新世界發展有限公司
New World Development Company Limited
(incorporated in Hong Kong with limited liability)
(Hong Kong Stock Code: 0017)

Interim Results Announcement 2011/2012

RESULTS

The board of Directors (the "Board") of New World Development Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

		For the six months ended 31 December	
	Note	**2011**	2010
		HK$m	HK$m
Revenues	2	**19,103.1**	15,076.1
Cost of sales		**(10,317.1)**	(9,131.7)
Gross profit		**8,786.0**	5,944.4
Other income		**35.4**	29.8
Other gains, net		**1,584.7**	610.7
Selling and marketing expenses		**(428.5)**	(358.1)
Administrative and other operating expenses		**(3,016.6)**	(2,315.7)
Changes in fair value of investment properties		**1,852.3**	1,974.3
Operating profit	3	**8,813.3**	5,885.4
Financing income		**231.8**	207.2
Financing costs		**(639.5)**	(417.7)
		8,405.6	5,674.9
Share of results of			
Jointly controlled entities		**948.3**	1,331.1
Associated companies		**512.3**	448.8
Profit before taxation		**9,866.2**	7,454.8
Taxation	4	**(2,123.0)**	(1,403.1)
Profit for the period		**7,743.2**	6,051.7
Attributable to:			
Shareholders of the Company		**5,223.8**	4,353.3
Non-controlling interests		**2,519.4**	1,698.4
		7,743.2	6,051.7
Dividend		**610.2**	396.9
Earnings per share (HK$)	5		(Adjusted)
Basic		**1.11**	1.00
Diluted		**1.11**	0.99

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	For the six months ended 31 December	
	2011	2010
	HK$m	HK$m
Profit for the period	**7,743.2**	6,051.7
Other comprehensive income		
Fair value changes on available-for-sale financial assets	**(974.7)**	619.8
- deferred tax arising from fair value changes thereof	**58.4**	(21.3)
Release of investment revaluation reserve deficit to the income statement upon impairment of available-for-sale financial assets	**225.0**	-
Impairment loss on available-for-sale financial assets	-	(6.6)
Revaluation of property upon reclassification from property, plant and equipment to investment properties	-	2.4
- deferred tax thereof	-	(0.6)
Release of reserve upon disposal of assets held for sale	**(0.5)**	(156.6)
Release of reserve upon disposal of available-for-sale financial assets	**(17.8)**	(229.9)
- reversal of deferred tax thereof	**0.8**	-
Release of exchange reserve upon disposal of subsidiaries	-	(10.0)
Share of other comprehensive (loss)/income of jointly controlled entities and associated companies	**(680.9)**	2.7
Cash flow hedges	**(66.6)**	53.5
Translation differences	**500.2**	735.1
Other comprehensive (loss)/income for the period	**(956.1)**	988.5
Total comprehensive income for the period	**6,787.1**	7,040.2
Attributable to:		
Shareholders of the Company	**4,125.6**	5,057.7
Non-controlling interests	**2,661.5**	1,982.5
	6,787.1	7,040.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	As at 31 December 2011 HK$m	As at 30 June 2011 HK$m
ASSETS			
Non-current assets			
Investment properties		**56,480.0**	53,265.0
Property, plant and equipment		**10,554.5**	10,373.1
Land use rights		**2,392.0**	2,407.1
Intangible concession rights		**16,952.1**	763.5
Intangible assets		**4,133.2**	1,754.7
Interests in jointly controlled entities		**39,949.1**	40,352.2
Interests in associated companies		**15,681.0**	10,533.6
Available-for-sale financial assets		**5,286.1**	6,229.5
Held-to-maturity investments		**37.9**	281.5
Financial assets at fair value through profit or loss		**1,071.4**	1,006.3
Derivative financial instruments		**294.1**	119.8
Properties for development		**26,534.3**	17,293.0
Deferred tax assets		**705.3**	697.8
Other non-current assets		**431.0**	808.3
		180,502.0	145,885.4
Current assets			
Properties under development		**32,742.0**	27,714.3
Properties held for sale		**9,922.6**	10,654.1
Inventories		**611.4**	540.8
Debtors and prepayments	6	**15,975.2**	16,955.2
Financial assets at fair value through profit or loss		**1.5**	1.4
Restricted bank balances		**964.2**	121.2
Cash and bank balances		**29,322.3**	23,971.6
		89,539.2	79,958.6
Assets held for sale/non-current assets classified as assets held for sale		**156.3**	3,271.4
		89,695.5	83,230.0
Total assets		**270,197.5**	229,115.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**As at 31 December 2011 HK$m**	As at 30 June 2011 HK$m
EQUITY			
Share capital		**6,102.1**	3,990.1
Reserves		**112,031.0**	98,673.1
Proposed final dividend		-	1,117.2
Interim dividend		**610.2**	-
Shareholders' funds		**118,743.3**	103,780.4
Non-controlling interests		**33,397.3**	30,588.2
Total equity		**152,140.6**	134,368.6
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**56,437.3**	38,849.9
Deferred tax liabilities		**7,235.9**	4,624.8
Derivative financial instruments		**1,427.3**	756.8
Other non-current liabilities		**732.3**	650.7
		65,832.8	44,882.2
Current liabilities			
Creditors and accrued charges	7	**23,597.0**	23,756.0
Current portion of long-term borrowings		**16,344.4**	13,023.1
Short-term borrowings		**8,162.2**	8,735.7
Current tax payable		**4,120.5**	3,748.8
		52,224.1	49,263.6
Liabilities directly associated with assets held for sale		-	601.0
		52,224.1	49,864.6
Total liabilities		**118,056.9**	94,746.8
Total equity and liabilities		**270,197.5**	229,115.4
Net current assets		**37,471.4**	33,365.4
Total assets less current liabilities		**217,973.4**	179,250.8

Notes:

1. **Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements (the "interim financial statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange") (the "Listing Rules"). The interim financial statements should be read in conjunction with the 30 June 2011 annual financial statements.

