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)

ANNUAL RESULTS ANNOUNCEMENT 2012/2013

HIGHLIGHTS

Same-store sales[1] ("SSS") growth of 11.4%.

Revenue improved by 14.9% to HK$4,011.5 million from HK$3,490.1 million in the Previous Year.

Operating profit, excluding other losses/gains and changes in fair value of investment properties, increased by approximately 11.3% to HK$824.0 million from HK$740.4 million in the Previous Year.

Profit for the year, excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi, increased by approximately 9.8% to HK$615.7 million from HK$561.3 million in the Previous Year.

Earnings per share was HK$0.38.

Proposed final dividend was HK$155.1 million.

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

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 2013 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*2*	**4,011,545**	3,490,100
Other income	*3*	**146,274**	112,614
Other (losses)/gains, net	*4*	**(60,432)**	34,303
Changes in fair value of investment properties		**70,852**	12,092
Purchases of and changes in inventories		**(693,086)**	(571,244)
Employee benefit expense		**(572,348)**	(541,602)
Depreciation and amortisation		**(320,310)**	(293,768)
Operating lease rental expense		**(980,394)**	(863,107)
Other operating expenses, net	*5*	**(767,644)**	(592,543)
Operating profit		**834,457**	786,845
Finance income		**89,998**	60,770
Finance costs		**(49,159)**	(35,050)
Finance income, net		**40,839**	25,720
Profit before income tax		**875,296**	812,565
Income tax expense	*6*	**(233,793)**	(204,818)
Profit for the year		**641,503**	607,747
Attributable to equity holders of the Company		**641,503**	607,747
Dividends	*7*	**320,367**	303,506
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– Basic and diluted	*8*	**0.38**	0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**641,503**	607,747
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property upon reclassification from property, plant and equipment to investment properties	**96,287**	12,797
– Deferred tax thereof	**(24,072)**	(3,199)
	72,215	9,598
Item that may be reclassified subsequently to profit or loss		
Translation differences	**241,540**	71,630
Other comprehensive income for the year, net of tax	**313,755**	81,228
Total comprehensive income for the year	**955,258**	688,975
Total comprehensive income attributable to equity holders of the Company	**955,258**	688,975

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	2013 HK$'000	2012 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**2,036,213**	2,266,553
Investment properties		**2,431,611**	1,996,639
Land use rights		**622,831**	903,284
Goodwill		**1,332,947**	1,284,182
Other non-current assets	9	**1,965,009**	457,828
Long-term prepaid rent and rental deposits		**488,231**	339,632
Deferred income tax assets		**141,463**	159,640
		9,018,305	7,407,758
Current assets			
Inventories		**152,269**	158,772
Debtors	10	**98,365**	59,589
Prepayments, deposits and other receivables		**605,098**	552,305
Amounts due from fellow subsidiaries		**455**	2,054
Amounts due from related companies		**303**	–
Fixed deposits		**485,518**	378,099
Cash and cash equivalents		**2,473,952**	3,242,919
		3,815,960	4,393,738
Total assets		**12,834,265**	11,801,496
Equity			
Share capital		**168,615**	168,615
Reserves		**6,301,916**	5,666,189
Proposed dividend		**155,125**	138,264
		6,625,656	5,973,068

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2013

	Notes	2013 HK$'000	2012 HK$'000
Liabilities			
Non-current liabilities			
Long-term borrowings		**608,993**	998,617
Accruals		**581,942**	640,100
Deferred income tax liabilities		**511,751**	466,711
		1,702,686	2,105,428
Current liabilities			
Creditors, accruals and other payables	*11*	**4,292,484**	3,622,636
Amounts due to fellow subsidiaries		**8,766**	4,721
Amounts due to related companies		**14,131**	28,268
Current portion of long-term borrowings		**50,304**	9,098
Tax payable		**140,238**	58,277
		4,505,923	3,723,000
Total liabilities		**6,208,609**	5,828,428
Total equity and liabilities		**12,834,265**	11,801,496
Net current (liabilities)/assets		**(689,963)**	670,738
Total assets less current liabilities		**8,328,342**	8,078,496

NOTES

1 Basis of preparation

The consolidated financial statements of the Company for the year ended 30 June 2013 have been prepared in accordance with 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.

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.

At 30 June 2013, the Group's current liabilities exceeded its current assets by HK$689,963,000. Taking into account the cash flows from operations, 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.

