



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 REPORT 2023/2024

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 into a retail group integrating department stores and shopping malls business. The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. As at 31 December 2023, New World Development Company Limited owned approximately 75% shares of the Group.

RETAIL NETWORK

To orderly expand its business network across Mainland China, the Group adopts the expansion strategies of “multiple presences within a single city” and “radiation city”. As at 31 December 2023, among the department stores and shopping malls operated by the Group, 15 stores were “New World” (「新世界」) branded, while 7 stores in Shanghai were “Ba Li Chun Tian” (「巴黎春天」) branded, with a total gross floor area of about 922,900 square metres, covering 12 key locations in Mainland China, including Beijing, Shanghai, Chongqing, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Yantai, Shenyang, Lanzhou 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 create core competitiveness by the multiple business mode. The Group’s revenue is mainly derived from: rental income, commission income from concessionaire sales, sales of goods for direct sales, and interest income from finance leases as the lessor. In addition to its core department store business, the Group has been synchronously launching its direct sales business in recent years, such as “New World Supermarket” and LOL (Love • Original • Life) Concept Shop, to strengthen its differentiated operations.

ORGANISATION STRUCTURE

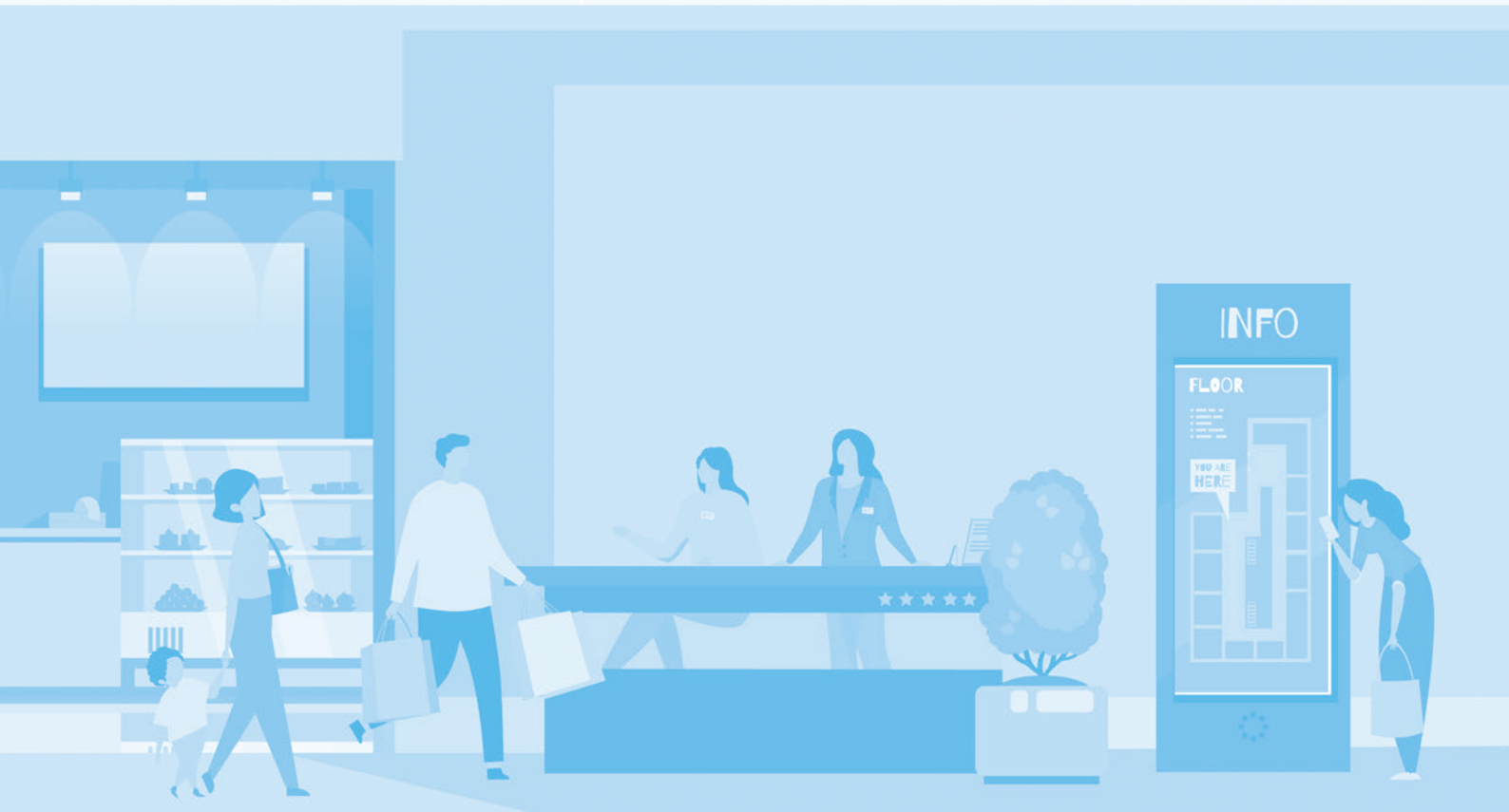
The Group owns a seasoned and innovative management team and adopts a three-tier structure for effective management, in which the headquarters directly administrates the two operating regions of the Group, and each region manages the operations of their stores. Such structure actualises both resource-sharing 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 and cultivate its talents, who will join up to put the Group’s vision and mission into actions. As at 31 December 2023, the Group had 2,011 employees.

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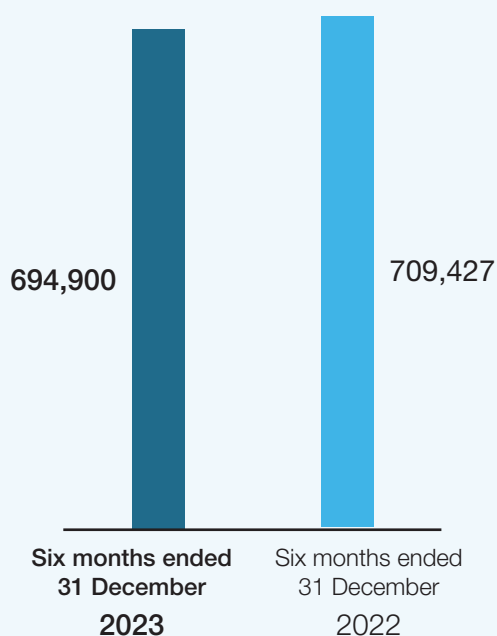
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FINANCIAL HIGHLIGHTS

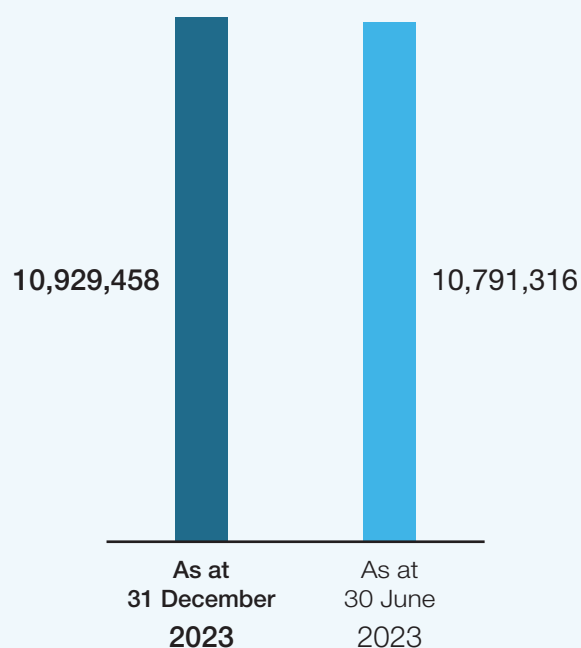
REVENUE

(HK\$'000)



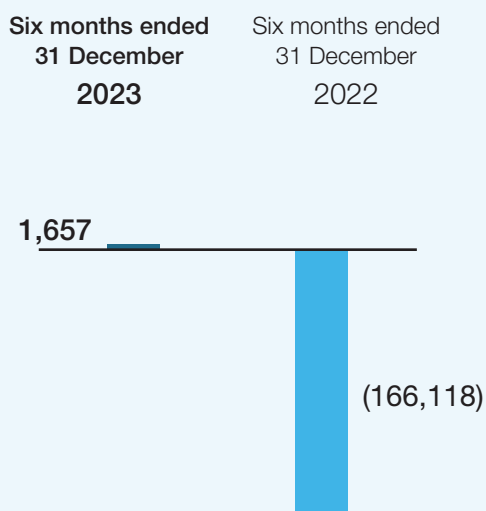
TOTAL ASSETS

(HK\$'000)



NET PROFIT/(LOSS)

(HK\$'000)

