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新世界百貨中國有限公司

New World Department Store China Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 825)

INTERIM RESULTS ANNOUNCEMENT 2024/2025

HIGHLIGHTS

Same-store sales⁽¹⁾ growth for the period was -15.9%. The growth for the same period of previous year was 3.3%.

Revenue for the period was HK\$612.7 million compared with HK\$694.9 million in the same period of previous year.

Operating profit for the period was HK\$114.6 million compared with HK\$121.3 million in the same period of previous year.

Profit for the period was HK\$3.1 million compared with HK\$1.7 million in the same period of previous year.

Earnings per share for the period was HK\$0.002.

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

The board (the “Board”) of directors (the “Directors”) of New World Department Store China Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2024 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
	Note		
Revenue	2	612,703	694,900
Other income	3	171,126	187,270
Other gains, net	4	25,764	24,064
Changes in fair value of investment properties		(46,194)	(44,021)
Purchases of and changes in inventories, net		(121,274)	(151,334)
Purchases of promotion items		(4,233)	(5,233)
Employee benefit expense		(151,594)	(160,538)
Depreciation		(162,688)	(176,528)
Rental expense		(30,780)	(37,511)
Other operating expenses, net	5	<u>(178,267)</u>	<u>(209,777)</u>
Operating profit		<u>114,563</u>	<u>121,292</u>
Finance income		7,003	9,779
Finance costs		<u>(96,141)</u>	<u>(121,198)</u>
Finance costs, net	6	<u>(89,138)</u>	<u>(111,419)</u>
Profit before income tax		25,425	9,873
Income tax expense	7	<u>(22,317)</u>	<u>(8,216)</u>
Profit for the period		<u>3,108</u>	<u>1,657</u>
Earnings per share attributable to shareholders of the Company for the period (expressed in HK\$ per share)			
– Basic and diluted	9	<u>0.002</u>	<u>0.001</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
Profit for the period	----- 3,108	----- 1,657
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	22,809	—
– Deferred income tax thereof	<u>(5,702)</u>	—
	----- 17,107	----- —
<i>Items that may be reclassified subsequently to profit or loss</i>		
Translation differences	(269)	55,429
Release of exchange reserve upon deregistration of subsidiaries	<u>4,506</u>	<u>10,978</u>
	<u>4,237</u>	<u>66,407</u>
Other comprehensive income for the period, net of tax	----- 21,344	----- 66,407
Total comprehensive income for the period	<u>24,452</u>	<u>68,064</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 31 December 2024 <i>HK\$'000</i>	Audited As at 30 June 2024 <i>HK\$'000</i>
	<i>Note</i>		
Assets			
Non-current assets			
Investment properties		4,571,353	4,556,235
Property, plant and equipment		664,986	704,300
Right-of-use assets		1,997,566	2,202,384
Intangible assets		1,011,973	1,011,973
Interest in an associated company		–	–
Prepayments, deposits and other receivables		158,253	151,881
Finance lease receivables		196,148	235,848
Financial assets at fair value through profit or loss		85,278	85,278
Deferred income tax assets		<u>86,887</u>	<u>86,681</u>
		<u>8,772,444</u>	<u>9,034,580</u>
Current assets			
Inventories		70,992	63,658
Debtors	10	25,782	21,303
Prepayments, deposits and other receivables		109,301	118,776
Finance lease receivables		92,923	89,931
Amounts due from fellow subsidiaries		1,430	1,184
Amounts due from related companies		–	826
Fixed deposits with original maturity over three months		413,208	305,612
Cash and bank balances		<u>389,949</u>	<u>569,643</u>
		<u>1,103,585</u>	<u>1,170,933</u>
Total assets		<u>9,876,029</u>	<u>10,205,513</u>
Equity and liabilities			
Equity			
Share capital		168,615	168,615
Reserves		<u>3,235,959</u>	<u>3,211,507</u>
Total equity		<u>3,404,574</u>	<u>3,380,122</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

		Unaudited	Audited
		As at	As at
		31 December	30 June
		2024	2024
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Lease liabilities		1,968,238	2,212,827
Deferred income tax liabilities		<u>840,827</u>	<u>835,258</u>
		<u>2,809,065</u>	<u>3,048,085</u>
Current liabilities			
Creditors	<i>11</i>	461,760	442,928
Accruals and other payables		1,036,474	1,080,422
Lease liabilities		414,097	461,283
Contract liabilities		131,550	122,208
Amounts due to fellow subsidiaries		8,549	8,097
Amounts due to related companies		31,471	40,614
Amounts due to the ultimate holding company		100,303	101,035
Borrowings		1,417,976	1,469,297
Tax payable		<u>60,210</u>	<u>51,422</u>
		<u>3,662,390</u>	<u>3,777,306</u>
Total liabilities		<u>6,471,455</u>	<u>6,825,391</u>
Total equity and liabilities		<u>9,876,029</u>	<u>10,205,513</u>

NOTES

1 BASIS OF PREPARATION

The condensed consolidated financial information of the Group for the six months ended 31 December 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial information should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 30 June 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

As at 31 December 2024, the Group had net current liabilities of approximately HK\$2,558,805,000, which included short term bank borrowings of approximately HK\$704,976,000 and shareholder loans of HK\$713,000,000 from New World Development Company Limited (“NWD”), the ultimate holding company.