The accounting policies used in the preparation of these interim financial statements are consistent with those set out in the annual report for the year ended 30 June 2011 except for the adoption of the amendments to standards and interpretations, which are further explained below.

(a) Adoption of new or revised accounting standards

The Group has adopted the following revised standard, amendments to standards and interpretations which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2012:

HKFRSs Amendments	Improvements to HKFRSs 2010
HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendment	Disclosure – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement

The adoption of these revised standards, amendments to standards and interpretations has no material effect on the results and financial position of the Group.

(b) Standards, amendments and interpretations which are not yet effective

The following new or revised standards, amendments and interpretation are mandatory for accounting periods beginning on or after 1 July 2012 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2013

HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income

Effective for the year ending 30 June 2014 or after

HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

2. Revenues and segment information

Revenues (representing turnover) recognised during the period are as follows:

	For the six months ended 31 December	
	2011	2010
	HK$m	HK$m
Revenues		
Property sales	**7,759.3**	7,505.9
Rental	**951.7**	766.3
Contracting	**1,842.6**	1,873.1
Provision of services	**3,699.3**	1,596.3
Infrastructure operations	**838.2**	143.9
Hotel operations	**1,809.6**	1,368.8
Department store operations	**1,678.7**	1,360.2
Telecommunication services	**364.6**	354.5
Others	**159.1**	107.1
Total	**19,103.1**	15,076.1

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting. The Executive Committee considers the business from product and service perspective, which comprises property development, property investment, service, infrastructure, hotel operations, department stores, telecommunications and others (including media and technology businesses) segments.

The Executive Committee assesses the performance of the operating segments based on each segment’s operating profit. The measurement of segment operating profit excludes the effects of changes in fair value of investment properties, unallocated corporate expenses and non-recurring events. In addition, financing income and costs are not allocated to segments.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

2. Revenues and segment information (Continued)

	Property Development HK$m	Property Investment HK$m	Service HK$m	Infra-structure HK$m	Hotel Operations HK$m	Department Stores HK$m	Telecom-munications HK$m	Others HK$m	Total HK$m
For the six months ended December 2011									
Total revenues	7,759.3	1,042.8	6,347.9	838.2	1,809.6	1,678.7	393.2	159.1	20,028.8
Inter-segment	-	(91.1)	(806.0)	-	-	-	(28.6)	-	(925.7)
Revenues-external	7,759.3	951.7	5,541.9	838.2	1,809.6	1,678.7	364.6	159.1	19,103.1
Segment results	3,246.5	520.7	817.2	454.7	330.9	369.3	1.3	(41.4)	5,699.2
Other gains, net									1,584.7
Changes in fair value of investment properties									1,852.3
Unallocated corporate expenses									(322.9)
Operating profit									8,813.3
Financing income									231.8
Financing costs									(639.5)
									8,405.6
Share of results of									
Jointly controlled entities	3.5	269.4	(113.5)	787.4	(1.0)	-	-	2.5	948.3
Associated companies	12.5	133.9	228.5	50.0	(2.7)	-	80.3	9.8	512.3
Profit before taxation									9,866.2
Taxation									(2,123.0)
Profit for the period									7,743.2
As at 31 December 2011									
Segment assets	74,939.9	58,351.4	7,420.9	18,428.5	10,148.0	6,050.0	948.4	6,994.4	183,281.5
Interests in jointly controlled entities	8,159.0	9,624.1	2,038.2	17,277.3	1,294.2	-	-	1,556.3	39,949.1
Interests in associated companies	466.8	3,804.3	7,266.3	1,576.6	110.9	-	2,252.2	203.9	15,681.0
Unallocated assets									31,285.9
Total assets									270,197.5
Segment liabilities	11,499.1	1,339.1	3,155.9	1,635.8	620.0	4,984.3	289.5	805.6	24,329.3
Unallocated liabilities									93,727.6
Total liabilities									118,056.9
For the six months ended 31 December 2011									
Additions to non-current assets (Note a)	9,924.0	2,530.0	218.3	16,220.7	2,116.6	188.2	50.1	10.3	31,258.2
Depreciation and amortisation	28.5	12.8	60.4	220.9	203.4	175.1	19.4	9.3	729.8
Impairment charge and provision	0.6	-	-	-	-	-	-	244.6	245.2

2. Revenues and segment information (Continued)

	Property Development HK$m	Property Investment HK$m	Service HK$m	Infra-structure HK$m	Hotel Operations HK$m	Department Stores HK$m	Telecom-munications HK$m	Others HK$m	Total HK$m
For the six months ended 31 December 2010									
Total revenues	7,505.9	851.8	4,716.5	143.9	1,368.8	1,360.2	385.4	107.1	16,439.6
Inter-segment	-	(85.5)	(1,247.1)	-	-	-	(30.9)	-	(1,363.5)
Revenues-external	7,505.9	766.3	3,469.4	143.9	1,368.8	1,360.2	354.5	107.1	15,076.1
Segment results	2,196.0	492.5	431.0	47.3	228.0	287.6	(14.6)	(20.3)	3,647.5
Other gains, net									610.7
Changes in fair value of investment properties									1,974.3
Unallocated corporate expenses									(347.1)
Operating profit									5,885.4
Financing income									207.2
Financing costs									(417.7)
									5,674.9
Share of results of									
Jointly controlled entities	4.7	190.4	15.1	1,162.9	2.7	-	-	(44.7)	1,331.1
Associated companies	11.3	179.0	172.8	23.9	0.1	-	41.3	20.4	448.8
Profit before taxation									7,454.8
Taxation									(1,403.1)
Profit for the period									6,051.7
As at 30 June 2011									
Segment assets	67,784.6	52,315.8	12,618.1	1,425.4	6,657.0	5,865.9	626.6	6,025.8	153,319.2
Interests in jointly controlled entities	6,587.4	9,329.2	3,633.9	17,170.7	1,284.4	-	-	2,346.6	40,352.2
Interests in associated companies	979.2	2,963.3	3,406.9	802.5	113.9	-	2,164.4	103.4	10,533.6
Unallocated assets									24,910.4
Total assets									229,115.4
Segment liabilities	13,961.3	1,380.1	3,991.7	278.1	576.4	3,569.6	261.0	989.5	25,007.7
Unallocated liabilities									69,739.1
Total liabilities									94,746.8
For the six months ended 31 December 2010									
Additions to non-current assets (Note a)	1,883.2	1,215.9	44.8	-	5.6	475.5	49.3	1.9	3,676.2
Depreciation and amortisation	11.4	14.6	53.4	35.4	173.6	135.6	23.9	8.5	456.4
Impairment charge and provision	225.6	-	-	-	-	-	-	5.2	230.8

Note a: Additions to non-current assets represent additions to non-current assets other than financial instruments (financial instruments include interests in jointly controlled entities and interests in associated companies), deferred tax assets and retirement benefit assets.