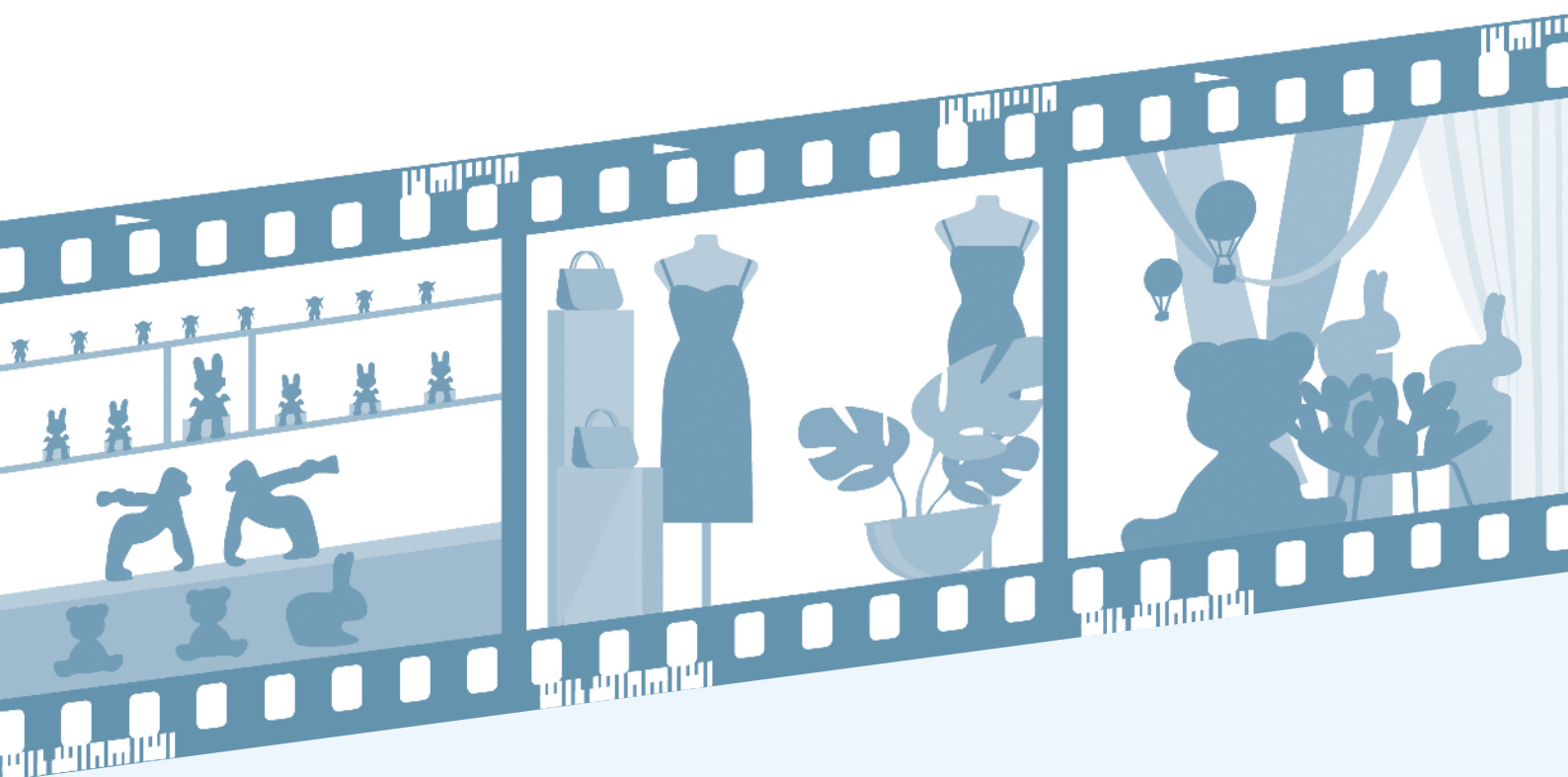


	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
OPERATING RESULTS		
Revenue	694,900	709,427
Representing:		
Commission income from concessionaire sales	228,255	214,053
Sales of goods – direct sales	164,835	184,069
Rental income	293,381	302,334
Interest income from finance leases as the lessor	8,429	8,971
Operating profit/(loss)	121,292	(46,180)
Profit/(loss) for the period	1,657	(166,118)
	As at	As at
	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
FINANCIAL POSITION		
Total assets	10,929,458	10,791,316
Total liabilities	7,486,378	7,416,300
Total equity	3,443,080	3,375,016
Borrowings	1,478,997	1,412,495
Less: Fixed deposits with original maturity over three months, cash and bank balances	(842,527)	(831,513)
Net debt	636,470	580,982
Net gearing ratio (Note)	18.5%	17.2%

Note:

Net debt divided by total equity.

CHAIRMAN'S STATEMENT



“

Be patient for progress and act with prudence are the key for long-term success.

Since its establishment in 1993, New World Department Store has been remaining true to our original aspiration — providing quality services and products to the market, and pursuing long-term growth and social value creation at all times.

”

As the society fully restored normalcy, the market economy has gradually recovered while the department store retail industry has entered a critical period featuring mild fluctuation. However, the complex and ever-changing business environment posed uncertainties to the development of retail industry. The Group is determined to adapt to the changes in the external environment and focus on its principal businesses, in a bid to achieve steady development.

Be patient for progress and act with prudence are the key for long-term success. Since its establishment in 1993, New World Department Store has been serving consumer needs and remaining true to our original aspiration — providing quality services and products to the market.

During the period under review, foot traffic in offline stores rebounded and consumer demand gradually increased. Capitalising on market opportunities, the Group continued to increase its capabilities in terms of scenario creation, brand upgrade, brand portfolio and others, enriched membership services experience and made its marketing campaigns more appealing, driving a steady growth in both foot traffic and performance. Besides, the Group optimised digitalisation in operations, diversified online retail channels and advanced the operation and content production of New Lab Mini Program and K Dollar Membership Program successively, offered high quality goods that suit customers' tastes and refined its services support, and executed precision marketing based on differentiated marketing approaches for various e-commerce platforms, thereby achieved significant growth in its online business scale.

The Group has been continuing to explore the aspects of environmental protection and social responsibility. It actively complied with the national guidelines on green consumption and promoted green procurement and operations. During its daily operation, the Group constantly monitored energy consumption, utilised resources in a rational manner and promoted green retailing. Meanwhile, the Group advocated environmental protection and philanthropy through charity campaigns in promoting a healthier and green lifestyle, and incorporated our belief in publicity and business development to fulfil its social responsibilities. We also proactively established harmonious and friendly working relationships and developed a training system for diversified talent development, creating a better future with our employees.

Meeting the challenges head-on is like diamonds in the rough, which rise to the occasion and forge excellence through determination. The past three decades not only represent a milestone that New World Department Store achieves, but are also a proof to its ability in achieving long-term development. Going forward, the Group will strive to navigate through complexities and uncertainties in the market, continue to advance by adhering to its belief in providing a better life for consumers and the society, and pursue long-term growth and social value creation at all times. I believe that we shall achieve what we envision.

On behalf of the Board, I would like to extend my gratitude to all employees for their contribution and dedication, and express my sincere thanks to our shareholders, customers and business partners for their long-term support.

Dr. Cheng Chi-kong, Adrian

Chairman

Hong Kong, 28 February 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results Summary

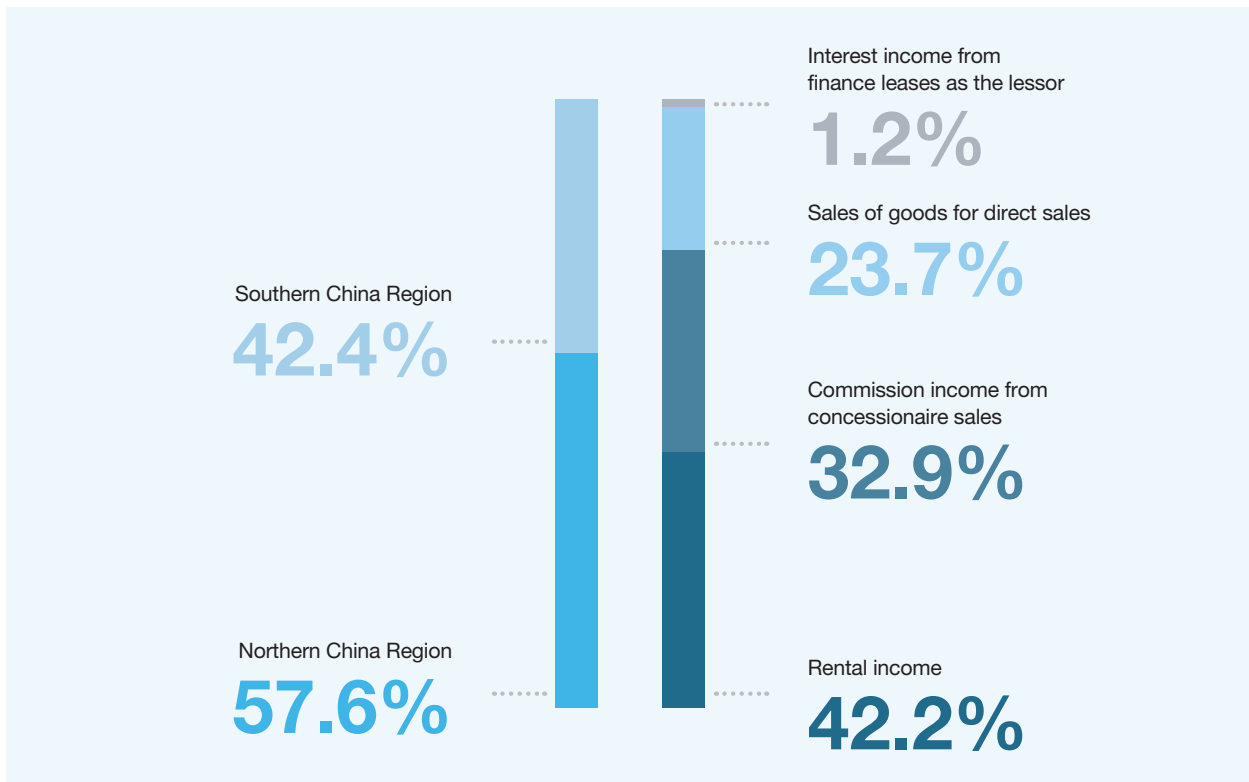
As the society fully restored normalcy, Mainland China's economy has gradually stabilised. However, amid the intensified peer competition and ever-changing market environment, the department store retail industry is still in the stage of recovery and development. Capturing the opportunities arising from consumption, the stores of the Group have made continuous efforts in store upgrading and operating initiatives optimising, which effectively improved foot traffic with growing customer base, delivered steady improvement in both operating income capacity and results of the Group.

For the six months ended 31 December 2023, the Group's revenue for the period was HK\$694.9 million, compared with HK\$709.4 million in the same period of the previous year. In terms of segment, the Group's revenue for the

period was mainly derived from rental income which accounted for 42.2%. This was followed by commission income from concessionaire sales which took up 32.9%, sales of goods for direct sales which took up 23.7%, and interest income from finance leases as the lessor which took up 1.2%. The Group's profit for the period was HK\$1.7 million. Earnings per share for the period was HK\$0.001.

Business Network

As at 31 December 2023, the Group operated 22 department stores and shopping malls in Mainland China, covering 12 key locations across the country including Beijing, Shanghai, Chongqing, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Yantai, Shenyang, Lanzhou and Mianyang, with a total gross floor area of about 922,900 square metres. Due to the expiration of the rental contract, the Group closed one store during the period under review, namely the Wuhan Wuchang Branch Store.



OPERATIONS OVERVIEW

During the period under review, the Group focused on the main business of retail and further honed its core competitiveness in diversified merchandise categories, innovative marketing, membership management and channel expansion.

In terms of consumer demand, emerging brands, first and flagship stores as well as popular merchandise offerings are still front of mind for the Group. For instance, Shanghai Wujiaochang Branch Store completed revamp and adjustment by extensively replacing current brands with new ones, with emerging brands accounting for 31% of its lineup and over 40 first stores were introduced in the business district. With the revamp, wider range of merchandise offerings together with higher quality membership services have greatly pushed up positive reviews for the stores.

The Group continued to develop multi-channel marketing. While we invested in our own e-commerce platform “New Lab Mini Program” (新閃購小程序), we also expanded our footprint into other e-commerce platforms such as TikTok and Meituan, so as to foster integration of both online and offline traffic and explore a more comprehensive business model.

With respect to membership management, the Group unveiled a brand-new upgraded loyalty programme underscored by eight major benefits to broaden the shopping experience of consumers and improve their loyalty. Our precise marketing and diverse membership benefits have driven the percentage of sales attributable to the members. The cooperation with third-party coupon platforms has also facilitated more personalised marketing communications and services.

Overall, given the breakthrough in operating initiatives with a focus on enhancing the experience, interaction and digitalisation of membership services, the Group has achieved steady recovery in foot traffic and results during the period under review.

Department Store and Shopping Mall Business

Focused Layout of Business Categories and Offerings

During the period under review, the Group adhered to the customer-oriented philosophy by optimising its business portfolios, strengthening structural adjustment of store contents and promoting quality upgrade of the stores.

