



INTERIM REPORT 2021/2022



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)

CORPORATE PROFILE

Founded in 1993, New World Department Store China Limited (Hong Kong Stock Code: 825) is the retail flagship of New World Development Company Limited (Hong Kong Stock Code: 17) and has developed itself as one of the largest owners and operators of department stores in Mainland China. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2007. As at 31 December 2021, New World Development Company Limited owns approximately 75% shares of the Group.

RETAIL NETWORK

To orderly expand its business network across the country, the Group adopts the expansion strategies of "multiple presences within a single city" and "radiation city" with a focus on the development of the Greater Beijing, Greater Shanghai and Greater South Western Regions. As at 31 December 2021, the Group operated 20 "New World" (「新世界」) branded department stores in Mainland China and 7 "Ba Li Chun Tian" (「巴黎春天」) branded department stores and shopping malls in Shanghai with a total gross floor area of about 1,080,200 square metres, covering 16 key locations in Mainland China, including Beijing, Shanghai, Chongqing, Chengdu, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Xi'an, Yantai, Shenyang, Kunming, Lanzhou, Yanjiao and Mianyang.

BUSINESS OPERATIONS

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

TALENT DEVELOPMENT

The Group regards its staff as a valuable asset. Through a series of incentive schemes, training programmes and career opportunities, the Group strives to fortify the team's proactiveness, innovative capability and sense of belonging so as to encourage and cultivate its talents, who will join up to put the Group's vision and mission into actions. As at 31 December 2021, the Group had 2,689 employees.



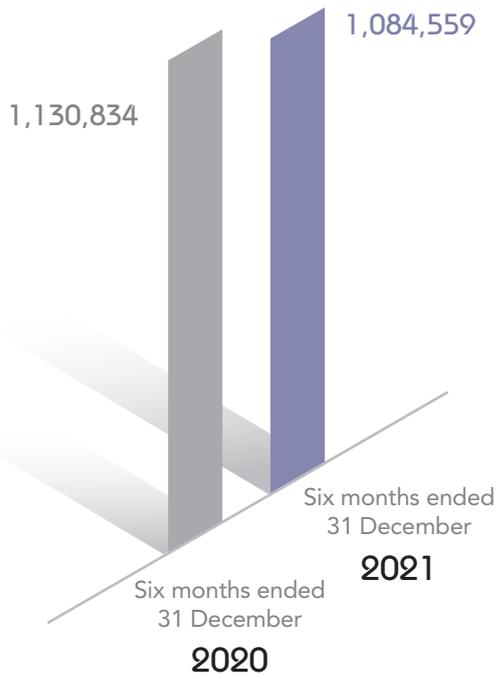
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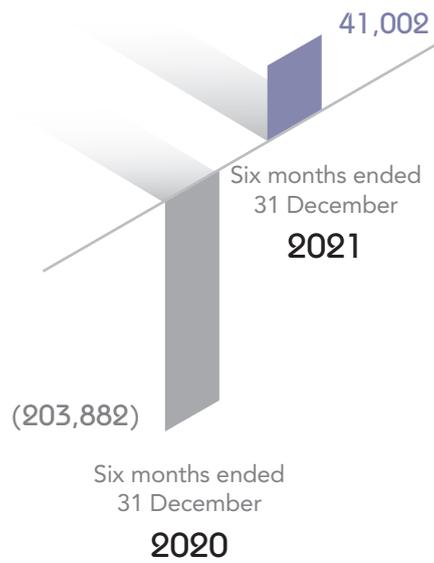


FINANCIAL HIGHLIGHTS

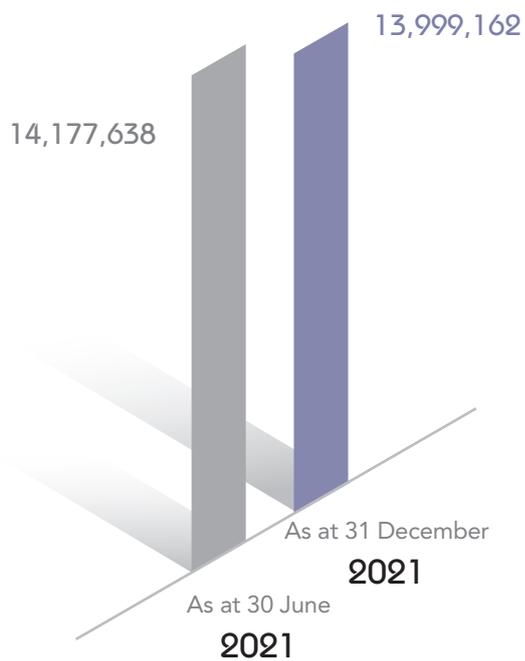
REVENUE (HK\$'000)



NET (LOSS)/PROFIT (HK\$'000)



TOTAL ASSETS (HK\$'000)



FINANCIAL HIGHLIGHTS

	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
OPERATING RESULT		
Revenue	1,084,559	1,130,834
Representing:		
Commission income from concessionaire sales	398,311	457,741
Sales of goods – direct sales	281,779	334,078
Rental income	393,373	332,056
Interest income from finance leases as the lessor	11,096	6,959
Operating profit/(loss)	207,281	(42,284)
Profit/(loss) for the period (“Net profit/(loss)“)	41,002	(203,882)
	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
FINANCIAL POSITION		
Total assets	13,999,162	14,177,638
Total liabilities	9,405,501	9,709,311
Borrowings	1,412,797	1,412,275
Less: Fixed deposits with original maturity over three months, cash and bank balances	(1,550,311)	(1,569,421)
Net cash	(137,514)	(157,146)
Total equity	4,593,661	4,468,327
Net gearing ratio (Note (i))	-3.0%	-3.5%

Note:

(i) Net cash divided by total equity.

CHAIRMAN'S STATEMENT

The Group refined the operation of our key commercial retail business and actively captured the megatrend of commercial digital transformation under new consumption operations, which has achieved a closed loop of its ecosystem with online-offline connectivity, and has been pursuing the corporate spirit of creating shared value.

In the second half of 2021, the global economy gradually regained a stable momentum. By a series of economic revival measures to promote growth and consumption, the government retained healthy, stable and sound development of the Chinese economy. Against the backdrop of the economic recovery, our Group refined the operation of our key commercial retail business, with active expansion and innovation, continuous optimisation of operating strategies and further acceleration of its business upgrading and reform, to adequately respond to the evolving market environment.

During the period under review, tapping on the growing demand of mainstream customers for high-quality lifestyle, our group has been steadily optimising and upgrading its retail business. We proceeded with the brand repositioning and upgrading of our physical stores, committed extra efforts to reshape store image and branding as well as to optimise and restructure the portfolio of its merchandise categories. Following the strengthening of the development and application of new resources, the Group prioritised the introduction of new brand categories with high customer satisfaction, superb shopping experience, strong interaction and tremendous sales growth potential. Meanwhile, the Group further innovated and launched a variety of diversified consumption contents that are related to

children's entertainment, trendy ladieswear, interactive scenarios and themed blocks to expand its retail business in lifestyle and amenities. Creating diverse experience-oriented projects, continuously optimising the attraction of its stores and reinforcing the operational capabilities of its physical stores, the Group can further explore more potential business opportunities for its stores.

Actively capturing the megatrend of commercial digital transformation under new consumption operations, the Group quickened the establishment of its digital membership ecosystem, with continuous optimisation and update of its online membership system to support online-offline innovative marketing campaigns, offering better user experience for platform users and delivering more comprehensive value-added membership services. During the period under review, the Group's online shopping platform "New Lab Mini Program" achieved a closed loop of its ecosystem with online-offline connectivity, by integrating a new "K Dollar reward system" from the New World Development Company Limited Group and launching various premium, convenient and accurate membership service contents focused on member privileges, all together to develop member communication tools for greater consumer affinity and keep boosting the number of loyal members for the Group.

