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NWDS Announces Its Interim Results 2012/13

Revenue rose 19.7% to HK\$2,028.6 million
Core net profit grew 11.6% to HK\$317.0 million
Same-store sales growth was 9.2%

Opened Yancheng Store, Xi'an Store and Ningbo Beilun Store
During the period under review

FINANCIAL HIGHLIGHTS

(HK\$)	FY 2012/13 1H	FY 2011/12 1H	Change
Revenue	2,028.6 million	1,695.1 million	19.7%
Core Operating Profit ⁽¹⁾	407.7 million⁽¹⁾	390.7 million ⁽¹⁾	4.4%
Core Net Profit ⁽²⁾	317.0 million⁽²⁾	284.0 million ⁽²⁾	11.6%
Core Earnings per Share ⁽³⁾	HK\$0.19⁽³⁾	HK\$0.17 ⁽³⁾	11.8%
Dividend per Share	9.8 HK cents	9.8 HK cents	-
Net Profit	331.6 million	330.0 million	0.5%

(1) Core operating profit means operating profit excludes (a) other losses / gains (b) changes in fair value of investment properties

(2) Core net profit means net profits excludes (a) other losses / gains (b) changes in fair value of investment properties

(3) Core earnings per share means core net profit/ weighted average number of ordinary shares in issue

(26 February 2013 – Hong Kong) **New World Department Store China Limited** (“NWDS” or the “Company”; Hong Kong stock code: 825), one of the largest owners and operators of department stores in the PRC, announced today its interim results for the six months ended 31 December 2012.

The Company’s revenue for the period under review rose 19.7% to HK\$2,028.6 million (1H2011/12: HK\$1,695.1 million). Net profit was HK\$331.6 million (1H2011/12: HK\$330.0 million). Core net profit was HK\$317.0 million⁽²⁾ (1H2011/12: HK\$284.0 million⁽²⁾). The board of directors declared an interim dividend of 9.8 HK cents per share (1H2011/12: 9.8 HK cents per share) for the six months ended 31 December 2012.

The growth of revenue was primarily contributed from commission income from concessionaire sales, sales of goods for direct sales and rental income. Commission income from concessionaire sales and sales of goods for direct sales, increased by 17.0% to HK\$1,767.4 million for the six months ended 31 December 2012 (1H2011/12: HK\$1,511.1 million). The growth of gross sales revenue was mainly due to the increase in gross revenue from concessionaire sales and sales of goods for direct sales as well as the increase of same-store sales (“SSS”) of self-owned stores to 9.2%. Gross revenue from concessionaire sales increased 15.5% year-on-year to HK\$7,487.7 million from HK\$6,485.4 million. Sales of goods for direct sales increased 38.0% to HK\$436.3 million from HK\$316.1 million as compared to the same period of last year, major merchandises involved including groceries, housewares and perishables, cosmetic products, accessories, handbags and underwears, ladies wear and menswear. Gross profit margin of direct sales was 15.6% while commission income

rate of concessionaire sales was 17.8% during the period under review. Rental income increased by 47.1% to HK\$247.2 million in the period reported (1H2011/12: HK\$168.0 million), mainly due to the full-term rental income from Lanzhou Store, Shanghai Shaanxi Road Branch Store and Beijing Liying Store during the period under review after they were acquired in November 2011 and January 2012 respectively and the increased leasing area from the opening of Mianyang Store in December 2011 and the completion of Shenyang Jianqiao Road Branch Store expansion in April 2012.

Although China's economic development has slowed in 2012, with the effects of growth-stabilizing policies emerge, domestic consumption has continued to pick up since the third quarter. During the period under review, seizing the opportunities from state policies to boost domestic consumption and accelerate urbanized construction, the Company has carried out expansion strategically through opening new stores, merger and acquisition, existing store expansion and provision of store management services, increasing the Company's market share in a steadily pace. In September 2012, the Company opened a new managed store, Ningbo Beilun Store, with a GFA of 60,000 square metres⁽⁴⁾. On the other hand, Company's second self-owned store in Jiangsu Province, Yancheng Store, grandly opened in December 2012, with a GFA of 54,000 square metres⁽⁴⁾. Xi'an Store, a self-owned store positioned as a "Living Gallery" with a GFA of 58,500 square metres⁽⁴⁾, commenced operation in the same month and would play a strategic role in developing the Company's business in the North Western District. As at 31 December 2012, the Company's number of stores/ shopping mall was 41, with a total GFA of about 1,489,980 square metres, covering 19 major cities across China.

