



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

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

INTERIM REPORT  
**2020/2021**





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# FINANCIAL HIGHLIGHTS

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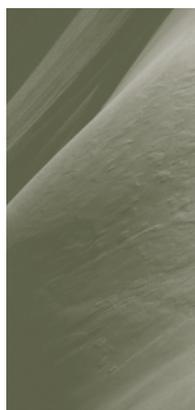
## REVENUE

(HK\$'000)

1,360,748



1,130,834



Six months ended  
31 December

2019

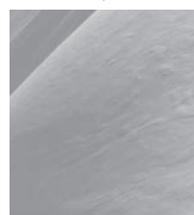
Six months ended  
31 December

2020

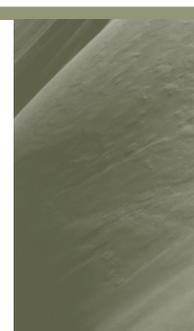
## NET (LOSS)/PROFIT

(HK\$'000)

142,447



(203,882)



Six months ended  
31 December

2019

Six months ended  
31 December

2020

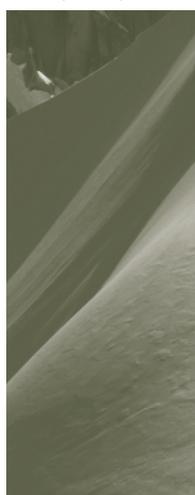
## TOTAL ASSETS

(HK\$'000)

13,119,276



13,756,968



As at 30 June

2020

As at 31 December

2020

# FINANCIAL HIGHLIGHTS

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
<b>OPERATING RESULT</b>		
Revenue	1,130,834	1,360,748
Representing:		
Commission income from concessionaire sales	457,741	600,730
Sales of goods – direct sales	334,078	355,031
Rental income	332,056	397,737
Interest income from finance leases as the lessor	6,959	7,250
Operating (loss)/profit	(42,284)	319,192
(Loss)/profit for the period (“Net (loss)/profit”)	(203,882)	142,447

	As at 31 December 2020 HK\$'000	As at 30 June 2020 HK\$'000
	<b>FINANCIAL POSITION</b>	
Total assets	13,756,968	13,119,276
Total liabilities	9,404,122	8,909,955
Borrowings	1,412,745	1,486,222
Less: Fixed deposits with original maturity over three months, cash and bank balances	(1,839,472)	(1,514,063)
Net cash	(426,727)	(27,841)
Total equity	4,352,846	4,209,321
Net gearing ratio (Note)	-9.8%	-0.7%

Note:

Net cash divided by total equity.

# CHAIRMAN'S STATEMENT

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As COVID-19 continued to sweep across the world during the second half of 2020, every country strived to balance between containing the pandemic situation and reactivating the economy. Stronger-than-expected recovery occurring in certain countries has given traction to the global economy for a bottomed-out reboot. However, the pace of recovery in countries differed with how the pandemic unfolded, and the situation was complicated by the downside risks aggravated by the resurgence of confirmed cases. The recovery of the global economy is expected to be a long and winding journey with high uncertainties. Upon containing the pandemic, China has gradually driven the resumption of work and production, as well as restarted commerce and market activities. With the support of macro-economic policies, major economic indicators reported quarter-to-quarter rebounds. In fact, the Chinese economy was a global leader as it achieved positive growth. Although consumer confidence was mildly restored, consumption was still hinged upon the pandemic situation, and waiting for a stronger driving force. According to market forecast, China's pace for economic recovery is still hindered by factors such as the volatility of the external economy and the resurgence of COVID-19 cases in certain areas; a stronger foot is yet to be formed in the foundation for an economic reboot.

As pandemic-induced fluctuations on the economy remain unsettled, the Group assessed the situation and adhered to the principles of stabilising its operations to ensure the long-term development of its businesses. For the six months ended 31 December 2020, the Group's revenue for the period was HK\$1,130.8 million, compared with HK\$1,360.7 million in the same period of Previous Year. The Group's loss for the period was HK\$203.9 million. Loss per share for the period was HK\$0.12. As at 31 December 2020, the Group operated 29 department stores and shopping malls with a total gross floor area of about 1,209,350 square metres, covering 17 key locations in Mainland China.

## CHAIRMAN'S STATEMENT

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While the economy suffered a heavy blow by the pandemic, with offline contact type consumption being the most deeply affected, the Group remained prudent and pragmatic. It seized the opportunities in the new normal of consumption derived from the pandemic by strengthening its multi-platform online setup and expediting the integration of online and offline retail. For its department store business, the full upgrade of the "New Lab" online shopping platform was completed in mid-2020; it is now reaching all parts of the country through the "one store, one e-shop" model. A select shop is also being crafted to converge the premium resources of all stores and to enhance the online consumer experience. The Group also actively promoted online community marketing and strengthened the maintenance and operations of the private domain traffic. Riding on cross-industry collaborations and enriched group-buying, members' affinity was improved, and the membership system was consolidated. Furthermore, the Group constantly optimised the diverse retail businesses in its offline stores, and fine-tuned its researches according to the attributes of target markets. By drawing on first-store economy, social experiential entertainment and other means, in-store experience and merchandise appeal were lifted. As for its rental business, the Group rolled out a series of support measures for its tenants to stabilise their operations, hoping to weather the storm hand in hand. It also augmented its efforts in introducing tenants and emerging experiential businesses to appeal to young customers with high purchasing power, so as to strengthen stores' ability to draw foot traffic.

In the light that day-to-day essential businesses such as supermarkets and convenience stores became vital and quickly evolved during the COVID-19 outbreak, the Group strived to amplify and optimise its existing multi-business operations. During the period under review, we initiated the makeover of "New World Supermarket" in Beijing by adjusting product categories and introducing freshly-made-and-served delicacies to highlight its image as a boutique supermarket. Online sales were also boosted by collaborating with "New Lab"

and third-party partnering platforms. We continued to speed up the upgrade and transformation of another three supermarkets by reinforcing their product categories and encouraging them to leverage online social marketing, category-focused promotions, as well as the introduction of trendy elements to fully exert the important function of "New World Supermarket" as a one-stop lifestyle station for communities nearby.

The Group believes that the pandemic will profoundly impact the prevailing consumption and retail landscape in Mainland China. We hope that as policies that aim to stabilise employment, expand domestic demand and promote consumption continue to take effect, the consumption market in Mainland China will gradually recover. The Group shall remain prudent and vigilant at all times, staying close to market trends and flexibly adjusting its operations strategy to ensure its businesses stand the test of time. The road ahead may be bumpy and rugged. Yet, as long as we summon concerted efforts, and adhere to always prioritising our customers, we shall be able to overcome all dangers and hurdles and progress with vigour. The Group will stay true to its pragmatism and constantly fortify its multi-business operations to embrace challenges and opportunities in the future.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, business partners, as well as our staff for their unwavering support. As our way to say thanks to their faith and trust, the Group will continue to improve and strive to safeguard its steady business growth in the long run.

**Dr. Cheng Kar-shun, Henry**  
*Chairman*

Hong Kong, 25 February 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Results Summary

Operating under grim domestic and external environments, New World Department Store China Limited and its subsidiaries (together, the “Group”) focused on reducing costs and enhancing operational efficiency to ensure steady business development.

