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)

colour the new chapter

interim report 2018/2019

時新尚個生性活

Enriching Lives Enhancing Character

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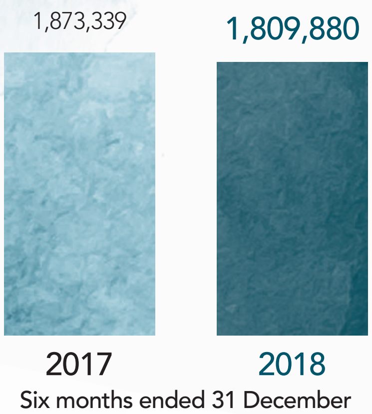
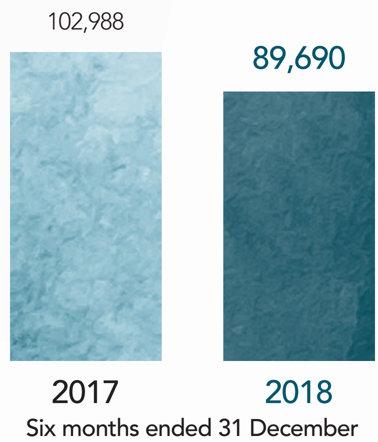
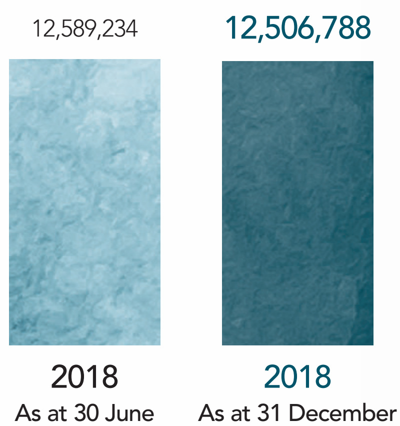
financial highlights



revenue
(HK$'000)



net profit
(HK$'000)



total assets
(HK$'000)

	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000

Operating Result

Revenue	**1,809,880**	1,873,339
Representing:		
Commission income from concessionaire sales	**748,207**	835,672
Sales of goods – direct sales	**642,654**	643,140
Rental income	**419,019**	389,190
Management and consultancy fees	**–**	5,337
Operating profit	**192,535**	174,354
Profit for the period ("Net profit")	**89,690**	102,988

	As at 31 December 2018 HK$'000	As at 30 June 2018 HK$'000

Financial Position

Fixed deposits, cash and cash equivalents	**2,245,940**	1,947,343
Total assets	**12,506,788**	12,589,234
Total liabilities	**6,601,817**	6,469,886
Total equity	**5,904,971**	6,119,348
Net cash position	**364,944**	70,634

	2018	2017

Financial Ratios

Merchandise gross margin	**17.3%**	16.9%*
Operating profit growth	**10.4%**	11.6%
Net profit growth	**-12.9%**	11.4%

* *after including the effect on the early adoption of HKFRS 15 "Revenue from contracts with customers".*

chairman's statement

Recovery of the global economy gradually lost momentum in the second half of 2018. Affected by uncertainties such as widespread economic and trade conflicts and volatility across financial markets, global economic expansion became less even, and growth in major economies almost reached their peaks. The macroeconomic prospects of 2019 are viewed unfavourably by the market in general and a slowdown in the growth of the global economy is expected. Amidst the unpredictability of the global economic situation, China has also been affected by decelerated growth in domestic infrastructure investment and ever-tightening financial regulation, which led to increased economic downside risk. On top of these, China has been undergoing a critical period of domestic policy fine-tuning and a shift from old growth drivers to new ones. Not only that time is needed to adjust, vigilance is also necessary for synchronised resonation between external fluctuations and domestic adjustments, which could result in pre-mature economic downturn. The economy is expected to perform steadily with a tendency to slow down. Although the function of consumption as a major driver of China's economic growth is further fortified, the physical retail sector is challenged by factors including changes in consumer preferences and habits, as well as oversupply of commercial complexes. Competition in the industry has become more heated and a cautiously optimistic view on the future prospects prevails.

Staying alert to challenges ahead, the Group rolled out a number of stringent cost control measures amidst external uncertainties. During the period under review, we effectively closed three stores, streamlined our store network, and optimised our operations structure by merging departmental functions and driving flexible deployment of resources to improve our operational efficiency. We talked to landlords – our long-term partners – about rent concessions, and optimised operational practises to cut down on operating expenses, controlling our costs effectively through strategic integration and resource pooling in various aspects. On the other hand, to expand its revenue base and to seize the opportunity from the market's fondness for diversified and functional businesses, the Group continued to increase the business proportion of food and beverage, entertainment experiences and complementary facilities during the period under review. We also steadily expanded the line-up of our private labels, such as the N+ full line-up and LOL Concept Shop. By strengthening promotion and enriching larger product categories, we are poised to exhibit our brand character and value, lifting the Group's vertical operating capabilities to a higher level so as to actualise differentiated operations.

The Group has remained prudent and pragmatic in adjusting the pace of business expansion, focusing on the integration of resources to improve operational efficiency. As at 31 December 2018, the Group operated 32 department stores and two shopping malls in 18 key locations in Mainland China, with a total gross floor area of about 1,358,480 square metres.

Going forward, the Group will continue to develop prudently and uphold the strategies of "multiple presences within a single city" and "radiation city". We will entrench our markets in the Greater Beijing, Greater Shanghai, Greater South Western Regions and set our objectives in fortifying our presence and expanding growth points for reshaping and fine-tuning our businesses. Implementation of "One Store, One Strategy" will be carried on for fine-tuning with precision across different markets and setups. The unique character of each store will be accentuated by crafting experiential consumption scenarios. Concurrently, our private label series will be consolidated to construct a multi-category and cross-disciplinary business setup to further cement the Group's competitive advantages in the Chinese retail market.

Taking this opportunity and on behalf of the Board, I would like to express my sincerest gratitude to our shareholders, customers, business partners, as well as our employees. The Group shall continue to safeguard stable and healthy business growth and strive for continuous improvement as our token of thanks to the trust and support we earned.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong, 26 February 2019

management discussion and analysis

Business Review

Business Network

As at 31 December 2018, New World Department Store China Limited and its subsidiaries (together, the "Group") operated 32 department stores and two shopping malls, with a total gross floor area of about 1,358,480 square metres. These stores are located in three operating regions in the Northern China, the Eastern China and the Central Western China, covering 18 key locations across the country, including Beijing, Tianjin, Yanjiao, Yantai, Lanzhou, Xi'an, Harbin, Shenyang, Anshan, Shanghai, Nanjing, Wuhan, Changsha, Zhengzhou, Chengdu, Chongqing, Kunming and Mianyang.

