**418,430**
Goodwill	**447,738**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28 BUSINESS COMBINATION (continued)

The identifiable assets and liabilities arising from the acquisition were as follows:

	HK$'000
Property, plant and equipment	32,032
Inventories	3,728
Debtors	1,525
Prepayment, deposits and other receivables	65,252
Cash and cash equivalents	26,093
Creditors	(89,164)
Accruals and other payables	(452,566)
Deferred income tax liabilities	(5,330)
Net identifiable liabilities acquired	(418,430)

Analysis of the net cash outflow from the acquisition was as follows:

	HK$'000
Purchase consideration settled in cash	(29,308)
Cash and cash equivalents in the subsidiary acquired	26,093
Net cash outflow from acquisition of a subsidiary	(3,215)

29 RELATED PARTY TRANSACTIONS

(a) TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed elsewhere in this condensed consolidated financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the period:

	Note	**Unaudited**	Unaudited
		Six months ended 31 December	
		2017	2016
		HK$'000	HK$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	**(35,773)**	(23,608)
Building management expenses	(ii)	**(6,336)**	(7,369)
Sales of goods, prepaid shopping cards and vouchers	(iii)	**298**	1,078
Related companies			
Operating lease rental expenses	(i)	**(90,600)**	(103,279)
Building management expenses	(ii)	**(12,756)**	(12,525)
Sales of goods, prepaid shopping cards and vouchers	(iii)	**–**	161
Commission income from concessionaire sales	(iv)	**37,610**	34,580
Rebates on prepaid shopping cards and vouchers	(v)	**39**	90
Purchases of leasehold improvement	(vi)	**(4,747)**	–
Rental income	(vii)	**87**	77

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) This represents the amounts received in respect of the use of the shopping vouchers, the prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchases of goods and settlement of the relevant value by the subsidiaries and joint ventures of NWD (except the Group), and the CTFJ Group.

(iv) The income is charged in accordance with concessionaire counter agreements with CTFJ Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(v) This represents rebates offered by the CTFJ Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and the CTFJ Group.

(vi) This represents the purchases of leasehold improvement in respect of certain department stores. Such fees were charged in accordance with the terms of respective contracts.

(vii) The income is charged in accordance with rental agreements with members of the companies controlled by Mr. Doo.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS (continued)

(b) RELATED PARTY BALANCES

The details for balances with related parties are disclosed in Notes 22, 25 and 26 to this condensed consolidated financial information.

(c) KEY MANAGEMENT COMPENSATION

	Unaudited	Unaudited
	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	**10,413**	11,621
Discretionary bonus	**3,103**	1,753
Retirement benefit costs – defined contribution plans	**218**	381
	13,734	13,755

30 ULTIMATE HOLDING COMPANY

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

PROPOSAL FOR THE PRIVATIZATION OF THE COMPANY BY OFFEROR AND PROPOSED WITHDRAWAL OF LISTING

On 6 June 2017, the board of directors of the Company and New World Development Company Limited (the "Offeror") jointly announced that UBS AG Hong Kong Branch, on behalf of the Offeror, intended to make a voluntary conditional cash offer to acquire all the issued shares of the Company (other than those already held by the Offeror) (the "Offer"), a proposal which, if became unconditional, will result in the Company being privatized by the Offeror and the withdrawal of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It was a condition of the Offer that the Offeror must have received a prescribed level of acceptances by the specified closing date before the Offer can become unconditional. As such acceptance level condition was not satisfied by the specified closing date, the Offer did not become unconditional and lapsed on 28 August 2017. The shares of the Company remains listed on the Stock Exchange. Reference is made to the related announcements dated 6 June 2017, 26 June 2017, 18 July 2017, 26 July 2017, 1 August 2017, 15 August 2017 and 28 August 2017 respectively and the related composite offer and response document despatched to the shareholders of the Company on 27 June 2017.

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 2017 (2016: nil).

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 for the purposes of reviewing and providing supervision over the Group's financial reporting process and risk management 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 2017 and the unaudited condensed consolidated financial information and the interim report for the six months ended 31 December 2017 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2017 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 2017 except for the deviation from code provision E.1.2.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-shun, Henry, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 20 November 2017 (the "AGM") due to his other engagement. Dr. Cheng Chi-kong, Adrian, an executive Director who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

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 2017.