In the current year, the Group has adopted the following amendment to existing standard which is mandatory for the year ended 30 June 2013:

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

The adoption of this amendment to existing standard does not have significant effect on the results and financial position of the Group, except for certain disclosures in the consolidated financial statements.

The following new or revised standards, amendments to existing standards and interpretations are mandatory for the accounting periods beginning on or after 1 July 2013 or later periods 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)	Financial Instruments: Disclosures – 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 Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statement, 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
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
HK(IFRIC) – Int 21	Levies
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 results of operation and financial position.

2 Revenue and segment information

	2013	2012
	HK$'000	*HK$'000*
Commission income from concessionaire sales	**2,638,907**	2,405,481
Sales of goods – direct sales	**809,626**	676,224
Management and consultancy fees	**52,277**	19,177
Rental income	**510,735**	389,218
	4,011,545	3,490,100

The income from concessionaire sales is analysed as follows:

	2013	2012
	HK$'000	*HK$'000*
Gross revenue from concessionaire sales	**14,895,486**	13,009,964
Commission income from concessionaire sales	**2,638,907**	2,405,481

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 results. 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)

For the year ended 30 June 2013

	Department store *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**3,905,109**	**106,436**	**4,011,545**
Segment results	**686,759**	**83,458**	**770,217**
Changes in fair value of investment properties	**–**	**70,852**	**70,852**
Unallocated corporate expenses			**(6,612)**
Operating profit			**834,457**
Finance income			**89,998**
Finance costs			**(49,159)**
Finance income, net			**40,839**
Profit before income tax			**875,296**
Income tax expense			**(233,793)**
Profit for the year			**641,503**

For the year ended 30 June 2012

	Department store *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue	3,418,263	71,837	3,490,100
Segment results	720,183	59,149	779,332
Changes in fair value of investment properties	–	12,092	12,092
Unallocated corporate expenses			(4,579)
Operating profit			786,845
Finance income			60,770
Finance costs			(35,050)
Finance income, net			25,720
Profit before income tax			812,565
Income tax expense			(204,818)
Profit for the year			607,747

2 Revenue and segment information (Continued)

As at 30 June 2013

	Department store *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**8,122,060**	**4,566,680**	**12,688,740**
Deferred income tax assets			**141,463**
Corporate assets:			
Cash and cash equivalents			**4,037**
Other			**25**
Total assets			**12,834,265**
For the year ended 30 June 2013			
Additions to non-current assets *(Note)*	**467,532**	**1,270,942**	**1,738,474**
Depreciation and amortisation	**319,647**	**663**	**320,310**

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
For the year ended 30 June 2012			
Additions to non-current assets *(Note)*	705,186	2,057,624	2,762,810
Depreciation and amortisation	293,689	79	293,768

Note:

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

3 Other income

	2013	2012
	HK$'000	*HK$'000*
Government grants	**25,767**	11,564
Income from suppliers	**71,978**	56,533
Write-back of other payables	**19,375**	24,146
Sundries	**29,154**	20,371
	146,274	112,614

4 Other (losses)/gains, net

	2013	2012
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment and land use rights	**(60,432)**	(12,796)
Gain on disposal of assets held for sale *(Note)*	**–**	47,099
	(60,432)	34,303

Note:

For the year ended 30 June 2012, 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

	2013	2012
	HK$'000	*HK$'000*
Water and electricity	**173,373**	199,922
Selling, promotion, advertising and related expenses	**232,208**	123,902
Cleaning, repairs and maintenance	**90,798**	70,045
Auditor's remuneration	**5,800**	5,000
Share-based payments	**74**	437
Net exchange losses	**15,976**	17,993
Other tax expenses	**175,624**	128,463
Others	**73,791**	46,781
	767,644	592,543

6 Income tax expense

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

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
– Mainland China taxation	**223,965**	188,163
Overprovision in prior years	**(19,203)**	(30,883)
Deferred income tax		
– Deferred taxation on undistributed retained earnings	**5,655**	14,050
– Other temporary differences	**23,376**	33,488
	233,793	204,818

Taxation has been provided at the 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 years ended 30 June 2012 and 2013.

Subsidiaries of the Group in Mainland China are subject to enterprise income tax at a rate of 25% (2012: 25%).

