



新世界百貨中國有限公司

New World Department Store China Limited

# FY10 Annual Results Presentation

(4 Oct 2010)



# 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 in FY2010**
- ② **Latest Update**
- ③ **Results Highlights**
- ④ **Operational Review and Marketing Strategies**
- ⑤ **Expansion Strategies**
- ⑥ **Open Forum**

# Key Achievements in FY2010



新世界百貨中國有限公司  
New World Department Store China Limited



# Key Achievements

## Steady Growth

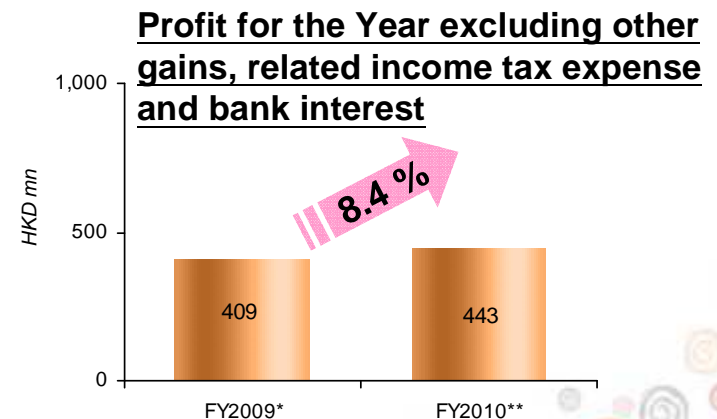
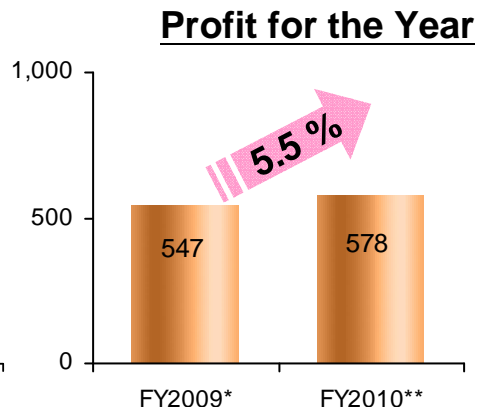
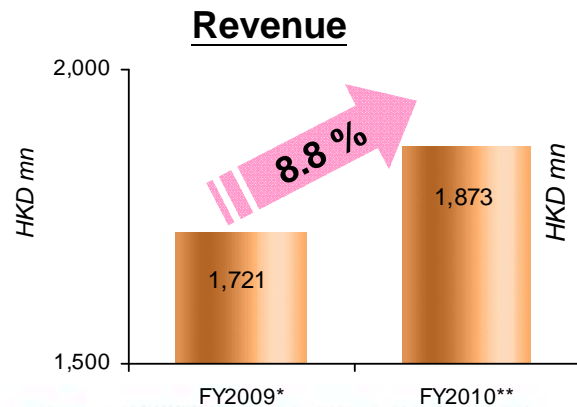
Revenue grew 8.8% to HK\$1,872.9 million

## Improvement in Operating Profit

Operating profit increased by 16.8 % to HK\$811.5 million in FY10 from HK\$ 695.0 million in FY09

## Profit for the Year maintain an upward trend

- Profit for the Year increased to HK\$577.6 million in FY2010 from 547.3 million in FY2009.
- If excluding other gains, related income tax expense and interest income on bank deposits, profit for the year increased to HK\$443.3 million in FY10 from HK\$ 408.9 million in FY09.



# Key Achievements (cont'd)



## **Extensive retail network**

**No. of stores increased to 35 as of 30 June 2010, with a total GFA of 1,174,530 sq. m. covering 17 cities**

## **Strong customer base**

**Well-established VIP membership program with about 188 million members**

## **Stable financial foundation**

**As of 30 June 2010, the Company remained debt-free and was in a net cash position with cash on hand of about HK\$3,596.7 million.**