As to the layout of core merchandise offerings, the Group focused on brands with high market maturity and potentials, and further introduced the cooperation with first stores and flagship stores, so as to strengthen the business operational efficiency and market competitiveness. During the period under review, introduction and upgrade of cosmetics and ladieswear brands were the top priorities of merchandising. Beijing Qianzi Store revamped the concessionaire image of SHISEIDO. Besides, Beijing Chongwen Store set up a beauty room area for various beauty and cosmetics brands as an exclusive area providing beauty auxiliary services for consumers, which enhanced the overall experience of the cosmetics merchandise consumers with premium services. For ladieswear, Beijing Chongwen Store introduced popular fashion brands such as LANCY and IDPAN, and expanded and upgraded various brands to boost the sales.

Our stores further adjusted and optimised the proportion of dining and entertainment in their business offerings. A number of stores introduced popular brands such as “CHAGEE” (霸王茶姬), “Cha Yan Yue Se” (茶顏悅色) and “HotMaxx” (好特賣). Beijing Chongwen Store had the first “Hong Xing Qian Jian” (紅星前進) bread and milk company opened in the business district, and the first officially authorised theme restaurant “Detective Conan” (名偵探柯南) had introduced into Beijing which is filled with detective elements from its decorations to the menu design. It also sells various peripherals of Conan to attract crowds of Conan’s fans to shop in stores. Furthermore, the existing time-honoured Beijing restaurant “Cui Hua Lou” (萃華樓) in Beijing Chongwen Store was awarded as the popular restaurant in “Golden Phoenix Tree China Restaurant Guide” (金棕櫚中國餐廳指南), gaining recognition and adoration from wider consumers. Classic Cantonese restaurants namely “Hui Dian Lou” (匯點樓) and “Bao Yue Lou” (寶粵樓) opened in Shanghai Wujiaochang Branch Store and Shanghai Pujian Branch Store respectively, while the influencer bakery chain “SAKIMOTO Bakery” (崎本の店) opened in Shanghai Huaihai Branch Store.

MANAGEMENT DISCUSSION AND ANALYSIS

Currently, entertainment offerings containing elements of new lifestyles and fun experience have shown consumer enthusiasm in the market. Shanghai Wujiaochang Branch Store introduced the first “MAXUS” yoyo club into the business district; Changsha Trendy Plaza introduced a popular gaming experience store “Ben Pao Ba Ge Zi” (奔跑吧格子); Beijing Trendy Store introduced well-known street dance studio “RMB DANCEBANK”; high-end personal training centre “FEELINGME” under Hilefit Fitness (樂刻健身) entered into the partnership with Beijing Chongwen Store, Shanghai Huaihai Branch Store and Wujiaochang Branch Store to cater for consumer needs in niche segments.

Two-way Impetus of Marketing and Membership

The Group has been working towards the store-centric integrated operation featuring multi-channel marketing and actively seized every key marketing node. Leveraging on the advantages from the interaction in offline scenarios, it carried out various featured and personalised marketing campaigns through in-depth collaboration with online platforms. During the mega event of the 15th anniversary store celebration for Beijing Liying Store, the “BOBO Bears” (BOBO熊) Intellectual Property (“IP”) Beijing Exhibition was launched to attract younger generations with sought-after and amusing activities. The offline immersive exhibition delivered positive emotional value to customers, bringing us close together that strengthened the connectivity between them and the stores. Shanghai Huaihai Branch Store conveyed the positive life attitude through woolen arts by organising the exhibition of “Huaihai Wool Scheme” (淮海毛線計劃). A wide variety of woolen crafts and designs attracted a tide of customers to the store. The event was advertised by several official media such as “Huang Pu The Shanghai” (黃埔最上海), “Weekend in Shanghai” (週末上海) and “Hello Huaihai Road” (農好淮海路). Meanwhile, by posting on social media platforms such as Xiaohongshu, the posts recorded nearly 70,000 views with the exposure of about 380,000 times, revealing a wide spread of the event. In order to explore new growth areas for online results and expand the layout of e-commerce channels, we established an online marketing matrix of “New Lab Mini Program + Tiktok Local Life, Tiktok Stores + Meituan Delivery” and used five methods, namely offline events, checkout and payment, membership digitalisation, marketing promotion and live streaming in private domain, to enhance the operational results of New Lab’s digitalised

new retail segment. During the period under review, the sales of “New Lab Mini Program” increased by 38% year-on-year (“YOY”) with nearly 1.3 million members.

Meanwhile, the Group strengthened its live streaming team and content marketing and focused on self streaming, in a bid to promote share of voice of campaigns with popular merchandises. During the period under review, each store actively expanded resources with unique advantages. Yantai Store launched a themed live streaming featuring the specialty merchandises such as sea cucumber and red wine to draw wide attention from new and current customers. Stores actively explored merchandises and events, and at the same time strived to create new IPs for New World Department Store (“NWDS”) by fully integrating the resources with current hot topics. A number of stores launched themed live streaming sessions called the “General Manager Live Room” (總經理直播間), during which a vast array of quality specialty merchandises were recommended and various kinds of benefits such as coupons and vouchers were offered to consumers. During the period under review, Wujiaochang Branch Store, Pujian Branch Store, Chengshan Branch Store and Baoshan Branch Store in Shanghai made the first attempt to jointly launch the live streaming of “General Manager Live Room”, exploring diversified live streaming marketing methods to enhance the emotional attachment with customers, which in turn achieved the conversion of promotion and traffic.

During the period under review, stores collaborated with numerous major platforms to carry out diversified marketing campaigns. During the National Day Holiday in October, four stores in Beijing jointly launched a Tiktok live streaming campaign called the “National Day Celebration Guide” (國慶窗前指南), during which various coupons coupled with offline discounts attracted wide attention and traffic. During the live streaming session, it ranked top on the Beijing’s Group Buying List (北京團購帶貨榜). During the 17th anniversary celebration for Chongqing Store under the theme of “V-sign to the 17th anniversary” (17比Yeah), various discounts and benefits were offered, followed by various interactive events such as the prevailing “mystery box unboxing” (抽盲盒) to boost traffic and sales. Beijing Chongwen Store fully utilised the Tiktok platform for local life to conduct live streaming campaigns. During the live streaming session, it ranked top on the Beijing’s Group

Buying List and top 10 across the country, with a single-store Gross Merchandise Volume (“GMV”) of over RMB10 million. In addition, we fully capitalised on the gift-giving traditions during festivals and holidays by carrying out the instant retail business of Meituan, so as to tap into more business models. Furthermore, during the celebration of the 25th anniversary of Beijing Chongwen Store, a well-known celebrity Cyndi Wang (王心凌) was invited, who attracted consumers to visit in store through “Cloud Interaction” (雲互動), driving the foot traffic while increasing the brand value of the store.

The Group always emphasises on membership maintenance. All of its stores and branch stores across the country unveiled the brand-new upgraded eight major member benefits under membership programme, namely “five common benefits + three store-featured benefits” (五大統一權益+三大門店特色權益). The five common benefits include the welcome gifts, points for cash rebate, birthday surprises, consumption privileges and tailored services. The three store-featured benefits include exclusive benefits featuring the characteristics of the local stores such as membership extra discounts and preferential lunch. Coupled with diverse and amusing marketing campaigns, we connected with the existing members while attracting more potential consumers. Meanwhile, we collaborated with third party coupon platforms to achieve 99% paperless redemption of group buying coupons through central checkout system, self-checkout counters and automatic coupon redemption. Also, delivery coupons can be collected by a large base of potential consumers through third party platforms, catering for the consumption needs and modes of the younger generations. At the end of December 2023, the percentage of sales attributable to the members accounted for 60%.

By enriching the member interaction system, the Group continues to deliver quality interactive contents to maintain the high member stickiness. During the period under review, stores actively upgraded offline membership service offerings. For instance, Shanghai Pujian Branch Store transformed a corner of the shopping mall into “Yue Du Hui” (悅讀薈), a new space for reading and relaxation for our members, where they can borrow books and enjoy reading in the area. This is not only an improvement for the environment and space utilisation of the shopping mall, but also an enhancement in respect of customer experience and membership benefits. Furthermore, Shanghai Pujian

Branch Store collaborated with Renji Hospital nearby the business district in the community to jointly organise the “Exclusive Internal Shopping Events for Renji Medicals” (獨家寵愛·仁濟醫務內購會), at which blowout sales of various brands were offered at greatly discounted prices to express care and gratitude to medical staff. The event attracted a large crowd of medical staff in the neighbourhood. Shanghai Chengshan Branch Store features “General Manager Welcome Day” (總經理接待日) every month to get in touch with consumers. Beijing Trendy Store established “New World Department Store Club” (新世界百貨會員俱樂部), which organised offline special events such as flower handicrafts and provided membership benefits such as lucky draw for tickets of New Year’s Eve performance. The Group has been continuing to explore new customer base. The NWDS nationally pioneered child membership programme is underway, to attracting the family customers to visit stores by admitting child members.

As at 31 December 2023, the total number of members of the Group and its stores increased by 5.4% YOY to 7.52 million, and the number of followers on its official Weibo and Wechat accounts increased by 2.43% YOY in aggregate.

Private Label Business

As at 31 December 2023, the Group operated four large complex supermarkets “New World Supermarket”, which were located in Beijing, Wuhan, Lanzhou and Yantai respectively.

During the period under review, with respect of their merchandises and services, the supermarkets spared no effort on the improvement of their operations and the quality of their services, rearrangement of the supermarket floor layout to showcase their core merchandises prominently, introduction of offline marketing campaigns such as food tasting or free trial, and enhancement of sales and customer service capabilities. The supermarkets also stably expanded their online multiple channels, and made full use of their online sales platforms such as Meituan and JD Daojia to satisfy customers’ demand for real-time home delivery.

As at 31 December 2023, the Group operated five LOL (Love • Original • Life) (“LOL”) private concept shops. Among them, three shops are located in Shanghai and two shops are located in Beijing.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, LOL introduced more merchandise offerings and allocated more resources for building up boutique lifestyle shops. It put more focus on the selection and introduction of premium new brands and unique and exquisite merchandises. Of which, high-quality and highly sought merchandises such as outdoor sports and leisure merchandises, trendy and niche accessories and exquisite household merchandises were the key categories for our growth. Trendy and fancy merchandises such as NATURA natural specimen, SHUKIKU Japanese leisure backpacks, Smasmall shavers, TRIDO magnetic construction toys with high unit price, LAVAS Iceland fragrance stone were popular among consumers, driving up the sales volume by 6% as at the end of the period as compared to the beginning of the period.