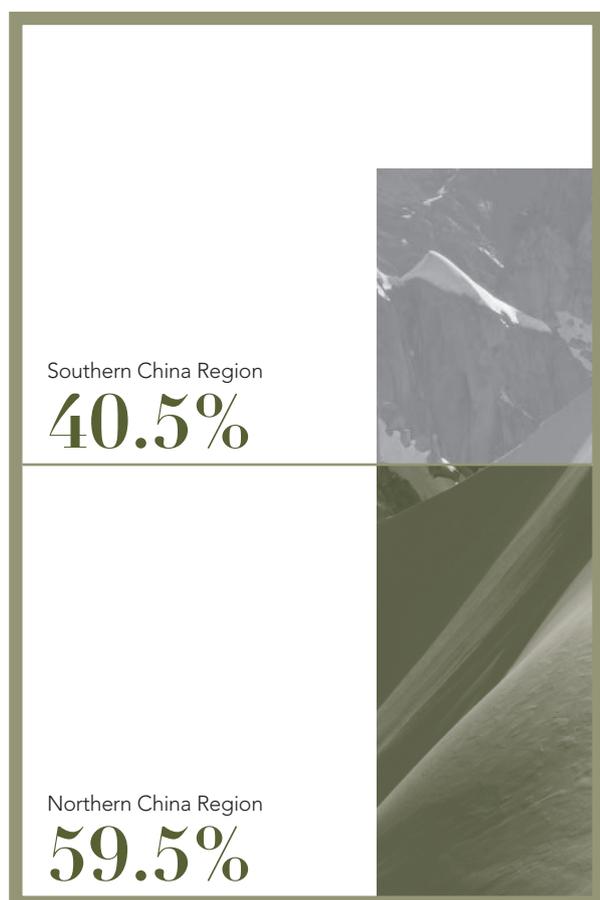
For the six months ended 31 December 2020, the Group’s revenue for the period was HK\$1,130.8 million, compared with HK\$1,360.7 million in the same period of Previous Year. In terms of segment, the Group’s revenue for the period was mainly derived from commission income from concessionaire sales which accounted for 40.5%. This was followed by sales of goods for direct sales, which took up 29.5%; rental income, which took up 29.4%; and interest income from finance leases as the lessor, which took up 0.6%.

The Group’s loss for the period was HK\$203.9 million. Loss per share for the period was HK\$0.12.

### Business Network

To consolidate and focus its resources, the Group closed one store during the period under review, namely Wuhan New World Trendy Plaza (“Wuhan Trendy Plaza”).

As at 31 December 2020, the Group operated 29 department stores and shopping malls, with a total gross floor area of about 1,209,350 square metres. These stores were located in two operating regions in the Northern China and the Southern China, covering 17 key locations across the country. The Northern China Region covers Beijing, Changsha, Harbin, Lanzhou, Shenyang, Tianjin, Wuhan, Xi’an, Yanjiao, Yantai and Zhengzhou; the Southern China Region covers Chengdu, Chongqing, Kunming, Mianyang, Nanjing and Shanghai.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## OPERATIONS OVERVIEW

### Department Store Business

During the second half of 2020, the pandemic situation remained unstable at home and abroad, and economic conditions were poor. Consumers in the mainland became more prudent with managing and spending their money. As a result, customer traffic to stores plummeted and sales were unsatisfactory. The impact sustained by COVID-19 also led to greater operational pressure in the retail business for some regions, which in turn affected the overall performance of the Group during the period under review.

Alongside implementing proper pandemic control measures and stabilising its operations, the Group continued to put forward digitised upgrade and transformation, as well as the integrated operation of online and offline retail against the backdrop of constant changes in the external environment. In terms of its online setup, the Group expedited the upgrade of its “New Lab” online shopping platform, riding on a WeChat mini-programme to materialise the “one store, one e-shop” construction. A select shop was also meticulously curated to converge the premium resources of all stores and to interface with logistics and carriers, in hopes that consumers across the country could be more conveniently served. As at 31 December 2020, the number of registered VIP members on “New Lab” soared to nearly 680,000. Female customers dominated its online customer base, and cosmetics sales took up a high proportion of over 70%. During the same period, the official WeChat and Weibo accounts of the Group and its stores accumulated close to 4.26 million fans.

While the public was not as keen on spending during the pandemic, the Group still capitalised on the consumption atmosphere at major festivals and holidays and leveraged live-streaming platforms for crossover campaigns with brands. It also strengthened the maintenance and operation of the private domain community, as well as the forming of a members’ ecology. In addition, the Group looked for cross-industry collaborations with online banks and other partners to

enrich the group-buying format and to enhance members’ affinity. During the period under review, the Group effectively vitalised the existing membership and drew in new members through a series of membership management and innovative marketing strategies, successfully boosting the VIP membership to more than 6.24 million.

To address the trend of personalised consumption in the mainland, the Group considered the attributes of target markets and rolled out business reform initiatives in some of its stores. Diversified retail and complementing services were introduced to amplify the social experience and integrated services in these stores. Amongst them, Beijing New World Trendy Department Store focused on adjusting its fourth to sixth floors, which developed a core that features social entertainment, recreational experience and business amenities. Japanese-style izakaya (pub), Sichuan-style spicy hotpot, fitness gym, snooker club and other night economy businesses were introduced to craft an all-direction lifestyle space for the young, white-collar customer group. Lanzhou New World Department Store, on the other hand, responded to the consumption demand of Generation Z by raising the proportion of its female consumption categories such as cosmetics, ladieswear and accessories, with an upgraded brand mix. Meanwhile, the footwear zone on the first floor was fully upgraded to a higher-end image to highlight the stylishness of the store. Mianyang New World Department Store, as yet another example, improved its customer traffic by upscaling its cosmetics zone on the first floor. Hair salon, fitness and sports businesses were introduced to its fifth floor to enrich the store with more day-to-day necessities to meet the demand of family customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Rental Business

As pandemic control measures became normalised, the Group's rental business suffered a double blow from its business pressure and tenants' operation. Businesses in food and beverage, cinema, and children's education were subject to the control policies imposed by local governments; they were forced to suspend operation on multiple occasions during the period under review. In view of this, the Group rolled out a series of measures to support tenants and to stabilise their operation. The pace for recruiting new tenants for stores across the country was also accelerated. On the one hand, the Group engaged in active communication with food and beverage brands that had grown in spite of adverse market conditions, so as to actualise the landing of popular brands. On the other hand, interactive experiences that are highly popular amongst young people – escape rooms, scripted murder mystery games, dance training, etc. – were boldly introduced into the stores in hopes of attracting more young consumers.

## Supermarket and Convenience Store Businesses

The Group continued to fortify its day-to-day essential businesses such as supermarkets and convenience stores as part of its effort to stabilise its multi-business setup. In particular, the Group kick-started the makeover of the "New World Supermarket" in Beijing to strengthen its product categories and differentiated operation. Elements such as preparing and selling on site, dine-in food and beverage services, etc. were added to highlight the store's image as a boutique supermarket. In addition, the supermarket collaborated with

"New Lab" and third-party partnering platforms to give traction to online sales and to enhance effectiveness. Besides, the Group also upgraded the store image of another three supermarkets, raising their customer appeal and improving the in-store experience. These supermarkets were encouraged to connect their online and offline retail channels to achieve omni-marketing, so as to better serve the everyday needs of the public and to put their key function as a one-stop lifestyle station to full play. The "N+ Convenience Store" continued to focus on cooked delicacies prepared on site, which was complemented by other everyday services for customers' convenience. As at 31 December 2020, the Group owned four "New World Supermarkets", which were located in Beijing, Lanzhou, Yantai and Wuhan. There were also two "N+ Convenience Stores" within Beijing.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## OUTLOOK

As COVID-19 continued to spread rampantly around the globe during the second half of 2020, countries worked actively to confine the pandemic and strived to reinvigorate their economies. Work and production resumed in some countries when the outbreak slightly calmed down. As heavyweight relief measures took effect, the global economy began to head back up after hitting rock bottom. However, the pandemic situation has been highly volatile, and the number of confirmed cases resurged in some countries. As nations took time to recuperate from the pandemic's impact and trauma on their employment, production and consumption, the global economy had lost much steam in its recovery amidst a long list of challenges.

