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

INTERIM RESULTS ANNOUNCEMENT 2012/2013

HIGHLIGHTS

Same-store sales[1] ("SSS") growth of 9.2%.

Revenue improved by 19.7% to HK$2,028.6 million from HK$1,695.1 million of the same period of Previous Year.

Operating profit, excluding other losses/gains and changes in fair value of investment properties, increased by approximately 4.4% to HK$407.7 million from HK$390.7 million of the same period of Previous Year.

Profit for the period, excluding other losses/gains and changes in fair value of investment properties, increased by approximately 11.6% to HK$317.0 million from HK$284.0 million of the same period of Previous Year.

Earnings per share was HK$0.20.

Interim dividend was HK$165.2 million.

(1) Same-store sales growth represents change in total gross sales proceeds and rental income for stores in operation throughout the comparable period.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

The board of directors (the "Board" or "Directors") of New World Department Store China Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 31 December 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	Unaudited
		Six months ended 31 December	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**2,028,611**	1,695,062
Other income	*3*	**77,535**	62,391
Other (losses)/gains, net	*4*	**(32,193)**	46,006
Changes in fair value of investment properties		**46,778**	–
Purchases of and changes in inventories		**(368,405)**	(263,944)
Employee benefit expense		**(282,823)**	(263,940)
Depreciation and amortisation		**(154,737)**	(141,054)
Operating lease rental expense		**(493,072)**	(415,143)
Other operating expenses, net	*5*	**(399,456)**	(282,632)
Operating profit		**422,238**	436,746
Finance income		**40,831**	24,415
Finance costs		**(28,389)**	(6,572)
Finance income, net		**12,442**	17,843
Profit before income tax		**434,680**	454,589
Income tax expense	*6*	**(103,066)**	(124,541)
Profit for the period		**331,614**	330,048
Attributable to equity holders of the Company		**331,614**	330,048
Dividend	*7*	**165,242**	165,242
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK$ per share)			
– Basic and diluted	*8*	**0.20**	0.20

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	Unaudited
	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**331,614**	330,048
Revaluation of property upon reclassification from property, plant and equipment to investment properties	**89,177**	–
– Deferred tax thereof	**(22,294)**	–
Translation differences	**157,189**	55,632
Other comprehensive income for the period, net of tax	**224,072**	55,632
Total comprehensive income for the period	**555,686**	385,680
Total comprehensive income attributable to equity holders of the Company	**555,686**	385,680

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 31 December 2012** *HK$'000*	Audited As at 30 June 2012 *HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**2,236,400**	2,266,553
Investment properties		**2,224,827**	1,996,639
Land use rights		**887,333**	903,284
Goodwill		**1,316,285**	1,284,182
Other non-current assets	*9*	**469,274**	457,828
Long-term prepaid rent and rental deposits		**401,737**	339,632
Deferred income tax assets		**150,869**	159,640
		7,686,725	7,407,758
Current assets			
Inventories		**167,316**	158,772
Debtors	*10*	**118,093**	59,589
Prepayments, deposits and other receivables		**737,887**	552,305
Amounts due from fellow subsidiaries		**4,040**	2,054
Amounts due from related companies		**992**	–
Fixed deposits		**1,642,379**	378,099
Cash and cash equivalents		**3,040,705**	3,242,919
		5,711,412	4,393,738
Total assets		**13,398,137**	11,801,496
Equity			
Share capital		**168,615**	168,615
Reserves		**6,057,412**	5,666,189
Interim dividend		**165,242**	–
Proposed dividend		**–**	138,264
		6,391,269	5,973,068
Liabilities			
Non-current liabilities			
Long-term borrowings		**648,179**	998,617
Accruals		**614,321**	640,100
Deferred income tax liabilities		**526,290**	466,711
		1,788,790	2,105,428

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	Unaudited As at 31 December 2012 *HK$'000*	Audited As at 30 June 2012 *HK$'000*
Current liabilities			
Creditors, accruals and other payables	*11*	**5,083,706**	3,622,636
Amounts due to fellow subsidiaries		**7,101**	4,721
Amounts due to related companies		**30,482**	28,268
Current portion of long-term borrowings		**49,750**	9,098
Tax payable		**47,039**	58,277
		5,218,078	3,723,000
Total liabilities		**7,006,868**	5,828,428
Total equity and liabilities		**13,398,137**	11,801,496
Net current assets		**493,334**	670,738
Total assets less current liabilities		**8,180,059**	8,078,496

NOTES

1 Basis of preparation

The condensed consolidated financial information of the Company for the six months ended 31 December 2012 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2012, as described in those annual financial statements.