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

The Group’s shareholder loans from NWD will mature within the next 12 months from 31 December 2024. NWD has confirmed its intention to renew the shareholder loans for another 12 months upon their maturity and to continue to act as guarantor of the Group’s bank borrowings. As at 31 December 2024, short term bank borrowings included in current liabilities of approximately HK\$699,857,000 were guaranteed by NWD.

In addition, one of the Group’s principal banks has indicated its intention to renew the short term bank borrowings of approximately HK\$494,857,000 for another 12 months upon their maturity.

The Directors, having made all necessary enquiries of the directors of NWD in terms of NWD’s ability to continue to provide the shareholder loans and to act as the guarantor of the Group’s bank borrowings, and NWD’s compliance with banking requirements, are confident that NWD is able to provide the shareholder loans to the Group and that the short term bank borrowings can be renewed upon their maturity in view of the Group’s track record of successful renewal of the short term bank borrowings and the continued guarantee provided by NWD.

1 BASIS OF PREPARATION (CONTINUED)

The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operation, the availability of the bank borrowings facilities and successful renewal of the shareholder loans as and when needed, the Group will have adequate resources to continue its operations for the foreseeable future and to meet its financial obligations as and when they fall due in the next 12 months from 31 December 2024. Accordingly, the Directors consider it is appropriate to prepare the condensed consolidated financial information on a going concern basis.

Except as described below, the accounting policies applied in the condensed consolidated financial information are consistent with those of the Company's annual consolidated financial statements for the year ended 30 June 2024.

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

For the six months ended 31 December 2024, the Group has adopted the following amendments to standards and interpretation, which are mandatory for the accounting period beginning on 1 July 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

2 REVENUE AND SEGMENT INFORMATION

	Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
Commission income from concessionaire sales	178,649	228,255
Sales of goods – direct sales	<u>131,162</u>	<u>164,835</u>
Revenue from contracts with customers	309,811	393,090
Rental income	295,893	293,381
Interest income from finance leases as the lessor	<u>6,999</u>	<u>8,429</u>
	<u>612,703</u>	<u>694,900</u>

The income from concessionaire sales is analysed as follows:

	Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
Proceeds from concessionaire sales	<u>1,272,022</u>	<u>1,574,327</u>
Commission income from concessionaire sales	<u>178,649</u>	<u>228,255</u>

Revenue from contracts with customers was recognised at a point in time.

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 gains/(losses), net, changes in fair value of investment properties and net unallocated corporate (expenses)/income. In addition, net finance costs are not allocated to segments. The measurement of segment assets excludes 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 located 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>Six months ended 31 December 2024</i>			
Segment revenue	<u>510,287</u>	<u>102,416</u>	<u>612,703</u>
Segment operating results	62,552	88,802	151,354
Other gains/(losses), net	26,289	(525)	25,764
Changes in fair value of investment properties	–	(46,194)	(46,194)
Unallocated corporate expenses, net			<u>(16,361)</u>
Operating profit			<u>114,563</u>
Finance income			7,003
Finance costs			<u>(96,141)</u>
Finance costs, net			<u>(89,138)</u>
Profit before income tax			25,425
Income tax expense			<u>(22,317)</u>
Profit for the period			<u>3,108</u>
<i>Six months ended 31 December 2023</i>			
Segment revenue	<u>588,152</u>	<u>106,748</u>	<u>694,900</u>
Segment operating results	69,283	64,189	133,472
Other gains/(losses), net	26,343	(963)	25,380
Changes in fair value of investment properties	–	(44,021)	(44,021)
Unallocated corporate income, net			<u>6,461</u>
Operating profit			<u>121,292</u>
Finance income			9,779
Finance costs			<u>(121,198)</u>
Finance costs, net			<u>(111,419)</u>
Profit before income tax			9,873
Income tax expense			<u>(8,216)</u>
Profit for the period			<u>1,657</u>

2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Department store business HK\$'000	Property investment business HK\$'000	Consolidated HK\$'000
<i>As at 31 December 2024</i>			
Segment assets	4,756,606	4,937,360	9,693,966
Deferred income tax assets	86,887	–	86,887
Unallocated corporate assets:			
Cash and bank balances			9,601
Others			<u>85,575</u>
Total assets			<u><u>9,876,029</u></u>
<i>Six months ended 31 December 2024</i>			
Additions to non-current assets (Note)	23,419	15,363	38,782
Depreciation	162,066	622	162,688
Reversal of loss allowance of debtors and other receivables, net	(423)	(2)	(425)
Gain on derecognition of lease liabilities and right- of-use assets, net (Note 4(i))	(12,917)	–	(12,917)
Gain on derecognition of right-of-use assets, net (Note 4(ii))	(35,045)	–	(35,045)
Loss on derecognition and lease modification of finance lease receivables, net	<u>17,128</u>	<u>524</u>	<u>17,652</u>
<i>As at 30 June 2024</i>			
Segment assets	5,105,939	4,923,373	10,029,312
Deferred income tax assets	86,681	–	86,681
Unallocated corporate assets:			
Cash and bank balances			3,988
Others			<u>85,532</u>
Total assets			<u><u>10,205,513</u></u>
<i>Six months ended 31 December 2023</i>			
Additions to non-current assets (Note)	216,125	6,093	222,218
Depreciation	175,911	617	176,528
Loss allowance/(reversal of loss allowance) of debtors and other receivables, net	2,648	(73)	2,575
Gain on derecognition of lease liabilities (Note 4(i))	(51,130)	–	(51,130)
Loss on derecognition of right-of-use assets, net (Note 4(ii))	4,627	–	4,627
Loss on derecognition and lease modification of finance lease receivables, net	<u>9,136</u>	<u>963</u>	<u>10,099</u>

