



新世界百貨中國有限公司

New World Department Store China Limited

# Corporate Presentation

## October 2009



NWDS-CAD-r260\_Final

(HK Stock Code: 825)

# 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



- ① **Key Achievements for FY2009**
- ② **Latest Update**
- ③ **Results Highlights**
- ④ **Future Strategies – Operational Strategies**
- ⑤ **Future Strategies – Expansion Strategies**
- ⑥ **Open Forum**

# Key Achievements for FY2009



# Key Achievements

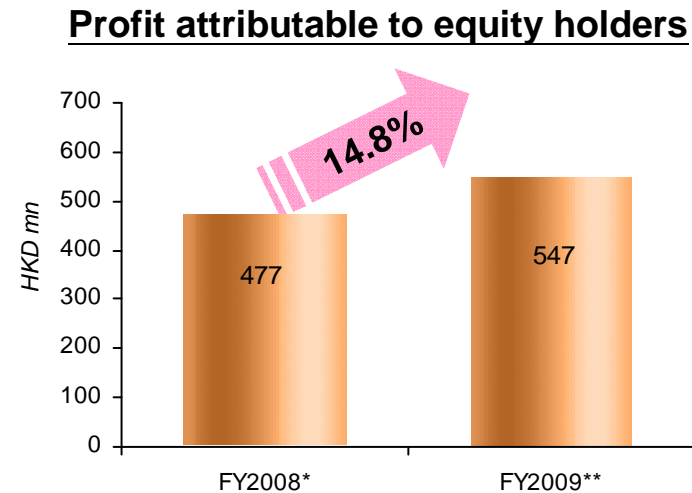
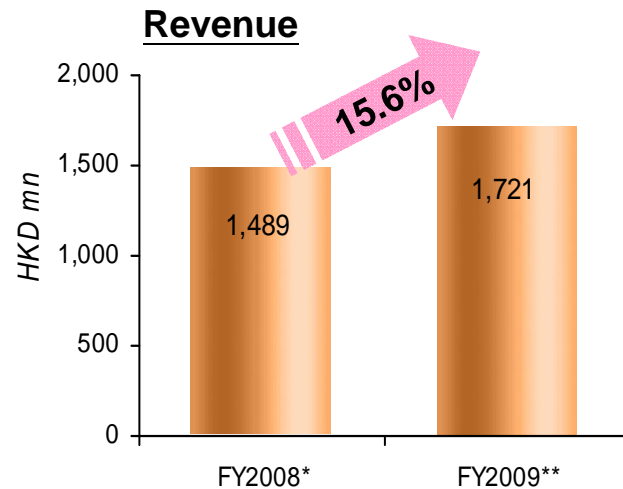


## Steady Growth

Revenue grew 15.6% to HK\$1,721.2million and profit attributable to equity holders increased 14.8% to HK\$547.3million

## Maintain an upward trend

Operating margin achieved 40.4% in FY2009 from 39.6% in FY2008, representing an increase of 0.8ppts.



# Key Achievements *(cont'd)*



## **Extensive retail network**

**No. of stores increased to 33 as of 30 June 2009, with a total GFA of 1,063,470 sq. m. covering 17 cities**

## **Strong customer base**

**Well-established VIP membership program with about 1.65million members**

## **Exceptional financial health**

**As of 30 June 2009, the Company remained debt-free and was in a net cash position with cash on hand of about HK\$2,924million.**

## **Steady same-store sales growth**

**SSSG for all stores : 9%  
SSSG for self-owned stores : 5%**

## **A Highly Commendable Retail Operator in the Region**

**Accredited as “Asia’s 200 Best Under a Billion” and “China Corporate Credibility Accreditation” during FY09**

# Key Achievements - Expansion



## New Store Beijing Liying Store



**District:**

- Chaoyang District, CBD area of Beijing

**Managed Store:**

- GFA: approx. 52,000 sq. m.
- Commenced operation in Sept 2008

## New Store Wuhan Hanyang Branch Store



**District:**

- Zhong Jia Cun Commercial Circle, Hanyang District

**Self-owned Store:**

- Level 1-6
- GFA: approx. 53,000 sq. m.
- Level 1-5 commenced operation in Nov 2008
- Level 6 will commence operation by 2010

## New Store Taizhou Store




**District:**

Jiaojiang District, Taizhou

**Self-owned Store:**

- Level 1-3 and basement carpark
- GFA: approx. 30,000 sq. m.
- Commenced operation in Apr 2009

 In FY09, 2 self-owned stores commenced operation in Wuhan and Taizhou, while 1 managed store opened in Beijing.

# Key Achievement

## - Expansion of Existing Store



Expansion

### Expanded Operation of Harbin Store



#### Location:

Nangang District, Harbin

#### Self-owned Store:

- GFA: approx. 50,000 sq. m. (+ approx. 18,000 sq. m.)
- Expanded area was in phased operation starting from May 2009

⊙ After the expansion, the area of Harbin Store was enlarged from a GFA of about 32,000 sq. m. to about 50,000 sq. m. The store then brings about greater brand diversification to widen its target customer group, as well as fully utilizing the floor space and optimize merchandise mix.



