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

INTERIM RESULTS ANNOUNCEMENT 2009/2010

HIGHLIGHTS ON INTERIM RESULTS

Same store sales[(1)] ("**SSS**") growth at 2.7%.

Revenue improved to HK$988.6 million, an increase of 11.8%, compared to HK$883.9 million of the same period of Previous Year.

Operating profit before interest income on bank deposits improved to HK$334.6 million, an increase of 19.3%, compared to HK$280.5 million of the same period of Previous Year.

Operating profit including interest income on bank deposits improved to HK$352.7 million, an increase of 8.8%, compared to HK$324.3 million of the same period of Previous Year.

Profit for the period before interest income on bank deposits improved to HK$253.9 million, an increase of 18.3%, compared to HK$214.7 million of the same period of Previous Year.

Profit for the period including interest income on bank deposits improved to HK$272.0 million, an increase of 5.2%, compared to HK$258.6 million of the same period of Previous Year.

Interim dividend of HK$0.08 per share.

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

The board of directors (the "Board" or "Directors") of New World Department Store China Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 31 December 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	Unaudited
		Six months ended 31 December	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**988,581**	883,899
Other income	*5*	**28,621**	61,995
Other gain	*6*	**–**	16,717
Purchases of and changes in inventories		**(198,034)**	(116,008)
Employee benefit expense		**(112,466)**	(139,667)
Depreciation and amortisation		**(93,457)**	(82,236)
Operating lease rental expense		**(166,844)**	(157,048)
Other operating expenses, net	*7*	**(93,699)**	(143,304)
Operating profit		**352,702**	324,348
Share of loss of an associated company		**(203)**	–
Profit before income tax		**352,499**	324,348
Income tax expense	*8*	**(80,485)**	(65,756)
Profit for the period		**272,014**	258,592
Attributable to equity holders of the Company		**272,014**	258,592
Dividend	*9*	**134,892**	134,892
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK$ per share)			
-Basic and diluted	*10*	**0.16**	0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	Unaudited
	Six months ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Profit for the period	**272,014**	258,592
Fair value gain on available-for-sale financial assets	**10,214**	759
Translation differences	**42**	6,339
Other comprehensive income for the period, net of tax	**10,256**	7,098
Total comprehensive income for the period	**282,270**	265,690
Total comprehensive income attributable to equity holders of the Company	**282,270**	265,690

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 31 December 2009 *HK$'000***	Audited As at 30 June 2009 *HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**1,241,461**	1,225,977
Land use rights		**753,706**	764,928
Goodwill		**172,435**	172,435
Investment in an associated company		**–**	203
Other non-current assets	*11*	**534,188**	386,830
Long-term prepaid rent and rental deposits		**105,440**	99,595
Available-for-sale financial assets		**119,169**	108,955
Deferred income tax assets		**32,727**	31,052
		2,959,126	2,789,975
Current assets			
Inventories		**60,332**	53,448
Debtors	*12*	**129,131**	14,354
Prepayments, deposits and other receivables		**479,329**	489,555
Amount due from an associated company		**676**	690
Amounts due from fellow subsidiaries		**31,115**	27,363
Fixed deposits		**846,202**	737,529
Cash and cash equivalents		**2,567,477**	2,185,992
		4,114,262	3,508,931
Total assets		**7,073,388**	6,298,906
Equity			
Share capital		**168,615**	168,615
Reserves		**4,297,959**	4,142,776
Interim dividend		**134,892**	–
Proposed final dividend		**–**	118,030
		4,601,466	4,429,421
Liabilities			
Non-current liabilities			
Accruals and deferred income		**298,096**	282,960
Deferred income tax liabilities		**153,628**	154,601
		451,724	437,561

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**Unaudited As at 31 December 2009** *HK$'000*	Audited As at 30 June 2009 *HK$'000*
Current liabilities			
Creditors, accruals and other payables	*13*	**1,949,881**	1,377,040
Amounts due to fellow subsidiaries		**5,098**	6,432
Tax payable		**65,219**	48,452
		2,020,198	1,431,924
Total liabilities		**2,471,922**	1,869,485
Total equity and liabilities		**7,073,388**	6,298,906
Net current assets		**2,094,064**	2,077,007
Total assets less current liabilities		**5,053,190**	4,866,982

NOTES

1 General information

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

The Group is engaged in department store operations in Mainland China.