CHAIRMAN'S STATEMENT

Furthermore, in active responding to the national strategy of "Double Carbon" goal for carbon peak and neutrality, the Group guides itself with "New World Sustainability Vision 2030", incorporates "Green", "Wellness", "Smart" and "Caring" into our daily business operation, and pursues the corporate spirit of creating shared value. The Group will keep practicing corporate sustainability with the strategies of low carbon and emissions reduction, responsible consumption and procurement, implementing various initiatives to reduce the ecological footprint of our business, and redoubling its efforts to create better and greener shopping experience for customers.

Currently, the consumer market shows a steady recovery trend, yet, the ongoing spread and prevalence of new COVID-19 variants have created uncertainties, causing successive fluctuations across consumer markets. The Group will continue to shoulder its corporate social responsibilities in pandemic prevention and control, actively deploy contingency measures in the scenarios of pandemic normalisation and relapse, and relentlessly improve the operational capabilities and service quality of its core businesses, so as to respond flexibly and efficiently in the fast-changing business and market environment.

On behalf of the Board, I would like to extend my gratitude to all employees for their dedication and contribution, and express my gratitude to our shareholders, business partners and customers for their long-term support. In the second half of the financial year 2022, the Group will continue to actively seize new development trends, embrace new challenges and opportunities, strive for breakthroughs and innovation, and ensure robust and quality development of its business in return for your support and trust.

Dr. Cheng Chi-Kong, Adrian
Chairman

Hong Kong, 24 February 2022

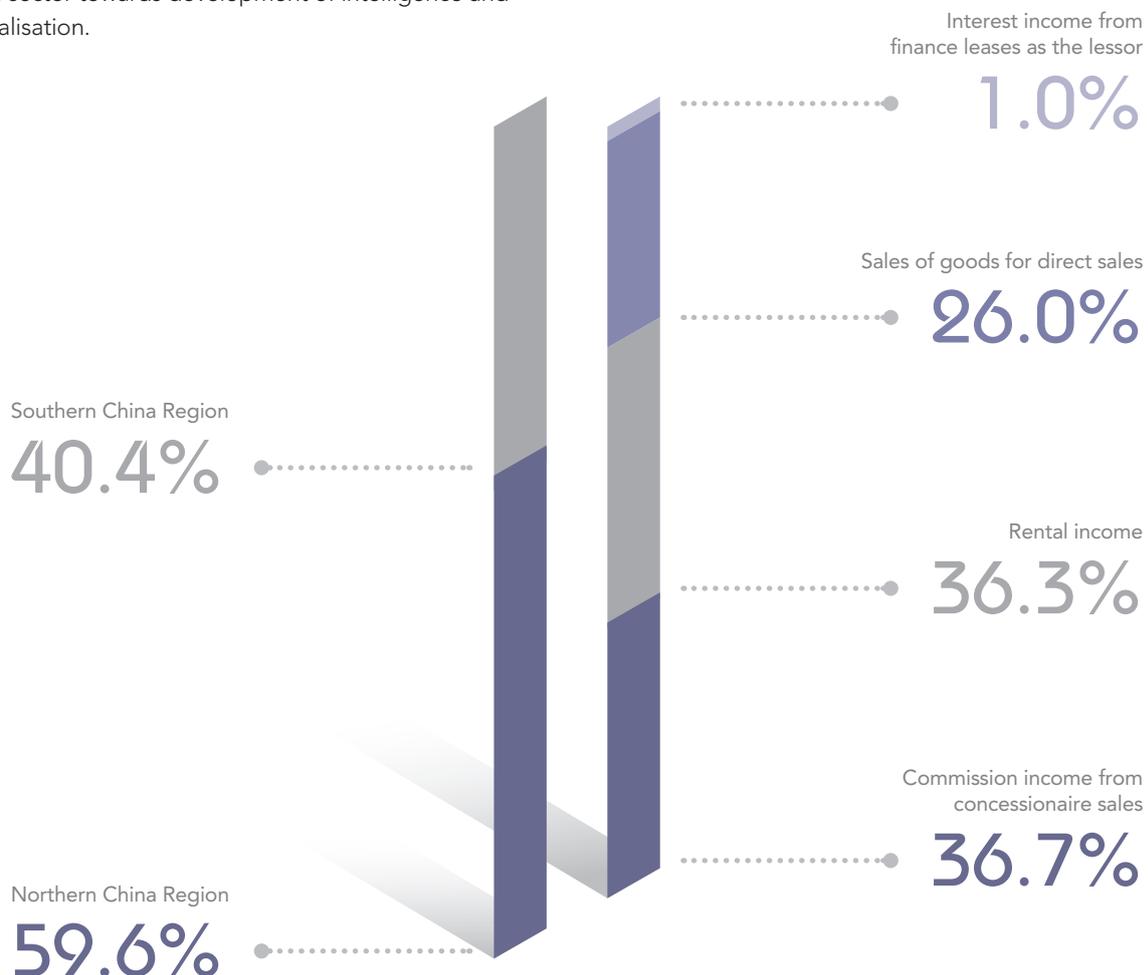
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results Summary

With the continuous improvement of the domestic business environment, the steady growth of residents' disposable income has laid the foundation for consumption upgrade. The merchandise retail sector continues to play a key role in promoting consumption upgrade and high-quality economic development. Propelled by consumption upgrading, the retail industry has been presenting such development trends of industry chain digitalisation and channel diversification. To adapt to the changing consumer demands, the Group keeps innovating its business pattern, improving service quality and revisiting the nature of retail. Meanwhile, new categories of operation and models are constantly emerging and gain extensive popularity amongst consumers. Ongoing expansion of online retail and enhanced online-offline integration have driven the retail sector towards development of intelligence and digitalisation.

For the six months ended 31 December 2021, the Group's revenue for the period was HK\$1,084.6 million, compared with HK\$1,130.8 million in the same period of the 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 36.7%. This was followed by rental income which took up 36.3%, sales of goods for direct sales which took up 26.0%, and interest income from finance leases as the lessor, which took up 1.0%. The Group's profit for the period was HK\$41.0 million. Earnings per share for the period was HK\$0.02.



MANAGEMENT DISCUSSION AND ANALYSIS

Normalisation and recurrence of the pandemic with the fast-changing competitive external business environment remain to be the challenges for the Group and other industry peers. The Group has been actively implementing an array of measures to promote its operation and development, including deeper execution of strong internal control for cost and efficiency enhancement, continuous optimisation of store operation models, strengthened capability of product selection and sales as well as quicker expansion of online business operation and marketing, all in an effort to further bolster our core competitiveness, explore the innovation and upgrade of retail business models, and accelerate the development of principal operations.

Business Network

As at 31 December 2021, the Group operated 27 department stores and shopping malls in Mainland China, covering 16 key locations across the country which included Beijing, Shanghai, Chongqing, Chengdu, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Xi'an, Yantai, Shenyang, Kunming, Lanzhou, Yanjiao and Mianyang. The total gross floor area was about 1,080,200 square metres.

To consolidate and optimise its resource allocation, the Group closed two stores during the period under review, namely Harbin Store and Shanghai Qibao Branch Store.

OPERATIONS OVERVIEW

At present, COVID-19 still obviously impacts the domestic retail industry and other real economies, the traditional physical retail industry is still under pressure. Yet, it also accelerates the trend of consumption upgrading and the digital transformation of retail formats.

The Company still focuses on merchandise appeal as its business priority, with the Group's taking a host of measures to grow such appeal, including deeper cooperation with brands, more direct sales categories, exploration of private labels, enhanced brand updates, development of collection retailers, and application of digital platforms.

