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## **ANNUAL RESULTS ANNOUNCEMENT 2020/2021**

### **HIGHLIGHTS**

Same-store sales<sup>(1)</sup> growth for the year was 3.9%. The growth for the Previous Year was -26.6%.

Revenue for the year was HK\$2,246.0 million compared with HK\$2,232.7 million in the Previous Year.

Operating profit for the year was HK\$89.5 million, as compared to operating loss for the year of HK\$198.0 million in the Previous Year.

Loss for the year was HK\$229.4 million compared with HK\$483.7 million in the Previous Year.

Loss per share for the year was HK\$0.14.

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

## ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

The board of directors (the “Board” or “Directors”) of New World Department Store China Limited (the “Company”) is pleased to announce the audited annual results of the Company and its subsidiaries (together, the “Group”) for the year ended 30 June 2021 as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	2	2,245,966	2,232,691
Other income	3	67,481	93,525
Other losses, net	4	(349,190)	(469,296)
Changes in fair value of investment properties		(6,490)	(39,125)
Purchases of and changes in inventories, net		(583,897)	(546,981)
Purchases of promotion items		(12,244)	(11,453)
Employee benefit expense		(458,081)	(450,323)
Depreciation		(583,634)	(601,586)
Rental expense		(124,354)	(118,295)
Other operating expenses, net	5	<u>(106,066)</u>	<u>(287,117)</u>
Operating profit/(loss)		<u>89,491</u>	<u>(197,960)</u>
Finance income		37,839	44,932
Finance costs		<u>(230,328)</u>	<u>(251,286)</u>
Finance costs, net	6	<u>(192,489)</u>	<u>(206,354)</u>
		(102,998)	(404,314)
Share of results of associated companies		<u>(151)</u>	<u>(339)</u>
Loss before income tax		(103,149)	(404,653)
Income tax expense	7	<u>(126,210)</u>	<u>(79,015)</u>
Loss for the year		<u>(229,359)</u>	<u>(483,668)</u>
Loss per share attributable to shareholders of the Company (expressed in HK\$ per share)			
– Basic and diluted	9	<u>(0.14)</u>	<u>(0.29)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 30 JUNE 2021*

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Loss for the year	<u>(229,359)</u>	<u>(483,668)</u>
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	<b>106,872</b>	7,638
– Deferred income tax thereof	<u>(26,718)</u>	<u>(1,910)</u>
	<u><b>80,154</b></u>	<u>5,728</u>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Release of reserve upon disposal/deregistration of subsidiaries	–	(1,403)
Translation differences	<u><b>408,211</b></u>	<u>(209,255)</u>
	<u><b>408,211</b></u>	<u>(210,658)</u>
Other comprehensive income for the year, net of tax	<u><b>488,365</b></u>	<u>(204,930)</u>
Total comprehensive income for the year	<u><b>259,006</b></u>	<u>(688,598)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		869,599	1,004,982
Investment properties		5,255,795	4,526,518
Right-of-use assets		4,019,142	3,644,746
Intangible assets		1,353,451	1,453,148
Interests in associated companies		296	412
Prepayments, deposits and other receivables		206,850	192,510
Finance lease receivables		335,006	217,855
Deferred income tax assets		<u>121,662</u>	<u>129,203</u>
		<u><u>12,161,801</u></u>	<u><u>11,169,374</u></u>
Current assets			
Inventories		89,428	95,035
Debtors	10	34,137	40,193
Prepayments, deposits and other receivables		252,465	256,832
Finance lease receivables		68,524	41,294
Amounts due from fellow subsidiaries		1,861	2,484
Amounts due from related companies		1	1
Fixed deposits with original maturity over three months		728,669	153,735
Cash and bank balances		<u>840,752</u>	<u>1,360,328</u>
		<u><u>2,015,837</u></u>	<u><u>1,949,902</u></u>
Total assets		<u><u>14,177,638</u></u>	<u><u>13,119,276</u></u>
Equity and liabilities			
Equity			
Share capital		168,615	168,615
Reserves		<u>4,299,712</u>	<u>4,040,706</u>
Total equity		<u><u>4,468,327</u></u>	<u><u>4,209,321</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***AS AT 30 JUNE 2021*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Lease liabilities		<b>4,354,394</b>	3,765,923
Deferred income tax liabilities		<b>971,246</b>	846,372
		<b>5,325,640</b>	4,612,295
Current liabilities			
Creditors	<i>11</i>	<b>993,805</b>	878,364
Accruals and other payables		<b>1,032,527</b>	913,725
Lease liabilities		<b>660,400</b>	698,671
Contract liabilities		<b>238,363</b>	275,924
Amounts due to fellow subsidiaries		<b>7,758</b>	7,650
Amounts due to related companies		<b>15,596</b>	26,986
Borrowings		<b>1,412,275</b>	1,486,222
Tax payable		<b>22,947</b>	10,118
		<b>4,383,671</b>	4,297,660
Total liabilities		<b>9,709,311</b>	8,909,955
Total equity and liabilities		<b>14,177,638</b>	13,119,276

