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INTERIM RESULTS ANNOUNCEMENT 2023/2024

HIGHLIGHTS

Same-store sales⁽¹⁾ growth for the period was 3.3%. The growth for the same period of previous year was -29.0%.

Revenue for the period was HK\$694.9 million compared with HK\$709.4 million in the same period of previous year.

Operating profit for the period was HK\$121.3 million, as compared to operating loss of HK\$46.2 million in the same period of previous year.

Profit for the period was HK\$1.7 million, as compared to loss of HK\$166.1 million in the same period of previous year.

Earnings per share for the period was HK\$0.001.

⁽¹⁾ Same-store sales calculation reflects proceeds from sales of goods and rental income, and the adjustment of the operational strategy for the stores in operation.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

The board (the “Board”) of directors (the “Directors”) of New World Department Store China 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 2023 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 31 December 2023 <i>HK\$'000</i>	Unaudited 31 December 2022 <i>HK\$'000</i> <i>(Restated)</i>
Revenue	2	694,900	709,427
Other income	3	187,270	150,151
Other gains, net	4	24,064	28,165
Changes in fair value of investment properties		(44,021)	(1,186)
Purchases of and changes in inventories, net		(151,334)	(171,202)
Purchases of promotion items		(5,233)	(7,316)
Employee benefit expense		(160,538)	(183,855)
Depreciation		(176,528)	(193,003)
Rental expense		(37,511)	(34,012)
Other operating expenses, net	5	(209,777)	(343,349)
Operating profit/(loss)		121,292	(46,180)
Finance income		9,779	12,268
Finance costs		(121,198)	(112,628)
Finance costs, net	6	(111,419)	(100,360)
Profit/(loss) before income tax		9,873	(146,540)
Income tax expense	7	(8,216)	(19,578)
Profit/(loss) for the period		1,657	(166,118)
Earnings/(loss) per share attributable to shareholders of the Company for the period (expressed in HK\$ per share)			
– Basic and diluted	9	0.001	(0.099)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 December 2023 HK\$'000	Unaudited 2022 HK\$'000
Profit/(loss) for the period	1,657	(166,118)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of properties upon reclassification from property, plant and equipment and right-of-use assets to investment properties	–	7,765
– Deferred income tax thereof	–	(1,941)
	–	5,824
<i>Items that may be reclassified subsequently to profit or loss</i>		
Translation differences	55,429	(183,789)
Release of exchange reserve upon deregistration of subsidiaries	10,978	–
	66,407	(183,789)
Other comprehensive income/(loss) for the period, net of tax	66,407	(177,965)
Total comprehensive income/(loss) for the period	68,064	(344,083)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2023	2023
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Non-current assets		
Property, plant and equipment	743,792	708,775
Investment properties	4,947,204	4,923,988
Right-of-use assets	2,405,173	2,382,218
Intangible assets	1,034,214	1,017,443
Interest in an associated company	–	–
Prepayments, deposits and other receivables	158,151	163,814
Finance lease receivables	284,593	290,613
Financial assets at fair value through profit or loss	66,252	66,494
Deferred income tax assets	94,251	86,191
	<u>9,733,630</u>	<u>9,639,536</u>
Current assets		
Inventories	76,893	79,045
Debtors	33,344	20,750
Prepayments, deposits and other receivables	155,417	142,948
Finance lease receivables	87,231	75,238
Amounts due from fellow subsidiaries	416	2,286
Fixed deposits with original maturity over three months	312,328	307,186
Cash and bank balances	530,199	524,327
	<u>1,195,828</u>	<u>1,151,780</u>
Total assets	<u>10,929,458</u>	<u>10,791,316</u>
Equity and liabilities		
Equity		
Share capital	168,615	168,615
Reserves	3,274,465	3,206,401
Total equity	<u>3,443,080</u>	<u>3,375,016</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

		Unaudited	Audited
		As at	As at
		31 December	30 June
		2023	2023
	<i>Note</i>	HK\$'000	HK\$'000
Liabilities			
Non-current liabilities			
Lease liabilities		2,493,098	2,500,913
Deferred income tax liabilities		904,094	896,367
		3,397,192	3,397,280
Current liabilities			
Creditors	<i>11</i>	716,275	661,426
Accruals and other payables		1,033,505	1,000,400
Lease liabilities		563,833	625,597
Contract liabilities		165,195	169,673
Amounts due to fellow subsidiaries		5,728	10,404
Amounts due to related companies		27,863	47,976
Amounts due to ultimate holding company		81,704	81,995
Borrowings		1,478,997	1,412,495
Tax payable		16,086	9,054
		4,089,186	4,019,020
Total liabilities		7,486,378	7,416,300
Total equity and liabilities		10,929,458	10,791,316

NOTES

1 BASIS OF PREPARATION

The condensed consolidated financial information of the Group for the six months ended 31 December 2023 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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

As at 31 December 2023, the Group had net current liabilities of approximately HK\$2,893,358,000, which included short term bank borrowings of approximately HK\$765,997,000 and shareholder loans of HK\$713,000,000 from New World Development Company Limited (“NWD”), its ultimate holding company.

The Directors have reviewed the Group’s cash flow projections, which cover a period of twelve months from the end of the reporting period and have considered available information, among others, internally generated funds and financial resources (as described below) available to the Group in assessing the going concern basis in the preparation of the condensed consolidated financial information.

