



新世界百貨中國有限公司

New World Department Store China Limited

FY12 Interim Results Presentation

(28 Feb 2012)



Safe Harbour Statement

The information contained in our presentation is intended solely for your personal reference. In addition, such information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on assumptions subject to various risks. No assurance can be given that future events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected.

Agenda

- 🌀 **Key Achievements for 1H 2011/12**
- 🌀 **Latest Update and Store Pipelines**
- 🌀 **Results Highlights**
- 🌀 **Operational & Marketing Strategies**
- 🌀 **Expansion Strategies**
- 🌀 **Open Forum**

Key Achievements for 1H 2011/12



Key Achievements

Steady Growth

Revenue grew 32.9% to HK\$1,705.9 million.

Improvement in Earnings before Interest and Tax (Ebit)

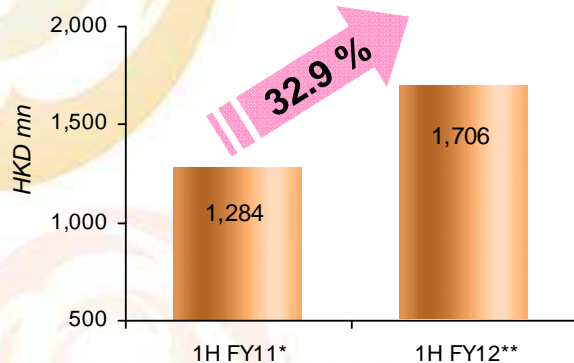
Ebit increased by 15.5% to HK\$436.7 million in 1H FY12 from HK\$378.1 million in 1H FY11.

Profit for the Period rose steadily

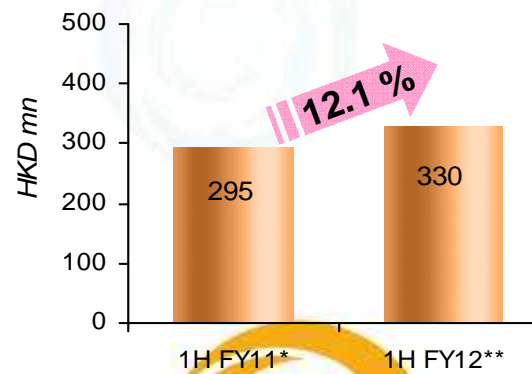
- Profit for the Period increased by 12.1% to HK\$330.0 million in 1H FY12 from HK\$294.5 million in 1H FY11.

- If excluding changes in fair value of investment properties and other gains, profit for the year increased to HK\$284.0 million in 1HFY12 from HK\$263.3 million in 1HFY11.

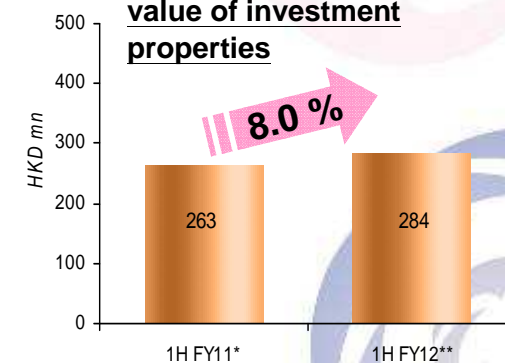
Revenue



Profit for the Period



Profit for the Period excluding other gains and changes in fair value of investment properties



Key Achievements (cont'd)

Extensive retail network

No. of stores increased to 39 as of 31 December 2011, with a total GFA of 1,353,670 sq. m. covering 18 cities

Strong customer base

Well-established VIP membership program with about 2.39 million members

Stable financial foundation

As of 31 December 2011, the Company was in a net cash position with cash on hand of about HK\$3,248.0 million.

Sound same-store sales growth

SSSG for self-owned stores : 17.0%

Received Strong Accreditation in the Region

- Accredited as “Asia’s 200 Best Under a Billion” for the fourth consecutive year**
- The Group’s Rebranding Marketing Campaign won the “Citation for Excellence in Mainland Marketing” Award in the HKMA/TVB Award for Marketing Excellence 2011**



Key Achievements – New Store

New Store

Mianyang Store

生活馆



Location:

Level 1-5, 72 Linyuan Road East Section, Mianyang, Sichuan Province

Self-owned Store:

GFA: approx. 35,000 sq. m.

Commenced operation in December 2011

◎ The Opening of Mianyang Store further brings our store portfolio in South Western District to 4 stores

Key Achievements – Operating Right Acquisition

Acquisition

Lanzhou Store

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Operating Right Consideration:

Approx. RMB3,500,000

Location: 89 Zhangye Road,
Chengguan District, Lanzhou,
Gansu Province

Self-owned Store:

GFA: approx. 27,200 sq. m.