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

This condensed consolidated financial information are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the board of directors on 15 March 2010.

2 Basis of preparation

This condensed consolidated financial information for the six months ended 31 December 2009 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Accounting policies

Except as described below, the accounting policies are consistent with those of the annual financial statements for the year ended 30 June 2009, as described in those annual financial statements.

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

The following new or revised standards, amendments to standards and interpretations are mandatory for the first time for the accounting period beginning 1 July 2009:

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

3 Accounting policies (Continued)

The adoption of these new or revised standards, amendments and interpretations has no material impact on how the results for the current and/or prior accounting period are prepared and presented, except for the following:

HKAS1 (Revised) prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income have been prepared under these revised disclosure requirements.

HKFRS 7 Amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make relevant disclosures in the consolidated financial statements for the year ended 30 June 2010.

HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that make strategic decisions.

The following new or revised standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendment	Classification of Right Issues
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

4 Revenue and segment information

The chief operating decision-maker has been identified as the board of directors ("CODM"). 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 the Group has a single operating and reportable segment – the operation and management of department stores. All revenue is generated in Mainland China and all significant operating assets of the Group are in Mainland China.

4 **Revenue and segment information (Continued)**

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**575,787**	573,257
Sales of goods-direct sales	**271,757**	152,745
Management fees	**82,804**	108,689
Rental income	**58,233**	49,208
	988,581	883,899

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**2,966,763**	2,892,034
Commission income from concessionaire sales	**575,787**	573,257

5 **Other income**

	Unaudited	Unaudited
	Six months ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Interest income on bank deposits	**18,108**	43,890
Government grants	**2,532**	6,405
Other commission income	**2,066**	3,441
Sundries	**5,915**	8,259
	28,621	61,995

6 **Other gain**

	Unaudited	Unaudited
	Six months ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Fair value gain of financial assets at fair value through profit or loss	**–**	16,717

7 Other operating expenses, net

	Unaudited	Unaudited
	Six months ended	
	31 December	
	2009	2008
	HK$'000	*HK$'000*
Water and electricity	**56,850**	51,592
Promotion, advertising and related expenses	**27,681**	38,545
Net exchange losses	**975**	6,866
Share-based payments	**1,966**	3,912
Auditor's remuneration	**2,027**	1,733
Loss on disposal of property, plant and equipment	**789**	305
Provision for management fee receivables	**–**	17,857
Others	**3,411**	22,494
	93,699	143,304

8 Income tax expense

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

	Unaudited	Unaudited
	Six months ended	
	31 December	
	2009	2008
	HK$'000	*HK$'000*
Current income tax		
–Mainland China taxation	**82,925**	71,093
Under/(over) provision in prior years	**208**	(5,702)
Deferred income tax	**(2,648)**	365
	80,485	65,756

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2008: 16.5%) on the estimated assessable profit for the period.

Mainland China enterprise income tax ("EIT") or foreign enterprise income tax ("FEIT") is provided on the basis of the profit for statutory financial reporting purpose. The applicable EIT or FEIT rate for the subsidiaries of the Group in Mainland China is 25% (six months ended 31 December 2008: 25%).

9 Dividend

	Unaudited	Unaudited
	Six months ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Interim dividend of HK$0.08 (2008: HK$0.08) per share	**134,892**	134,892

10 Earnings per share

(a) Basic

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2009	2008
Profit attributable to the equity holders of the Company (HK$'000)	**272,014**	258,592
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.16**	0.15

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the six months ended 31 December 2008 and 2009, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

11 Other non-current assets

Balance mainly represents the following transactions:

(a) On 7 July 2008, Wuhan New World Department Store Co., Ltd., a wholly-owned subsidiary of the Company entered into an agreement with a third party to acquire a building and land use rights located in Zhengzhou City. As at 31 December 2009, the Group has made progress payment of approximately HK$268,336,000 (30 June 2009: HK$214,471,000) in connection with such acquisition.