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

For the six months ended 31 December 2012, the Group has adopted the following amendment to existing standard which is mandatory for the accounting period beginning on 1 July 2012:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income

The adoption of this amendment to existing standard does not have any effect on the results and financial position of the Group.

The following new or revised standards, amendments to existing standards and interpretations are mandatory for the accounting periods beginning on or after 1 January 2013 which the Group has not early adopted:

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
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 Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)	Investment Entities
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements

HKAS 28 (Revised 2011)	Associates and Joint ventures
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

The Group is in the process of making an assessment of the impact of these new or revised standards, amendments to existing standards and interpretations on its result of operation and financial position.

2 Revenue and segment information

	Unaudited	Unaudited
	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**1,331,066**	1,194,966
Sales of goods – direct sales	**436,323**	316,114
Management fees	**13,996**	16,022
Rental income	**247,226**	167,960
	2,028,611	1,695,062

The income from concessionaire sales is analysed as follows:

	Unaudited	Unaudited
	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**7,487,713**	6,485,410
Commission income from concessionaire sales	**1,331,066**	1,194,966

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 business. The CODM assesses the performance of the operating segments based on their revenue and operating result. The measurement of segment operating results excludes the effect of changes in fair value of investment properties and unallocated corporate expenses. In addition, finance income, net is not allocated to segments. There is no inter-segment sales.

All revenue is generated in Mainland China and all significant operating assets of the Group are in Mainland China.

2 Revenue and segment information (Continued)

Six months ended 31 December 2012

	Department store *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**1,971,569**	**57,042**	**2,028,611**
Segment results	**336,362**	**46,240**	**382,602**
Changes in fair value of investment properties	**–**	**46,778**	**46,778**
Unallocated corporate expenses			**(7,142)**
Operating profit			**422,238**
Finance income			**40,831**
Finance costs			**(28,389)**
Finance income, net			**12,442**
Profit before income tax			**434,680**
Income tax expense			**(103,066)**
Profit for the period			**331,614**

Six months ended 31 December 2011

	Department store *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue	1,669,269	25,793	1,695,062
Segment results	422,348	22,685	445,033
Unallocated corporate expenses			(8,287)
Operating profit			436,746
Finance income			24,415
Finance costs			(6,572)
Finance income, net			17,843
Profit before income tax			454,589
Income tax expense			(124,541)
Profit for the period			330,048

2 Revenue and segment information (Continued)

As at 31 December 2012

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment assets	**10,269,631**	**2,964,806**	**13,234,437**
Deferred income tax assets			**150,869**
Corporate assets:			
Cash and cash equivalents			**12,831**
Total assets			**13,398,137**
Six months ended 31 December 2012			
Additions to non-current assets *(Note)*	**104,389**	**3,596**	**107,985**
Depreciation and amortisation	**154,457**	**280**	**154,737**

As at 30 June 2012

	Department store HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment assets	8,981,227	2,648,213	11,629,440
Deferred income tax assets			159,640
Corporate assets:			
Cash and cash equivalents			12,361
Others			55
Total assets			11,801,496
Six months ended 31 December 2011			
Additions to non-current assets *(Note)*	416,334	2,094,823	2,511,157
Depreciation and amortisation	141,054	–	141,054

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	Unaudited
	Six months ended	
	31 December	
	2012	2011
	HK$'000	*HK$'000*
Government grants	**9,758**	3,894
Income from suppliers	**29,996**	23,975
Write-back of other payables	**19,136**	24,146
Sundries	**18,645**	10,376
	77,535	62,391

4 Other (losses)/gains, net

	Unaudited	Unaudited
	Six months ended	
	31 December	
	2012	2011
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(32,193)**	(1,093)
Gain on disposal of assets held for sale *(Note)*	**–**	47,099
	(32,193)	46,006

Note:

For the period ended 31 December 2011, the amount represented gain on disposal of entire equity interest in Focus Smart Limited, a wholly-owned subsidiary of the Group, which is also the owner of certain portion of a property and land use right situated in Wuxi City.

5 Other operating expenses, net

	Unaudited	Unaudited
	Six months ended	
	31 December	
	2012	2011
	HK$'000	*HK$'000*
Water and electricity	**91,180**	104,787
Selling, promotion, advertising and related expenses	**125,769**	54,450
Cleaning, repairs and maintenance	**41,408**	32,950
Auditor's remuneration	**3,611**	2,791
Share-based payments	**67**	333
Net exchange losses	**8,141**	2,087
Other tax expenses	**90,570**	70,403
Others	**38,710**	14,831
	399,456	282,632

6 Income tax expense

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Current income tax		
– Mainland China taxation	**82,151**	102,551
Over-provision in prior years	**(18,966)**	(1,090)
Deferred income tax		
– Deferred taxation on undistributed retained earnings	**4,333**	5,541
– Other temporary differences	**35,548**	17,539
	103,066	124,541

Taxation has been provided at the appropriate tax rates prevailing in the tax jurisdictions in which 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 periods ended 31 December 2011 and 2012.

