新世界百貨中國有限公司
New World Department Store China Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 825)

INTERIM RESULTS ANNOUNCEMENT 2008/2009

HIGHLIGHTS ON INTERIM RESULTS

Same store sales[(1)] ("SSS") growth at 10.9%.

Revenue improved to HK$883.9 million, an increase of 33.3%, compared to HK$663.3 million of the same period of Previous Year.

Operating profit improved to HK$324.3 million, an increase of 18.8%, compared to HK$273.0 million of the same period of Previous Year.

Profit for the period improved to HK$258.6 million, an increase of 13.5%, compared to HK$227.8 million of the same period of Previous Year.

Interim dividend of approximately HK$129.3 million or HK$0.08 per share.

(1) Same store sales growth represents stores having operations for more than 2 years.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

The board of directors (the "Board" or "Directors") of New World Department Store China Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 31 December 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	Unaudited
		Six months ended 31 December	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Revenue	4	**883,899**	663,297
Other income	5	**61,995**	70,583
Fair value gain on financial assets at fair value through profit or loss		**16,717**	—
Purchases of and changes in inventories		**(116,008)**	(67,602)
Employee benefit expense	6	**(139,667)**	(96,119)
Depreciation and amortisation		**(82,236)**	(53,032)
Operating lease rental expense		**(157,048)**	(150,139)
Other operating expenses	7	**(143,304)**	(93,996)
Operating profit		**324,348**	272,992
Finance income	8	**—**	10,789
Profit before income tax		**324,348**	283,781
Income tax expense	9	**(65,756)**	(55,937)
Profit for the period		**258,592**	227,844
Attributable to equity holders of the Company		**258,592**	227,844
Dividend	10	**129,296**	—
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK$ per share)			
— Basic	11	**0.15**	0.14
— Diluted	11	**0.15**	0.14

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 31 December 2008** *HK$'000*	Audited As at 30 June 2008 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,209,356**	1,147,114
Land use rights		**776,150**	787,371
Goodwill		**172,435**	172,435
Prepayment		**359,231**	—
Long-term prepaid rent and rental deposits		**105,960**	37,136
Financial assets at fair value through profit or loss	12	**—**	60,154
Available-for-sale financial assets	13	**77,630**	—
Deferred income tax assets		**28,474**	27,133
		2,729,236	2,231,343
Current assets			
Inventories		**64,347**	57,472
Debtors	14	**27,167**	25,656
Prepayments, deposits and other receivables		**337,680**	257,363
Amounts due from fellow subsidiaries		**31,470**	60,969
Fixed deposits		**1,620,542**	790,909
Cash and cash equivalents		**1,483,648**	2,336,718
		3,564,854	3,529,087
Total assets		**6,294,090**	5,760,430
Equity			
Share capital		**168,615**	168,615
Reserves		**3,938,003**	3,786,378
Interim dividend	10	**129,296**	—
Proposed final dividend		**—**	151,753
		4,235,914	4,106,746
Liabilities			
Non-current liabilities			
Accruals		**259,121**	237,981
Deferred income tax liabilities		**149,040**	147,334
		408,161	385,315

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**Unaudited As at 31 December 2008** *HK$'000*	Audited As at 30 June 2008 *HK$'000*
Current liabilities			
Creditors and accruals	15	**1,596,193**	1,208,562
Amounts due to fellow subsidiaries		**9,253**	8,669
Tax payable		**44,569**	51,138
		1,650,015	1,268,369
Total liabilities		**2,058,176**	1,653,684
Total equity and liabilities		**6,294,090**	5,760,430
Net current assets		**1,914,839**	2,260,718
Total assets less current liabilities		**4,644,075**	4,492,061

NOTES

1 General information

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 Group is engaged in department store operations in Mainland China.

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

These condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. These condensed consolidated financial statements have been approved for issue by the Board on 16 March 2009.

2 Basis of preparation

These condensed consolidated financial statements for the six months ended 31 December 2008 have 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").

These condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Accounting policies

Except as described below, the accounting policies are consistent with those of the Group's annual financial statements for the year ended 30 June 2008, as described in those annual financial statements.

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

The following new interpretations are mandatory for the first time for the financial period beginning 1 July 2008:

HKAS 39 and HKFRS 7 (Amendment)	Financial Instruments: Recognition and Measurement — Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of HK(IFRIC)-Int 13 does not have significant impact on the Group's financial statements. HKAS 39 and HKFRS 7 (Amendment), HK(IFRIC)-Int 12 and HK(IFRIC)-Int 14 are not relevant to the Group's operations.

The following new or revised standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2010

HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 2 Amendments	Vesting Conditions and Cancellations
HKFRS 3 (Revised) and HKAS 27 (Revised)	Business Combinations and Consolidated and Separate Financial Statements
HKFRS 7 Amendment	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRS 1 (Revised) and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 Amendment	Eligible Hedged Items
HK(IFRIC)–Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)–Int 16	Hedges of a Net Investment in Foreign Operation
HK(IFRIC)–Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)–Int 18	Transfer of Assets from Customers
HKFRSs Amendments	Improvements to HKFRSs

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures and measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results of operations and financial position.

4 Revenue and segment information

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**573,257**	443,532
Sales of goods — direct sales	**152,745**	88,631
Management fees	**108,689**	90,127
Rental income	**49,208**	41,007
	883,899	663,297

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**2,892,034**	2,173,634
Commission income from concessionaire sales	**573,257**	443,532

No segment analysis for business segment is presented as the Group principally operates in one business segment, which is the operation of department stores.

No segment analysis for geographical segment is presented as substantially all of the revenue, operating results, assets and liabilities are in Mainland China.

5 Other income

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Interest income on bank deposits	**43,890**	59,898
Government grants	**6,405**	4,716
Other commission income	**3,441**	1,731
Sundries	**8,259**	4,238
	61,995	70,583

6 Employee benefit expense

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Wages and salaries	**81,493**	64,416
Retirement benefit costs — defined contribution plans	**12,269**	8,443
Share-based payments	**11,319**	1,931
Other employee benefits	**34,586**	21,329
	139,667	96,119

7 Other operating expenses

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Water and electricity	**51,592**	40,232
Promotion, advertising and related expenses	**38,545**	31,240
Net exchange losses	**6,866**	5,782
Share-based payments	**3,912**	698
Auditor's remuneration	**1,733**	1,950
Loss on disposal of property, plant and equipment	**305**	551
Provision for management fee receivables	**17,857**	—
Others	**22,494**	13,543
	143,304	93,996

8 Finance income

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Interest income from deposits relating to share subscription under the Listing	**—**	10,789

9 Income tax expense

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**—**	561
— Mainland China taxation	**71,093**	55,329
Over provision in prior years	**(5,702)**	(510)
Deferred income tax	**365**	557
	65,756	55,937

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2007: 17.5%) on the estimated assessable profit for the period.

Mainland China enterprise income tax ("EIT") or foreign enterprise income tax ("FEIT") is provided on the basis of the profit for statutory financial reporting purpose. The applicable EIT or FEIT rate for the subsidiaries of the Group in Mainland China is 25% (six months ended 31 December 2007: 33%).

10 Dividend

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Interim dividend of HK$0.08 (2007: Nil) per share	**129,296**	—

11 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue, a total of 1,218,900,000 ordinary shares were deemed to be in issue since 1 July 2007.

	Unaudited	Unaudited
	Six months ended 31 December	
	2008	2007
Profit attributable to the equity holders of the Company *(HK$'000)*	**258,592**	227,844
Weighted average number of ordinary shares in issue *(shares in thousands)*	**1,686,145**	1,649,600
Basic earnings per share *(HK$ per share)*	**0.15**	0.14

(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 2007 and 2008, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

12 Financial assets at fair value through profit or loss

	Unaudited As at 31 December 2008 *HK$'000*	Audited As at 30 June 2008 *HK$'000*
Unlisted shares and investments, at fair value		
Debt securities	**—**	60,154

On 14 December 2007, Skybird International Limited, a wholly-owned subsidiary of the Company, acquired 5,000 preferred shares of Renhe Commercial Holdings Company Limited (or "Renhe"). The investment in Renhe was recognised as financial assets at fair value through profit or loss.