# Key Achievement - Acquisition



## Acquisition

### Kunming Store



**Consideration:**  
HKD3,000,000

**Location:**  
Level 1-4 and one  
basement  
432 Qingnian Road, Wuhua  
District, Kunming, Yunnan

**Size of store:**  
GFA: approx. 12,600 sq.m.

## Acquisition

### Ningbo Trendy Store



**Consideration:**  
RMB2,000,000

**Location:**  
Level 1 – 4  
137 Zhongshan Dong Road,  
Haishu District, Ningbo,  
Zhejiang

**Size of store:**  
GFA: approx. 10,600 sq.m.

- ① Kunming Managed Store became self-owned since Mar 2009, while Ningbo Trendy Managed Store was converted to self-owned store since Apr 2009.
- ② The Company owns the first self-owned store in Southwestern China which helps consolidate its market position in the region.
- ③ Whereas the acquisition of Ningbo Trendy Store can further enhance the Company's presence in Zhejiang Province.

# Key Achievements – Increasing Store Portfolio



## Gross Floor Area (GFA) of Store Portfolio

<i>(approx. sqm)</i>	As of 30 June				
	2005	2006	2007	2008	2009
Self-owned stores	285,170 (14 stores)	388,370 (17 stores)	* 395,170 (16 stores)	** 506,270 (19 stores)	***601,370 (22 stores)
Managed stores	150,000 (3 stores)	177,200 (4 stores)	* 422,300 (12 stores)	** 456,300 (13 stores)	***462,100 (11 stores)
Total	435,170 (17 stores)	565,570 (21 stores)	817,470 (28 stores)	962,570 (32 stores)	1,063,470 (33 stores)

\* DL Store was disposed from self-owned to managed since July 2006 , while 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

\*\*\*HK Store ceased to be a managed store since July 2008

KM & NB Trendy stores became self-owned store since Mar and Apr 2009 respectively

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

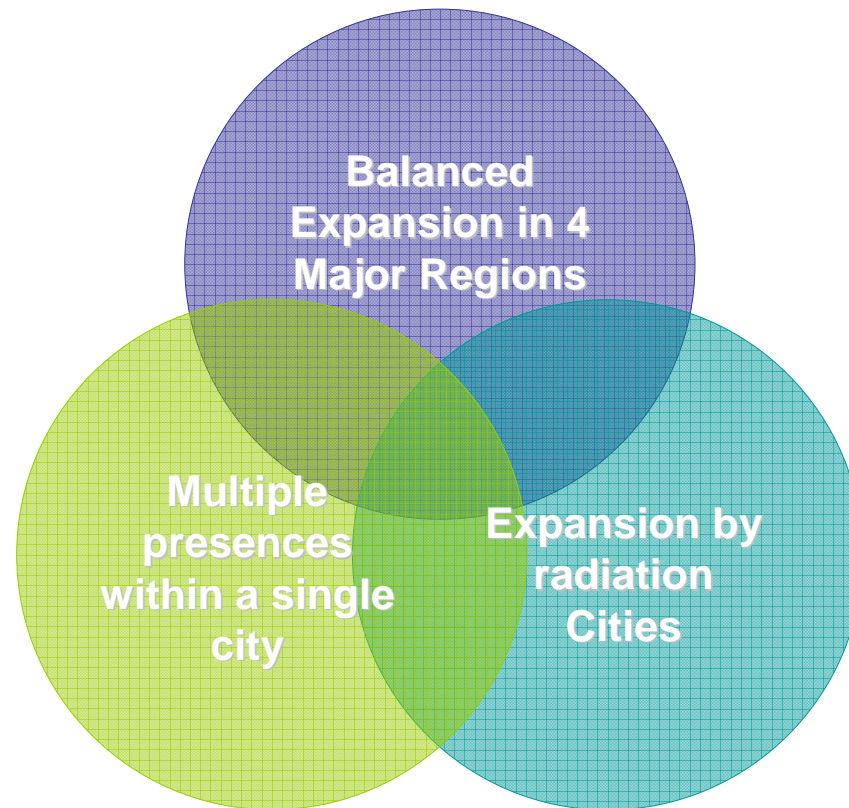
# Latest Update



# New Projects



## Adopted a consistent expansion strategy



# Northeastern China Region



时尚馆



## Shenyang Jianqiao Road Branch Store



### Consideration:

Approx. RMB287,540,000  
(including the right to use the car park)

### Location:

Level 1 – 7 on land parcel of  
Jinqiao Road South, Dadong  
District

### Self-owned Store: (Fashion Gallery)

GFA: approx. 32,500 sq.m.  
Will commence operation in 2011

◎ The expansion will extend our presence in both Taiyuan Street and Zhong Street Commercial Circle.

# Northern China Region



时尚馆



## Beijing Shishang Store



### Location:

Chongwen District, Beijing

### Self-owned Store: (Fashion Gallery)

GFA: approx. 40,000 sq. m.