The Group’s shareholder loans from NWD will mature within the next 12 months from 31 December 2023. NWD has confirmed its intention to renew the shareholder loans for another 12 months upon their maturity and to continue to act as guarantor of the Group’s bank borrowings.

In addition, during the year ended 30 June 2023, the Group had successfully renewed its short term bank borrowings which was guaranteed by NWD for another 12 months, which will mature within the next 12 months from 31 December 2023. As at 31 December 2023, short term bank borrowings included in current liabilities of approximately HK\$699,854,000 were guaranteed by NWD. The Directors are confident that its short term bank borrowings can be renewed upon their maturity in view of the Group’s track record of successful renewal of the short term bank borrowings and the continued guarantee provided by NWD.

Other than the abovementioned short term bank borrowings guaranteed by NWD, the Group was granted committed bank borrowing facilities of RMB120,000,000 (equivalent to approximately HK\$131,868,000) and RMB200,000,000 (equivalent to approximately HK\$219,780,000) in August 2023 and September 2023, respectively, with maturity of one year, for working capital purpose. As at 31 December 2023, the unutilized amount of these bank borrowing facilities was approximately HK\$285,505,000.

The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operation; the availability of the bank borrowings facilities and successful renewal of the shareholder loans as and when needed, the Group will have adequate resources to continue its operations for the foreseeable future and to meet its financial obligations as and when they fall due in the next 12 months from 31 December 2023. Accordingly, the Directors consider it is appropriate to prepare the condensed consolidated financial information on a going concern basis.

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 30 June 2023.

1 BASIS OF PREPARATION (CONTINUED)

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 2023, the Group has adopted the following new standard and amendments to standards, which are mandatory for the accounting period beginning on 1 July 2023:

HKFRS 17 and amendments to HKFRS 17	Insurance contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

The Group recognised service income from concessionaires and tenants in relation to the reimbursement of certain operating expenses on a net basis against the Group's other operating expenses and employee benefit expense in the condensed consolidated income statement for the six months ended 31 December 2022. Subsequently, the Group revisited its arrangements with its concessionaires and tenants and considered the service income received from them for which the Group is a principal, should be accounted for as other income on a gross basis. Adjustments have been made to reclassify the comparative information to conform with the current period presentation. There were no net impact on the loss for the six months ended 31 December 2022 and the balance sheet position as at 31 December 2022. The nature and amounts of the adjustments are summarised as follows:

Certain service income from concessionaires and tenants amounting to HK\$115,717,000 which was previously recognised within "Other operating expenses, net" and "Employee benefit expense" for the six months ended 31 December 2022 is now reclassified as "Other income".

The impact on the condensed consolidated income statement for the six months ended 31 December 2022 is presented as below:

	Unaudited Six months ended 31 December 2022 <i>HK\$'000</i>
Increase in other income	115,717
Increase in other operating expenses, net	106,426
Increase in employee benefit expense	<u>9,291</u>

2 REVENUE AND SEGMENT INFORMATION

	Unaudited	Unaudited
	Six months ended 31 December	2022
	2023	2022
	HK\$'000	HK\$'000
Commission income from concessionaire sales	228,255	214,053
Sales of goods – direct sales	164,835	184,069
	<hr/>	<hr/>
Revenue from contracts with customers	393,090	398,122
Rental income	293,381	302,334
Interest income from finance leases as the lessor	8,429	8,971
	<hr/>	<hr/>
	694,900	709,427
	<hr/> <hr/>	<hr/> <hr/>

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	2022
	2023	2022
	HK\$'000	HK\$'000
Proceeds from concessionaire sales	1,574,327	1,649,789
	<hr/> <hr/>	<hr/> <hr/>
Commission income from concessionaire sales	228,255	214,053
	<hr/> <hr/>	<hr/> <hr/>

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

The CODM considers that the Group has department store and property investment businesses. The CODM assesses the performance of the operating segments based on their revenue and operating results. The measurement of segment operating results excludes the effect of other gains, net, changes in fair value of investment properties and net unallocated corporate income/(expenses). In addition, net finance costs is not allocated to segments. The measurement of segment assets excludes deferred income tax assets and unallocated corporate assets. There is no inter-segment sales.

2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
<i>Six months ended 31 December 2023</i>			
Segment revenue	<u>588,152</u>	<u>106,748</u>	<u>694,900</u>
Segment operating results	69,283	64,189	133,472
Other gains, net	26,343	(963)	25,380
Changes in fair value of investment properties	–	(44,021)	(44,021)
Unallocated corporate income, net			<u>6,461</u>
Operating profit			----- <u>121,292</u>
Finance income			9,779
Finance costs			<u>(121,198)</u>
Finance costs, net			----- <u>(111,419)</u>
Profit before income tax			9,873
Income tax expense			<u>(8,216)</u>
Profit for the period			<u><u>1,657</u></u>
<i>Six months ended 31 December 2022</i>			
Segment revenue	<u>607,800</u>	<u>101,627</u>	<u>709,427</u>
Segment operating results	(46,395)	52,018	5,623
Other gains, net	51,536	(19,734)	31,802
Changes in fair value of investment properties	–	(1,186)	(1,186)
Unallocated corporate expenses, net			<u>(82,419)</u>
Operating loss			----- <u>(46,180)</u>
Finance income			12,268
Finance costs			<u>(112,628)</u>
Finance costs, net			----- <u>(100,360)</u>
Loss before income tax			(146,540)
Income tax expense			<u>(19,578)</u>
Loss for the period			<u><u>(166,118)</u></u>