2. **Revenues and segment information (Continued)**

	Revenues	Non-current assets (Note b)
	Six months ended 31 December 2011 HK$m	**As at 31 December 2011 HK$m**
Hong Kong	**9,127.5**	**57,899.1**
Mainland China	**9,849.5**	**58,801.0**
Macau and others	**126.1**	**346.0**
	19,103.1	**117,046.1**
	Six months ended 31 December 2010 HK$m	As at 30 June 2011 HK$m
Hong Kong	7,354.9	50,273.6
Mainland China	7,660.7	34,886.4
Macau and others	60.5	696.4
	15,076.1	85,856.4

The Group's revenues and non-current assets attributable to Southeast Asia and North America accounted for an insignificant portion of the Group's total revenues and non-current assets respectively, and have been included under Macau and others.

Note b: Non-current assets represent non-current assets other than financial instruments (financial instruments include interests in jointly controlled entities and interests in associated companies), deferred tax assets and retirement benefit assets.

3. **Operating profit**

Operating profit of the Group is arrived at after crediting/ (charging) the following:

	For the six months ended 31 December 2011 HK$m	2010 HK$m
Other investment income	**35.4**	29.8
Gain on deemed disposal of interest in a subsidiary	**1,842.7**	-
Net profit on disposal of		
Non-current assets classified as assets held for sale	**-**	289.0
Available-for-sale financial assets	**6.4**	485.4
Subsidiaries	**18.2**	24.8
Net loss on fair value of financial assets at fair value through profit or loss	**(506.1)**	(59.5)
Cost of inventories sold	**(5,214.0)**	(5,384.9)
Depreciation and amortisation	**(729.8)**	(456.4)
Impairment charge on assets	**(245.2)**	(230.8)

4. Taxation

	For the six months ended 31 December	
	2011	2010
	HK$m	HK$m
Current taxation		
Hong Kong profits tax	**325.1**	426.1
Mainland China and overseas taxation	**592.0**	483.6
Mainland China land appreciation tax	**1,140.5**	345.7
Deferred taxation	**65.4**	147.7
	2,123.0	1,403.1

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the period at the rates of taxation prevailing in the countries in which the Group, jointly controlled entities and associated companies operate. These rates range from 9% to 25% (2010: 9% to 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2010: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of jointly controlled entities and associated companies is stated after deducting share of taxation of jointly controlled entities and associated companies of HK$364.1 million and HK$23.0 million (2010: HK$283.2 million and HK$30.1million) respectively.

5. Earnings per share

The calculation of basic and diluted earnings per share for the period is based on the following:

	For the six months ended 31 December	
	2011	2010
	HK$m	HK$m
		(Adjusted)
Profit attributable to shareholders of the Company	**5,223.8**	4,353.3
Dilution effect of results of dilutive shares of subsidiaries	**(0.1)**	(49.2)
Profit for calculating diluted earnings per share	**5,223.7**	4,304.1

	Number of shares (million)	
	2011	2010
		(Adjusted)
Weighted average number of shares for calculating basic and diluted earnings per share	**4,701.1**	4,346.0

The earnings per share for the six months ended 31st December 2010 have been adjusted to reflect the effect of rights issue of the Company and New World China Land Limited during the period.

Diluted earnings per share for the six months ended 31 December 2011 and 31 December 2010 did not assume the conversion of convertible bonds and the exercise of share options outstanding during the respective periods since their conversion and exercise would have an anti-dilutive effect.

6. Trade debtors

Aging analysis of trade debtors is as follows:

	As at 31 December 2011 HK$m	As at 30 June 2011 HK$m
Current to 30 days	**1,433.1**	1,914.1
31 to 60 days	**194.3**	78.0
Over 60 days	**785.7**	591.2
	2,413.1	2,583.3

The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention receivable in respect of construction services are settled in accordance with the terms of respective contracts.

7. Trade creditors

Aging analysis of trade creditors is as follows:

	As at 31 December 2011 HK$m	As at 30 June 2011 HK$m
Current to 30 days	**5,396.7**	6,808.6
31 to 60 days	**1,246.1**	644.0
Over 60 days	**1,257.3**	1,089.1
	7,900.1	8,541.7

8. Pledge of assets

As at 31 December 2011, the concession right of the Hangzhou Ring Road together with assets of HK$49,753.9 million (30 June 2011: assets of HK$35,292.9 million) were pledged as securities for certain banking facilities of the Group.

9. Contingent liabilities

The Group's contingent liabilities as at 31 December 2011 amounted to HK$10,759.6 million (30 June 2011: HK$11,602.6 million).

INTERIM DIVIDEND

The Directors have declared an interim dividend for the financial year ending 2012 in scrip form equivalent to HK$**0.10** per share with a cash option to shareholders registered on 26 March 2012.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholder could elect to receive in cash and that shareholders be given the option to elect to receive payment in cash of HK$**0.10** per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 13 April 2012. It is expected that certificates for the scrip shares and dividend warrants will be posted to shareholders on or before 17 May 2012.