## **Sound same-store sales growth**

**SSSG for all stores : 8.5%  
SSSG for self-owned stores : 5.3%**

## **Received Strong Accreditation in the Region**

**Accredited as “Asia’s 200 Best Under a Billion” for the second consecutive year**

# Key Achievements - Expansion



**New Store**

## Shanghai Baoshan Branch Store



**District:**

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

生活馆



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

GFA: approx. 39,000 sq.m.  
Commenced operation in Jan 2010

**New Store**

## Shanghai Chengshan Branch Store



**District:**

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

生活馆



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

GFA: approx. 38,000 sq.m.  
Commenced operation in April 2010

**New Store**

## Beijing Shishang Store



**District:**

Chongwen District, Beijing

时尚馆



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

GFA: approx. 40,000 sq. m.  
Commenced operation in May 2010

 **In FY10, 3 self-owned stores commenced operation in Shanghai and Beijing.**

# Key Achievement - Acquisition



## Acquisition

## Shanghai Pujian Branch Store



**Operating Right 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 further reinforced the Company's influence in Shanghai's major business circles.



# Store Portfolio



## Gross Floor Area (GFA) of Store Portfolio

(approx. sqm)	As of 30 June					As of 30 June	As of 4 Oct 2010
	2005	2006	2007	2008	2009	2010	
Self-owned stores	285,170 (14 stores)	388,370 (17 stores)	395,170 (16 stores)	506,270 (19 stores)	601,370 (22 stores)	756,930 (25 stores)	889,930 (27 stores)
Managed stores	150,000 (3 stores)	177,200 (4 stores)	422,300 (12 stores)	456,300 (13 stores)	462,100 (11 stores)	417,600 (10 stores)	324,600 (9 stores)
<b>Total</b>	<b>435,170</b> (17 stores)	<b>565,570</b> (21 stores)	<b>817,470</b> (28 stores)	<b>962,570</b> (32 stores)	<b>1,063,470</b> (33 stores)	<b>1,174,530</b> (35 stores)	<b>1,214,530</b> (36 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*

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

*Beijing Store became self-owned store since Aug 2010*

# Latest Update



# New Stores in FY11

## - Northern China Region



生活馆



### Beijing Qianzi Store



**Location:**  
Shunyi District, Beijing

**Self-owned Store:  
(Living Gallery)**  
GFA: approx. 40,000 sq. m. with  
300 car parking spaces  
➤ Commenced operation in Sept  
2010

◎ The opening of Beijing Qianzi Store will further bring our store portfolio in Northern China Region to 5 stores.

# New Stores in FY11



## - Northeastern China Region

生活馆



### Shenyang Jianqiao Road Branch Store



**Property Acquisition 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:**

**(Living 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 Stores in FY11



## - Central China Region

生活馆



### Zhengzhou Store

**Property Acquisition 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.

# Operating Right Acquisition in FY11



## Acquisition

## Beijing Store



### Operating Right Consideration:

RMB150,000,000 less the outstanding registered capital (as at 18 June, the outstanding registered capital was RMB 54,907,970)

### Location:

Chongwen District, Beijing

### Self-owned Store:

(Living Gallery)



GFA: approx. 93,000 sq. m.

◎ After the acquisition of Beijing Store, we have 2 self-owned stores and 2 managed stores in Beijing.

# Operating Right Acquisition in FY11




**Acquisition**

## Chengdu Store



**Operating Right Consideration:**  
Approx. RMB2,000,000

**Location:**  
Shun Cheng Avenue, Jinjiang  
District, Chengdu

**Self-owned Store:**  
**(Fashion Gallery)**   
GFA: approx. 29,500 sq. m.

◎ After the acquisition of Chengdu Store, we have 2 self-owned stores out of three in Southwestern China Region.

# Property Acquisition in FY11



**Acquisition**

## Property in Shenyang Nanjing South Road



**Property Acquisition Consideration:**

Approx. RMB 456,534,000

**Location:**

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

**Self-owned Store:**

GFA: approx. 25,400 sq.m.