During the period under review, the Group effectively closed three stores, namely Yancheng New World Department Store, Wuhan New World Department Store — Hanyang Branch Store ("Wuhan Hanyang Branch Store") and Shenyang New World Department Store — Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store") respectively. Amongst them, the Group early terminated the lease of Wuhan Hanyang Branch Store and Shenyang Zhonghua Road Branch Store to consolidate and focus the Group's resources on performing stores.

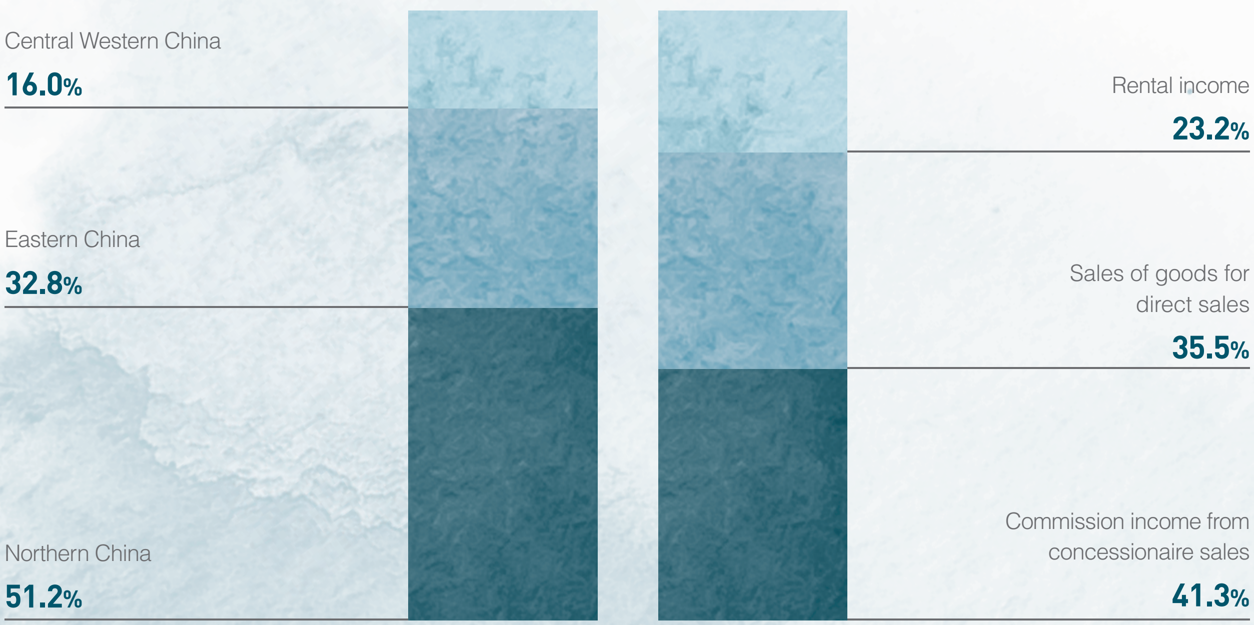
Revenue Breakdown

By region

The Northern China Region continued to contribute the most to the Group, accounting for 51.2% of revenue; this was followed by the Eastern China Region and the Central Western China Region, which accounted for 32.8% and 16.0% of revenue respectively.

By segment

Commission income from concessionaire sales was the major source of income, accounting for 41.3% of revenue. Sales of goods for direct sales and rental income accounted for 35.5% and 23.2% of revenue respectively.



management discussion and analysis

business review

Operations Overview

Department Store Business

In the face of continuously increasing number of commercial projects and accelerated integration of online and offline retail in the mainland, the Group deepened categorised management of its stores and continued to foster its operations strategy of "One Store, One Strategy". Based on the location, scale and merchandise appeal, etc. of each store, targeted strategies were formulated to craft the corporate brand character and to improve operating efficiency.

During the period under review, the Group completed large scale business reform in a number of its stores. Amongst them, Hong Kong New World Department Store — Shanghai Huaihai Branch Store successfully repositioned to focus on young office ladies. Designer brands for ladieswear, staff-less cashiers and similar technology enablers were introduced to optimise the consumer experience and to stimulate foot traffic. Chengdu New World Department Store, on the other hand, crafted thematic spaces highlighting the concepts of "atmospheric ambience" and "immersive experience" to recreate the store's space and to renew the brands it carries. The store's unique and diverse character was lifted to attract young consumers. Apart from these, three brand-new thematic street zones began operating in the fourth quarter of 2018, following "New Territories 88" in Nanjing and "MAX Commune" in Changsha. They are "2/30 Different Day" on the second floor of Zhengzhou New World Department Store, "Old City Town" on the fourth floor of Tianjin New World Department Store, and "M Institute" on the fourth floor of Wuhan New World Department Store — Wuchang Branch Store. Responding to local consumers, the positioning and tenant mix of these street zones were refined to strengthen the in-store ambience and experience, which in turn boosted the customer appeal of related stores.

In terms of category sales, the Group expedited brand renewal rate, strengthened brand line-ups and merchandise mix to enhance four major product categories, namely cosmetics, personalised ladieswear, sports and children's products during the period under review. To embrace the big trend of consumption upgrade, the Group enriched the product contents of the cosmetic category in three directions: raising the level of brand positions, upgrading the look and feel of concessionaire counters and diversifying product lines according to the needs of its stores. Trendy cosmetic brands were introduced as a means to stay close to market trends.

In future, the Group will set its objectives in fortifying its presence and expanding growth points for reshaping and fine-tuning its business. It will uphold the strategies of "multiple presences within a single city" and "radiation city" to reinforce the markets in the Greater Beijing, Greater Shanghai, and Greater South Western Regions. Furthermore, the Group will continue to work deep into its core business of offline retail, speed up the transformation of product marketing from category-oriented to category-plus-thematic-zone-oriented, so as to form integrated ambiences that respond to consumption demands. In parallel, the function and service of the "New Lab" online shopping module will be upgraded at full throttle. New features such as mini-programmes, nationwide promotion, and enrichment of the marketing module, etc. will be better employed to draw foot traffic to stores.