Note:

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

3 OTHER INCOME

	Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
Income from suppliers, concessionaires and tenants		
– Administration and management fees	86,139	92,947
– Credit card handling fees	14,180	16,891
– Promotion and related fees	16,464	13,704
Car park income	4,431	4,594
Government grants	4,279	7,431
Sundries	<u>45,633</u>	<u>51,703</u>
	<u><u>171,126</u></u>	<u><u>187,270</u></u>

4 OTHER GAINS, NET

	Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
Loss on deregistration of subsidiaries	(4,506)	(10,980)
Loss on fair value of financial assets at fair value through profit or loss, net	–	(1,316)
Loss on disposal of property, plant and equipment, net	(40)	(44)
Gain on derecognition of lease liabilities and right-of-use assets, net (<i>Note (i)</i>)	12,917	51,130
Gain/(loss) on derecognition of right-of-use assets, net (<i>Note (ii)</i>)	35,045	(4,627)
Loss on derecognition of finance lease receivables, net	(13,131)	(8,719)
Loss on lease modification of finance lease receivables, net	<u>(4,521)</u>	<u>(1,380)</u>
	<u><u>25,764</u></u>	<u><u>24,064</u></u>

Notes:

- (i) Gain on derecognition of lease liabilities and right-of-use assets, net for the six months ended 31 December 2023 was due to closure of certain department stores.
- (ii) Gain/(loss) on derecognition of right-of-use assets, net is recognised at the inception of subleases to tenants which are accounted for as finance lease receivables.

5 OTHER OPERATING EXPENSES, NET

	Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
Property management and related expenses	58,305	60,847
Electricity and water expenses	45,577	47,528
Selling, promotion, advertising and related expenses	15,622	18,742
Auditor's remuneration		
– Audit services	1,950	1,988
– Non-audit services	640	699
Net exchange loss/(gain)	339	(25,731)
Other tax expenses	38,190	46,729
(Reversal of loss allowance)/loss allowance of debtors, net	(1,379)	1,363
Loss allowance of other receivables, net	954	1,212
Compensation expenses	554	14,004
Others (<i>Note</i>)	17,515	42,396
	<u>178,267</u>	<u>209,777</u>

Note:

Others included credit card handling fees, legal and professional fees and insurance expenses etc.

6 FINANCE COSTS, NET

	Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
Interest income on bank deposits	<u>(7,003)</u>	<u>(9,779)</u>
Interest expense on bank loans	19,026	21,344
Interest expense on shareholder loans	19,500	21,530
Interest expense on lease liabilities	57,615	78,324
	<u>96,141</u>	<u>121,198</u>
	<u>89,138</u>	<u>111,419</u>

7 INCOME TAX EXPENSE

The amounts of taxation charged to profit or loss represent:

	Unaudited Six months ended 31 December 2024 HK\$'000	Unaudited 2023 HK\$'000
Current income tax		
– Mainland China taxation	22,598	21,522
– Under-provision in prior years	–	153
Deferred income tax		
– Temporary differences	<u>(281)</u>	<u>(13,459)</u>
	<u>22,317</u>	<u>8,216</u>

Taxation has been provided at the tax rates prevailing in the tax jurisdictions in which the members of the Group operate. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong for the six months ended 31 December 2024 and 2023.

Subsidiaries of the Company in Mainland China are subject to corporate income tax at the statutory tax rate of 25% (2023: 25%).

8 DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2024 (2023: nil).

9 EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 31 December 2024	Unaudited 2023
Profit attributable to shareholders of the Company (HK\$'000)	<u>3,108</u>	<u>1,657</u>
Weighted average number of ordinary shares in issue (shares in thousands)	<u>1,686,145</u>	<u>1,686,145</u>
Basic earnings per share (HK\$ per share)	<u>0.002</u>	<u>0.001</u>

9 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share for the six months ended 31 December 2024 and 2023 are equal to basic earnings per share as there was no dilutive potential ordinary share in issue.