7 Dividends

	2013	2012
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.098 (2012: HK$0.098) per share	**165,242**	165,242
Final dividend proposed of HK$0.092 (2012: HK$0.082) per share	**155,125**	138,264
	320,367	303,506

At a meeting held on 25 September 2013, the directors recommended a final dividend of HK$0.092 (2012: HK$0.082) per share for the year ended 30 June 2013. This proposed dividend was not recognised as dividend payable in the financial statements for the year ended 30 June 2013.

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 year.

	2013	2012
Profit attributable to the equity holders of the Company (HK$'000)	**641,503**	607,747
Weighted average number of ordinary shares in issue (shares in thousands)	**1,686,145**	1,686,145
Basic earnings per share (HK$ per share)	**0.38**	0.36

8 Earnings per share (Continued)

(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 year ended 30 June 2012 and 2013, 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

Balances as at 30 June 2013 represent the following transactions:

(a) On 4 October 2010, Shenyang New World Department Store Ltd. ("Shenyang Co") entered into agreements with Shenyang New World Hotel Co., Ltd. ("SYNWH"), a wholly-owned subsidiary of New World China Land Limited ("NWCL") 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 30 June 2013, the Group has made payment of approximately HK$451,809,000 (30 June 2012: HK$435,280,000) and other related costs of approximately HK$23,405,000 (30 June 2012: HK$22,548,000) in connection with such acquisition.

(b) On 8 February 2013, Shenyang Trendy Property Company Limited ("Shenyang Trendy"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with SYNWH. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH agreed to cooperate in a property redevelopment project in Shenyang City. Shenyang Trendy agreed to surrender to the local government authority the land and building where Shenyang Nanjing Street Branch Store was situated for a compensation of RMB250,012,000 and to make contribution of RMB527,060,000 (subject to further adjustments) to SYNWH for the related costs of demolition of the existing building and design, construction and payment of any relevant land grant premium of certain portion of the redeveloped building. As at 30 June 2013, the Group has made payment of approximately HK$133,433,000 to SYNWH and other related costs of approximately HK$88,641,000 in connection with such transaction.

(c) On 27 May 2013, New World Department Stores Investment (China) Co., Ltd. ("NWDSI"), a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties to acquire the entire equity interest in Shanghai Hongxin Properties Company Limited ("Hongxin Co"), a limited liability company incorporated in the PRC, for a gross consideration of RMB1,250,000,000 (subject to further adjustments). As at 30 June 2013, the Group has made payment of approximately HK$1,217,088,000 and recognised progress payable of approximately HK$50,633,000 in connection with such acquisition.

10 Debtors

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**98,365**	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:

	2013	2012
	HK$'000	*HK$'000*
Within period for		
0-30 days	**78,098**	57,058
31-60 days	**1,728**	603
61-90 days	**821**	–
Over 90 days	**17,718**	1,928
	98,365	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:

	2013	2012
	HK$'000	*HK$'000*
Within period for		
0-30 days	**1,114,797**	972,955
31-60 days	**971,181**	694,388
61-90 days	**213,937**	194,214
Over 90 days	**398,570**	351,556
	2,698,485	2,213,113

Creditors included amounts due to related companies of HK$108,903,000 (2012: HK$93,378,000) which are unsecured, interest free and repayable within 90 days.

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

BUSINESS REVIEW

During the year under review, the Group's revenue increased by 14.9% from HK$3,490.1 million in FY2012 (or the "Previous Year") to HK$4,011.5 million in FY2013 (or the "Current Year"). Profit for the year was HK$641.5 million. Excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi, profit for the year increased by approximately 9.8% from HK$561.3 million in the Previous Year to HK$615.7 million in the Current Year.

Business Network

During the Current Year, the Group operated 41 department stores, with a total gross floor area ("GFA") of about 1,513,940 square meters ("sq. m.") and a total operating floor area ("OFA") of about 1,190,360 sq. m.. Located in three operational regions, namely Northern China, South Eastern China and Central Western China, the stores covered 20 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, and Yanjiao with 36 self-owned stores and 5 managed stores.

Revenue Contribution

By Region

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 49.9% of total revenue, followed by the Central Western China Region and the South Eastern China Region, accounting for 25.9% and 24.2% of total revenue respectively.

By Segment

Commission income from concessionaire sales was the main source of income, accounting for 65.8% of total revenue. Sales of goods for direct sales and rental income accounted for 20.2% and 12.7% respectively. Management and consultancy fees accounted for 1.3%.