OTHER INFORMATION

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2017, the total number of employees of the Group was 4,778 (30 June 2017: 4,964). 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

In September 2017, Beijing New World Qianzi Department Store Co., Ltd., a wholly-owned subsidiary incorporated in Mainland China with limited liability, entered into a share purchase agreement with an independent third party, to acquire the entire issued share capital of Sanhe New World Department Store Co., Ltd. ("Sanhe Co"), a company incorporated in Mainland China with limited liability, for a consideration of RMB25,000,000. Sanhe Co and its subsidiaries are engaged in operations of department store and other retail related businesses in Mainland China.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2017. 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 2017.

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the announcement of the Company dated 29 August 2017 and 8 September 2017 in relation to the public float of the Company. As disclosed in the mentioned announcements, upon the lapse of the Offer, the Offeror and parties acting in concert with the Offeror (within the meaning as ascribed to it under The Codes on Takeovers and Mergers and Share Buy-backs), held an aggregate of 1,275,888,000 shares of the Company, representing approximately 75.67% of the issued share capital of the Company, and the minimum public float requirement of 25.0% under Rule 8.08(1)(a) of the Listing Rules was not satisfied upon the lapse of the Offer. An application was made by the Company to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules (the "Waiver"). On 7 September 2017, the Stock Exchange granted the Waiver to the Company for a period of two months from 28 August 2017 to 27 October 2017.

On 25 October 2017, the Company was informed by the Offeror that a wholly-owned subsidiary of the Offeror (i.e. a party acting in concert with the Offeror) which held shares in the Company had disposed of 11,376,000 shares of the Company (representing approximately 0.67% of the total issued share capital of the Company as at 31 December 2017) on the open market (the "Disposal") for the purpose of restoring the public float of the Company.

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, immediately following the Disposal and as at 31 December 2017, 421,633,000 shares of the Company were held by the public, representing approximately 25.01% of the total issued share capital of the Company. Accordingly, the public float of the Company has been restored and the Company is in compliance with Rule 8.08(1)(a) of the Listing Rules.

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 2017 is set out below:

With effect from 1 February 2018, Ms. Ngan Man-ying, Lynda resigned as a non-executive Director.

With effect from 15 February 2018, Mr. Niu Wei, David, the chief executive officer of the Company, was appointed as an executive Director and a member of the executive committee and the remuneration committee of the Board.

With effect from 15 February 2018, Mr. Cheung Fai-yet, Philip, an executive Director, was re-designated as a non-executive Director and due to the above re-designation, ceased to be a member of the executive committee and the remuneration committee of the Board.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated 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)
New World Development Company Limited					
Dr. Cheng Chi-kong, Adrian	Beneficial owner	Personal interest	700,000	700,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	18,349,571	30,349,571	0.78
	Controlled corporation	Corporate interest	12,000,000[1]		

Note:

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

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES (continued)

(B) LONG POSITIONS IN UNDERLYING SHARES – SHARE OPTIONS

i. 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 2017 were as follows:

			Number of share options held					
Name	**Date of grant**	**Exercisable period** (Notes)	**Balance as at 1 July 2017**	**Granted during the period**	**Exercised during the period**	**Adjusted during the period**	**Balance as at 31 December 2017**	**Exercise price per share** HK$
Dr. Cheng Kar-shun, Henry	10 June 2016	(1)	10,675,637	–	–	–	10,675,637	7.540
	3 July 2017	(2)	–	2,000,000	–	–	2,000,000	10.036
Dr. Cheng Chi-kong, Adrian	9 March 2016	(3)	4,500,000	–	(700,000)	–	3,800,000	7.200
	10 June 2016	(1)	3,736,471	–	–	–	3,736,471	7.540
	3 July 2017	(2)	–	2,000,000	–	–	2,000,000	10.036
Mr. Au Tak-cheong	22 January 2014	(4)	532,982	–	(532,000)	–	982	9.756
	10 June 2016	(1)	1,016,693	–	–	–	1,016,693	7.540
	3 July 2017	(2)	–	400,000	–	–	400,000	10.036
			20,461,783	4,400,000	(1,232,000)	–	23,629,783	