Meanwhile, with the Group's growing membership volume, membership marketing will focus on strategic subdivision of members, improvement of member privileges and experience, high-end membership service and Omni-channel member access.

As such, we are more proactive in embracing digital transformation. "K Dollar reward system" of New World Development Company Limited Group (the "NWD Group") has broken down business barriers amongst subsidiaries, together with the Group's "New Lab Mini Program", increased consumption scenarios for one another, and stimulated the inception of our consumption ecosystem.

Commercial Complex Business

Department Store and Shopping Mall Business

As a traditional retail operator, in the post-pandemic era, the Group has been keeping a close eye on the changing consumption trends and continuing to target at its goal of transforming and upgrading its business this year. As at 31 December 2021, we owned 27 department stores and shopping malls in Mainland China.

At present, consumption preference has gradually shifted from merely "function-oriented" to platforms that provide in-depth services for consumers. The objective environment affected by the pandemic has not only led to surging public demand for online consumption, but also provided more impetus for consumption upgrade. Accordingly, the Group rode on the trend by promoting the "Dual Upgrading" of its business. It kept integrating digital upgrade into its business and service, with more input in online innovation and business transformation, as well as designated upgrades and adjustments of its product mix and services to drive business expansion. Whilst satisfying the latest consumption needs of consumers, the Group has established its exclusive multi-faceted business integration platform.

In the second half of 2021, the Group carried out successive business reforms and upgrades in various dimensions, which extended beyond improvement and adjustment of shopping space into such aspects as brand upgrade, scenario development and digital reform as the dominant themes during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of the financial year, we intensified our efforts to upgrade the brand image of our physical stores, which revolved around such elements as “Fashion”, “Sociality” and “Convenience” to optimize the brand, product and service mixes of our shopping malls. We actively explored premium commodity resources, timely adjusted our product portfolio and sales capabilities, and introduced Must-visit Internet Celebrity stores, trendy brands as well as regional first stores further enhanced the overall optimisation of our brands. Meanwhile, we emphasised on adjusting the structure of our apparel merchandises, intensifying the introduction of emerging trendy ladieswear brands, and strengthening our operation management in such respects as products, services and VIP members maintenance, to further tap into sales probability. Through systematic integration of brands and product resources, our brand operation has revolved from scale to professionalism, refinement and quality.

During the period under review, the Group centred on consumer preferences and interests to work on scenario development, and boosted service efficiency via digital technology to enable closer integration of online and offline consumption scenarios. During the period, the Group capitalised on the prevailing popularity of interest-driven e-commerce to develop IP economy, which ramped up its interaction with young customer groups and enabled in-depth collaboration with brands and other industries. For instance, we leveraged on the IP effect of POP MART by launching a special program for the first domestic exhibition of ViViCat, from which a series of extended events took place such as “Baseball Youth” (潮棒青年), “Check In for Gifts” (打卡有禮) and “Trendy Domestic Toys” (國潮國玩). These activities leveraged on the topicality of their own IPs, namely theme and centralised channel traffic, to deliver new immersive scenario-based shopping experience set in multiple online and offline scenarios with high efficiency, which facilitated sales conversion and improvement.

The Group has built its digital membership ecosystem at a faster pace, with deep integration of its online shopping platform “New Lab Mini Program” and offline stores, realising online-offline interconnectivity. The Group has also launched “K Dollar reward system” from the NWD Group, a new membership program that allows membership points to offset prices, thus expanding consumption scenarios and increasing the use of membership points. Since the launch, various events have been carried out on such points and benefits, where approaches such as multiplied points, points for coupons or gifts and membership classes are employed to actively draw traffic to the Group’s different business scenarios and offline physical stores, to boost sales and repeat patronage by members.

In the first half of the financial year, “New Lab” completed a major breakthrough in overall sales, ranking first in the percentage of sales of cosmetics categories which were dominated by female consumers, and recording an evident year-on-year uptick in online cosmetics sales. As at 31 December 2021, “New Lab” had an excess of one million registered members. For the first half of the year, the Group saw a year-on-year increase of 6.7% in the total number of VIP members across all business lines, exceeding six million.

Rental Business

During the period under review, the Group introduced pubs, well-known caterers and other popular brands as new business tenants, as well as fashion operations with fixed consumer groups, such as first stores of a product category and themed blocks. Emphasis was laid on developing experience-oriented operations, breaking through traditional thinking of business introduction, and taking new consumption trends into account by actively presenting consumption experience with social characteristics such as children entertainment, eSports stadiums, live theatres, escape rooms, live action role playing (LARP) games, yoga, and other new feature brands as attractions. Among them are the first stores in their business circles, with trendy images and adequate topics to effectively raise the popularity of shopping malls. By actively introducing diversified consumption scenarios, we managed to extend the time that customers spent in our stores. By incorporating life scenarios and lifestyles, we enhanced the effect of customer concentration and bolstered our sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Affected by the recent “Double-Reduction” education policy implemented by the government, our stores saw the operation of their education stores suffer a major blow. As a result, the education stores took the initiative to pursue transformation and switch their subject tutorials to sinology, music and sports training. Our shopping malls also introduced high-end professional sinology for youth such as “Qin Han Hutong” (秦漢胡同) and sports training providers such as “East Star” (東方啟明星).

In terms of services, the Group collaborated with a well-established internet software service system (SAAS system) in the market, to provide tenants with strong support in such areas as membership service and marketing.

Private Label Business

Supermarket and Convenience Store Business

As at 31 December 2021, the Group operated four “New World Supermarket” in Beijing, Lanzhou, Yantai and Wuhan respectively, and one boutique “N+ Convenience Store” in our Beijing Chongwen Store.

Given the successive impact of multiple factors such as pandemic relapse, new lease standards and community group purchase, the overall market performance of hypermarkets remained under pressure. The Group focused on business transformation mainly through internet-based digital marketing and management system upgrade.

During the period under review, the Group actively pressed forward with the transformation of its supermarket business through the adoption of smart equipment and systems. Our supermarkets launched an online home delivery system to speed up online business expansion. More categories of quality lifestyle products were introduced to replace traditional supermarket offerings, such as boosting the introduction and delivery efficiency of fresh products and the ability to gain more footfall in our supermarkets.

Omni-channel digital management system has been placed in our four supermarkets, which will offer stronger support to the Group’s supermarket business in such segments as product management, membership operation and marketing activities, and will help the supermarket business attain higher efficiency, lower costs and sales growth in online channel sales. Our physical supermarket stores have also added a number of mobile payment methods and self-service checkout systems to bring more convenient and efficient shopping experience to customers.

Direct Sales Business

As at 31 December 2021, the Group operated nine LOL (Love • Original • Life) (“LOL”) private concept shops. Among them, five are located in Shanghai and four are located in Beijing.

New consumer behaviours that emphasize personalisation, niche and refinement are emerging as the new consumption trend of young people who constitute the main driving force for consumption. LOL integrates the concept of quality lifestyle with a meticulous selection of premium products to enhance customer experience. Meanwhile, respecting nature and sustainable development have been constant aspirations for the Group. As part of our direct sales business, LOL actively responds to environmental protection initiatives from product selection, packaging and sales to consumer use, launching a variety of product introduction models and conveying the concept of a green, environmentally friendly and sustainable lifestyle.

During the period under review, LOL placed the emphasis of its layout on the products of its operating stores.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of merchandising, LOL black label stores worked mostly on introducing well-known quality brands, to meet the demand for quality products and innovative experience among consumer groups. Meanwhile, unique, niche and exquisite products were introduced that aligned with the pursuit of well-heeled young consumer groups, thus driving sales growth and future consumption potential. For LOL gold label stores, efforts were made to phase out products with low orders from customers and increase the purchase of quality products with large orders, to cater to mid-to-high-end consumer groups, bolster repeat patronage and help achieve sales targets.