On 22 October 2008, Renhe was listed on the Stock Exchange. The 5,000 preferred shares were converted into 68,096,801 ordinary shares of Renhe. The investment in the ordinary shares of Renhe was recognised as available-for-sale financial assets (Note 13).

13 Available-for-sale financial assets

	Unaudited As at 31 December 2008 *HK$'000*	Audited As at 30 June 2008 *HK$'000*
Listed securities, at fair value		
Equity securities — Hong Kong	**77,630**	—

14 Debtors

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

Aging analysis of the debtors is as follows:

	Unaudited As at 31 December 2008 *HK$'000*	Audited As at 30 June 2008 *HK$'000*
Within period for		
0–30 days	**26,837**	18,438
31–60 days	**155**	2,326
61–90 days	**—**	1,196
Over 90 days	**175**	3,696
	27,167	25,656

15 Creditors and accruals

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

	Unaudited As at 31 December 2008 *HK$'000*	Audited As at 30 June 2008 *HK$'000*
Within period for		
0–30 days	**566,139**	341,584
31–60 days	**403,590**	271,985
61–90 days	**84,755**	74,794
Over 90 days	**135,413**	170,020
	1,189,897	858,383

16 Events after the balance sheet date

On 20 January 2009, New World Department Stores Investment (China) Co., Ltd., a wholly-owned subsidiary of the Company, entered into the agreements with Solar Leader Limited ("Solar Leader"), being an indirect wholly-owned subsidiary of New World Development Company Limited ("NWD"), a controlling shareholder of the Group, to acquire 100% of the equity interest in Yunnan New World Department Store Co., Ltd. ("Kunming Store") and Ningbo New World Trendy Department Store Co., Ltd. ("Ningbo Trendy Store") at a consideration of HK$3,000,000 and RMB2,000,000 respectively.

17 Comparative figures

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

BUSINESS REVIEW

The Group's revenue increased by 33.3% from HK$663.3 million for the six months ended 31 December 2007 (or "1HFY2008") to HK$883.9 million for the six months ended 31 December 2008 (or "1HFY2009" or "the Current Period"). Net Profit for the period grew 13.5% from HK$227.8 million in 1HFY2008 to HK$258.6 million in 1HFY2009.

Business Network

In 1HFY2009, the Group operated 33 department stores, with a total gross floor area ("GFA") of about 1,042,570 square metres and a total operating floor area ("OFA") of about 768,200 square metres. Located in five operational regions, namely Northeastern China, Northern China, Eastern China, Central China and Southwestern China, the stores covered 17 major cities in the PRC. These included Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Xiamen, Changsha, Chongqing, Chengdu, Anshan and Nanjing. Our business network comprised 20 self-owned stores and 13 managed stores.

Revenue Contribution

By region

The Central China Region contributed the most to the Group's revenue during the period under review, accounting for 30.2% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 29.8% and 25.3%, respectively.

By segment

Commission from concessionaire sales was the major type of income, accounting for 64.9% of total revenue. Proceeds from direct sales and management fees accounted for 17.3% and 12.3%, respectively. Rental income accounted for 5.6%.

During the period under review, commission from concessionaire sales increased 29.3% year-on-year. This was attributable mainly to the rise in gross sales revenue, and to the commission income recognized for the whole Current Period, contributed by Wuhan New World Department Store ("Wuhan Store") since it became self-owned in February 2008.

Following the strengthening of operational management, the proportion of direct sales to revenue increased from 13.4% to 17.3% during the period under review. Total direct sales of goods rose 72.3% year-on-year, mainly including sales of cosmetics, Olympics-themed products, accessories, handbags and underwears, groceries, perishables and housewares.