- First “Feminine Club” Department Store in Beijing
- Will commence operation in 2010

The opening of Beijing Shishang Store will bring our store portfolio in Northern China Region to 6 stores.

# Central China Region



生活馆



## Zhengzhou Store



### Consideration:

Approx. RMB307,317,000

### Location:

Level 1- 4 on land parcel of Shangchang Road North and Zijingshan Road East , Zhengzhou

### Self-owned Store: (Living Gallery)

GFA: approx. 34,500 sq.m.  
Will commence operation in 2011

◎ The new Zhengzhou store will further strengthen our presence in Central China Region.

# Eastern China Region



生活馆 

## Shanghai Chengshan Branch Store



**Location:**  
Basement & Level 1-3  
on Chengshan Road of  
Pudong New District,  
Shanghai

**Self-owned Store:  
(Living Gallery)**  
GFA: approx. 38,000 sq.m.  
Will commence operation  
in 2010

生活馆 

## Shanghai Baoshan Branch Store



**Location:**  
Basement 1-2 & Level  
1 – 5 on Zhenhua Road of  
Baoshan District,  
Shanghai

**Self-owned Store:  
(Living Gallery)**  
GFA: approx. 39,000 sq.m.  
Will commence operation  
in 2010

 **The two new self-owned stores in Shanghai are expected to commence operation in 2010. The expansion is consistent with our “multiple presences within a single city” strategy.**



# Results Highlights



# Financial Highlights



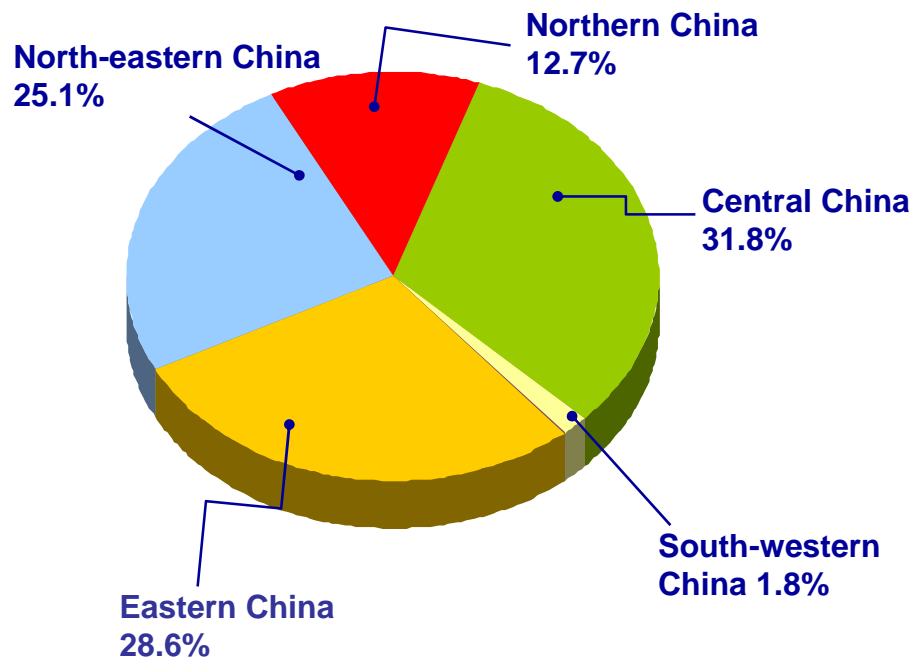
<i>For the year ended 30 June (HK\$'000)</i>	FY2009	FY2008	Change
Revenue	1,721,246	1,489,345	15.6%
Other income	112,939	119,250	-5.3%
Operating profit	695,032	589,394	17.9%
Operating profit margin	40.4%	39.6 %	+0.8ppts
Profit before income tax	692,966	600,183	15.5%
Net profit <sup>(1)</sup>	547,309	476,575	14.8%
Net profit margin	32%	32%	-
Cash on hand	2,923,521	3,127,627	-6.5%
Earnings per share	0.32	0.29	10.3%

(1) Net profit refers to profit attributable to equity holders.