In the face of grave circumstances, China has effectively controlled the spread of the coronavirus and has steadily resumed work, production, commerce and market activities. Benefitting from this alongside the support of macro-economic policies, the country has seen a quarter-to-quarter rebound in its major economic indicators in its manufacturing and service sectors, investment and consumption. In 2020, China's Gross Domestic Product expanded by 2.3% year-on-year to Renminbi ("RMB") 101.6 trillion; it became the first country to report positive economic growth. Investment, in particular, regained upward momentum as a result of faster recovery in infrastructure and real estates. This proved to be critical in promoting recovery in the mainland's economy. Growth in nationwide residents' income was basically synchronised with economic growth. While consumer confidence is moderately restored, consumers tend to be more prudent with their spending during the current pandemic. Total retail sales of consumer goods dropped 3.9% year-on-year, indicating a stronger force is needed to drive consumption demand.

Looking into 2021, the COVID-19 situation in different countries and the external environment remain highly uncertain. The basis for China's economic recovery is yet to be called solid. As policies to stabilise employment, expand domestic demand and promote consumption continue to be effective in China, the Group hopes to see an extension of the upward trend in the mainland's consumption market. In future, the Group will deepen its multi-platform online setup, promote digitised upgrade and transformation, and accelerate its online-offline integration. At the same time, it will consolidate its multi-category business operations and strengthen its community-focused department stores, supermarkets and convenience stores with complementing services so as to create even better experience and value for its consumers. The Group shall uphold its prudent and pragmatic attitude as it pursues long-term and steady growth.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## FINANCIAL REVIEW

### Revenue and Other Income

Due to the continuous impact of the COVID-19 outbreak in Mainland China and the operation of retail business in some regions has been adversely affected and are under greater operational pressure, revenue of the Group was HK\$1,130.8 million in 1HFY2021 (or the "Current Period") (1HFY2020 (or the "same period of Previous Year"): HK\$1,360.7 million).

Gross sales revenue of the Group, comprising gross revenue 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\$3,754.6 million in 1HFY2021 (1HFY2020: HK\$4,479.8 million).

The Group's merchandise gross margin was 14.1% in the Current Period (1HFY2020: 15.7%). In 1HFY2021, ladieswear, menswear and accessories made up approximately 40.9% of gross revenue from concessionaire sales and sales of goods for direct sales. Gold, jewellery and watch made up approximately 26.2%, sportswear made up approximately 12.3%, cosmetic products made up approximately 10.9%, and kidswear, foodstuffs, electrical appliances, and housewares largely made up the rest. Direct sales revenue in the Current Period mainly comprised sales of cosmetic products (approximately 75.0%), supermarkets and convenience stores (approximately 23.5%), life concept shops, ladieswear, menswear and accessories as well as miscellaneous items (approximately 1.5%).

Rental income decreased by 16.5% to HK\$332.1 million in 1HFY2021 from HK\$397.7 million in 1HFY2020, mainly due to the continuous impact of the COVID-19 outbreak in Mainland China and the closure of Hong Kong New World Department Store – Shanghai Hongkou Branch Store and Wuhan Trendy Plaza in April 2020 and July 2020 respectively.

Interest income from finance leases as the lessor was HK\$7.0 million in 1HFY2021 compared with HK\$7.3 million in 1HFY2020.

Other income of the Group was HK\$38.3 million in 1HFY2021 compared with HK\$59.6 million in 1HFY2020. The decrease in other income was primarily due to a decrease in government grants of HK\$4.0 million in the Current Period and a decrease in income from suppliers of HK\$14.3 million mainly due to the inclusion of the write-back of long term payables of HK\$11.2 million in 1HFY2020.

### Other Losses, Net

Net other losses of the Group in the Current Period was HK\$326.2 million which was primarily resulted from HK\$194.3 million of impairment loss on goodwill and HK\$151.8 million of impairment loss on property, plant and equipment and right-of-use assets for mainly six department stores in light of the latest market environment and the management's assessment on the business prospect thereof, HK\$5.5 million net loss on disposal of property, plant and equipment and derecognition of right-of-use assets, and HK\$5.5 million net loss on derecognition of finance lease receivables. The losses was partially offset by HK\$30.5 million of the rent concessions granted from certain landlords as a result of the COVID-19 pandemic.

### Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Period was HK\$0.6 million which was mainly related to properties in Shanghai City.

### Purchases of and Changes in Inventories, Net

The purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It decreased to HK\$310.0 million in 1HFY2021 from HK\$318.4 million in 1HFY2020. The decrease was in line with the decrease in sales of goods for direct sales in the Current Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Purchases of Promotion Items

The purchases of promotion items represented the costs of promotion items transferred to the customers of concessionaire sales and direct sales upon their consumption in department stores or redemption of reward points granted under customer loyalty programme. The purchases of promotion items was HK\$7.2 million in 1HFY2021 compared with HK\$8.6 million in 1HFY2020.

## Employee Benefit Expense

Employee benefit expense decreased to HK\$210.3 million in 1HFY2021 from HK\$249.0 million in 1HFY2020. Employee benefit expense decreased primarily due to the continuous efforts by management to carry out cost control measures as well as the Group's effort in optimisation of human resources to lower the staff costs, and the closure of two department stores in FY2020 and 1HFY2021 respectively.

## Depreciation

Depreciation expense increased from HK\$297.5 million in 1HFY2020 to HK\$301.2 million in 1HFY2021. In RMB terms, depreciation expense decreased from RMB267.8 million in 1HFY2020 to RMB262.0 million in 1HFY2021, primarily due to no depreciation charged in the Current Period for property, plant and equipment of two department stores closed in FY2020 and 1HFY2021 respectively and some stores with assets that have been fully depreciated.

## Rental Expense

Rental expense decreased to HK\$65.1 million in 1HFY2021 from HK\$76.8 million in 1HFY2020, primarily due to the decrease in turnover rent in line with the decrease in sales revenue in the Current Period.

## Other Operating Income/(Expenses), Net

Net other operating income was HK\$8.0 million in 1HFY2021 as compared to net other operating expenses of HK\$144.3 million in 1HFY2020. The increase was primarily resulted from the increase of HK\$86.9 million of net exchange gains mainly arising from the changes on Hong Kong dollar against Renminbi during 1HFY2021, the reversal of loss allowance of receivables of HK\$11.2 million, a decrease in other operating expenses of HK\$7.4 million due to the costs control and the closure of two department stores in FY2020 and 1HFY2021 respectively.

## Operating (Loss)/Profit

Operating loss was HK\$42.3 million in 1HFY2021, as compared to operating profit of HK\$319.2 million in 1HFY2020.

## Finance Costs, Net

Net finance costs was HK\$97.1 million in 1HFY2021 compared with HK\$104.7 million in 1HFY2020. The decrease was mainly because the drop in Hong Kong Interbank Offered Rate has reduced the average borrowing costs.

## Income Tax Expense

Income tax expense of the Group was HK\$64.3 million in 1HFY2021 compared with HK\$72.0 million in 1HFY2020.

## (Loss)/Profit for the Period

As a result of the reasons mentioned above, loss for the period was HK\$203.9 million, as compared to profit for the period of HK\$142.4 million in the same period of Previous Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Liquidity and Financial Resources

Fixed deposits with original maturity over three months and cash and bank balances of the Group amounted to HK\$1,839.5 million as at 31 December 2020 (30 June 2020: HK\$1,514.1 million).

The Group's borrowings as at 31 December 2020 were HK\$1,412.7 million (30 June 2020: HK\$1,486.2 million).