Subsidiaries of the Group in Mainland China are subject to enterprise income tax at a rate of 25% (2011: 25%).

7 Dividend

	Unaudited	Unaudited
	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Interim dividend of HK$0.098 (2011: HK$0.098) per share	**165,242**	165,242

8 Earnings per share

(a) Basic

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

	Unaudited	Unaudited
	Six months ended 31 December	
	2012	2011
Profit attributable to the equity holders of the Company (HK$'000)	**331,614**	330,048
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.20**	0.20

(b) Diluted

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

During the six months ended 31 December 2011 and 2012, shares issuable upon exercise of the share options are the only dilutive ordinary shares. There was no potential dilutive effect from the share options.

9 Other non-current assets

Balance as at 31 December 2012 represents the following transaction:

On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co") entered into agreements with Shenyang New World Hotel Co., Ltd., a wholly-owned subsidiary of New World China Land Limited and a fellow subsidiary of the Company. Shenyang Co agreed to acquire the building ownership right, land use right of certain exclusive and common-use areas of the building, located in Shenyang City, and right of use of certain areas of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems, for a consideration of approximately RMB456,534,000 which is subject to the terms of the agreements for further adjustments. As at 31 December 2012, the Group has made progress payment of approximately HK$446,162,000 (30 June 2012: HK$435,280,000) and paid direct costs of approximately HK$23,112,000 (30 June 2012: HK$22,548,000) in connection with such acquisition. As at 31 December 2012, the capital commitment in relation to this acquisition is approximately HK$103,762,000 (30 June 2012: HK$101,231,000).

10 Debtors

	Unaudited As at 31 December 2012 *HK$'000*	Audited As at 30 June 2012 *HK$'000*
Trade receivables	**118,093**	59,589

The Group grants credit terms within 30 days in majority, based on the invoice dates.

Aging analysis of the debtors is as follows:

	Unaudited As at 31 December 2012 *HK$'000*	Audited As at 30 June 2012 *HK$'000*
Within period for		
0-30 days	**114,154**	57,058
31-60 days	**3,205**	603
61-90 days	**199**	–
Over 90 days	**535**	1,928
	118,093	59,589

The carrying amounts of debtors approximate their fair values. The debtors are denominated in Renminbi.

11 Creditors, accruals and other payables

The Group normally receives credit terms of 60 to 90 days. The aging analysis of the creditors which are denominated in Renminbi, based on the invoice dates, is as follows:

	Unaudited As at 31 December 2012 *HK$'000*	Audited As at 30 June 2012 *HK$'000*
Within period for		
0-30 days	**1,781,072**	972,955
31-60 days	**1,004,368**	694,388
61-90 days	**268,187**	194,214
Over 90 days	**377,083**	351,556
	3,430,710	2,213,113

Creditors included amounts due to related companies of HK$136,500,000 (30 June 2012: HK$93,378,000) which are unsecured, interest free and repayable within 90 days.

The carrying amounts of creditors and other payables approximate their fair values.

12 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

BUSINESS REVIEW

The Group's revenue increased by 19.7% from HK$1,695.1 million for the six months ended 31 December 2011 (or "1HFY2012" or "the same period of Previous Year") to HK$2,028.6 million for the six months ended 31 December 2012 (or "1HFY2013" or "the Current Period"). Profit for the Current Period, excluding other losses/gains and changes in fair value of investment properties, increased by approximately 11.6% to HK$317.0 million from HK$284.0 million of the same period of Previous Year.

Business Network

In 1HFY2013, the Group operated 41 department stores, with a total gross floor area ("GFA") of about 1,489,980 square metres and a total operating floor area ("OFA") of about 1,169,750 square metres. Located in three operational regions, namely Northern China, South Eastern China and Central Western China, the stores covered 19 major cities in the PRC. These included Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng and Xi'an. Our business network comprised 37 self-owned stores and 4 managed stores.

Revenue Contribution

By Region

The Northern China Region contributed the most to the Group's revenue during the period under review, accounting for 49.0% of total revenue, followed by the South Eastern China Region and the Central Western China Region, accounting for 25.8% and 25.2%, respectively.

By Segment

Commission income from concessionaire sales was the major source of income, accounting for 65.6% of total revenue. Sales of goods for direct sales and rental income accounted for 21.5% and 12.2% respectively. Management fees accounted for 0.7%.