Rental Business

As for the rental business, the Group continued to enrich and strengthen the diversity and functionality of its in-store business composition, introducing mainstream brands timely to meet the demand of trendy shoppers. During the period under review, the Group added highly popular businesses, including food and beverage, entertainment experiences and complementary facilities. Internet-hit brands with relatively high reputation and popularity were also introduced. As at 31 December 2018, rental business accounted for about 36.4% of operating area in all NWDS' stores. In future, the Group will strive to introduce more in-demand consumption projects to accelerate the enrichment of refined and lifestyle-oriented elements in its in-store businesses.

Direct Sales Business

To enhance its vertical operating capabilities and to actualise differentiated operations, the Group actively expanded the N+ line-up and LOL (Love • Original • Life) Concept Shop ("LOL") to set up its multi-brand and multi-category direct sales business, and to develop the brand character of the Group in terms of market positioning and product contents.

To date, there are various private labels in the N+ line-up, covering the categories of convenience store, household goods, and maternity and infant products. Amongst these, "N+ Convenience Store" successfully expanded outside of Beijing New World Department Store and landed in Beijing New World Trendy Department Store; it also actively adjusted its product portfolio to attract office workers in the vicinity. "N+ Quality Goods", on the other hand, broadened its product categories, accelerated the refreshing rate of new items to stay close to the latest consumption trends. In future, the Group will clearly define the brand position of the N+ line-up, strengthen the brand's promotion efforts, fine-tune its product portfolio, enrich the larger product categories and employ WeChat official accounts to enhance online marketing and to improve traffic to the offline stores.

As at 31 December 2018, LOL operated 17 stores, which were mainly located in the three large cities of Shanghai, Beijing and Wuhan. Amongst these stores, six were set up outside of the Group's store network. During the period under review, a number of LOL stores were renovated and reopened, continuing to develop goods for direct sales to uplift brand image and to enhance customers' affinity. In future, LOL will continue to raise the proportion of import products, sourcing trendy and hot items from overseas to satisfy consumer demands and to enrich its product lines. The positioning of black, gold and silver label stores will be further fortified, and the development plans of various stores will be refined for clarity in development direction and to promote sales growth.

On the other hand, the Group further expanded the retail network and brand line-up for its distribution business of high-end fashion brands. During the period under review, the Group became the official sole agent for the Italian contemporary ladieswear brand TWINSET and the street fashion brand GCDS in China and Hong Kong regions. The first TWINSET directly operating store was opened in Shanghai K11 Art Mall. In addition, the Group set up the SERGIO ROSSI directly operating stores in four key cities, namely Shanghai, Guangzhou, Shenyang and Chongqing. As at 31 December 2018, the Group had 83 directly operating stores in 18 cities in Mainland China, which covered seven high-end fashion brands. The Tmall flagship stores of MOSCHINO and DSQUARED2 set up by the Group also officially went live online, striving to provide consumers with integrated online and offline shopping experience. In future, the Group will take the lead in introducing newly-incorporated brands into the Hong Kong market and strengthen its collaboration with mainland artistes and marketing efforts so as to raise brand recognition.

management discussion and analysis

Outlook

Global economic recovery gradually lost momentum in the second half of 2018. A number of uncertainties emerged, including widespread economic and trade conflicts brought about by the rise of trade protectionism in various countries; global financial fluctuations triggered by the tightened monetary policy in the U.S.; as well as economic downturns in some emerging markets as a result of a crunch in international investment. Expansion of the global economy has begun to lose its balance, and growth in major economies approached their peaks. The market expects a slowdown in the growth of the global economy.

The Chinese economy has been affected by significant changes in the domestic and external environments and is faced with augmented downward pressure. Externally, the China-U.S. trade war has continued to bring uncertainties that directly affect stability in trade and the financial market. At home, the decelerated growth in infrastructure investment, the tightening of financial regulation and other factors have also constituted downward pressure for the Chinese economy. China is now undergoing a major adjustment period — a time that different domestic policies are being tuned and old growth drivers are being replaced with new ones. As time is needed for the adjustment, the overall economic performance would remain steady but be on a slowing path. In 2018, the growth of China's Gross Domestic Product has decelerated to 6.6% year-on-year. Consumption contributed about 76.2% to China's economic growth, further cementing its role as a major driver. The nationwide residents' income saw steady growth, and the consumer price index increased moderately. Although the total retail sales of consumer goods registered a significant drop in growth rate, the overall performance remained steady. In particular, the evident growth in consumption upgrade categories and service categories reflects nationals' sustained interest to consume. Backed by policies to drive consumption, it is hoped that the consumption potential of residents can be stimulated.

As the development trends of the global and mainland economies become more complicated, the Chinese retail sector is also faced with challenges in the industry from multiple directions: consumers now favour high quality merchandise, and their consumption habits are turning more sensible. The newly-built commercial complexes which comprise retail, food and beverage, and entertainment experiences are growing dramatically, leading to more heated business competition. To achieve breakthroughs, retailers should seize every market opportunity and respond to the changes in the sector. In future, the Group will continue to delve deep into its core business and prudently layout its strategies so as to create consumer-oriented and personalised consumption ambiences and strive to achieve differentiation advantages. In parallel, the Group will integrate and perfect its private label series to develop a multi-category and cross-disciplinary business setup. The management team shall embrace changes and opportunities with a prudent and pragmatic attitude to seek steady development for the Group.

Financial Review

Revenue and Other Income

Revenue of the Group was HK$1,809.9 million in 1HFY2019 (or the "Current Period") (1HFY2018 (or the "same period of Previous Year"): HK$1,873.3 million).

Gross sales revenue of the Group, as previously defined, was HK$5,732.5 million in 1HFY2019 (1HFY2018: HK$6,387.3 million).

The Group's merchandise gross margin was 17.3% in the Current Period (1HFY2018: 16.9%). In 1HFY2019, ladieswear and accessories made up approximately 62.7% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 7.7% 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 41.8%), cosmetic products (approximately 33.8%), groceries, housewares and perishables (approximately 22.4%), as well as accessories and miscellaneous items (approximately 2.0%).

Rental income increased by 7.7% to HK$419.0 million in 1HFY2019 from HK$389.2 million in 1HFY2018, mainly due to increased rentable area and improved tenant mix in the Current Period, and the recognition of a full period's operation from the acquisition of a group of managed stores, which included Wuhan New World Department Store — Xudong Branch Store, Yanjiao New World Department Store and its subsidiaries in September 2017 (the "Acquired Subsidiaries").

Management and consultancy fees was HK$Nil in 1HFY2019 decreased from HK$5.3 million in 1HFY2018. The decrease was primarily due to no management and consultancy service was provided in the Current Period.