BOOK CLOSE DATES

Book close dates (both days inclusive)	:	20 March 2012 to 26 March 2012
Latest time to lodge transfer with Share Registrar	:	4:30 p.m. on Monday, 19 March 2012
Address of Share Registrar	:	Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2011, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2011, about 45,000 staff was employed by entities under the Group's management. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of the Company and all the listed subsidiaries of the Group, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in the Company and/or the respective subsidiaries.

REVIEW OF INTERIM RESULTS

The Company's unaudited interim results for the six months ended 31 December 2011 have not been reviewed by external auditors, but have been reviewed by the Audit Committee of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2011 except for the following deviation.

As required under code provision A.5.4 of the CG Code, the Board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the securities of the Company. The Board has established guidelines for employees in respect of their dealings in the securities of the Company but they are not on no less exacting terms than the Model Code. The deviation is mainly due to the fact that the Company currently has about 45,000 employees and operates diversified businesses, and it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt

	As at 31 December 2011 HK$m	As at 30 June 2011 HK$m
Consolidated net debt	**48,497.7**	34,992.4
NWSH (stock code: 0659)	**11,851.0**	2,161.5
NWCL (stock code: 0917)	**9,712.4**	8,459.6
NWDS –net cash and bank balances (stock code: 0825)	**(3,248.0)**	(4,153.0)
Net debt (exclude listed subsidiaries)	**30,182.3**	28,524.3

The Group's debts were primarily denominated in Hong Kong dollar, United States dollar and Renminbi. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi contributed to those projects. Apart from this, the Group does not have any material foreign exchange exposure.

The Group's borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps and derivative instruments to hedge part of the Group's underlying interest rate exposure. As at 31 December 2011, the Group had outstanding floating-to-fixed interest rate swap contracts and derivative instruments in the aggregate amount of HK$5,800.0 million and US$600.0 million (equivalent to approximately HK$4,680.0 million) respectively.

As at 31 December 2011, the Group's cash and bank balances stood at HK$30,286.5 million and the consolidated net debt amounted to HK$48,497.7 million (30 June 2011: HK$24,092.8 million and HK$34,992.4 million). The net debt to equity ratio was 31.88%; there was an increase of 5.84% as compared to 30 June 2011.

The Group has completed the following significant acquisitions during the period under review:

	HK$m
Tai Po Tsai project, Sai Kung	**6,640**
Channel 1調頻壹, Shanghai	**1,782**
Hangzhou Ring Road, Hangzhou	**5,716**
Rosewood Hotels and Resorts	**2,008**
Total	**16,146**

During the period under review, the Company raised approximately HK$11,332.0 million, before expenses, by way of a rights issue of 1,995,062,501 rights shares on the basis of one rights share for every two shares of the Company at the subscription price of HK$5.68 per rights share ("NWD Rights Issue").

The Group used approximately HK$2,962.5 million of the NWD Rights Issue proceeds to subscribe for the NWCL rights shares. The Directors currently intend to use the remaining net proceeds for the funding of the development costs of the Group's property projects and as general working capital for the Group.

During the period under review, NWCL also raised approximately HK$4,293.1 million, before expenses, by way of a rights issue of 2,881,306,455 rights shares on the basis of one rights share for every two shares of NWCL at subscription price of HK$1.49 per rights share ("NWCL Rights Issue")

The Directors of NWCL currently intend to apply the net proceeds from the NWCL Rights Issue to meet future funding requirements for NWCL Group's property development and property related investment in the PRC and as general working capital of the NWCL Group.

The proceeds from the NWD Rights Issue and the NWCL Rights Issue have strengthened the capital base and the financial position of both the Company and NWCL so as to facilitate the carrying out of their plans to develop their land bank.

As at 31 December 2011, the Group's long-term bank loans, fixed rate bonds and convertible bonds amounted to HK$71,802.9 million. Short-term bank and other loans as at 31 December 2011 were HK$6,981.3 million. The maturity of long-term bank loans, fixed rate bonds and convertible bonds as at 31 December 2011 is as follows:

	HK$m
Within one year	**16,344.4**
In the second year	**11,703.4**
In the third to fifth year	**33,259.1**
After the fifth year	**10,496.0**
	71,802.9

Equity of the Group as at 31 December 2011 increased to HK$152,140.6 million against HK$134,368.6 million as at 30 June 2011.

BUSINESS REVIEW

During the first half of FY2012, NWD recorded a consolidated turnover of HK$19,103.1 million and profit attributable to shareholders of the Company amounted to HK$5,223.8 million. The Group's underlying profits amounted to HK$2,825.6 million.

Hong Kong Property Development

In order to mitigate property speculation and ensure steady and healthy development of the property market, tightening measures, including Special Stamp Duty and reduction of loan-to-value ratio, were introduced by the Hong Kong SAR Government and the Hong Kong Monetary Authority at the end of 2010. Market consolidation was experienced in the residential property sector since the rolling out of polices over a year ago. Meanwhile, adverse effects of the European sovereign debt crisis has gradually revealed. The banks of Mainland China have raised interest rate to curb the overheated economy. The banks in Hong Kong have tightened residential mortgage lending and other unfavourable factors have resulted in the soft sentiment in the Hong Kong residential property market. According to the figures released by The Land Registry, the number of transactions of primary and secondary residential units in 2011 amounted to 84,462 units with total transaction amount of HK$442.5 billion, down 38% and 21% year-on-year, respectively.

Notwithstanding the above, favourable factors have been observed in the market towards 2012. As US Federal Reserve pledged to hold interest rate low until late 2014 upon its meeting in January 2012, Hong Kong's low interest rate environment is anticipated to be sustainable. To prevent the domestic economy from being dampened by the European sovereign debt crisis, the Central Government has adopted a slightly relaxed monetary policy since early 2012. Such measures have stimulated the residential mortgage business of banks in Hong Kong with a number of major banks were said to offer privileged mortgage rates to home buyers. All these factors together have rejuvenated the Hong Kong property market. In fact, primary and secondary transactions have gradually recovered recently. The recovery in sales momentum has reinforced the confidence towards the future market.