LOL sought actively to diversify, integrate and innovate its business methods. The LOL shop located in Shanghai K11 Art Mall was the pioneer to carry out joint trade fairs with brands, organising three trade fairs in K11 Art Mall for three brands, namely Water Jade & Silver Jewellery (水玉銀飾), BUER BEAR designer toy and SUNSHIFEN. During the events, the consumers might try on and try out various brand exhibits, and receive professional recommendations on mix-and-match. These events not only created revenue, but also provided us with profound experience to support our future collaborative fair trades with other brands. In addition, the Company joined hands with MARSHALL, a popular and trendy brand of bluetooth speaker, to organise a roving exhibition called “Hats off to the Rock — 60 Years of Time Traveler” (“致敬搖滾—穿越60載的響亮”) in the atrium of K11 Art Mall. MARSHALL traced the glorious history of music evolution with the consumers via its products. During the event, consumers could experience a variety of MARSHALL products, took all kinds of music-themed snaps, and enjoyed purchase lucky draw and other gifts for celebration of the coming Year of the Dragon, spiced up the event at the shopping mall. Meanwhile, the event-related videos and merchandise displays drew the attention among a large number of music lovers through various social media platforms such as Xiaohongshu.

OUTLOOK

The retail business is an important carrier for the realisation of people’s needs for a better life. In the future, adhering to the customer-centric philosophy with a focus on “Merchandises + Services + Experiences”, the Group will, by implementing its “One Store, One Strategy” approach, focusing on the quality improvement and efficiency of the operation of every single store. The Group will optimise the layout of merchandises and the operation of each store so as to facilitate quality merchandising, and make every effort to optimise the supply chain and create synergy effect with its multi-business types and multi-channel strategy. The Group will also enhance its membership management and provide innovative experience to the members to actively attract more consumers to visit the stores. By strengthening its digital operation and implementing strategic layouts on various online channels, the Group will take the advantage of the online sales platform “New Lab Mini Program” and leverage on various third-party marketing and sales platforms, innovative online-offline marketing strategies and activities, and the application of cutting-edge technologies to provide impetus to the Group’s long-term development.

With the boost of unleashing of spending power and the festive consumption spree, consumer market in Mainland China will be poised to recover steadily. However, as there are uncertainties in the macroeconomy ahead, it takes more time for domestic consumers to regain confidence and their purchasing power, and the recovery of the consumer market is still lingering with potentially substantial fluctuations. The Group will continue to grasp market dynamics, build on people’s new demands and expectations for a better life, and persist on long-term development and value creation, with a view to steadily realising a long-term sustainable growth.

FINANCIAL REVIEW

Revenue and Other Income

Revenue of the Group was HK\$694.9 million for the six months ended 31 December 2023 (“1HFY2024” or the “Current Period”) (six months ended 31 December 2022 (“1HFY2023” or the “Same Period of Previous Year”): HK\$709.4 million). In Renminbi (“RMB”) terms, revenue of the Group was RMB642.8 million in 1HFY2024 (1HFY2023: RMB631.4 million).

Gross sales proceeds of the Group, comprising proceeds from concessionaire sales and sales of goods for direct sales, rental income, interest income from finance leases as the lessor and other income, was HK\$2,228.2 million in 1HFY2024 (1HFY2023: HK\$2,295.3 million). In RMB terms, gross sales proceeds of the Group was RMB2,061.1 million in 1HFY2024 (1HFY2023: RMB2,042.8 million).

The Group’s merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) was 13.6% in the Current Period (1HFY2023: 12.0%). In 1HFY2024, ladieswear, menswear and accessories made up approximately 34.3% of proceeds from concessionaire sales and sales of goods for direct sales, while gold, jewellery and watch made up approximately 32.0%, cosmetic products made up approximately 10.3%, sportswear made up approximately 9.5%, and kidswear, foodstuffs, electrical appliances, and housewares largely made up the rest. Direct sales revenue in the Current Period comprised sales of cosmetic products (approximately 74.7%), supermarkets and convenience stores (approximately 22.3%) and other products (approximately 3.0%).

Rental income of the Group was HK\$293.4 million in 1HFY2024 (1HFY2023: HK\$302.3 million). In RMB terms, rental income of the Group was RMB271.4 million in 1HFY2024 (1HFY2023: RMB269.1 million).

Interest income from finance leases as the lessor was HK\$8.4 million in 1HFY2024 compared with HK\$9.0 million in 1HFY2023.

Other income of the Group was HK\$187.3 million in 1HFY2024 compared with HK\$150.2 million in 1HFY2023. The increase was primarily due to the written back of creditors with long aging, and the increase in government grants.

Other Gains, Net

Net other gains of the Group in the Current Period was HK\$24.1 million which was primarily resulted from HK\$51.1 million gain on derecognition of lease liabilities related to the closure of Chengdu Store. The gain was partially offset by HK\$11.0 million loss on deregistration of subsidiaries, HK\$4.6 million net loss on derecognition of right-of-use assets, and HK\$10.1 million totalled net loss on derecognition and lease modification of finance lease receivables.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Period was a loss of HK\$44.0 million mainly arose from the decrease in the fair value of the investment properties in Shanghai City, Shenyang City and Tianjin City.

Purchases of and Changes in Inventories, Net

Purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It decreased from HK\$171.2 million in 1HFY2023 to HK\$151.3 million in 1HFY2024. The decrease was in line with the decrease in sales of goods for direct sales 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 decreased from HK\$7.3 million in 1HFY2023 to HK\$5.2 million in 1HFY2024, primarily due to changes in promotion activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Benefit Expense

Employee benefit expense decreased from HK\$183.9 million in 1HFY2023 to HK\$160.5 million in 1HFY2024, primarily due to the continuous efforts by the management to carry out cost control measures to reduce staff costs, and the closure of certain department stores in FY2023 and 1HFY2024.

Depreciation

Depreciation expense decreased from HK\$193.0 million in 1HFY2023 to HK\$176.5 million in 1HFY2024. The decrease was primarily because no depreciation was charged in the Current Period for property, plant and equipment and right-of-use assets that have been fully depreciated, impaired or derecognised in FY2023, and closure of certain department stores in FY2023 and 1HFY2024.

Rental Expense

Rental expense increased from HK\$34.0 million in 1HFY2023 to HK\$37.5 million in 1HFY2024, primarily due to the increase in turnover rent of certain department stores.

Other Operating Expenses, Net

Net other operating expenses decreased from HK\$343.3 million in 1HFY2023 to HK\$209.8 million in 1HFY2024. The decrease was primarily because a net exchange gain of HK\$25.7 million was recorded in the Current Period, while a net exchange loss of HK\$63.8 million was recorded in the Same Period of Previous Year. In addition, compensation to the affected parties mainly for the closure of certain department stores decreased by HK\$58.1 million in the Current Period.

Operating Profit/(Loss)

Operating profit was HK\$121.3 million in 1HFY2024, compared to operating loss of HK\$46.2 million in 1HFY2023.

Finance Costs, Net

Net finance costs increased from HK\$100.4 million in 1HFY2023 to HK\$111.4 million in 1HFY2024. The increase was mainly due to an increase in the average borrowing costs as a result of the rise in Hong Kong Interbank Offered Rate in 1HFY2024, but it was partially offset by a decrease in interest expense on lease liabilities in the Current Period.

Income Tax Expense

Income tax expense decreased from HK\$19.6 million in 1HFY2023 to HK\$8.2 million in 1HFY2024. The decrease was mainly due to a decrease in deferred income tax, but it was partially offset by an increase in current income tax.

Profit/(Loss) for the period

As a result of the reasons mentioned above, profit for the period was HK\$1.7 million, compared to loss of HK\$166.1 million in the Same Period of Previous Year.

Liquidity and Financial Resources

Fixed deposits with original maturity over three months and cash and bank balances of the Group amounted to HK\$842.5 million as at 31 December 2023 (30 June 2023: HK\$831.5 million).

As at 31 December 2023, the Group's borrowings were HK\$1,479.0 million (30 June 2023: HK\$1,412.5 million).

As at 31 December 2023, the Group was in net debt position of HK\$636.5 million (30 June 2023: HK\$581.0 million).

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK\$2,893.4 million (30 June 2023: HK\$2,867.2 million). The Group will continue to monitor rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs and liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 31 December 2023 were HK\$43.7 million (30 June 2023: HK\$72.7 million) which were contracted but not provided for in the condensed consolidated statement of financial position.

Pledge of Assets

As at 31 December 2023, the Group did not have any pledge of assets (30 June 2023: Nil).

Treasury Policies

The Group mainly operates in Mainland China with most of the transactions denominated in RMB. The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar against RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

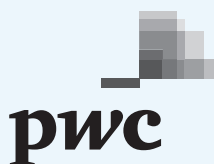
Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2023.

Acquisition and Disposal

The Group did not have any significant acquisition and disposal during the Current Period.

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 the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 49, 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 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected 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” issued by the Hong Kong Institute of Certified Public Accountants. 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, 28 February 2024

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2023

	Note	Unaudited Six months ended 31 December	
		2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue	6	694,900	709,427
Other income	7	187,270	150,151
Other gains, net	8	24,064	28,165
Changes in fair value of investment properties		(44,021)	(1,186)
Purchases of and changes in inventories, net		(151,334)	(171,202)
Purchases of promotion items		(5,233)	(7,316)
Employee benefit expense	9	(160,538)	(183,855)
Depreciation		(176,528)	(193,003)
Rental expense		(37,511)	(34,012)
Other operating expenses, net	10	(209,777)	(343,349)
Operating profit/(loss)		121,292	(46,180)
Finance income		9,779	12,268
Finance costs		(121,198)	(112,628)
Finance costs, net	11	(111,419)	(100,360)
Profit/(loss) before income tax		9,873	(146,540)
Income tax expense	12	(8,216)	(19,578)
Profit/(loss) for the period		1,657	(166,118)
Earnings/(loss) per share attributable to shareholders of the Company for the period (expressed in HK\$ per share)			
– Basic and diluted	14	0.001	(0.099)

The notes on pages 21 to 49 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2023

	Unaudited	
	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Profit/(loss) for the period	1,657	(166,118)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties	–	7,765
– Deferred income tax thereof	–	(1,941)
	–	5,824
<i>Items that may be reclassified subsequently to profit and loss</i>		
Translation differences	55,429	(183,789)
Release of exchange reserve upon deregistration of subsidiaries	10,978	–
	66,407	(183,789)
Other comprehensive income/(loss) for the period, net of tax	66,407	(177,965)
Total comprehensive income/(loss) for the period	68,064	(344,083)

