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

INTERIM RESULTS ANNOUNCEMENT 2019/2020

HIGHLIGHTS

Same-store sales[(1)] growth for the period was -12.4%. The same-store sales growth for the same period of Previous Year was -8.3%.

Revenue for the period was HK$1,360.7 million compared with HK$1,809.9 million in the same period of Previous Year.

Operating profit for the period increased to HK$319.2 million from HK$192.5 million in the same period of Previous Year.

Profit for the period increased to HK$142.4 million from HK$89.7 million in the same period of Previous Year.

Earnings per share for the period was HK$0.08.

(1) Same-store sales calculation reflects the gross sales proceeds and the adjustment of the operational strategy for the stores in operation.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board of directors (the "Board" or "Directors") of New World Department Store China Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 31 December 2019 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	Unaudited
		Six months ended 31 December	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,360,748**	1,809,880
Other income	*4*	**59,639**	100,420
Other losses, net	*5*	**(6,870)**	(28,864)
Changes in fair value of investment properties		**203**	18
Purchases of and changes in inventories, net		**(318,383)**	(468,399)
Purchases of promotion items		**(8,611)**	(21,419)
Employee benefit expense		**(248,956)**	(333,478)
Depreciation and amortisation		**(297,549)**	(107,317)
Rental expense		**(76,767)**	(496,086)
Other operating expenses, net	*6*	**(144,262)**	(262,220)
Operating profit		**319,192**	192,535
Finance income		**22,574**	25,128
Finance costs		**(127,293)**	(18,582)
Finance (costs)/income, net	*7*	**(104,719)**	6,546
		214,473	199,081
Share of results of associated companies		**10**	85
Profit before income tax		**214,483**	199,166
Income tax expense	*8*	**(72,036)**	(109,476)
Profit for the period		**142,447**	89,690
Attributable to:			
Shareholders of the Company		**142,447**	89,690
Earnings per share attributable to shareholders of the Company during the period (expressed in HK$ per share)			
– Basic and diluted	*10*	**0.08**	0.05

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**142,447**	89,690
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of properties upon reclassification from property, plant and equipment and land use rights to investment properties	**–**	5,782
– Deferred income tax thereof	**–**	(1,445)
	–	4,337
Items that may be reclassified subsequently to profit and loss		
Release of reserve upon deregistration of subsidiaries	**(1,481)**	(11,255)
Translation differences	**(160,535)**	(297,142)
	(162,016)	(308,397)
Other comprehensive income for the period, net of tax	**(162,016)**	(304,060)
Total comprehensive income for the period	**(19,569)**	(214,370)
Attributable to:		
Shareholders of the Company	**(19,569)**	(214,370)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 31 December 2019** *HK$'000*	Audited As at 30 June 2019 *HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**1,084,823**	888,044
Investment properties		**4,590,266**	4,692,081
Right-of-use assets		**3,537,328**	–
Land use rights		**–**	475,071
Intangible assets		**1,907,409**	1,972,351
Interests in associated companies		**765**	1,563
Other non-current assets	*11*	**–**	659,708
Prepayments, deposits and other receivables		**187,883**	241,631
Finance lease receivables		**223,531**	–
Deferred income tax assets		**122,051**	99,793
		11,654,056	9,030,242
Current assets			
Inventories		**110,215**	94,450
Debtors	*12*	**62,452**	63,441
Prepayments, deposits and other receivables		**296,009**	301,522
Finance lease receivables		**70,135**	–
Amounts due from fellow subsidiaries		**2,121**	2,840
Amounts due from related companies		**2**	186
Fixed deposits with original maturity over three months		**157,098**	131,111
Cash and bank balances		**1,867,748**	1,735,590
		2,565,780	2,329,140
Assets classified as held for sale		**–**	438,141
Total current assets		**2,565,780**	2,767,281
Total assets		**14,219,836**	11,797,523
Equity and liabilities			
Equity			
Share capital		**168,615**	168,615
Reserves		**4,709,735**	5,673,994
Total equity		**4,878,350**	5,842,609

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**Unaudited As at 31 December 2019** *HK$'000*	Audited As at 30 June 2019 *HK$'000*
Liabilities			
Non-current liabilities			
Accruals and other payables		**–**	439,132
Lease liabilities		**3,648,393**	–
Deferred income tax liabilities		**863,279**	870,507
		4,511,672	1,309,639
Current liabilities			
Creditors	*13*	**1,546,949**	1,337,492
Accruals and other payables		**978,046**	1,051,134
Lease liabilities		**602,445**	–
Contract liabilities		**244,013**	251,252
Amounts due to fellow subsidiaries		**4,883**	9,935
Amounts due to related companies		**12,263**	8,652
Borrowings		**1,412,755**	1,628,049
Tax payable		**28,460**	20,933
		4,829,814	4,307,447
Liabilities directly associated with assets classified as held for sale		**–**	337,828
Total current liabilities		**4,829,814**	4,645,275
Total liabilities		**9,341,486**	5,954,914
Total equity and liabilities		**14,219,836**	11,797,523

NOTES

1 BASIS OF PREPARATION

The condensed consolidated financial information of the Group for the six months ended 31 December 2019 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").