During the period under review, The Masterpiece (名鑄), the luxury project re-launched in August 2011, has sold 57 residential units with satisfactory market response. As at 31 December 2011, 46 residential units were still available for sale. The units are mainly upper floor and large-sized seaview residential units commanding spectacular views of Victoria Harbour.

After reviewing the asset portfolio, the Group sold certain of its non-core assets, including shops and car parks in residential properties developed by the Group, during the period. The Group's effective share of revenues amounted to approximately HK$300.0 million.

Low interest rate environment and tight future supply are expected to be conducive to the healthy development of residential market. Chatham Gate, a residential project owned 10% by the Group, has been launched in January 2012. In addition, based on market condition, the Group is going to launch six new residential projects with attributable interests in 2,016 residential units in 2012.

In the launching pipeline	No. of units	Attributable interest in no. of units
The Signature, Chun Fai Terrace, Tai Hang (大坑春暉臺春暉8號)	**66**	**46**
Che Kung Temple Station Project, Sha Tin (沙田車公廟站項目)	**981**	**981**
981Tuen Mun Heung Sze Wui Road, Tuen Mun (屯門鄉事會路項目)100	**100**	**100**
Tai To541ng Road Project, Yuen Long (元朗大棠路項目)	**2,582**	**541**
Phase 1 of 297 Lok Wo Sha Project, Ma On Shan (馬鞍山落禾沙項目第一期)51	**928**	**297**
Phase 1B of Tong Yan San Tsuen, Yuen Long (元朗唐人新村第一期B)	**51**	**51**
Total	**4,708**	**2,016**

Recognizing land as an important factor for developers, the Group has been actively pursuing to replenish its landbank in Hong Kong. Various means, which include public auction, old building redevelopment, private acquisition and tendering for development projects offered by Urban Renewal Authority, the MTRC and the government as well as agricultural land conversion are being considered, so as to provide the Group with a steady pipeline of land supply in the coming years.

During the period under review, the Group has made significant progress regarding agricultural land conversion. The Group had entered into an agricultural land conversion agreement with the government for the residential land of Tai Po Tsai Project in Sai Kung in July 2011. The project is situated in the luxurious location at Clear Water Bay Road. The total land premium was HK$6,640.3 million. It covers a total site area of 719,000 sq ft with total GFA of approximately 1,080,000 sq ft. The process of the above land conversion had been completed

The Group continued to pursue old building redevelopment in urban areas. In February 2012, the Group has increased 35% interest in the residential project situated at 1–15 New Eastern Terrace & 5–11 Dragon Road, Tin Hau, increasing its attributable interest from 50% to 85%. The Group's attributable GFA in this project increased to 337,064 sq ft.

The Group currently has a landbank of over 9.60 million sq ft total attributable GFA for immediate development. In particular, over 50% is in the urban area. The Group's effective share of GFA for residential property development amounted to over 6.2 million sq ft. Meanwhile, the Group has a total of over 18.6 million sq ft of agricultural land reserve pending conversion, ranking it one of the developers with the largest agricultural land reserve in Hong Kong.

Landbank by location	Attributable GFA (sq ft)
Hong Kong Island	**729,919**
Kowloon	**4,260,686**
New Territories (excluding areas pending agricultural land conversion)	**4,614,146**
Total	**9,604,751**

Agricultural landbank by location	Total land area (sq ft)	Attributable land area (sq ft)
Yuen Long	**14,288,500**	**12,913,500**
Fanling	**2,590,000**	**2,386,000**
Sha Tin / Tai Po	**2,162,000**	**2,162,000**
Sai Kung	**1,265,000**	**1,100,000**
Tuen Mun	**120,000**	**120,000**
Total	**20,425,500**	**18,681,500**

<u>Hong Kong Property Investment</u>

During the first half of 2011, Hong Kong grade A offices in prime commercial districts continued to depict strong demand and rental rate growth. Since the third quarter of 2011, however, adverse external economic environment and stock market turbulence had resulted not only in the decrease in number of newly incorporated companies, but also brought challenges to the operations of financial related institutions. As such, these institutions adopted a more prudent attitude towards leasing area and rental rate upon renewal of tenancy. Adjustments were already seen in the vacancy and rental rate of grade A offices in Central. Fortunately, new supply of grade A offices in Central will remain limited in the coming years. The market expects an increase of only 2 million sq ft of office space in Central in the next decade. Given the unique strategic location of Central and the relatively active business activities of Hong Kong based China financial institutions due to the steady economic growth in Mainland China, the grade A office market in Central will continue its positive momentum in the long run.

Total visitor arrivals to Hong Kong had recorded satisfactory growth in 2011 as consumption demand of visitors were boosted by the persistently strong exchange rates of most major currencies against the Hong Kong dollar. According to the statistics of The Hong Kong Tourism Board, the total tourism expenditure associated to inbound tourism had increased 20% year-on-year to a total of over HK$250 billion in 2011. Of which, major drivers were the high consumption power of Mainland China visitors. Retail hot spots such as Tsim Sha Tsui, Central and Causeway Bay are particularly attractive to visitors from Mainland China. Given the high pedestrian flow, many well-known local and international retail brands are actively setting up their retail strongholds in such prime areas and planning to expand their business or open flagship stores in Hong Kong, which have resulted in the surge in rental rate and occupancy of stores.

During the period under review, the Group's gross rental income in Hong Kong amounted to HK$658.0 million, an increase of 22.6% to the same period of last year. All major projects in the Group's investment portfolio attained satisfactory occupancy. In particular, the office at New World Tower and Manning House, located in the core commercial hub of Central, were almost fully leased at satisfactory rental rates. Benefited from high visitors flow and their strong consumption power, K11 in Tsim Sha Tsui and Pearl City in Causeway Bay had made increasing contributions to the property investment segment.

To strengthen the profit contribution of Hong Kong investment property portfolio, the Group has actively considered and planned to gradually enhance the quality of its investment properties and services in recent years in order to achieve higher return on assets.