2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
<i>As at 31 December 2023</i>			
Segment assets	5,401,483	5,349,324	10,750,807
Deferred income tax assets	94,251	–	94,251
Unallocated corporate assets:			
Cash and bank balances			17,882
Others			<u>66,518</u>
Total assets			<u><u>10,929,458</u></u>
<i>Six months ended 31 December 2023</i>			
Additions to non-current assets (Note)	216,125	6,093	222,218
Depreciation	175,911	617	176,528
Loss allowance/(reversal of loss allowance) of debtors and other receivables, net	2,648	(73)	2,575
Gain on derecognition of lease liabilities	(51,130)	–	(51,130)
Loss on derecognition of right-of-use assets, net	4,627	–	4,627
Loss on derecognition and lease modification of finance lease receivables, net	<u>9,136</u>	<u>963</u>	<u>10,099</u>
<i>As at 30 June 2023</i>			
Segment assets	5,314,558	5,318,286	10,632,844
Deferred income tax assets	85,694	497	86,191
Unallocated corporate assets:			
Cash and bank balances			5,528
Others			<u>66,753</u>
Total assets			<u><u>10,791,316</u></u>
<i>Six months ended 31 December 2022</i>			
Additions to non-current assets (Note)	43,705	1,807	45,512
Depreciation	192,335	668	193,003
Impairment loss on property, plant and equipment and right-of-use assets	3,515	–	3,515
(Reversal of loss allowance)/loss allowance of debtors and other receivables, net	(15,107)	12,475	(2,632)
Gain on derecognition of lease liabilities and right-of-use assets, net	(55,495)	–	(55,495)
Gain on derecognition of right-of-use assets, net	(4,767)	(3,321)	(8,088)
Loss on derecognition and lease modification of finance lease receivables, net	<u>4,682</u>	<u>23,041</u>	<u>27,723</u>

Note:

Additions to non-current assets represent additions to non-current assets other than financial instruments and deferred income tax assets.

3 OTHER INCOME

	Unaudited Six months ended 31 December 2023 HK\$'000	Unaudited 2022 HK\$'000 (Restated)
Income from suppliers, concessionaires and tenants		
– Administration and management fees	92,947	93,980
– Credit card handling fees	16,891	17,084
– Promotion and related fees	13,704	11,951
Government grants	7,431	3,893
Sundries	<u>56,297</u>	<u>23,243</u>
	<u>187,270</u>	<u>150,151</u>

4 OTHER GAINS, NET

	Unaudited Six months ended 31 December 2023 HK\$'000	Unaudited 2022 HK\$'000
Loss on deregistration of subsidiaries	(10,980)	–
Loss on fair value of financial assets at fair value through profit or loss, net	(1,316)	(3,637)
Impairment loss on property, plant and equipment and right-of-use assets (<i>Note (i)</i>)	–	(3,515)
Gain on derecognition of lease liabilities and right-of-use assets, net (<i>Note (ii)</i>)	51,130	55,495
Loss on disposal of property, plant and equipment, net	(44)	(543)
(Loss)/gain on derecognition of right-of-use assets, net (<i>Note (iii)</i>)	(4,627)	8,088
Loss on derecognition of finance lease receivables, net	(8,719)	(25,847)
Loss on lease modification of finance lease receivables, net	<u>(1,380)</u>	<u>(1,876)</u>
	<u>24,064</u>	<u>28,165</u>

Notes:

- (i) The impairment loss was made to reflect the management's latest plan for one department store for the six months ended 31 December 2022 in light of the latest market environment and the management's assessment on the business prospect thereof.
- (ii) Gain on derecognition of lease liabilities and right-of-use assets, net was due to closure of certain department stores.
- (iii) (Loss)/gain on derecognition of right-of-use assets, net is recognised at the inception of subleases to tenants which are accounted for as finance lease receivables.

5 OTHER OPERATING EXPENSES, NET

	Unaudited Six months ended 31 December 2023 HK\$'000	Unaudited 2022 HK\$'000 (Restated)
Property management and related expenses	60,847	67,778
Electricity and water expenses	47,528	43,805
Selling, promotion, advertising and related expenses	18,742	19,779
Auditor's remuneration		
– Audit services	1,988	2,098
– Non-audit services	699	741
Net exchange (gain)/loss	(25,731)	63,833
Other tax expenses	46,729	44,087
Loss allowance of debtors, net	1,363	6,478
Loss allowance/(reversal of loss allowance) of other receivables, net	1,212	(9,110)
Compensation expenses (<i>Note</i>)	14,004	72,087
Others	<u>42,396</u>	<u>31,773</u>
	<u><u>209,777</u></u>	<u><u>343,349</u></u>

Note:

Compensation expenses for the six months ended 31 December 2022 mainly represented the compensation to the affected parties related to the closure of certain department stores.