At the same time, our development and investment on seasonal direct sales merchandises were strengthened during the first half of the financial year, with early planning of festive gifts and more categories of gift boxes. This not only lifted the gross profit margin of our merchandises, but also improved the characteristics of our LOL gift stores.

In respect of operation, our WeChat mini program “LOL Concept Shop” has undergone continuous optimisation since its launch. During the period under review, the mini program saw a steady increase in views and a drastic year-on-year rise in online sales, which raised its share in total sales.

OUTLOOK

Looking ahead, with the pandemic evolving as a normality in the post-pandemic era, volatility and uncertainty will maintain their dominance. Undoubtedly, adapting to changes, seizing opportunities and actively responding to changes will be the primary strategy.

For us, our priority is to properly work on the integration of consumption upgrading with consumer experience. Whether in business category transformation or the upgrade of experience in touch-point scenarios and product appeal, we should closely centre on the consumer perspective, and attract target groups through brand upgrade and better touch-point experience.

In tandem with that, digital transformation and operation should take place in sync, integrate and protect each other. The effect of digitisation largely hinges on refined operation, whilst operational obstacles or difficulties also require digitalisation for solutions, thus truly realising online-offline integration and smart decision-making.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Other Income

Revenue of the Group was HK\$1,084.6 million in 1HFY2022 (or the "Current Period") (1HFY2021 (or the "same period of Previous Year"): HK\$1,130.8 million). In RMB terms, revenue of the Group was RMB894.8 million in 1HFY2022 (1HFY2021: RMB983.8 million). The drop was primarily 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.

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\$3,541.6 million in 1HFY2022 (1HFY2021: HK\$3,754.6 million).

The Group's merchandise gross margin was 13.1% in the Current Period (1HFY2021: 14.1%). In 1HFY2022, ladieswear, menswear and accessories made up approximately 36.5% of gross revenue from concessionaire sales and sales of goods for direct sales. Gold, jewellery and watch made up approximately 33.5%, sportswear made up approximately 10.2%, cosmetic products made up approximately 10.4%, 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 78.3%), supermarkets and convenience stores (approximately 20.6%), life concept shops, ladieswear, menswear and accessories as well as miscellaneous items (approximately 1.1%).

Rental income increased by 18.5% to HK\$393.4 million in 1HFY2022 from HK\$332.1 million in 1HFY2021, mainly due to expanded rentable area and improved tenant mix in the Current Period.

Interest income from finance leases as the lessor was HK\$11.1 million in 1HFY2022 compared with HK\$7.0 million in 1HFY2021.

Other income of the Group was HK\$38.5 million in 1HFY2022 compared with HK\$38.3 million in 1HFY2021. The slightly increase was primarily due to an increase in income from suppliers of HK\$5.8 million in the Current Period. The increase was partially offset by the decrease in other compensation income of HK\$4.3 million and sundries of HK\$0.9 million.

Other Gains/(Losses), Net

Net other gains of the Group in the Current Period was HK\$72.1 million which was primarily resulted from HK\$201.9 million net gain on derecognition of lease liabilities and right-of-use assets due to downsizing of Tianjin New World Department Store and closure for Harbin New World Department Store and Hong Kong New World Department Store – Shanghai Qibao Branch Store in 1HFY2022, HK\$30.7 million net gain on disposal of property, plant and equipment and derecognition of right-of-use assets, and HK\$2.6 million rent concessions granted from certain landlords as a result of the COVID-19 pandemic. The gains were partially offset by HK\$69.6 million of impairment loss on goodwill, HK\$64.1 million of impairment loss on property, plant and equipment and right-of-use assets for mainly two other department stores in light of the latest market environment and the management's assessment on the business prospect thereof, and HK\$25.9 million net loss on derecognition of finance lease receivables in the Current Period.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Period was HK\$3.0 million which was mainly related to properties in Shanghai City, Zhengzhou City and Shenyang 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\$261.5 million in 1HFY2022 from HK\$310.0 million in 1HFY2021. The decrease was in line with the decrease in sales of goods for direct sales in the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$11.4 million in 1HFY2022 compared with HK\$7.2 million in 1HFY2021.

Employee Benefit Expense

Employee benefit expense increased to HK\$219.7 million in 1HFY2022 from HK\$210.3 million in 1HFY2021. In RMB terms, employee benefit expense decreased from RMB183.0 million in 1HFY2021 to RMB181.2 million in 1HFY2022, 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. The decrease was partially offset by the compensation to the employees of HK\$20.1 million due to downsizing and closure of certain department stores in the Current Period.

Depreciation

Depreciation expense decreased from HK\$301.2 million in 1HFY2021 to HK\$279.2 million in 1HFY2022. The decrease was primarily due to no depreciation charged in the Current Period for property, plant and equipment and right-of-use assets impaired or derecognized in FY2021 and some stores with assets that have been derecognized or fully depreciated in 1HFY2022.

Rental Expense

Rental expense was HK\$65.1 million in 1HFY2022 and 1HFY2021. In RMB terms, rental expense decreased from RMB56.6 million in 1HFY2021 to RMB53.7 million in 1HFY2022, primarily due to the decrease in turnover rent in line with the decrease in sales revenue in the Current Period.

Other Operating (Expenses)/Income, Net

Net other operating expenses was HK\$148.1 million in 1HFY2022, as compared to net other operating income of HK\$8.0 million in 1HFY2021. The decrease was primarily resulted from the decrease of HK\$83.3 million of net exchange gains mainly arising from the changes on Hong Kong dollar against Renminbi during 1HFY2022, an increase in other tax expenses of HK\$7.6 million, loss allowance of receivables of HK\$4.7 million compared with reversal of loss allowance of receivables of HK\$11.2 million in 1HFY2021, a total of HK\$40.5 million of compensation to the affected parties for downsizing and closure of certain department stores, and an increase in net provision for doubtful debts of HK\$7.8 million in the Current Period.

Operating Profit/(Loss)

Operating profit was HK\$207.3 million in 1HFY2022, as compared to operating loss of HK\$42.3 million in 1HFY2021.

Finance Costs, Net

Net finance costs was HK\$112.0 million in 1HFY2022 compared with HK\$97.1 million in 1HFY2021. The increase was mainly due to an increase in interest expense on lease liabilities of HK\$14.5 million in the Current Period.

Income Tax Expense

Income tax expense of the Group was HK\$54.3 million in 1HFY2022 compared with HK\$64.3 million in 1HFY2021.

Profit/(Loss) for the period

As a result of the reasons mentioned above, profit for the period was HK\$41.0 million, as compared to loss for the period of HK\$203.9 million in the same period of Previous Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

Fixed deposits with original maturity over three months and cash and bank balances of the Group amounted to HK\$1,550.3 million as at 31 December 2021 (30 June 2021: HK\$1,569.4 million).

The Group's borrowings as at 31 December 2021 were HK\$1,412.8 million (30 June 2021: HK\$1,412.3 million).

As at 31 December 2021, the Group's was in net cash position of HK\$137.5 million (30 June 2021: HK\$157.1 million).

At 31 December 2021, the Group's current liabilities exceeded its current assets by HK\$2,476.6 million (30 June 2021: HK\$2,367.8 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 2021 were HK\$48.0 million which were contracted but not provided for in the condensed consolidated statement of financial position.