Other income of the Group was HK$100.4 million in 1HFY2019 compared with HK$140.5 million in 1HFY2018. The decrease 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. The decrease was partially offset by the write-back of expired stored value cards and long term payables of HK$25.1 million and HK$10.9 million respectively in the Current Period.

Other Losses, Net

Net other losses of the Group in the Current Period was HK$28.9 million which was primarily resulted from HK$13.1 million of impairment loss on property, plant and equipment and HK$38.7 million of impairment loss on prepayments, deposits and other receivables for mainly four department stores in light of the latest market environment and the management's assessment on the business prospect thereof. The losses was partially offset by HK$15.7 million of gain in fair value on the indemnification in connection with the acquisition of a subsidiary and HK$11.3 million of gain on deregistration of subsidiaries.

Changes in Fair Value of Investment Properties

A gain in fair value of investment properties in the Current Period was HK$18,000 which was related to a property in Shanghai City.

financial review

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$468.4 million in 1HFY2019 from HK$461.4 million in 1HFY2018, mainly due to the increase in provision for inventories of HK$4.5 million in the Current Period.

Purchases of Promotion Items

The purchases of promotion items 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. The purchases of promotion items was HK$21.4 million in 1HFY2019 compared with HK$27.4 million in 1HFY2018.

Employee Benefit Expense

Employee benefit expense increased to HK$333.5 million in 1HFY2019 from HK$300.1 million in 1HFY2018. Employee benefit expense increased primarily due to the opening of specialty shops of direct sales business, the recognition of a full period's operation of the Acquired Subsidiaries and a total of HK$13.3 million compensation to the employees for closures of mainly two department stores in the Current Period.

Depreciation and Amortisation

Depreciation and amortisation expense decreased from HK$121.4 million in 1HFY2018 to HK$107.3 million in 1HFY2019, primarily due to no depreciation provided in the Current Period for property, plant and equipment impaired for mainly one department store in FY2018 and some stores with assets that have been fully depreciated.

Operating Lease Rental Expense

Operating lease rental expense decreased to HK$496.1 million in 1HFY2019 from HK$587.7 million in 1HFY2018, primarily due to a total of HK$110.0 million reversal of accruals of effective rental adjustments triggered by early termination of leases of mainly two department stores in the Current Period. However, the decrease was partially offset by the renewal of certain existing operating leases, the opening of specialty shops of direct sales business and the recognition of a full period's operation of the Acquired Subsidiaries.

Other Operating Expenses, Net

Net other operating expenses increased to HK$262.2 million in 1HFY2019 from HK$256.0 million in 1HFY2018. The increase was primarily resulted from a total of HK$40.0 million of compensation to the affected parties for early termination of leases of mainly three department stores and HK$9.5 million of net exchange losses mainly arising from Renminbi against Hong Kong dollar and Euro due to the devaluation of Renminbi during 1HFY2019. The increase was partially offset by effective control of water and electricity expenses of HK$13.4 million, decrease in other tax expenses of HK$13.2 million and decrease in net provision for receivables of HK$16.8 million in the Current Period.

Operating Profit

Operating profit was HK$192.5 million in 1HFY2019 compared with HK$174.4 million in 1HFY2018.

Income Tax Expense

Income tax expense of the Group was HK$109.5 million in 1HFY2019 compared with HK$81.0 million in 1HFY2018.

Profit for the Period

As a result of the reasons mentioned above, profit for the period was HK$89.7 million compared with HK$103.0 million in the same period of Previous Year.

Liquidity and Financial Resources

Fixed deposits and cash and cash equivalents of the Group amounted to HK$2,245.9 million as at 31 December 2018 (30 June 2018: HK$1,947.3 million).

The Group's borrowings as at 31 December 2018 were HK$1,881.0 million (30 June 2018: HK$1,876.7 million) of which HK$217.1 million (30 June 2018: HK$309.5 million) was secured by an investment property.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by HK$2,046.3 million (30 June 2018: HK$1,979.3 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 31 December 2018 were HK$125.6 million which were contracted but not provided for in the condensed consolidated statement of financial position. For the contractual payment of HK$125.6 million, approximately HK$43.8 million is for the redevelopment project of a building in Shenyang City.

Pledge of Assets

As at 31 December 2018, an investment property of HK$1,752.0 million (30 June 2018: HK$1,824.5 million) of the Group was pledged as securities for bank borrowings of HK$217.1 million (30 June 2018: HK$309.5 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 2018.

report on review of interim financial information

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 13 to 41, 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 2018 and the 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 of the Group 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 2019

condensed consolidated income statement

For the six months ended 31 December 2018

	Note	Unaudited Six months ended 31 December 2018 HK$'000	Unaudited 2017 HK$'000
Revenue	6	**1,809,880**	1,873,339
Other income	7	**100,420**	140,511
Other losses, net	8	**(28,864)**	(85,610)
Changes in fair value of investment properties		**18**	286
Purchases of and changes in inventories, net		**(468,399)**	(461,421)
Purchases of promotion items		**(21,419)**	(27,448)
Employee benefit expense	9	**(333,478)**	(300,129)
Depreciation and amortisation		**(107,317)**	(121,423)
Operating lease rental expense		**(496,086)**	(587,749)
Other operating expenses, net	10	**(262,220)**	(256,002)
Operating profit		**192,535**	174,354
Finance income		**25,128**	29,390
Finance costs		**(18,582)**	(19,635)
Finance income, net	11	**6,546**	9,755
		199,081	184,109
Share of results of associated companies		**85**	(148)
Profit before income tax		**199,166**	183,961
Income tax expense	12	**(109,476)**	(80,973)
Profit for the period		**89,690**	102,988
Attributable to:			
Shareholders of the Company		**89,690**	102,932
Non-controlling interests		**–**	56
		89,690	102,988
Earnings per share attributable to shareholders of the Company during the period (expressed in HK$ per share)			
– Basic and diluted	14	**0.05**	0.06

The notes on pages 20 to 41 are an integral part of this condensed consolidated financial information.

condensed consolidated statement of comprehensive income

For the six months ended 31 December 2018

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Profit for the period	**89,690**	102,988
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)
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	**5,782**	–
– Deferred income tax thereof	**(1,445)**	–
	4,337	(181)
Items that may be reclassified subsequently to profit and loss		
Release of reserve upon deregistration of subsidiaries	**(11,255)**	–
Translation differences	**(297,142)**	251,455
	(308,397)	251,455
Other comprehensive income for the period, net of tax	**(304,060)**	251,274
Total comprehensive income for the period	**(214,370)**	354,262
Attributable to:		
Shareholders of the Company	**(214,370)**	354,207
Non-controlling interests	**–**	55
	(214,370)	354,262