In the period under review, the Group's proceeds from management fees rose 20.6% for two main reasons. First, the Group added within the Current Period one managed store, namely Beijing New World Liying Department Store ("Beijing Liying Store"). Second, Shanghai-Hong Kong New World Department Store — Pujian Branch Store ("Shanghai Pujian Branch Store") and Wuhan New World Department Store — Xudong Branch Store ("Wuhan Xudong Branch Store"), which were opened in September 2007 and January 2008 respectively, had been in operation for over six months and therefore recognized a full period of management fees. However, after Wuhan Store converted from a managed store to a self-owned store in February 2008 and Hong Kong New World Department Store ("Hong Kong Store") ceased to be a managed store in July 2008, both stores no longer contributed any management fees in the Current Period as compared with the same period in the previous year.

Besides, the Group sublet part of its store areas to third parties, generating rental income and benefiting in-store traffic. Rental income grew 20.0% within the Current Period.

Growth in Nationwide VIP Membership

During the period under review, the membership for both VIP card and platinum VIP card maintained a continual rise, increasing by 24% and 28% year-on-year, respectively. The total VIP membership nationwide exceeded 1.53 million. VIP sales contributed over 48% of total sales. Holders of the co-branded credit card increased to 470,000 within the period, up 128% year-on-year.

Store Network Development

In the period under review, the Group added two new stores in Wuhan and Beijing. They were the self-owned Wuhan New World Department Store — Hanyang Branch Store ("Wuhan Hanyang Branch Store") and the managed Beijing Liying Store. The additional floor area of about 95,000 square metres brought our total GFA to about 1,042,570 square metres.

The newly added Wuhan Hanyang Branch Store in Central China Region occupied a GFA of about 53,000 square metres over six levels. Since November 2008, operation had already commenced for Level 1–Level 5, which together offered about 43,000 square metres. Level 6, measuring about 10,000 square metres, was scheduled for opening before the end of 2009. The opening of the Wuhan Hanyang Branch Store was consistent with the Group's expansion strategy of "multiple presences in a single city". The inroad into Hanyang completed our network coverage of "Three Towns in Wuhan", namely Hankou, Wuchang and Hanyang, and brought our number of stores in the city to six.

Apart from Wuhan Hanyang Branch Store, the Group also set up the managed Beijing Liying Store in the core city of the Northern China Region. Occupying about 52,000 square metres in GFA, in a prime location in Chaoyang District, Beijing Liying Store was our third store in Beijing, and our fifth in Northern China Region. The new store further increased our market share and accelerated our expansion in the region.

Starting July 2008, Hong Kong Store ceased to be a managed store since New World Development Company Limited had confirmed resumption for redevelopment of the East Wing of New World Centre in Tsimshatsui, Hong Kong, where the store was located. Opened in April 1999, Hong Kong Store had a GFA of about 15,000 square metres.

Operational Strategy

In the period under review, the Group optimized the merchandise mix at various stores, concentrating efforts to strengthen brands that enjoyed good sales. Brand integration took place and we have widened our market positioning from mid-high to high end, to mid to mid-high end market, in keeping with changes in the market.

In introducing new brands and exploring new products, the Group has established effective market research practices, including *Best-selling Brand Chart* and *New Products & Supplier Update*, to ensure brands on our portfolios have mass support and help spot newly launched and hugely promising products for introduction across the Group network.

The Group sought to expand the rental areas at stores to accommodate more services for trendy living, such as specialty dining outlets, entertainment and convenience facilities, enhancing in-store services for customers and enriching their shopping experience.

Besides, the six-region operational mode adopted by the Group not only facilitates optimization and integration of regional resources, but also helps each operational region develop its own direct-sales market best suited to its region with the advantage of "multiple presence in a single city", instead of direct-sales operations merely spearheaded by the headquarters in the past. The six-region operational mode also offers conditions more favourable for organizing large-scale joint promotions through which we may enhance shopper traffic at individual stores, and overall sales across the region.