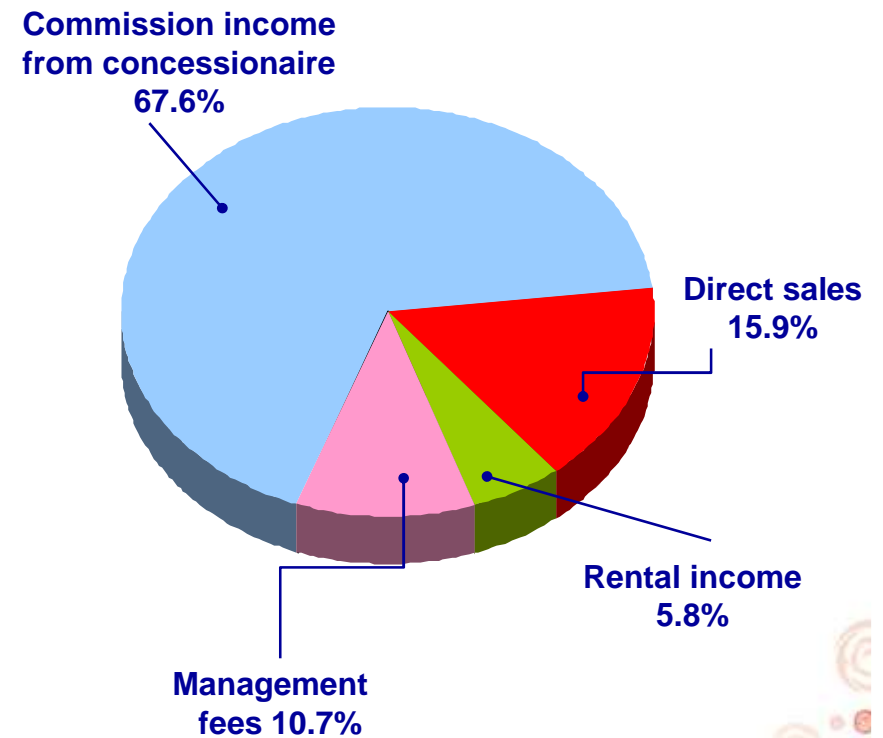
# Revenue Analysis



Revenue contribution by region  
in FY2009



Revenue contribution by segment  
in FY2009

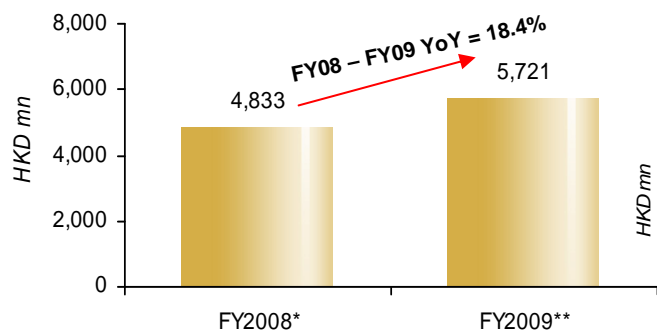


\*\* For the year ended 30 June 2009.

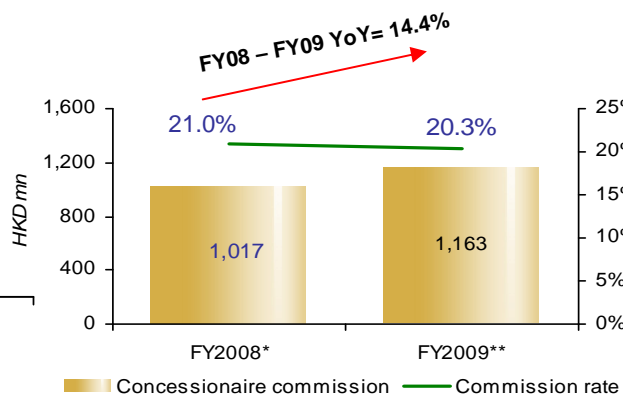
# Revenue Analysis (cont'd)