The notes on pages 20 to 41 are an integral part of this condensed consolidated financial information.

condensed consolidated statement of financial position

As at 31 December 2018

	Note	Unaudited As at 31 December 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**1,046,406**	1,150,257
Investment properties	16	**4,597,685**	4,761,907
Land use rights		**561,664**	605,343
Intangible assets	17	**2,042,093**	2,127,125
Interests in associated companies		**1,617**	1,595
Other non-current assets	18	**653,094**	669,840
Prepayments, deposits and other receivables		**286,586**	363,543
Deferred income tax assets		**104,497**	124,337
		9,293,642	9,803,947
Current assets			
Inventories	19	**335,476**	318,044
Debtors	20	**159,825**	116,697
Prepayments, deposits and other receivables		**466,128**	400,506
Amounts due from fellow subsidiaries	21	**5,775**	2,696
Amounts due from related companies	21	**2**	1
Fixed deposits		**211,860**	42,439
Cash and cash equivalents		**2,034,080**	1,904,904
		3,213,146	2,785,287
Total assets		**12,506,788**	12,589,234
Equity and liabilities			
Equity			
Share capital	22	**168,615**	168,615
Reserves	23	**5,736,356**	5,950,726
Shareholders' funds		**5,904,971**	6,119,341
Non-controlling interests		**–**	7
Total equity		**5,904,971**	6,119,348

condensed consolidated statement of financial position

As at 31 December 2018

	Note	Unaudited As at 31 December 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Liabilities			
Non-current liabilities			
Accruals and other payables		**478,032**	587,796
Obligation under finance leases		**8**	16
Borrowings	24	**–**	226,190
Deferred income tax liabilities		**864,359**	891,304
		1,342,399	1,705,306
Current liabilities			
Creditors	25	**1,949,451**	1,661,193
Accruals and other payables		**1,069,396**	1,043,546
Contract liabilities		**274,337**	332,998
Amounts due to fellow subsidiaries	21	**13,267**	22,213
Amounts due to related companies	21	**30,940**	25,389
Financial liabilities at fair value through profit or loss		**272**	–
Obligation under finance leases		**16**	16
Borrowings	24	**1,880,996**	1,650,519
Tax payable		**40,743**	28,706
		5,259,418	4,764,580
Total liabilities		**6,601,817**	6,469,886
Total equity and liabilities		**12,506,788**	12,589,234

The notes on pages 20 to 41 are an integral part of this condensed consolidated financial information.

condensed consolidated statement of changes in equity

For the six months ended 31 December 2018

	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
As 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	–	–	–	–	–	–	–	(50,271)	(50,271)	–	(50,271)
As 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)	–	–	–
As 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

condensed consolidated statement of changes in equity

For the six months ended 31 December 2018

	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$'000	Exchange Reserve HK$'000	Retained earnings HK$'000	Shareholders funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 July 2018	168,615	1,826,646	137,428	391,588	437,299	322,267	2,835,498	6,119,341	7	6,119,348
Comprehensive income										
Profit for the period	–	–	–	–	–	–	89,690	89,690	–	89,690
Other comprehensive income										
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	–	–	5,782	–	–	–	–	5,782	–	5,782
– Deferred income tax thereof	–	–	(1,445)	–	–	–	–	(1,445)	–	(1,445)
Release of reserve upon deregistration of subsidiaries	–	–	–	–	–	(11,255)	–	(11,255)	–	(11,255)
Translation differences	–	–	–	–	–	(297,142)	–	(297,142)	–	(297,142)
Total comprehensive income for the period ended 31 December 2018	–	–	4,337	–	–	(308,397)	89,690	(214,370)	–	(214,370)
Transactions with owners										
Transactions with non-controlling interests	–	–	–	–	–	–	–	–	(7)	(7)
Transfer to statutory reserve	–	–	–	–	(983)	–	983	–	–	–
Total transactions with owners	–	–	–	–	(983)	–	983	–	(7)	(7)
As at 31 December 2018 – Unaudited	168,615	1,826,646	141,765	391,588	436,316	13,870	2,926,171	5,904,971	–	5,904,971

The notes on pages 20 to 41 are an integral part of this condensed consolidated financial information.

condensed consolidated statement of cash flows

For the six months ended 31 December 2018

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Cash flows from operating activities		
Net cash from operating activities	**414,349**	580,681
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	**(3,469)**	(3,420)
Additions to property, plant and equipment	**(68,346)**	(57,439)
Additions to investment in associated company	**–**	(865)
Increase in fixed deposits	**(171,118)**	(169,257)
Proceeds from disposal of property, plant and equipment	**2**	5,677
Interest received	**31,514**	28,474
Net cash used in investing activities	**(211,417)**	(432,116)
Cash flows from financing activities		
Drawdown of bank borrowings	**284,205**	198,520
Repayment of bank borrowings	**(338,765)**	(282,360)
Drawdown of shareholder loan	**80,000**	133,000
Interest paid	**(19,621)**	(25,734)
Net cash from financing activities	**5,819**	23,426
Net increase in cash and cash equivalents	**208,751**	171,991
Cash and cash equivalents as at 1 July	**1,904,904**	2,003,676
Effect of foreign exchange rate changes	**(79,575)**	84,044
Cash and cash equivalents as at 31 December	**2,034,080**	2,259,711

The notes on pages 20 to 41 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 dollars ("HK$"), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the board of directors on 26 February 2019.

2 Basis of preparation

This condensed consolidated financial information of the Group for the six months ended 31 December 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately HK$2,046,272,000 (30 June 2018: HK$1,979,293,000). 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 2018, 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.

3 Accounting policies (continued)

3.1 New and amended standards adopted by the Group

For the six months ended 31 December 2018, the Group has adopted the following amendments to existing standards which are mandatory for the accounting period beginning on 1 July 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration
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 Change in functional currency of a significant foreign operation

In prior years, the Directors regarded Renminbi ("RMB") as the functional currency of China Sincere Limited, a wholly-owned subsidiary of the Company. Due to the changes in operation of China Sincere Limited during the six months ended 31 December 2018, the Directors consider HK$ is the currency that mainly influences the operation and cash flow of China Sincere Limited and resolved to change the functional currency of China Sincere Limited from RMB to HK$ with effect from 1 July 2018. The change in functional currency of China Sincere Limited was applied prospectively in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". If the functional currency of China Sincere Limited remained as RMB, the exchange differences arising from its borrowings denominated in HK$ would have been recognised in profit and loss and the Group's profit before income tax for the six months ended 31 December 2018 would have been approximately HK$54,326,000 lower.