The notes on pages 21 to 49 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	15(a)	743,792	708,775
Investment properties	16	4,947,204	4,923,988
Right-of-use assets	15(b)	2,405,173	2,382,218
Intangible assets	17	1,034,214	1,017,443
Interest in an associated company		–	–
Prepayments, deposits and other receivables		158,151	163,814
Finance lease receivables	26	284,593	290,613
Financial assets at fair value through profit or loss	27	66,252	66,494
Deferred income tax assets		94,251	86,191
		9,733,630	9,639,536
Current assets			
Inventories	18	76,893	79,045
Debtors	19	33,344	20,750
Prepayments, deposits and other receivables		155,417	142,948
Finance lease receivables	26	87,231	75,238
Amounts due from fellow subsidiaries	20	416	2,286
Fixed deposits with original maturity over three months		312,328	307,186
Cash and bank balances		530,199	524,327
		1,195,828	1,151,780
Total assets		10,929,458	10,791,316
Equity and liabilities			
Equity			
Share capital	21	168,615	168,615
Reserves	22	3,274,465	3,206,401
Total equity		3,443,080	3,375,016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Liabilities			
Non-current liabilities			
Lease liabilities	25	2,493,098	2,500,913
Deferred income tax liabilities		904,094	896,367
		3,397,192	3,397,280
Current liabilities			
Creditors	24	716,275	661,426
Accruals and other payables		1,033,505	1,000,400
Lease liabilities	25	563,833	625,597
Contract liabilities		165,195	169,673
Amounts due to fellow subsidiaries	20	5,728	10,404
Amounts due to related companies	20	27,863	47,976
Amounts due to ultimate holding company	20	81,704	81,995
Borrowings	23	1,478,997	1,412,495
Tax payable		16,086	9,054
		4,089,186	4,019,020
Total liabilities		7,486,378	7,416,300
Total equity and liabilities		10,929,458	10,791,316

The notes on pages 21 to 49 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023

	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	Total HK\$'000
As at 1 July 2023	168,615	1,826,646	376,891	391,588	544,856	(232,234)	298,654	3,375,016
Profit for the period	-	-	-	-	-	-	1,657	1,657
Other comprehensive income								
Translation differences	-	-	-	-	-	55,429	-	55,429
Release of exchange reserve upon deregistration of subsidiaries	-	-	-	-	-	10,978	-	10,978
Total comprehensive income for the six months ended 31 December 2023	-	-	-	-	-	66,407	1,657	68,064
Transactions with owners								
Transfer to statutory reserve	-	-	-	-	671	-	(671)	-
Total transactions with owners	-	-	-	-	671	-	(671)	-
As at 31 December 2023 – Unaudited	168,615	1,826,646	376,891	391,588	545,527	(165,827)	299,640	3,443,080

	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	Total HK\$'000
As at 1 July 2022	168,615	1,826,646	371,034	391,588	538,264	81,011	626,098	4,003,256
Loss for the period	-	-	-	-	-	-	(166,118)	(166,118)
Other comprehensive income								
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties	-	-	7,765	-	-	-	-	7,765
– Deferred income tax thereof	-	-	(1,941)	-	-	-	-	(1,941)
Translation differences	-	-	-	-	-	(183,789)	-	(183,789)
Total comprehensive loss for the six months ended 31 December 2022	-	-	5,824	-	-	(183,789)	(166,118)	(344,083)
Transactions with owners								
Transfer to statutory reserve	-	-	-	-	3,310	-	(3,310)	-
Total transactions with owners	-	-	-	-	3,310	-	(3,310)	-
As at 31 December 2022 – Unaudited	168,615	1,826,646	376,858	391,588	541,574	(102,778)	456,670	3,659,173

The notes on pages 21 to 49 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2023

	Unaudited	
	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from operating activities	251,605	308,199
Cash flows from investing activities		
Additions to investment properties	(4,273)	(1,080)
Additions to property, plant and equipment	(42,359)	(39,798)
(Increase)/decrease in fixed deposits with original maturity over three months	(78)	3,560
Proceeds from disposal of property, plant and equipment	40	860
Principal portion of finance lease received as the lessor	41,260	25,732
Interest portion of finance lease received as the lessor	8,429	8,971
Interest received	4,050	12,286
Net cash from investing activities	7,069	10,531
Cash flows from financing activities		
Drawdown of bank borrowings	65,071	35,513
Repayment of bank borrowings	–	(35,019)
Finance costs paid	(21,829)	(10,591)
Principal portion of lease payments as the lessee	(225,662)	(277,669)
Interest portion of lease payments as the lessee	(78,324)	(86,616)
Net cash used in financing activities	(260,744)	(374,382)
Net decrease in cash and cash equivalents	(2,070)	(55,652)
Cash and cash equivalents as at 1 July	524,327	619,595
Effect of foreign exchange rate changes	7,942	(33,379)
Cash and cash equivalents as at 31 December	530,199	530,564

The notes on pages 21 to 49 are an integral part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

New World Department Store China Limited (the “Company”) was incorporated in the Cayman Islands on 25 January 2007 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the “Group”) are engaged in department store and property investment operations in Mainland China.

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

This condensed consolidated financial information 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 of the Company on 28 February 2024.

2 BASIS OF PREPARATION

This condensed consolidated financial information of the Group for the six months ended 31 December 2023 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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

As at 31 December 2023, the Group had net current liabilities of approximately HK\$2,893,358,000, which included short term bank borrowings of approximately HK\$765,997,000 and shareholder loans of HK\$713,000,000 from New World Development Company Limited (“NWD”), its ultimate holding company.

The directors of the Company (the “Directors”) have reviewed the Group’s cash flow projections, which cover a period of twelve months from the end of the reporting period and have considered available information, among others, internally generated funds and financial resources (as described below) available to the Group in assessing the going concern basis in the preparation of the condensed consolidated financial information.

The Group’s shareholder loans from NWD will mature within the next 12 months from 31 December 2023. NWD has confirmed its intention to renew the shareholder loans for another 12 months upon their maturity and to continue to act as guarantor of the Group’s bank borrowings.

In addition, during the year ended 30 June 2023, the Group had successfully renewed its short term bank borrowings which was guaranteed by NWD for another 12 months, which will mature within the next 12 months from 31 December 2023. As at 31 December 2023, short term bank borrowings included in current liabilities of approximately HK\$699,854,000 were guaranteed by NWD. The Directors are confident that its short term bank borrowings can be renewed upon their maturity in view of the Group’s track record of successful renewal of the short term bank borrowings and the continued guarantee provided by NWD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2 BASIS OF PREPARATION (continued)

Other than the abovementioned short term bank borrowings guaranteed by NWD, the Group was granted committed bank borrowing facilities of RMB120,000,000 (equivalent to approximately HK\$131,868,000) and RMB200,000,000 (equivalent to approximately HK\$219,780,000) in August 2023 and September 2023, respectively, with maturity of one year, for working capital purpose. As at 31 December 2023, the unutilised amount of these bank borrowing facilities was approximately HK\$285,505,000.

The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operation; the availability of the bank borrowing facilities and successful renewal of the shareholder loans as and when needed, the Group will have adequate resources to continue its operations for the foreseeable future and to meet its financial obligations as and when they fall due in the next 12 months from 31 December 2023. Accordingly, the Directors consider it is appropriate to prepare the condensed consolidated financial information on a going concern basis.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 30 June 2023.

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

Adoption of new standard and amendments to standards

For the six months ended 31 December 2023, the Group has adopted the following new standard and amendments to standards which are mandatory for the accounting period beginning on 1 July 2023:

HKFRS 17 and amendments to HKFRS 17	Insurance contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

3 ACCOUNTING POLICIES (continued)

The Group recognised service income from concessionaires and tenants in relation to the reimbursement of certain operating expenses on a net basis against the Group's other operating expenses and employee benefit expense in the condensed consolidated income statement for the six months ended 31 December 2022. Subsequently, the Group revisited its arrangements with its concessionaires and tenants and considered the service income received from them for which the Group is a principal, should be accounted for as other income on a gross basis. Adjustments have been made to reclassify the comparative information to conform with the current period presentation. There were no net impact on the loss for the six months ended 31 December 2022 and the balance sheet position as at 31 December 2022. The nature and amounts of the adjustments are summarised as follows:

Certain service income from concessionaires and tenants amounting to HK\$115,717,000 which was previously recognised within "Other operating expenses, net" and "Employee benefit expense" for the six months ended 31 December 2022 is now reclassified as "Other income".

The impact on the condensed consolidated income statement for the six months ended 31 December 2022 is presented as below:

	Unaudited Six months ended 31 December 2022 HK\$'000
Increase in other income	115,717
Increase in other operating expenses, net	106,426
Increase in employee benefit expense	9,291

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 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: including foreign exchange risk, credit risk, liquidity risk and interest rate 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 2023.

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

5.2 Liquidity risk

The liquidity risk of the Group is managed by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flows and financing cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amounts HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	Over 1 year but within 5 years HK\$'000	More than 5 years HK\$'000
As at 31 December 2023					
Creditors	716,275	716,275	716,275	–	–
Other payables	901,866	901,866	901,866	–	–
Amounts due to fellow subsidiaries	5,728	5,728	5,728	–	–
Amounts due to related companies	27,863	27,863	27,863	–	–
Amounts due to ultimate holding company	81,704	81,704	81,704	–	–
Borrowings	1,478,997	1,563,655	1,563,655	–	–
Lease liabilities	3,056,931	3,998,257	592,307	1,819,305	1,586,645

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Liquidity risk (continued)

	Carrying amounts HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	Over 1 year but within 5 years HK\$'000	More than 5 years HK\$'000
As at 30 June 2023					
Creditors	661,426	661,426	661,426	–	–
Other payables	879,873	879,873	879,873	–	–
Amounts due to fellow subsidiaries	10,404	10,404	10,404	–	–
Amounts due to related companies	47,976	47,976	47,976	–	–
Amounts due to ultimate holding company	81,995	81,995	81,995	–	–
Borrowings	1,412,495	1,468,478	1,468,478	–	–
Lease liabilities	3,126,510	4,061,792	657,134	1,823,382	1,581,276

5.3 Fair value of financial assets and liabilities measured at amortised cost

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

- Finance lease receivables under current assets
- Debtors
- Deposits and other receivables under current assets
- Fixed deposits with original maturity over three months
- Cash and bank balances
- Creditors
- Other payables
- Amounts due from/to fellow subsidiaries, related companies and ultimate holding company
- Borrowings
- Lease liabilities under current liabilities

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 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:

- 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.
- Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or 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.