Store Network Development

During the year under review, the Group continued to develop its business in the South Eastern China Region and the Northern China Region, and opened two self-owned stores, i.e., Yancheng New World Department Store ("Yancheng Store") and Xi'an New World Department Store ("Xi'an Store") in the namesake cities in December 2012. In addition, the Group opened two managed stores, namely, Ningbo New World Beilun Department Store ("Ningbo Beilun Store") in Beilun, Ningbo City in September 2012 and Yanjiao New World Department Store ("Yanjiao Store") Yanjiao, Sanhe City in April 2013 respectively.

As at 30 June 2013, the Group's total GFA was approximately 1,513,940 sq. m., up 9.1% from the same period of the Previous Year, in which the total GFA of self-owned stores and managed stores were 1,340,240 sq. m. and 173,700 sq. m. respectively.

Operations Strategies

Optimizing Operating Structure to Enhance National Efficiency

The Group has been committed to exercising stringent cost control and enhancing operating efficiency. Following the comprehensive operational restructuring in 2012, which divided our national store network into three operating regions and nine operating districts, the Group will continue to optimize the three-region operations framework to enable higher level of flexibility on resource deployment, regional cost reduction and localization to boost operating efficiency. At the same time, we will further speed up our business expansion through acquisition and provision of store management services to achieve economies of scale. When it comes to determining new store location, we will consider carefully whether the prospective store can generate greater operating synergies with our existing network, in order to maximize the advantages of resource sharing.

Growing Effects from Rebranding Lay Solid Foundation for Development

The Group launched a forward-looking "rebranding program" in 2009 to maintain stores' competitiveness in the highly competitive retail market and bring new excitements to our customers. The Group has categorized the stores into "Fashion Galleries" as thematic department stores with a focus on clothing and accessories as well as "Living Galleries" as one-stop shopping department stores by means of restructuring the merchandise mix and introducing more complementary facilities, such as, dining, leisure and entertainment, into the outlets. These moves were taken to strengthen our brand image through differentiated positioning and to fuel the growth momentum. During the year under review, the Group's rebranding exercise has largely completed except for four stores, namely Wuhan New World Department Store ("Wuhan Store"), Wuhan New World Department Store – Qiaokou Branch Store ("Wuhan Qiaokou Branch Store"), Wuhan New World Trendy Plaza ("Wuhan Trendy Plaza") and Wuhan New World Department Store – Xudong Branch Store ("Wuhan Xudong Branch Store"), with that of the latter two to be completed in September 2013. Taking the new stores into account, as at 30 June 2013, 37 stores were operating in brand new images, which was about 91% of the total GFA. Rebranded stores recorded remarkable increase in their same-store sales growths and have become a confidence booster for the Group's long-term development. In the long run, the Group will accelerate store localization, for instance, when planning for a new store, factors like consumption power, economic condition and industrial structure of the operating area will be taken into consideration to determine its market positioning and interior layout, striving to make a comprehensive plan from the very start. Constant optimization will be made, so as to project a vibrant brand image that caters to the local market. To address the desire for one-stop shopping experience, the Group will give priority to "Living Galleries" projects, aiming to create a more spacious and comfortable shopping environment for consumers.

Comprehensive Talent Development Programs to Support Future Growth

To support the rising demand for talents due to the fast-paced development, the Group will continue to implement comprehensive talent development program with the conviction of "Nurture Talents with Respect, Care and Trust". The Group will provide our staff in all positions with tailor-made training programs, for instance, organizing "Core Talents Nurturing Plan" and "Certificate Program of Further Studies in Retail Operation and Management" with Shanghai Jiao Tong University to nurture middle and senior management, arranging visits to overseas leading department stores, in which staff can pick up some advanced operations philosophies and management methodologies from their foreign counterparts and to bring more new mindsets into the Group. For store-based staff, "Operational Management Training Camp for Store Managers" and skill-enhancing courses are arranged regularly to elevate their professional skills and integrated operating ability, as well as enhancing the Group's customer service quality. On the other hand, "Project Xinpeng – NWDS Management Intern Cultivation" is in place to replenish the Group's talent pool for our development in the long run.