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 2018.

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 2018.

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.

5 Financial risk management and financial instruments (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial instruments that are measured at fair value as at 31 December 2018:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities				
Financial liabilities at fair value through profit or loss	**–**	**272**	**–**	**272**

There were no significant transfers of financial liabilities 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 31 December 2018, level 2 financial instruments comprise forward currency contracts. The fair value of these forward currency contracts were determined using forward exchange rates that are quoted in an active market.

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 2018 and 2017:

	Indemnification in connection with the acquisition of a subsidiary HK$'000
As at 1 July 2017	4,695
Changes in fair value recognised in the condensed consolidated income statement	(4,695)
As at 31 December 2017	–
As at 1 July 2018	**–**
Changes in fair value recognised in the condensed consolidated income statement	**15,664**
Transfer to prepayments, deposits and other receivables	**(15,664)**
As at 31 December 2018	**–**

5 Financial risk management and financial instruments (continued)

5.4 Fair value measurements using significant unobservable inputs (level 3) (continued)

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

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

5.5 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 and related companies
- Borrowings

6 Revenue and segment information

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Commission income from concessionaire sales	**748,207**	835,672
Sales of goods – direct sales	**642,654**	643,140
Management and consultancy fees	**–**	5,337
Revenue from contracts with customers	**1,390,861**	1,484,149
Rental income	**419,019**	389,190
	1,809,880	1,873,339

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Gross revenue from concessionaire sales	**4,570,414**	5,209,108
Commission income from concessionaire sales	**748,207**	835,672

6 Revenue and segment information (continued)

The chief operating decision-maker ("CODM") has been identified as executive Directors 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, changes in fair value of investment properties and net unallocated corporate expenses/income. 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 2018			
Segment revenue	**1,700,302**	**109,578**	**1,809,880**
Segment operating results	**153,958**	**85,253**	**239,211**
Other losses, net	**(28,864)**	**–**	**(28,864)**
Changes in fair value of investment properties	**–**	**18**	**18**
Unallocated corporate expenses, net			**(17,830)**
Operating profit			**192,535**
Finance income			**25,128**
Finance costs			**(18,582)**
Finance income, net			**6,546**
			199,081
Share of results of associated companies			**85**
Profit before income tax			**199,166**
Income tax expense			**(109,476)**
Profit for the period			**89,690**

6 Revenue and 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 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

6 Revenue and segment information (continued)

	Department store and other retail related businesses HK$'000	Property investment business HK$'000	Consolidated HK$'000
As at 31 December 2018			
Segment assets	**7,476,233**	**4,914,089**	**12,390,322**
Interests in associated companies	**1,617**	**–**	**1,617**
Deferred income tax assets	**104,497**	**–**	**104,497**
Unallocated corporate assets:			
Cash and cash equivalents			**10,071**
Others			**281**
Total assets			**12,506,788**
Six months ended 31 December 2018			
Additions to non-current assets (Note)	**76,958**	**3,973**	**80,931**
Depreciation and amortisation	**106,924**	**393**	**107,317**
Impairment loss on property, plant and equipment	**13,141**	**–**	**13,141**
Impairment loss on prepayments, deposits and other receivables	**38,698**	**–**	**38,698**
As at 30 June 2018			
Segment assets	6,673,903	5,779,330	12,453,233
Interests in associated companies	1,595	–	1,595
Deferred income tax assets	124,337	–	124,337
Unallocated corporate assets:			
Cash and cash equivalents			9,855
Others			214
Total assets			12,589,234
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

Note:

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

7 Other income

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Compensation from insurance claim	3,181	69,375
Government grants	9,282	17,652
Income from suppliers	34,341	31,048
Write-back of expired stored value cards	25,104	1,286
Sundries	28,512	21,150
	100,420	140,511

8 Other losses, net

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Changes in fair value on financial asset or liabilities at fair value through profit or loss	15,392	(5,455)
Gain on deregistration of subsidiaries	11,255	–
Impairment loss on property, plant and equipment (Note)	(13,141)	(69,365)
Impairment loss on prepayments, deposits and other receivables (Note)	(38,698)	(7,918)
Loss on disposal of property, plant and equipment	(3,672)	(2,872)
	(28,864)	(85,610)

Note:

The impairment provisions were made to reflect management's latest plan for mainly four department stores (2017: two department stores) in light of the latest market environment and the management's assessment on the business prospect thereof.

9 Employee benefit expense

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Wages, salaries and other benefits	302,253	269,957
Retirement benefit costs – defined contribution plans	31,225	30,172
	333,478	300,129

10 Other operating expenses, net

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Water and electricity	**24,119**	37,540
Selling, promotion, advertising and related expenses	**32,775**	21,093
Cleaning, repairs and maintenance	**35,511**	38,207
Auditor's remuneration		
– Audit services	**2,825**	3,000
– Non-audit services	**928**	1,102
Exchange losses/(gains), net	**9,477**	(33,346)
Other tax expenses	**72,799**	85,969
Others	**83,786**	102,437
	262,220	256,002

11 Finance income, net

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Interest income on bank deposits	**25,128**	29,390
Interest expense on bank loans	**(20,056)**	(26,075)
Interest expense on shareholder loans	**(8,574)**	(4,546)
Less: amount capitalised (Note)	**10,048**	10,986
	(18,582)	(19,635)
	6,546	9,755

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 is 3.1% per annum (2017: 3.4%) for the period.

12 Income tax expense

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Current income tax		
– Mainland China taxation	**85,594**	84,549
– Over-provision in prior years	**(1,422)**	(253)
Deferred income tax		
– Undistributed retained earnings	**(1,726)**	–
– Temporary differences	**27,030**	(3,323)
	109,476	80,973

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 2018 and 2017.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2017: 25%).

13 Dividends

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2018 (2017: HK$Nil).

14 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	
	2018	2017
Profit attributable to shareholders of the Company (HK$'000)	**89,690**	102,932
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.05**	0.06

(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 2018 and 2017, there was no dilutive potential ordinary share.

15 Property, plant and equipment

For the six months ended 31 December 2018, the Group had additions of property, plant and equipment of approximately HK$63,810,000 (2017: HK$61,421,000) and disposals of property, plant and equipment with net book amount of approximately HK$3,674,000 (2017: HK$8,549,000).