For the Group's Discovery Park Shopping Mall located at the centre of Tsuen Wan, the Group had completed acquisition of the remaining 50% interest in its shopping mall and car parking spaces in 2011. International renowned consultants have been engaged to prepare revamp proposals. Renovation in phases will be undertaken in the coming years in response to the rising consumption demand both within the district and from Mainland China tourists. In addition, New World Tower in Central, has planned to add a prime duplex shop with about 2,000 sq ft floor area at the entrance of Queen's Road Central with high traffic flow, so as to satisfy the strong demand for retails shops in Central.

Hotel Operations

Hong Kong's tourism industry was overcast by the European sovereign debt crisis and the fragile economy of United States in 2011. Yet, the satisfactory economic performances observed in Mainland China and other emerging markets encouraged more visitors from these regions to Hong Kong. Besides, great opportunities were brought to Hong Kong's tourism and hotel industries given the persistently strong exchange rates of most major currencies against the Hong Kong dollar.

Following the trend in 2010, visitor arrivals to Hong Kong have increased by 16% year-on-year to a record high of 41.9 million in 2011. In particular, visitors from Mainland China have increased by 24% year-on-year to 28.1 million, representing 67% of the total visitor arrivals to Hong Kong for the year and, among which, nearly half were overnight visitors. Remarkable performance of the tourism industry of Hong Kong has continuously stimulated the demand in local hospitality services. The average occupancies of grade A hotels as a whole has again reached a record high of 85% in 2011, with average room rates increased by over 13% year-on-year.

During the period under review, the Group's four major hotel projects in Hong Kong, namely, Grand Hyatt Hong Kong, Hyatt Regency Hong Kong, Tsim Sha Tsui, Hyatt Regency Hong Kong, Sha Tin and Renaissance Harbour View Hotel in Hong Kong, recorded significant growth in average occupancies and average room rates, respectively, reflecting their strong business performances. In particular, Hyatt Regency Hong Kong, Sha Tin and Hyatt Regency Hong Kong, Tsim Sha Tsui, both opened in 2009, achieved outstanding performances of 88% of average occupancies during the period and over 20% growth in average room rates year-on-year.

Currently, the Group has a total of 18 hotels located in Hong Kong, Mainland China and Southeast Asia, providing 8,390 guest suites. Amongst which, 10 hotels are managed by New World Hospitality.

New World China Land Limited ("NWCL")

During the first half of FY2012, NWCL recorded a net profit of HK$1,803.7 million, representing a year-on-year increase of 19.6%. The improvement in operating results from sale of property, as well as the increase in changes in fair value of investment properties, were the key factors contributing to the growth.

Given the significant decrease in volume of newly completed properties by 75.5% year-on-year to 184,650 sq m with only three completed property development projects in Guangzhou and Zhaoqing, and the growing impacts from austerity measures introduced by the Central Government on the property sector, NWCL recorded sales volume of 262,779 sq m, a 58.1% decrease year-on-year with gross sale proceeds of approximately RMB5.0 billion during the period under review.

However, the overall gross profit margin of sale of property during the period was driven by the sale of Guangzhou Central Park-view, a high-end property project and the sale of commercial properties which produced higher gross profit margin. The negative impacts brought by the decrease in sales volume was mitigated by an increase of 20 percentage points in gross profit margin to 57%.

NWCL rental operation recorded a drop of 5.2% in contribution to HK$202.6 million during the period under review, which was mainly attributable to the decrease in leasable area from Shanghai Hong Kong New World Tower resulted from the overhaul renovation of its shopping arcade during the period under review.

NWS Holdings Limited ("NWSH")

NWSH achieved a profit attributable to shareholders of HK$3,423.1 million for 1HFY2012, representing an increase of 43.2% as compared to 1HFY2011. As a result of the listing of Newton Resources Limited ("Newton Resources") on 4 July 2011 on the Main Board of the Hong Kong Stock Exchange, NWSH's effective interest decreased from approximately 60% to 48%. Newton Resources ceased to be a subsidiary of NWSH immediately upon listing and a dilution gain on deemed disposal of approximately HK$1.8 billion was recorded.

Infrastructure

In the Pearl River Delta region, the combined effects of the repair and maintenance works of a competing expressway during the period and the traffic restrictions during the Asian Games period in the corresponding period last year, have resulted in a growth of 15% in average daily traffic flow for Guangzhou City Northern Ring Road. Average daily traffic flow of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Shenzhen-Huizhou Expressway grew by 8% and 7% respectively, when compared with the same period last year. Completion of Phase two of Guangzhou-Zhaoqing Expressway in September 2010 had enhanced the project's competitiveness in Pearl River Delta region. The project reported a traffic growth of 18% during the period. In addition, the newly acquired Hangzhou Ring Road project also made substantial contributions to the road business during the period. Upon completion of the fourth stage of acquisition in January 2012, NWSH holds a 95% effective interest in the project.

Surging coal prices has continued to put the profitability of power supply companies under pressure during the period. Zhujiang Power Plants recorded an 8% decline in electricity sales as it underwent system upgrade and overhaul works during the period. Chengdu Jintang Power Plant registered an increment of 6% in electricity sales as compared to the same period last year. Upward adjustment to on-grid electricity tariffs in December 2011 is expected to mitigate the impact of fuel costs on power plants of NWSH in Mainland China. Besides, sales revenue of Guangzhou Fuel Company continued to increase by 25%. Its contribution, however, was under pressure during the period due to the decrease in gross profit margin and increase in finance costs of one of its coal mine investment projects in Mainland China. Macau Power reported a decline in contribution during the period as a result of reduction in permitted return from 12% to 9.5% per annum upon renewal of its concession rights in November 2010.

As regards water business, sales volume of Chongqing Water Plant increased by 10% during the period. Volume of waste water treatment of SCIP Water Treatment Plants and Chongqing Tangjiatuo Waste Water Plant also increased by 10% and 8% respectively. Tax refund for Shanghai SCIP Water Treatment Plants, which have been listed as a High-tech Enterprise Project, also enhanced its contribution during the period. Water sales volume in Macau Water Plant registered a growth of 6% as compared to the same period last year. Moreover, the new Chongqing CCIP Water Treatment Plants commenced operations in September 2011.