As at 31 December 2020, the Group's was in net cash position of HK\$426.8 million (30 June 2020: HK\$27.9 million).

At 31 December 2020, the Group's current liabilities exceeded its current assets by HK\$2,360.8 million (30 June 2020: HK\$2,347.8 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 31 December 2020 were HK\$43.0 million which were contracted but not provided for in the condensed consolidated statement of financial position.

## Pledge of Assets

As at 31 December 2020, the Group did not have any pledge of assets (30 June 2020: Nil).

## Treasury Policies

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

## Contingent Liabilities

In respect of certain department stores closed by the Group in the previous years, the Group has contingent liabilities arising from the potential claims from the landlords of the premises for compensation in connection with the early termination of the leases. However the compensation amounts in respect of the potential claims arising from these closed department stores, if any, and timing of payment could not be reliably estimated at the current stage, and the final outcome of which is subject to actions of the landlords, negotiation and/or result of legal proceeding. The Group has taken necessary measures to address the potential exposure. The aggregate monthly rental expense for these closed department stores was approximately HK\$9.0 million prior to the closure.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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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 14 to 42, 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 2020 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 cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Statement of Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 February 2021

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2020

	Note	Unaudited	
		Six months ended 31 December	
		2020	2019
		HK\$'000	HK\$'000
Revenue	6	1,130,834	1,360,748
Other income	7	38,280	59,639
Other losses, net	8	(326,234)	(6,870)
Changes in fair value of investment properties		619	203
Purchases of and changes in inventories, net		(309,982)	(318,383)
Purchases of promotion items		(7,237)	(8,611)
Employee benefit expense	9	(210,315)	(248,956)
Depreciation		(301,156)	(297,549)
Rental expense		(65,112)	(76,767)
Other operating income/(expenses), net	10	8,019	(144,262)
<b>Operating (loss)/profit</b>		<b>(42,284)</b>	319,192
Finance income		18,792	22,574
Finance costs		(115,932)	(127,293)
Finance costs, net	11	(97,140)	(104,719)
		(139,424)	214,473
Share of results of associated companies		(148)	10
<b>(Loss)/profit before income tax</b>		<b>(139,572)</b>	214,483
Income tax expense	12	(64,310)	(72,036)
<b>(Loss)/profit for the period</b>		<b>(203,882)</b>	142,447
<b>(Loss)/earnings per share attributable to shareholders of the Company during the period (expressed in HK\$ per share)</b>			
– Basic and diluted	14	(0.12)	0.08

The notes on pages 20 to 42 are an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the period	(203,882)	142,447
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Release of reserve upon disposal/deregistration of subsidiaries	–	(1,481)
Translation differences	347,407	(160,535)
<b>Other comprehensive income for the period, net of tax</b>	<b>347,407</b>	<b>(162,016)</b>
<b>Total comprehensive income for the period</b>	<b>143,525</b>	<b>(19,569)</b>

The notes on pages 20 to 42 are an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	Unaudited As at 31 December 2020 HK\$'000	Audited As at 30 June 2020 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15(a)	1,003,603	1,004,982
Investment properties	16	4,904,918	4,526,518
Right-of-use assets	15(b)	3,477,292	3,644,746
Intangible assets	17	1,373,053	1,453,148
Interests in associated companies		293	412
Prepayments, deposits and other receivables		205,790	192,510
Finance lease receivables	26	293,948	217,855
Deferred income tax assets		133,218	129,203
		<b>11,392,115</b>	<b>11,169,374</b>
<b>Current assets</b>			
Inventories	18	106,142	95,035
Debtors	19	46,064	40,193
Prepayments, deposits and other receivables		315,068	256,832
Finance lease receivables	26	56,029	41,294
Amounts due from fellow subsidiaries	20	2,076	2,484
Amounts due from related companies	20	2	1
Fixed deposits with original maturity over three months		834,282	153,735
Cash and bank balances		1,005,190	1,360,328
Total current assets		<b>2,364,853</b>	<b>1,949,902</b>
<b>Total assets</b>		<b>13,756,968</b>	<b>13,119,276</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	21	168,615	168,615
Reserves	22	4,184,231	4,040,706
<b>Total equity</b>		<b>4,352,846</b>	<b>4,209,321</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	Unaudited As at 31 December 2020 HK\$'000	Audited As at 30 June 2020 HK\$'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	25	3,748,459	3,765,923
Deferred income tax liabilities		930,002	846,372
		<b>4,678,461</b>	<b>4,612,295</b>
<b>Current liabilities</b>			
Creditors	24	1,297,633	878,364
Accruals and other payables		984,339	913,725
Lease liabilities	25	707,881	698,671
Contract liabilities		264,512	275,924
Amounts due to fellow subsidiaries	20	7,243	7,650
Amounts due to related companies	20	25,651	26,986
Borrowings	23	1,412,745	1,486,222
Tax payable		25,657	10,118
Total current liabilities		<b>4,725,661</b>	<b>4,297,660</b>
<b>Total liabilities</b>		<b>9,404,122</b>	<b>8,909,955</b>
<b>Total equity and liabilities</b>		<b>13,756,968</b>	<b>13,119,276</b>

The notes on pages 20 to 42 are an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

	Attributable to shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Property	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange Reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
			revaluation reserve HK\$'000					
As at 1 July 2019	168,615	1,826,646	174,741	391,588	446,323	(24,441)	1,914,447	4,897,919
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	-	-	142,447	142,447
<b>Other comprehensive income</b>								
Release of reserve upon disposal/deregistration of subsidiaries	-	-	-	-	-	(1,481)	-	(1,481)
Translation differences	-	-	-	-	-	(160,535)	-	(160,535)
<b>Total comprehensive income for the period ended 31 December 2019</b>	-	-	-	-	-	(162,016)	142,447	(19,569)
<b>Transactions with owners</b>								
Transfer to statutory reserve	-	-	-	-	9,025	-	(9,025)	-
<b>Total transactions with owners</b>	-	-	-	-	9,025	-	(9,025)	-
As at 31 December 2019 – Unaudited	168,615	1,826,646	174,741	391,588	455,348	(186,457)	2,047,869	4,878,350

	Attributable to shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Property	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange Reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
			revaluation reserve HK\$'000					
As at 1 July 2020	168,615	1,826,646	180,469	391,588	459,159	(235,099)	1,417,943	4,209,321
<b>Comprehensive income</b>								
Loss for the period	-	-	-	-	-	-	(203,882)	(203,882)
<b>Other comprehensive income</b>								
Translation differences	-	-	-	-	-	347,407	-	347,407
<b>Total comprehensive income for the period ended 31 December 2020</b>	-	-	-	-	-	347,407	(203,882)	143,525
<b>Transactions with owners</b>								
Transfer to statutory reserve	-	-	-	-	7,810	-	(7,810)	-
<b>Total transactions with owners</b>	-	-	-	-	7,810	-	(7,810)	-
As at 31 December 2020 – Unaudited	168,615	1,826,646	180,469	391,588	466,969	112,308	1,206,251	4,352,846

The notes on pages 20 to 42 are an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Net cash generated from operating activities	694,126	712,401
<b>Cash flows from investing activities</b>		
Additions to investment properties	(530)	(2,250)
Additions to property, plant and equipment and right-of-use assets	(12,673)	(53,275)
Increase in fixed deposits with original maturity over three months	(644,710)	(28,901)
Settlement of amount due from disposed subsidiaries	–	100,000
Net cash outflow from disposal of subsidiaries	–	(45,145)
Proceeds from disposal of associated company	–	763
Proceeds from disposal of property, plant and equipment	–	29
Principal portion of finance lease received as the lessor	17,164	32,707
Interest portion of finance lease received as the lessor	6,959	7,250
Interest received	12,870	24,302
<b>Net cash (used in)/generated from investing activities</b>	<b>(620,920)</b>	<b>35,480</b>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(77,472)	(211,111)
Finance costs paid	(6,885)	(13,141)
Principal portion of lease payments as the lessee	(336,514)	(291,927)
Interest portion of lease payments as the lessee	(106,255)	(104,676)
<b>Net cash used in financing activities</b>	<b>(527,126)</b>	<b>(620,855)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(453,920)</b>	<b>127,026</b>
Cash and cash equivalents as at 1 July	1,360,328	1,733,642
Cash and cash equivalents of subsidiaries classified as held for sale as at 1 July	–	46,145
Effect of foreign exchange rate changes	98,782	(40,970)
<b>Cash and cash equivalents as at 31 December</b>	<b>1,005,190</b>	<b>1,865,843</b>
Analysis of cash and bank balances:		
Cash and cash equivalents	1,005,190	1,865,843
Restricted cash	–	1,905
	<b>1,005,190</b>	<b>1,867,748</b>

The notes on pages 20 to 42 are an integral part of this condensed consolidated financial information.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 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 on 25 February 2021.