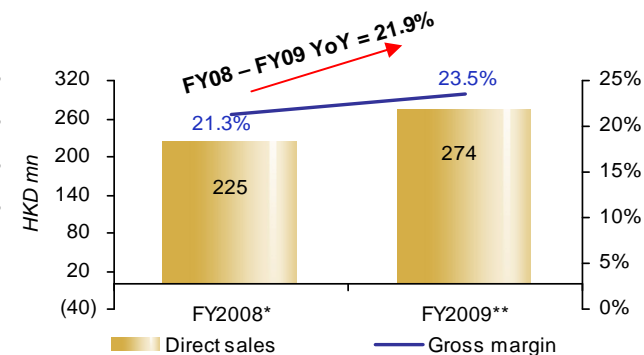
## Concessionaire gross sales revenues



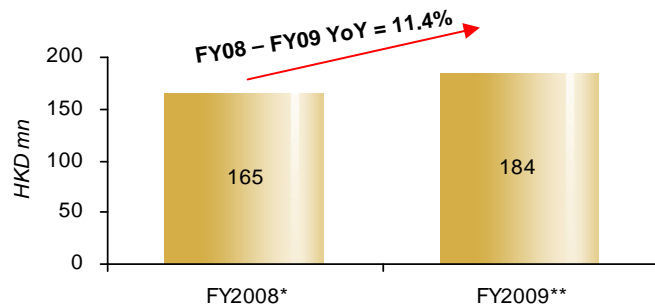
## Concessionaire commission



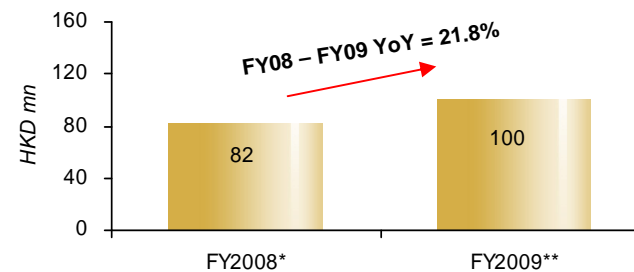
## Direct sales and its gross margin



## Management fees



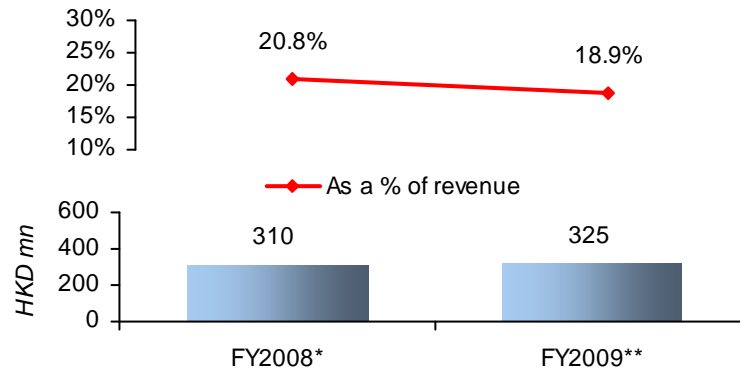
## Rental Income



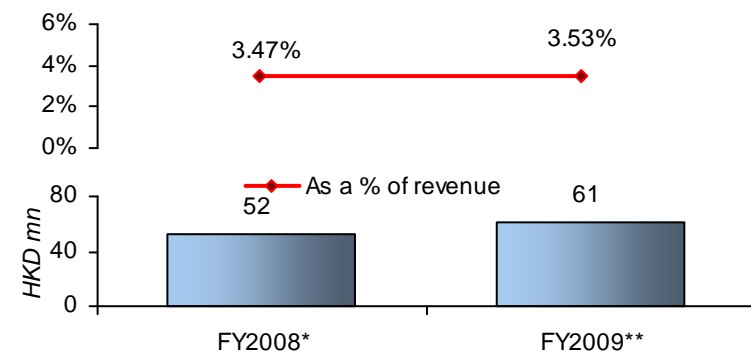
# Stable Expense Ratios



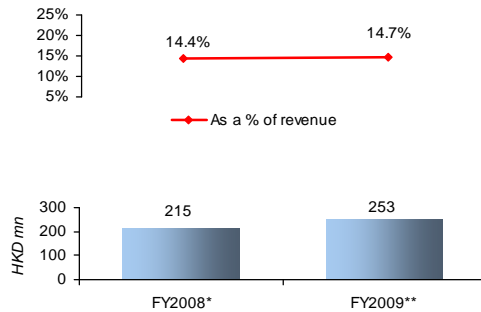
## Rental expense



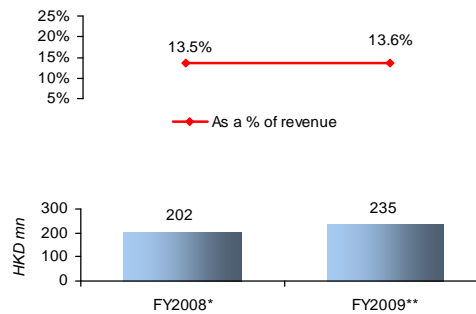
## Selling expense



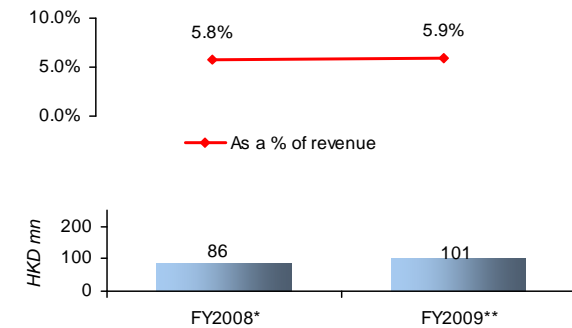
## Staff expense w/ Share options



## Staff expense w/o Share options



## Water and electricity expense



# Future Strategies - Operational Strategies



# Operational Strategies



# Rebranding Program



## Rebranding Program



**Abandoning the Old**

No more NWDS stores will be positioned by class-basis (e.g. high-end, middle-end, low-end etc.)



**Fashion Gallery**

### “Themed” Dept Store

- Stores with smaller GFA (Under 35,000 sq.m. on average)
- Focus on “Mix & Match”
- Emphasize the “personality” and “theme” of store
- Introduce exclusive brands or designer label
- Aim at becoming local “trendy” landmark

**Creating the New**

Introducing brand-new NWDS’ market positioning (“Fashion Style” and “Living Style”) for our stores



**Living Gallery**



### One-stop Shopping Spot

- Selected stores with larger GFA (Above 35,000 sq.m. on average)
- Department stores merge with elements of shopping mall
- About 20%- 30% of store GFA will be assigned for dining and leisure services
- Meeting the needs of “clothing, dining, living, travelling and entertaining”