## NOTES

### 1 BASIS OF PREPARATION

The consolidated financial statements for the year ended 30 June 2021 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which is carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

As at 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$2,367,834,000. Taking into account the cash flows from operating activities, the track record of successful renewal and refinancing of the borrowings and asset backing, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

#### (a) Adoption of amendments to standards and revised framework

In the current year, the Group has adopted the following amendments to standards and revised framework, which are mandatory for the financial year ended 30 June 2021:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting

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

## 1 BASIS OF PREPARATION (CONTINUED)

### (b) New standard, amendments to standards, interpretations and revised accounting guideline which are not yet effective

The following new standard, amendments to standards, interpretations and revised accounting guideline are mandatory for the accounting periods beginning on or after 1 July 2021 which the Group has not early adopted:

*Effective for the year ending 30 June 2022:*

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

*Effective for the year ending 30 June 2023:*

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

*Effective for the year ending 30 June 2024:*

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current
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 Transactions
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts

*Effective date to be determined:*

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group has already commenced an assessment of the impact of these new standard, amendments to standards, interpretations and revised accounting guideline, certain of which may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

## 2 REVENUE AND SEGMENT INFORMATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Commission income from concessionaire sales	893,026	886,861
Sales of goods – direct sales	<u>633,583</u>	<u>605,540</u>
Revenue from contracts with customers	1,526,609	1,492,401
Rental income	703,394	727,834
Interest income from finance leases as the lessor	<u>15,963</u>	<u>12,456</u>
	<u>2,245,966</u>	<u>2,232,691</u>

The income from concessionaire sales is analysed as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gross revenue from concessionaire sales	<u>6,052,313</u>	<u>5,661,827</u>
Commission income from concessionaire sales	<u>893,026</u>	<u>886,861</u>

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

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

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



## 2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Department store business <i>HK\$'000</i>	Property investment business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>For the year ended 30 June 2021</i>			
Segment revenue	<u>2,039,653</u>	<u>206,313</u>	<u>2,245,966</u>
Segment operating results	189,324	161,224	350,548
Other losses, net	(349,192)	2	(349,190)
Changes in fair value of investment properties	–	(6,490)	(6,490)
Unallocated corporate income, net			<u>94,623</u>
Operating profit			----- <u>89,491</u>
Finance income			37,839
Finance costs			<u>(230,328)</u>
Finance costs, net			----- <u>(192,489)</u>
			(102,998)
Share of results of associated companies			<u>(151)</u>
Loss before income tax			(103,149)
Income tax expense			<u>(126,210)</u>
Loss for the year			<u>(229,359)</u>
<i>For the year ended 30 June 2020</i>			
Segment revenue	<u>2,027,823</u>	<u>204,868</u>	<u>2,232,691</u>
Segment operating results	177,100	161,119	338,219
Other losses, net	(469,354)	58	(469,296)
Changes in fair value of investment properties	–	(39,125)	(39,125)
Unallocated corporate expenses, net			<u>(27,758)</u>
Operating loss			----- <u>(197,960)</u>
Finance income			44,932
Finance costs			<u>(251,286)</u>
Finance costs, net			----- <u>(206,354)</u>
			(404,314)
Share of results of associated companies			<u>(339)</u>
Loss before income tax			(404,653)
Income tax expense			<u>(79,015)</u>
Loss for the year			<u>(483,668)</u>