Pledge of Assets

As at 31 December 2021, the Group did not have any pledge of assets (30 June 2021: 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

The Group did not have any significant contingent liabilities as at 31 December 2021.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF NEW WORLD DEPARTMENT STORE CHINA LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 47, which comprises the interim 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 2021 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 February 2022

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2021

	Note	Unaudited Six months ended 31 December	
		2021 HK\$'000	2020 HK\$'000
Revenue	6	1,084,559	1,130,834
Other income	7	38,453	38,280
Other gains/(losses), net	8	72,149	(326,234)
Changes in fair value of investment properties		(2,965)	619
Purchases of and changes in inventories, net		(261,480)	(309,982)
Purchases of promotion items		(11,418)	(7,237)
Employee benefit expense	9	(219,658)	(210,315)
Depreciation		(279,187)	(301,156)
Rental expense		(65,088)	(65,112)
Other operating (expenses)/income, net	10	(148,084)	8,019
Operating profit/(loss)		207,281	(42,284)
Finance income		17,205	18,792
Finance costs		(129,211)	(115,932)
Finance costs, net	11	(112,006)	(97,140)
		95,275	(139,424)
Share of results of associated companies		–	(148)
Profit/(loss) before income tax		95,275	(139,572)
Income tax expense	12	(54,273)	(64,310)
Profit/(loss) for the period		41,002	(203,882)
Earnings/(loss) per share attributable to shareholders of the Company during the period (expressed in HK\$ per share)			
– Basic and diluted	14	0.02	(0.12)

The notes on pages 21 to 47 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	Unaudited	
	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) for the period	41,002	(203,882)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties	869	–
– Deferred income tax thereof	(217)	–
	652	–
<i>Items that may be reclassified subsequently to profit and loss</i>		
Translation differences	83,680	347,407
Other comprehensive income for the period, net of tax	84,332	347,407
Total comprehensive income for the period	125,334	143,525

The notes on pages 21 to 47 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	15(a)	850,913	869,599
Investment properties	16	5,547,973	5,255,795
Right-of-use assets	15(b)	3,426,917	4,019,142
Intangible assets	17	1,307,896	1,353,451
Interests in associated companies		302	296
Prepayments, deposits and other receivables		225,298	206,850
Finance lease receivables	26	423,409	335,006
Financial asset at fair value through profit or loss	27	31,200	–
Deferred income tax assets		112,323	121,662
		11,926,231	12,161,801
Current assets			
Inventories	18	119,521	89,428
Debtors	19	45,903	34,137
Prepayments, deposits and other receivables		277,084	252,465
Finance lease receivables	26	75,614	68,524
Amounts due from fellow subsidiaries	20	4,451	1,861
Amounts due from related companies	20	47	1
Fixed deposits with original maturity over three months		741,943	728,669
Cash and bank balances		808,368	840,752
		2,072,931	2,015,837
Total assets		13,999,162	14,177,638
Equity and liabilities			
Equity			
Share capital	21	168,615	168,615
Reserves	22	4,425,046	4,299,712
Total equity		4,593,661	4,468,327

**CONDENSED CONSOLIDATED
STATEMENT OF
FINANCIAL POSITION**

As at 31 December 2021

	Note	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Liabilities			
Non-current liabilities			
Lease liabilities	25	3,865,407	4,354,394
Deferred income tax liabilities		990,538	971,246
		4,855,945	5,325,640
Current liabilities			
Creditors	24	1,086,299	993,805
Accruals and other payables		1,121,732	1,032,527
Lease liabilities	25	616,897	660,400
Contract liabilities		238,984	238,363
Amounts due to fellow subsidiaries	20	9,746	7,758
Amounts due to related companies	20	7,602	15,596
Amounts due to ultimate holding company	20	31,513	–
Borrowings	23	1,412,797	1,412,275
Tax payable		23,986	22,947
		4,549,556	4,383,671
Total liabilities		9,405,501	9,709,311
Total equity and liabilities		13,999,162	14,177,638

The notes on pages 21 to 47 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

	Attributable to shareholders of the Company							
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Statutory reserve	Exchange Reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
Loss for the period	-	-	-	-	-	-	(203,882)	(203,882)
Other comprehensive income								
Translation differences	-	-	-	-	-	347,407	-	347,407
Total comprehensive income for the period ended 31 December 2020	-	-	-	-	-	347,407	(203,882)	143,525
Transactions with owners								
Transfer to statutory reserve	-	-	-	-	7,810	-	(7,810)	-
Total transactions with owners	-	-	-	-	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

	Attributable to shareholders of the Company							
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Statutory reserve	Exchange Reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 July 2021	168,615	1,826,646	260,623	391,588	483,012	173,112	1,164,731	4,468,327
Profit for the period	-	-	-	-	-	-	41,002	41,002
Other comprehensive income								
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties	-	-	869	-	-	-	-	869
– Deferred income tax thereof	-	-	(217)	-	-	-	-	(217)
Translation differences	-	-	-	-	-	83,680	-	83,680
Total comprehensive income for the period ended 31 December 2021	-	-	652	-	-	83,680	41,002	125,334
Transactions with owners								
Transfer to statutory reserve	-	-	-	-	5,805	-	(5,805)	-
Total transactions with owners	-	-	-	-	5,805	-	(5,805)	-
As at 31 December 2021 – Unaudited	168,615	1,826,646	261,275	391,588	488,817	256,792	1,199,928	4,593,661

The notes on pages 21 to 47 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	Unaudited	
	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from operating activities	393,540	694,126
Cash flows from investing activities		
Additions to investment properties	(4,526)	(530)
Additions to property, plant and equipment	(61,065)	(12,673)
Decrease/(increase) in fixed deposits with original maturity over three months	135	(644,710)
Purchase of financial assets at fair value through profit or loss	(30,861)	–
Principal portion of finance lease received as the lessor	44,004	17,164
Interest portion of finance lease received as the lessor	11,096	6,959
Interest received	12,769	12,870
Net cash used in investing activities	(28,448)	(620,920)
Cash flows from financing activities		
Repayment of bank borrowings	–	(77,472)
Finance costs paid	(4,240)	(6,885)
Principal portion of lease payments as the lessee	(284,921)	(336,514)
Interest portion of lease payments as the lessee	(120,757)	(106,255)
Net cash used in financing activities	(409,918)	(527,126)
Net decrease in cash and cash equivalents	(44,826)	(453,920)
Cash and cash equivalents as at 1 July	840,752	1,360,328
Effect of foreign exchange rate changes	12,442	98,782
Cash and cash equivalents as at 31 December	808,368	1,005,190
Analysis of cash and bank balances:		
Cash and cash equivalents	808,368	1,005,190

The notes on pages 21 to 47 are an integral part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

This condensed consolidated financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the Board of Directors on 24 February 2022.

2 BASIS OF PREPARATION

This condensed consolidated financial information of the Group for the six months ended 31 December 2021 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

As at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK\$2,476,625,000 (30 June 2021: HK\$2,367,834,000). 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.

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 2021.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (continued)

3.1 Adoption of amendments to standards by the Group

For the six months ended 31 December 2021, the Group has adopted the following amendments to existing standards which are mandatory for the accounting period beginning on 1 July 2021:

HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions beyond 30 June 2021
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

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 2021.

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 2021.

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

5.2 Liquidity risk

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Liquidity risk (continued)

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.