In Hong Kong, average occupancy rate of ATL Logistics Centre increased from 95% to 98% with average rental rate rose by 2% during the period. The newly completed NWS Kwai Chung Logistics Centre provides a total rentable area of approximately 920,000 sq ft and is expected to generate stable cash flow to NWSH in the near term.

The eight operating rail terminals of China United International Rail Containers Co., Ltd. recorded a satisfactory throughput growth of 27% to 757,000 TEUs during the period. Such growth was mainly attributable to the increase in business volume for Kunming and Chongqing terminals and the full-period effect of operations of several terminals. Phase one terminals in Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan and Xian formed a network covering both coastal ports and inland regions in Central China. Remaining terminals in phase two development are currently under planning, design and construction preparation.

Service

As regards facilities management, its business continued to benefit from the growth of exhibition industry. During the period, 631 events were held at Hong Kong Exhibition and Convention Centre with total patronage of approximately 3.9 million. In addition, benefiting from strong patronage of affluent travellers from Mainland China, Free Duty's tobacco and liquor retail business at various cross-boundary transportation terminals in Hong Kong registered significant growth.

During the period, the contribution from construction business recorded a growth of 30% as compared to the same period last year. As at 31 December 2011, the gross value of contracts on hand for the construction business was approximately HK$21.1 billion. NWSH transport business contribution recorded a 15% year-on-year increase. This was attributed to the gain on the disposal of the Macau ferry business.

Tricor recorded a steady growth in its corporate services and investor services businesses during the period. It captured about 43% of the total share of new listings in Hong Kong during the period. Its business operations in Hong Kong, Singapore and Mainland China contributed to 78% of the total profit during the period.

As at 4 July 2011, the Company and NWSH jointly announced that the spin-off of Newton Resources was completed and dealings of Newton Resources' shares on the Main Board of the Hong Kong Stock Exchange commenced on the same date. NWSH's effective interest in Newton Resources decreased from approximately 60% to 48%. Newton Resources ceased to be a subsidiary of NWSH upon listing. As at 31 December 2011, investment in Newton Resources is classified as investment in associated companies.

New World Department Store China Limited ("NWDS")

During the first half of FY2012, NWDS recorded total revenue of HK$1,705.9 million, an increase of 32.9% compared to the same period of last year. Net profit was HK$330.0 million, representing an increase of 12.1% year-on-year. If excluding other gains and the changes in fair value of investment properties, the net profit for the period increased 7.9% year-on-year.

Commission income from concessionaire sales was the major income contributor, accounting for 70.1% of the total revenue. Proceeds from direct sales and rental income accounted for 18.5% and 10.5% respectively of the total revenue. The remaining 0.9% was derived from management fees.

Regional-wise, Northern Region contributed the most to NWDS' revenue, amounting to 46.9% of total revenue, followed by the Central Western Region and the South Eastern Region, which accounted for 29.2% and 23.9% of the total revenue respectively.

Facing adverse impact from the European sovereign debt crisis on China economy, NWDS has established counter measures in advance, seizing the opportunity endowed by initiatives by the Central Government to boost the overall economy with domestic demands, strategically conducting business expansion in different regions. During the period under review, NWDS successfully acquired the property and operating rights of "Channel One" in Putuo District, Shanghai in November 2011. NWDS also converted Lanzhou New World Department Store from a managed store to a self-owned store in the same month to strengthen its development edge in North Western China. In addition, NWDS made its business presence in Mianyang City in December 2011, opening Mianyang New World Department Store positioned as a "one-stop shopping" living gallery.

As of 31 December 2011, NWDS operated and managed a total of 39 stores in Mainland China with total GFA 1,353,670 sq m. In particular, 35 were self-owned stores with total GFA close to 1.2 million sq m whilst four were managed stores with total GFA over 150,000 sq m. The total GFA of self-owned stores showed an increase of 28.5% when compared with the same period over last year.

Telecommunications

In response to the growth of market demand, NWT is planning to further expand its Internet Data Centre with an additional floor area of over 15,000 sq ft to be provided.

During the period under review, revenue performance of CSL New World Mobility ("CSLNWM") grew by 12.0% driven by strong additions of new customers from the introduction of new device bundles and competitive mobile plans. Mobile customers increased 167,000 to 3.2 million. Operating expenses, excluding depreciation and amortization, grew by 4.0%, with margin improvement in both cost of sales and cost of services keeping the increase below that of revenue.

Meanwhile, EBITDA contribution of CSLNWM improved by 48.2% due to the impact of the new device bundle rate plans supplemented by cost control measures exercised over operating expenses. Capital expenditure decreased by 16.1%, mainly due to the high spending last year to complete the long term evolution network build.

Outlook

2011 was a challenging year for the global economy. The European sovereign debt crisis threatened the global economy as whole, developed economies including the US lacked growth momentum and social unrest in the Middle East affected the stability in oil supply across the world. Given the above situations, Hong Kong's economy faced a difficult external environment. The China economy witnessed a steady growth. The GDP in Hong Kong grew by 5.0% year-on-year in 2011. Nonetheless, the pace of economic growth has slowed down since the second quarter of 2011. Due to the uncertainties about the European sovereign debt crisis, the impact of fiscal tightening of developed economies and the resulting reduction in export volume of both Mainland China and Hong Kong. The Hong Kong Census and Statistics Department predicts that economic growth of Hong Kong will slow down in 2012 with an annual GDP growth of only 1-3%.

The property market of Hong Kong was, to a certain extent, affected by the various uncertainties in the external economic environment. Hong Kong grade A office market was among the hardest hit. There was a gradual fall in both office demand and expenditure from international financial institutions and adjustment in rental rates. Fortunately, with the stable economic growth in Mainland China and Hong Kong as an important gateway to the world economy and pursuing internationalization, Mainland financial institutions prefer to set up their headquarters and branches in Hong Kong. Absorption of grade A office space in prime locations is anticipated to be benefited with a neutralizing and balancing effect from such new demand.

