



新世界百貨中國有限公司

New World Department Store China Limited

# Corporate Presentation

## March 2010



NWDS-CAD-r112\_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 1H 2009/10**
- ② **Latest Update**
- ③ **Results Highlights**
- ④ **Operational Strategies**
- ⑤ **Expansion Strategies**
- ⑥ **Open Forum**

# Key Achievements for 1H 2009/10



# Key Achievements



## Steady Growth

Revenue grew 11.8% to HK\$988.6 million.

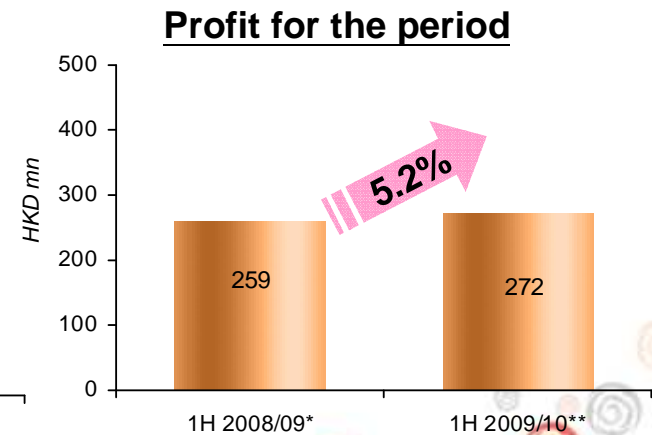
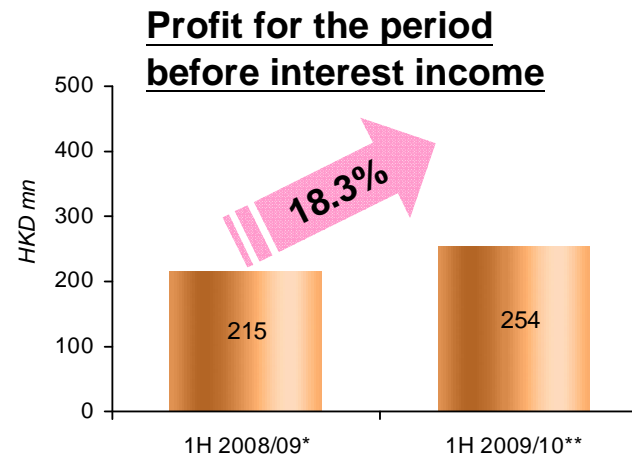
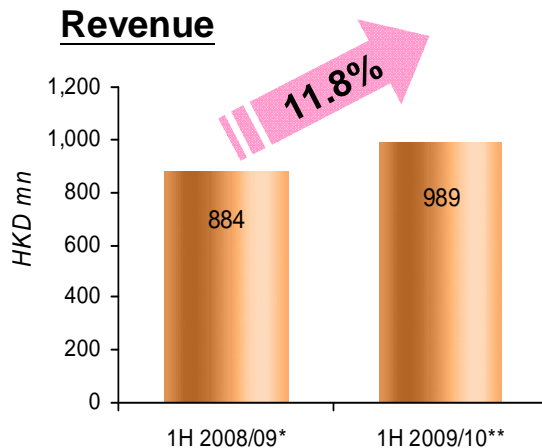
## Maintain an upward trend

Operating profit before interest income on bank deposits increased to HK\$334.6 million in 1H 2009/10 from HK\$280.5 million in 1H 2008/09.

## Profit for the period rose steadily

-Profit for the period before interest income on bank deposits increased to HK\$253.9 million in 1H 2009/10 from 214.7 million in 1H 2008/09.

-Profit for the period increased to HK\$272 million in 1H 2009/10 from HK\$258.6 million in 1H 2008/09.



\* For the six months ended 31 December 2008.  
\*\* For the six months ended 31 December 2009.