The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

At 31 December 2019, the Group's current liabilities exceeded its current assets by approximately HK$2,264,034,000 (30 June 2019: HK$1,877,994,000). Taking into account the cash flows from operating activities, the track record of successful renewal of the existing borrowings and its asset backing, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the condensed consolidated financial information.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2019, as described in those annual financial statements.

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

For the six months ended 31 December 2019, the Group has adopted the following amendments to existing standards which are mandatory for the accounting period beginning on 1 July 2019:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the adoption of the above new standards and amendments to existing standards does not have any significant effect on the results and financial position of the Group.

2 CHANGES IN ACCOUNTING POLICIES

HKFRS 16 "Leases"

The impacts of the adoption of HKFRS 16 Leases ("HKFRS 16") on the Group's condensed consolidated interim financial statements are detailed below and it also discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

(a) Impact on the consolidated financial statements

As explained below, the Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening consolidated statement of financial position as at 1 July 2019.

(b) Impact of adoption

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 were 4.9% for leases in Mainland China. While for right-of-use assets, the Group has elected to measure the right-of-use assets as if HKFRS 16 had been applied since the commencement date of a lease using the same incremental borrowing rate.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

There were no existing contracts that were not classified as a lease under HKAS 17 but satisfy the definition of a lease under HKFRS 16.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The total impact on the Group's lease liabilities as at 1 July 2019 is as follows:

	HK$'000
Operating lease commitments disclosed as at 30 June 2019	**5,043,154**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**4,488,772**
Less: short-term leases recognised on a straight-line basis as expense	**(1,616)**
Less: assets classified as held for sale	**(85,574)**
Lease liabilities recognised as at 1 July 2019	**4,401,582**
Of which are:	
Current lease liabilities	**599,639**
Non-current lease liabilities	**3,801,943**
	4,401,582

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Impact of adoption (Continued)

The recognised right-of-use assets relate to the following types of assets:

	As at 31 December 2019 *HK$'000*	As at 1 July 2019 *HK$'000*
Prepaid leasehold land	**837,874**	475,071
Buildings, plant and machinery and others	**2,699,454**	2,767,963
	3,537,328	3,243,034

The change in accounting policies affected the following items in the consolidated statement of financial position as at 1 July 2019:

	As at 1 July 2019		
	As previously stated *HK$'000*	Effects of adoption of HKFRS 16 *HK$'000*	As restated *HK$'000*
Consolidated statement of financial position (extract)			
Non-current assets			
Property, plant and equipment	888,044	(24,487)	863,557
Land use rights	475,071	(475,071)	–
Right-of-use assets	–	3,243,034	3,243,034
Prepayments, deposits and other receivables	241,631	(12,734)	228,897
Finance lease receivables	–	71,847	71,847
Deferred income tax assets	99,793	31,864	131,657
Current assets			
Prepayments, deposits and other receivables	301,522	(72,329)	229,193
Finance lease receivables	–	219,914	219,914
Assets classified as held for sale	438,141	77,351	515,492
Equity			
Retained earnings	2,859,137	(944,690)	1,914,447
Non-current liabilities			
Accruals and other payables	439,132	(439,132)	–
Lease liabilities	–	3,801,943	3,801,943
Deferred income tax liabilities	870,507	13,893	884,400
Current liabilities			
Accruals and other payables	1,051,134	(57,838)	993,296
Lease liabilities	–	599,639	599,639
Liabilities classified as held for sale	337,828	85,574	423,402

The adoption of HKFRS 16 resulted in changes in certain terminology used. The right-of-use assets in relation to prepaid leasehold land were previously presented as land use rights.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

(d) HKFRS 16 "Leases" – Accounting policies applied from 1 July 2019

The Group leases various properties. Rental contracts are made for a range of fixed periods but may have extension options as described in note 2(d)(ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Until the financial year ended 30 June 2019, leases were classified as either finance leases or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) HKFRS 16 "Leases" – Accounting policies applied from 1 July 2019 (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

As an intermediate lessor, certain sub-leases are recognised as finance lease receivables at the present value of the minimum lease payments and the estimated unguaranteed residual value. The corresponding right-of-use assets are de-recognised. The interest income is recognised to the profit or loss over the sub-lease period.