Although the Hong Kong residential property market was adversely affected by the European sovereign debt crisis since the end of last year, mortgage business of local banks was boosted by the recent Central Government's easing monetary policy. Primary and secondary residential property markets regained momentum with satisfactory sales recorded for new projects located at prime locations and gradual recovery in property transactions. As US Federal Reserve recently pledged to hold interest rate low, Hong Kong's low interest rate environment is anticipated to be sustainable, auguring well for property market development. Meanwhile, concrete demand for new purchases and upgrades were boosted by the significant increase in employment rate and personal income level, as well as the continual rise in newly married and newborn population in Hong Kong in the recent years. As such, stable demand in the short run is expected to provide further support to the residential property market.

For Hong Kong retail market, large number of visitors from Mainland China and buoyant local consumption demand created inexhaustible momentum for the retail industry of Hong Kong. Retail sales of Hong Kong exceeded HK$450.7 billion in 2011, representing a growth of 24.9% year-on-year. Notable year-on-year increases were recorded across a wide range of retail outlets. Robust retail market boosted the demand for retail space in prime locations from international and local brands. Recently, rental rates for ground shops in Queen’s Road Central in Central and Canton Road in Tsim Sha Tsui hit record highs, demonstrating the vigorous demand at present. Though the Hong Kong Tourism Board has reduced the estimated number of visitor arrivals for 2012 with regard to the market environment, it is generally expected that Hong Kong’s retail property market will continue its growth momentum with the support of visitors from Mainland China.

Hong Kong’s hotel industry experienced an unprecedented growth in 2011. New highs in occupancy and average room rate have in general exceeded those before the financial crisis in 2008. Visitor arrivals from Mainland China and emerging markets are anticipated to keep growing and provide a strong support to the development of Hong Kong’s hotel industry as a whole; whilst long haul business travelers from Europe and US are expected to decrease as multinational enterprises may have rationalization in headcounts and travelling expenses for multinational meetings as the economic conditions of their countries deteriorate. Those grade A hotels targeting business travelers as its major customers may therefore face the pressure of business downturn.

For Mainland property market, in response to domestic and international market variations, a number of austerity measures have been rolled out by the Central Government in 2011 for tightening market liquidity and curbing speculation and thus alleviating the inflation brought by the possibly overheating economy. In particular, the Central Government sought to achieve the objective of “Housing for All” by furthering austerity measures on property markets in certain cities and continuously investing in the development of public rental housing. Such policies have taken initial effects given the current situation of effective suppression on speculative housing demand in certain first tier cities with overheated investment, overall healthy, orderly and steady development of the property market and gradual satisfaction of inelastic demand and housing demand of the underprivileged.

To cope with the ever-changing environment, the Central Government and local governments are expected to adjust austerity measures from time to time. With a view to ensuring stable market development, local governments are currently reviewing work plans for the year and formulating reasonable growth targets for property prices according to actual situations of their local economy. For the Mainland property market, greater development potential were seen in second and third tier cities, where property prices are at relatively healthy level, economic development is rapid, room for population growth is ample and urban redevelopment projects have created strong inelastic demand for housing. NWCL will continue to adhere to the notion of diversified property development and continue to launch high-end and quality products suiting the general public. By such dual development, it will be able to satisfy the requirements of home buyers in the market.

Notwithstanding the uncertainties affecting the future economic growth of Mainland China and Hong Kong, It is believed that NWSH’s existing defensive and diversified asset investment portfolio will continue to generate steady profit and growth. NWSH will establish close relationships with local partners, and identify and acquire quality infrastructure projects. To consolidate its investment portfolio for infrastructure projects, NWSH acquired Hangzhou Ring Road during the period, marking an important milestone in the implementation of such strategy. In addition, benefiting from strong patronage of affluent travellers from Mainland China, Free Duty’s retail business continued to registered significant growth. Regarding it as an important part of its business development planning and being about to renew the contract, NWSH will actively identify and consider opportunities for establishing other Free Duty’s retail business in Hong Kong and overseas.

Department Stores will be benefited by steady growth in China domestic consumption. In response to the ever-changing market situation, NWDS continues to adopt effective operational and marketing strategies, including the on-going national rebranding program, reinforced merchandise mix strategy and enhanced VIP program. In the meantime, NWDS will carry on with the expansion strategy, targeting to add self-owned stores with total GFA of about 1 million sq m in next 5 years, amounting to about 10% to 20% gross floor spaces increase per annum. NWDS will continuously deploy the two major expansion strategies of 'multiple presences within a single city' and 'radiation city', stick to the plan of expanding Shenyang Jianqiao Road Branch Store, realize the operation of Shenyang Nanjing Street Branch Store Phase II, as well as enter into four cities including Yancheng, Xian, Hengyang and Yantai in FY2012 to FY2014, further increasing the number of self-owned stores and extending the retail network.

Dr. Cheng Kar-Shun, Henry
Managing Director

Hong Kong, 29 February 2012

As at the date of this announcement, (a) the Executive Directors of the Company are Dato' Dr. CHENG Yu-Tung, Dr. CHENG Kar-Shun, Henry, Dr. SIN Wai-Kin, David, Mr. LIANG Chong-Hou, David , Mr. CHENG Chi-Kong, Adrian and Mr. CHENG Chi-Heng; (b) the Non-executive Directors of the Company are Mr. CHENG Kar-Shing, Peter, Mr. CHOW Kwai-Cheung, Mr. LIANG Cheung-Biu, Thomas and Ms. KI Man-Fung, Leonie; and (c) the Independent Non-executive Directors of the Company are Mr. YEUNG Ping-Leung, Howard, Dr. CHA Mou-Sing, Payson (alternate director to Dr. CHA Mou-Sing, Payson: Mr. CHA Mou-Zing, Victor), Mr. HO Hau-Hay, Hamilton and Mr. LEE Luen-Wai, John.