# Key Achievements (cont'd)



## **Extensive retail network**

**As of 31 December 2009, our no. of stores was 33, with a total GFA of 1,068,330 sq. m. covering 17 cities**

## **Strong customer base**

**Well-established VIP membership program with about 1.77million members**

## **Exceptional financial health**

**As of 31 December 2009, the Company remained debt-free and was in a net cash position with cash on hand of about HK\$3,413.7million.**

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

**SSSG for self-owned stores : 2.7%**

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

**Accredited twice as “Asia’s 200 Best Under a Billion” by Forbes Asia**



# Key Achievements – Increasing Store Portfolio



## Gross Floor Area (GFA) of Store Portfolio

(approx. sqm)	As of 30 June					As of 31 Dec 09
	2005	2006	2007	2008	2009	1H FY10
Self-owned stores	285,170 (14 stores)	388,370 (17 stores)	395,170 (16 stores)	506,270 (19 stores)	601,370 (22 stores)	604,730 (22 stores)
Managed stores	150,000 (3 stores)	177,200 (4 stores)	422,300 (12 stores)	456,300 (13 stores)	462,100 (11 stores)	463,600 (11 stores)
Total	435,170 (17 stores)	565,570 (21 stores)	817,470 (28 stores)	962,570 (32 stores)	1,063,470 (33 stores)	1,068,330 (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





# Post Interim Acquisition



生活馆



## Shanghai Pujian Branch Store



### Consideration:

Approx. RMB2,000,000

### Location:

Pujian Road, Pudong New District, Shanghai

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

GFA: approx. 46,000 sq.m.

◎ The acquisition will further reinforce the Company's influence in Shanghai's major business circles.

# Post Interim New Store



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.  
Commenced operation  
in Jan 2010

◎ It is consistent with our “multiple presences within a single city” strategy. The expansion also marked our foray into the newly developed community circle in Shanghai, the Baoshan community zone.



# New Projects

## - Eastern China Region



生活馆



### Shanghai Chengshan Branch Store



#### **Location:**

Basement & Level 1- 3 on Chengshan Road of Pudong New District, Shanghai (close to the site of 2010 World Expo in Shanghai)

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

GFA: approx. 38,000 sq.m.  
Will commence operation in 2010

◎ On the one hand, the new store can increase the Company's market share in Shanghai, on the other hand, the store's location can enjoy opportunities brought by the 2010 World Expo.

# New Projects

## - 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.



# New Projects

## - 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 from Taiyuan Street to another prosperous business zone, Zhong Street Commercial Circle.