## 2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
<i>As at 30 June 2021</i>			
Segment assets	8,483,684	5,550,681	14,034,365
Interests in associated companies	296	–	296
Deferred income tax assets	121,662	–	121,662
Unallocated corporate assets:			
Cash and bank balances			21,066
Others			249
Total assets			<u>14,177,638</u>
<i>For the year ended 30 June 2021</i>			
Additions to non-current assets ( <i>Note</i> )	904,157	9,383	913,540
Depreciation	582,932	702	583,634
Impairment loss on goodwill	232,749	–	232,749
Impairment loss on property, plant and equipment and right-of-use assets	176,622	–	176,622
Reversal of loss allowance of receivables	(14,499)	(1,792)	(16,291)
Gain on derecognition of right-of-use assets, net	(38,624)	–	(38,624)
Loss on derecognition and lease modification of finance lease receivables, net	<u>8,346</u>	<u>–</u>	<u>8,346</u>
<i>As at 30 June 2020</i>			
Segment assets	8,146,316	4,820,614	12,966,930
Interests in associated companies	412	–	412
Deferred income tax assets	129,203	–	129,203
Unallocated corporate assets:			
Cash and bank balances			22,499
Others			232
Total assets			<u>13,119,276</u>
<i>For the year ended 30 June 2020</i>			
Additions to non-current assets ( <i>Note</i> )	783,841	3,898	787,739
Depreciation	600,768	818	601,586
Impairment loss on goodwill	459,227	–	459,227
Impairment loss on property, plant and equipment and right-of-use assets	22,144	–	22,144
Loss allowance of prepayments and receivables	22,678	1,364	24,042
Gain on derecognition of right-of-use assets, net	(12,884)	–	(12,884)
Loss on derecognition and lease modification of finance lease receivables, net	<u>53,411</u>	<u>–</u>	<u>53,411</u>

### *Note:*

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

### 3 OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grants	13,894	25,834
Income from suppliers	22,272	35,032
Service fee income	1,653	3,664
Carpark income	9,876	7,362
Other compensation income	16,693	15,916
Sundries	<u>3,093</u>	<u>5,717</u>
	<u><b>67,481</b></u>	<u><b>93,525</b></u>

### 4 OTHER LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal/deregistration of subsidiaries or associated companies	–	(12,388)
Impairment loss on goodwill ( <i>Note 1</i> )	232,749	459,227
Impairment loss on property, plant and equipment and right-of-use assets ( <i>Note 1</i> )	176,622	22,144
Loss allowance of prepayments, deposits and other receivables	–	4,444
Gain on disposal of property, plant and equipment and derecognition of right-of-use assets, net	(36,749)	(8,045)
Loss on derecognition of finance lease receivables, net	6,873	19,276
Loss on lease modification of finance lease receivables, net	1,473	34,135
Rent concessions ( <i>Note 2</i> )	<u>(31,778)</u>	<u>(49,497)</u>
	<u><b>349,190</b></u>	<u><b>469,296</b></u>

*Notes:*

- (1) The impairment provisions were made to reflect management's latest plan for mainly eight department stores (2020: eight department stores) in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof.
- (2) Rent concessions represent the change in lease payment directly related to COVID-19.

## 5 OTHER OPERATING EXPENSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Selling, promotion, advertising and related expenses	33,762	31,584
Cleaning, repairs and maintenance	60,191	52,190
Auditors' remuneration		
– Audit services	3,763	5,054
– Non-audit services	1,198	903
Net exchange gains	(128,923)	(6,883)
Other tax expenses	139,041	115,539
(Reversal of loss allowance)/loss allowance of receivables	(16,291)	19,598
Compensation expenses ( <i>Note</i> )	–	52,368
Others	13,325	16,764
	<u>106,066</u>	<u>287,117</u>

*Note:*

Compensation expenses represent the compensation to the affected parties related to the early closed department stores.

## 6 FINANCE COSTS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income on bank deposits	(37,839)	(44,932)
Interest expense on bank loans	9,375	21,771
Interest expense on shareholder's loans	8,406	19,895
Interest expense on lease liabilities	212,547	209,620
	<u>230,328</u>	<u>251,286</u>
	<u>192,489</u>	<u>206,354</u>

## 7 INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
– Mainland China taxation	90,905	92,624
– Over-provision in prior years	(32)	(827)
Deferred income tax		
– Other temporary differences	<u>35,337</u>	<u>(12,782)</u>
	<u>126,210</u>	<u>79,015</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 years ended 30 June 2021 and 2020.

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

## 8 DIVIDENDS

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2021 (2020: HK\$Nil).

## 9 LOSS PER SHARE

### (a) Basic

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

	2021	2020
Loss attributable to shareholders of the Company (HK\$'000)	<u>(229,359)</u>	<u>(483,668)</u>
Weighted average number of ordinary shares in issue (shares in thousands)	<u>1,686,145</u>	<u>1,686,145</u>
Basic loss per share (HK\$ per share)	<u>(0.14)</u>	<u>(0.29)</u>

### (b) Diluted

Diluted loss 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 years ended 30 June 2021 and 2020, there was no dilutive potential ordinary share.