Wider and Deeper Technology Applications to Enhance Shopping Experience

The Group will continue to keep abreast of the latest technologies and enhance their applications in stores to improve operating efficiency and customer experience. In terms of operations, we will comprehensively optimize our operations management systems, for instance, increasing office automation and introducing enterprise resource planning system etc. Internal control will also be strengthened to enhance operating efficiency. At the same time, the Group plans to increase the integration level of back-end systems of concessionaires, direct-sales and e-shopping divisions to create an integrated online and offline platform. As for customer service, the Group will implement a series of initiatives, including VIP system optimization and promotion on multi-purpose VIP cards; more online promotions to address the growing popularity of new media; store information system upgrade, such as, installing mobile cash registers and launching push notifications so that customers can receive discount information anywhere, anytime, to make shopping easier and more convenient.

Merchandise Strategies

Special Maintenance on Categories Killers to Build Strong Merchandise Mix

As a trendsetter, the Group consistently optimizes our merchandise mix to keep up with international and local fashion trends. In addition to bringing in renowned international brands, the Group also rides on the wave of fast fashion and introduces respective clothing lines into our merchandise mix. Also, the Group will continue to introduce new brands and exclusive merchandises in the business circle where the stores located to create a merchandise portfolio with competitive edge. In addition, we will continue to expand our product categories and attach great importance to carefully maintain the category killers, such as, gold and jewelry, ladies' casual wear and footwear, to realize greater revenue. In order to provide a selection of unique merchandises and create differentiation advantages, the Group established a direct sales subsidiary in 2011 to develop our own private labels, which are in high quality but at affordable price, introducing more selected merchandises to customers.

Strengthening Ties with Affiliates to Create Collaborative Synergies

The Group will establish closer strategic cooperation with Chow Tai Fook, K11 and other affiliated companies of New World Group, for instance, introducing Chow Tai Fook concessionaires into our stores, to bolster synergies for mutual benefits.

Targeted Supplier Management Mechanism to Foster Strong Partnership

The Group will continue to consolidate and optimize the "Head Office – Region – Store" three-tier supplier management system to carry out targeted brand management and maintenance; besides, the Group will further integrate our supplier data, so that stores can easily access and utilize the information accordingly. The Group has always attached great importance to supplier partnership. In addition to the "New World Net" communication platform, the Group also develops "Strategic Brand Management Approach" to provide guidelines on how to foster closer partnerships, explore collaboration opportunities as well as broaden and deepen bilateral cooperation with major brands in a systematic way.

National Merchandising Team Formed to Handle Leasing Projects

Other than concessionaire sales, the Group will continue to operate in a hybrid model integrating the elements of shopping malls into our stores. Striving to deliver an enriched shopping experience to customers, we will further expand leasing area and incorporate complementary facilities, such as, restaurants, cinemas, beauty salons and education centers, into stores. At the same time, the Group also establishes a national merchandising team as a central office to coordinate the management and planning of leasing projects, aiming to facilitate tenant acquisition and achieve economies of scale.

Marketing Strategies

Optimizing VIP Membership Structure to Retain Top-tier Customers

The Group has always given priorities to VIP relationship management. To foster closer relationship, the Group will further optimize our existing VIP structure to put top-tier VIP customers under special treatment. Also, the Group will continue to perfect in-store member facilities and offer more exclusive discounts to enhance their sense of superiority as a VIP member. During the year under review, the Group held the "Nationwide VIP Day" at the end of November 2012, the largest VIP rewarding campaign as of date, offering exclusive VIP discounts and has successfully generated up to RMB400 million of sales proceeds.

Launching Inter-Store Thematic Sales Promotion Across the Country

To avoid being a sole fighter in the battlefield of sales promotion, the Group will leverage on our large retail network to initiate more inter-store thematic promotions nationally and regionally by pooling in the strengths and resources of all stores, enabling to create bigger noise and to offer greater discounts to our customers. During the year under review, the Group held numerous nationwide promotions including the "Nationwide VIP Day" and the "Blast of Joy – Celebrating the 20th Anniversary". In the latter campaign, which was organized in celebration for approaching 20th anniversary, the Group gave away nearly 2,000 Samsung GALAXY S4 smartphones and achieved sales proceeds of RMB670 million with sales growth of over 180% during the campaign period.

New Media Channels to Engage Young Customers

In recent years, the Group has been exploring new media channels to tap into the trend of growing use of online platforms and smartphones to access information. With the extensive use of social media sites, video clips, Weibo, WeChat and mobile platforms for marketing purpose, we aim to be more engaged with the younger segment, and to enhance cost efficiency through improving information transmission efficiency while reducing dependence on traditional advertising channels. During the year under review, the Group has attracted over 3.5 million fans on Weibo and the number of WeChat subscribers soared to nearly 340,000 within a few months after the launch.