## 2 BASIS OF PREPARATION

This condensed consolidated financial information of the Group for the six months ended 31 December 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

As at 31 December 2020, the Group’s current liabilities exceeded its current assets by approximately HK\$2,360,808,000 (30 June 2020: HK\$2,347,758,000). Taking into account the cash flows from operating activities, the track record of successful renewal and refinancing of the borrowings and asset backing, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the condensed consolidated financial information.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2020.

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

### 3.1 New and amended standards adopted by the Group

For the six months ended 31 December 2020, the Group has adopted the following amendments to existing standards which are mandatory for the accounting period beginning on 1 July 2020:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting

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

## 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 2020.

## 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 2020.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 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 2020					
Creditors	1,297,633	1,297,633	1,297,633	–	–
Other payables	830,705	830,705	830,705	–	–
Amounts due to fellow subsidiaries	7,243	7,243	7,243	–	–
Amounts due to related companies	25,651	25,651	25,651	–	–
Borrowings	1,412,745	1,431,757	1,431,757	–	–
Lease liabilities	4,456,340	5,507,950	742,567	2,806,269	1,959,114

	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 2020					
Creditors	878,364	878,364	878,364	–	–
Other payables	810,156	810,156	810,156	–	–
Amounts due to fellow subsidiaries	7,650	7,650	7,650	–	–
Amounts due to related companies	26,986	26,986	26,986	–	–
Borrowings	1,486,222	1,517,673	1,517,673	–	–
Lease liabilities	4,464,594	5,140,154	732,905	2,425,534	1,981,715

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 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:

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

## 6 REVENUE AND SEGMENT INFORMATION

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Commission income from concessionaire sales	457,741	600,730
Sales of goods – direct sales	334,078	355,031
Revenue from contracts with customers	791,819	955,761
Rental income	332,056	397,737
Interest income from finance leases as the lessor	6,959	7,250
	<b>1,130,834</b>	1,360,748

The income from concessionaire sales is analysed as follows:

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Gross revenue from concessionaire sales	3,043,195	3,660,147
Commission income from concessionaire sales	457,741	600,730

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (continued)

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

The CODM considers that the Group has department store and 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 losses, net, changes in fair value of investment properties and net unallocated corporate income or expenses. In addition, net finance costs and share of results of associated companies are not allocated to segments. The measurement of segment assets excludes interests in associated companies, deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

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

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
Six months ended 31 December 2020			
Segment revenue	1,032,619	98,215	1,130,834
Segment operating results	111,040	81,015	192,055
Other losses, net	(326,236)	2	(326,234)
Changes in fair value of investment properties	–	619	619
Unallocated corporate income, net			91,276
Operating loss			(42,284)
Finance income			18,792
Finance costs			(115,932)
Finance costs, net			(97,140)
			(139,424)
Share of results of associated companies			(148)
Loss before income tax			(139,572)
Income tax expense			(64,310)
Loss for the period			(203,882)

# 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 2019			
Segment revenue	1,249,858	110,890	1,360,748
Segment operating results	239,741	87,691	327,432
Other losses, net	(6,870)	–	(6,870)
Changes in fair value of investment properties	–	203	203
Unallocated corporate expenses, net			(1,573)
Operating profit			319,192
Finance income			22,574
Finance costs			(127,293)
Finance costs, net			(104,719)
			214,473
Share of results of associated companies			10
Profit before income tax			214,483
Income tax expense			(72,036)
Profit for the period			142,447

# 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 2020			
Segment assets	8,415,189	5,203,719	13,618,908
Interests in associated companies	293	–	293
Deferred income tax assets	133,218	–	133,218
Unallocated corporate assets:			
Cash and bank balances			4,299
Others			250
Total assets			<u>13,756,968</u>
Six months ended 31 December 2020			
Additions to non-current assets (Note)	27,282	963	28,245
Depreciation	300,785	371	301,156
Impairment loss on goodwill	194,253	–	194,253
Impairment loss on property, plant and equipment and right-of-use assets	151,811	–	151,811
Reversal of loss allowance of receivables	(9,426)	(1,761)	(11,187)
Loss on derecognition of right-of-use assets, net	3,767	–	3,767
Loss on derecognition and lease modification of finance lease receivables, net	5,201	–	5,201
As at 30 June 2020			
Segment assets	8,146,316	4,820,614	12,966,930
Interests in associated companies	412	–	412
Deferred income tax assets	129,203	–	129,203
Unallocated corporate assets:			
Cash and bank balances			22,499
Others			232
Total assets			<u>13,119,276</u>
Six months ended 31 December 2019			
Additions to non-current assets (Note)	371,636	2,110	373,746
Depreciation	297,144	405	297,549
Impairment loss on goodwill	21,111	–	21,111
Impairment loss on property, plant and equipment	299	–	299
Impairment loss on prepayments and receivables	5,023	–	5,023

Note:

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 7 OTHER INCOME

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Government grants	6,848	10,896
Income from suppliers	11,338	25,686
Service fee income	988	2,417
Carpark income	4,897	4,558
Other compensation income	11,995	13,193
Sundries	2,214	2,889
	<b>38,280</b>	<b>59,639</b>

## 8 OTHER LOSSES, NET

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Gain on disposal/deregistration of subsidiaries or associated companies	–	(12,388)
Impairment loss on goodwill (Note 1)	194,253	21,111
Impairment loss on property, plant and equipment and right-of-use assets (Note 1)	151,811	299
Impairment loss on prepayments, deposits and other receivables	–	4,444
Loss/(gain) on disposal of property, plant and equipment and derecognition of right-of-use assets, net	5,506	(6,596)
Loss on derecognition of finance lease receivables, net	5,528	–
Gain on lease modification of finance lease receivables	(327)	–
Rent concessions (Note 2)	(30,537)	–
	<b>326,234</b>	<b>6,870</b>

Notes:

- (1) The impairment provisions were made to reflect management's latest plan for mainly six department stores (2019: one department store) in light of the latest market environment and the management's assessment on the business prospect thereof.
- (2) Rent concessions represent the change in lease payment directly related to COVID-19.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 9 EMPLOYEE BENEFIT EXPENSE

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Wages, salaries and other benefits	205,778	225,327
Retirement benefit costs – defined contribution plans	4,537	23,629
	<b>210,315</b>	<b>248,956</b>

## 10 OTHER OPERATING INCOME/(EXPENSES), NET

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Selling, promotion, advertising and related expenses	(18,951)	(19,404)
Cleaning, repairs and maintenance	(27,815)	(26,898)
Auditors' remuneration		
– Audit services	(1,788)	(2,527)
– Non-audit services	(702)	(1,242)
Net exchange gains	109,086	22,181
Other tax expenses	(64,776)	(73,089)
Reversal of loss allowance/(loss allowance) of receivables	11,187	(579)
Compensation expenses (Note)	–	(37,088)
Others	1,778	(5,616)
	<b>8,019</b>	<b>(144,262)</b>

Note:

Compensation expenses represent the compensation to the affected parties related to the early closed department stores.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11 FINANCE COSTS, NET

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Interest income on bank deposits	(18,792)	(22,574)
Interest expense on bank loans	5,177	12,001
Interest expense on shareholder's loans	4,500	10,616
Interest expense on lease liabilities	106,255	104,676
	<b>115,932</b>	<b>127,293</b>
	<b>97,140</b>	<b>104,719</b>

## 12 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
– Mainland China taxation	45,213	68,709
– Over-provision in prior years	(69)	(1,891)
Deferred income tax		
– Temporary differences	19,166	5,218
	<b>64,310</b>	<b>72,036</b>

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 2020 and 2019.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2019: 25%).