6 FINANCE COSTS, NET

	Unaudited Six months ended 31 December 2023 HK\$'000	Unaudited 2022 HK\$'000
Interest income on bank deposits	----- (9,779) -----	----- (12,268) -----
Interest expense on bank loans	21,344	13,084
Interest expense on shareholder loans	21,530	12,928
Interest expense on lease liabilities	<u>78,324</u>	<u>86,616</u>
	<u><u>121,198</u></u>	<u><u>112,628</u></u>
	<u><u>111,419</u></u>	<u><u>100,360</u></u>

7 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 December 2023 HK\$'000	Unaudited 2022 HK\$'000
Current income tax		
– Mainland China taxation	21,522	11,078
– Under/(over)-provision in prior years	153	(40)
Deferred income tax		
– Temporary differences	<u>(13,459)</u>	<u>8,540</u>
	<u>8,216</u>	<u>19,578</u>

Taxation has been provided at the tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the six months ended 31 December 2023 and 2022.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at a rate of 25% (2022: 25%).

8 DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2023 (2022: Nil).

9 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Unaudited Six months ended 31 December 2023	Unaudited 2022
Profit/(loss) attributable to shareholders of the Company (HK\$'000)	<u>1,657</u>	<u>(166,118)</u>
Weighted average number of ordinary shares in issue (shares in thousands)	<u>1,686,145</u>	<u>1,686,145</u>
Basic earnings/(loss) per share (HK\$ per share)	<u>0.001</u>	<u>(0.099)</u>

9 EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings/(loss) per share for the six months ended 31 December 2023 and 2022 are equal to basic earnings/(loss) per share as there was no dilutive potential ordinary share in issue.

10 DEBTORS

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
Debtors	40,842	27,549
Less: loss allowance	<u>(7,498)</u>	<u>(6,799)</u>
Debtors, net	<u><u>33,344</u></u>	<u><u>20,750</u></u>

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	Audited
	As at	As at
	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
Within period for		
0–30 days	29,717	15,012
31–60 days	722	477
61–90 days	323	64
Over 90 days	<u>2,582</u>	<u>5,197</u>
	<u><u>33,344</u></u>	<u><u>20,750</u></u>

The debtors were primarily denominated in Renminbi (“RMB”).

11 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	Audited
	As at	As at
	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
Within period for		
0–30 days	559,275	418,986
31–60 days	104,161	135,816
61–90 days	11,672	22,562
Over 90 days	41,167	84,062
	<u>716,275</u>	<u>661,426</u>

The creditors were primarily denominated in RMB.

Creditors included amounts due to related companies of approximately HK\$44,792,000 (30 June 2023: HK\$41,600,000) which were unsecured, interest free and repayable within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results Summary

As the society fully restored normalcy, Mainland China's economy has gradually stabilised. However, amid the intensified peer competition and ever-changing market environment, the department store retail industry is still in the stage of recovery and development. Capturing the opportunities arising from consumption, the stores of the Group have made continuous efforts in store upgrading and operating initiatives optimising, which effectively improved foot traffic with growing customer base, delivered steady improvement in both operating income capacity and results of the Group.

For the six months ended 31 December 2023, the Group's revenue for the period was HK\$694.9 million, compared with HK\$709.4 million in the same period of the previous year. In terms of segment, the Group's revenue for the period was mainly derived from rental income which accounted for 42.2%. This was followed by commission income from concessionaire sales which took up 32.9%, sales of goods for direct sales which took up 23.7%, and interest income from finance leases as the lessor which took up 1.2%. The Group's profit for the period was HK\$1.7 million. Earnings per share for the period was HK\$0.001.

Business Network

As at 31 December 2023, the Group operated 22 department stores and shopping malls in Mainland China, covering 12 key locations across the country including Beijing, Shanghai, Chongqing, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Yantai, Shenyang, Lanzhou and Mianyang, with a total gross floor area of about 922,900 square metres. Due to the expiration of the rental contract, the Group closed one store during the period under review, namely the Wuhan Wuchang Branch Store.

OPERATIONS OVERVIEW

During the period under review, the Group focused on the main business of retail and further honed its core competitiveness in diversified merchandise categories, innovative marketing, membership management and channel expansion.

In terms of consumer demand, emerging brands, first and flagship stores as well as popular merchandise offerings are still front of mind for the Group. For instance, Shanghai Wujiaochang Branch Store completed revamp and adjustment by extensively replacing current brands with new ones, with emerging brands accounting for 31% of its lineup and over 40 first stores were introduced in the business district. With the revamp, wider range of merchandise offerings together with higher quality membership services have greatly pushed up positive reviews for the stores.

The Group continued to develop multi-channel marketing. While we invested in our own e-commerce platform “New Lab Mini Program” (新閃購小程序), we also expanded our footprint into other e-commerce platforms such as TikTok and Meituan, so as to foster integration of both online and offline traffic and explore a more comprehensive business model.

With respect to membership management, the Group unveiled a brand-new upgraded loyalty programme underscored by eight major benefits to broaden the shopping experience of consumers and improve their loyalty. Our precise marketing and diverse membership benefits have driven the percentage of sales attributable to the members. The cooperation with third-party coupon platforms has also facilitated more personalised marketing communications and services.