Expansion Strategies

Prudent Expansion Strategies to Accelerate National Expansion

Benefiting from the more-established infrastructure and transportation network as well as the favorable policies encouraging domestic consumption and urbanization, the economy of third-tier and fourth-tier cities are undergoing rapid development. Riding on this momentum, the Group will continue to carry through our expansion strategies of "radiation city" and "multiple presences within a single city". On one hand, the Group will actively seek for potential projects in first-tier and second-tier cities, such as, Beijing, Shanghai, Wuhan, Shenyang and Chengdu to further strengthen our regional competitive advantages; on the other hand, the Group will extend our presence to the surrounding third-tier and fourth-tier cities, and make these high-potential markets as the focus of our future development. Looking ahead, the Group aims to increase the total GFA of our self-owned stores to about 2 million sq. m. by FY2016.

Addition of Self-Owned Stores through Leasing and Acquisition

The Group will continue to increase the number of self-owned stores by means of leasing and acquisition. During our 20 years of operation in Mainland China, the Group has established long-term strategic relationship with many landlords and property developers, which enables us to enjoy competitive leasing terms and stable rentals. Other than leasing, we are also actively gaining access to prime locations in emerging markets quickly through acquisition. In addition, the Group plans to further foster cooperation with industry organizations to acquire high-potential department store projects and suitable lands for development. These strategies will accelerate the Group's entry into the target markets and enlarge our influence in the existing markets.

During the year under review, the Group announced the acquisition of Shanghai Hongxin Trendy Plaza with a GFA of 43,000 sq. m.. The acquisition has been completed at the end of July 2013. In terms of opening self-owned stores, a "Living Gallery" in Yantai City, Shandong Province, will commence business in FY2014, with a GFA of 55,000 sq. m.. Furthermore, Shanghai 118 Project in Putuo District, Shanghai will be opened in FY2015, with a GFA of 62,600 sq. m.. Also in FY2015, in addition to the existing Changsha New World Trendy Plaza ("Changsha Trendy Plaza"), a new "Living Gallery" in Hengyang City, Hunan Province, will be set up with a GFA of 42,200 sq. m..

In addition to the above, the Group also plans to enlarge our operating area through store expansion to provide customers with a more comfortable and spacious shopping environment. During the year under review, Shenyang New World Department Store – Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store") Phase II Project, with a GFA of 25,400 sq. m., was under expansion and will be completed in FY2015; the Shenyang Nanjing Street Branch Store Phase I Redevelopment Project will be completed and commence operation in FY2017, with a GFA of 26,300 sq. m..

Managed Stores Expedite Entry to Emerging Markets

Supported by the urbanization policy, third-tier and fourth-tier cities have become the new engines for the country's economic growth. Hence, the consumption potential of these cities should not be overlooked. To lower investment risks, the Group will continue to speed up our moves in entering emerging markets by increasing managed projects. This lays a solid foundation for our development in these markets as it allows us to extend our store network at a rapid pace while earning stable management fees. To increase the attractiveness of their shopping malls, property developers often proactively approach and acquire well-known retailers into their premises, which have made it easier for the Group to negotiate good leasing terms. When the business matures, the Group will thoroughly consider acquiring the managed stores and converting them to self-owned stores to broaden our geographical network. In terms of opening managed stores, the Group's Yantai Shopping Mall Project will commence operation in FY2014, with a GFA of 46,000 sq. m.. In the same year, in view of the strong retail growth in Zhejiang Province, a "Living Gallery" will be set up in Keqiao, Shaoxing City, with a GFA of 42,300 sq. m., as a means to strengthen the Group's influence in the South Eastern China Region. In addition, the Group's managed project in Jiamusi City, Heilongjiang Province will commence operation in FY2016 with a GFA of 40,000 sq. m..

OUTLOOK

In 2013, the international capital markets were still enveloped by the European sovereign debt crisis. China's economy managed to maintain a steady growth and make gradual progress amid global economic uncertainties. According to National Bureau of Statistics of China, gross domestic product ("GDP") in the first half of 2013 amounted to RMB24,800.9 billion, representing a year-on-year increase of 7.6%; the total retail sales of consumer goods rose 12.7% year-on-year to RMB11,076.4 billion. Consumption accounted for 45.2% of China's GDP growth, demonstrating that domestic consumption has become the main driver of China's economic growth.