## 10 DEBTORS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Debtors	42,756	64,187
Less: loss allowance	<u>(8,619)</u>	<u>(23,994)</u>
Debtors, net	<u><b>34,137</b></u>	<u><b>40,193</b></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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within period for		
0–30 days	29,242	35,125
31–60 days	969	729
61–90 days	831	587
Over 90 days	<u>3,095</u>	<u>3,752</u>
	<u><b>34,137</b></u>	<u><b>40,193</b></u>

The debtors were primarily denominated in Renminbi.

## 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within period for		
0–30 days	832,947	701,666
31–60 days	38,687	69,007
61–90 days	14,438	2,809
Over 90 days	<u>107,733</u>	<u>104,882</u>
	<u><b>993,805</b></u>	<u><b>878,364</b></u>

The creditors were primarily denominated in Renminbi.

Creditors included amounts due to related companies of approximately HK\$58,600,000 (2020: HK\$50,812,000) which were unsecured, interest free and repayable within 90 days.

## **BUSINESS REVIEW**

### **Results Summary**

In 2020, the complicated and severe conditions at home and abroad, in particular the severe impact of the COVID-19 pandemic, had generated rather negative impact to the Group's business. Foot traffic and product sales to our physical stores had significantly dropped. During the year, facing the disruption caused by the COVID-19 pandemic, the Central Government effectively achieved the restoration of production and the order of everyday life by scientifically coordinating the implementation of anti-virus measures and driving socio-economic development. However, following the normalisation of pandemic control and prevention and intermittent rebounds in the number of confirmed cases, recovery of offline consumption was at a slow pace.

For the year ended 30 June 2021, the Group's revenue was HK\$2,246.0 million compared with HK\$2,232.7 million of the Previous Year. In terms of segment, the Group's revenue for the year was mainly derived from commission income from concessionaire sales which accounted for 39.8%. This was followed by rental income which took up 31.3%, sales of goods for direct sales which took up 28.2%, and interest income from finance leases as the lessor, which took up 0.7%.

The Group's loss for the year ended 30 June 2021 was HK\$229.4 million compared with HK\$483.7 million loss for the year ended 30 June 2020. Loss per share for the year was HK\$0.14.

No different from other industry peers, the Group was challenged by the pandemic and its associated negative economic impact. Yet, we have been actively continuing to implement an array of measures to lower costs, optimise our store operation model and enhance operational efficiencies to ensure steady and continual business growth, including expediting the improvement of online business operation and marketing capabilities, repositioning stores and enhancing their upgrading, as well as strengthening product appeal and concessionaire sales capabilities, etc. to maintain and strengthen our core competitiveness. We have spared no effort in exploring and innovating our business model, keeping up the standards of our retail business, and actively restoring our business back to pre-pandemic level.

### **Business Network**

The Group have rooted its department store and shopping mall businesses in Mainland China for years. As at 30 June 2021, the Group operated a total of 29 department stores and shopping malls, in two important operating regions, namely Northern China and Southern China, covering 17 key locations across the country, including Beijing, Shanghai, Chongqing, Chengdu, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Xi'an, Yantai, Shenyang, Harbin, Kunming, Lanzhou, Yanjiao, as well as Mianyang. The total gross floor area was about 1,209,350 square metres.

## OPERATIONS REVIEW

While warming up was gradually taking place in the overall market economy, the retail market was still under pressure. The Group has been actively pursuing its business model reformation in view of improving efficiency, driving consumption and facilitating the digitalisation of the operation, rolling out a range of measures to increase its capacities against risks. At our department stores and shopping malls, we have strengthened the coordination of key resources and product mix, re-positioned and upgraded key brands at signature stores, to boost the brand image of our stores and diversify the customer experience. We were also taking another move in launching marketing events at key time-points, especially during traditional festivals and holidays and popular events. We have stayed close to trending topics and strived to develop various online and offline marketing and traffic-drawing campaigns.

Alongside virus prevention and operation stabilisation, the Group continued to propel its digital upgrade and reform, as well as integrate online-offline retail operations to expand its revenue-generating capabilities. During the year, the Group continued to increase the weight of online marketing and sales, and explore new marketing strategy, which included using a variety of social media platforms, such as live-streaming, short video clips, WeChat mini programs, WeChat groups, as well as our own e-commerce platform “New Lab”. All these contributed to broadening our exposures to stay connected with existing and potential customers. Our collaboration with third-party logistic delivery service providers, on the other hand, has facilitated us to create seamless shopping experience across multi-touch points to drive sales performance.