	Total contractual Carrying amounts HK\$'000	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 2021					
Creditors	1,086,299	1,086,299	1,086,299	–	–
Other payables	954,289	954,289	954,289	–	–
Amounts due to fellow subsidiaries	9,746	9,746	9,746	–	–
Amounts due to related companies	7,602	7,602	7,602	–	–
Amounts due to ultimate holding company	31,513	31,513	31,513	–	–
Borrowings	1,412,797	1,429,803	1,429,803	–	–
Lease liabilities	4,482,303	5,877,162	647,322	2,660,928	2,568,912

	Total contractual Carrying amounts HK\$'000	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 2021					
Creditors	993,805	993,805	993,805	–	–
Other payables	871,815	871,815	871,815	–	–
Amounts due to fellow subsidiaries	7,758	7,758	7,758	–	–
Amounts due to related companies	15,596	15,596	15,596	–	–
Borrowings	1,412,275	1,430,255	1,430,255	–	–
Lease liabilities	5,014,794	6,622,985	692,943	2,933,793	2,996,249

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, related companies and ultimate holding company
- Borrowings
- Lease liabilities

5.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the financial instruments of the Group are as follows:

Listed instrument is stated at market price. The quoted market price used for financial asset held by the Group is the bid price at the end of the reporting period. It is included in level 1.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE CONDENSED
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5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 Fair value estimation (continued)

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2021				
Financial asset at FVPL	–	–	31,200	31,200

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2021				
Financial asset at FVPL	–	–	–	–

The following table presents the changes in financial asset at FVPL in level 3 financial instruments for the six months ended 31 December 2021:

	Financial Asset at FVPL HK\$'000
As at 1 July 2020, 31 December 2020 and 1 July 2021	–
Addition	30,861
Translation difference	339
As at 31 December 2021	31,200

NOTES TO THE CONDENSED
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6 REVENUE AND SEGMENT INFORMATION

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Commission income from concessionaire sales	398,311	457,741
Sales of goods – direct sales	281,779	334,078
Revenue from contracts with customers	680,090	791,819
Rental income	393,373	332,056
Interest income from finance leases as the lessor	11,096	6,959
	1,084,559	1,130,834

The income from concessionaire sales is analysed as follows:

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Gross revenue from concessionaire sales	2,816,883	3,043,195
Commission income from concessionaire sales	398,311	457,741

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 gains/(losses), net, changes in fair value of investment properties and net unallocated corporate income. 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.

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 2021			
Segment revenue	950,431	134,128	1,084,559
Segment operating results	56,778	73,999	130,777
Other gains, net	70,365	1,784	72,149
Changes in fair value of investment properties	–	(2,965)	(2,965)
Unallocated corporate income, net			7,320
Operating profit			207,281
Finance income			17,205
Finance costs			(129,211)
Finance costs, net			(112,006)
			95,275
Share of results of associated companies			–
Profit before income tax			95,275
Income tax expense			(54,273)
Profit for the period			41,002

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 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
As at 31 December 2021			
Segment assets	7,815,115	6,037,742	13,852,857
Interests in associated companies	302	–	302
Deferred income tax assets	111,078	1,245	112,323
Unallocated corporate assets:			
Cash and bank balances			2,219
Others			31,461
Total assets			<u>13,999,162</u>
Six months ended 31 December 2021			
Additions to non-current assets (Note (i))	100,302	4,890	105,192
Depreciation	277,083	2,104	279,187
Impairment loss on goodwill	69,611	–	69,611
Impairment loss on property, plant and equipment and right-of-use assets	64,107	–	64,107
Loss allowance of deposit and receivables	6,522	–	6,522
Gain on derecognition of lease liabilities and right-of-use assets, net (Note (ii))	(201,865)	–	(201,865)
Gain on derecognition of right-of-use assets, net	(38,726)	–	(38,726)
Loss on derecognition and lease modification of finance lease receivables, net	25,748	–	25,748

NOTES TO THE CONDENSED
CONSOLIDATED
FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (continued)

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
As at 30 June 2021			
Segment assets	8,483,684	5,550,681	14,034,365
Interests in associated companies	296	–	296
Deferred income tax assets	121,662	–	121,662
Unallocated corporate assets:			
Cash and bank balances			21,066
Others			249
Total assets			14,177,638
Six months ended 31 December 2020			
Additions to non-current assets (Note (i))	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

Notes:

- (i) Additions to non-current assets represent additions to non-current assets other than financial instruments, interests in associated companies and deferred income tax assets.
- (ii) Gain on derecognition of lease liabilities and right-of-use assets, net was due to downsizing and closure of certain department stores during the six months ended 31 December 2021.

NOTES TO THE CONDENSED
CONSOLIDATED
FINANCIAL INFORMATION

7 OTHER INCOME

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Government grants	6,763	6,848
Income from suppliers	17,107	11,338
Service fee income	545	988
Carpark income	5,029	4,897
Other compensation income	7,717	11,995
Sundries	1,292	2,214
	38,453	38,280

8 OTHER GAINS/(LOSSES), NET

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Loss on deregistration of a subsidiary	(1,707)	–
Impairment loss on goodwill (Note (i))	(69,611)	(194,253)
Impairment loss on property, plant and equipment and right-of-use assets (Note (i))	(64,107)	(151,811)
Impairment loss on prepayments, deposits and other receivables	(1,810)	–
Gain on derecognition of lease liabilities and right-of-use assets, net (Note (ii))	201,865	–
Gain/(loss) on disposal of property, plant and equipment and derecognition of right-of-use assets, net	30,661	(5,506)
Loss on derecognition of finance lease receivables, net	(25,946)	(5,528)
Gain on lease modification of finance lease receivables	198	327
Rent concessions (Note (iii))	2,606	30,537
	72,149	(326,234)

Notes:

- (i) The impairment provisions were made to reflect management's latest plan for mainly two department stores (2020: six department stores) in light of the latest market environment and the management's assessment on the business prospect thereof.
- (ii) Gain on derecognition of lease liabilities and right-of-use assets, net was due to downsizing and closure of certain department stores during the six months ended 31 December 2021.
- (iii) Rent concessions represent the change in lease payment directly related to COVID-19. The Group has applied the practical expedient to all rent concessions that meet the conditions in the amendments to HKFRS16.

NOTES TO THE CONDENSED
CONSOLIDATED
FINANCIAL INFORMATION

9 EMPLOYEE BENEFIT EXPENSE

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Wages, salaries and other benefits	196,536	205,778
Retirement benefit costs – defined contribution plans	23,122	4,537
	219,658	210,315

10 OTHER OPERATING (EXPENSES)/INCOME, NET

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Selling, promotion, advertising and related expenses	(16,708)	(18,951)
Cleaning, repairs and maintenance	(29,310)	(27,815)
Auditor's remuneration		
– Audit services	(1,788)	(1,788)
– Non-audit services	(733)	(702)
Net exchange gains	25,774	109,086
Other tax expenses	(72,405)	(64,776)
(Loss allowance)/reversal of loss allowance of receivables	(4,712)	11,187
Compensation expenses (Note)	(40,485)	–
Others	(7,717)	1,778
	(148,084)	8,019

Note:

Compensation expenses represent the compensation to the affected parties related to the early termination of the operation of certain department stores.

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11 FINANCE COSTS, NET

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Interest income on bank deposits	(17,205)	(18,792)
Interest expense on bank loans	4,175	5,177
Interest expense on shareholder's loans	4,279	4,500
Interest expense on lease liabilities	120,757	106,255
	129,211	115,932
	112,006	97,140

12 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Current income tax		
– Mainland China taxation	41,818	45,213
– Over-provision in prior years	(165)	(69)
Deferred income tax		
– Temporary differences	12,620	19,166
	54,273	64,310

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 2021 and 2020.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2020: 25%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 DIVIDENDS

The Directors have resolved not to recommend an interim dividend for the six months ended 31 December 2021 (2020: HK\$Nil).

14 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 31 December	
	2021	2020
Profit/(loss) attributable to shareholders of the Company (HK\$'000)	41,002	(203,882)
Weighted average number of ordinary shares in issue (shares in thousands)	1,686,145	1,686,145
Basic earnings/(loss) per share (HK\$ per share)	0.02	(0.12)

(b) Diluted

Diluted earnings/(loss) per share for the six months ended 31 December 2021 and 2020 are equal to basic earnings/(loss) per share as there was no dilutive potential ordinary share in issue.