(b) On 25 July 2008, Shenyang New World Department Store Co., Ltd., a wholly-owned subsidiary of the Company, entered into agreements with a third party to acquire a building, land use rights and right of use of carpark located in Shenyang. As at 31 December 2009, the Group has made progress payment of approximately HK$194,473,000 (30 June 2009: HK$145,748,000) in connection with such acquisition.

12 Debtors

	Unaudited **As at** **31 December 2009** ***HK$'000***	Audited As at 30 June 2009 *HK$'000*
Trade receivables	**146,458**	38,307
Less: Provision for impairment of receivables	**(17,327)**	(23,953)
	129,131	14,354

The Group grants credit terms within 60 days in majority, based on the invoice date.

Aging analysis of the debtors is as follows:

	Unaudited **As at** **31 December 2009** ***HK$'000***	Audited As at 30 June 2009 *HK$'000*
Within period for		
0-30 days	**103,356**	11,797
31-60 days	**25,773**	965
61-90 days	**2**	707
Over 90 days	**17,327**	24,838
	146,458	38,307

13 Creditors, accruals and other payables

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

	Unaudited **As at** **31 December 2009** ***HK$'000***	Audited As at 30 June 2009 *HK$'000*
Within period for		
0-30 days	**622,182**	350,772
31-60 days	**416,713**	247,754
61-90 days	**96,885**	64,048
Over 90 days	**149,947**	137,562
	1,285,727	800,136

BUSINESS REVIEW

The Group's revenue increased by 11.8% from HK$883.9 million for the six months ended 31 December 2008 (or "1HFY2009" or "the same period of Previous Year") to HK$988.6 million for the six months ended 31 December 2009 (or "1HFY2010" or "the Current Period"). Profit for the period grew 5.2% from HK$258.6 million in 1HFY2009 to HK$272.0 million in 1HFY2010.

Business Network

In 1HFY2010, the Group operated 33 department stores, with a total gross floor area ("GFA") of about 1,068,330 square metres and a total operating floor area ("OFA") of about 807,500 square metres. Located in five operational regions, namely Northeastern China, Northern China, Eastern China, Central China and Southwestern China, the stores covered 17 major cities in the PRC. These included Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing and Taizhou. Our business network comprised 22 self-owned stores and 11 managed stores.

Revenue Contribution

By region

The Central China Region contributed the most to the Group's revenue during the period under review, accounting for 32.5% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 29.0% and 21.0%, respectively.

By segment

Commission income from concessionaire sales was the major type of income, accounting for 58.2% of total revenue. Proceeds from direct sales and management fees accounted for 27.5% and 8.4%, respectively. Rental income accounted for 5.9%.

Growth in Nationwide VIP Membership

During the period under review, the membership for both VIP card and platinum VIP card maintained a continual rise. Total combined VIP membership nationwide registered a 16% increase year-on-year, numbering in excess of 1.77 million. VIP sales accounted for about 45% of total sales. Holders of co-branded credit card increased to about 490,000 within the period, up 5% year-on-year.

Store Network Development

The Group activated the corporate rebranding program around the PRC on 9 September 2009 from Shenyang in the Northeastern China Region. Stores in the city pioneered with operational modes of "Fashion Gallery" and "Living Gallery" in order to cultivate a broad customer base through differentiated marketing.

Following the rebranding program, Shenyang New World Department Store – Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store") and Shenyang New World Department Store – Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store") each operated under a distinct theme. As a "Fashion Gallery", Shenyang Nanjing Street Branch Store highlighted international brands and introduced popular, trendy products and exclusive designer labels. To reinforce its market leadership as the landmark of trendy living in Shenyang, it also enhanced its VIP services with exclusive benefits.

Shenyang Zhonghua Road Branch Store operated as a "Living Gallery" for one-stop shopping, with its facilities area doubled to 20% of GFA and a multi-purpose Event Hall was introduced for regular staging of a diversity of promotions.

In the period under review, the Shenyang stores also reformed their in-store signage, relaxation areas, washrooms and VIP lounges, hence embellishing the overall shopping ambience. The "Fashion Gallery" was established as the hub of trends in the locality and the "Living Gallery", the choice destination for family fun and leisure.