Growth in Nationwide VIP Membership

During the period under review, the number of Gold and Platinum VIP Card members continued to increase. The NWDS VIP Card without spending threshold launched in March 2012 has received positive customer feedback. The total number of VIP members in the country has exceeded 3.50 million. Approximately 61% of sales came from our VIP members. During the period under review, the size of the Group's four VIP clubs, namely "Smart Lady Club", "Perfect House Wife Club", "Platinum VIP Club" and "Crystal High Heels Club" have grown to around 1.38 million members, which marked an approximately 44% increase year-on-year.

Store Network Development

During the period under review, the Group has set up two self-owned department stores, Yancheng New World Department Store ("Yancheng Store") and Xi'an New World Department Store ("Xi'an Store"). In addition, the Group continued to scale its business in the South Eastern China Region. The new managed store in Beilun, Ningbo, Ningbo New World Beilun Department Store ("Ningbo Beilun Store"), was set up as part of its development plan.

As at 31 December 2012, the Group's total GFA was approximately 1,489,980 square metres, representing 10.1% increase year-on-year. Self-owned stores accounted for 1,348,280 square metres, which marked a 12.9% growth year-on-year.

Operational Strategies

During the period under review, the operating environment of department stores in Mainland China has undergone some changes. Total retail sales of consumer goods have recorded a slower growth. With outstanding operation management, the Group has maintained a steady business growth. At the same time, the Group has continued its rebranding program to categorize all stores across the country into "Living Galleries" and "Fashion Galleries". The Group aims to enhance its store image through interior decorations, merchandise portfolio and brand mix, etc, so as to unify the New World Department Store ("NWDS") slogan, "Enriching Lives. Enhancing Character."

Structural Optimization and Effective Control on Operating Costs

Under the Group's new operating structure, the whole country is divided into 3 Regions and 9 Districts. As operating costs keep surging, the refined structure would improve operating efficiency, exercise better control on regional costs and accelerate store localization. At the same time, during its twenty years of presence in the China market, the Group has built long-term strategic partnerships with landowners and developers. As a result, the terms of the Group's rental agreements are generally longer, which stabilizes rental expenses and relieves the pressure from surging rents.

Substantial Completion of Rebranding Program Showcases Store Vitality

Since the rebranding program commenced in September 2009, the branding effect has come into play. According to internal data, rebranded stores have proven record to drive same-store sales growth, positively impacting the Group's medium to long-term business. During the period under review, rebranding program has been completed for Dalian New World Department Store ("Dalian Store"), Anshan New World Department Store ("Anshan Store"), Wuhan New World Department Store-Wuchang Branch Store ("Wuhan Wuchang Branch Store"), Changsha New World Trendy Plaza ("Changsha Trendy Plaza"), Kunming New World Department Store ("Kunming Store") and Chongqing New World Department Store

("Chongqing Store"). As at 31 December 2012, about 83% of the total GFA needed to rebrand has been completed. Together with the newly opened stores, about 89% of the total GFA has been operated with the rebranded image. The whole rebranding program targets to be completed in 2013.

Create Long-term Competitive Edge through Differentiation

During the period under review, a merchandising revamp has been carried out in a number of the Group's stores. Popular brands were brought in to boost store traffic and popularity. In addition, we have introduced many unique brands and complementary facilities in their respective business circles such as menswear outlet, game arcade, pet shop and KTV etc. The corresponding strategy has successfully created differentiation advantages in extremely competitive business circles and made NWDS consumers' preferred place to shop.

Proactive Brand Management to Build Winning Merchandise Mix

Due to fiercer competition, product life cycles are now shorter than ever. The Group has developed compact brand management strategies to satisfy customers' every diversified need. The Group classified gold and jewelry, ladies wear, and ladies footwear as category killers with careful maintenance. At the same time, we actively explore new category killers to further boost the Group's revenue. To stand out our merchandises, the Group has developed numerous private labels exclusively for NWDS. These brands, which have enhanced the differentiation of our merchandises and provided more options for customers, have effectively improved the Group's profitability in a long run.

Maintain Long-term and Close Partnership with Concessionaires and Suppliers

During the period under review, the Group has advanced its three-level "Head Office-Region-Store" supplier management system to perform targeted brand maintenance. Through the introduction of brand manager position, we have strengthened our partnerships with targeted brands and expanded the breadth and depth of current collaboration. Furthermore, the Group has implemented a number of favorable policies to consolidate long-term and close partnerships with quality suppliers.

Hybrid Operating Model to Maximize Rental Income

In addition to concessionaire sales model, the Group has expanded its leasing area to perfect the stores' complementary living services, which can elevate consumers' shopping experience. In an operating environment with rising rentals, such a successful mix can bring the Group stable and significant rental income.