Overall, given the breakthrough in operating initiatives with a focus on enhancing the experience, interaction and digitalisation of membership services, the Group has achieved steady recovery in foot traffic and results during the period under review.

Department Store and Shopping Mall Business

Focused Layout of Business Categories and Offerings

During the period under review, the Group adhered to the customer-oriented philosophy by optimising its business portfolios, strengthening structural adjustment of store contents and promoting quality upgrade of the stores.

As to the layout of core merchandise offerings, the Group focused on brands with high market maturity and potentials, and further introduced the cooperation with first stores and flagship stores, so as to strengthen the business operational efficiency and market competitiveness. During the period under review, introduction and upgrade of cosmetics and ladieswear brands were the top priorities of merchandising. Beijing Qianzi Store revamped the concessionaire image of SHISEIDO. Besides, Beijing Chongwen Store set up a beauty

room area for various beauty and cosmetics brands as an exclusive area providing beauty auxiliary services for consumers, which enhanced the overall experience of the cosmetics merchandise consumers with premium services. For ladieswear, Beijing Chongwen Store introduced popular fashion brands such as LANCY and IDPAN, and expanded and upgraded various brands to boost the sales.

Our stores further adjusted and optimised the proportion of dining and entertainment in their business offerings. A number of stores introduced popular brands such as “CHAGEE” (霸王茶姬), “Cha Yan Yue Se” (茶顏悅色) and “HotMaxx” (好特賣). Beijing Chongwen Store had the first “Hong Xing Qian Jian” (紅星前進) Bread and Milk Company opened in the business district, and the first officially authorised theme restaurant “Detective Conan” (名偵探柯南) had introduced into Beijing which is filled with detective elements from its decorations to the menu design. It also sells various peripherals of Conan to attract crowds of Conan’s fans to shop in stores. Furthermore, the existing time-honoured Beijing restaurant “Cui Hua Lou” (萃華樓) in Beijing Chongwen Store was awarded as the popular restaurant in “Golden Phoenix Tree China Restaurant Guide” (金棕櫚中國餐廳指南), gaining recognition and adoration from wider consumers. Classic Cantonese restaurants namely “Hui Dian Lou” (匯點樓) and “Bao Yue Lou” (寶粵樓) opened in Shanghai Wujiaochang Branch Store and Shanghai Pujian Branch Store respectively, while the influencer bakery chain “SAKIMOTO Bakery” (崎本的店) opened in Shanghai Huaihai Branch Store.

Currently, entertainment offerings containing elements of new lifestyles and fun experience have shown consumer enthusiasm in the market. Shanghai Wujiaochang Branch Store introduced the first “MAXUS” yoyo club into the business district; Changsha Trendy Plaza introduced a popular gaming experience store “Ben Pao Ba Ge Zi” (奔跑吧格子); Beijing Trendy Store introduced well-known street dance studio “RMB DANCEBANK”; high-end personal training centre “FEELINGME” under Hilefit Fitness (樂刻健身) entered into the partnership with Beijing Chongwen Store, Shanghai Huaihai Branch Store and Wujiaochang Branch Store to cater for consumer needs in niche segments.

Two-way Impetus of Marketing and Membership

The Group has been working towards the store-centric integrated operation featuring multi-channel marketing and actively seized every key marketing node. Leveraging on the advantages from the interaction in offline scenarios, it carried out various featured and personalised marketing campaigns through in-depth collaboration with online platforms. During the mega event of the 15th anniversary store celebration for Beijing Liying Store, the “BOBO Bears” (BOBO熊) Intellectual Property (“IP”) Beijing Exhibition was launched to attract younger generations with sought-after and amusing activities. The offline immersive exhibition delivered positive emotional value to customers, bringing us close together that strengthened the connectivity between them and the stores. Shanghai Huaihai Branch Store conveyed the positive life attitude through woolen arts by organising the exhibition of “Huaihai Wool Scheme” (淮海毛線計劃). A wide variety of woolen crafts and designs attracted a tide of customers to the store. The event was advertised by several official media

such as “Huang Pu The Shanghai” (黃埔最上海), “Weekend in Shanghai” (週末上海) and “Hello Huaihai Road” (儂好淮海路). Meanwhile, by posting on social media platforms such as Xiaohongshu, the posts recorded nearly 70,000 views with the exposure of about 380,000 times, revealing a wide spread of the event. In order to explore new growth areas for online results and expand the layout of e-commerce channels, we established an online marketing matrix of “New Lab Mini Program + Tiktok Local Life, Tiktok Stores + Meituan Delivery” and used five methods, namely offline events, checkout and payment, membership digitalisation, marketing promotion and live streaming in private domain, to enhance the operational results of New Lab’s digitalised new retail segment. During the period under review, the sales of “New Lab Mini Program” increased by 38% year-on-year (“YOY”) with nearly 1.3 million members.