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognised in the profit or loss in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

(ii) Extension options

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(iii) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) HKFRS 16 "Leases" – Accounting policies applied from 1 July 2019 (Continued)

(iii) Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3 REVENUE AND SEGMENT INFORMATION

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**600,730**	748,207
Sales of goods – direct sales	**355,031**	642,654
Revenue from contracts with customers	**955,761**	1,390,861
Rental income	**397,737**	419,019
Interest income from finance leases as the lessor	**7,250**	–
	1,360,748	1,809,880

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**3,660,147**	4,570,414
Commission income from concessionaire sales	**600,730**	748,207

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

The CODM considers that the Group has department store and other retail related businesses, and property investment business. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of net other losses, changes in fair value of investment properties and net unallocated corporate expenses or income. In addition, net finance costs or income and share of results of associated companies are not allocated to segments. The measurement of segment assets excludes interests in associated companies, deferred income tax assets, assets classified as held for sale 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.

3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Department store and other retail related businesses HK$'000	Property investment business HK$'000	Consolidated HK$'000
Six months ended 31 December 2019			
Segment revenue	**1,249,858**	**110,890**	**1,360,748**
Segment operating results	**239,741**	**87,691**	**327,432**
Other losses, net	**(6,870)**	**–**	**(6,870)**
Changes in fair value of investment properties	**–**	**203**	**203**
Unallocated corporate expenses, net			**(1,573)**
Operating profit			**319,192**
Finance income			**22,574**
Finance costs			**(127,293)**
Finance costs, net			**(104,719)**
			214,473
Share of results of associated companies			**10**
Profit before income tax			**214,483**
Income tax expense			**(72,036)**
Profit for the period			**142,447**
Six months ended 31 December 2018			
Segment revenue	1,700,302	109,578	1,809,880
Segment operating results	153,958	85,253	239,211
Other losses, net	(28,864)	–	(28,864)
Changes in fair value of investment properties	–	18	18
Unallocated corporate expenses, net			(17,830)
Operating profit			192,535
Finance income			25,128
Finance costs			(18,582)
Finance income, net			6,546
			199,081
Share of results of associated companies			85
Profit before income tax			199,166
Income tax expense			(109,476)
Profit for the period			89,690

3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Department store and other retail related businesses *HK$'000*	Property investment business *HK$'000*	Consolidated *HK$'000*
As at 31 December 2019			
Segment assets	**9,193,122**	**4,887,035**	**14,080,157**
Interests in associated companies	**765**	**–**	**765**
Deferred income tax assets	**122,051**	**–**	**122,051**
Unallocated corporate assets:			
Cash and bank balances			**16,591**
Others			**272**
Total assets			**14,219,836**
Six months ended 31 December 2019			
Additions to non-current assets *(Note)*	**371,636**	**2,110**	**373,746**
Depreciation and amortisation	**297,144**	**405**	**297,549**
Impairment loss on goodwill	**21,111**	**–**	**21,111**
Impairment loss on property, plant and equipment	**299**	**–**	**299**
Impairment loss on prepayments, deposits and other receivables	**4,444**	**–**	**4,444**
As at 30 June 2019			
Segment assets	6,210,628	5,000,810	11,211,438
Interests in associated companies	1,563	–	1,563
Deferred income tax assets	99,793	–	99,793
Assets classified as held for sale	400,997	37,144	438,141
Unallocated corporate assets:			
Cash and bank balances			46,368
Others			220
Total assets			11,797,523
Six months ended 31 December 2018			
Additions to non-current assets *(Note)*	76,958	3,973	80,931
Depreciation and amortisation	106,924	393	107,317
Impairment loss on property, plant and equipment	13,141	–	13,141
Impairment loss on prepayments, deposits and other receivables	38,698	–	38,698

Note:

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

4 OTHER INCOME

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Compensation from insurance claim	–	3,181
Government grants	**10,896**	9,282
Income from suppliers	**25,686**	34,341
Write-back of expired stored value cards	**529**	25,104
Sundries	**22,528**	28,512
	59,639	100,420

5 OTHER LOSSES, NET

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Changes in fair value on financial asset or liability at fair value through profit or loss	–	15,392
Gain on disposal/deregistration of subsidiaries or associated companies	**12,388**	11,255
Impairment loss on goodwill *(Note)*	**(21,111)**	–
Impairment loss on property, plant and equipment *(Note)*	**(299)**	(13,141)
Impairment loss on prepayments, deposits and other receivables *(Note)*	**(4,444)**	(38,698)
Gain/(loss) on derecognition/disposal of right-of-use assets or property, plant and equipment	**6,596**	(3,672)
	(6,870)	(28,864)

Note:

The impairment provisions were made to reflect management's latest plan for mainly one department store (2018: four department stores) in light of the latest market environment and the management's assessment on the business prospect thereof.