The following table presents the Group's financial assets at fair value through profit or loss ("FVPL") that is measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2023 Financial assets at FVPL	–	–	66,252	66,252
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2023 Financial assets at FVPL	–	–	66,494	66,494

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 Fair value estimation (continued)

The following table presents the changes in financial assets at FVPL in level 3 financial instruments for the six months ended 31 December 2023:

	Financial Asset at FVPL HK\$'000
As at 1 July 2023	66,494
Fair value loss	(1,316)
Translation difference	1,074
As at 31 December 2023	66,252
As at 1 July 2022	78,000
Fair value loss	(3,637)
Translation difference	(3,506)
As at 31 December 2022	70,857

6 REVENUE AND SEGMENT INFORMATION

	Unaudited Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Commission income from concessionaire sales	228,255	214,053
Sales of goods – direct sales	164,835	184,069
Revenue from contracts with customers	393,090	398,122
Rental income	293,381	302,334
Interest income from finance leases as the lessor	8,429	8,971
	694,900	709,427

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (continued)

The income from concessionaire sales is analysed as follows:

	Unaudited	
	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Proceeds from concessionaire sales	1,574,327	1,649,789
Commission income from concessionaire sales	228,255	214,053

The chief operating decision-maker (“CODM”) has been identified as executive Directors. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers that the Group has department store and property investment businesses. 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 other gains, net, changes in fair value of investment properties and net unallocated corporate income/(expenses). In addition, net finance costs is not allocated to segments. The measurement of segment assets excludes deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
Six months ended 31 December 2023			
Segment revenue	588,152	106,748	694,900
Segment operating results	69,283	64,189	133,472
Other gains, net	26,343	(963)	25,380
Changes in fair value of investment properties	–	(44,021)	(44,021)
Unallocated corporate income, net			6,461
Operating profit			121,292
Finance income			9,779
Finance costs			(121,198)
Finance costs, net			(111,419)
Profit before income tax			9,873
Income tax expense			(8,216)
Profit for the period			1,657

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
Six months ended 31 December 2022			
Segment revenue	607,800	101,627	709,427
Segment operating results	(46,395)	52,018	5,623
Other gains, net	51,536	(19,734)	31,802
Changes in fair value of investment properties	–	(1,186)	(1,186)
Unallocated corporate expenses, net			(82,419)
Operating loss			(46,180)
Finance income			12,268
Finance costs			(112,628)
Finance costs, net			(100,360)
Loss before income tax			(146,540)
Income tax expense			(19,578)
Loss for the period			(166,118)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
As at 31 December 2023			
Segment assets	5,401,483	5,349,324	10,750,807
Deferred income tax assets	94,251	–	94,251
Unallocated corporate assets:			
Cash and bank balances			17,882
Others			66,518
Total assets			10,929,458
Six months ended 31 December 2023			
Additions to non-current assets (Note)	216,125	6,093	222,218
Depreciation	175,911	617	176,528
Loss allowance/(reversal of loss allowance) of debtors and other receivables, net	2,648	(73)	2,575
Gain on derecognition of lease liabilities	(51,130)	–	(51,130)
Loss on derecognition of right-of-use assets, net	4,627	–	4,627
Loss on derecognition and lease modification of finance lease receivables, net	9,136	963	10,099

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
As at 30 June 2023			
Segment assets	5,314,558	5,318,286	10,632,844
Deferred income tax assets	85,694	497	86,191
Unallocated corporate assets:			
Cash and bank balances			5,528
Others			66,753
Total assets			10,791,316
Six months ended 31 December 2022			
Additions to non-current assets (Note)	43,705	1,807	45,512
Depreciation	192,335	668	193,003
Impairment loss on property, plant and equipment and right-of-use assets	3,515	–	3,515
(Reversal of loss allowance)/loss allowance of debtors and other receivables, net	(15,107)	12,475	(2,632)
Gain on derecognition of lease liabilities and right-of-use assets, net	(55,495)	–	(55,495)
Gain on derecognition of right-of-use assets, net	(4,767)	(3,321)	(8,088)
Loss on derecognition and lease modification of finance lease receivables, net	4,682	23,041	27,723

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 OTHER INCOME

	Unaudited Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000 (Restated)
Income from supplies, concessionaires and tenants		
– Administration and management fees	92,947	93,980
– Credit card handling fees	16,891	17,084
– Promotion and related fees	13,704	11,951
Government grants	7,431	3,893
Sundries	56,297	23,243
	187,270	150,151

8 OTHER GAINS, NET

	Unaudited Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Loss on deregistration of subsidiaries	(10,980)	–
Loss on fair value of financial assets at FVPL, net	(1,316)	(3,637)
Impairment loss on property, plant and equipment and right-of-use assets (Note (i))	–	(3,515)
Gain on derecognition of lease liabilities and right-of-use assets, net (Note (ii))	51,130	55,495
Loss on disposal of property, plant and equipment, net	(44)	(543)
(Loss)/gain on derecognition of right-of-use assets, net (Note (iii))	(4,627)	8,088
Loss on derecognition of finance lease receivables, net	(8,719)	(25,847)
Loss on lease modification of finance lease receivables, net	(1,380)	(1,876)
	24,064	28,165

Notes:

- (i) The impairment loss was made to reflect the management's latest plan for one department store for the six months ended 31 December 2022 in light of the latest market environment and the management's assessment on the business prospect thereof.
- (ii) Gain on derecognition of lease liabilities and right-of-use assets, net was due to closure of certain department stores.
- (iii) (Loss)/gain on derecognition of right-of-use assets, net, is recognised at the inception of subleases to tenants which are accounted for as finance lease receivables

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000 (Restated)
Wages, salaries and other benefits	142,518	164,172
Retirement benefit costs – defined contribution plans	18,020	19,683
	160,538	183,855

10 OTHER OPERATING EXPENSES, NET

	Unaudited Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000 (Restated)
Property management and related expenses	60,847	67,778
Electricity and water expenses	47,528	43,805
Selling, promotion, advertising and related expenses	18,742	19,779
Auditor's remuneration		
– Audit services	1,988	2,098
– Non-audit services	699	741
Net exchange (gain)/loss	(25,731)	63,833
Other tax expenses	46,729	44,087
Loss allowance of debtors, net	1,363	6,478
Loss allowance/(reversal of loss allowance) of other receivables, net	1,212	(9,110)
Compensation expenses (Note)	14,004	72,087
Others	42,396	31,773
	209,777	343,349

Note :

Compensation expenses for the six months ended 31 December 2022 mainly represented the compensation to the affected parties related to the closure of certain department stores.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 FINANCE COSTS, NET

	Unaudited	
	Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Interest income on bank deposits	(9,779)	(12,268)
Interest expense on bank loans	21,344	13,084
Interest expense on shareholder loans	21,530	12,928
Interest expense on lease liabilities	78,324	86,616
	121,198	112,628
	111,419	100,360

12 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Current income tax		
– Mainland China taxation	21,522	11,078
– Under/(over)-provisions in prior years	153	(40)
Deferred income tax		
– Temporary differences	(13,459)	8,540
	8,216	19,578

Taxation has been provided at the 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 2023 and 2022.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2022: 25%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2023 (2022: Nil).

14 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 31 December	
	2023	2022
Profit/(loss) attributable to shareholders of the Company (HK\$'000)	1,657	(166,118)
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings/(loss) per share (HK\$ per share)	0.001	(0.099)

(b) Diluted

Diluted earnings/(loss) per share for the six months ended 31 December 2023 and 2022 are equal to basic earnings/(loss) per share as there was no dilutive potential ordinary share in issue.

15(a) PROPERTY, PLANT AND EQUIPMENT

For the six months ended 31 December 2023, the Group had additions of property, plant and equipment of approximately HK\$64,526,000 (2022: HK\$28,177,000) and disposals of property, plant and equipment with carrying amount of approximately HK\$83,000 (2022: HK\$1,403,000).

15(b) RIGHT-OF-USE ASSETS

	Prepaid leasehold land HK\$'000	Buildings, plant and machinery and others HK\$'000	Total HK\$'000
As at 1 July 2023	627,256	1,754,962	2,382,218
Lease modification	–	155,931	155,931
Derecognition	–	(40,097)	(40,097)
Depreciation	(11,751)	(123,237)	(134,988)
Transfer from finance lease receivables	–	3,106	3,106
Translation differences	10,146	28,857	39,003
As at 31 December 2023 – Unaudited	625,651	1,779,522	2,405,173
As at 30 June 2023 – Audited	627,256	1,754,962	2,382,218

15(c) IMPAIRMENT TESTS FOR PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Property, plant and equipment and right-of-use assets are allocated to the Group's CGUs identified. For the purpose of impairment test, the recoverable amounts of CGUs is determined based on the higher of fair value less costs of disposal and value in use calculation.

The recoverable amounts of property, plant and equipment and right-of-use assets were determined either:

- (i) by way of cash flow projections based on financial estimates covering a period over the lease term and a post-tax discount rate; or
- (ii) with reference to the latest valuation of the corresponding properties by an independent professional valuer.

The key assumptions used in the impairment assessment, where discounted cash flow model was adopted, are annual gross revenue growth rate, gross margin ratios and discount rate which are based on management's best estimates and reflect specific risks relating to the relevant businesses.

The key assumptions used in the impairment assessments, with reference to the latest independent valuation of the underlying properties of the CGUs, are capitalisation rates, prevailing market rents and estimated transaction costs of disposal. The capitalisation rates adopted in the valuation 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.

15(c) IMPAIRMENT TESTS FOR PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

No impairment loss on property, plant and equipment and right-of-use assets was recognised for the six months ended 31 December 2023. For the six months ended 31 December 2022, impairment loss of approximately HK\$3,515,000 was made on property, plant and equipment and right-of-use assets to reflect management's latest plan for one department store in light of the latest market environment and the management's assessment on the business prospect thereof. The impairment loss recognised represented the difference between the carrying amounts of property, plant and equipment and right-of-use assets of the CGU and their estimated recoverable amounts.

If the annual gross revenue had been 15% (2022: 15%) lower than management's current estimates, there would have been impairment losses of approximately HK\$121,218,000 (2022: HK\$55,540,000).

If the gross margin ratios had been 1% (2022: 1%) lower than management's current estimates, there would have been impairment losses of approximately HK\$1,198,000 (2022: HK\$148,000).

If the discount rate had been 0.5% (2022: 0.5%) higher than management's current estimates, there is no material adverse impact to the condensed consolidated financial information (2022: same).

If the valuation of the corresponding properties has been 1% (2022: 3%) lower with all other variables held constant, there is no material adverse impact to the condensed consolidated financial information (2022: same).

16 INVESTMENT PROPERTIES

During the six months ended 31 December 2023, the Group had additions of investment properties of approximately HK\$5,950,000 (2022: HK\$1,080,000).

As at 31 December 2023, certain investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory 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

As at 31 December 2023, goodwill allocated to CGUs of the department store business and CGUs of the property investment business was approximately HK\$798,663,000 and HK\$235,551,000 respectively. For the purpose of impairment test, the recoverable amount of each CGU is determined based on the higher of fair value less costs of disposal and value in use calculations. The recoverable amounts of CGUs of the department store business and CGUs of the property investment business are measured using the discounted cash flow projections and the valuation of the corresponding properties respectively.

The cash flow projections are based on financial estimates covering a five-year period and a post-tax discount rate. Cash flows beyond the five-year period are extrapolated using the estimated growth rates, where applicable.

The key assumptions on average annual gross revenue growth rate, gross margin ratios, discount rate and long term growth rate used in the cash flows projections as at 31 December 2023 are based on management's best estimates and reflect specific risks relating to the relevant business.

The key assumptions used in the impairment assessments, with reference to the latest independent valuation of the underlying properties of the CGUs, are capitalisation rates, prevailing market rents and estimated transaction costs of disposal. The capitalisation rates adopted in the valuation 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.

For the six months ended 31 December 2023 and 2022, no impairment loss on intangible assets was recognised.

If the annual gross revenue had been 15% (2022: 15%) lower than management's current estimates, there would have been impairment losses of approximately HK\$538,020,000 (2022: HK\$489,338,000).

If the gross margin ratios had been 1% (2022: 1%) lower than management's current estimates, there would have been impairment losses of approximately HK\$79,081,000 (2022: HK\$82,402,000).