# Rebranding Program (cont'd)

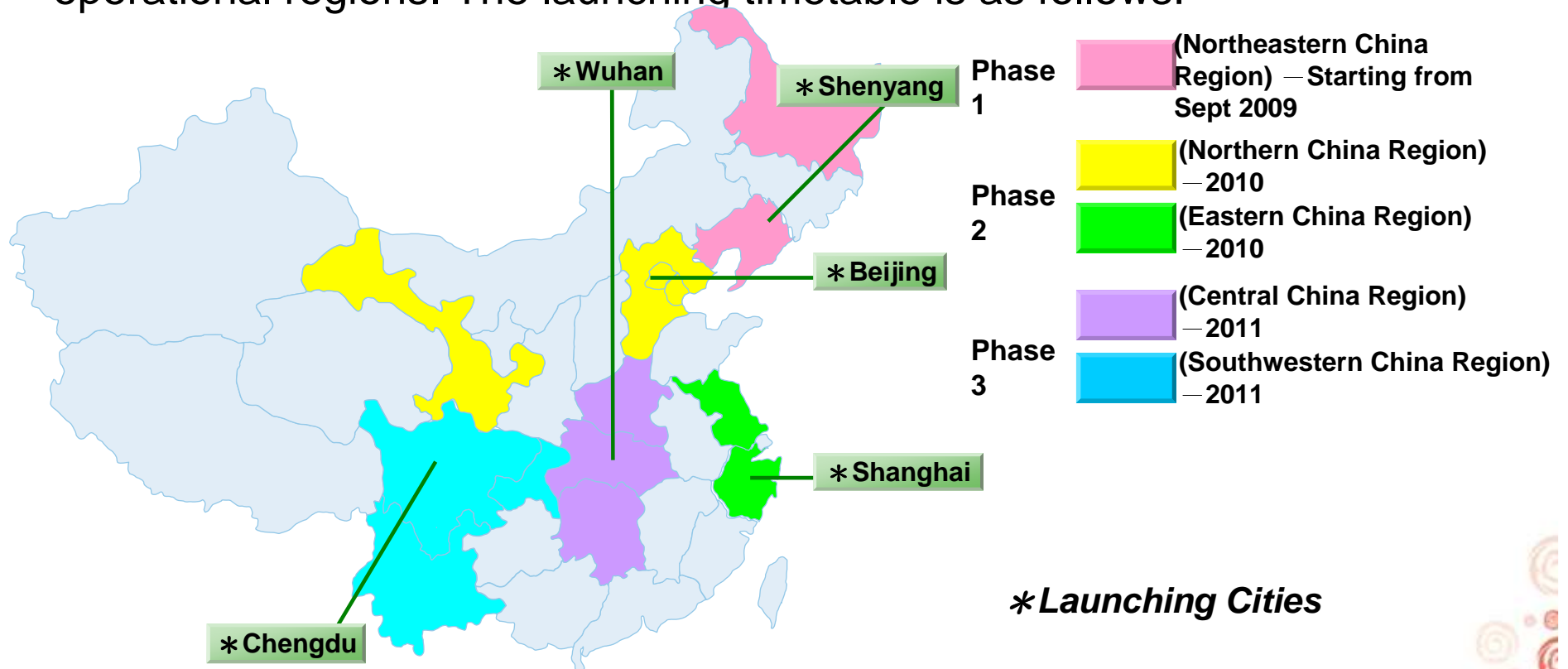


Operational Region	生活馆 	Approximate GFA (sq.m.)	时尚馆 	Approximate GFA (sq.m.)
Northeastern China Region	2	94,000	5	124,190
Northern China Region	3	201,000	3	98,600
Central China Region	4	171,500	4	110,650
Eastern China Region	5	203,550	9	169,880
Southwestern China Region			3	84,100
<b>Total</b>	<b>*14</b>	<b>*670,050</b>	<b>*24</b>	<b>*587,420</b>

# Rebranding Schedule



The rebranding program will be launched in 3 phases according to different operational regions. The launching timetable is as follows:



# Rebranding Program in 3 Stages



**1st Stage – Revamp Merchandise Mix**



Themed Dept. Store



One-stop Shopping Spot

**2nd Stage – Revamp In-store graphics and decoration**



**3rd Stage – Revamp Interior Design and refurbish shopping atmosphere**



# Expected Results of the Rebranding Program



时尚馆 

## Themed Dept. Store

- ① To satisfy customers' special needs
  - ② Enhance customer's patronage
  - ③ Increase per ticket size
  - ④ Increase per unit price and no. of unit per purchase
  - ⑤ Boost conversion rate
  - ⑥ Enhance customers' loyalty

生活馆 

## One-stop Shopping Spot

- ① Rich supplementary facilities and comfortable shopping environment for stylish living
  - ② Widen customer group
  - ③ Increase pedestrian traffic
  - ④ Prolong the time each customer spend in store and therefore enhance their chance to shop
  - ⑤ Increase no. of unit per purchase
  - ⑥ Boost no. of transaction