The government has announced its intention of unleashing effective demand in the second half of the year, which will further encourage consumer spending and expand domestic consumption. On the other hand, the government will push forward the people-oriented modern urbanization. Urbanization and urban-rural integration will increase the scale of China's overall consumption and raise the purchasing power of third-tier and fourth-tier cities, thus exposing a large potential market. The Group has already developed strategies in this regard to strengthen its business development in those cities so as to seize the opportunities from urbanization. These government policies will further unleash China's consumption potential, providing strong support to the long-term development of the retail industry. Hence, the Group is prudent but optimistic about the prospect of the industry.

During the year under review, despite the changes in the operating environment of China's department store sector, a slowdown of retail growth and other challenges, the Group was able to maintain a steady growth with our excellent operations management, diverse marketing promotions and the uplifting effects resulted from the rebranding exercise. Looking forward, to further grasp the opportunities brought by China's economic development and the emergence of the middle class, the Group will continue to evaluate our operations, merchandise, marketing and expansion strategies in a timely manner, and is determined to provide quality merchandises and services to a wider group of customers, and to maximize returns to our shareholders through stringent cost control, more strategic cooperation and store network expansion in order to achieve greater economies of scale.

FINANCIAL REVIEW

Revenue

Revenue of the Group was HK$4,011.5 million in FY2013, representing an increase of 14.9% from HK$3,490.1 million in FY2012. 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 and consultancy fees, rental income and other income increased by 15.5% to HK$16,414.4 million in FY2013 from HK$14,207.2 million in FY2012. Gross revenue from concessionaire sales increased to HK$14,895.5 million from HK$13,010.0 million in the Previous Year. Commission income rate was declined from 18.5% in the Previous Year to 17.7% in the Current Year. 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$809.6 million in FY2013 compared with HK$676.2 million in FY2012. Direct sales turnover mainly comprised of groceries, housewares and perishables (approximately 50.9%), cosmetic products (approximately 39.9%), ladieswear and menswear (approximately 5.9%), accessories, handbags and underwears (approximately 1.9%). Gross margin of direct sales was 14.4% compared to 15.5% in the Previous Year. The drop was mainly due to the increase in sales contribution from supermarkets which had a lower margin. In FY2013, ladieswear and accessories made up approximately 64.0% of gross revenue from concessionaire sales and sales of goods for direct sales. Menswear and accessories made up approximately 17.8% and sportswear, bread and snacks, electrical appliances, children's wear and personal care products largely made up the rest.

Management and consultancy fees was HK$52.3 million in FY2013, showing an increase from HK$19.2 million in FY2012. The increase was primarily due to the contribution of management fees from new managed stores, namely Ningbo Beilun Store and Yanjiao Store opened in September 2012 and in April 2013 respectively. Also, the Group received fees for the provision of consultancy services for some new managed store projects which were at pre-opening stage in the Current Year.

Rental income increased by 31.2% to HK$510.7 million in FY2013 mainly due to increased leasing area from firstly, recognising a full-year operation of Lanzhou New World Department Store ("Lanzhou Store") and Hong Kong New World Department Store – Shanghai Shaanxi Road Branch Store ("Shanghai Shaanxi Road Branch Store"), and Beijing New World Liying Department Store ("Beijing Liying Store") acquired in November 2011 and January 2012 respectively, Mianyang New World Department Store ("Mianyang Store") opened in December 2011 and the completed expansion of Shenyang New World Department Store – Jianqiao Branch Store ("Shenyang Jianqiao Road Branch Store") in April 2012; and secondly, the opening of new self-owned Yancheng Store and Xi'an Store in December 2012.

Other Income

Other income of the Group was HK$146.3 million in FY2013 compared with HK$112.6 million of FY2012. The increase was mainly due to the increase in government grants and income from suppliers in FY2013.

Other Losses/Gains, net

Loss on disposal of property, plant and equipment and land use rights of the Group in the Current Year was HK$60.4 million (2012: HK$12.8 million). Other gains, net in FY2012 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 Year was HK$70.9 million and related to the properties of Shanghai Shannxi Road Branch Store, Zhengzhou New World Department Store ("Zhengzhou Store") and Tianjin New World Department Store ("Tianjin 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 21.3% to HK$693.1 million in FY2013 from HK$571.2 million in FY2012. 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$572.3 million in FY2013 from HK$541.6 million in FY2012. 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-year 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 Year.