10 DEBTORS

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2024	2024
	HK\$'000	HK\$'000
Debtors	31,813	28,963
Less: loss allowance	(6,031)	(7,660)
Debtors, net	25,782	21,303

The Group grants credit terms within 30 days in majority. Ageing analysis of the net debtors, based on the invoice dates, is as follows:

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2024	2024
	HK\$'000	HK\$'000
Within period for		
0–30 days	22,613	17,865
31–60 days	605	815
61–90 days	37	194
Over 90 days	2,527	2,429
	25,782	21,303

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

11 CREDITORS

The Group normally receives credit terms of 60 to 90 days. Ageing analysis of the creditors, based on the invoice dates, is as follows:

	Unaudited	Audited
	As at	As at
	31 December	30 June
	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within period for		
0–30 days	417,375	363,069
31–60 days	7,706	47,346
61–90 days	5,711	8,853
Over 90 days	30,968	23,660
	461,760	442,928

The creditors were primarily denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results Summary

In 2024, the domestic consumer market has been gradually recovered. With the emergence of new consumption scenarios and the support of preferential policies, the Group actively adapted to consumer market trends, focusing on creating space layout and scenarios based on the principle of “One Store, One Strategy” (一店一策), so as to enrich our tailored offerings matrix and optimised brand portfolio by following the development mainline of merchandise, services, and experiences. We achieved stable improvement in performance on the strength of our robust and steady operations and solid development.

For the six months ended 31 December 2024, the Group’s revenue for the period was HK\$612.7 million, compared with HK\$694.9 million in the same period of the previous year. In terms of category, the Group’s revenue for the period was mainly derived from rental income which accounted for 48.3%. This was followed by commission income from concessionaire sales which took up 29.2%, sales of goods for direct sales which took up 21.4%, and interest income from finance leases as the lessor which took up 1.1%. The Group’s profit for the period was HK\$3.1 million, compared with HK\$1.7 million in the same period of the previous year. Earnings per share for the period was HK\$0.002, compared with HK\$0.001 in the same period of the previous year.

Business Network

As at 31 December 2024, the Group operated 22 department stores and shopping malls in Mainland China, covering 12 key cities across the country including Beijing, Shanghai, Chongqing, Wuhan, Nanjing, Tianjin, Changsha, Zhengzhou, Yantai, Shenyang, Lanzhou and Mianyang, with a total gross floor area of about 920,000 square metres.

OPERATIONS OVERVIEW

During the period under review, the Group adhered to strengthen its internal capabilities with focus on quality, diversified its business portfolios and optimised space layouts to create scenario-based consumption, while external capabilities were enhanced through resource consolidation. With greater penetration of membership community operations and expansion of private domain traffic, we fully tapped into market potential in order to strengthen business efficiency and core competitiveness.

Leveraging on the above development plans for urban commercial districts and the positioning of each store, the Group focused on revamping the ground-floor businesses of the stores and actively introduced first stores, flagship stores, integrated stores and boutiques of brands, and also extensively expanded Anime, Comics and Games (ACG) economy, high-quality catering, sports and fitness, lifestyle amenities and other diversified offerings aiming to enhance immersive consumer experience and strengthen attractiveness and footfall for stores. For instance, the ACG layout at Beijing Chongwen Store has begun to achieve economies of scale, garnering positive market feedback.

In terms of membership marketing, through campaigns like “V-Friends Festival” (V友節) and “Tuesday VIP Day” (周二會員日), we improved the membership service system to effectively enhance member stickiness. Meanwhile, capturing the trend of digitalisation, the Group also integrated “China UnionPay Quick Pass” (中國銀聯雲閃付) system into its membership system for better membership experience and higher operational efficiency. As of 31 December 2024, the total number of members of the Group reached 7.87 million, representing an increase of 4.7% year-on-year (“YOY”).

Additionally, diverse trendy elements were featured in marketing campaigns, which precisely matched consumer demands with the positioning of the business districts, and integrated various cross-industry resources to promote brand influence. The topics covered ACG theme, Key Opinion Leader (“KOL”) marketing, Intellectual Property (“IP”) POPUP stores, and electronic sports and physical sports competitions, achieving word of mouth communication and enhancing market reputation through creativity.

The Group also advanced its overall marketing strategy, actively developed its online platform “New Lab Mini Program” (新閃購小程序), and embarked on cross-industry collaboration with local sales online platforms, such as “Meituan” (美團), “JD.com” (京東), “Kuaishou” (快手) and “Dianping” (大眾點評), while constantly launched “Crazy Thursdays” (瘋狂星期四) live streaming campaign on the “Tiktok” (抖音) platform to foster the integration of online and offline traffic and to drive business growth.

Looking at the big picture, the Group remained dedicated to introducing high-quality business, focused on enhancing commodity power and creating scenario-based experiences, and maintained sustained development in membership operations and diversified channel marketing, thereby achieving gradual improvement in performance during the period under review.