In addition, the Group has always valued and maintained sound collaboration with existing suppliers. By implementing “Top 150 Brands Retainer Scheme” and “Strategic Partnership Scheme”, we will continue to deepen collaboration with quality suppliers and to create a win-win scenario in the long run.

Faced with the global economic downturn and a worsening operating environment, the Group has aptly formulated suitable development tactics for the short term and the longer run to ensure profitability. For the short term, the Group will temporarily mitigate the upgrade of product portfolio and strengthen products that are selling well. In addition, the Group will intensify promotions and adjust sales methods. In the period reported, all operational regions had lengthened their promotional cycles and had stepped up on cultural activities to attract visits by the family customers, successfully reaching out to target groups from all walks of life. Besides, the Group will actively implement measures to save resources and tighten cost control, ensuring sufficiency in cash flow for daily operations and business expansion.

To cope with the market situation and utilizing differentiated strategy among stores more effectively, the Group has adopted the mode of “Brand Outlet” in selected stores with a smaller GFA. Such stores can attract much heavier shopper traffic with attractively priced out-seasoned offerings from celebrated local and international brands. Unlike conventional bargain stalls, where product display is disorderly, our outlets present renowned brands in a style consistent, from design to packaging, with those found in concessionaire counters elsewhere on our network. With this operational mode, we will afford opportunities of seasonal stock clearance for concessionaires, and of purchasing branded goods at concessionary prices for consumers.

For the longer run, given that shopper traffic concentrates mostly on the street level and lower levels, the Group started to transform the top levels at some stores with a larger GFA as Event Halls for staging large-scale themed promotions during the period reported. While effectively drawing customers to join the functions on top levels, the Event Hall strategy creates a “showering effect” and enables top-to-base traffic diversion to levels with relatively fewer customers. As in-store traffic evens out, concessionaires at different corners and levels will all stand to gain. We will continue to adopt this strategy more extensively in the future.

In order to outpace our competitors, the Group believes in the necessity to break with the traditional modes of running a department store. Hence, we are planning a comprehensive rebranding program, with a view to abandoning traditional framework for market positioning by class-basis and be replaced by the concepts of “fashion style” and “living style”. The Group will position future stores as either a “Fashion Gallery” or a “Living Gallery”. A “Fashion Gallery” will emphasize “mix and match”. By introducing exclusive brands and designer labels, highlighting merits of individuality and taste, it will aspire to be a landmark of vogue. Combining elements of shopping mall, a “Living Gallery” will set aside about 30% of its floor area for the provision of dining facilities and various complementary services. Catering to the all-round needs, from daily necessities to leisure attractions, of family customers of all age groups and genders, it will become a leisure hangout for the whole family.

Expansion Strategy

The Group has formulated a set of comprehensive, long-term strategies for business expansion. We seek to grow our business network by opening new stores, acquiring store businesses with promising potential, adding managed stores and developing greenfield projects.

The Group holds on to below principles in locating new self-owned stores and guiding their subsequent development. First, opt for prime locations in cities with booming economies or huge growth potential. Second, pursue regional expansion through execution of the expansion strategies of "multiple presences in a single city" and "radiation cities", in such designated regional core cities as Wuhan in Central China Region, Shenyang in Northeastern China Region, Beijing in Northern China Region and Shanghai in Eastern China Region.

By "multiple presences in a single city", we refer to the setting up of various stores in the same province or city, so as to increase market share and enjoy cost effectiveness. For instance, in Northeastern China Region, the Group will open the fourth store, Shenyang New World Department Store — Jinqiao Road Branch Store ("Shenyang Jinqiao Road Branch Store") in Zhong Street Commercial Circle, maximizing our advantage in Shenyang after establishing strong footholds in the commercial circles of Nanjing Street and Taiyuan Street. The new store has a GFA of about 32,500 square metres and is scheduled for opening in 2010.