6 OTHER OPERATING EXPENSES, NET

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Water and electricity	**369**	24,119
Selling, promotion, advertising and related expenses	**19,404**	32,775
Cleaning, repairs and maintenance	**26,898**	35,511
Auditor's remuneration		
– Audit services	**2,527**	2,825
– Non-audit services	**1,242**	928
Exchange (gains)/losses, net	**(22,181)**	9,477
Other tax expenses	**73,089**	90,267
Others	**42,914**	66,318
	144,262	262,220

7 FINANCE (COSTS)/INCOME, NET

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interest income on bank deposits	**22,574**	25,128
Interest expense on bank loans	**(12,001)**	(20,056)
Interest expense on shareholder's loans	**(10,616)**	(8,574)
Interest expense on lease liabilities	**(104,676)**	–
Less: amount capitalised *(Note)*	**–**	10,048
	(127,293)	(18,582)
	(104,719)	6,546

Note:

In 2018, to the extent funds are borrowed generally and used for the purpose of financing the qualifying assets, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation was 3.1% per annum for the period.

8 INCOME TAX EXPENSE

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
– Mainland China taxation	**68,709**	85,594
– Over-provision in prior years	**(1,891)**	(1,422)
Deferred income tax		
– Undistributed retained earnings	**–**	(1,726)
– Temporary differences	**5,218**	27,030
	72,036	109,476

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the six months ended 31 December 2019 and 2018.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2018: 25%).

9 DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2019 (2018: HK$Nil).

10 EARNINGS PER SHARE

(a) Basic

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2019	2018
Profit attributable to shareholders of the Company (HK$'000)	**142,447**	89,690
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.08**	0.05

(b) Diluted

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

During the six months ended 31 December 2019 and 2018, there was no dilutive potential ordinary share.

11 OTHER NON-CURRENT ASSETS

Balances as at 30 June 2019 represented the following transaction:

On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Shenyang New World Hotel Co., Ltd. (subsequently renamed as "Shenyang New World Xin Hui Properties Co., Ltd.") ("SYNWXH"), a wholly-owned subsidiary of New World Development Company Limited and a fellow subsidiary of the Company. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWXH agreed to cooperate in a property redevelopment project in Shenyang City. Shenyang Trendy agreed to surrender to the local government authority the land and building where Shenyang New World Department Store – Nanjing Street Branch Store was situated for a compensation of RMB250,012,000 and to make contribution of RMB514,009,800 to SYNWXH for the related costs of demolition of the original building and design, construction and payment of any relevant land grant premium of certain portion of the redeveloped building. As at 30 June 2019, the balance in connection to this transaction and the costs capitalised was approximately HK$659,708,000. The transaction was subsequently completed in July 2019 and transferred to property, plant and equipment and land use right included in right-of-use assets.

12 DEBTORS

	Unaudited As at 31 December 2019	Audited As at 30 June 2019
	HK$'000	*HK$'000*
Debtors	**67,356**	73,021
Less: loss allowance provision	**(4,904)**	(9,580)
Debtors, net	**62,452**	63,441

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 2019	Audited As at 30 June 2019
	HK$'000	*HK$'000*
Within period for		
0–30 days	**56,639**	55,688
31–60 days	**1,805**	2,162
61–90 days	**527**	768
Over 90 days	**3,481**	4,823
	62,452	63,441

The debtors were primarily denominated in Renminbi.

13 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 2019 *HK$'000*	Audited As at 30 June 2019 *HK$'000*
Within period for		
0–30 days	**1,306,803**	1,012,465
31–60 days	**102,038**	151,388
61–90 days	**28,792**	36,728
Over 90 days	**109,316**	136,911
	1,546,949	1,337,492

The creditors were primarily denominated in Renminbi.

Creditors included amounts due to related companies of approximately HK$60,952,000 (30 June 2019: HK$51,119,000) which were unsecured, interest-free and repayable within 90 days.

14 EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019 and since January 2020, there was a general outbreak of the new coronavirus which has affected the operation of the Group's stores. Management is of the view that the ultimate impact to the Group's businesses due to the virus is uncertain and beyond prediction as it is highly dependent on the future development. Management will closely and continuously monitor the situation and assess the financial impact to the Group.

BUSINESS REVIEW

Results Summary

Operating under grim domestic and external economic environments, New World Department Store China Limited and its subsidiaries (together, the "Group") focused on fortifying its presence and reducing costs during the period under review to ensure steady business development.

For the six months ended 31 December 2019, the Group's revenue for the period was HK$1,360.7 million, representing a decrease of approximately 24.8% from HK$1,809.9 million in the same period of Previous Year. In terms of segment, the Group's revenue for the period was mainly derived from commission income from concessionaire sales which accounted for 44.2%. This was followed by rental income, which took up 29.2%; sales of goods for direct sales, which took up 26.1%; and interest income from finance leases as the lessor, which took up 0.5%.