Department Store and Shopping Mall Business

Vertical Penetration: Refining Quality Business Offerings and Creating Specialised Scenarios

During the period under review, the Group emphasised the inclusion of first stores, flagship stores, co-retailing stores and other premium brands, successfully revamping the ground-floor businesses and expanding core offerings. For instance, Beijing Chongwen Store collaborated with “Decathlon” (迪卡儂) and “MUJI” (無印良品) to enrich the offerings of sports equipment and lifestyle products. Beijing Qianzi Store introduced international renowned cosmetics brands such as “Estée Lauder” (雅詩蘭黛) and “Mageline” (麥吉麗), which further enriched the store’s cosmetics matrix. Shanghai Chengshan Branch Store brought in an integrated store of “FILA” (斐樂), generating clustering effect with super factory shops such as “Nike” (耐克) and “Adidas” (阿迪達斯). Furthermore, several stores swiftly capitalised on the market consumption trend for cosmetics and modern accessories in co-retailing stores. For example, “Beauty Choice” was introduced in Shanghai Pujian Branch Store and Shanghai Chengshan Branch Store, and “THE COLORIST” (調色師) has been launched in Beijing Chongwen Store, while Chongqing Store was in positive discussion with “WOW BEAUTY”. In the meantime, the Group prioritised the optimisation of the store layout, as well as the expansion and upgrade of stores, such as transforming “Manner Coffee” at Shanghai Pujian Branch Store into a bakery to offer an array of options to better meet customers’ needs. “Xiaomi Home” (小米之家) and “JD Home” (京東之家) at Yantai Store were renovated to constantly improve the customer experience.

New scenarios, new business categories and new models have mushroomed over the current consumer market. The stores targeted consumers’ pursuit of high-quality lifestyles by leveraging on the development positioning of business districts, and had been selective in collaboration with diverse lifestyle businesses. Focusing on the lifestyle of “Young Professionals” (新職場人), Beijing Trendy Store has set up a dynamic cycling fitness centre “Yesp!nCycle” and a tennis court “Solo Tennis”, while Shanghai Huaihai Branch Store operated the first national indoor music cycling store “TANGO LIVEHOUSE”. With popular demand for personalised and diversified educational services among family customers, Yantai Store swiftly responded by attracting educational brands for children such as “WV Sports Centre” (WV運動中心) and “Dingxiao” (鼎校). Wuhan Xudong Branch Store brought in education platforms for various subjects, setting a leading position in the education and training business for children within the business district. To encourage emotional consumption, Shanghai Shaanxi Road Branch Store focused on the social needs of the neighbourhood and commercial groups by introducing “Wang Fugui” (王富貴) seafood

hotpot, “Xingjuhui” (星聚會) Karaoke Television and other living amenities, and expanded into the pet-friendly business sector to offer better offline experience. At the same time, Nanjing Store introduced “Dianfeng Electronic Sports” (巔峰電競), and “Pianyao Comedy” (偏要喜劇) was drawn into Yantai Store, “Mountain Spirit Temple Escape Room” (山神廟密室) into Shenyang Jinqiao Road Trendy Plaza and “Wanda Kids” (萬達寶貝王) IP Park into Zhengzhou Store, all of which have highlighted entertainment and social features and enhanced consumer stickiness to attract more traffic in younger age to the stores.

A diversified catering ecosystem was also developed for providing authentic and value-for-money dine-out options for customers at different dining times. For example, Shanghai Pujian Branch Store included new Chinese tea drinks “CHAGEE” (霸王茶姬) and American fried chicken brand “Popeyes”. Shanghai Chengshan Branch Store added traditional herbal tea drinks “No Yeye No Tea” (爺爺不泡茶). Shanghai Huaihai Branch Store brought in popular light food brand “FitBee” (非比) as well as meat pies and coffee shop “MR.SHUANG” (爽爺). The Cantonese restaurant “Ri Chang” (日昌) and Chaoshan cuisine “Nenniuja” (嫩牛家) were settled in Beijing Liying Store, while Shanghai Shaanxi Road Branch Store will introduce popular bakery brands “UH SELECT” (祐禾) and “Pain Chaud” (百丘).

Notably, with the extensive scale and increasingly prominent purchasing power of young consumers in ACG, the ACG market has gradually developed from a single content field to a new pattern for seeking synergies among the content industry and merchandise industry. In view of the above, the Group has been dedicated to creating spaces for more comprehensive IP offline experience, such as introducing an ACG-themed restaurant “IPSTAR” (潮玩星球) at Beijing Chongwen Store, which offers both trendy and dining experience. Through multiple collaboration with IP concept stores such as “Duomo Wanshiwu” (多摩萬事屋) and “Shuitun Xiaoguaishou” (水豚小怪獸), it serves as an social gathering place for ACG culture in Beijing. Shenyang Jinqiao Road Trendy Plaza introduced various goods stores and figure stores. Changsha Trendy Plaza collaborated with “The League of OTAKU DANSU” (宅舞聯盟) to create a shared social space. In the future, the Group will continue to drive innovation in the integration of businesses and scenario-based operations to provide customers with a diversified and immersive experience and rejuvenate the business.

Horizontal Development: Integrating Marketing Efforts and Unleashing the Diversified Value of Membership

The Group has been committed to refining membership operations, optimising the system of membership attraction and retention, and focusing on improving the quality of membership services and diverse benefits to promote higher consumption. Riding on the Group’s advantage of unified deployment of resources, the membership shopping campaign “V Friends Festival” was launched in all stores, featuring benefits such as gifts for membership registration, first order, membership upgrade and redemption, with ACG themes for connecting more younger customers, which resulted in more than 8,000 new members across all stores. Meanwhile, gift coupons of department stores and restaurants and more parking

privileges are offered during Tuesday VIP Day, with the “Xiaoxin V-Friend” (小新V友) IP, an optimistic, technology-savvy and pioneering image, to improve the member stickiness and shopping experience. To further increase member engagement and conversion rate, Changsha Trendy Plaza joined hands with a local cultural and creative brand to create Changsha “imprint” and provided an original design frottage for sharing with members. During the 26th anniversary of Beijing Chongwen Store, more than 7,000 new members were acquired and more than 1,000 “Children VIP Cards” (小新V卡) were offered through events such as free shopping bags for registration and complimentary milk drink for members.