The Group also endeavours to expand business by radiating from a core city where we have firm presence into another city of the periphery. In Central China Region, for instance, we will radiate from Wuhan in Hubei where we have many footholds into Zhengzhou in Henan, a city reckoned with rich growth potential. Zhengzhou New World Department Store ("Zhengzhou Store") will have a GFA of about 34,530 square metres and is scheduled to open in 2010. The strategy of "radiation cities" effectively reduces the risks associated with entering new markets, promotes synergy within an operational region, and lends an edge to the stores during negotiations with suppliers.

While adding new self-owned stores, the Group also strives to expand and optimize current operations. This is yet another strategy with which we seek sustainable development for existing stores even as we build up new retail footholds. It is borne out by our expansion of the Harbin New World Department Store ("Harbin Store") which, when fully operational in May 2009, will have its approximate GFA raised from 32,000 square metres to 50,000 square metres.

Apart from actively setting up self-owned stores, we will also add managed stores at opportune moments. On the one hand, this provides steady income from management fees, and on the other hand, enabling further expansion of our store network.

In the latter half of 2008, though the financial tsunami affected the department store market, it brought acquisition opportunities to store operators staying financially secure. The Group will seek acquisitions elsewhere in China, concentrating on projects in first-tier cities, as well as second- and third-tier cities with good potential. We will assign priorities to existing projects in prime locations, with GFAs of at least 30,000 square metres, stable turnover and modest market leadership. Those projects under construction at a reasonable acquisition cost and is worthwhile in commercial value are also under consideration.

Besides, we will also approach fellow subsidiary New World China Land Limited or other developers for co-development of greenfield projects. We will participate at the planning stage so that the stores will be developed in conformity with the Group's operational strategy.

OUTLOOK

China's annual gross domestic product ("GDP") for 2008 rose 9.0% over that for the previous year, according to data from National Statistics Bureau of China. There was a drop of 4 percentage points in the growth rate, as the country registered less than two-digit growth for the first time since 2002. In quarterly comparison, from a GDP growth of 10.6% in the first quarter of 2008, the pace of growth had quickly slowed down to 6.8% in the fourth, dropping by 3.8 percentage points. Per capita disposal income increased by 14.5%, or 2.7 percentage points below that for the previous year.

Telling from the figures, the fall in China's GDP showed that negative impacts of the snowstorms and the Sichuan earthquakes in the first half of 2008 had gradually surfaced. With the abrupt downturn in the US and European markets in the wake of the financial tsunami in the latter half of 2008, China's export-predominated economy suffered a swift decline in growth rate. As disposable income fell, the department store industry was inevitably affected.

However, 30 years of economic reform in China have firmly grounded the country's economic base, besides nurturing a massive internal market. The Chinese Government has also striven to introduce a series of policy measures to stimulate the internal economy. All this, it is believed, will enable China to emerge from the financial crisis ahead of other countries and to resume its robust growth.

In addition, China's total retail sales of consumer goods has continued to grow, having recorded in 2008 a substantial rise of 21.6%, or 4.8 percentage points, over that for the previous year. This indicated a keen demand for higher standard of living and better quality in consumer products, sustaining growth for the retail industry.

Looking ahead, despite uncertainties in the Chinese economy, the Group firmly believes that we can capture opportunities to continue growing our business, capitalising on strengths and experiences accumulated over 15 years in China, on the stable customer base, our sound reputation, strong liquidity, and deftly formulated strategies to cope with the financial tsunami in the short term and beyond. Perfecting operational modes across our business network, we will continue to maximize return for our shareholders in the face of formidable challenges ahead.