The pandemic does not only affect the Group’s business, but also impose business pressure to smaller-scale tenants. During this challenging time, the Group adhered to the spirit of creating win-win collaboration and weathered the difficulties with its tenants. In addition to offering rental concessions, we also vigorously rolled out sales-oriented marketing and promotion events as our way to join hands with tenants to continuously optimise operations and improve foot traffic to our stores. Meanwhile, to improve the competitiveness of the Group’s physical stores, the tenants and brand portfolio were constantly refined, both trendy brands and brands of novel categories were incorporated. Food and beverage and other experiential consumption items have continued to restore. In our offline stores, numerous trending brands, such as popular brands of teenagers, were introduced to our stores and malls to expand the customer base and attract young consumers to stay, entertain and shop in our stores and malls.



## **Department Store and Shopping Mall Business**

The Group's physical stores are situated in widely popular shopping areas and vibrant commercial districts with dense traffic, drawing both local customers and visitors. As at 30 June 2021, the Group owned 29 department stores and shopping malls in Mainland China. In addition to a line-up of renowned and popular brands, the Group has been identifying energetic and young brands and new lifestyle labels to enrich and diversify our tenant mix. During the year, ladieswear, sportswear and accessories, as well as cosmetics remained the product categories that still accounted for a high proportion of sales. Amongst them, the cosmetics category managed to sustain a certain growth trend in the volatile market environment. The Group will continue to strengthen its cooperation with international cosmetic brands and explore collaboration with emerging multi-brand beauty collection retailers. During the pandemic, with the opening of 2020 Tokyo Olympics and the growing public interest in general fitness, sportswear and accessories recorded a strong sales. Next year's Beijing Winter Olympics is expected to further drive the sales of the sport apparel.

In the post-pandemic era, we are keeping a close eye on the market environment and changes in consumers' shopping habits. We are actively driving brand repositioning and upgrading in our physical stores, vigorously introducing renowned brands from all over the world to open their first China branch at our stores. Combining new store image designs and being more selective in our tenant portfolio, stores located in specific cities were assigned with dedicated theme to create brand new shopping experience for customers.

During the year, the gradual normalisation and fluctuation of the COVID situation have expedited the emergence and development of the "stay-at-home economy". Consumers' shopping habits slowly shifted to the contactless and portable shopping model. Alongside our unending pragmatic approach to enhance the operation capabilities of physical stores, the Group has also actively driven digital reform. The development of our private online shopping platform "New Lab", for example, was based on our physical stores, extending our operational strengths to online business. We did more than enhancing our online merchandise mix. By collaborating with third-party logistics delivery service providers, the from-shop-to-home delivery model was actualised. At present, the diversified categories on the "New Lab" platform cover cosmetics and skincare, jewellery and accessories, footwear, small home appliances, household, children's clothing as well as luggage goods, etc. The platform also features new merchandises launching, members' benefits, parking fee payment, loyalty points redemption, shopping mall guide alerts and other functions.

In 2021, the “New Lab” online platform targeted to address female customers’ demands with international cosmetics as its core, and connect with other dominant categories, such as ladies’ shoes, sports, supermarket, etc. to bring momentum to the business growth of the online platform.

We have continually driven the integration of online and offline marketing campaigns, and unleashed the potentials of branded goods. Trending talk-of-the-market and popular events were organised to attract customers’ attention. Cross-industry collaboration, in-store promotion, mini programs, official accounts, WeChat Moments, live-streaming, short video clips and other channels were employed to draw traffic to the online platform from different directions. Shopping incentives were flexibly applied, including discounts for designated spending, pre-sale campaigns, group orders, flash sales, discount coupons, etc, and integrated with high-quality and convenient services contents to achieve multi-channel, low-cost, and precision marketing, to actively convert traffic into sales.

During the year, we continued to uphold our management philosophy of serving customers as the core. We boosted our members’ privileges and the loyalty points system to strengthen the efficiency of member services and experiences. Members’ privileges were refined and optimized; continuous promotional events, loyalty points redemption, members-exclusive salons and other activities were regularly held. Combining “New Lab” with the customer information service platform and everyday events, our interaction with members became more close-knitted, which in turn improved current members’ activity and drew the interest of new customers to join the club. Cross-industry and cross-sector collaborations were run to enrich the privileges and experiences of our members. As at 30 June 2021, the official Weibo and WeChat accounts of the Group and its stores accumulated over 4.33 million fans; the total number of VIP members of all stores exceeded 6.41 million. Continuous and timely update of online marketing tools and innovation in the physical experience in offline marketing events will enable us to provide more all-encompassing and more targeted value-added services and experiences to our members.