Completed in November 2011

© We have completed the operating right acquisition of Lanzhou Store in November 2011, converting the store from managed to self-owned.

Key Achievements – Property and Operating Right Acquisition

Acquisition

Channel 1

生活馆



Location:

155 Changshou Road, Putuo District, Shanghai

Aggregate Gross Consideration:

Approx: RMB1,460,000,000

GFA: approx. 42,000 sq. m.

- Channel 1 form part of the composite development. The composite development comprises two adjacent residential blocks, namely the North Block and the South Block, erected over Channel 1.

Completed in November 2011

☉ We have acquired the property and operating right of Shanghai Channel 1 in November 2011.

Store Portfolio

Gross Floor Area (GFA) of Store Portfolio

(approx. sqm)	As of 31 Dec					As of 28 Feb
	2007	2008	2009	2010	2011	2012
Self-owned stores	463,880 (18 stores)	549,270 (20 stores)	604,730 (22 stores)	929,320 (28 stores)	1,193,970 (35 stores)	1,245,970 (36 stores)
Managed stores	468,300 (13 stores)	493,300 (13 stores)	463,600 (11 stores)	295,100 (8 stores)	159,700 (4 stores)	107,700 (3 stores)
Total	932,180 (31 stores)	1,042,570 (33 stores)	1,068,330 (33 stores)	1,224,420 (36 stores)	1,353,670 (39 stores)	1,353,670 (39 stores)

Both KM and NB Trendy Store were disposed from self-owned to managed since Jan 2007

Wuhan Store became self-owned store since Feb 2008

Hong Kong Store ceased to be a managed store since July 2008

Kunming & Ningbo Trendy stores became self-owned store since Mar and Apr 2009 respectively

Xiamen Store ceased to be a self-owned store since June 2009

Shanghai Pujian Branch Store became self-owned store since Jan 2010

Shenyang Taiyuan Street Branch Store ceased to be a self-owned store since Apr 2010

Beijing Store and Chengdu Store became self-owned store since Aug and Oct 2010 respectively

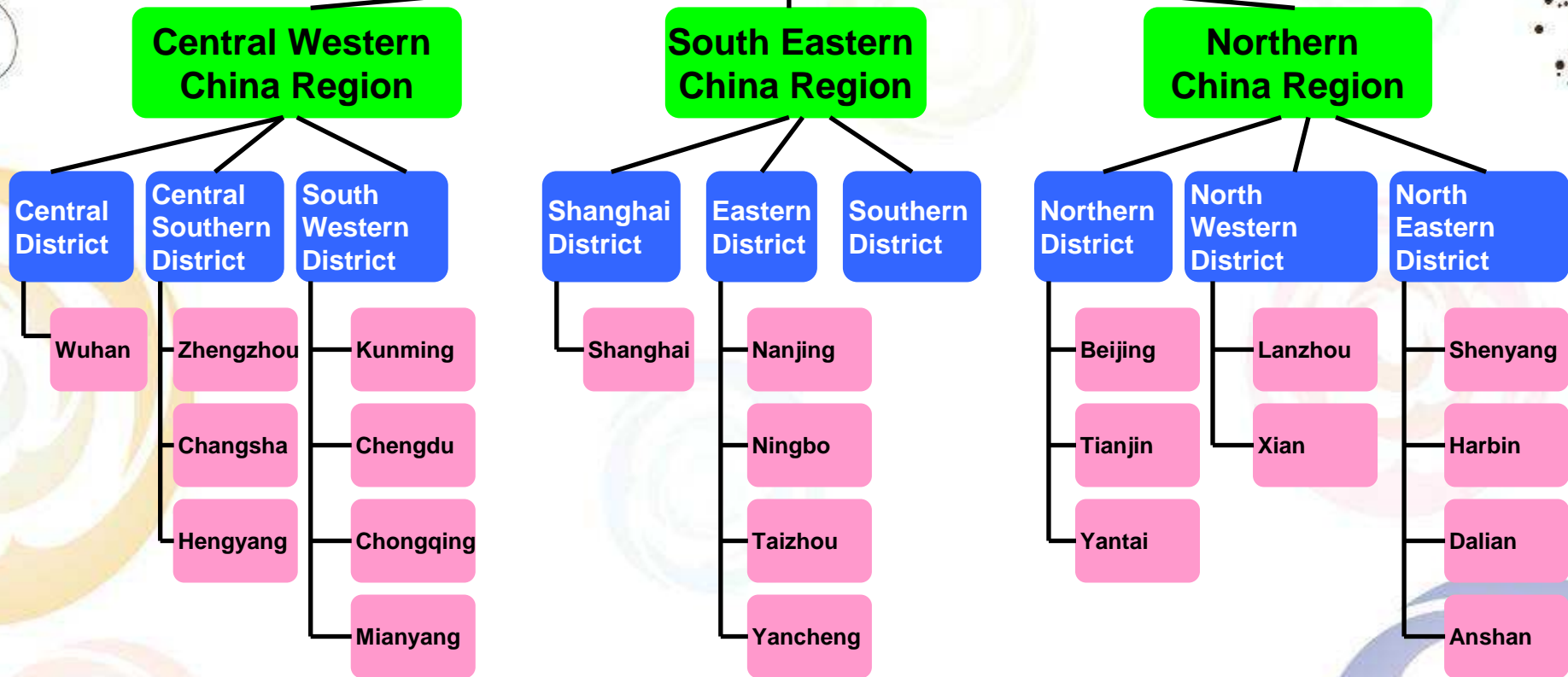
Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store became self-owned store in Jan, Mar and Apr 2011 respectively