Notes:

(1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(2) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

(3) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

(4) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

(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)

ii. 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 2017 were as follows:

			Number of share options held					
Name	Date of grant	Exercisable period (Note)	Balance as at 1 July 2017	Granted during the period	Exercised during the period	Adjusted during the period	Balance as at 31 December 2017	Exercise price per share HK$
Dr. Cheng Kar-shun, Henry	9 March 2015	(1)	7,420,739	–	–	–	7,420,739	14.120
			7,420,739	–	–	–	7,420,739	

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) 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 2017, none of the Directors and chief executive 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 2017, the following persons (other than the Directors or chief executive 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")[1]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")[2]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Capital Limited ("CTFC")[3]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook (Holding) Limited ("CTFH")[4]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Enterprises Limited ("CTF")[5]	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
New World Development Company Limited ("NWD")	Controlled corporation Beneficial owner	Corporate interest –	45,500,000 1,218,900,000	1,264,400,000	74.99

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 81.03% 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.

Save as disclosed above, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who, as at 31 December 2017, 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 share option scheme of the Company adopted on 12 June 2007 has expired on 12 June 2017, and no new share option scheme has been adopted thereafter.

CORPORATE INFORMATION

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

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

EXECUTIVE DIRECTORS

Dr. Cheng Chi-kong, Adrian
Mr. Niu Wei, David *(Chief Executive Officer)*

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 Sutherland
Woo, Kwan, Lee & Lo

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
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Grand Cayman, KY1-1110
Cayman Islands

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

For more information about the Group,
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Fax: (852) 2318 0884
e-mail: nwdscad@nwds.com.hk

WEBSITE

www.nwds.com.hk

CORPORATE PROFILE

Founded in 1993, 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) and has developed itself 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. As at 31 December 2017, New World Development Company Limited owns 74.99% shares of the Group.

RETAIL NETWORK

To orderly expand its business network across the country, the Group adopts the expansion strategies of "multiple presences within a single city" and "radiation city" with a focus on the development of the Greater Beijing, Greater Shanghai and Greater South Western Regions. As at 31 December 2017, the Group operated and managed 27 "New World" (「新世界」) branded department stores in Mainland China and 11 "Ba Li Chun Tian" (「巴黎春天」) branded department stores and shopping malls in Shanghai with a total gross floor area of about 1,500,380 square metres, covering 20 key locations in Mainland China, including Beijing, Tianjin, Yianjiao, Yantai, Lanzhou, Xi'an, Harbin, Shenyang, Anshan, Shanghai, Ningbo, Nanjing, Yancheng, Wuhan, Changsha, Zhengzhou, Chengdu, Chongqing, Kunming and Mianyang.

BUSINESS OPERATIONS

The Group actively implements categorised store management and "One Store, One Strategy" operations strategy to encourage stores to adopt different strategies to capture opportunities arisen from the consumption upgrade in Mainland China. The Group's revenue is mainly derived from: commission income from concessionaire sales, sales of goods for direct sales, rental income and, management and consultancy fees. In addition to its core department store business, the Group has been actively expanding its direct sales business in recent years, including the N+ line-up of private labels, LOL (Love • Original • Life) Concept Shop, and distribution business of high-end fashion brands, etc. to strengthen its differentiated operations.

ORGANISATION STRUCTURE

The Group owns a seasoned and innovative management team and adopts a three-tier structure for effective management, in which the headquarters centrally controls the three operating regions of the Group, and each region manages the operations of their stores. Such structure improves both resource-sharing and synergy within each region. When formulating professional strategies such as merchandising and marketing strategies, the Group implements a double-line management mechanism. Based on the positioning and direction of the Group, the headquarters formulates a macroscopic corporate strategy and deploys resources for its strategic plans, which is then adjusted and executed towards the relevant goals by stores according to their local circumstances to ensure the Group's strategy is landed.

TALENT DEVELOPMENT

The Group regards its staff as a valuable asset. Through a series of incentive schemes, training programs and career opportunities, the Group strives to fortify the team's proactiveness, innovative capability and sense of belonging so as to encourage, cultivate and retain its talents, who will join up to put the Group's vision and mission into actions. As at 31 December 2017, the Group had 4,778 employees.

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)

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