Creative Marketing Campaign Generates Noise, Popularity and Sales

The Group has been attaching great importance to marketing. During the period under review, the Group has incorporated the latest fashion trends into its topic-based activities with great creativity, including Internet therion "alpaca" in stores, speed dating event and beer-drinking contest. All activities were spectacular and attracted a large number of traffic. The activities also aroused heated online discussions that generated extensive publicity. From September to October 2012, the Group held "The 2nd NWDS Spokesperson" Guessing Contest and pioneered to promote the contest on online video sites through the micro movie "Fall in Love". The contest successfully attracted over 300,000 people to participate in the voting.

To nurture customers' spending habits during festive seasons, the Group organized various large-scale thematic events during traditional shopping seasons, such as, New Year and Christmas. In addition, the Group has made extra effort to promote the concept of all-day spending by celebrating various new festivals such as Thanksgiving and Halloween. On the other hand, stores preheated Christmas consumption by celebrating Store Anniversary from November onwards to maximize the effect of Christmas spending.

The Group is committed to promoting cross-industry cooperation as it adds new elements to marketing campaigns by combining the strengths of industry leaders, and thereby expands customer base. During the period under review, in order to celebrate the Group's forthcoming 20th Anniversary, the Group became the chief sponsor of a romantic comedy movie "Fall in Love". Besides, following the unprecedented success of last year's "Super Stars' Memorable Collections Exhibition", the Group once again organized an exhibition tour, "Michael Jackson's Wardrobe – Gorgeous 25 Years", from October to November 2012. The exhibition was the first in the country to showcase more than 50 pieces of Michael Jackson's precious items and has received tremendous amount of positive feedbacks.

Heartfelt VIP Services to Enhance Customer Loyalty

During the period under review, the Group has implemented various measures to optimize the benefits to its VIP members and to further strengthen the maintenance of its VIP membership. The nationwide VIP Day at the end of November 2012 was the largest VIP appreciation activity in the Group's history, which VIP members enjoyed exclusive substantial discount at all outlets. The four-day event generated RMB400 million of sales with about one-third of the stores recorded a same-store sales growth of over 100%. One of the highlighted events was "60-hour Non-stop Mega Sales" at Beijing New World Department Store ("Beijing Store") which has created a sales record of RMB180 million.

During the period under review, the four VIP clubs organized a wide range of exclusive activities to enhance VIP members' loyalty and sense of belonging. In addition, each store has especially launched exclusive premium services catering for its platinum VIP members to further foster its relationship with high-end customers and generate more repeated consumptions. New services included guided shopping tour, free delivery, "Tailored High-end Mix and Match Salon" and "VIP Diamond Appreciation Event" etc. As at 31 December 2012, we have had over 3.50 million VIP members across the country, representing about 47% year-on-year growth.

Expansion Strategies

In response to policy directions to boost domestic consumption and accelerate urbanized construction in China's 12th Five-year Plan, the Group has devised a prudent, long-term and timely expansion strategy accordingly. Through opening new stores, merger and acquisition, existing store expansion and so on, the total GFA of its self-owned stores is expected to exceed 2 million square metres by FY2016. In choosing new store locations, the Group will continue its "multiple presences within a single city" expansion strategy to achieve higher level of economies of scale and synergies while reinforcing our regional business. At the same time, the Group will utilize "radiation city" strategy to expand its business from the five core cities, namely Beijing, Shanghai, Wuhan, Shenyang and Chengdu, to surrounding second and third-tier cities. Since the state policies have created stimulus for the retail industry in the latter cities, complemented with lower land costs, greater economies of scale from urbanization and the enhancement of transport infrastructures, the huge potential of these cities' retail markets will be unleashed. Therefore, second and third-tier cities will be the Group's focal point of business expansion in the future.

For the opening of new stores, the Group held the grand opening of two self-owned stores in Yancheng, Jiangsu Province and Xi'an, Shaanxi Province respectively in December 2012. Yancheng Store is a large-scale hybrid "Living Gallery" combining the operation model of a shopping centre and a department store with a GFA of 54,000 square metres[2]. Xi'an Store is positioned as a "Living Gallery" with a GFA of 58,500 square metres[3] and provides "full-category" merchandises and comprehensive complementary living facilities.

(2) As at 31 Dec 2012, GFA of approximately 43,160 square metres of Yancheng Store has commenced operation.

(3) As at 31 Dec 2012, GFA of approximately 52,650 square metres of Xi' an Store has commenced operation.