# New Projects

## - 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. 35,500 sq.m.  
Will commence operation in 2011

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



# Results Highlights



# Financial Highlights

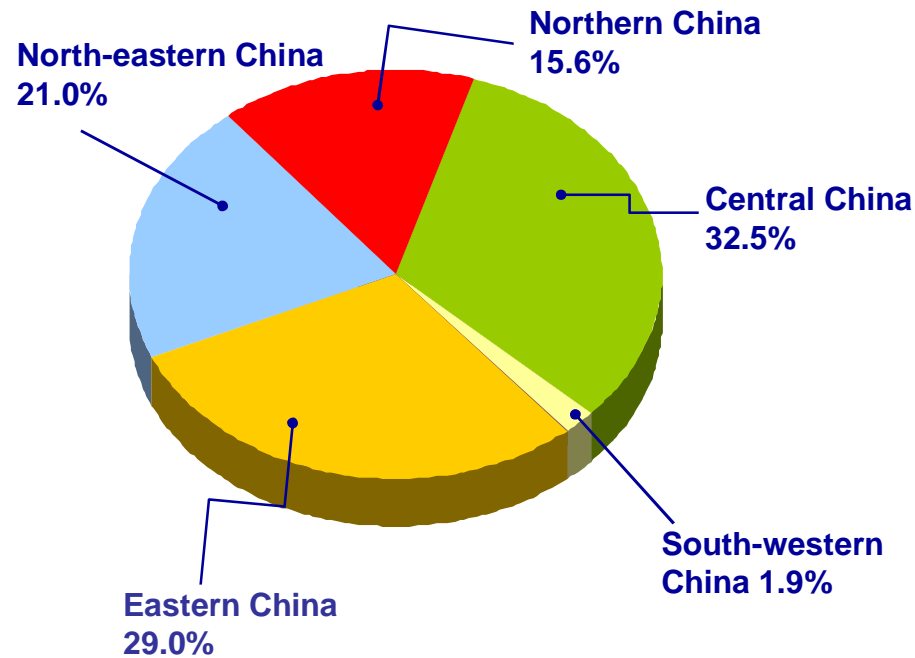


<i>For the interim period (HK\$'000)</i>	1H 2009/10**	1H 2008/09*	Change
Revenue	988,581	883,899	11.8%
Other income	28,621	61,995	-53.8%
Operating profit before interest income on bank deposits	334,594	280,458	19.3%
Operating profit margin	35.7%	36.7%	-1 pts
Profit before income tax	352,499	324,348	8.7%
Profit for the period <sup>(1)</sup> before interest income on bank deposits	253,906	214,702	18.3%
Profit for the period <sup>(1)</sup>	272,014	258,592	5.2%
Net profit margin	27.5%	29.3%	-1.8 pts
Cash on hand	3,413,679	3,104,190	10%
Earnings per share	0.16	0.15	6.7%

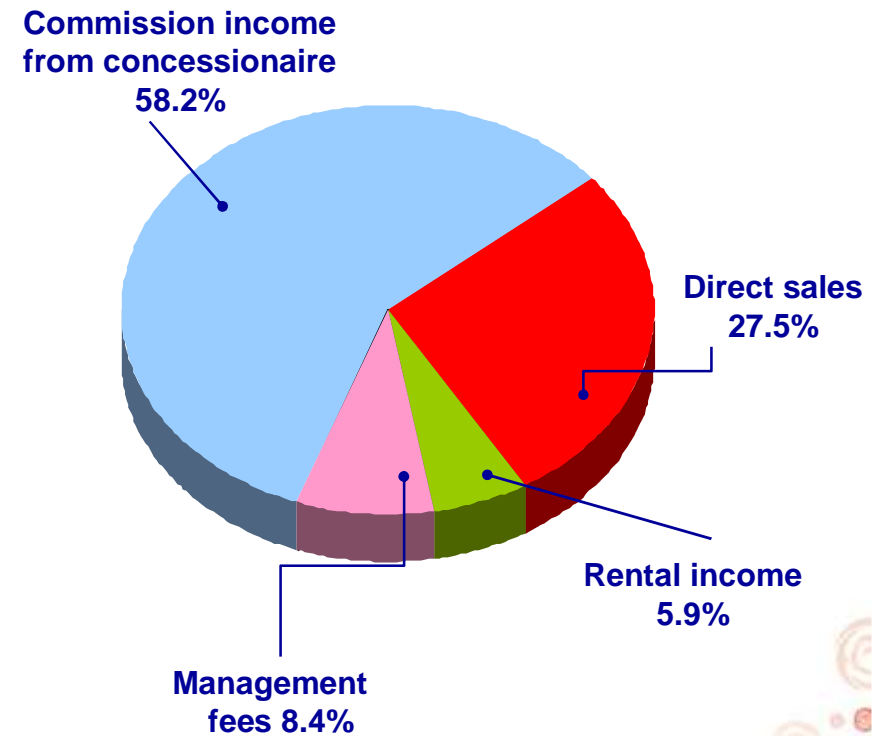
# Revenue Analysis



Revenue contribution by region  
in 1H 2009/10\*\*



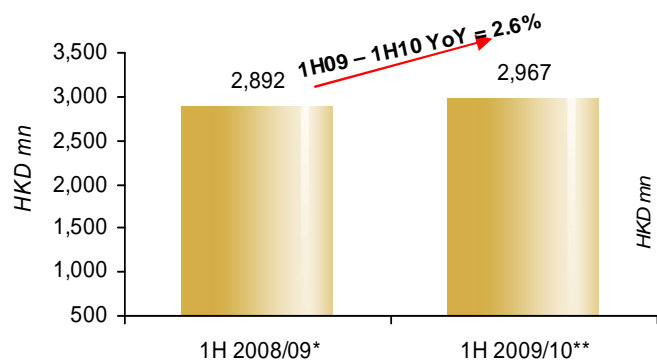
Revenue contribution by segment  
in 1H 2009/10\*\*