Wuxi Store ceased to be a self-owned store since May 2011

Lanzhou Store became self-owned store since Nov 2011

Beijing Liying Store became self-owned store since Jan 2012

New Structure of Operational Region



© Tying in with our development strategy to further spread through China, we have optimized the structure of our operational region into 3 regions and 9 districts

Latest Update and Store Pipelines



Operating Right Acquisition in 2H FY12

Acquisition

Beijing Liying Store

生活馆



Operating Right Consideration:

Approx. RMB5,000,000

Location: 16 Wangjingguangshun South Road, Chaoyang District, Beijing, China

Self-owned Store:
GFA: approx. 52,000 sq. m.

Completed in January 2012

 **The operating right acquisition of the managed Beijing Liying store was completed in January 2012.**

Store Expansion in 2H FY12

Expansion

Shenyang Jianqiao Road Branch Store

生活馆



Location:

7 Jianqiao Road, Dadong District, Shenyang, Liaoning Province

Self-owned Store:

GFA: approx. 34,000 sq.m.
After expansion, total GFA will increase to approx. 68,000 sq.m

Expanded area is expected to commence operation in 2H FY12

◎ The expansion of Shenyang Jianqiao Road Branch Store is expected to commence operation in 2H FY12

New Store in FY13

New Store

Yancheng Project



Location:

Jianjun Middle Road, Yancheng, Jiangsu Province

Self-owned Store:

GFA: approx. 54,000 sq. m.

Expected to commence operation in FY13

生活馆



New Store

Xian Project



Location:

North Street West, Lianhu District, Xian, Shaanxi Province

Self-owned Store:

GFA: approx. 58,500 sq.m.

Expected to commence operation in FY13

生活馆



 **2 new self-owned stores are expected to commence operation in FY13**

New Store in FY13

New Store

Yantai Project



Location:

Laishan District, Yantai, Shandong Province

Self-owned Store:

GFA: approx. 55,000 sq.m.

Expected to commence operation in FY13

生活馆



New Managed Store

Ningbo Project



Location:

Wang Shan Street, Beiyun district, Zhejiang Province

Managed Store:

GFA: approx. 60,000 sq.m.

Expected to commence operation in FY13

生活馆



- ① 1 self-owned store is expected to commence operation in Shandong Province in FY13
- ② The opening of new managed store in Ningbo will enhance our foothold into Eastern region

New Store in FY14

New Store

Hengyang Project



Location:

Jiefang West Road, Hengyang,
Hunan Province

Self-owned Store:

GFA: approx. 42,200 sq.m.

Expected to commence operation in FY14

生活馆



**New Managed
Shopping Mall**

Yantai Project



Location:

Laishan District, Yantai,
Shandong Province

Managed Shopping Mall:

GFA: approx. 46,000 sq.m.

Expected to commence operation in FY14

生活馆



- ◎ To enter the Hengyang market in FY14, further expand our foothold in Central Region.
- ◎ 1 managed shopping mall is expected to commence operation in Shandong Province in FY14.

Store Expansion in FY14

**Phase II
of Shenyang
Nanjing Street
Store**

**Phase II of Shenyang
Nanjing Street Store**

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Location:

Level 1-5 of
Nanjing South
Road, Shenyang
City, Liaoning
Province

Self-owned Store:

GFA: approx. 25,400 sq.m.