Meanwhile, the Group plans to enter Yantai, the third largest city in Shandong Province, in FY2014 and open a self-owned store with a GFA of 55,000 square metres. Being optimistic about the retail market in Hunan Province, the Group will open a self-owned store with a GFA of 42,200 square metres in Hengyang in FY2015. Following the acquisition of Channel 1 Shopping Mall (now renamed as Hong Kong New World Department Store – Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store")) in Putuo District in FY2012, the Group plans to open another self-owned store, Shanghai 118 Project, with a GFA of 62,600 square metres at 118 Square in Putuo District in FY2015.

For merger and acquisition, the Group adopts a strategy that allows flexibility. To ensure a healthy growth, the Group enters emerging markets as managed stores and then converts them into self-owned stores when their businesses become mature. Furthermore, the Group will seek to further strengthen the collaboration with local governments and industry organizations to identify department store projects with high business potential, so as to penetrate targeted markets in a rapid pace.

For existing store expansion, the Group strives to increase the operating area of its stores to extend its operating advantages and increase sales revenue. Following the expansion project of Shenyang New World Department Store – Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store") in FY2012, Phase II project of Shenyang New World Department Store – Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store") with a GFA of 25,400 square metres will be completed in FY2014. By that time, the store will provide a better shopping environment to its consumers.

For store management services provision, the Group entered Ningbo in September 2012 by setting up a managed store in the Beilun Central Business District with a GFA of 60,000 square metres[(4)]. Being positioned as a one-stop shopping "Living Gallery", Ningbo Beilun Store has introduced numerous internationally renowned brands, "N-only" private labels and a selection of complementary living facilities.

In recent years, commercial real estate projects in second and third-tier cities have developed rapidly. Many of these projects introduced popular retailers as a tout to their premises. Through providing store management services, the Group effectively reduces investment risks and earns stable management fees while quickly penetrating into emerging markets. It also paves a way for the Group's future local development. In the second half of FY2013, the Group will open a managed store, with a GFA of 32,000 square metres, as the first sizable hybrid department store in Sanhe, Hebei Province. The project is located in Yanjiao, where is the closest new city to Beijing and a core district of the Central Capital Economic Circle, and is believed to possess great development potential. In addition, the Group's mall management

(4) As at 31 Dec 2012, GFA of approximately 34,000 square metres of Ningbo Beilun Store has commenced operation.

project in Yantai with a GFA of 46,000 square metres will be opened in FY2014; in the same year, the Group will enter Shaoxing, Zhejiang Province and open a managed store in Keqiao with a GFA of 42,300 square metres.

OUTLOOK

Although China's gross domestic product ("GDP") in the first half of 2012 rose by 7.6% year-on-year, showing a slowdown in overall economic growth, GDP began to rebound in the second half of 2012 and the annual GDP growth concluded at 7.8%. At the policy level, the country's determination to stabilize economic growth is clear, and the cool down of inflation provides sufficient room for further regulatory stimulus. As the effects of government policies emerge, domestic consumption has continued to pick up since the third quarter. According to China's National Bureau of Statistics, total retail sales of consumer goods in China grew 14.3% in 2012. Growth in the fourth quarter has greatly accelerated and reached 15.2% in December, which was significantly higher than the 14.1% recorded in the first three quarters. Domestic consumption has become the only driver out of three carriages that accelerated throughout the year, leading the national economy to move forward.

Based on the current implementation of China's macroeconomic policies, its economic recovery is expected to continue to accelerate in the first half of 2013. With the forthcoming reform of income distribution, income of residents in China is expected to grow steadily. There is prediction that the income growth will even exceed the GDP growth, which will further unleash the purchasing power of the people. In the medium to long term, the country will continue to speed up its urbanized construction. At present, the four-vertical and four-horizontal high-speed railway network is beginning to take shape, driving the economic development of the adjacent cities. More inland tourist and cultural cities will become China's new shopping hotspots. In response to the relevant government policies, the Group will shift its business focus to second and third-tier cities accordingly. Multiple department store projects will commence operation in the next two years to seize business opportunities in emerging markets, playing a strategic role in the further development of the Group.

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$2,028.6 million in 1HFY2013 representing an increase of 19.7% from HK$1,695.1 million in 1HFY2012. The growth was primarily contributed from commission from concessionaire sales, sales of goods for direct sales and rental income.