If the discount rate had been 0.5% (2022: 0.5%) higher than management's current estimates, there would have been impairment losses of approximately HK\$51,863,000 (2022: HK\$61,627,000).

If the valuation of the corresponding properties in relation to the goodwill allocated to CGUs of the property investment business has been 1% (2022: 1%) lower with all other variables held constant, there is no material adverse impact to the condensed consolidated financial information (2022: same).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 INVENTORIES

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Finished goods	76,893	79,045

The cost of inventories recognised as expense and included in “purchases of and changes in inventories, net” amounted to approximately HK\$151,334,000 (2022: HK\$171,202,000), which included reversal of inventory write-down, net of approximately HK\$191,000 (2022: HK\$277,000).

19 DEBTORS

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Debtors	40,842	27,549
Less: loss allowance	(7,498)	(6,799)
Debtors, net	33,344	20,750

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 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Within period for		
0–30 days	29,717	15,012
31–60 days	722	477
61–90 days	323	64
Over 90 days	2,582	5,197
	33,344	20,750

The individually impaired receivables mainly relate to tenants, which are in unexpectedly difficult economic situations.

The debtors were primarily denominated in Renminbi (“RMB”).

20 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES, RELATED COMPANIES AND ULTIMATE HOLDING COMPANY

As at 31 December 2023 and 30 June 2023, the balances with fellow subsidiaries and related companies were unsecured, interest free, repayable on demand and denominated in RMB.

As at 31 December 2023, the amounts due to ultimate holding company included a balance of HK\$79,704,000 (30 June 2023: HK\$79,995,000) which was unsecured, interest free, repayable on demand and denominated in United States dollars ("USD"), and a balance of HK\$2,000,000 (30 June 2023: HK\$2,000,000) which was unsecured, interest free, repayable on demand and denominated in HK\$.

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 a Director.

21 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 2022 and 2023 (audited) and 31 December 2022 and 2023 (unaudited)	1,686,145	168,615

22 RESERVES

	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve (Note) HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 July 2023	1,826,646	376,891	391,588	544,856	(232,234)	298,654	3,206,401
Profit for the period	-	-	-	-	-	1,657	1,657
Translation differences	-	-	-	-	55,429	-	55,429
Release of exchange reserve upon deregistration of subsidiaries	-	-	-	-	10,978	-	10,978
Transfer to statutory reserve	-	-	-	671	-	(671)	-
As at 31 December 2023 - Unaudited	1,826,646	376,891	391,588	545,527	(165,827)	299,640	3,274,465

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 RESERVES (continued)

	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve (Note) HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 July 2022	1,826,646	371,034	391,588	538,264	81,011	626,098	3,834,641
Loss for the period	–	–	–	–	–	(166,118)	(166,118)
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties, net of tax	–	5,824	–	–	–	–	5,824
Translation differences	–	–	–	–	(183,789)	–	(183,789)
Transfer to statutory reserve	–	–	–	3,310	–	(3,310)	–
As at 31 December 2022 – Unaudited	1,826,646	376,858	391,588	541,574	(102,778)	456,670	3,490,558

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.

23 BORROWINGS

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Unsecured bank loans	765,997	699,495
Shareholder loans	713,000	713,000
	1,478,997	1,412,495

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 BORROWINGS (continued)

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

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
HK\$	1,412,854	1,412,495
RMB	66,143	–
	1,478,997	1,412,495

Shareholder loans from ultimate holding company are interest-bearing at Hong Kong Interbank Offered Rate plus 1.1% (30 June 2023: 1.1%) per annum, unsecured and repayable within one year.

The average effective interest rates of the borrowings are analysed as follows:

	Unaudited As at 31 December 2023	Audited As at 30 June 2023
Borrowings denominated in HK\$	5.94%	3.93%
Borrowings denominated in RMB	3.15%	–

As at 31 December 2023, bank loans of approximately HK\$699,854,000 (30 June 2023: HK\$699,495,000) were guaranteed by ultimate holding company.

The contractual repricing dates or maturity dates (whichever is earlier) of the interest-bearing borrowings are as follows:

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Within six months	1,412,854	1,412,495
In the seventh month to one year	66,143	–
	1,478,997	1,412,495

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 CREDITORS

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

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Within period for		
0–30 days	559,275	418,986
31–60 days	104,161	135,816
61–90 days	11,672	22,562
Over 90 days	41,167	84,062
	716,275	661,426

The creditors were primarily denominated in RMB.

Creditors included amounts due to related companies of approximately HK\$44,792,000 (30 June 2023: HK\$41,600,000) which were unsecured, interest free and repayable within 90 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 LEASE LIABILITIES

Lease liabilities were measured at the present value of the remaining leases payments, discounted at the Group's incremental borrowing rate, and the aggregate effect is as follows:

	HK\$'000
As at 1 July 2023	3,126,510
Derecognition	(51,130)
Lease payments made during the period	(303,986)
Lease modification	157,640
Interest expenses on lease liabilities	78,324
Translation differences	49,573
As at 31 December 2023 – Unaudited	3,056,931
Of which are:	
Current lease liabilities	563,833
Non-current lease liabilities	2,493,098
	3,056,931
As at 30 June 2023 – Audited	3,126,510
Of which are:	
Current lease liabilities	625,597
Non-current lease liabilities	2,500,913
	3,126,510

Lease liabilities included lease liabilities to fellow subsidiaries and related companies of approximately HK\$210,689,000 (30 June 2023: HK\$57,632,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 FINANCE LEASE RECEIVABLES

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Finance lease receivables	375,231	373,530
Unguaranteed residual values	32,207	31,000
Gross investment in finance leases	407,438	404,530
Less: unearned finance income	(34,297)	(37,306)
Net investment in finance leases	373,141	367,224
Less: accumulated allowance for impairment	(1,317)	(1,373)
Finance lease receivables – net	371,824	365,851
Of which are:		
Current finance lease receivables	87,231	75,238
Non-current finance lease receivables	284,593	290,613
	371,824	365,851

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings at the end of each reporting period:

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Gross investment in finance leases		
Within one year	103,187	91,201
In the second to fifth year	255,865	258,653
After the fifth year	48,386	54,676
	407,438	404,530

The effective interest rate applied to the finance lease receivables was 4.9% (30 June 2023: 4.9%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Unlisted securities, at fair value	66,252	66,494

The financial assets were denominated in USD.

28 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital commitments in respect of investment properties, property, plant and equipment and right-of-use assets of the Group at the end of the reporting period are as follows:

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Contracted but not provided for	43,718	72,670

(b) Operating lease receivables

The future minimum rental receivable by the Group under non-cancellable operating leases are as follows:

	Unaudited As at 31 December 2023 HK\$'000	Audited As at 30 June 2023 HK\$'000
Within one year	420,963	373,514
In the second to fifth year	517,350	508,392
After the fifth year	33,203	31,143
	971,516	913,049

The contingent operating lease rental income of the Group for the six months ended 31 December 2023 was approximately HK\$19,327,000 (2022: HK\$32,722,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to those disclosed elsewhere in this condensed consolidated financial information, the following is a summary of significant related party transactions during the six months ended 31 December 2023 carried out by the Group in the normal course of its business:

	Notes	Unaudited Six months ended 31 December	
		2023 HK\$'000	2022 HK\$'000
Fellow subsidiaries			
Rental expenses	(i)	(7,825)	(9,111)
Building management expenses	(ii)	(2,863)	(2,986)
Interest expense on lease liabilities	(iii)	(95)	(48)
Insurance expenses	(iv)	(33)	(39)
Other service fee expenses	(v)	(3)	(15)
Rental income	(viii)	115	–
Additions to right-of-use assets	(ix)	(679)	–
Related companies			
Rental expenses	(i)	(25,800)	(21,331)
Building management expenses	(ii)	(11,714)	(12,839)
Interest expense on lease liabilities	(iii)	(6,129)	(1,872)
Insurance expenses	(iv)	(101)	(80)
Other service fee expenses	(v)	(4)	(3)
Commission income from concessionaire sales	(vi)	15,011	16,098
Rebates on prepaid shopping cards and vouchers	(vii)	–	43
Additions to right-of-use assets	(ix)	(157,610)	–
Customer loyalty programme service income	(x)	283	176
Customer loyalty programme service cost	(x)	(2,156)	(521)
Purchase of leasehold improvement	(xi)	(14,273)	–

Notes:

- (i) The rental expenses were charged in accordance with respective lease agreements with the subsidiaries/joint ventures of NWD and accounted for in accordance with accounting policy of leases for short-term leases and turnover rent under HKFRS 16.
- (ii) The building management expenses were charged at fixed monthly amounts in accordance with respective contracts with the subsidiaries/joint ventures of NWD or members of companies controlled by Mr. Doo.
- (iii) Interest expense on lease liabilities related to lease agreements with the subsidiaries/joint ventures of NWD was charged at the relevant incremental borrowing rates.
- (iv) This represented the insurance services provided by the subsidiaries of NWS Holdings Limited or members of companies controlled by Mr. Doo.
- (v) This represented other services provided by the subsidiaries of NWD or members of the companies controlled by Mr. Doo.

29 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes (continued):

- (vi) The income was 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.
- (vii) This represented rebates offered by CTFJ Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and CTFJ Group.
- (viii) The income was charged in accordance with lease agreements with the subsidiaries of NWD.
- (ix) Additions to right-of-use assets were measured in accordance with respective lease agreements with the subsidiaries/joint ventures of NWD.
- (x) This represented the service income from/costs to a joint venture of NWD.
- (xi) This represented the purchase of leasehold improvement in respect of a department store. Such fee was charged in accordance with the terms of respective contract with members of the companies controlled by Mr. Doo.

(b) Related party balances

The details for balances with related parties are disclosed in Notes 20, 23, 24 and 25 to this condensed consolidated financial information. Accruals and other payables included interest payable of shareholder loans of approximately HK\$92,375,000 (30 June 2023: HK\$70,785,000).

(c) Repayment of lease liabilities to related parties

The repayment amount of lease liabilities to related parties were approximately HK\$15,096,000 during the six months ended 31 December 2023 (2022: HK\$14,923,000).

(d) Key management remuneration

	Unaudited	
	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	8,234	11,166
Discretionary bonus	349	359
Retirement benefit costs – defined contribution plans	246	512
	8,829	12,037

30 ULTIMATE HOLDING COMPANY

The Directors regard NWD, a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, as being the ultimate holding company of the Company.

OTHER INFORMATION

INTERIM DIVIDEND

The board (the “Board”) of directors (the “Directors”) of New World Department Store China Limited (the “Company”) and its subsidiaries (collectively, the “Group”) has resolved not to declare an interim dividend for the six months ended 31 December 2023 (for the six months ended 31 December 2022: 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, risk management and internal controls. The Audit Committee consists of five independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal controls, the unaudited interim results and the unaudited condensed consolidated financial information of the Group for the six months ended 31 December 2023 and discussed the financial related matters with the management and the external auditor. The Audit Committee has also reviewed this interim report.