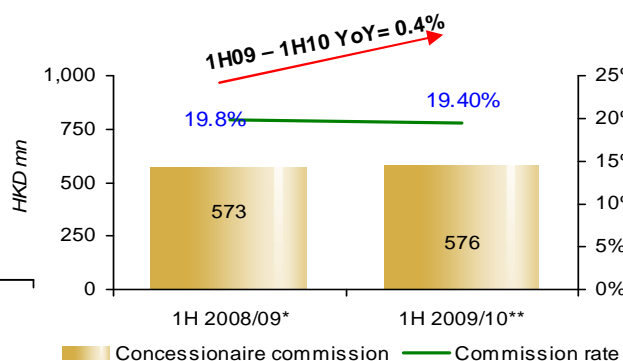
# Revenue Analysis (cont'd)



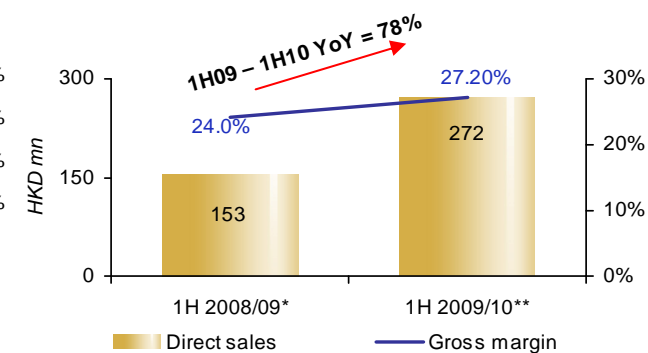
## Concessionaire gross sales revenue



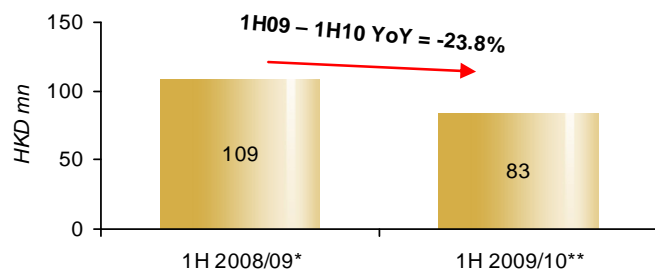
## Concessionaire commission



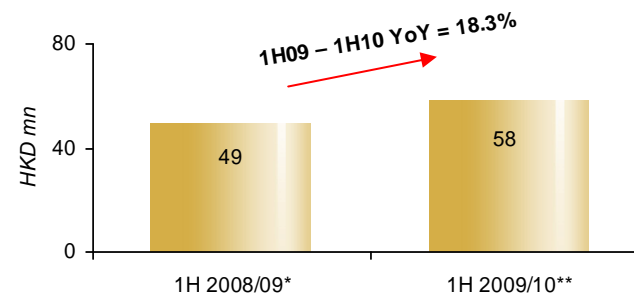
## Direct sales and its gross margin



## Management fees



## Rental Income



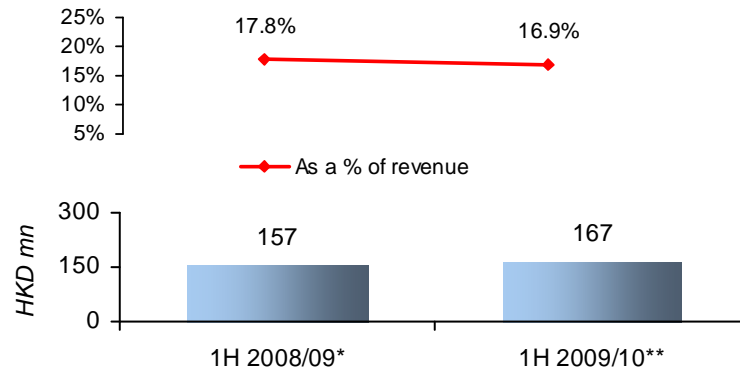
\* For the six months ended 31 December 2008.

\*\* For the six months ended 31 December 2009.