Property, plant and equipment is allocated to the Group's cash generating units ("CGUs") identified. For the purpose of impairment test as at 31 December 2018, the recoverable amount of CGUs with impairment indicator is determined based on value in use calculations, which uses cash flow projections based on financial estimates covering a period over the lease term. The key assumptions on annual gross sales revenue growth rate, gross margin ratios and discount rate used in the value in use calculations as at 31 December 2018 are based on management's best estimates and reflect specific risks relating to the relevant businesses.

During the six months ended 31 December 2018, impairment loss of approximately HK$13,141,000 (2017: HK$69,365,000) was recognised. For the six months ended 31 December 2018, impairment provision was made on property, plant and equipment of mainly two CGUs (2017: one CGU) allocated to the department store and other retail related businesses. The estimated recoverable amount of these CGUs was HK$Nil (2017: HK$Nil). The impairment loss recognised for the period represented the difference between the carrying amount of property, plant and equipment of the CGUs and their estimated recoverable amount.

15 Property, plant and equipment (continued)

If the annual gross sales revenue had been 3% lower than management's current estimates, the profit before income tax for the period would have been approximately HK$11,144,000 (2017: HK$Nil) lower.

If the gross margin ratios had been 1% lower than management's current estimates, the profit before income tax for the period would have been approximately HK$13,348,000 (2017: HK$Nil) lower.

If the discount rate had been 0.5% (2017: 0.5%) higher than management's current estimates, there would be no material adverse impact to the condensed consolidated financial information.

16 Investment properties

For the six months ended 31 December 2018, the Group had additions of investment properties of approximately HK$3,469,000 (2017: HK$3,420,000).

As at 31 December 2018, an investment property of approximately HK$1,751,988,000 (30 June 2018: HK$1,824,512,000) is pledged to secure certain bank borrowings of the Group (Note 24).

As at 31 December 2018, certain investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and BMI Appraisals Limited, independent professional valuers. The valuations are derived using the income approach. This approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

17 Intangible assets

Goodwill is allocated to the Group's CGUs identified. For the purpose of impairment test as at 31 December 2018, the recoverable amount of CGUs with impairment indicator is determined based on fair value less costs of disposal calculations, which uses cash flow projections based on financial estimates covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates.

The key assumptions on annual gross sales revenue growth rate, gross margin ratios, discount rate and long term growth rate used in the fair value less costs of disposal calculations as at 31 December 2018 are based on management's best estimates and reflect specific risks relating to the relevant businesses.

If the annual gross sales revenue had been 3% lower than management's current estimates, the profit before income tax for the period would have been approximately HK$25,939,000 (2017: HK$Nil) lower.

If the gross margin ratios had been 1% lower than management's current estimates, the profit before income tax for the period would have been approximately HK$18,202,000 (2017: HK$ Nil) lower.

If the discount rate had been 0.5% (2017: 0.5%) higher than management's current estimates, there would be no material adverse impact to the condensed consolidated financial information.

18 Other non-current assets

Balance as at 31 December 2018 and 30 June 2018 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 2018, the balance in connection to this transaction and the cost capitalised was approximately HK$653,094,000 (30 June 2018: HK$669,840,000).

For the six months ended 31 December 2018, the Group had additions of other non-current assets of approximately HK$10,048,000 (2017: HK$10,986,000).

19 Inventories

	Unaudited As at 31 December 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Finished goods	**335,476**	318,044

The cost of inventories recognised as expense and included in 'purchases of and changes in inventories, net' amounted to approximately HK$468,399,000 (2017: HK$461,421,000), which included inventory write-down, net of approximately HK$3,326,000 (2017: reversal of inventory write-down, net of approximately HK$1,194,000).

20 Debtors

	Unaudited As at 31 December 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Debtors	**185,748**	138,675
Less: loss allowance provision	**(25,923)**	(21,978)
Debtors, net	**159,825**	116,697

During the six months ended 31 December 2018, impairment losses of approximately HK$4,826,000 (2017: HK$14,737,000) were recognised in profit or loss in relation to impaired debtors.

20 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 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Within period for		
0 – 30 days	**141,675**	97,455
31 – 60 days	**11,499**	13,245
61 – 90 days	**2,280**	2,986
Over 90 days	**4,371**	3,011
	159,825	116,697

The debtors were primarily denominated in RMB.

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

As at 31 December 2018 and 30 June 2018, 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.

22 Share capital

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each, issued and fully paid:		
As at 30 June 2018 (audited) and 31 December 2018 (unaudited)	**1,686,145**	**168,615**

23 Reserves

	Attributable to shareholders of the Company							
	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As 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	–	–	–	–	–	–	(50,271)	(50,271)
As 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)	–
As at 31 December 2017 – Unaudited	1,826,646	125,504	391,588	424,111	(20,956)	364,688	2,951,722	6,063,303

	Attributable to shareholders of the Company						
	Share premium HK$'000	**Property revaluation reserve HK$'000**	**Capital reserve HK$'000**	**Statutory reserve HK$'000 (Note)**	**Exchange reserve HK$'000**	**Retained earnings HK$'000**	**Total HK$'000**
As at 1 July 2018	**1,826,646**	**137,428**	**391,588**	**437,299**	**322,267**	**2,835,498**	**5,950,726**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**89,690**	**89,690**
Revaluation of property upon reclassification from property, plant and equipment and land use rights to investment properties	**–**	**5,782**	**–**	**–**	**–**	**–**	**5,782**
– Deferred income tax thereof	**–**	**(1,445)**	**–**	**–**	**–**	**–**	**(1,445)**
Release of reserve upon deregistration of subsidiaries	**–**	**–**	**–**	**–**	**(11,255)**	**–**	**(11,255)**
Translation differences	**–**	**–**	**–**	**–**	**(297,142)**	**–**	**(297,142)**
Transfer to statutory reserve	**–**	**–**	**–**	**(983)**	**–**	**983**	**–**
As at 31 December 2018 – Unaudited	**1,826,646**	**141,765**	**391,588**	**436,316**	**13,870**	**2,926,171**	**5,736,356**

Note:

Upon conversion of the Group's PRC subsidiaries into wholly-owned foreign enterprises in 2007 and pursuant to the relevant PRC Law and articles of association of the subsidiaries of the Company established in the PRC, they are required to appropriate 10% of their statutory net profit to the enterprise expansion fund. The enterprise expansion fund can only be used to increase capital of group companies or to expand their production operation upon approval by the relevant authority.