## 13 DIVIDENDS

The Directors have resolved not to recommend an interim dividend for the six months ended 31 December 2020 (2019: HK\$Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 14 (LOSS)/EARNINGS PER SHARE

### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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	
	2020	2019
(Loss)/profit attributable to shareholders of the Company (HK\$'000)	(203,882)	142,447
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic (loss)/earnings per share (HK\$ per share)	(0.12)	0.08

### (b) Diluted

Diluted (loss)/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 2020 and 2019, there was no dilutive potential ordinary share.

## 15(a) PROPERTY, PLANT AND EQUIPMENT

For the six months ended 31 December 2020, the Group had additions of property, plant and equipment of approximately HK\$22,026,000 (2019: HK\$312,637,000) and disposals of property, plant and equipment with net book amount of approximately HK\$1,595,000 (2019: HK\$415,000).

## 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 2020	806,143	2,838,603	3,644,746
Additions	–	3,447	3,447
Derecognition	–	(106,637)	(106,637)
Depreciation	(14,579)	(218,018)	(232,597)
Impairment charged for the period	–	(119,149)	(119,149)
Translation differences	66,658	220,824	287,482
As at 31 December 2020 – Unaudited	858,222	2,619,070	3,477,292
As at 30 June 2020 – Audited	806,143	2,838,603	3,644,746

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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, which carry at approximately HK\$714,729,000 and HK\$877,754,000 respectively as at 31 December 2020, were determined based on fair value less costs of disposal, for which the fair value of the corresponding properties was based on the latest valuation report performed by an independent professional valuer.

The recoverable amounts of property, plant and equipment and right-of-use assets, which carry at approximately HK\$288,874,000 and HK\$2,599,538,000 respectively as at 31 December 2020, were determined based on value in use calculations if impairment indicators were identified, which used cash flow projections based on financial estimates covering a period over the lease term.

The key assumptions used in the value in use calculations on average annual gross revenue growth rate, gross margin ratios and discount rate as at 31 December 2020 are based on management's best estimates and reflect specific risks relating to the relevant businesses.

During the period ended 31 December 2020, impairment loss of approximately HK\$151,811,000 was recognised. For the period ended 31 December 2020, impairment provision were made on property, plant and equipment and right-of-use assets to reflect management's latest plan for five department stores in light of the latest market environment and the management's assessment on the business prospect thereof. The estimated recoverable amounts of these department stores were approximately HK\$155,818,000. The impairment loss recognised for the period represented the difference between the carrying amounts of property, plant and equipment and right-of-use assets of the CGUs and their estimated recoverable amounts.

If the annual gross revenue had been 10% (2019: 5%) lower than management's current estimates, the loss before income tax for the period would have been approximately HK\$25,931,000 higher (2019: profit before income tax lower of HK\$42,831,000).

If the gross margin ratios had been 1% (2019: 1%) lower than management's current estimates, the loss before income tax for the period would have been approximately HK\$26,145,000 higher (2019: profit before income tax lower of HK\$32,200,000).

If the discount rate had been 0.5% (2019: 0.5%) higher than management's current estimates, there is no material adverse impact to the condensed consolidated financial information.

If the fair value of the corresponding properties has been 5% lower with all other variables held constant, the loss before income tax for the period would have been approximately HK\$33,000,000 higher.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 16 INVESTMENT PROPERTIES

For the six months ended 31 December 2020, the Group had additions of investment properties of approximately HK\$530,000 (2019: HK\$2,250,000).

As at 31 December 2020, no investment property was pledged to secure bank loans of the Group.

As at 31 December 2020, 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 2020, goodwill allocated to CGUs of the department store and CGUs of the property investment business was approximately HK\$1,110,055,000 and HK\$262,998,000 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 and CGUs of the property investment business are measured using the discounted cash flow projections and the fair value 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 fair value estimation is included in level 3 fair value hierarchy.

During the period ended 31 December 2020, impairment loss of approximately HK\$194,253,000 was recognised. For the period ended 31 December 2020, impairment provision was made on goodwill of one CGU allocated to the department store business of Yanjiao New World Department Store based on the management's latest plan in light of the latest market environment and the management's assessment on the business prospect thereof. The estimated recoverable amount of CGU was approximately HK\$82,832,000. The impairment loss recognised for the period represented the difference between the carrying amount of the CGU including goodwill and its estimated recoverable amount.

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 2020 are based on management's best estimates and reflect specific risks relating to the relevant business.

If the annual gross revenue had been 10% (2019: 5%) lower than management's current estimates, the loss before income tax for the period would have been approximately HK\$274,264,000 higher (2019: profit before income tax lower of HK\$139,122,000).

If the gross margin ratios had been 1% (2019: 1%) lower than management's current estimates, the loss before income tax for the period would have been approximately HK\$186,989,000 higher (2019: profit before income tax lower of HK\$103,735,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 17 INTANGIBLE ASSETS (continued)

If the discount rate had been 0.5% (2019: 0.5%) higher than management's current estimates, the loss before income tax for the period would have been approximately HK\$134,088,000 higher (2019: profit before income tax lower of HK\$54,284,000).

If the fair value of the corresponding properties in relation to the goodwill allocated to CGUs of the property investment business has been 5% lower with all other variables held constant, there is no material adverse impact to the condensed consolidated financial information.

## 18 INVENTORIES

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	Audited As at 30 June 2020 HK\$'000
Finished goods	<b>106,142</b>	95,035

The cost of inventories recognised as expense and included in "Purchases of and changes in inventories, net" amounted to approximately HK\$309,982,000 (2019: HK\$318,383,000), which included reversal of inventory write-down, net of approximately HK\$1,428,000 (2019: inventory write-down, net of HK\$57,000).

## 19 DEBTORS

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	Audited As at 30 June 2020 HK\$'000
Debtors	<b>60,357</b>	64,187
Less: loss allowance	<b>(14,293)</b>	(23,994)
Debtors, net	<b>46,064</b>	40,193

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 19 DEBTORS (continued)

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

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>
Within period for		
0–30 days	<b>45,546</b>	35,125
31–60 days	<b>97</b>	729
61–90 days	<b>13</b>	587
Over 90 days	<b>408</b>	3,752
	<b>46,064</b>	40,193

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

The debtors were primarily denominated in RMB.

## 20 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES AND RELATED COMPANIES

As at 31 December 2020 and 30 June 2020, the balances were unsecured, interest free, repayable on demand and denominated in RMB.