Operational Strategy

In the period under review, we had formulated growth strategies for the short to medium-and-longer term that were timely and appropriate to the circumstance to ensure steady, satisfactory profits for the Group.

As a short-term strategy, the Group set up separate task groups for stores which had been running for over eight years. Aimed at ensuring sustained growth and enhancing profitability for mature stores, such task groups would undertake a comprehensive reappraisal of and carry out reform on the merchandise mix, marketing strategy, VIP maintenance and overall positioning of individual stores.

Besides, to increase overall operational efficacy, the Group arranged special study tours to Japan for management and department heads. Taking hints from the successes of our counterparts in Japan, we planned for introduction of fresh shopping ambience across our network. By deploying sensory marketing strategy that appealed to the sight, hearing, smell, touch and taste; and by adding humanized services, we aimed to enhance traffic retention in-store.

For the medium-to-long term development, the Group will continue to thrive on the new operational concepts of "fashion style" and "living style". All stores will be reformed gradually into Living Galleries and Fashion Galleries.

Following the launching of rebranding program in Shenyang of the Northeastern China Region in Sept 2009, the rebranding program will continue in the Eastern China Region and Northern China Region in 2010. The Central China Region and Southwestern China Region will follow suit in 2011. The whole rebranding program is expected to complete in 2011.

The stores will carry out rebranding gradually in three phases. In the first phase, they will readjust their merchandise mix. For Fashion Galleries, for instance, we will introduce trendy brands and exclusive brands, along with "category killers" consistent with the thematic positioning of individual stores. For Living Galleries, the emphasis is on the strengthening of dining, entertainment and leisure facilities and services and the addition of multi-purpose Event Halls. In the second phase, in-store signage and display will be re-configured. In the third phase, interior decoration and shopping ambience will be refreshed.

Besides, the Group will continue to use effective, proven practices of market research, such as *Bestselling Brand Chart*, *New Product Highlight* and *Supplier Update*. They can keep us posted on all the hot brands and ensure that the most popular and potentially bestselling new brands are available at our stores to offer fresh experiences to visiting customers and to stimulate sales.

In addition, to capitalize on our nationwide presence, we continued to optimize regional resources and expand the scope of direct sales of goods. We reported continual growth in both store area and product variety in direct sales in the period reported. The rising proportion of this segment to concessionaire sales underscored our efforts in developing direct sales operation.

Concurrently, the Group maintained sound collaboration with existing suppliers while cultivating partnership with new ones rich with market potential. Over the years, we had been strengthening interaction and deepening collaboration with quality suppliers through *Top 150 Brands Retainer Scheme, Strategic Partnership Scheme* and *New World Net*. Starting October 2009, the Group regularly issued *Electronic News for New World Suppliers*, which promptly updated suppliers on our corporate developments. By promoting sound communication and collaboration we forged a win-win scenario in the long run.

Expansion Strategy

The Group has formulated a set of comprehensive growth strategies for the long run. Through opening new stores, acquiring existing managed stores and promising stores and pursuing greenfield projects, we seek to expand our business network.

The Group will continue to set up new self-owned stores in line with two main criteria. First, we will look for new sites in prime locations of cities with either a booming economy or good growth prospect. Second, we will pursue regional growth by implementing expansion strategies of "multiple stores in a single city" and "radiation cities" in various core growth cities within our operational regions. These include Wuhan in Central China Region, Shenyang in Northeastern China Region, Beijing in Northern China Region, Shanghai in Eastern China Region and Chengdu in Southwestern China Region.

Take Shanghai in the Eastern China Region as an example, since the opening of the first store in the prosperous Huaihai Road in 2001, the Group had made inroads into key business districts in the city. Optimistic about the prospect of the emergent Baoshan community zone and the opportunities arising from the Shanghai World Expo in the vicinity of Pudong New District, we would open the eighth and ninth stores in Shanghai, namely Shanghai-Hong Kong New World Department Store – Baoshan Branch Store ("Shanghai Baoshan Branch Store") and Shanghai-Hong Kong New World Department Store – Chengshan Branch Store ("Shanghai Chengshan Branch Store"). With a GFA of about 39,000 square metres, Shanghai Baoshan Branch Store had commenced operation in January 2010. Measuring about 38,000 square metres in GFA, Shanghai Chengshan Branch Store was scheduled for opening within 2010. Both stores were planned as "Living Gallery" offering one-stop shopping.