15(a) PROPERTY, PLANT AND EQUIPMENT

For the six months ended 31 December 2021, the Group had additions of property, plant and equipment of approximately HK\$87,978,000 (2020: HK\$22,026,000) and disposals of property, plant and equipment with net book amount of approximately HK\$8,065,000 (2020: HK\$1,595,000).

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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 2021	780,715	3,238,427	4,019,142
Additions	–	8,027	8,027
Lease modification	–	(129,687)	(129,687)
Derecognition	–	(161,892)	(161,892)
Depreciation	(13,809)	(208,841)	(222,650)
Transfer from finance lease receivables	–	43,868	43,868
Transfer to investment properties	–	(134,738)	(134,738)
Impairment charged for the period	–	(61,050)	(61,050)
Translation differences	14,200	51,697	65,897
As at 31 December 2021 – Unaudited	781,106	2,645,811	3,426,917
As at 30 June 2021 – Audited	780,715	3,238,427	4,019,142

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 were determined either:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

The key assumptions used in the impairment assessments, with reference to the latest independent valuation of the underlying properties of the CGUs, are capitalisation rates, prevailing market rents and estimated transaction costs of disposal. The capitalisation rates adopted in the valuation are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

During the period ended 31 December 2021, impairment loss of approximately HK\$64,107,000 was recognised. For the period ended 31 December 2021, impairment provision were made on property, plant and equipment and right-of-use assets to reflect management's latest plan for a department store in light of the latest market environment and the management's assessment on the business prospect thereof. 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 CGU and their estimated recoverable amounts.

If the annual gross revenue had been 10% (2020: 10%) lower than management's current estimates, the profit before income tax for the period would have been approximately HK\$14,012,000 lower (2020: the loss before income tax for the period would have been approximately HK\$25,931,000 higher).

If the gross margin ratios had been 1% (2020: 1%) lower than management's current estimates, the profit before income tax for the period would have been approximately HK\$1,045,000 lower (2020: the loss before income tax for the period would have been approximately HK\$26,145,000 higher.)

If the discount rate had been 0.5 % (2020: 0.5%) higher than management's current estimates, there is no material adverse impact to the condensed consolidated financial information (2020: same).

If the valuation of the corresponding properties has been 5% lower with all other variables held constant, there is no material adverse impact to the condensed consolidated financial information (2020: the loss before income tax for the period would have been approximately HK\$33,000,000 higher).

16 INVESTMENT PROPERTIES

For the six months ended 31 December 2021, the Group had additions of investment properties of approximately HK\$4,526,000 (2020: HK\$530,000). The Group leased out certain leased-in premises to third parties, and it transferred these assets with an aggregate carrying amount of approximately HK\$190,646,000 from right-of-use assets and property, plant and equipment to investment properties at fair value of approximately HK\$191,515,000 as a result of change in use of these assets.

As at 31 December 2021, no investment property was pledged to secure bank loans of the Group.

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16 INVESTMENT PROPERTIES (continued)

As at 31 December 2021, 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 2021, goodwill allocated to CGUs of the department store and CGUs of the property investment business was approximately HK\$1,036,830,000 and HK\$271,066,000 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 valuation of the corresponding properties respectively.

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

The key assumptions on average annual gross revenue growth rate, gross margin ratios, discount rate and long term growth rate used in the cash flows projections as at 31 December 2021 are based on management's best estimates and reflect specific risks relating to the relevant business.

The key assumptions used in the impairment assessments, with reference to the latest independent valuation of the underlying properties of the CGUs, are capitalisation rates, prevailing market rents and estimated transaction costs of disposal. The capitalisation rates adopted in the valuation are derived from analysis of rental/sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

During the period ended 31 December 2021, impairment loss of approximately HK\$69,611,000 was recognised. For the period ended 31 December 2021, impairment provision was made on goodwill of one CGU allocated to the department store business of Beijing New World Liying 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\$292,850,000 which was its fair value less cost of disposal. The fair value estimation is included in level 3 fair value hierarchy. The impairment loss recognised for the period represented the difference between the carrying amount of the CGU including goodwill and its estimated recoverable amount.

If the annual gross revenue had been 10% (2020: 10%) lower than management's current estimates, the profit before income tax for the period would have been approximately HK\$201,893,000 lower (2020: the loss before income tax for the period would have been approximately HK\$274,264,000 higher).

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17 INTANGIBLE ASSETS (continued)

If the gross margin ratios had been 1% (2020: 1%) lower than management's current estimates, the profit before income tax for the period would have been approximately HK\$49,686,000 lower (2020: the loss before income tax for the period would have been approximately HK\$186,989,000 higher).

If the discount rate had been 0.5% (2020: 0.5%) higher than management's current estimates, the profit before income tax for the period would have been approximately HK\$13,302,000 lower (2020: the loss before income tax for the period would have been approximately HK\$134,088,000 higher).

If the valuation 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 (2020: same).

18 INVENTORIES

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Finished goods	119,521	89,428

The cost of inventories recognised as expense and included in "purchases of and changes in inventories, net" amounted to approximately HK\$261,480,000 (2020: HK\$309,982,000), which included reversal of inventory write-down, net of approximately HK\$1,652,000 (2020: HK\$1,428,000).

19 DEBTORS

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Debtors	52,814	42,756
Less: loss allowance	(6,911)	(8,619)
Debtors, net	45,903	34,137

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:

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Within period for		
0–30 days	41,732	29,242
31–60 days	2,057	969
61–90 days	976	831
Over 90 days	1,138	3,095
	45,903	34,137

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

The debtors were primarily denominated in Renminbi ("RMB").

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

As at 31 December 2021 and 30 June 2021, the balances with fellow subsidiaries and related companies were unsecured, interest free, repayable on demand and denominated in RMB.

As at 31 December 2021, the balance with ultimate holding company was unsecured, interest free, repayable on demand and denominated in United States dollars ("USD").

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 Director.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each, issued and fully paid:		
As at 30 June 2020 and 2021 (audited) and 31 December 2020 and 2021 (unaudited)	1,686,145	168,615

22 RESERVES

	Attributable to shareholders of the Company						Total HK\$'000
	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	
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

	Attributable to shareholders of the Company						Total HK\$'000
	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	
As at 1 July 2021	1,826,646	260,623	391,588	483,012	173,112	1,164,731	4,299,712
Profit for the period	–	–	–	–	–	41,002	41,002
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties, net of tax	–	652	–	–	–	–	652
Translation differences	–	–	–	–	83,680	–	83,680
Transfer to statutory reserve	–	–	–	5,805	–	(5,805)	–
As at 31 December 2021 – Unaudited	1,826,646	261,275	391,588	488,817	256,792	1,199,928	4,425,046

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.

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23 BORROWINGS

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Unsecured bank loans	699,797	699,275
Shareholder loans	713,000	713,000
	1,412,797	1,412,275

Shareholder loans from ultimate holding company are interest-bearing at Hong Kong Interbank Offered Rate plus 1.1% (30 June 2021: 1.1%) per annum, unsecured and repayable within one year.

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

	Unaudited As at 31 December 2021	Audited As at 30 June 2021
HK\$	1.19%	1.24%

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

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
HK\$	1,412,797	1,412,275

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23 BORROWINGS (continued)

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

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Within six months	1,412,797	1,412,275

24 CREDITORS

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

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Within period for		
0–30 days	927,831	832,947
31–60 days	46,164	38,687
61–90 days	13,698	14,438
Over 90 days	98,606	107,733
	1,086,299	993,805

The creditors were primarily denominated in RMB.