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

## 21 SHARE CAPITAL

	<b>Number of</b> <b>shares</b> <b>'000</b>	<b>Share</b> <b>capital</b> <b>HK\$'000</b>
Ordinary shares of HK\$0.1 each, issued and fully paid:		
As at 30 June 2019 and 2020 (audited) and 31 December 2019 and 2020 (unaudited)	<b>1,686,145</b>	<b>168,615</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 22 RESERVES

	Attributable to shareholders of the Company						
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 July 2019	1,826,646	174,741	391,588	446,323	(24,441)	1,914,447	4,729,304
Profit for the period	–	–	–	–	–	142,447	142,447
Release of reserve upon disposal/ deregistration of subsidiaries	–	–	–	–	(1,481)	–	(1,481)
Translation differences	–	–	–	–	(160,535)	–	(160,535)
Transfer to statutory reserve	–	–	–	9,025	–	(9,025)	–
As at 31 December 2019 – Unaudited	1,826,646	174,741	391,588	455,348	(186,457)	2,047,869	4,709,735

	Attributable to shareholders of the Company						
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 July 2020	1,826,646	180,469	391,588	459,159	(235,099)	1,417,943	4,040,706
Loss for the period	–	–	–	–	–	(203,882)	(203,882)
Translation differences	–	–	–	–	347,407	–	347,407
Transfer to statutory reserve	–	–	–	7,810	–	(7,810)	–
As at 31 December 2020 – Unaudited	1,826,646	180,469	391,588	466,969	112,308	1,206,251	4,184,231

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 23 BORROWINGS

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	Audited As at 30 June 2020 HK\$'000
Unsecured bank loans	699,745	773,222
Shareholder loans	713,000	713,000
	<b>1,412,745</b>	<b>1,486,222</b>

Shareholder loan from ultimate holding company is interest-bearing at Hong Kong Interbank Offered Rate plus 0.9% (30 June 2020: 0.9%) per annum, unsecured and repayable within one year.

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

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b>	Audited As at 30 June 2020
HK\$	1.33%	2.83%
RMB	–	4.18%

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

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	Audited As at 30 June 2020 HK\$'000
HK\$	1,412,745	1,412,156
RMB	–	74,066
	<b>1,412,745</b>	<b>1,486,222</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 23 BORROWINGS (continued)

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

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	Audited As at 30 June 2020 HK\$'000
Within six months	<b>1,412,745</b>	1,412,156
In the seventh month to one year	–	74,066
	<b>1,412,745</b>	1,486,222

## 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:

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	Audited As at 30 June 2020 HK\$'000
Within period for		
0–30 days	<b>1,052,610</b>	701,666
31–60 days	<b>102,527</b>	69,007
61–90 days	<b>37,675</b>	2,809
Over 90 days	<b>104,821</b>	104,882
	<b>1,297,633</b>	878,364

The creditors were primarily denominated in RMB.

Creditors included amounts due to related companies of approximately HK\$70,465,000 (30 June 2020: HK\$50,812,000) 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 2020	4,464,594
Lease payments made during the period	(442,769)
Interest expenses on lease liabilities	106,255
Rent concessions	(30,537)
Translation differences	358,797
As at 31 December 2020 – Unaudited	4,456,340
Of which are:	
Current lease liabilities	707,881
Non-current lease liabilities	3,748,459
	4,456,340
As at 30 June 2020 – Audited	4,464,594
Of which are:	
Current lease liabilities	698,671
Non-current lease liabilities	3,765,923
	4,464,594

Lease liabilities included lease liabilities to fellow subsidiaries and related companies of approximately HK\$119,213,000 (30 June 2020: HK\$125,907,000) and HK\$275,264,000 (30 June 2020: HK\$277,355,000) respectively.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 26 FINANCE LEASE RECEIVABLES

	Unaudited As at 31 December 2020 HK\$'000	Audited As at 30 June 2020 HK\$'000
Finance lease receivables	366,606	271,838
Unguaranteed residual values	29,880	24,001
Gross investment in finance leases	396,486	295,839
Less: unearned finance income	(46,509)	(36,690)
Net investment in finance leases	349,977	259,149
Less: accumulated allowance for impairment	–	–
Finance lease receivables – net	349,977	259,149
Of which are:		
Current finance lease receivables	56,029	41,294
Non-current finance lease receivables	293,948	217,855
	349,977	259,149

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 2020 HK\$'000	Audited As at 30 June 2020 HK\$'000
Gross investment in finance leases		
Within one year	70,370	45,751
In the second to fifth year	234,772	172,347
After the fifth year	91,344	77,741
	396,486	295,839

The effective interest rate applied to the finance lease receivables was 4.9% (30 June 2020: 4.9%).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 27 COMMITMENTS AND CONTINGENCIES

### (a) Capital commitments

Capital commitment 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:

	<b>Unaudited</b> <b>As at</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>
Contracted but not provided for	<b>42,998</b>	44,325

### (b) Contingent liabilities

In respect of certain department stores closed by the Group in the previous years, the Group has contingent liabilities arising from the potential claims from the landlords of the premises for compensation in connection with the early termination of the leases. However the compensation amounts in respect of the potential claims arising from these closed department stores, if any, and timing of payment could not be reliably estimated at the current stage, and the final outcome of which is subject to actions of the landlords, negotiation and/or result of legal proceeding. The Group has taken necessary measures to address the potential exposure. The aggregate monthly rental expense for these closed department stores was approximately HK\$9,000,000 prior to the closure.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 28 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 period carried out by the Group in the normal course of its business:

	Notes	Unaudited	
		Six months ended 31 December	
		2020	2019
		HK\$'000	HK\$'000
<b>Fellow subsidiaries</b>			
Rental expenses	(i)	(11,991)	(15,120)
Building management expenses	(ii)	(6,151)	(6,428)
Sale of goods, prepaid shopping cards and vouchers	(iii)	–	27
Payments for purchase of building and right-of-use assets	(iv)	(1,547)	(42,567)
Management fee income	(v)	–	200
Interest expense on lease liabilities	(x)	(2,686)	(3,237)
Insurance expenses	(xii)	(35)	–
<b>Related companies</b>			
Rental expenses	(i)	(46,457)	(53,166)
Building management expenses	(ii)	(12,540)	(11,988)
Commission income from concessionaires sales	(vi)	23,465	28,656
Rebates on prepaid shopping cards and vouchers	(vii)	94	28
Rental income	(viii)	94	91
Other service fee expenses	(ix)	(7)	(3)
Interest expense on lease liabilities	(x)	(6,720)	(7,734)
Additions to right-of-use assets	(xi)	–	(2,159)

Notes:

- (i) The rental expenses are charged in accordance with respective lease agreements 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 are charged at fixed monthly amounts in accordance with respective contracts.
- (iii) This represents the amounts received in respect of the use of the shopping vouchers, the prepaid shopping cards, the joint name vouchers or other means acceptable to the Group as payment of purchases of goods and settlement of the relevant value by the subsidiaries and joint ventures of NWD (except the Group), and the CTFJ Group.
- (iv) The represents installment paid for the purchase of building and right-of-use assets.
- (v) The income is charged in accordance with the terms of service fee stated in respective agreements.
- (vi) The income is charged in accordance with concessionaire counter agreements with CTFJ Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.
- (vii) This represents rebates offered by the CTFJ Group in respect of the sales of prepaid shopping cards and vouchers issued jointly by the Group and the CTFJ Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 28 RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with related parties (continued)

Notes: (continued)

- (viii) The income is charged in accordance with lease agreements with members of the companies controlled by Mr. Doo.
- (ix) This represents other services provided by members of the companies controlled by Mr. Doo.
- (x) Interest expense on lease liabilities is charged at the Group's incremental borrowing rate.
- (xi) Additions to right-of-use assets are measured in accordance with respective lease agreements.
- (xii) This represents the insurance services provided by the subsidiaries of NWS Holdings Limited.

### (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 loan of approximately HK\$28,955,000 (30 June 2020: HK\$24,464,000).