# Event Hall Concept



## Event Hall

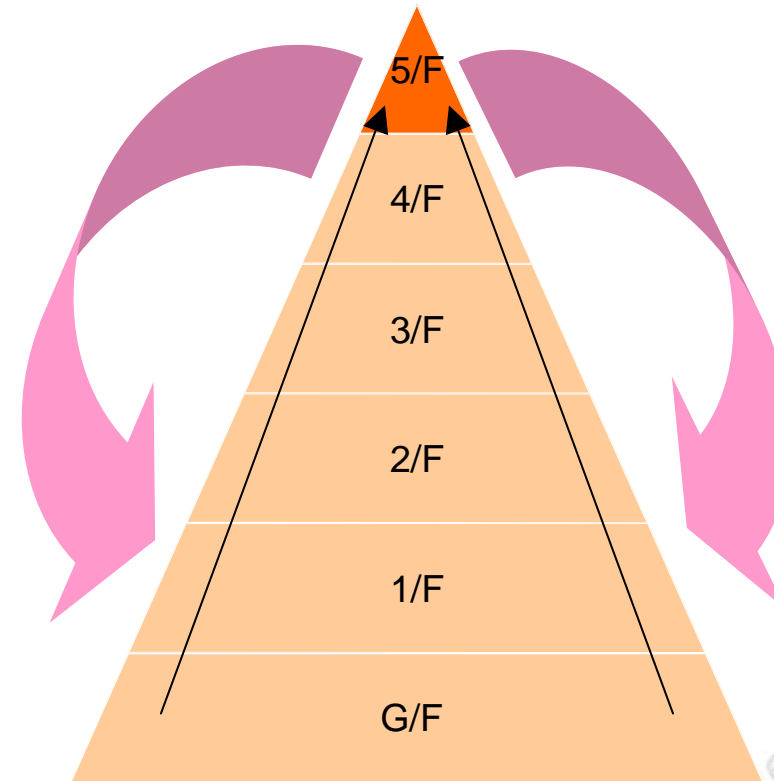
### Event Hall Concept

Uppermost level of our department stores with larger GFA are transformed into Event Hall

### Advantage

Create a “showering” effect : Customers are attracted to event venue at upper floors, pedestrian flow will then spread from upper floors to the lower floors of the store

### Pedestrian flow



# Brand Outlet Concept



## Brand Outlet

### Brand Outlet Concept

- Applied in selected stores with a smaller GFA
- The entire store will carry popular brands with consistent image and counter design as other stores
- Combined Event Hall Concept to repackage as Brand Outlet Floor
- Mainly sold out-seasoned item with discounted price throughout the year



### Advantage

- Opportunity for suppliers' stock clearance
- Initiate customers' shopping sentiments with discounted label items year round



# Nationwide VIP Programmes



## Well-established & nationwide VIP membership program



- **VIP card was first launched in 1996**
- **To further expand the VIP customer base**
  - VIP Platinum Card was launched in 2005
  - Co-branded credit card with Bank of Communications was launched in February 2007
- **About 1.65 million members as of 30 June 2009**
- **VIP contributed approx. 48% to the total sales turnover in FY09**
- **Holders of co-branded credit card with Bank of Communications increased to about 500,000 in FY09**
- **Successful in promoting customer loyalty and stimulating purchases at our stores**

# VIP Services



## “True Color” Customer Services & Three VIP Clubs



Customer Services Centre



VIP Lounge



Washroom



Washroom



# Future Strategies - Expansion Strategies



# Consistent Expansion Strategies



## 🌀 Open new stores

- 🌀 Maintain our target of opening 2-3 self-owned stores per fiscal year
- 🌀 Multiple presences within a single city
- 🌀 To enter new markets with radiation effect from cities where the Company has a strong presence

## 🌀 Acquisitions

- 🌀 Acquire managed stores
- 🌀 Maintain the GFA of owned properties at around 20%-30% of total GFA
- 🌀 Acquire stores in prime locations