To further reinforce our market leadership in Beijing in the Northern China Region, the Group planned to open the fourth Beijing store in Chongwen District in 2010, namely Beijing Shishang New World Department Store ("Beijing Shishang Store"). Measuring about 40,000 square metres in GFA, it would be the first "feminine club" department store in Beijing. Along with Beijing New World Department Store ("Beijing Store"), a store positioned as a "Living Gallery" and located in the same commercial zone, both stores would pursue differentiated marketing in tandem.

In the Northeastern China Region, having established our presence in the Taiyuan Street commercial zone, the Group planned to enter the market in the prosperous Zhong Street business district by setting up Shenyang New World Department Store – Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store"). With a GFA of about 32,500 square metres, it is expected to commence operation in 2011.

In the Central China Region, our business will expand from Wuhan in Hubei to the hugely promising Zhengzhou city in Henan. There we planned to construct Zhengzhou New World Department Store ("Zhengzhou Store"), with a GFA of about 35,500 square metres, for opening in 2011. The Group fully capitalized on the "radiation cities" strategy to minimize the risks associated with entering new markets and to achieve intra-regional synergy in strengthening the competitive advantage for our stores in the Central China Region.

Though the gloom of the 2009 financial tsunami has yet to dissipate, the Group remains steadfast in our pace of opening two to three self-owned stores per fiscal year. Apart from confirmed projects for new stores, the Group will seize suitable opportunities to acquire managed stores and other acquisitions that are of great growth potentials. The target acquisition opportunities mainly lie in top-tier Chinese cities as well as second-and third-tier cities with good prospects of growth. While assessing potential acquisitions, we will base decisions on the targets' location, financial position and market reputation. Meanwhile, the Group will continue to pursue joint greenfield projects with New World China Land Limited, a fellow subsidiary of our parent company, and with other developers. We will partake in project planning to ensure full compatibility with the Group's operational strategy.

OUTLOOK

The world got by in 2009 overshadowed by the financial tsunami. Due to the drop in total annual export, the Chinese economy remained heavily battered, and confronted with numerous challenges in both domestic and international markets. Worse still, with unemployment rising and income falling, leading in turn to weak domestic consumption, the Chinese retail industry could be said to have undergone a really tough year.

With the global economy in the doldrums, governments strove to introduce a range of market rescue policies. China, likewise, had implemented a basket of measures to assure growth, adjust industry structure, expedite reform and enhance livelihood. Gradually reversing the slide in total annual turnover, China succeeded in hitting the 8% growth target in 2009 and stabilizing her economy throughout the year.

Despite such efforts, the outlook on the global economy in 2010 remains uncertain. Recovery in the international market is beset by latent worries as governments around the world plan to exit the market and withdraw their bailout funds. China has yet to face high unemployment as well as rising consumer prices and raw material costs, all of which are dampening Chinese citizens' confidence in the economic rebound.

Looking ahead, with the Government driving on with its economic stimulus package, one can expect stable growth in 2010. Despite big challenges in the operating environment, the Group remains confident that by capitalizing on experiences and strengths accumulated over more than 16 years, on our firm customer base, our sound reputation, and the nationwide corporate rebranding underway since 2009, we can outperform our counterparts amidst intense competition with a distinct profile and keep on enlarging our retail roadmap and maximizing returns for shareholders.