24 Borrowings

	Unaudited As at 31 December 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Non-current		
Secured bank loans	**–**	226,190
Current		
Secured bank loans	**217,143**	83,334
Unsecured bank loans	**950,853**	934,185
Shareholder loans	**713,000**	633,000
	1,880,996	1,650,519
	1,880,996	1,876,709

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

Interest payable for shareholder loans of approximately HK$21,746,000 (30 June 2018: HK$13,373,000) was included in "accruals and other payables".

The effective interest rates of borrowings are analysed as follows:

	Unaudited As at 31 December 2018	Audited As at 30 June 2018
HK$	**2.62%**	1.51%
RMB	**4.42%**	5.39%
USD	**4.83%**	4.07%
EUR	**2.65%**	2.62%

24 Borrowings (continued)

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

	Unaudited As at 31 December 2018 HK$'000	Audited As at 30 June 2018 HK$'000
HK$	1,472,778	1,394,957
RMB	226,286	315,476
USD	14,450	18,653
EUR	167,482	147,623
	1,880,996	1,876,709

The borrowings are repayable as follows:

	Unaudited As at 31 December 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Within one year	1,880,996	1,650,519
In the second year	–	226,190
	1,880,996	1,876,709

The borrowings of approximately HK$1,880,996,000 (30 June 2018: HK$1,876,709,000) are wholly repayable within two years.

25 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 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Within period for		
0-30 days	**1,588,811**	1,263,689
31-60 days	**168,020**	163,571
61-90 days	**40,023**	91,362
Over 90 days	**152,597**	142,571
	1,949,451	1,661,193

Creditors included amounts due to related companies of approximately HK$77,230,000 (30 June 2018: HK$78,464,000) which were unsecured, interest free and repayable within 90 days.

26 Capital commitment

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

	Unaudited As at 31 December 2018 HK$'000	Audited As at 30 June 2018 HK$'000
Contracted but not provided for	**125,567**	125,728

27 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:

	Notes	**Unaudited**	Unaudited
		Six months ended 31 December	
		2018	2017
		HK$'000	HK$'000
Fellow subsidiaries			
Operating lease rental expenses	(i)	**(34,576)**	(35,773)
Building management expenses	(ii)	**(6,732)**	(6,336)
Sale of goods, prepaid shopping cards and vouchers	(iii)	**52**	298
Related companies			
Operating lease rental expenses	(i)	**(84,340)**	(90,600)
Building management expenses	(ii)	**(12,177)**	(12,756)
Sale of goods, prepaid shopping cards and vouchers	(iii)	**29**	–
Commission income from concessionaires sales	(iv)	**39,114**	37,610
Rebates on prepaid shopping cards and vouchers	(v)	**16**	39
Purchases of leasehold improvement	(vi)	**–**	(4,747)
Rental income	(vii)	**93**	87
Other service fee expenses	(viii)	**(4)**	–

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, 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.

(viii) This represents other services provided by members of the companies controlled by Mr. Doo.

27 Related party transactions (continued)

(b) Related party balances

The details for balances with related parties are disclosed in Notes 21, 24 and 25 to this condensed consolidated financial information.

(c) Key management compensation

	Unaudited	Unaudited
	Six months ended 31 December	
	2018	2017
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	**13,100**	10,413
Discretionary bonus	**834**	3,103
Retirement benefit costs – defined contribution plans	**426**	218
	14,360	13,734

28 Ultimate holding company

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

other information

Interim dividend

The board of directors (the "Directors" or "Board") of New World Department Store China Limited (the "Company", or together with its subsidiaries, the "Group") has resolved not to declare an interim dividend for the six months ended 31 December 2018 (2017: 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 of Hong Kong Limited (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 2018 and the unaudited condensed consolidated financial information and the interim report for the six months ended 31 December 2018 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2018 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 2018.

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 2018. Relevant employees are subject to compliance with written guidelines on no less exacting terms than the Model Code.

Employees, remuneration policy and pension scheme

As at 31 December 2018, the total number of employees of the Group was 4,293 (30 June 2018: 4,598). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

Acquisition and disposal

The Group did not have any significant acquisition and disposal during the six months ended 31 December 2018.

Purchase, sale or redemption of listed securities

The Company had not redeemed any of its listed securities during the six months ended 31 December 2018. 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 2018.

Update on directors' information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's Annual Report 2018 are set out below:

With effect from 1 August 2018, Mr. Cheung Fai-yet, Philip, a non-executive Director was re-designated as an executive Director, and was also appointed as a member of the executive committee and the remuneration committee of the Company.

With effect from 23 October 2018, Mr. Cheng Chi-kong, Adrian retired as a member of Board of the West Kowloon Cultural District Authority.

Directors' interests in securities

As at 31 December 2018, 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					
(Ordinary shares)					
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.

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 2018 were as follows:

			Number of share options held					
Name	Date of grant	Exercisable period (Note)	Balance as at 1 July 2018	Granted during the period	Exercised during the period	Adjusted during the period	Balance as at 31 December 2018	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)	3,800,000	–	–	–	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	10 June 2016	(4)	866,693	–	–	–	866,693	7.540
	3 July 2017	(5)	300,000	–	–	–	300,000	10.036
			23,378,801	–	–	–	23,378,801	

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 3 tranches exercisable from 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

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

(6) 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 2018 were as follows:

			Number of share options held					
Name	Date of grant	Exercisable period (Note)	Balance as at 1 July 2018	Granted during the period	Exercised during the period	Adjusted during the period	Balance as at 31 December 2018	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 2018, 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.

Substantial shareholders' interests in securities

As at 31 December 2018, 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 2018, 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

Executive directors

Dr. Cheng Chi-kong, Adrian
Mr. Cheung Fai-yet, Philip

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
Eversheds Sutherland
Woo, Kwan, Lee & Lo

Principal share registrar and transfer agent

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong branch share registrar and transfer agent

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered office

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

Head office and principal place of business in Hong Kong

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

Principal bankers

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,
please contact the Corporate Affairs Department of
New World Department Store China Limited at:
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Causeway Bay, Hong Kong
Tel: (852) 2753 3988
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 2018, New World Development Company Limited owns 75% 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 2018, the Group operated 23 "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 1,358,480 square metres, covering 18 key locations in Mainland China, including Beijing, Tianjin, Yianjiao, Yantai, Lanzhou, Xi'an, Harbin, Shenyang, Anshan, Shanghai, Nanjing, 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 programmes 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 2018, the Group had 4,293 employees.

Chinese Version

The Chinese version of this Interim Report is available
on request from New World Department Store China Limited.
Where the English and the Chinese texts conflict, the English text prevails.

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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