Nevertheless, the Group's net profit increased to HK$142.4 million from HK$89.7 million recorded in the same period of Previous Year, representing a year-on-year growth of approximately 58.8%. The increase was primarily the result of effective cost control, net exchange gains registered during the period, as well as the reduced rental expenses accounted under the newly-adopted accounting standards. Earnings per share for the period was HK$0.08.

Business Network

As at 31 December 2019, the Group operated 31 department stores and shopping malls, with a total gross floor area of about 1,251,950 square metres. These stores were located in three operating regions in the Northern China, the Eastern China and the Central Western China, covering 17 key locations across the country, including Beijing, Tianjin, Yanjiao, Yantai, Lanzhou, Xi'an, Harbin, Shenyang, Shanghai, Nanjing, Wuhan, Changsha, Zhengzhou, Chengdu, Chongqing, Kunming and Mianyang.

OPERATIONS OVERVIEW

Department Store Business

Amidst the socialised e-commerce, precise digitised marketing, diversified shopping scenarios and improved shopping convenience, mainland consumers now show a stronger preference for personalised and quality products. In view of this, the Group continued to delve deep into its core business of department store retail with the deployment of new technologies, and drove business reforms at stores so as to strengthen the uniqueness and competitiveness of each store through reformed setup and fine-tuned image positioning.

Business reform for Hong Kong New World Department Store — Shanghai Wujiaochang Branch Store completed in September 2019. A new children's wear zone was created on the seventh floor to enhance the image of the category and to create a fun environment for children, so as to draw in the peripheral family customers. Meanwhile, an array of trendy sports brands were introduced to the sixth floor to promote category upgrade and contents enhancement in order to echo with the recent fitness trend in the mainland. On the other hand, Xi'an New World City Plaza also accelerated its quasi-shopping mall transformation by adding highly popular cosmetics and household good labels while specialty food and beverage as well as complementary tourism categories were also strengthened to attract young and high-spending groups who are keen on experiential consumption.

In terms of category sales, cosmetics remained the category with stronger growth potential. In particular, sales in skincare products outperformed that in makeup products. Riding on the growth opportunity of the mainland cosmetics market in recent years, the Group drew on its department store advantages and built stronger ties with top-notch international cosmetics labels. In addition to lining up a handful of high-end imported labels for Beijing New World Qianzi Department Store, the Group also kicked off the re-planning of the cosmetics zone on the first floor of Beijing New World Department Store ("Beijing Chongwen Store"). Unveiling of the new face is expected to take place, stage by stage, by the end of 2020. To cope with the earnest demand for street-facing shops from international brands, the Group shall leverage the characteristics of its own premises, and consider setting up regional and iconic flagship cosmetics stores in Hong Kong New World Department Store — Shanghai Huaihai Branch Store ("Shanghai Huaihai Branch Store") and Chongqing New World Department Store ("Chongqing Store").

By deploying a series of member management and marketing strategies, the Group successfully brought the number of its VIP members to exceed the six million mark. Since the joining of the New World Group's Good Living Plus ("GLP+") membership scheme by its nine "Ba Li Chun Tian" branded stores in Shanghai in mid-2018, the Group has played a part in actively creating the GLP+ membership ecology with other retail brands under the New World Group through double members' points and points conversion across different labels. The initiative was made to improve members' loyalty and spending frequency within the New World Group. Furthermore, by implementing distinctive marketing events and effective online promotion, a fan base of close to 4.32 million has been established for the official WeChat and Weibo accounts of the Group and its stores. The "New Lab" online shopping platform also accumulated up to 250,000 registered VIP members as at 31 December 2019. Cosmetics sales proportion took up close to 70% of the overall sales of "New Lab", with female customers forming the majority. In future, the Group shall gradually enrich the merchandise choice of "New Lab" in the categories of jewellery, apparel, footwear, and small home appliances so as to broaden its customer base and to drive sales. The upgraded "New Lab" mini-programme will be launched in late June this year to incorporate value-added services such as electronic invoicing and express delivery on top of the comprehensive suite of basic functions.

Rental Business

As for rental business, the Group continued to grow new categories and uncover new labels to capitalise on the opportunities brought about by popular culture and trendy topics. During the period under review, the Group gradually brought in trendy experiential categories in its department stores. For instance, breakup museums and starry sky museums were set up in Changsha New World Trendy Plaza ("Changsha Trendy Plaza") and Kunming New World Department Store to create immersive experience for the five senses. At the breakup museum of Changsha Trendy Plaza, a few dozen remnants from past relationships were put together to form connected, empathetic scenarios to cater to young people's pursuit to spend according to their sentiments and their impulsive consumption pattern. The Group also rode on the worldwide superhero mania and introduced the internationally licensed "MINISO x Marvel" IP black gold stores at Beijing Chongwen Store, Chongqing Store, Shanghai Huaihai Branch Store and Yantai New World Department Store ("Yantai Store"). Co-branded products of the Marvel comic series were launched, drawing a wide Marvel following, and thus improved the overall foot traffic to the stores. Besides, the Group closely collaborated with the online-to-offline premium label "Vip.com", introducing the label's offline shops to six department stores of the Group so as to strengthen the Group's lifestyle premium category.