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$883.9 million in 1HFY2009 representing an increase of 33.3% from HK$663.3 million in 1HFY2008. The growth primarily resulted from satisfactory performance of all sources of revenue including commission income from concessionaire sales, sales of goods for direct sales, management fees and rental income, which increased by 29.3%, 72.3%, 20.6% and 20.0% respectively from the same period of Previous Year.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 33.1% to HK$2,892.0 million in 1HFY2009 from HK$2,173.6 million for the same period of Previous Year. The performance of gross sales revenue was primarily due to firstly, SSS growth of approximately 10.9% for stores having operations for more than two years; secondly, the gross sales revenue contribution of recognising a full period's operations of certain stores expanded, opened and acquired in FY2008 (or "Previous Year") and thirdly, the gross sales revenue contribution of Wuhan Hanyang Branch Store opened in the Current Period. Commission income rate was 19.8% in 1HFY2009, 0.6% below the rate of 20.4% for the same period of Previous Year, mainly due to the increase in promotion of sales activities during the Current Period. In 1HFY2009, ladieswear and accessories made up approximately 56.5% of gross sales revenue. Menswear and accessories made up approximately 28.0% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue. Direct sales mainly covered cosmetic products, Beijing Olympics-themed products, groceries, housewares and perishables, accessories, handbags and underwears, and others by approximately 45.2%, 16.3%, 15.4%, 11.1%, and 12.0%.

Management fees increased by 20.6% to HK$108.7 million in 1HFY2009, primarily as a result of recognising a full period's management fees from certain managed stores which became our new managed stores in the Previous Year. The opening of Beijing Liying Store in 1HFY2009 also contributed to the growth of management fees in the Current Period. However, these increases were partially offset by the decrease in management fee from Wuhan Store which had converted from a managed store to a self-owned store in February 2008 and as a result of the cessation of management consultancy service for Hong Kong Store in July 2008, as compared with the management fee for full period in the same period of Previous Year. The management consultancy service for Hong Kong Store was ceased to enhance the Group's focus in the business development in PRC.

Rental income increased by 20.0% to HK$49.2 million in 1HFY2009 mainly due to leasing area in newly opened self-owned stores and recognizing a full period's rental income of certain stores expanded, opened and acquired in the Previous Year.

Other income and Fair value gain on financial assets at fair value through profit or loss

Other income of the Group was HK$62.0 million in 1HFY2009 primarily comprised interest income of HK$43.9 million on bank deposits. Due to lower deposit interest rates offered in the Current Period, interest income on bank deposits was lower than that of Previous Year. Gain on fair value of investment in Renhe amounted to HK$16.7 million.

Purchases of and changes in inventories

The purchases of and changes in inventories represent the cost of sales for direct sales of goods. The purchases of and changes in inventories increased by 71.6% to HK$116.0 million in 1HFY2009 from HK$67.6 million for the same period of Previous Year. As a percentage to direct sales of goods, gross profit margin in 1HFY2009 was 24.0% which was 0.3% higher than 23.7% for the same period of Previous Year, primarily due to the lessen effect made by Beijing Olympics-themed products.

Employee benefit expense

Employee benefit expense increased from HK$96.1 million in 1HFY2008 to HK$139.7 million in 1HFY2009. This increase was primarily due to the inclusion of employee share option expenses in the amount of HK$11.3 million for the share options vested during the Current Period, an increase in wages and salaries and other employment benefits as a result of recognising a full period's operations of self-owned stores expanded, opened and acquired in the Previous Year, and increase in manpower from newly opened Wuhan Hanyang Branch Store.

Depreciation and amortisation

Depreciation and amortisation expense increased from HK$53.0 million in 1HFY2008 to HK$82.2 million in 1HFY2009. This was primarily due to the acquisition of Wuhan Store property and Shenyang New World Department Store — Nanjing Street Branch Store property in 2HFY2008 which brought with them a total depreciation of HK$15.3 million in the Current Period. In addition, the recognition of a full period's operations of certain stores expanded, opened and acquired in the Previous Year and the opening of new self-owned Wuhan Hanyang Branch Store in the Current Period also contributed to the increase in overall depreciation and amortisation.