Expected to commence operation in FY14

◎ Phase II of Shenyang Nanjing Street Store will enhance the Company's competitive edge in Taiyuen Street commercial circle

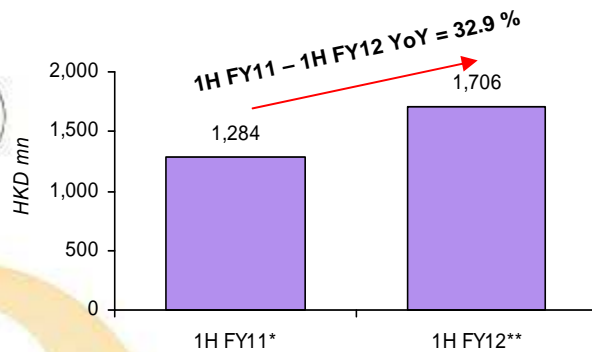
Stores in Pipeline

	FY12	FY13	FY14	Total
Self-owned stores	Shanghai Channel I: 42,000 sq.m. (Acquired)	Yancheng Store: 54,000 sq.m. (Greenfield)	Hengyang Store: 42,200 sq.m. (Greenfield)	
	Mianyang Store: 35,000 sq.m. (Greenfield)	Xian Store: 58,500 sq.m. (Greenfield)	Phase II of Shenyang Nanjing Street Store: 25,400 sq.m. (Greenfield)	
	Shenyang Jianqiao Road Branch Store: 34,000 sq.m. (Expansion)	Yantai Store: 55,000 sq.m. (Greenfield)		
	Lanzhou Store: 27,200 sq.m. (Acquired)			
	Beijing Liying Store: 52,000 sq.m. (Acquired)			
Managed Store		Ningbo Store: 60,000 sq.m.		
Managed Shopping Mall			Yantai Store: 46,000 sq.m.	
Total	190,200 sq.m.	227,500 sq.m.	113,600 sq.m.	531,300 sq.m.

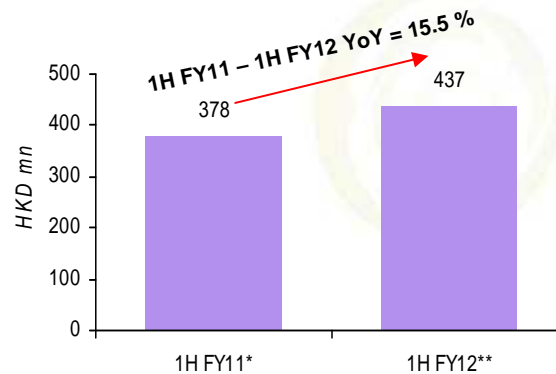
Results Highlights

Financial Highlights

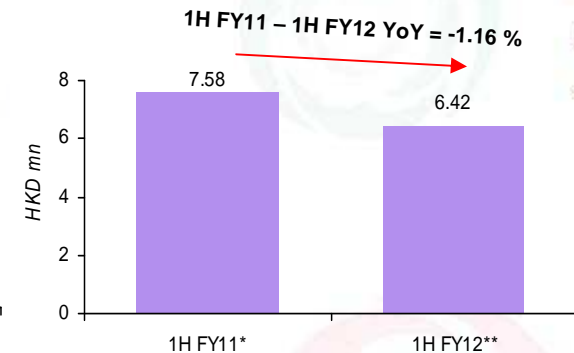
Revenue



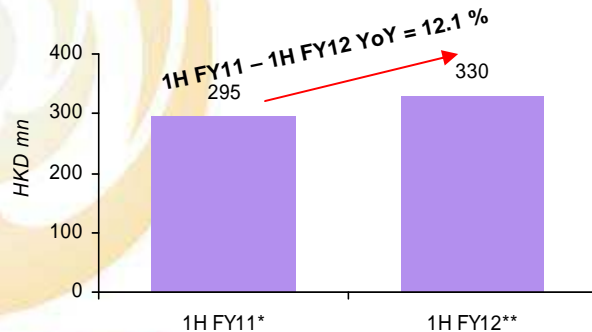
EBIT



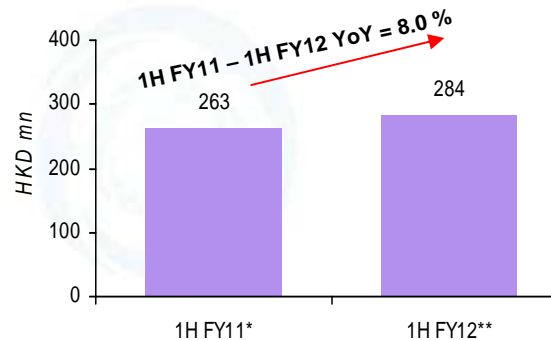
EBIT Margin (As a % of GSP)