Will commence operation in 2013

◎ **The acquisition of the building ownership right and land use right allows more flexibility for Shenyang Nanjing Street Branch Store's future expansion and development.**



# Results Highlights



# Financial Highlights

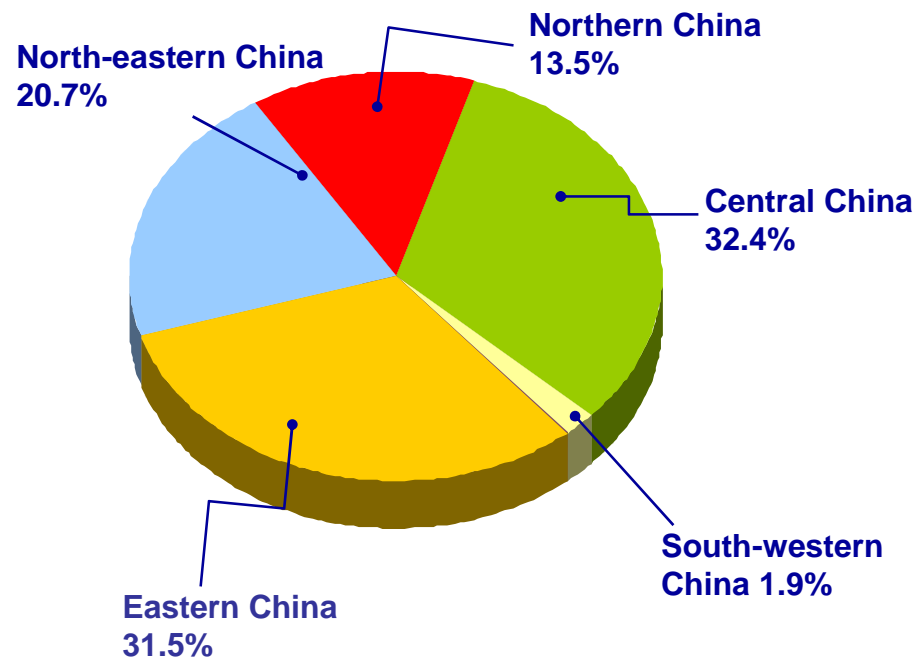


<i>For the year ended 30 June (HK\$'000)</i>	FY2010	FY2009	Change
Revenue	1,872,905	1,721,246	8.8%
Other income	72,718	112,939	-35.6%
Operating profit	811,507	695,032	16.8%
Operating profit margin	43.3%	40.4 %	2.9 ppts
Profit before income tax	811,304	692,966	17.1%
Net profit <sup>(1)</sup>	577,607	547,309	5.5%
Net profit <sup>(1)</sup> if excluding other gains, related income tax expense and interest income on bank deposits	443,308	408,875	8.4%
Net profit margin	30.8%	31.8%	-1 ppt
Cash on hand	3,596,699	2,923,521	23%
Earnings per share	0.34	0.32	6.3%

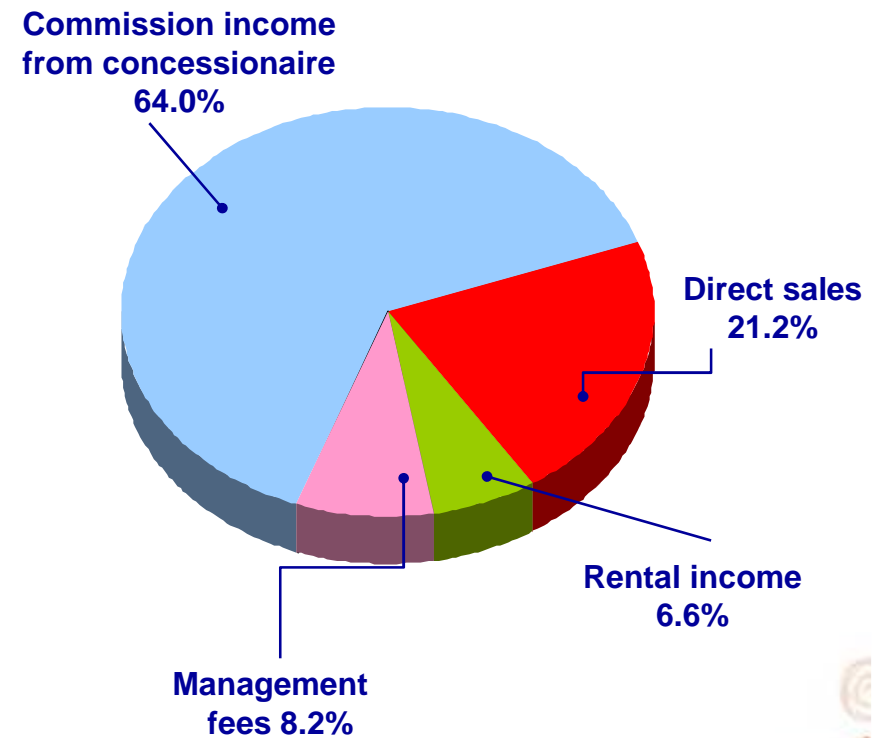
(1) Net profit refers to profit attributable to equity holders.