The emerging experience economy is now gaining popularity. The stores actively carried out multi-scenario marketing initiatives through the combination of their own positioning and brand resource matrix, gathering online and offline traffic to realise ground breaking promotion. For example, Beijing Chongwen Store organised activities including the “ACG themed Dance Space in Mix Fashion Block” (MIX街區二次元隨舞空間), gatherings, birthday parties and COSER featuring innovative ACG scenarios, which attracted more traffic in younger age to the stores. Shanghai Pujian Branch Store created a new popular slide attraction, which has drawn more than 15,000 new members through word-of-mouth influence on platforms including Tiktok and Xiaohongshu. Changsha Trendy Plaza has launched “Travel Squad” (旅遊打卡特種兵) series events, which attracted many tourists and visitors with Changsha cultural and creative merchandise, restaurant guides, and stamp station for photo spot. Wuhan Jianshe Store held a constant matchmaking event “Corner with Love” (新動的角落), and Beijing Liying Store launched an immersive cat show, aiming to create a cosy and friendly business setting. Themed as “Team Up, V-Friends!” (接頭吧！V友), Chongqing Store organised an Artificial Intelligence (“AI”) camera parade to create a scene of virtual-real interaction, fostering in-depth engagement with youngsters.

To continuously attract new consumer group, the Group took the initiative to introduce highly engaging and interactive IP premieres and roving exhibitions during the period under review, such as the launch of Shanghai’s first reality cosplay show “Zootopia” (瘋狂動物城) at Shanghai Wujiaochang Branch Store, the debut of the POPUP store “Cookie Run: Kingdom” (衝呀！餅乾人王國) in Shanghai Huaihai Branch Store, the introduction of the “Manchester City & Shougang Park” (曼城&首鋼園) themed IP exhibition in Beijing Chongwen Store during its 26th anniversary, and the first showcase of “Capybara” (卡皮巴拉小黃豚) POPUP store in Beijing, which fused trendy culture and commercial atmosphere to create unique memory points for shopping areas in the city.

In terms of joint promotion across industries and brands, the stores utilised their strengths in commercial operations and deployed various external resources to present exciting and interactive events. For example, Shanghai Pujian Branch Store organised the “The Second Bali Chun Tian Cup Table Tennis Ranking Contest” (第二屆巴黎春天盃乒乓球排位賽) with Shanghai Chengshan Branch Store, and held the “Happy Halloween: Trick or Treat” (奇趣萬聖節 ● 不給糖就搗蛋) campaign with “AILU INFANT & NURSERY SCHOOL” (浦東愛綠幼兒園) to attract nearly 300 children to participate enthusiastically. Shanghai

Chengshan Branch Store collaborated with tenant “HUH JUMP” (哈犖街舞) to launch a street dance competition with a scale of around 300 groups of contestants, and established a long-term cooperation relationship with the “Mengqu Pet Charitable Adoption Organisation” (萌趣寵物公益領養組織), hold the “Charity Pet Adoption Week” (公益寵物領養週) campaign monthly, with participation of over 1,000 guests. Shanghai Shaanxi Road Branch Store held the “VALORANT” (無畏契約) Champions Tour “Wanyoo Esports” (網魚電競) Watch Party to arouse enthusiasm and the sense of belonging of young customers for the gaming community. Shanghai Huaihai Branch Store was the Shanghai station of the National Geographic “WOMEN: BORN TO SHINE” (百年魅力 ● 天生出彩) photo exhibition, which effectively enhanced the cultural and artistic atmosphere of the shopping mall. Beijing Liying Store teamed up with “CHAGEE” (霸王茶姬) to precisely target the needs of the white-collar and family clientele by offering free milk tea and other activities.

Currently, consumers are increasingly pursuing cost-effective and one-stop shopping experience, which is particularly obvious in the local lifestyle consumption sector. Against this backdrop, the Group has gathered the strength of various platforms to launch appealing group buying activities to provide members with value-for-money benefits and realise the online-merge-offline business. For instance, Wuhan Jianshe Store collaborated with over 90% of the merchants on site to launch the “V-Friends Festival Dining and Entertainment Card” (V友節吃喝玩樂卡) on the “Meituan” (美團) platform, offering a group purchase of a cross-over coupon package valued at RMB890 at a price of RMB39, which covered a wide range of coupons from merchants. Wuhan Xudong Branch Store launched the “Anniversary Dining and Entertainment Card: Only RMB16” (16元搶周年吃喝玩樂卡) campaign together with online sales platforms such as “New Lab Mini Program” (新閃購小程序), “Meituan” (美團) and “Dianping” (大眾點評). Meanwhile, as the local lifestyle retail industry is characterised by in-store service as pillar and home delivery service as driver, the Group adopted a multi-pronged approach to enhance the efficiency of business delivery, and cooperated with “Meituan Instashopping” (美團閃購) and “JD.com Instant Delivery” (京東秒送) to adjust the layout of instant retail business, of which Beijing Chongwen Store was awarded the top rank in the national department store category of “Meituan Instashopping” (美團閃購) platform and was honoured the “Exploration and Breakthrough Award” (探索突破獎). Moreover, with increasing personal broadcasting in live streaming industry, the Group has been hosting the online “Tiktok Million Fans Live Streaming” (抖音百萬粉達人直播) and “Crazy Thursdays” (瘋狂星期四) campaign to drive offline traffic and the conversion of group coupons.