Gross sales revenue, comprising gross revenue from concessionaire sales, sales of goods for direct sales, management fees, rental income and other income increased by 17.2% to HK$8,262.8 million in 1HFY2013 from HK$7,047.9 million in 1HFY2012. Gross revenue from concessionaire sales increased to HK$7,487.7 million from HK$6,485.4 million in the same period of Previous Year. Commission income rate was declined from 18.4% in the same period of Previous Year to 17.8% in the Current Period. The decline was primarily due to the lower commission rates recorded by new stores and the sales growth of jewelry and gold, electronic products with lower commission rate and the number of promotions increased in the competitive market. Sales of goods for direct sales was HK$436.3 million in 1HFY2013 compared with HK$316.1 million in 1HFY2012. Direct sales turnover mainly comprised of groceries, housewares and perishables (approximately 49.0%), cosmetic products (approximately 36.1%), ladieswear and menswear (approximately 9.7%), accessories, handbags and underwears (approximately 2.8%). Gross margin of direct sales was 15.6% compared to 16.5% in the same period of Previous Year. The decrease was mainly due to the lower merchandise gross margin from the supermarkets of the newly acquired stores. In 1HFY2013, ladieswear and accessories made up approximately 62.7% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 19.0% and sportswear, bread and snacks, electrical appliances, kidswear and personal care products largely made up the rest.

Management fees was HK$14.0 million in 1HFY2013 showing a decrease from HK$16.0 million in 1HFY2012. The decrease was primarily due to the conversion of Lanzhou New World Department Store ("Lanzhou Store") and Beijing New World Liying Department Store ("Beijing Liying Store") in November 2011 and January 2012 respectively, as compared with there were four months contribution from Lanzhou Store and a full period contribution from Beijing Liying Store in the same period of Previous Year.

Rental income increased by 47.1% to HK$247.2 million in 1HFY2013 mainly due to increased leasing area from firstly, recognising a full-period operation of Lanzhou Store and Shanghai Shaanxi Road Branch Store and Beijing Liying Store acquired in November 2011 and January 2012 respectively; secondly, Mianyang New World Department Store ("Mianyang Store") opened in December 2011 and the completed expansion of Shenyang Jianqiao Road Branch Store in April 2012.

Other Income

Other income of the Group was HK$77.5 million in 1HFY2013 compared with HK$62.4 million of 1HFY2012. The increase was mainly due to the increase in government grants and income from suppliers in 1HFY13.

Other (Losses)/Gains, Net

Other loss of the Group in the Current Period was HK$32.2 million. Other gains, net in 1HFY12 comprised a gain of HK$47.1 million on disposal of certain portion of property and land use right situated in Wuxi City.

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties in the Current Period was HK$46.8 million related to the property of Shanghai Shannxi Road Branch Store.

Purchases of and Changes in Inventories

The purchases of and changes in inventories represented the cost of sales for direct sales of goods. It increased by 39.6% to HK$368.4 million in 1HFY2013 from HK$263.9 million in 1HFY2012. The percentage of increase was approximately in line with the increase in sales of goods for direct sales.

Employee Benefit Expense

Employee benefit expense increased to HK$282.8 million in 1HFY2013 from HK$263.9 million in 1HFY2012. This increase was primarily due to the increase in wages and salaries, retirement benefit costs and other employee benefits as a result of recognising a full-period operation of Lanzhou Store, Shanghai Shaanxi Road Branch Store, Beijing Liying Store and Mianyang Store acquired or opened in FY2012. In addition, the expansion of Shenyang Jianqiao Road Branch Store in April 2012 and the newly opened Yancheng Store and Xi'an Store in December 2012 also contributed to the increase of employee benefit expense in the Current Period.

Depreciation and Amortisation

Depreciation and amortisation expense increased from HK$141.1 million in 1HFY2012 to HK$154.7 million in 1HFY2013. This increase was primarily due to a result of recognising a full-period operation of Mianyang Store opened in FY2012, the conversion of Lanzhou Store and Beijing Liying Store from managed stores to self-owned stores in November 2011 and January 2012 respectively, the expansion of Shenyang Jianqiao Road Branch Store in April 2012 and the newly opened Yancheng Store and Xi'an Store in December 2012.

Operating Lease Rental Expense

Operating lease rental expense increased to HK$493.1 million in 1HFY2013 from HK$415.1 million in 1HFY2012, primarily due to recognising a full-period operation of Mianyang Store opened in December 2011, the expansion of Shenyang Jianqiao Road Branch Store in April 2012, the conversion of Lanzhou Store and Beijing Liying Store from managed stores to self-owned stores in November 2011 and January 2012 respectively and the newly opened Yancheng Store and Xi'an Store in December 2012.

Other Operating Expenses, Net

Other operating expenses increased to HK$399.5 million in 1HFY2013 from HK$282.6 million in 1HFY2012. The increase in other operating expenses was primarily due to recognising a full-period operation of Lanzhou Store, Shanghai Shaanxi Road Branch Store, Beijing Liying Store and Mianyang Store acquired or opened in FY2012. Moreover, the increase was also due to the expansion of Shenyang Jianqiao Road Branch Store in April 2012 and the newly opened Yancheng Store and Xi'an Store in December 2012.