### **Private Label Business**

As at 30 June 2021, the Group operated four “New World Supermarkets” and two boutiques “N+ Convenience Stores”. The supermarkets were located in four cities, namely Beijing, Wuhan, Yantai and Lanzhou, while the convenience stores were concentrated in Beijing area to work as an extension and an interactive link to the Group’s department store and supermarket business. During the pandemic, our supermarkets and convenience stores took the initiative to align their operation with the government’s pandemic prevention policies. They performed their best to stand strong at the forefront of virus control and ensured the supply of daily necessities and sanitary products to fight against the COVID-19 virus.

During the post-pandemic period, the Group will continue to implement virus control and preventive measures, forge deeper cooperation with suppliers, and speed up the optimisation and renewal of supermarket and convenience store merchandises and customer experience.

During the year, the remodelling and facilities renewal project of the supermarket located at Beijing Chongwen Store, was completed in July 2021. In addition to visual design in line with young people's aesthetic and optimisation of product display, we have increase the uniqueness and personalisation of the product offerings. Beyond that, an array of thematic marketing and sales activities targeted for members were organised; different mobile payment methods were newly introduced, linking up "New Lab" and third-party collaborating platforms, hence the customer-drawing ability and the customer experience were both enhanced. The N+ convenience stores replaced semi-finished products with on-site preparation to offer freshly made delicacies. The N+ convenience stores become a favourite of young consumers through regular communication, offering delicacies produced with constant adjustment and development to adapt to consumers' preference, as well as active introduction of an zone for trendy items. As the sustainable growth of online sales, the Group will also continuously implement digital upgrading at our supermarkets and convenience stores, as well as step up our investment into our online business operation. Logistics and overall workflows will be optimised to improve the complementing advantages from our department store and supermarket retail business.

The Group's private concept shop, LOL (Love • Original • Life) ("LOL") has been operating for eight years. As at 30 June 2021, the Group operated nine LOL stores in China, mainly located in Shanghai and Beijing. In line with the ever-changing market demand, we have also actively adjusted the brand positioning and marketing strategies. During the year, the Group placed its focus on improving LOL's merchandising and operation.

The development and investment on seasonal direct sales merchandises were strengthened. The merchandising and operational preparation for festive gift plans formed a major focus and sales were satisfactory. In terms of merchandising, LOL black label stores worked mostly on cementing the demand from their existing customer segment, enhancing the personalised properties of the product offerings, and ensuring the quality and refreshing rate of its medium-to-high price-point goods to increase their interests in repeat patronage. For LOL gold label stores, merchandising focused on young customers, who are more target on products with better functionality and value-for-money. Ladies' accessories were upscaled and men's accessories were added to expand the customer segment.

In terms of operation, promotion activities via mini programmes were rolled out through our WeChat official accounts. Focus was put on developing trending popular merchandises that to drive sales in our online and offline stores with highly popular items. On the other hand, incentives for online sales targets were set up, such that employees were encouraged to actively promote our WeChat mini programs, and as a result the overall hit rate of our mini programs increased steadily. Complementing live-streaming events also helped to improve online sales effectively.

## **OUTLOOK**

Looking ahead, the retail market is expected to gradually warm up in 2022 facing normalisation of COVID-19 prevention and control work and full resumption of usual operation and production. The Group remains generally positive amidst the retail market of Mainland China. We will closely monitor and actively respond to both internal and external changes in economic condition and business environment. We will continue to optimise our operation model for physical stores, take forward the reform towards a comprehensive shopping centre and enhance our brand image. Multi-category development in physical stores will also be strengthened, and online-offline integrated operation will be deepened to meet the changing needs and preference of customers. Our competitive edge will be lifted in all directions through the “merchandises + services + experiences” approach.

Changes in consumers’ shopping categories and behavior are taking place because of the pandemic. For example, contactless online consumption has filled the gap in the traditional offline consumption model, and at the same time, brought new opportunities to the market. The Group will continue to accelerate the expansion of its online business, unremittingly improve the operation capabilities of its online business, actively explore novel marketing models, and adopt precise marketing campaigns to capture new customers through live-streaming, short video clips and other emerging media channels. All these initiatives will help to achieve low-cost and wide-reaching marketing which could maximise marketing outcomes. Meanwhile, the Group has been closely monitoring the technological advancements in the retail industry. We are highly sensitive to emerging technologies, channels and models. We will continually work hard to improve the user experience and interactivity innovation of our platforms such that the process of digitisation and entertainment of our operation can be accelerated. Riding on various marketing campaigns, we will build up our private domain traffic and continue to optimise our membership system.