Private Label Business

As at 31 December 2024, the Group operated three large complex supermarkets “New World Supermarket”, which were located in Beijing Chongwen Store, Wuhan Jianshe Store and Yantai Store.

During the period under review, “New World Supermarket” adopted “differentiated operation” approach, and its operation strategy precisely targeted at the market and consumer demands. Wuhan Jianshe Store designated an area of “New Stylish Market” (有新市) to display self-developed brands and set up an online and offline area for Russian specialties. Yantai Store introduced large and small home appliances to expand its offerings in line with the national subsidy policy for home appliances. In terms of community services enhancement, Beijing Chongwen Store set up a community neighbourhood service centre to provide one-stop convenience services such as laundry and clothing alteration, watch repair and key duplication. Yantai Store held Super VIP Day campaigns to offer greater member benefits such as food tasting and gift redemption, and carried out community activities and delivery service.

In addition, the Group has profoundly explored the extension of LOL (Love ● Original ● Life) in diversified areas, and made every effort to develop new channels and modes of the programme, so as to assemble the ecological value of the LOL brand. For instance, “LOL ● FITNESS” (LOL共享健身) will soon be opened in Nanjing Store, encouraging consumers to enjoy a healthier and authentic lifestyle, which is expected to inject sustainable vitality into and stimulate imagination of diversification of the LOL business.

OUTLOOK

The retail industry is currently undergoing revolution and adjustment, as well as seeking new pivots to growth. Consumption trends are also demonstrating significant changes, with increasing rational consumption, rising service consumption, and reshaping merchandising channels in live streaming e-commerce. These reflect the diversification and personalisation of consumer demand. In the face of these changes, it is essential for retailers to stay innovative and adjust their strategies to adapt to changes in the market and consumer demands.

The Group will proactively respond to market changes and search for new drivers for growth. Through continuous business upgrading and category enrichment, the Group will strengthen its product appeal, achieve the close integration of online and offline segments, and establish positive and diversified quality businesses, allowing consumers to enjoy more a pleasant and convenient shopping journey and better consumer experience.

Success only favours those who boldly forge ahead. In the face of the market environment with both challenges and opportunities, the Group will also embrace the situation in terms of merchandise, layout to brand mix, and membership operations to service quality. Building on everyone’s aspirations and expectations for a better life, the Group will strive for progress amidst stability and achieve steady improvement in its operation quality.

FINANCIAL REVIEW

Revenue and Other Income

Revenue of the Group was HK\$612.7 million for the six months ended 31 December 2024 (“1HFY2025”) (six months ended 31 December 2023 (“1HFY2024”): HK\$694.9 million). The decrease in revenue was primarily due to the decrease in commission income from concessionaire sales and sales of goods – direct sales.

Gross sales proceeds of the Group, comprising proceeds from concessionaire sales and sales of goods for direct sales, rental income, interest income from finance leases as the lessor and other income, was HK\$1,877.2 million in 1HFY2025 (1HFY2024: HK\$2,228.2 million).

The Group’s merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) was 13.4% in 1HFY2025 (1HFY2024: 13.9%). In 1HFY2025, ladieswear, menswear and accessories made up approximately 34.7% of proceeds from concessionaire sales and sales of goods for direct sales. Gold, jewellery and watch made up approximately 30.7%, cosmetic products made up approximately 11.6%, sportswear made up approximately 10.8%, and kidswear, groceries, electrical appliances, and housewares largely made up the rest. Direct sales revenue in 1HFY2025 comprised sales of cosmetic products (approximately 78.5%), supermarkets (approximately 19.3%) and other goods (approximately 2.2%).

Rental income of the Group was HK\$295.9 million in 1HFY2025 (1HFY2024: HK\$293.4 million).

Interest income from finance leases as the lessor was HK\$7.0 million in 1HFY2025 compared with HK\$8.4 million in 1HFY2024.

Other income was HK\$171.1 million in 1HFY2025 compared with HK\$187.3 million in 1HFY2024. The decrease was primarily due to the decrease in income from suppliers, concessionaires and tenants.

Other Gains, Net

Net other gains was HK\$25.8 million in 1HFY2025 which was primarily resulted from net gain on derecognition of right-of-use assets of HK\$35.0 million and net gain on derecognition of lease liabilities and right-of-use assets of HK\$12.9 million. These gains were partially offset by loss on deregistration of subsidiaries of HK\$4.5 million, and net loss on derecognition and lease modification of finance lease receivables of HK\$17.7 million in total.