### (c) Repayment of lease liabilities to related parties

The repayment amount of lease liabilities with related parties were approximately HK\$46,357,000 during the period (2019: HK\$41,528,000).

### (d) Key management compensation

	Unaudited	
	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	11,062	10,901
Discretionary bonus	1,025	6,125
Retirement benefit costs – defined contribution plans	584	581
	12,671	17,607

## 29 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

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## INTERIM DIVIDEND

The board of directors (the “Directors” or “Board”) of New World Department Store China Limited (the “Company”, or together with its subsidiaries, the “Group”) has resolved not to declare an interim dividend for the six months ended 31 December 2020 (2019: nil).

## AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established in accordance with requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and risk management and internal controls. The Audit Committee consists of four independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 31 December 2020 and the unaudited condensed consolidated financial information and the interim report for the six months ended 31 December 2020 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2020 have been reviewed by the Company’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the time being in force during the six months ended 31 December 2020 except for the deviation from code provision E.1.2.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-shun, Henry, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 25 November 2020 (the “AGM”) due to his other engagement. Mr. Cheung Fai-yet, Philip, the chief executive officer of the Company and an executive Director who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the Directors. Upon the Company’s specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors’ securities transactions adopted by the Company during the six months ended 31 December 2020. Relevant employees are subject to compliance with written guidelines on no less exacting terms than the Model Code.

## EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2020, the total number of employees of the Group was 2,922 (30 June 2020: 3,060). 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.

## OTHER INFORMATION

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

The Company had not redeemed any of its listed securities during the six months ended 31 December 2020. 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 2020.

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code were as follows:

#### (a) Long positions in shares

	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
<b>New World Development Company Limited</b> (Ordinary shares)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	2,668,909	2,668,909	0.10
Dr. Cheng Chi-kong, Adrian	Beneficial owner	Personal interest	2,059,118	2,059,118	0.08
<b>NWS Holdings Limited</b> (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	Beneficial owner	Personal interest	18,349,571	30,349,571	0.78
	Controlled corporation	Corporate interest	12,000,000 <sup>(1)</sup>		

Note:

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

### ACQUISITION AND DISPOSAL

The Group did not have any significant acquisition and disposal during the six months ended 31 December 2020.

### UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's Annual Report 2020 are set out below:

With effect from 1 January 2021, Mr. Tong Hang-chan, Peter was appointed as an independent non-executive director of World Link CPA Limited.

## OTHER INFORMATION

### (b) Long positions in underlying shares – share options

#### *New World Development Company Limited*

Under the share option scheme of the holding company, New World Development Company Limited (“NWD”), the undermentioned Directors have personal interests in share options to subscribe for shares of NWD. Certain details of the share options of NWD held by them during the six months ended 31 December 2020 were as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options held				Balance as at 31 December 2020	Exercise price per share HK\$
			Balance as at 1 July 2020	Granted during the period	Exercised during the period	Adjusted during the period		
Dr. Cheng Kar-shun, Henry	3 July 2017	(1)	500,000	–	–	–	500,000	40.144
Dr. Cheng Chi-kong, Adrian	3 July 2017	(1)	500,000	–	–	–	500,000	40.144
			1,000,000	–	–	–	1,000,000	

Notes:

- (1) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
- (2) The cash consideration paid by each of the above Directors for each grant of the share options is HK\$10.00.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2020, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

#### Long positions in the shares of the Company

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") <sup>(1)</sup>	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") <sup>(2)</sup>	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Capital Limited ("CTFC") <sup>(3)</sup>	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook (Holding) Limited ("CTFH") <sup>(4)</sup>	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Enterprises Limited ("CTF") <sup>(5)</sup>	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
New World Development Company Limited ("NWD")	Controlled corporation	Corporate interest	45,500,000	1,264,400,000	74.99
	Beneficial owner	–	1,218,900,000		

Notes:

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

Save as disclosed above, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who, as at 31 December 2020, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

### SHARE OPTION SCHEME

The share option scheme of the Company adopted on 12 June 2007 has expired on 12 June 2017, and no new share option scheme has been adopted thereafter.

# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

### Non-executive Director

Dr. Cheng Kar-shun, Henry (*Chairman*)

### Executive Directors

Dr. Cheng Chi-kong, Adrian  
Mr. Cheung Fai-yet, Philip (*Chief Executive Officer*)

### Independent Non-executive Directors

Mr. Cheong Ying-chew, Henry  
Mr. Chan Yiu-tong, Ivan  
Mr. Tong Hang-chan, Peter  
Mr. Yu Chun-fai

## COMPANY SECRETARY

Miss Wu Yuk-kwai, Catherine

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## SOLICITORS

Eversheds Sutherland  
Woo, Kwan, Lee & Lo

## 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, KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL BANKERS

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

## STOCK CODE

Hong Kong Stock Exchange 825

## INVESTOR INFORMATION

For more information about the Group, please contact the Corporate Affairs Department of New World Department Store China Limited at:  
7th Floor, 88 Hing Fat Street  
Causeway Bay, Hong Kong  
Tel: (852) 2753 3988  
Fax: (852) 2318 0884  
e-mail: [nwdscad@nwds.com.hk](mailto:nwdscad@nwds.com.hk)

## WEBSITE

[www.nwds.com.hk](http://www.nwds.com.hk)

# CORPORATE PROFILE

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Founded in 1993, New World Department Store China Limited (Hong Kong Stock Code: 825) is the retail flagship of New World Development Company Limited (Hong Kong Stock Code: 17) and has developed itself as one of the largest owners and operators of department stores in Mainland China. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. As at 31 December 2020, New World Development Company Limited owns 75% shares of the Group.

## RETAIL NETWORK

To orderly expand its business network across the country, the Group adopts the expansion strategies of “multiple presences within a single city” and “radiation city” with a focus on the development of the Greater Beijing and the Greater Shanghai Regions. As at 31 December 2020, the Group operated 21 “New World” (「新世界」) branded department stores in Mainland China and eight “Ba Li Chun Tian” (「巴黎春天」) branded department stores and shopping malls in Shanghai with a total gross floor area of about 1,209,350 square metres, covering 17 key locations in Mainland China, including Beijing, Changsha, Chengdu, Chongqing, Harbin, Kunming, Lanzhou, Mianyang, Nanjing, Shanghai, Shenyang, Tianjin, Wuhan, Xi’an, Yanjiao, Yantai and Zhengzhou.

## BUSINESS OPERATIONS

The Group actively implements categorised store management and “One Store, One Strategy” operations strategy to encourage its stores to adopt different strategies to capture opportunities arisen from the consumption upgrade in Mainland China. The Group’s revenue is mainly derived from: commission income from concessionaire sales, sales of goods for direct sales, rental income, and interest income from finance leases as the lessor. In addition to its core department store business, the Group has been actively expanding its private label business in recent years, including New World Supermarket, N+ Convenience Store 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 centrally controls the two operating regions of the Group, and each operating region manages the operations of their stores. Such structure improves both resource-sharing and synergy within each region. When formulating professional strategies such as merchandising and marketing, the Group implements a double-line management mechanism. Based on the positioning and direction of the Group, the headquarters formulates a macroscopic corporate strategy and deploys resources for its strategic plans, which is then adjusted and executed towards the relevant goals by stores according to their local circumstances to ensure the Group’s strategy is landed.

## TALENT DEVELOPMENT

The Group regards its staff as a valuable asset. Through a series of incentive schemes, training programmes and career opportunities, the Group strives to fortify the team’s proactiveness, innovative capability and sense of belonging so as to encourage, cultivate and retain its talents, who will join up to put the Group’s vision and mission into actions. As at 31 December 2020, the Group had 2,922 employees.



**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.

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