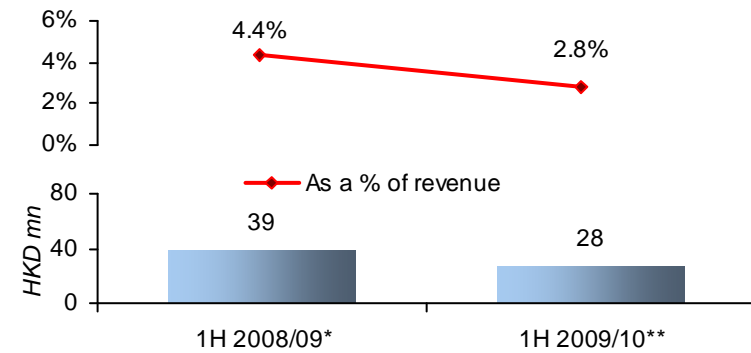
# Stable Expense Ratios



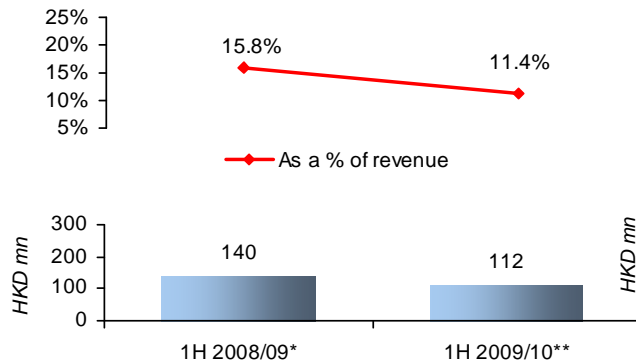
## Rental expense



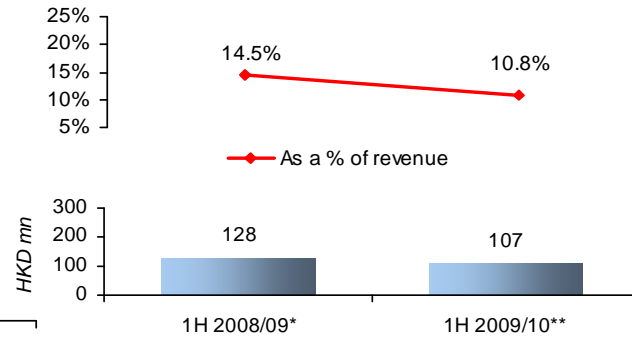
## Selling expense



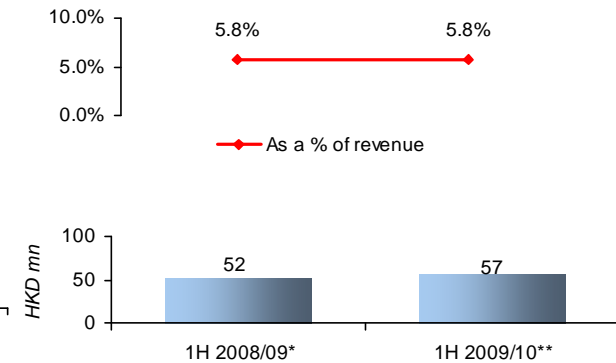
## Staff expense w/ Share options



## Staff expense w/o Share options



## Water and electricity expense



# Operational Strategies





# Operational Strategies



1 Rebranding Program

2 "N-only" Exclusive Brands



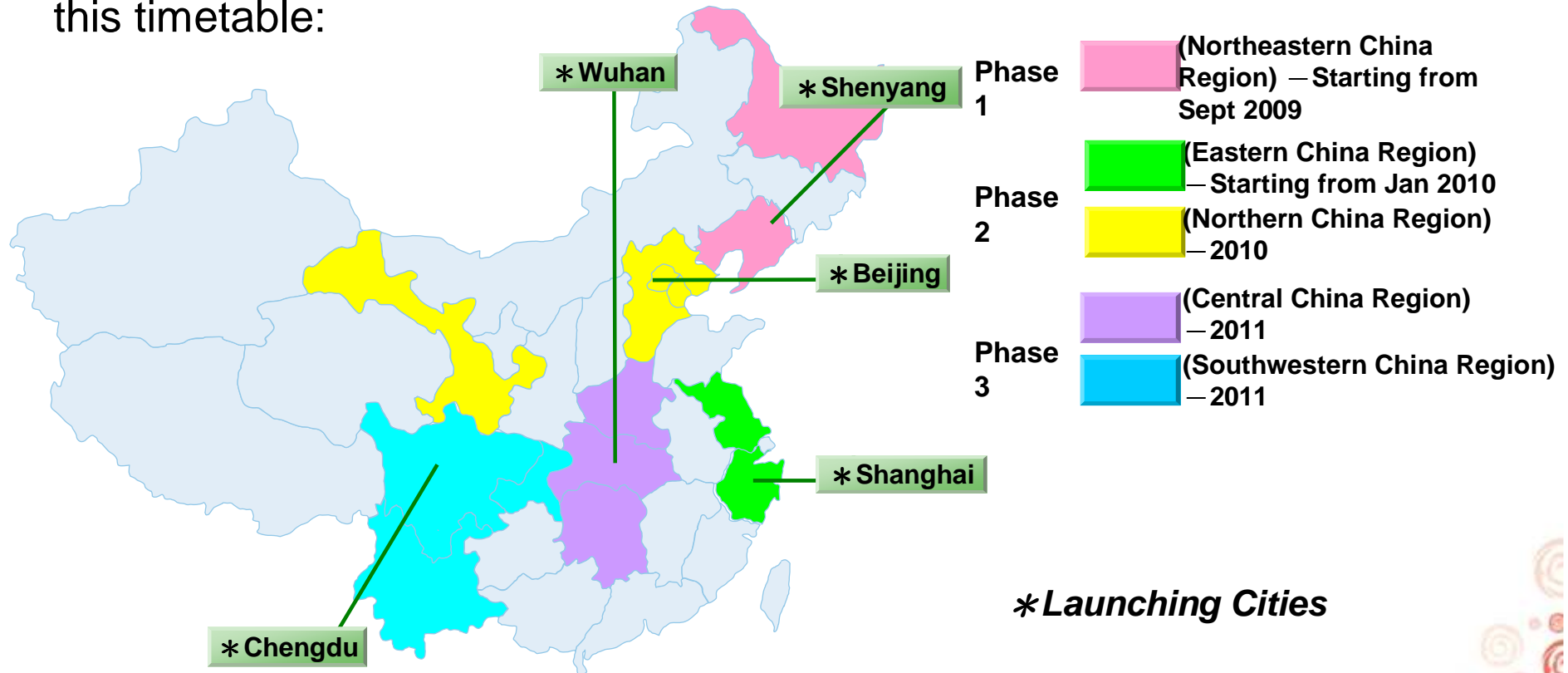
3 Sensory Marketing

4 Strengthen VIP Program

# 1.1 Rebranding Progress



Ever since the rebranding program was launched in Shenyang in Sept 2009, the program has been started in different operational regions according to this timetable:



# 1.1 Rebranding & Renovation Progress



Operational Regions	Store Name	Starting Date	Expected Completion Date
Northeastern China	Shenyang Nanjing Street Branch Store		Completed
	Shenyang Zhonghua Road Branch Store	Sept 2009	Apr 2010
	Harbin Store (1st phase)	Sept 2009	May 2010
	Anshan Store	Mar 2010	Aug 2010
	Dalian Store	Apr 2010	Aug 2010
Eastern China	Wuxi Store*	Oct 2009	Mar 2010
	7 Stores in Shanghai	Mar 2010	Mar 2011
	2 Stores in Ningbo*	Mar 2010	July 2010
	Nanjing Store and Taizhou Store	Jan 2011	June 2011
Northern China	Tianjin Store	Aug 2008	July 2010
	Other Stores in Northern China Region	Mar 2010	Dec 2010
Central China	Wuhan Hanyang Branch Store	Apr 2010	Dec 2010
	Other Stores in Central China Region	Jan 2011	Dec 2011
Southwestern China		May 2011	Dec 2011

# 1.2 Rebranding Progress – Northeastern Region



## Rebranding Progress in Shenyang

**Shenyang Nanjing Street  
Branch Store**



**Fashion Gallery**

**Shenyang Zhonghua  
Road Branch Store**



**Living Gallery**

**Shenyang Jianqiao Road  
Branch Store (Expected  
to open in 2011)**



**Fashion Gallery**

◎ Each store achieved a distinct profile for effective differentiated operations in Shenyang.