The unaudited interim results of the Group for the six months ended 31 December 2023 have been reviewed by the Company’s external 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 PRACTICES

The Board recognises the importance of corporate governance practices to a listed company. The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and stakeholders of the Company. The Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix C1 to the Listing Rules during the six months ended 31 December 2023.

The Company will continue to review and improve its corporate governance practices to ensure compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 2023.

The Company has also established written guidelines for relevant employees as required under code provision C.1.3 of the Corporate Governance Code. Relevant employees are subject to compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance with the written guidelines by such employees was noted by the Company during the six months ended 31 December 2023.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2023, the total number of employees of the Group was 2,011 (2022: 2,214). 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 Group's salary and incentives framework, which is reviewed annually.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

UPDATE ON DIRECTORS' INFORMATION

The changes in information of the Directors since the date of the Company's 2023 Annual Report which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Dr. Cheng Chi-kong, Adrian resigned as a non-executive director and a co-chairman of Meta Media Holdings Limited, a listed public company in Hong Kong, on 5 October 2023. He was appointed as the chair of the board of Hong Kong Academy for Wealth Legacy with effect from 14 November 2023. In addition, he was re-designated from an executive director to a non-executive director of NWS Holdings Limited, a listed public company in Hong Kong, with effect from 1 January 2024. And he was re-designated from the vice chairman and group chief executive officer of CTF Education Group to the vice chairman of CTF Education Group with effect from 19 February 2024.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares

Name	Nature of interest	Number of shares held	Approximate percentage of shareholding as at 31 December 2023
The Company (Ordinary shares of HK\$0.10 each)			
Ms. Xie Hui-fang, Mandy	Personal interest	177,000	0.01%
New World Development Company Limited (Ordinary shares)			
Dr. Cheng Chi-kong, Adrian	Personal interest	2,559,118	0.10%
Ms. Chiu Wai-han, Jenny	Personal interest	29,899	0.00%

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2023, 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:

Long positions in the shares of the Company

Name	Number of shares held			Approximate percentage of shareholding as at 31 December 2023
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	—	1,264,400,000	1,264,400,000	74.99%
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	—	1,264,400,000	1,264,400,000	74.99%
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	—	1,264,400,000	1,264,400,000	74.99%
Chow Tai Fook (Holding) Limited ("CTFH") ⁽⁴⁾	—	1,264,400,000	1,264,400,000	74.99%
Chow Tai Fook Enterprises Limited ("CTFE") ⁽⁵⁾	—	1,264,400,000	1,264,400,000	74.99%
New World Development Company Limited ("NWD")	1,218,900,000	45,500,000	1,264,400,000	74.99%

Notes:

- (1) CYTFH held 48.98% direct interest in CTFC and was accordingly deemed to have an interest in the shares of the Company deemed to be interested by CTFC.
- (2) CYTFH-II held 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares of the Company deemed to be interested by CTFC.
- (3) CTFC held 81.03% direct interest in CTFH and was accordingly deemed to have an interest in the shares of the Company deemed to be interested by CTFH.
- (4) CTFH held 100% direct interest in CTFE and was accordingly deemed to have an interest in the shares of the Company deemed to be interested by CTFE.
- (5) CTFE together with its subsidiaries held interest in more than one-third of the issued shares of NWD and was 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 2023, 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.

SHARE OPTION SCHEME

The previous share option scheme of the Company adopted on 12 June 2007 expired on 12 June 2017. A new share option scheme of the Company (the “Scheme”) has been approved by the Shareholders at an extraordinary general meeting of the Company on 26 June 2023.

Under the Scheme, the Directors may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for the shares of the Company.

Since the adoption of the Scheme and up to 31 December 2023, no options had been granted or agreed to be granted by the Company, and thus no options had been exercised, cancelled or lapsed under the Scheme.

Summary of the Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Scheme	The Scheme is designed primarily as a means of rewarding the performance of, and providing incentive, motivation or reward to certain eligible participants (the “Eligible Participant(s)”) for optimizing their performance or making contribution to the Group; attracting and retaining persons of the right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity and allowing the Eligible Participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.
Participants of the Scheme	Any director (including any executive director, non-executive director or independent non-executive director) and employee (whether full time or part time) of the Company or any of its holding companies, subsidiaries, fellow subsidiaries, associated companies or members of the Group.
Total number of shares of the Company available for issue under the Scheme and percentage of the total number of issued shares of the Company as at the date of this interim report	No share option has been granted or was outstanding during the six months ended 31 December 2023 under the Scheme and up to the date of this interim report. As such, the Company may grant share options to subscribe for 168,614,500 shares of the Company, representing 10% of the total number of issued shares of the Company as at the date of this interim report.
Maximum entitlement of each participant under the Scheme	Unless otherwise approved by the shareholders of the Company as required under the Scheme, the total number of shares issued and to be issued upon the exercise of the share options granted to each Eligible Participant (excluding any options and awards lapsed in accordance with the terms of the Scheme or any other schemes of the Company) in any 12-month period must not exceed 1% of the ordinary share capital of the Company in issue.
The period within which the share option may be exercised by the grantee under the Scheme	Subject to the vesting period as set out below, a share option may be exercised in accordance with the terms of the Scheme during the period as specified and notified by the Directors to the grantee for the whole or such parcel(s) of the shares subject to the share option, which shall be not more than ten years from the date of grant of share option (the “Date of Grant”).

Vesting period	<p>Save for the following circumstances or otherwise under the Scheme, the share options must be held for at least 12 months after the Date of Grant before it is vested and exercisable by the grantee.</p> <p>For Eligible Participants who are the director(s) and employee(s) of the Company and its subsidiaries, a shorter vesting period of less than 12 months may be adopted under any of the circumstances below:</p> <ul style="list-style-type: none"> (a) Grants of “make-whole” share options to new joiners to replace the share option or awards they forfeited when leaving the previous employers; (b) Grants of share options to a participant whose employment is terminated due to death or disability or occurrence of any out of control event; (c) Grants of share options that are made in batches during a year for administrative and compliance reasons; (d) Grants of share options with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months; or (e) Grants of share options with a total vesting and holding period of more than 12 months.
The amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be paid	<p>HK\$10 is payable as consideration for the grant of share option within the acceptable period of the share option, being 14 days from the date of offer.</p>
The basis of determining the exercise price	<p>The price per share payable on the exercise of a share option as determined by the Directors must be at least the higher of: (i) the closing price of the share as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant, which must be a day on which shares are traded on the Stock Exchange for a minimum of three hours (“Dealing Day”); (ii) the average closing price of the share as stated in the Stock Exchange’s daily quotations sheets for the five Dealing Days immediately preceding the Date of Grant or (where applicable) such price as from time to time adjusted pursuant to the Scheme; and (iii) the nominal value of the share.</p>
The remaining life of the Scheme	<p>The Scheme shall be valid and effective for a period of ten years commencing from the date of adoption, being 26 June 2023.</p>

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Chi-kong, Adrian SBS JP (*Chairman*)
Ms. Chiu Wai-han, Jenny

Executive Directors

Ms. Xie Hui-fang, Mandy (*Chief Executive Officer*)
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
Ms. Ho Pui-yun, Gloria

COMPANY SECRETARY

Mr. Chan Paul Hon Yin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

SOLICITORS

Eversheds Sutherland
Woo Kwan Lee & Lo
Dentons Hong Kong LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, 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

China Construction Bank
Hang Seng Bank
Industrial and Commercial Bank of China
Mizuho Bank

STOCK CODE

Hong Kong Stock Exchange 825

INFORMATION FOR INVESTORS

For more information about the Group, please contact the Corporate Affairs Department of the Company at:

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Tel: (852) 2753 3988
Fax: (852) 2318 0884
e-mail: shmocad@nwds.com.cn

WEBSITE

www.nwds.com.hk

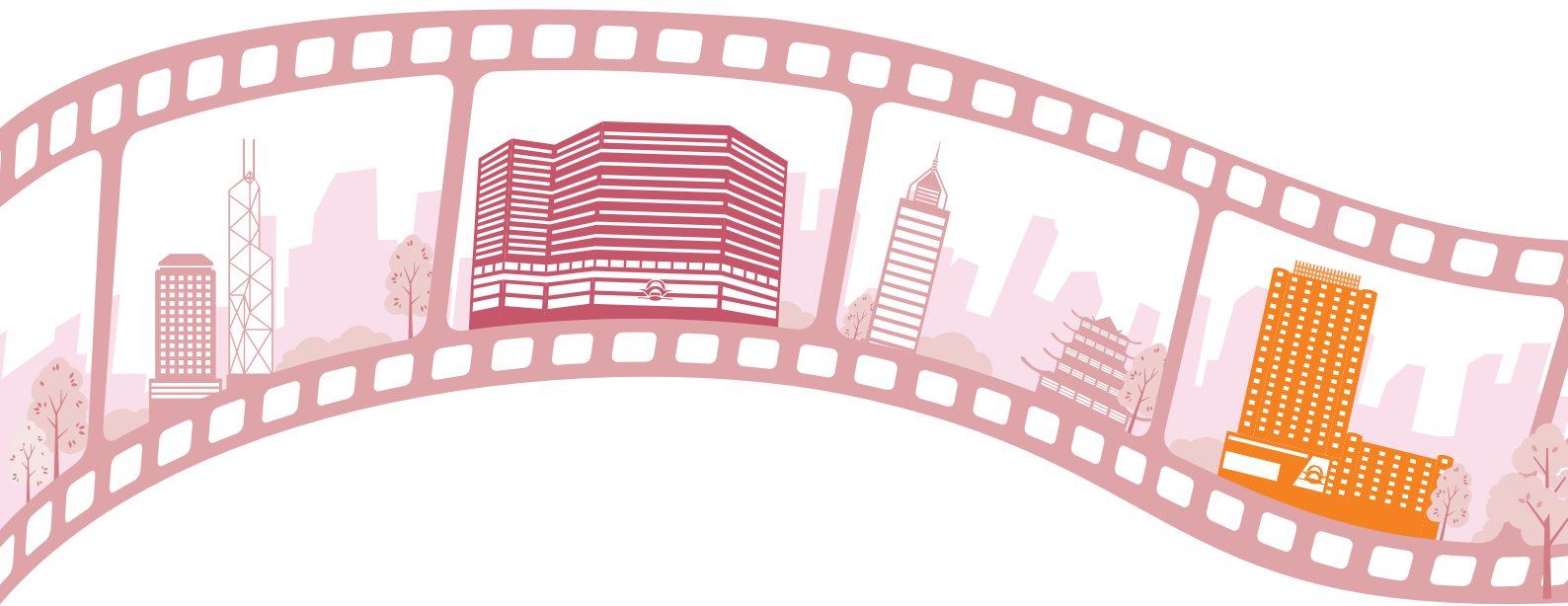


Chinese Version

The Chinese version of this Report is available from New World Department Store China Limited upon request.

If there is any inconsistency or contradiction between the English and the Chinese versions, the English version shall prevail.

English names of brands and events in this Report are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.



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

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 825)

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Website



WeChat



Weibo