Direct Sales Business

In the face of the ever-innovating retail landscape in the mainland, the Group kept a close eye on the industrial development and stayed abreast of the changes in the mindset, preference and behaviour of consumers, and at the same time, reviewed internal mechanisms to roll out new categories that correspond to time and locales. Alongside expansion into new categories, the Group also considered their links to and interaction with its existing categories and improved its efficiency in resource allocation, so that different categories can complement one another for stronger synergies.

Riding on the foundation of categorised store management, LOL (Love • Original • Life) Concept Shop ("LOL") made major adjustments to its merchandising and marketing strategies. On the merchandising front, LOL's black label flagship store positioned itself as a high-end trendsetter and strived to introduce high-quality, high-technology and high-reputation brands, importing trendy gadgets to draw in high-spending young consumers who attach much importance to quality and experience. LOL's gold label stores, on the other hand, sourced value-for-money merchandises with high functionality; and quickened the refreshing rate of its new items and visual display to forge a sense of freshness to draw the foot traffic and spending frequency of the mid-end consumer group. On the marketing front, LOL reformed its original VIP membership scheme and launched a monthly members' shopping day. Spending offers and points rewards for members were also rolled out during key festivals and holidays, so as to muster stronger effort to unleash the consumption potential of VIP members. As at 31 December 2019, LOL operated 15 stores in five mainland cities including Shanghai and Beijing; four of these stores were set up outside of the Group's store network. In future, LOL shall continue to fine-tune the positioning and merchandise mix of its stores, striving to improve operational efficiency and contribute to sales.

"N+ Convenience Store" currently owns two branches in Beijing, with the choices of cooked delicacy prepared onsite increased to 80. Lifestyle services such as payment, printing and stand-to-read corners are under planning to offer greater convenience to customers. The Group plans to expand the convenience store business to premises outside of its own network in the second half of the 2020 financial year, adding two more branches of "N+ Convenience Store" in Beijing and gradually developing scale operations.

The "N+ Baby" store at Beijing Chongwen Store was successfully transformed to a premium maternity store. Leveraging precise positioning and differentiated operations, the store provides customers with a selection of safe and quality products.

The "N+ Beauty" project in the pipeline positioned itself as a multi-label cosmetics store. To seize the market demand for trending Chinese labels and hot single items, the Group has made plans to set up the first pop-up store of "N+ Beauty" in June this year at Hong Kong New World Department Store – Shanghai Pujian Branch Store. The business will be grown in phases depending on market response.

Having operated for 20 years, "New World Supermarket" has three branches at Beijing Chongwen Store, Lanzhou New World Department Store and Yantai Store, where complementary food and beverage services and self-service checkout counters were newly added. The Group plans to reform the overall setup and merchandise mix of the "New World Supermarket" at Beijing Chongwen Store and aims to fully upgrade customers' shopping experience by enhancing the in-store visibility of merchandise and optimising customers' traffic flow through merchandise layout.

OUTLOOK

The global economy slowed down in unison during the second half of 2019. Rising trade barriers and escalating geopolitical tensions in different countries did not only dampen market confidence but also created headwinds for investment and economic growth. While the loosened monetary policies in different countries did help stimulate consumption and investment, the same also heightened financial risks, resulting in an impasse for growth in the physical economy. As foreseen by the market, the downward trend in the global economy is set to continue in the first half of 2020. With the absence of growth drivers in major economies, uncertainties in the China-U.S. trade negotiations, and interwoven political and economic risks amongst different countries, economic prospects are filled with challenges.

Externally, China's economy suffered a blow from the decelerating global economy and the trade conflicts between China and the U.S. At home, it is undergoing a change in new and old growth drivers, as well as domestic policy adjustments. Consequently, the growth of investment, manufacturing and trade has slowed down and downward pressure has been increased for the economy. 2019 saw the year-on-year growth of China's Gross Domestic Product slowed down to 6.1% — the gentlest growth in almost 30 years. In particular, while consumption remained the major driver of China's economic development, its contribution slipped to 57.8% owing to weakened domestic demand. Nationwide residents' income grew steadily, basically synchronising with the pace of economic growth. Total retail sales of consumer goods exceeded RMB40 trillion for the first time. The accelerated growth in consumption upgrade categories, alongside the increased weight of service consumption, suggested sustained consumption upgrading and consistent optimisation of the consumption structure. In 2020, the Chinese economy will be confronted with even more critical circumstances at home and abroad. In particular, the novel coronavirus outbreak will certainly hit the physical retail sector though the extent of its knock-on effect is still beyond prediction. The market is expecting that with the gradual roll-out of policies and measures targeted for stabilising the economy and consumption, consumer confidence will be uplifted and consumption will hopefully recover in the second half of the year and support the steady development of the economy.