Creditors included amounts due to related companies of approximately HK\$58,561,000 (30 June 2021: HK\$58,600,000) which were unsecured, interest free and repayable within 90 days.

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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 2021	5,014,794
Additions	8,027
Lease payments made during the period	(405,678)
Lease modification	(337,700)
Interest expense on lease liabilities	120,757
Rent concessions	(2,606)
Translation differences	84,710
As at 31 December 2021 – Unaudited	4,482,304
Of which are:	
Current lease liabilities	616,897
Non-current lease liabilities	3,865,407
	4,482,304
As at 30 June 2021 – Audited	5,014,794
Of which are:	
Current lease liabilities	660,400
Non-current lease liabilities	4,354,394
	5,014,794

Lease liabilities included lease liabilities to fellow subsidiaries and related companies of approximately HK\$107,482,000 (30 June 2021: HK\$353,597,000).

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26 FINANCE LEASE RECEIVABLES

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Finance lease receivables	534,096	419,563
Unguaranteed residual values	33,235	33,834
Gross investment in finance leases	567,331	453,397
Less: unearned finance income	(68,308)	(49,867)
Finance lease receivables – net	499,023	403,530
Of which are:		
Current finance lease receivables	75,614	68,524
Non-current finance lease receivables	423,409	335,006
	499,023	403,530

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 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Gross investment in finance leases		
Within one year	96,711	85,002
In the second to fifth year	328,237	281,930
After the fifth year	142,383	86,465
	567,331	453,397

The effective interest rate applied to the finance lease receivables was 4.9% (30 June 2021: 4.9%).

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27 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Unlisted security, at fair value	31,200	–

The financial asset was denominated in USD.

28 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

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

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Contracted but not provided for	48,000	44,349

(b) Operating lease receivables

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

	Unaudited As at 31 December 2021 HK\$'000	Audited As at 30 June 2021 HK\$'000
Within one year	601,258	568,305
In the second to fifth year	913,700	825,372
After the fifth year	82,894	84,755
	1,597,852	1,478,432

The contingent operating lease rental income of the Group for the period ended 31 December 2021 was approximately HK\$17,381,000 (2020: HK\$21,410,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	Unaudited Six months ended 31 December	
		2021 HK\$'000	2020 HK\$'000
Fellow subsidiaries			
Rental expenses	(i)	(11,233)	(11,991)
Building management expenses	(ii)	(5,080)	(6,151)
Other service fee expenses	(iii)	(118)	–
Payments for purchase of buildings and right-of-use assets	(iv)	–	(1,547)
Interest expense on lease liabilities	(v)	(2,055)	(2,686)
Insurance expenses	(vi)	(32)	(35)
Related companies			
Rental expenses	(i)	(48,325)	(46,457)
Building management expenses	(ii)	(13,194)	(12,540)
Commission income from concessionaires sales	(vii)	26,620	23,465
Rebates on prepaid shopping cards and vouchers	(viii)	117	94
Rental income	(ix)	100	94
Other service fee expenses	(iii)	(4)	(7)
Interest expense on lease liabilities	(v)	(5,977)	(6,720)
Addition to right-of-use assets	(x)	(4,484)	–

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 other services provided by the subsidiaries of NWD (except the Group) and members of the companies controlled by Mr. Doo.
- (iv) This represents installment paid for the purchase of buildings and right-of-use assets.
- (v) Interest expense on lease liabilities is charged at the Group's incremental borrowing rate.
- (vi) This represents the insurance services provided by the subsidiaries of NWS Holdings Limited.
- (vii) 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.
- (viii) 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.
- (ix) The income is charged in accordance with lease agreements with members of the companies controlled by Mr. Doo.
- (x) Addition to right-of-use assets is measured in accordance with relevant lease agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

The details for balances with related parties are disclosed in Notes 20, 23, 24 and 25 to this condensed consolidated financial information. Accruals and other payables included interest payable of shareholder loans of approximately HK\$37,166,000 (30 June 2021: HK\$32,887,000).

(c) Lease transactions with related parties

- (i) The repayment amount of lease liabilities to related parties were approximately HK\$50,613,000 during the period (2020: HK\$46,357,000).
- (ii) Right-of-use assets with a total carrying amount of approximately HK\$35,135,000 and lease liabilities with a total carrying amount of approximately HK\$205,315,000 were derecognised during the period ended 31 December 2021 upon early termination of lease agreements with its related parties.

(d) Key management compensation

	Unaudited	
	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	11,978	11,062
Discretionary bonus	697	1,025
Retirement benefit costs – defined contribution plans	592	584
	13,267	12,671

30 ULTIMATE HOLDING COMPANY

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

31 EVENT AFTER THE REPORTING PERIOD

In January 2022, the management of the Group decided to close the Chengdu New World Department Store in the first quarter of 2022. Based on the management's best estimate, the closure will not have a material adverse effect on the financial results for the year ending 30 June 2022.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors (the “Directors” or “Board”) of New World Department Store China Limited (the “Company”, or together with its subsidiaries, the “Group”) has resolved not to declare an interim dividend for the six months ended 31 December 2021 (2020: nil).

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established in accordance with requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and risk management and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 31 December 2021 and the unaudited condensed consolidated financial information and the interim report for the six months ended 31 December 2021 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2021 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 2021.

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 2021. 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 2021, the total number of employees of the Group was 2,689 (31 December 2020: 2,922). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group’s salary and incentives.

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

ACQUISITION AND DISPOSAL

The Group did not have any significant acquisition and disposal during the six months ended 31 December 2021.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2021. 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 2021.

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 2021 are set out below:

With effect from 29 October 2021, Dr. Cheng Chi-kong, Adrian was appointed as the chairman and a non-executive director of Arta Techfin Corporation Limited.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2021, 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)
The Company					
(Ordinary shares of HK\$0.10 each)					
Ms. Xie Hui-fang, Mandy	Beneficial owner	Personal interest	177,000	177,000	0.01
New World Development Company Limited					
(Ordinary shares)					
Dr. Cheng Chi-kong, Adrian	Beneficial owner	Personal interest	2,559,118	2,559,118	0.10
Ms. Chiu Wai-han, Jenny	Beneficial owner	Personal interest	29,899	29,899	0.00

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 Director has personal interests in share options to subscribe for shares of NWD. Certain details of the share options of NWD held by her during the six months ended 31 December 2021 were as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options held				Balance as at 31 December 2021	Exercise price per share HK\$
			Balance as at 1 July 2021	Granted during the period	Exercised during the period	Adjusted during the period		
Ms. Chiu Wai-han, Jenny	6 July 2018	(1)	75,000	–	–	–	75,000	44.160
			75,000	–	–	–	75,000	

Notes:

(1) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

(2) The cash consideration paid by the above Director for each grant of the share options is HK\$10.00.

Save as disclosed above, as at 31 December 2021, 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 2021, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of shareholding (direct or indirect)
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook (Holding) Limited ("CTFH") ⁽⁴⁾	Controlled corporation	Corporate interest	1,264,400,000	1,264,400,000	74.99
Chow Tai Fook Enterprises Limited ("CTFE") ⁽⁵⁾	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 CTFE and is accordingly deemed to have an interest in the shares of the Company interested by or deemed to be interested by CTFE.
- (5) CTFE 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 2021, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

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

Executive Directors

Mr. Cheung Fai-yet, Philip (*Joint Chief Executive Officer*)
Ms. Xie Hui-fang, Mandy (*Joint 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
Dentons Hong Kong LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT

Tricor Investor Services Limited
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: nwdsacad@nwds.com.hk

WEBSITE

www.nwds.com.hk



Chinese Version

The Chinese version of this Report is available from New World Department Store China Limited upon request. If there is any inconsistency or contradiction between the English and the Chinese versions, the English version shall prevail.

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