To enhance operational efficiency and resources flexibility, the Company has divided the nationwide operating network into 3 Regions and 9 Districts. As operating costs keep surging, the effect of a refined structure has come into play. On one hand, it helps relieving the pressure from surging rents. On the other hand, it accelerates store localization so as to build a closer tie with the local consumers, suppliers and government agencies. Furthermore, the branding effect resulted from the rebranding program has become more prominent, the rebranded "Living Galleries" and "Fashion Galleries" have proven record to drive same-store sales growth and business development in the medium to long term. As at 31 December 2012, about 89% of the total GFA has operated with the rebranded image while the whole rebranding program targets to be completed in 2013. As for merchandise strategy, the Company not only classified gold and jewelry, ladies wear and ladies footwear as category killers with careful maintenance, but also introduced many unique brands and complementary facilities catering for the local preferences in their respective business circles, so as to build a competitive advantage through differentiation.

In response to policy directions to boost domestic consumption and accelerate urbanized construction, the Company has devised a prudent, long-term and timely expansion strategy accordingly. Going forward, the Company will continue its "multiple presences within a single city" and "radiation city" expansion strategies to further enlarge its competitive advantages through exploring potential projects in first and second-tier cities. At the same time, the Company will radiate business from its five core cities, namely Beijing, Shanghai, Wuhan, Shenyang and Chengdu, to the surrounding second and third-tier cities. These cities have land cost advantages, complemented with the benefits from urbanization and transport

infrastructure enhancement, the potential of their retail markets are tremendous. The Company plans to open a managed store in Yanjiao, Sanhe, Hebei Province in the second half of FY2013. In FY 2014, the Company will enter Yantai, Shandong Province and Shaoxing, Zhejiang Province, and commence Shenyang Nanjing Street Branch Store Phase II operation at the same time. In FY2015, the Company plans to further expand its business network to Hengyang, Hunan Province and open its second department store, Shanghai 118 Store, in Putuo District, Shanghai. It is expected that the total GFA of its self-owned stores will exceed 2 million square metres in FY2016.

Commenting on the interim results, Mr. Philip Cheung, Managing Director and Executive Director of NWDS said, “2012 has been a challenging year to China’s retail industry. With a distinctive brand positioning, coupled with unremitting efforts to improve operational efficiency, merchandise mix and service quality, the Company manages to maintain its profitability and achieve a steady same-store sales growth amid slowdown. In support of the state policy of boosting domestic consumption, retail market began to rebound in the second half of 2012. 2013 is the 20th Anniversary to the Company. To mark this important milestone, the Company will seize the growth opportunities from urbanization in merging markets by shifting its expansion focus to second and third-tier cities, further enlarging our business network in China. On the other hand, the Company will adopt innovative marketing strategies to further promote cross-industry cooperation and organize “signature events” and “topic-based activities for youths”, so as to further expand our customer base to younger generation and strengthen the Company’s image as a thematic department store. Meanwhile, the Company is committed to maintaining its huge VIP membership base of up to 3.5 million members by introducing more heartfelt services exclusively for VIP members, with an aim to enhance customer loyalty and achieve a long-term business growth with stability.”

- (4) As at 31 Dec 2012, GFA of approximately 34,000 square metres of Ningbo Beilun Store has commenced operation; GFA of approximately 43,160 square metres of Yancheng Store has commenced operation ; GFA of approximately 52,650 square metres of Xi'an Store has commenced operation.

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About New World Department Store China Limited

As New World Development Company Limited's (Hong Kong stock code: 17) retail arm in the PRC, New World Department Store China Limited is one of the largest owners and operators of department stores in the PRC. Established in 1993, NWDS currently operates a large national network of 30 "New World" branded department stores and 10 "Ba Li Chun Tian" (巴黎春天) branded department stores in Shanghai. Among them 36⁽⁵⁾ stores are self-owned while 4 are managed stores. The department store retail chain covers 19 major cities in the PRC, including Beijing, Shanghai, Shenyang, Wuhan and Chengdu etc. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong on 12 July 2007.

- (5) Shenyang Nanjing Street Branch Store was closed in Feb 2013 on proposed redevelopment subject to shareholders' approval and is expected to reopen in FY17.

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