Going forward, the Group will delve even deeper into our department store and shopping mall business and simultaneously, take the initiative to consolidate the resources and layout of our supermarket and convenience store business clusters, so as to maximise the synergy and complementing strengths of the Group’s businesses. We will continue to stay prudent and pragmatic, innovate to improve efficiency, and actively and effectively conduct strategic transformation to propel the long-term sustainable growth of the Group.

## **FINANCIAL REVIEW**

### **Revenue and Other Income**

Revenue of the Group was HK\$2,246.0 million in FY2021 (or the “Current Year”) (FY2020 (or the “Previous Year”): HK\$2,232.7 million). In RMB terms, revenue of the Group was RMB1,920.3 million in FY2021 (FY2020: RMB2,009.4 million). The drop was primarily

due to the continuous impact of the COVID-19 outbreak in Mainland China and the operation of retail business in some regions has been adversely affected and are under greater operational pressure.

Gross sales revenue of the Group, comprising gross revenue from concessionaire sales and sales of goods for direct sales, rental income, interest income from finance leases as the lessor and other income, was HK\$7,472.7 million in FY2021 (FY2020: HK\$7,101.2 million).

The Group's merchandise gross margin was 13.9% in the Current Year (FY2020: 14.9%). In FY2021, ladieswear, menswear and accessories made up approximately 38.3% of gross revenue from concessionaire sales and sales of goods for direct sales. Gold, jewellery and watch made up approximately 30.3%, sportswear made up approximately 11.6%, cosmetic products made up approximately 10.6%, and kidswear, foodstuffs, electrical appliances, and housewares largely made up the rest. Direct sales revenue in the Current Year mainly comprised sales of cosmetic products (approximately 76.2%), supermarkets and convenience stores (approximately 22.3%), life concept shops, ladieswear, menswear and accessories as well as miscellaneous items (approximately 1.5%).

Rental income decreased by 3.4% to HK\$703.4 million in FY2021 from HK\$727.8 million in FY2020, mainly due to the continuous impact of the COVID-19 outbreak in Mainland China and the closure of Hong Kong New World Department Store – Shanghai Hongkou Branch Store and Wuhan New World Trendy Plaza in April 2020 and July 2020 respectively.

Interest income from finance leases as the lessor was HK\$16.0 million in FY2021 compared with HK\$12.5 million in FY2020.

Other income of the Group was HK\$67.5 million in FY2021 compared with HK\$93.5 million in FY2020. The decrease in other income was primarily due to a decrease in government grants of HK\$11.9 million in the Current Year and a decrease in income from suppliers of HK\$12.8 million mainly due to the inclusion of the write-back of long term payables of HK\$12.0 million in FY2020.

### **Other Losses, Net**

Net other losses of the Group in the Current Year was HK\$349.2 million which was primarily resulted from HK\$232.7 million of impairment loss on goodwill and HK\$176.6 million of impairment loss on property, plant and equipment and right-of-use assets for mainly eight department stores in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect thereof, and HK\$6.9 million of net loss on derecognition of finance lease receivables. The losses were partially offset by HK\$36.7 million of net gain on disposal of property, plant and equipment and derecognition of right-of-use assets and HK\$31.8 million of the rent concessions granted from certain landlords as a result of the COVID-19 pandemic.

### **Changes in Fair Value of Investment Properties**

Changes in fair value of investment properties in the Current Year was HK\$6.5 million which was a net loss mainly related to the decrease in the fair value of the properties in Wuhan City, Tianjin City, Shanghai City and Shenyang City, partially offset by the increase in the fair value of a property in Zhengzhou City.

### **Purchases of and Changes in Inventories, Net**

The purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It increased to HK\$583.9 million in FY2021 from HK\$547.0 million in FY2020.

### **Purchases of Promotion Items**

The purchases of promotion items represented the costs of promotion items transferred to the customers of concessionaire sales and direct sales upon their consumption in department stores or redemption of reward points granted under customer loyalty programme. The purchases of promotion items was HK\$12.2 million in FY2021 compared with HK\$11.5 million in FY2020.

### **Employee Benefit Expense**

Employee benefit expense increased to HK\$458.1 million in FY2021 from HK\$450.3 million in FY2020. In RMB terms, employee benefit expense decreased from RMB405.3 million in FY2020 to RMB391.7 million in FY2021, primarily due to the continuous efforts by management to carry out cost control measures as well as the Group's effort in optimisation of human resources to lower the staff costs, and the closure of two department stores in FY2020 and FY2021 respectively.