# 1.3 Rebranding Progress – Eastern Region (Cont'd)



## Rebranding Progress in Shanghai

### Merchandise Mix



B/F –  
'Dining  
Galleria'

1/F – 'Beauty  
Galleria'



2/F –  
'Trendy  
Galleria'



3/F – 'Children's  
Galleria'



4/F –  
'Men's  
Galleria'



5/F –  
'Household  
Galleria'

### Shanghai Baoshan Branch Store



### Living Gallery

### Interior Design & In-store atmosphere

- Colorful & lively in-store display
- Abundant greenery that imitated the nature
- Designer's hand-made mosaic decoration
- Spacious relaxation area



# 2.1 “N-only” Exclusive Brand Strategy



- Established the “N-only” icon
  - NWDS is going to launch a new “N-Only” exclusive brand strategy
  - Highlight the “N-only” exclusive brands to differentiate NWDS from its competitors and accentuate NWDS’ unique position in the market
  - Further enhance the “mix & match” concept of the rebranding program





# 3.1 Sensory Marketing



Adopt sensory marketing that engages all 5 senses, to enhance the entire shopping experience

## Visual

The color of interior design, POP, window display and lighting



## Audio

Use specific background music for different target customer groups:

- Youngsters: Rock music
- Family customers: classical music
- Ladies: light and elegant music



## Aroma

The use of aroma in different product zones



## Touch

Adopt open-style display to allow customers to try the products freely



## Taste

Enjoy wide range of cuisines in NWDS stores



# 4.1 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 1.77 million members as of 31 Dec 2009**
- **VIP contributed approx. 45% to the total sales turnover in 1H FY10**
- **Holders of co-branded credit card with Bank of Communications increased to over 490,000 during the period reviewed**
- **Successful in promoting customer loyalty and stimulating purchases at our stores**

# 4.2 Strengthen VIP Program



## VIP Clubs & Activities



A large variety of activities for Smart Lady Club, Perfect House Wife Club and Platinum Style Club



## Refurnished facilities

VIP Lounge



Customer Services Centre



Washroom



# 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

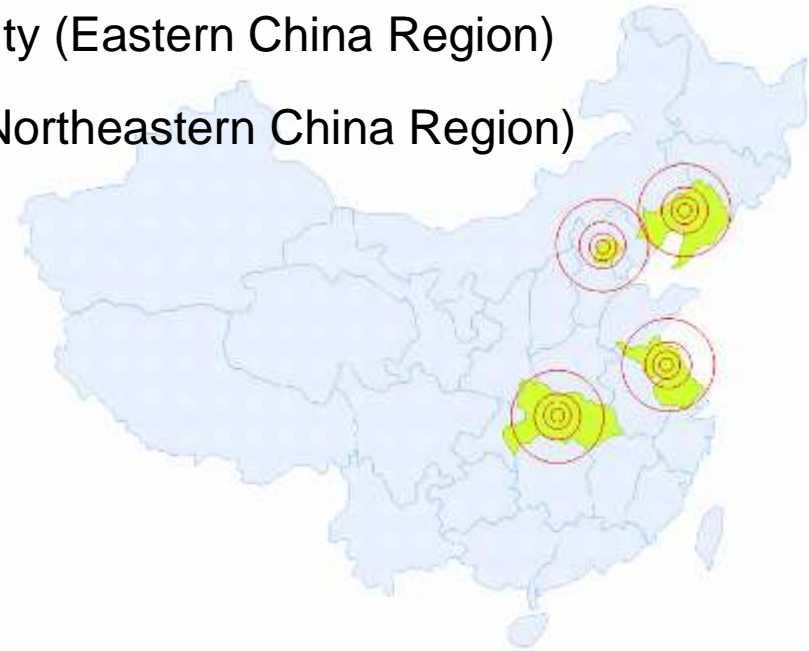


## Multiple presences in a single city

- \*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)
- \*3 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