Meanwhile, the Group strengthened its live streaming team and content marketing and focused on self streaming, in a bid to promote share of voice of campaigns with popular merchandises. During the period under review, each store actively expanded resources with unique advantages. Yantai Store launched a themed live streaming featuring the specialty merchandises such as sea cucumber and red wine to draw wide attention from new and current customers. Stores actively explored merchandises and events, and at the same time strived to create new IPs for New World Department Store (“NWDS”) by fully integrating the resources with current hot topics. A number of stores launched themed live streaming sessions called the “General Manager Live Room” (總經理直播間), during which a vast array of quality specialty merchandises were recommended and various kinds of benefits such as coupons and vouchers were offered to consumers. During the period under review, Wujiaochang Branch Store, Pujian Branch Store, Chengshan Branch Store and Baoshan Branch Store in Shanghai made the first attempt to jointly launch the live streaming of “General Manager Live Room”, exploring diversified live streaming marketing methods to enhance the emotional attachment with customers, which in turn achieved the conversion of promotion and traffic.

During the period under review, stores collaborated with numerous major platforms to carry out diversified marketing campaigns. During the National Day Holiday in October, four stores in Beijing jointly launched a Tiktok live streaming campaign called the “National Day Celebration Guide” (國慶窗前指南), during which various coupons coupled with offline discounts attracted wide attention and traffic. During the live streaming session, it ranked top on the Beijing’s Group Buying List (北京團購帶貨榜). During the 17th anniversary celebration for Chongqing Store under the theme of “V-sign to the 17th anniversary” (17比Yeah), various discounts and benefits were offered, followed by various interactive events such as the prevailing “mystery box unboxing” (抽盲盒) to boost traffic and sales. Beijing Chongwen Store fully utilised the Tiktok platform for local life to conduct live streaming campaigns. During the live streaming session, it ranked top on the Beijing’s Group Buying List and top 10 across the country, with a single-store Gross Merchandise Volume (“GMV”) of over RMB10 million. In addition, we fully capitalised on the gift-giving traditions during festivals and holidays by carrying out the instant retail business of

Meituan, so as to tap into more business models. Furthermore, during the celebration of the 25th anniversary of Beijing Chongwen Store, a well-known celebrity Cyndi Wang (王心凌) was invited, who attracted consumers to visit in store through “Cloud Interaction” (雲互動), driving the foot traffic while increasing the brand value of the store.

The Group always emphasises on membership maintenance. All of its stores and branch stores across the country unveiled the brand-new upgraded eight major member benefits under membership programme, namely “five common benefits + three store-featured benefits” (五大統一權益+三大門店特色權益). The five common benefits include the welcome gifts, points for cash rebate, birthday surprises, consumption privileges and tailored services. The three store-featured benefits include exclusive benefits featuring the characteristics of the local stores such as membership extra discounts and preferential lunch. Coupled with diverse and amusing marketing campaigns, we connected with the existing members while attracting more potential consumers. Meanwhile, we collaborated with third party coupon platforms to achieve 99% paperless redemption of group buying coupons through central checkout system, self-checkout counters and automatic coupon redemption. Also, delivery coupons can be collected by a large base of potential consumers through third party platforms, catering for the consumption needs and modes of the younger generations. At the end of December 2023, the percentage of sales attributable to the members accounted for 60%.

By enriching the member interaction system, the Group continues to deliver quality interactive contents to maintain the high member stickiness. During the period under review, stores actively upgraded offline membership service offerings. For instance, Shanghai Pujian Branch Store transformed a corner of the shopping mall into “Yue Du Hui” (悅讀薈), a new space for reading and relaxation for our members, where they can borrow books and enjoy reading in the area. This is not only an improvement for the environment and space utilisation of the shopping mall, but also an enhancement in respect of customer experience and membership benefits. Furthermore, Shanghai Pujian Branch Store collaborated with Renji Hospital nearby the business district in the community to jointly organise the “Exclusive Internal Shopping Events for Renji medicals” (獨家寵愛·仁濟醫務內購會), at which blowout sales of various brands were offered at greatly discounted prices to express care and gratitude to medical staff. The event attracted a large crowd of medical staff in the neighbourhood. Shanghai Chengshan Branch Store features “General Manager Welcome Day” (總經理接待日) every month to get in touch with consumers. Beijing Trendy Store established “New World Department Store Club” (新世界百貨會員俱樂部), which organised offline special events such as flower handicrafts and provided membership benefits such as lucky draw for tickets of New Year’s Eve performance. The Group has been continuing to explore new customer base. The NWDS nationally pioneered child membership programme is underway, to attracting the family customers to visit stores by admitting child members.

As at 31 December 2023, the total number of members of the Group and its stores increased by 5.4% YOY to 7.52 million, and the number of followers on its official Weibo and Wechat accounts increased by 2.43% YOY in aggregate.

Private Label Business

As at 31 December 2023, the Group operated four large complex supermarkets “New World Supermarket”, which were located in Beijing, Wuhan, Lanzhou and Yantai respectively.

During the period under review, with respect of their merchandises and services, the supermarkets spared no effort on the improvement of their operations and the quality of their services, rearrangement of the supermarket floor layout to showcase their core merchandises prominently, introduction of offline marketing campaigns such as food tasting or free trial, and enhancement of sales and customer service capabilities. The supermarkets also stably expanded their online multiple channels, and made full use of their online sales platforms such as Meituan and JD Daojia to satisfy customers’ demand for real-time home delivery.

As at 31 December 2023, the Group operated five LOL (Love ● Original ● Life) (“LOL”) private concept shops. Among them, three shops are located in Shanghai and two shops are located in Beijing.