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$988.6 million in 1HFY2010 representing an increase of 11.8% from HK$883.9 million in 1HFY2009. The growth was primarily contributed from sales of goods for direct sales and rental income, which increased by 78.0% and 18.3% respectively from the same period of Previous Year.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 6.4% to HK$3,238.5 million in 1HFY2010 from HK$3,044.8 million for 1HFY2009. The increase was due to firstly, the increase in sales of goods for direct sales to HK$271.8 million in the Current Period from HK$152.7 million in the same period of Previous Year. The increase in sales of goods for direct sales of 78.0% was mainly contributed by sales promotion and the extension of various products to customers in the Current Period. Direct sales turnover was mainly comprised of ladieswear and menswear (approximately 36.1%), cosmetic products (approximately 31.9%), groceries, housewares and perishables (approximately 10.5%), accessories, handbags and underwears (approximately 9.2%). Gross profit margin of direct sales in the Current Period achieved 27.2% compared to 24.0% of the same period of Previous Year; secondly, the increase in gross revenue from concessionaire sales to HK$2,966.8 million in the Current Period from HK$2,892.0 million in the same period of Previous Year. Commission income rate, mainly resulting from various activities to promote sales in the Current Period, was 19.4% or 0.4% below the rate in the same period of Previous Year. In 1HFY2010, ladieswear and accessories made up approximately 57.6% of gross sales revenue. Menswear and accessories made up approximately 26.9% and kidswear, sportswear, watches, gifts and stationery largely made up the rest of gross sales revenue.

Management fees was HK$82.8 million in the 1HFY2010 showing a decrease from HK$108.7 million in 1HFY2009. The decrease was primarily a result of the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively and there was no contribution to the management fee in the Current Period as compared with the management fee for full period in the same period of Previous Year. Moreover, Beijing Liying Branch Store which was opened in September 2008 and contributed an one-off management fee prior to its opening in the same period of the Previous Year, had no one-off management fee contribution in the Current Period.

Rental income increased by 18.3% to HK$58.2 million in 1HFY2010 mainly due to the effect of recognizing a full period's operation of certain stores opened and acquired in FY2009.

Other income

Other income of the Group was HK$28.6 million in 1HFY2010 and primarily comprised interest income on bank deposits for HK$18.1 million in the Current Period compared with HK$43.9 million in the same period of Previous Year. The decrease was due to low deposit interest rates prevailing in the Current Period.

Other gain

The Group had no other gain in the Current Period while there was a fair value gain of HK$16.7 million of investment in Renhe Commercial Holdings Company Limited in the same period of Previous Year.

Purchases of and changes in inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It increased by 70.7% to HK$198.0 million in 1HFY2010 from HK$116.0 million for 1HFY2009. The percentage of increase was approximately in line with the increase in sales of goods for direct sales. Gross profit margin of direct sales in the Current Period was 27.2% which was 3.2% higher than 24.0% for the same period of Previous Year.

Employee benefit expense

Employee benefit expense decreased to HK$112.5 million in 1HFY2010 from HK$139.7 million in 1HFY2009. The improvement was primarily due to the decrease of employee share option expenses to HK$5.8 million in the Current Period from HK$11.3 million in the same period of Previous Year, the decrease in employee benefit expense as a result of disposal of Xiamen Store in May 2009 and the continuous efforts by management to carry out cost control measures in the Current Period. However, the improvement was partially offset by the increase in employee benefit expenses as a result of recognizing a full period's operation of Wuhan Hanyang Branch Store opened in November 2008, and the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively.

Depreciation and amortisation

Depreciation and amortisation expense increased to HK$93.5 million in 1HFY2010 from HK$82.2 million in 1HFY2009. The increase was primarily due to additional depreciation and amortization as a result of the capital expenditure for expansion of Harbin Store. The recognition of a full period's operations of Wuhan Hanyang Branch Store opened in November 2008 and the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively also contributed to the increase of depreciation and amortization in the Current Period.

Operating lease rental expense

Operating lease rental expense increased to HK$166.8 million in 1HFY2010 from HK$157.0 million in 1HFY2009, primarily due to the effect of recognising a full period's operations of Wuhan Hanyang Branch Store opened in November 2008, and the conversion of Kunming Store and Ningbo Trendy Store from managed stores to self-owned stores in March and April 2009 respectively. Operating lease rental expense as a percentage of revenue decreased by 0.9% to 16.9% in the Current Period compared to 17.8% in the same period of Previous Year mainly as a result of continuous operating leverage of the expense.