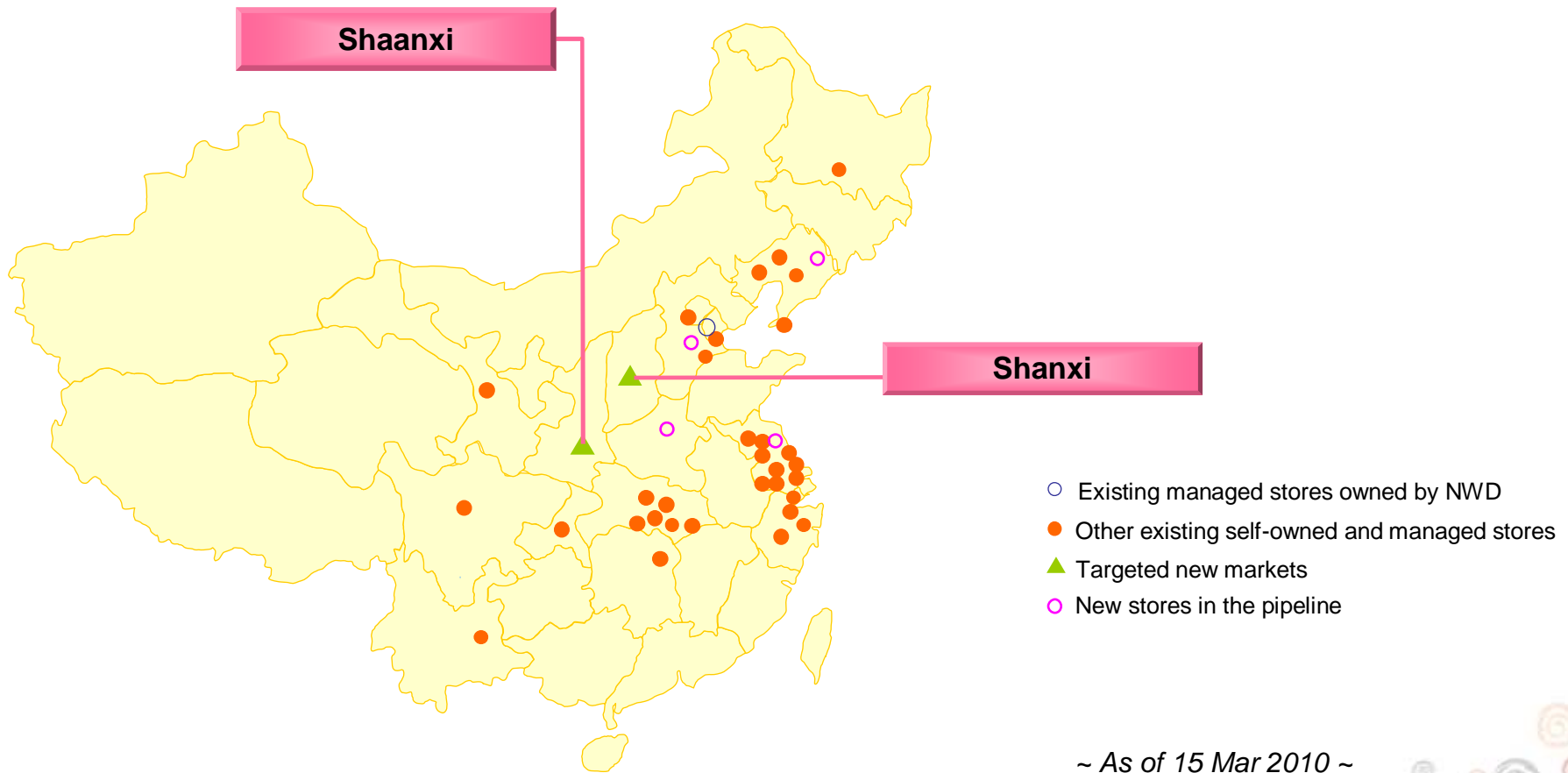


*\*Include stores in the pipeline*





# Continue to Grow Our Retail Network



~ As of 15 Mar 2010 ~

# Our Mission



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



# Open Forum