During the period under review, LOL introduced more merchandise offerings and allocated more resources for building up boutique lifestyle shops. It put more focus on the selection and introduction of premium new brands and unique and exquisite merchandises. Of which, high-quality and highly sought merchandises such as outdoor sports and leisure merchandises, trendy and niche accessories and exquisite household merchandises were the key categories for our growth. Trendy and fancy merchandises such as NATURA natural specimen, SHUKIKU Japanese leisure backpacks, Smasmall shavers, TRIDO magnetic construction toys with high unit price, LAVAS Iceland fragrance stone were popular among consumers, driving up the sales volume by 6% as at the end of the period as compared to the beginning of the period.

LOL sought actively to diversify, integrate and innovate its business methods. The LOL shop located in Shanghai K11 Art Mall was the pioneer to carry out joint trade fairs with brands, organising three trade fairs in K11 Art Mall for three brands, namely Water Jade & Silver Jewellery (水玉銀飾), BUER BEAR designer toy and SUNSHIFEN. During the events, the consumers might try on and try out various brand exhibits, and receive professional recommendations on mix-and-match. These events not only created revenue, but also provided us with profound experience to support our future collaborative fair trades with other brands. In addition, the Company joined hands with MARSHALL, a popular and trendy brand of bluetooth speaker, to organise a roving exhibition called “Hats off to the Rock – 60 Years of time traveler” (“致敬搖滾—穿越60載的響亮”) in the atrium of K11 Art Mall. MARSHALL traced the glorious history of music evolution with the consumers via its products. During the event, consumers could experience a variety of MARSHALL

products, took all kinds of music-themed snaps, and enjoyed purchase lucky draw and other gifts for celebration of the coming Year of the Dragon, spiced up the event at the shopping mall. Meanwhile, the event-related videos and merchandise displays drew the attention among a large number of music lovers through various social media platforms such as Xiaohongshu.

OUTLOOK

The retail business is an important carrier for the realisation of people’s needs for a better life. In the future, adhering to the customer-centric philosophy with a focus on “Merchandises + Services + Experiences”, the Group will, by implementing its “One Store, One Strategy” approach, focusing on the quality improvement and efficiency of the operation of every single store. The Group will optimise the layout of merchandises and the operation of each store so as to facilitate quality merchandising, and make every effort to optimise the supply chain and create synergy effect with its multi-business types and multi-channel strategy. The Group will also enhance its membership management and provide innovative experience to the members to actively attract more consumers to visit the stores. By strengthening its digital operation and implementing strategic layouts on various online channels, the Group will take the advantage of the online sales platform “New Lab Mini Program” and leverage on various third-party marketing and sales platforms, innovative online-offline marketing strategies and activities, and the application of cutting-edge technologies to provide impetus to the Group’s long-term development.

With the boost of unleashing of spending power and the festive consumption spree, consumer market in Mainland China will be poised to recover steadily. However, as there are uncertainties in the macroeconomy ahead, it takes more time for domestic consumers to regain confidence and their purchasing power, and the recovery of the consumer market is still lingering with potentially substantial fluctuations. The Group will continue to grasp market dynamics, build on people’s new demands and expectations for a better life, and persist on long-term development and value creation, with a view to steadily realising a long-term sustainable growth.

FINANCIAL REVIEW

Revenue and Other Income

Revenue of the Group was HK\$694.9 million for the six months ended 31 December 2023 (“1HFY2024” or the “Current Period”) (six months ended 31 December 2022 (“1HFY2023” or the “Same Period of Previous Year”): HK\$709.4 million). In Renminbi (“RMB”) terms, revenue of the Group was RMB642.8 million in 1HFY2024 (1HFY2023: RMB631.4 million).

Gross sales proceeds of the Group, comprising proceeds 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\$2,228.2 million in 1HFY2024 (1HFY2023: HK\$2,295.3 million). In RMB terms, gross sales proceeds of the Group was RMB2,061.1 million in 1HFY2024 (1HFY2023: RMB2,042.8 million).

The Group’s merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) was 13.6% in the Current Period (1HFY2023: 12.0%). In 1HFY2024, ladieswear, menswear and accessories made up approximately 34.3% of proceeds from concessionaire sales and sales of goods for direct sales, while gold, jewellery and watch made up approximately 32.0%, cosmetic products made up approximately 10.3%, sportswear made up approximately 9.5%, and kidswear, foodstuffs, electrical appliances, and housewares largely made up the rest. Direct sales revenue in the Current Period comprised sales of cosmetic products (approximately 74.7%), supermarkets and convenience stores (approximately 22.3%) and other products (approximately 3.0%).

Rental income of the Group was HK\$293.4 million in 1HFY2024 (1HFY2023: HK\$302.3 million). In RMB terms, rental income of the Group was RMB271.4 million in 1HFY2024 (1HFY2023: RMB269.1 million).

Interest income from finance leases as the lessor was HK\$8.4 million in 1HFY2024 compared with HK\$9.0 million in 1HFY2023.

Other income of the Group was HK\$187.3 million in 1HFY2024 compared with HK\$150.2 million in 1HFY2023. The increase was primarily due to the written back of creditors with long aging, and the increase in government grants.