## 🌀 Greenfield projects

- 🌀 Looking for opportunities on greenfield projects

# Strategies to open new stores

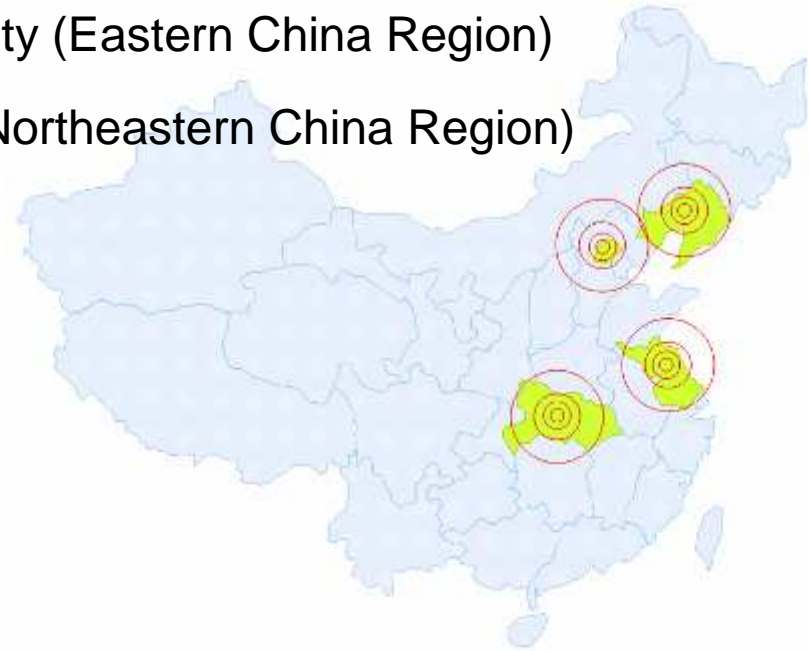


## Multiple presences in a single city

- \*6 stores in Wuhan, Hubei (Central China Region)
- \*4 stores in Beijing Municipal City (Northern China Region)
- \*9 stores in Shanghai Municipal City (Eastern China Region)
- \*4 stores in Shenyang, Liaoning (Northeastern China Region)

## Expansion by radiation effect

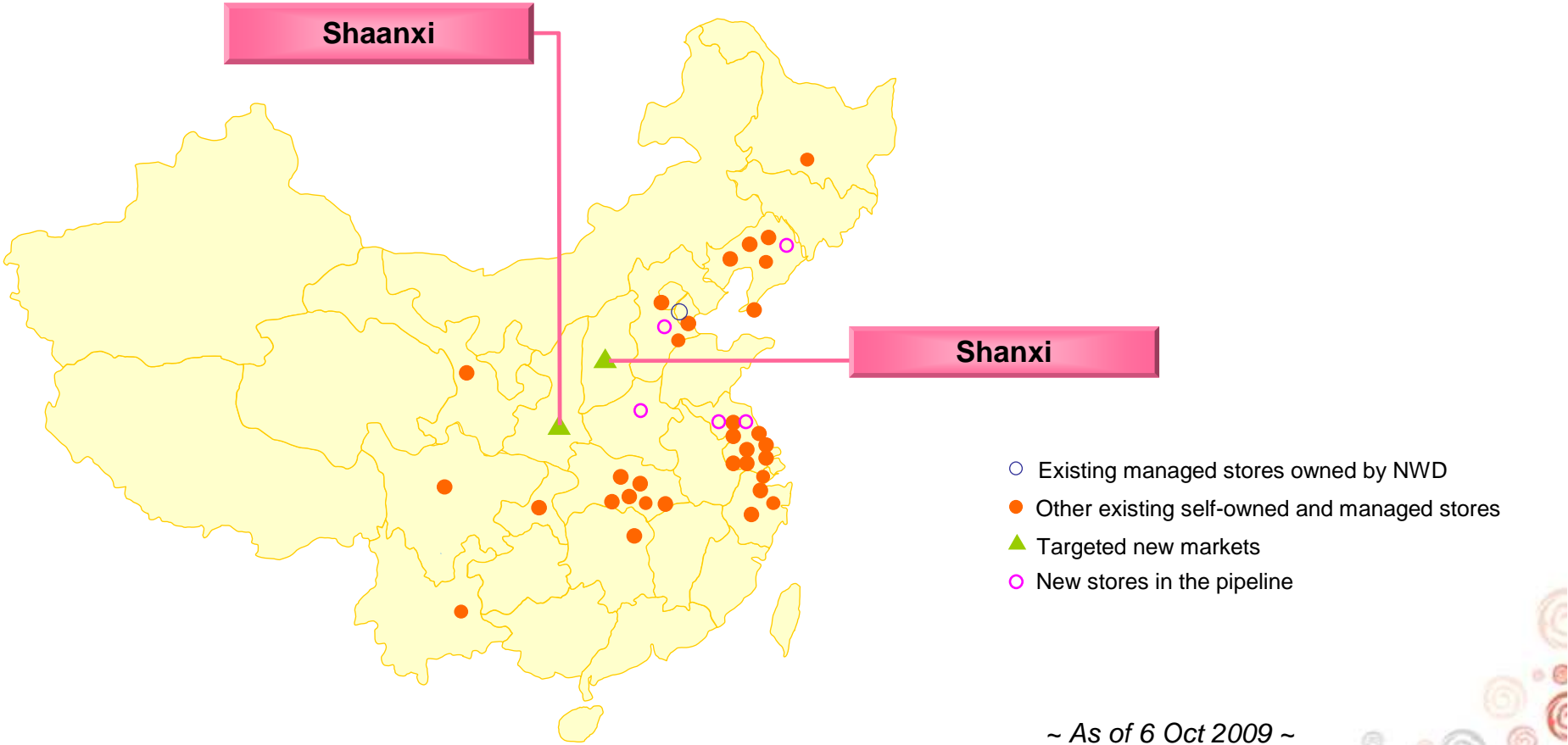
- Zhengzhou in Henan Province
- Nanjing in Jiangsu Province
- Taizhou in Zhejiang Province
- Changsha in Hunan Province
- Anshan in Liaoning Province



*\*Include stores in the pipeline*



# Continue to Grow Our Retail Network



# Our Mission



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



# Open Forum