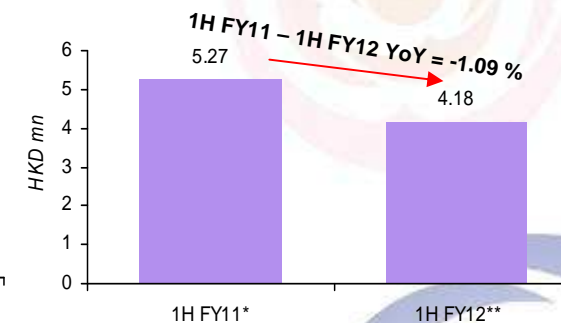
Net Profit (Reported)



Net Profit (Adjusted)



Net Margin (As a % of GSP)

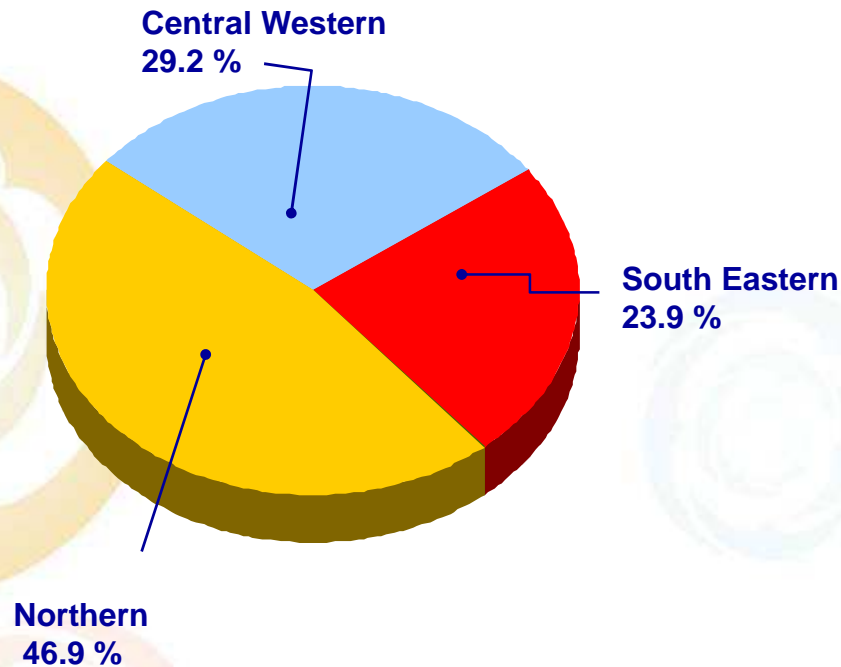


Organic net profit did not include:

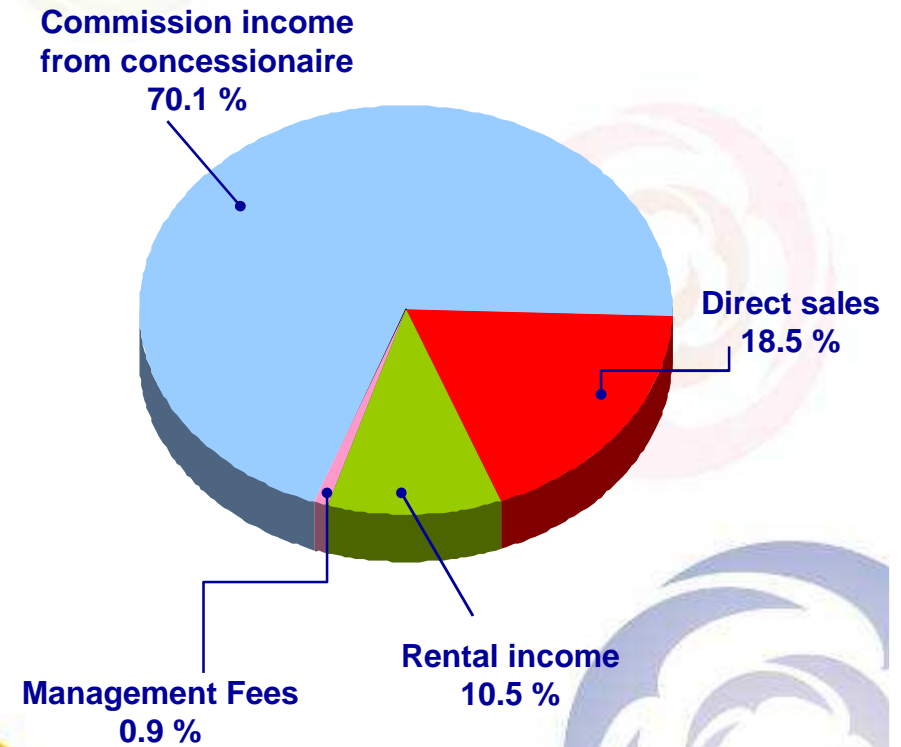
- Other gains
- Changes in fair value of investment properties