With regard to the increase in selling, promotion, advertising and related expenses from HK$54.5 million in 1HFY2012 to HK$125.8 million in 1HFY2013, that was mainly due to increased promotional expenses in connection with promotion of our newly opened stores and more intense promotion activities. An increase in other tax expenses from HK$70.4 million in 1HFY2012 to HK$90.6 million in 1HFY2013 was mainly due to the increase of consumption tax arising from sales of gold related products.

Operating Profit

Operating profit was HK$422.2 million in 1HFY2013 compared with HK$436.7 million in 1HFY2012. Operating profit, excluding other losses/gains and changes in fair value of investment properties, increased by approximately 4.4% to HK$407.7 million from HK$390.7 million in the same period of Previous Year.

Income Tax Expense

Income tax expense of the Group was HK$103.1 million in 1HFY2013 compared with HK$124.5 million in 1HFY2012. The effective tax rate of the Group in 1HFY2013 was 23.7%.

Profit for the Period

As a result of the reasons mentioned above, profit for the period was HK$331.6 million compared with HK$330.0 million in the same period of Previous Year. Profit for the period, excluding other losses/gains and changes in fair value of investment properties, increased by approximately 11.6% to HK$317.0 million from HK$284.0 million in the same period of Previous Year.

Liquidity and Financial Resources

Cash and fixed deposits of the Group amounted to HK$4,683.1 million as at 31 December 2012 (30 June 2012: HK$3,621.0 million).

The Group's borrowings from banks as at 31 December 2012 was HK$697.9 million (30 June 2012: HK$1,007.7 million) of which HK$668.8 million (30 June 2012: HK$682.9 million) was secured by pledge of assets.

The capital commitment of the Group as at 31 December 2012 were HK$125.5 million, of which HK$125.1 million were contracted but not provided for in the statement of financial position. For the contractual payment of HK$125.1 million, approximately HK$103.8 million was related to the acquisition of building ownership right, land use right and right of use of the equipment and facility room, the outer wall, the facilities, the electrical and mechanical systems for certain exclusive and common-use areas of a building, located in Shenyang City.

Pledge of Assets

As at 31 December 2012, investment properties of HK$1,887.5 million (30 June 2012: HK$1,792.7 million) of the Group were pledged as securities for bank borrowings of HK$668.8 million (30 June 2012: HK$682.9 million).

Treasury Policies

The Group mainly operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts to hedge its foreign exchange risk. 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 2012.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK$0.098 per share (2011: HK$0.098 per share) for the six months ended 31 December 2012 to shareholders whose names appear in the register of members of the Company on 17 April 2013. It is expected that the interim dividend will be paid on or about 16 May 2013.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2012, total number of employees for the Group was 7,071 (2011: 6,935). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

ACQUISITION AND DISPOSAL

On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a company established in the PRC and an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with Shenyang New World Hotel Co., Ltd. ("SYNWH"), a company established in the PRC and an indirect wholly-owned subsidiary of New World China Land Limited. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH agreed to cooperate in a redevelopment project. Shenyang Trendy agreed to surrender to the local government authority the land and building which it owns and where Shenyang Nanjing Street Branch Store is situated ("the Building") for a compensation of approximately RMB250.0 million. Shenyang Trendy agreed to make contribution of approximately RMB527.1 million (subject to further adjustments) to SYNWH for the related costs of demolition of the Building and design, construction and payment of any relevant land grant premium of the lower ground level 1 to upper ground level 5 of the redeveloped building of which an expected floor area of approximately 26,353 sq.m. will be attributable to Shenyang Trendy.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 31 December 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the six months ended 31 December 2012.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the time being in force during the six months ended 31 December 2012, except code provision E.1.2.

Code provision E.1.2 provides, among other things, that the chairman of the board should attend annual general meeting. Dr. Cheng Kar-shun, Henry, the chairman of the Board, was not able to attend the annual general meeting of the Company held on 20 November 2012 (the "Meeting") owing to other commitment in the PRC. Mr. Cheng Chi-kong, Adrian, who took the chair of the Meeting, together with other members of the Board who attended the Meeting, were of sufficient calibre for answering questions at the Meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Upon the Company's specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company during the six months ended 31 December 2012.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of the four independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial information and the interim report for the six months ended 31 December 2012 and discussed the financial related matters with the management. The unaudited interim results of the Group for the six months ended 31 December 2012 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 April 2013 to Wednesday, 17 April 2013, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Thursday, 11 April 2013.

For and on behalf of the board of
New World Department Store China Limited
Dr. Cheng Kar-shun, Henry
Chairman and Non-executive Director

Hong Kong, 26 February 2013

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