Changes in Fair Value of Investment Properties

Loss in fair value of investment properties was HK\$46.2 million in 1HFY2025 which was mainly arose from the decrease in the fair value of the investment properties in Shanghai City and Wuhan City.

Purchases of and Changes in Inventories, Net

Purchases of and net changes in inventories primarily represented the cost of sales for direct sales of goods. It decreased from HK\$151.3 million in 1HFY2024 to HK\$121.3 million in 1HFY2025. The decrease was in line with the decrease in sales of goods for direct sales in 1HFY2025.

Purchases of Promotion Items

The purchases of promotion items represented the costs of promotion items transferred to the customers of concessionaire sales and direct sales upon their consumption in department stores or redemption of reward points granted under customer loyalty programme. The purchases of promotion items decreased from HK\$5.2 million in 1HFY2024 to HK\$4.2 million in 1HFY2025, primarily due to changes in promotion activities.

Employee Benefit Expense

Employee benefit expense decreased from HK\$160.5 million in 1HFY2024 to HK\$151.6 million in 1HFY2025, primarily due to the continuous efforts by the management to carry out cost control measures to reduce staff costs.

Depreciation

Depreciation expense decreased from HK\$176.5 million in 1HFY2024 to HK\$162.7 million in 1HFY2025, primarily because of the decrease in depreciation of right-of-use assets as a result of the reduction of rent of certain department stores as agreed with the landlords.

Rental Expense

Rental expense decreased from HK\$37.5 million in 1HFY2024 to HK\$30.8 million in 1HFY2025, primarily due to the decrease in turnover rent of certain department stores.

Other Operating Expenses, Net

Net other operating expenses decreased from HK\$209.8 million in 1HFY2024 to HK\$178.3 million in 1HFY2025, primarily due to the decrease in compensation expenses and other tax expenses.

Operating Profit

Operating profit was HK\$114.6 million in 1HFY2025, compared with HK\$121.3 million in 1HFY2024.

Finance Costs, Net

Net finance costs decreased from HK\$111.4 million in 1HFY2024 to HK\$89.1 million in 1HFY2025, primarily because interest expense on lease liabilities decreased as a result of the reduction of rent of certain department stores as agreed with the landlords. In addition, there was a decrease in average borrowing costs as a result of the drop in Hong Kong Interbank Offered Rate in 1HFY2025.

Income Tax Expense

Income tax expense increased from HK\$8.2 million in 1HFY2024 to HK\$22.3 million in 1HFY2025, primarily due to the decrease in deferred income tax credits.

Profit for the period

As a result of the reasons mentioned above, profit for the period was HK\$3.1 million in 1HFY2025, compared with HK\$1.7 million in 1HFY2024.

Liquidity and Financial Resources

Fixed deposits with original maturity over three months and cash and bank balances of the Group amounted to HK\$803.2 million as at 31 December 2024 (30 June 2024: HK\$875.3 million).

As at 31 December 2024, the Group's borrowings were HK\$1,418.0 million (30 June 2024: HK\$1,469.3 million).

As at 31 December 2024, the Group was in net debt position of HK\$614.8 million (30 June 2024: HK\$594.0 million).

As at 31 December 2024, the Group's current liabilities exceeded its current assets by HK\$2,558.8 million (30 June 2024: HK\$2,606.4 million). The Group will continue to monitor rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs and liabilities and commitments as and when they fall due.

The capital commitments of the Group as at 31 December 2024 were HK\$60.7 million (30 June 2024: HK\$42.6 million) which were contracted but not provided for in the condensed consolidated statement of financial position.

Pledge of Assets

As at 31 December 2024, the Group did not have any pledge of assets (30 June 2024: nil).

Treasury Policies

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2024.

Acquisition and Disposal

The Group did not have any significant acquisition and disposal in 1HFY2025.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2024 (six months ended 31 December 2023: nil).

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at 31 December 2024, the total number of employees of the Group was 1,734 (2023: 2,011). The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the Group's salary and incentives framework, which is reviewed annually.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance practices to a listed company. The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and stakeholders of the Company. The Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 31 December 2024.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the Directors. Upon the Company’s specific enquiry of each Director, all Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors’ securities transactions adopted by the Company during the six months ended 31 December 2024.

The Company has also established written guidelines for relevant employees as required under code provision C.1.3 of the Corporate Governance Code. Relevant employees are subject to compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance with the written guidelines by such employees was noted by the Company during the six months ended 31 December 2024.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 31 December 2024 have not been reviewed or audited by the external auditor of the Company, but have been reviewed by the audit committee of the Company.

By Order of the Board
Mr. Cheung Fai-yet, Philip
Chairman

Hong Kong, 27 February 2025

As at the date of this announcement, the executive Directors are Mr. Cheung Fai-yet, Philip and Ms. Xie Hui-fang, Mandy; the non-executive Director is Ms. Chiu Wai-han, Jenny; and the independent non-executive Directors are Mr. Cheong Ying-chew, Henry, Mr. Chan Yiu-tong, Ivan, Mr. Tong Hang-chan, Peter, Mr. Yu Chun-fai and Ms. Ho Pui-yun, Gloria.

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