Revenue Analysis

Revenue contribution by region
in 1H FY12

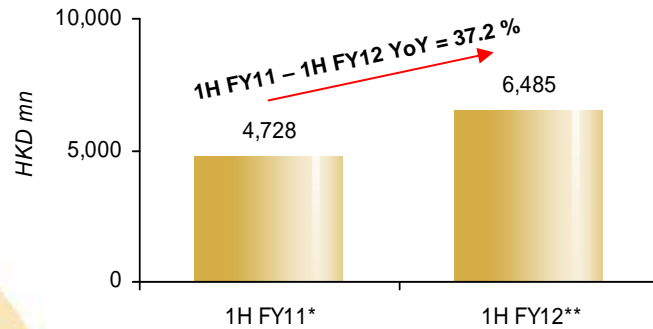


Revenue contribution by segment
in 1H FY12

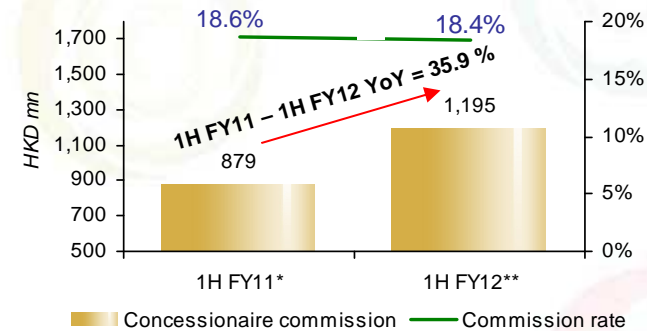


Revenue Analysis

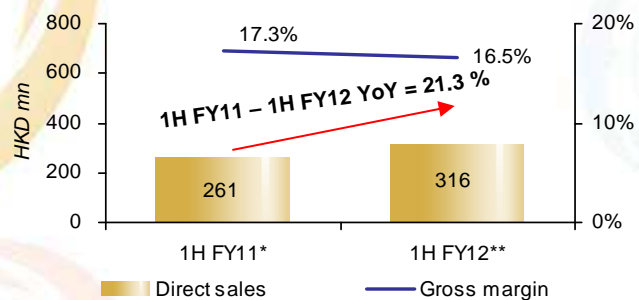
Concessionaire gross sales revenues



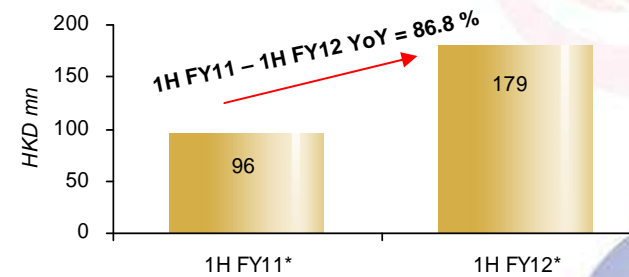
Concessionaire commission



Direct sales and its gross margin



Rental Income

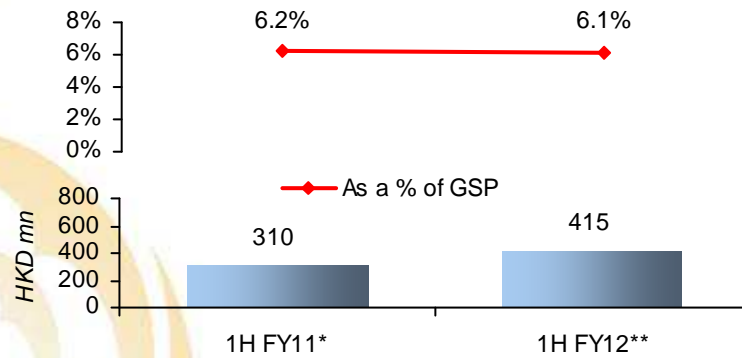


* For the six months ended 31 December 2010.

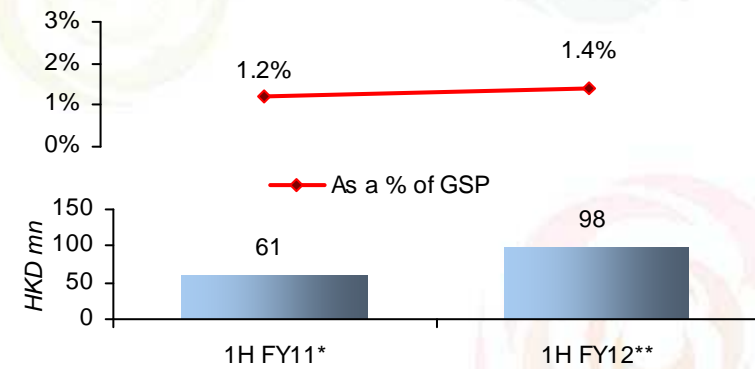
** For the six months ended 31 December 2011.