Other Gains, Net

Net other gains of the Group in the Current Period was HK\$24.1 million which was primarily resulted from HK\$51.1 million gain on derecognition of lease liabilities related to the closure of Chengdu Store. The gain was partially offset by HK\$11.0 million loss on deregistration of subsidiaries, HK\$4.6 million net loss on derecognition of right-of-use assets, and HK\$10.1 million totalled net loss on derecognition and lease modification of finance lease receivables.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Period was a loss of HK\$44.0 million mainly arose from the decrease in the fair value of the investment properties in Shanghai City, Shenyang City and Tianjin City.

Purchases of and Changes in Inventories, Net

Purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It decreased from HK\$171.2 million in 1HFY2023 to HK\$151.3 million in 1HFY2024. 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 decreased from HK\$7.3 million in 1HFY2023 to HK\$5.2 million in 1HFY2024, primarily due to changes in promotion activities.

Employee Benefit Expense

Employee benefit expense decreased from HK\$183.9 million in 1HFY2023 to HK\$160.5 million in 1HFY2024, primarily due to the continuous efforts by the management to carry out cost control measures to reduce staff costs, and the closure of certain department stores in FY2023 and 1HFY2024.

Depreciation

Depreciation expense decreased from HK\$193.0 million in 1HFY2023 to HK\$176.5 million in 1HFY2024. The decrease was primarily because no depreciation was charged in the Current Period for property, plant and equipment and right-of-use assets that have been fully depreciated, impaired or derecognized in FY2023, and closure of certain department stores in FY2023 and 1HFY2024.

Rental Expense

Rental expense increased from HK\$34.0 million in 1HFY2023 to HK\$37.5 million in 1HFY2024, primarily due to the increase in turnover rent of certain department stores.

Other Operating Expenses, Net

Net other operating expenses decreased from HK\$343.3 million in 1HFY2023 to HK\$209.8 million in 1HFY2024. The decrease was primarily because a net exchange gain of HK\$25.7 million was recorded in the Current Period, while a net exchange loss of HK\$63.8 million

was recorded in the Same Period of Previous Year. In addition, compensation to the affected parties mainly for the closure of certain department stores decreased by HK\$58.1 million in the Current Period.

Operating Profit/(Loss)

Operating profit was HK\$121.3 million in 1HFY2024, compared to operating loss of HK\$46.2 million in 1HFY2023.

Finance Costs, Net

Net finance costs increased from HK\$100.4 million in 1HFY2023 to HK\$111.4 million in 1HFY2024. The increase was mainly due to an increase in the average borrowing costs as a result of the rise in Hong Kong Interbank Offered Rate in 1HFY2024, but it was partially offset by a decrease in interest expense on lease liabilities in the Current Period.

Income Tax Expense

Income tax expense decreased from HK\$19.6 million in 1HFY2023 to HK\$8.2 million in 1HFY2024. The decrease was mainly due to a decrease in deferred income tax, but it was partially offset by an increase in current income tax.

Profit/(Loss) for the period

As a result of the reasons mentioned above, profit for the period was HK\$1.7 million, compared to loss of HK\$166.1 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\$842.5 million as at 31 December 2023 (30 June 2023: HK\$831.5 million).

As at 31 December 2023, the Group's borrowings were HK\$1,479.0 million (30 June 2023: HK\$1,412.5 million).

As at 31 December 2023, the Group was in net debt position of HK\$636.5 million (30 June 2023: HK\$581.0 million).

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK\$2,893.4 million (30 June 2023: HK\$2,867.2 million). The Group will continue to monitor rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs and liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 31 December 2023 were HK\$43.7 million (30 June 2023: HK\$72.7 million) which were contracted but not provided for in the condensed consolidated statement of financial position.

Pledge of Assets

As at 31 December 2023, the Group did not have any pledge of assets (30 June 2023: Nil).

Treasury Policies

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2023.

Acquisition and Disposal

The Group did not have any significant acquisition and disposal during the Current Period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2023 (for the six months ended 31 December 2022: Nil).

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2023, the total number of employees of the Group was 2,011 (2022: 2,214). 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 Group's salary and incentives framework, which is reviewed annually.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance practices to a listed company. The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and stakeholders of the Company. The Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 31 December 2023.

The Company will continue to review and improve its corporate governance practices to ensure compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 2023.

The Company has also established written guidelines for relevant employees as required under code provision C.1.3 of the Corporate Governance Code. Relevant employees are subject to compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance with the written guidelines by such employees was noted by the Company during the six months ended 31 December 2023.

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, risk management and internal controls. The Audit Committee consists of five independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal controls, the unaudited interim results and the unaudited condensed consolidated financial information of the Group for the six months ended 31 December 2023 and discussed the financial related matters with the management and the external auditor.

The unaudited interim results of the Group for the six months ended 31 December 2023 have been reviewed by the Company's external 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
Dr. Cheng Chi-kong, Adrian
Chairman

Hong Kong, 28 February 2024

As at the date of this announcement, the non-executive Directors are Dr. Cheng Chi-kong, Adrian and Ms. Chiu Wai-han, Jenny; the executive Directors are Ms. Xie Hui-fang, Mandy 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, Mr. Yu Chun-fai and Ms. Ho Pui-yun, Gloria.

English names of brands and events in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.