### **Depreciation**

Depreciation expense decreased to HK\$583.6 million in FY2021 from HK\$601.6 million in FY2020, primarily due to no depreciation charged in the Current Year for property, plant and equipment of two department stores closed in FY2020 and FY2021 respectively and some stores with assets that have been fully depreciated or impaired.

### **Rental Expense**

Rental expense increased from HK\$118.3 million in FY2020 to HK\$124.4 million in FY2021. In RMB terms, rental expense was RMB106.3 million in FY2021 compared with RMB106.5 million in FY2020.



### **Other Operating Expenses, Net**

Net other operating expenses decreased to HK\$106.1 million in FY2021 from HK\$287.1 million in FY2020. The decrease was primarily resulted from the increase of HK\$122.0 million of net exchange gains mainly arising from the changes on Hong Kong dollar against Renminbi during FY2021, the reversal of loss allowance of receivables of HK\$16.3 million in the Current Year, the inclusion of compensation to the affected parties related to the early closed department stores of HK\$52.4 million in FY2020, a decrease in other operating expenses of HK\$3.4 million due to the costs control and the closure of two department stores in FY2020 and FY2021 respectively.

### **Operating Profit/(Loss)**

Operating profit was HK\$89.5 million in FY2021, as compared to operating loss of HK\$198.0 million in FY2020.

### **Finance Costs, Net**

Net finance costs was HK\$192.5 million in FY2021 compared with HK\$206.4 million in FY2020. The decrease was mainly due to the drop in Hong Kong Interbank Offered Rate has reduced the average borrowing costs.

### **Income Tax Expense**

Income tax expense of the Group was HK\$126.2 million in FY2021 compared with HK\$79.0 million in FY2020.

### **Loss for the year**

As a result of the reasons mentioned above, loss for the year was HK\$229.4 million compared with HK\$483.7 million in the 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\$1,569.4 million as at 30 June 2021 (30 June 2020: HK\$1,514.1 million).

The Group's borrowings as at 30 June 2021 were HK\$1,412.3 million (30 June 2020: HK\$1,486.2 million).

As at 30 June 2021, the Group's was in net cash position of HK\$157.1 million (30 June 2020: HK\$27.9 million).

At 30 June 2021, the Group's current liabilities exceeded its current assets by HK\$2,367.8 million (30 June 2020: HK\$2,347.8 million). The Group will continue to monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and its liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 30 June 2021 were HK\$44.3 million which were contracted but not provided for in the consolidated statement of financial position.

### **Pledge of Assets**

As at 30 June 2021, the Group did not have any pledge of assets (30 June 2020: Nil).

### **Treasury Policies**

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

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2021.

### **FINAL DIVIDEND**

The Directors have resolved not to recommend a final dividend for the year ended 30 June 2021 (2020: nil).

### **EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME**

As at 30 June 2021, the total number of employees of the Group was 2,844 (30 June 2020: 3,060). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary and incentives.

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

### **ACQUISITION AND DISPOSAL**

On 1 June 2021, New World Department Store (China) Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of the Group, as the tenant entered into a supplemental lease agreement with the landlord for a term of fifteen (15) years commencing



from 23 December 2021 and expiring on 22 December 2036. The value of the right-of-use asset recognised by the Group under the supplemental lease agreement amounted to approximately RMB723.1 million in accordance with HKFRS 16.

Save as aforesaid, the Group did not have any other significant acquisition and disposal for the year ended 30 June 2021.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company had not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year.

## **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 year ended 30 June 2021 except for the deviation from code provision E.1.2.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-shun, Henry, the former chairman of the Board, was unable to attend the annual general meeting of the Company held on 25 November 2020 (the "AGM") due to his other engagement. Mr. Cheung Fai-yet, Philip, an executive Director and the chief executive officer of the Company at the time being, who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Upon the Company's specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company during the year ended 30 June 2021. Relevant employees are subject to compliance with written guidelines on no less exacting terms than the Model Code.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) was established in accordance with requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and risk management and internal controls. The Audit Committee consists of four independent non-executive Directors. The Audit Committee has reviewed the systems of risk management and internal control, the annual results and the consolidated financial statements for the year ended 30 June 2021 and discussed the financial related matters with the management.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 17 November 2021 to Monday, 22 November 2021, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to attend and voting at the forthcoming annual general meeting of the Company, 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 agent of the Company in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 16 November 2021.

By order of the board of  
**New World Department Store China Limited**  
**Dr. Cheng Chi-kong, Adrian**  
*Chairman*

Hong Kong, 29 September 2021

*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 Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy; 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.*