Expense Ratios

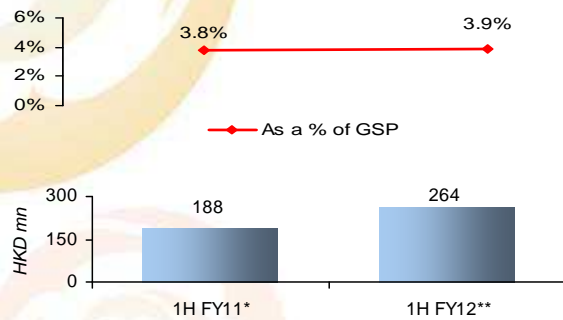
Rental expense



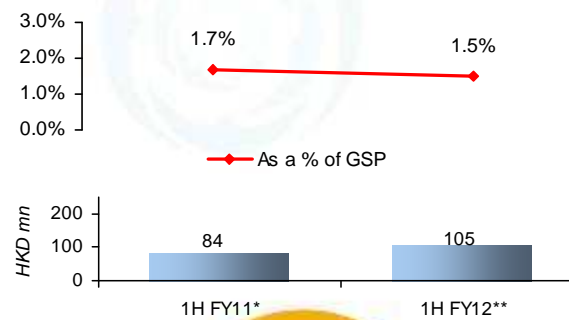
Selling expense



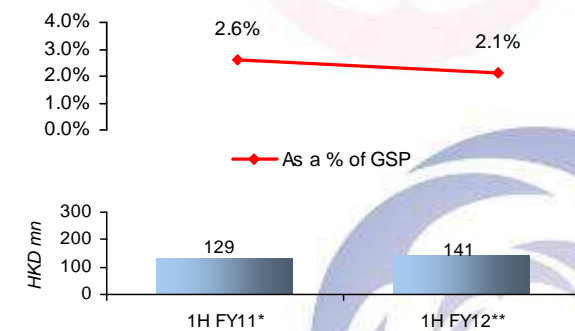
Staff expense



Water and electricity expense



Depreciation and amortisation expense



Operational & Marketing Strategies

Operational Review & Marketing Strategies



1. Rebranding & Renovation Progress

Cities	Status
Shenyang	Completed
Harbin	Completed
Tianjin	Completed
Beijing	Completed
Lanzhou*	Completed
Shanghai*	Completed
Ningbo, Nanjing and Taizhou	In progress, expected to finish in 2012
Anshan and Dalian	In progress, expected to finish in 2012
Wuhan	1 store Completed, other 5 stores expected to finish in 2012
Changsha	In progress, expected to finish in 2012
Chongqing	In progress, expected to finish in 2012
Chengdu	In progress, expected to finish in 2012
Kunming	In progress, expected to finish in 2012

*Lanzhou Store and 5 stores in Shanghai were finished on Dec 2011

Note: The above schedule may subject to change.

2. Reinforced Merchandise Mix Strategy

- ③ Develop and Strengthen more category killer products
 - ③ Introduce more N-only exclusive merchandise for differentiation
 - ③ Optimize the merchandise portfolio to spotlight the uniqueness of products
 - ③ Explore more exclusive brands and actively promote direct sales brand
- ③ Enhance the sales display strategy to stimulate customers' repeat purchase and increase the number of consumption
 - ③ Cross display of commodities
 - ③ Customer-oriented
 - ③ Combine the product mix according to consumer habits
- ③ Execute in-depth brand analysis and market research
 - ③ Collect accurate information and analysis of consumer preferences



3. Unique Marketing Strategy

- ① Traditional Festivals: Design annual decoration with unified-image to boost traffic and cultivate customers' annual expectation and habit to visit store
- ② Newly Welcomed Festivals: Grasp the opportunities of newly popular festivals such as Halloween and White Valentine's Day, etc. to create innovative activities to attract diversified customers
- ③ Non-festival Days: Create special thematic activities e.g. Fashion Week, etc. to stimulate customers' desire of patronage and boost traffic
- ④ Landmarked activities have been created to attract more customers including "Stamp Collection Redemption", "Non-stop overnight sales" and "VIP Exclusive Banquet".
- ⑤ Collaboration with third parties to tailor special promotions to customers such as "Super Stars Memorable Collection Exhibition", "Ocean Park Fun", etc.