The Group believes that the physical retail sector will demonstrate resilience in adversity as the momentum in China's economic upgrading and transformation continues in the long run. The Group shall remain composed in this challenging battle and focus on fortifying its business to respond to the changes in the market environment, the competitive landscape and consumption demands with prudence and pragmatism. As Internet consumption, experiential consumption and personalised consumption become more prevalent in the mainland, the Group shall leverage on new retail channels such as mini-programmes and social e-commerce to expedite the integration of online and offline retail. Concurrently, the Group shall strive to enhance the quality and contents of in-store merchandises to meet the diversified and ever-changing demands of the new generation. Furthermore, the Group shall step up on brand-building, ride on pop-up stores to test the market, fortify its convenience store business, and strengthen its private label series in order to establish NWDS' ecosystem.

FINANCIAL REVIEW

Revenue and Other Income

Revenue of the Group was HK$1,360.7 million in 1HFY2020 (or the "Current Period") (1HFY2019 (or the "same period of Previous Year"): HK$1,809.9 million).

Gross sales revenue of the Group, comprising gross revenue from concessionaire sales and sales of goods for direct sales, rental income, interest income from finance leases as the lessor and other income, was HK$4,479.8 million in 1HFY2020 (1HFY2019: HK$5,732.5 million).

The Group's merchandise gross margin was 15.7% in the Current Period (1HFY2019: 17.3%). In 1HFY2020, ladieswear, menswear and accessories made up approximately 44.3% of gross revenue from concessionaire sales and sales of goods for direct sales. Gold, jewellery and watch made up approximately 24.2%, sportswear made up approximately 11.9%, cosmetic products made up approximately 10.2%, 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 69.5%), supermarkets and convenience stores (approximately 28.0%), life concept shops, ladieswear, menswear and accessories as well as miscellaneous items (approximately 2.5%).

Rental income decreased by 5.1% to HK$397.7 million in 1HFY2020 from HK$419.0 million in 1HFY2019, mainly due to the impact of adoption of HKFRS 16 in relation to the sub-leases in the Current Period and the closure of certain department stores in FY2019. The decrease was partially offset by increased rentable area and improved tenant mix in the Current Period.

Interest income from finance leases as the lessor was HK$7.3 million 1HFY2020 which was resulted from the impact of adoption of HKFRS 16.

Other income of the Group was HK$59.6 million in 1HFY2020 compared with HK$100.4 million in 1HFY2019. The decrease in other income was mainly due to the inclusion of the write-back of expired stored value cards and long term payables of HK$25.1 million and HK$10.9 million respectively in 1HFY2019.

Other Losses, Net

Net other losses of the Group in the Current Period was HK$6.9 million which was primarily resulted from HK$21.1 million of impairment loss on goodwill for mainly one department store in light of the latest market environment and the management's assessment on the business prospect thereof and HK$4.4 million of impairment loss on prepayments, deposits and other receivables. The losses was partially offset by HK$7.0 million of gain on derecognition of right-of-use assets and HK$12.4 million of gain on disposal of Well Metro Group Limited ("Well Metro Group") in July 2019.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Period was HK$0.2 million which was mainly related to the properties in Shenyang City and Shanghai City.

Purchases of and Changes in Inventories, Net

The purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It decreased to HK$318.4 million in 1HFY2020 from HK$468.4 million in 1HFY2019. The decrease was in line with the decrease in sales of goods for direct sales in the Current Period.

Purchases of Promotion Items

The purchases of promotion items represented the costs of promotion items transferred to the customers of concessionaire sales and direct sales upon their consumption in department stores or redemption of reward points granted under customer loyalty programme. The purchases of promotion items was HK$8.6 million in 1HFY2020 compared with HK$21.4 million in 1HFY2019.

Employee Benefit Expense

Employee benefit expense decreased to HK$249.0 million in 1HFY2020 from HK$333.5 million in 1HFY2019. Employee benefit expense decreased primarily due to the closures of certain department stores in FY2019 and the disposal of Well Metro Group in the Current Period.

Depreciation and Amortisation

Depreciation and amortisation expense increased from HK$107.3 million in 1HFY2019 to HK$297.5 million in 1HFY2020, primarily due to the increase was largely attributable to the impact of adoption of HKFRS 16. The increase was partially offset by no depreciation provided in the Current Period for property, plant and equipment of certain department stores closed in FY2019 and Well Metro Group disposed in 1HFY2020.