Other operating expenses, net

Other operating expenses decreased to HK$93.7 million in 1HFY2010 from HK$143.3 million in 1HFY2009. The decrease was primarily due to the existence of a provision for management fee receivable of HK$17.9 million made in the same period of the Previous Year and no provision for management fee receivable was made in the Current Period. In addition, a write-back of provision of HK$7.6 million, mainly for the provision made in FY2009 for the recovery of receivables in relation to store-valued card, was included in the Current Period. Moreover, the decrease in other operating expenses was also contributed by the effective control of advertising, promotion expenses and other operating expenses by management in the Current Period.

Operating profit

Operating profit was HK$352.7 million in 1HFY2010 compared with HK$324.3 million of 1HFY2009. Operating profit as a percentage of revenue was 35.7% compared with 36.7% of 1HFY2009. Operating profit before interest income on bank deposits in the Current Period was HK$334.6 million or increased by 19.3% from HK$280.5 million of the same period of Previous Year.

Share of results of an associated company

In 2HFY2009, the Group had entered into an agreement with a third party to establish Taizhou New World Department Store Co., Ltd. ("Taizhou Co.") and contributed RMB2.0 million or 25% of equity interest of Taizhou Co. The share of results of an associated company of HK$0.2 million in the Current Period represents the sharing of the loss of Taizhou Co. in the Current Period.

Income tax expense

Income tax expense increased to HK$80.5 million in 1HFY2010 from HK$65.8 million in 1HFY2009. Effective income tax rate in Current Period was 22.8% compared with 20.3% in the same period of Previous Year. Excluding non-taxable Hong Kong-sourced interest income and fair value gain of financial assets at fair value through profit or loss, effective income tax rate in Current Period was 23.0% compared with 22.9% in the same period of Previous Year.

Profit for the period

As a result of the reasons mentioned above, profit for the Current Period was HK$272.0 million compared with HK$258.6 million for the same period of Previous Year.

Liquidity and financial resources

Cash and cash equivalents and fixed deposits of the Group amounted to HK$3,413.7 million as at 31 December 2009 (30 June 2009: HK$2,923.5 million). The financial resources are sufficient for the operation and development of the Group.

The Group had no borrowings as at 31 December 2009.

The capital commitments of the Group as at 31 December 2009 were HK$346.2 million, of which HK$294.4 million were contracted but not provided for in the balance sheet. For the contractual payment of HK$294.4 million, approximately HK$221.1 million was related to acquiring a building, land use rights located in Zhengzhou City and acquiring a building, land use rights and right of use of carpark located in Shenyang City.

Pledge of assets

Assets of the Group were not pledged as at 31 December 2009.

Treasury policies

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2009.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK$0.08 per share (2008: HK$0.08 per share) for the six months ended 31 December 2009 to shareholders whose names appear in the register of members of the Company on 15 April 2010. It is expected that the interim dividend will be paid on or about 18 May 2010.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2009, total number of employees for the Group was 3,918 (2008: 3,921). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

ACQUISITION AND DISPOSAL

In January 2010, New World Department Stores Investment (China) Co., Ltd., a wholly-foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, acquired the entire equity interest from independent third parties, including all interest and rights, of Shanghai New World Huiya Department Store Co., Ltd., a limited liability company incorporated in the PRC and the operator of Shanghai Pujian Branch Store, for an aggregate consideration of RMB2.0 million.

In March 2010, Shenyang New World Department Store Ltd., a wholly-owned subsidiary of the Company in the PRC and the owner of the Property, as defined below, entered into sale and purchase agreements with an independent third party, 上海美特斯邦威服飾股份有限公司, to sell the property at which Shenyang Taiyuan Street Branch Store is situated (the "Property"), with an approximate gross floor area of 10,716 square metres, for an aggregate consideration of RMB224.0 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2009. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the six months ended 31 December 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 31 December 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Upon the Company's specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company during the six months ended 31 December 2009.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial information and the interim report for the six months ended 31 December 2009 and discussed the financial related matters with management. The unaudited interim results of the Group for the six months ended 31 December 2009 have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 April 2010 to Thursday, 15 April 2010, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Friday, 9 April 2010.

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

Hong Kong, 15 March 2010

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