Operating lease rental expense

Operating lease rental expense increased from HK$150.1 million in 1HFY2008 to HK$157.1 million in 1HFY2009, primarily due to the effect of recognising a full period's operations of certain stores opened in the Previous Year and Wuhan Hanyang Branch Store newly opened in the Current Period. Operating lease rental expense as a percentage to revenue decreased by 4.8% in 1HFY2009 mainly as a result of operating leverage of the expense.

Other operating expenses

Other operating expenses increased by HK$49.3 million from HK$94.0 million in 1HFY2008 to HK$143.3 million in 1HFY2009. This increase was primarily due to the increase in promotion, advertising and related expenses, utility and other operating expenses primarily in relation to the newly opened stores, the acquisition of Wuhan Store and the effect of recognising a full period's operations of certain stores in the Current Period. In addition, a HK$17.9 million provision for management fee income was made under a policy to be more conservative at global economic downturn.

Operating profit

Operating profit increased by 18.8% to HK$324.3 million in 1HFY2009 from HK$273.0 million in 1HFY2008. Operating profit as a percentage to revenue in the Current Period was 36.7% compared with 41.2% in 1HFY2008. The effect on operating profit margin of the Current Period was mainly caused by lower interest income on bank deposits and the provision for management fee income.

Finance income

Finance income decreased by HK$10.8 million primarily due to the inclusion in Previous Year of HK$10.8 million interest income from deposits relating to share subscription under the Listing on the Main Board of the Stock Exchange on 12 July 2007.

Income tax expense

Income tax expense increased by 17.7% from HK$55.9 million in 1HFY2008 to HK$65.8 million in 1HFY2009, primarily as a result of the increase in profit before income tax. Effective income tax rate of the Current Period was 20.3%.

Profit for the period

As a result of the reasons mentioned above, profit for the Current Period was HK$258.6 million. Net profit margin in the Current Period was 29.3%.

Liquidity and financial resources

Cash and fixed deposits of the Group amounted to HK$3,104.2 million as at 31 December 2008 (30 June 2008: HK$3,127.6 million). The financial resources are still sufficient for the company's current operation and future development.

The Group had no borrowings as at 31 December 2008.

The capital commitments of the Group as at 31 December 2008 were HK$376.0 million, of which HK$370.0 million were contracted but not provided for in the balance sheet. About HK$325.2 million for the contractual payment to acquire a building and land use rights located in Zhengzhou City, a building, land use rights and right of use of carpark located in Shenyang City.

Pledge of assets

Assets of the Group were not pledged as at 31 December 2008.

Treasury policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts or currency borrowings to hedge its foreign exchange risk.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2008.

Acquisition of subsidiaries

On 20 January 2009, the Group entered into the agreements with Solar Leader, being an indirect wholly-owned subsidiary of NWD, a controlling shareholder of the Group, to acquire 100% of the equity interest in Kunming Store and Ningbo Trendy Store at a consideration of HK$3.0 million and RMB2.0 million respectively.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK$0.08 per share (2007: Nil) for the six months ended 31 December 2008 to shareholders whose names appear on the register of members of the Company on 16 April 2009. It is expected that the interim dividend will be paid on or about 18 May 2009.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2008, total number of employees for the Group was 3,921 (2007: 3,585). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2008. 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 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 31 December 2008.

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 of 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 2008.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 31 December 2008 and discussed the financial related matters with management. The unaudited interim results of the Group for the six months ended 31 December 2008 have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9 April 2009 to Thursday, 16 April 2009, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Wednesday, 8 April 2009.

By order of the Board
Dr. Cheng Kar-shun, Henry
Chairman and Non-executive Director

Hong Kong, 16 March 2009

As at the date of this announcement, the non-executive Directors are Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong; the executive Directors are Mr. Cheng Chi-kong, Adrian, Mr. Cheung Fai-yet, Philip, Mr. Lin Tsai-tan, David, Mr. Wong Kwok-kan, Kenneth and Ms. Ngan Man-ying, Lynda; and the independent non-executive Directors are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai, Henry.