Rental Expense

Rental expense decreased to HK$76.8 million in 1HFY2020 from HK$496.1 million in 1HFY2019, primarily attributable to the impact of adoption of HKFRS 16 in the Current Period. Under HKFRS 16, rental expense is replaced with depreciation expense on the right-of-use assets and interest expense on the lease liabilities.

Other Operating Expenses, Net

Net other operating expenses decreased to HK$144.3 million in 1HFY2020 from HK$262.2 million in 1HFY2019. The decrease was primarily resulted from the increase of HK$31.7 million of net exchange gains mainly arising from Renminbi against Hong Kong dollar due to the revaluation of Renminbi during 1HFY2020, a decrease in water and electricity expenses of HK$23.8 million, a decrease in selling, promotion, advertising and related expenses of HK$13.4 million, a decrease in cleaning, repairs and maintenance of HK$8.6 million, a decrease in other tax expenses of HK$17.2 million, and a decrease in other operating expenses of HK$23.4 million primarily due to the costs control, utilities charge reduction in Mainland China, the decrease in sales revenue, the disposal of Well Metro Group in the Current Period and the closure of certain department stores in FY2019.

Operating Profit

Operating profit was HK$319.2 million in 1HFY2020 compared with HK$192.5 million in 1HFY2019.

Finance (Costs)/Income, Net

Net finance costs was HK$104.7 million in 1HFY2020 compared with net finance income of HK$6.5 million in 1HFY2019. The decrease was mainly due to the increase in interest expense on lease liabilities as a result of the adoption of HKFRS 16.

Income Tax Expense

Income tax expense of the Group was HK$72.0 million in 1HFY2020 compared with HK$109.5 million in 1HFY2019.

Profit for the Period

As a result of the reasons mentioned above, profit for the period was HK$142.4 million compared with HK$89.7 million in the same period of Previous Year.

Liquidity and Financial Resources

Fixed deposits with original maturity over three months and cash and bank balances of the Group amounted to HK$2,024.8 million as at 31 December 2019 (30 June 2019: HK$1,866.7 million).

The Group's borrowings as at 31 December 2019 were HK$1,412.8 million (30 June 2019: HK$1,628.0 million of which HK$215.9 million was secured by an investment property).

At 31 December 2019, the Group's current liabilities exceeded its current assets by HK$2,264.0 million (30 June 2019: HK$1,878.0 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 2019 were HK$43.4 million which were contracted but not provided for in the condensed consolidated statement of financial position.

Pledge of Assets

As at 31 December 2019, the Group did not have any pledge of assets (30 June 2019: an investment property of HK$1,743.2 million was pledged as securities for bank borrowings of HK$215.9 million).

Treasury Policies

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

Contingent Liabilities

In respect of one department store closed by the Group during the year ended 30 June 2019, the Group has contingent liabilities arising from potential claims from the landlords of the premises for compensation in connection with the early termination of the leases, however the amount, if any, and timing of payment could not be reliably estimated at current stage, and the final outcome of which is subject to negotiation and/or result of arbitration. The Group has taken all the necessary measures to address the potential exposure. The aggregate monthly rental expense for this closed department store was approximately HK$1.5 million prior to the closure.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2019 (2018: nil).

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2019, the total number of employees of the Group was 3,303 (30 June 2019: 3,883). 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

In July 2019, Techwise Enterprises Limited, a wholly-owned subsidiary incorporated in the British Virgin Islands with limited liability, entered into an agreement to sell the entire issued share capital of Well Metro Group Limited to K11 Sales & E-Commerce Company Limited, a fellow subsidiary of the Company, at a gross consideration of HK$1,000,000. Well Metro Group Limited is principally engaged in brand management, and the distribution and retailing of fashion apparels and accessories in the PRC. The transaction was completed in July 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2019. 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 2019.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the time being in force during the six months ended 31 December 2019 except for the deviation from code provision E.1.2.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-shun, Henry, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 18 November 2019 (the "AGM") due to his other engagement. Dr. Cheng Chi-kong, Adrian, an executive Director who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Upon the Company's specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company during the six months ended 31 December 2019. Relevant employees are subject to compliance with written guidelines on no less exacting terms than the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and risk management and internal controls. The Audit Committee consists of four independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 31 December 2019 and the unaudited condensed consolidated financial information and the interim report for the six months ended 31 December 2019 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2019 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.

By order of the board of
New World Department Store China Limited
Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong, 25 February 2020

As at the date of this announcement, the non-executive Directors are Dr. Cheng Kar-shun, Henry and Mr. Au Tak-cheong; the executive Directors are Dr. Cheng Chi-kong, Adrian and Mr. Cheung Fai-yet, Philip; and the independent non-executive Directors are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter and Mr. Yu Chun-fai.