White Valentine's Day



Halloween promotions



Chinese New Year Decoration and Christmas Decoration

4. Enhanced VIP Program

① New VIP Club Promotion

- ① Introduce the new VIP “Crystal High Heels Club” according to consumers preference on “Shoes” category
- ① Promote the “7 Moods of a Week—NWDS VIP Card Design Competition”, let our customer to design their own VIP card in order to attract young customers and expand our VIP member base

① VIP Contribution:

- Over 2.39 million VIP members as at 31 Dec 2011, ↑ 22.6% year-on-year
- VIP contributed approx. 51% to the total sales turnover in 1H FY12, ↑ 5ppt year-on-year
- VIP sales increased approx. 30% year-on-year
- Exclusive activities for Smart Lady Club, Perfect House Wife Club, Platinum Style Club and Crystal High Heels Club
- Over 960,000 VIP Club members as at 31 Dec 2011, ↑ 47.7% year-on-year
- About 580,000 holders of co-branded credit card with Bank of Communications as at 31 Dec 2011, ↑ 20.8% year-on-year

Expansion Strategies

Consistent Expansion Strategies

☉ Open new stores

- ☉ Target to add self-owned stores with total GFA of about one million sq.m. in next 5 years, i.e. to increase 10%-20% GFA each year
- ☉ Establish our footholds from first and second tier cities to second and third tier cities
- ☉ To enter new markets with radiation effect from cities where NWDS has a strong presence
- ☉ Multiple presences within a single city

☉ Acquisitions

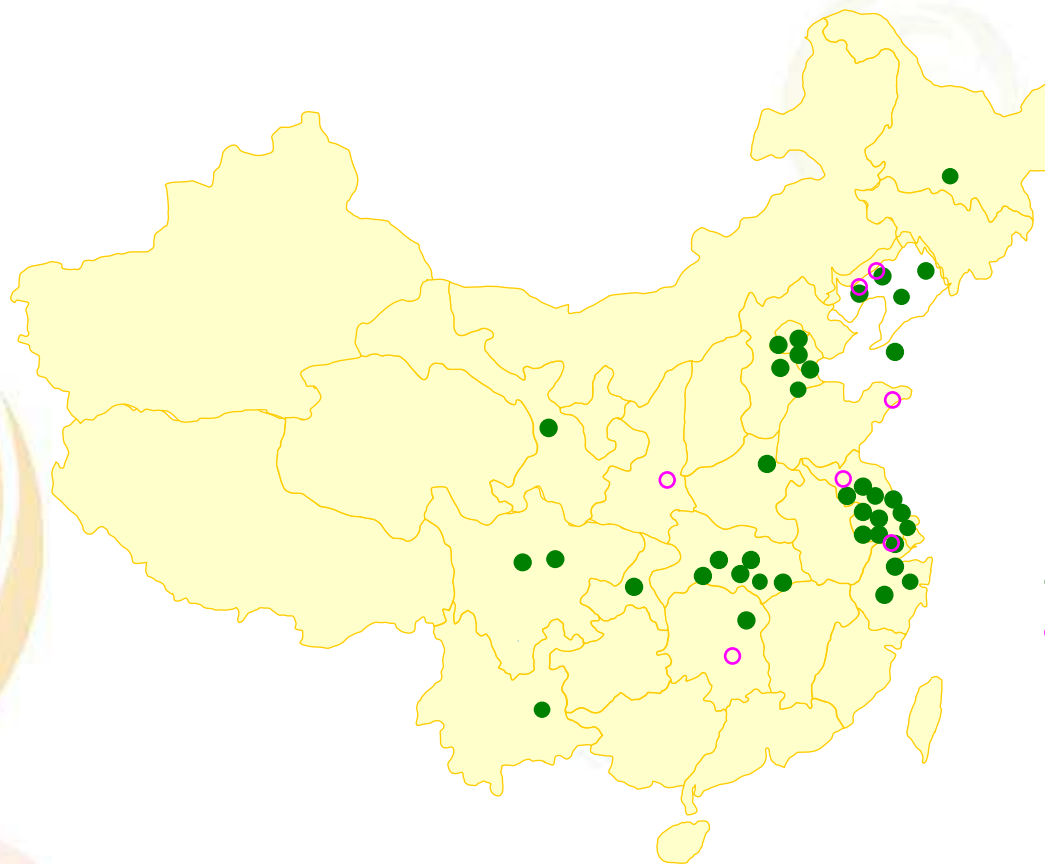
- ☉ Increase the GFA of owned properties to around 20%-30% of total GFA
- ☉ Acquire existing managed stores
- ☉ Acquire potential stores in prime locations

☉ Increase managed stores

☉ Greenfield projects

- ☉ Looking for opportunities on greenfield projects

Continue to Grow Our Retail Network



- Existing self-owned and managed stores
- New stores/expansion in the pipeline

~ As of 28 Feb 2012 ~

Our Mission

***“Striving to lay a good foundation for a
New Brand Roadmap”***



Open Forum