Depreciation and Amortisation

Depreciation and amortisation expense increased from HK$293.8 million in FY2012 to HK$320.3 million in FY2013. This increase was primarily due to a result of recognising a full-year 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$980.4 million in FY2013 from HK$863.1 million in FY2012, primarily due to recognising a full-year 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$767.6 million in FY2013 from HK$592.5 million in FY2012. The increase in other operating expenses was primarily due to recognising a full-year 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$123.9 million in FY2012 to HK$232.2 million in FY2013, that was mainly due to increased promotional expenses in connection with promotion of our newly opened stores and promotion activities in line with the market situation. An increase in other tax expenses from HK$128.5 million in FY2012 to HK$175.6 million in FY2013 was mainly due to the increase of consumption tax arising from sales of gold related products.

Operating Profit

Operating profit was HK$834.5 million in FY2013 compared with HK$786.8 million in FY2012. Operating profit, excluding other losses/gains and changes in fair value of investment properties, increased by approximately 11.3% to HK$824.0 million from HK$740.4 million in the Previous Year.

Income Tax Expense

Income tax expense of the Group was HK$233.8 million in FY2013 compared with HK$204.8 million in FY2012. The effective tax rate of the Group in FY2013 was 26.7%.

Profit for the Year

As a result of the reasons mentioned above, profit for the year was HK$641.5 million compared with HK$607.7 million in the Previous Year. Profit for the year, excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi, increased by approximately 9.8% to HK$615.7 million from HK$561.3 million in the Previous Year.

Liquidity and Financial Resources

Cash and fixed deposits of the Group amounted to HK$2,959.5 million as at 30 June 2013 (30 June 2012: HK$3,621.0 million).

The Group's borrowings from banks as at 30 June 2013 was HK$659.3 million (30 June 2012: HK$1,007.7 million) of which HK$632.9 million (30 June 2012: HK$682.9 million) was secured by pledge of assets.

At 30 June 2013, the Group's current liabilities exceeded its current assets by HK$690.0 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 commitment of the Group as at 30 June 2013 was HK$1,006.6 million which was contracted but not provided for in the statement of financial position. For the contractual payment of HK$1,006.6 million, approximately HK$105.1 million was related to the acquisition of land and building located in Shenyang City, approximately HK$533.7 million for the property redevelopment project in Shenyang City and approximately HK$314.6 million for the acquisition of entire equity interest in Hongxin Co.

Pledge of Assets

As at 30 June 2013, investment properties of HK$1,913.9 million (30 June 2012: HK$1,792.7 million) of the Group were pledged as securities for bank borrowings of HK$632.9 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 30 June 2013.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK$0.092 per share (2012: HK$0.082 per share) for the year ended 30 June 2013 to shareholders whose names appear in the register of members of the Company on 28 November 2013. It is expected that the proposed final dividend will be paid on or about 27 December 2013 subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 18 November 2013.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 30 June 2013, total number of employees of the Group was 6,616 (2012: 6,783). 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 entered into a cooperation agreement with SYNWH. Pursuant to the cooperation agreement, Shenyang Trendy and SYNWH agreed to cooperate in a property redevelopment project ("Property Project"). According to the relevant PRC regulations and requirements of the local government authorities, the Property Project is to be carried out on an unified-planning basis, under which Shenyang Trendy agreed to surrender to the local government authority the land and building which it owns and where Shenyang Nanjing Street Branch Store was 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.

On 27 May 2013, NWDSI entered into an agreement with independent third parties to acquire the entire equity interest in Hongxin Co, for a gross consideration of RMB1,250.0 million (subject to further adjustments) which includes RMB540.0 million of cash paid for the repayment of a principal amount of the outstanding bank borrowings of Hongxin Co. Hongxin Co owns and operates a shopping mall in Shanghai. The acquisition was completed on 30 July 2013.

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") during the year ended 30 June 2013, 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 and a non-executive Director, was not able to attend the annual general meeting of the Company held on 20 November 2012 (the "AGM") owing to other commitment in the PRC. Mr. Cheng Chi-kong, Adrian, 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.

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 2013.

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 systems of internal control and the annual results and the financial statements for the year ended 30 June 2013 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 Friday, 15 November 2013 to Monday, 18 November 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 November 2013.

The register of members of the Company will be closed from Tuesday, 26 November 2013 to Thursday, 28 November 2013, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to the proposed final 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 agent 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 p.m. on Monday, 25 November 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, 25 September 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.