# Revenue Analysis

Revenue contribution by region  
in FY2010



Revenue contribution by segment  
in FY2010

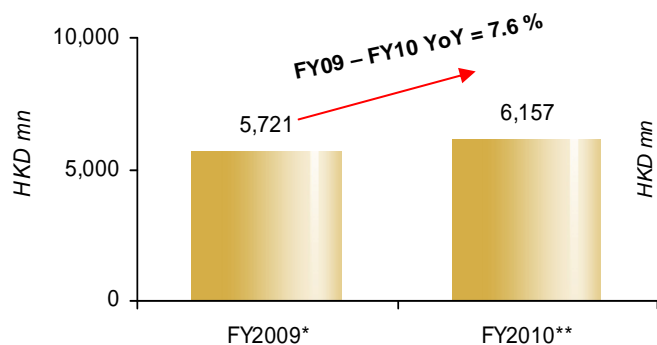


\*\* For the year ended 30 June 2010.

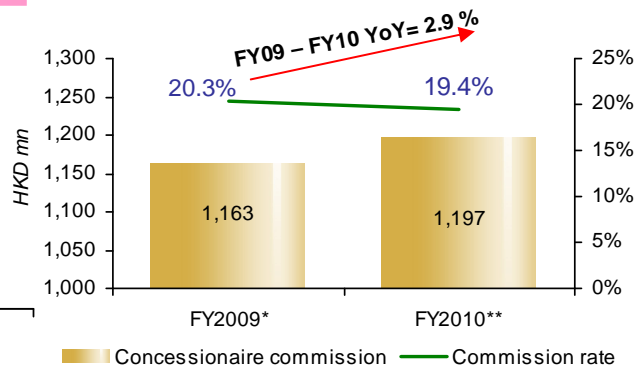
# Revenue Analysis (cont'd)



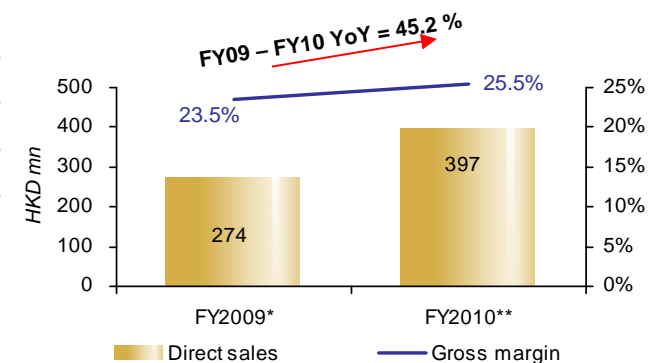
### Concessionaire gross sales revenues



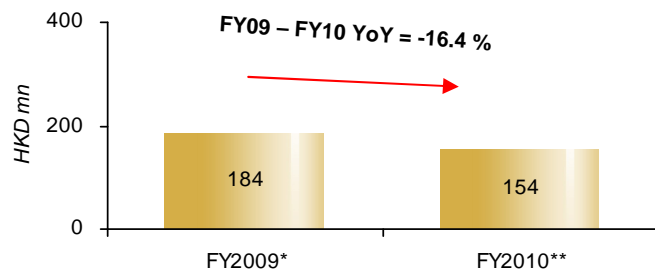
### Concessionaire commission



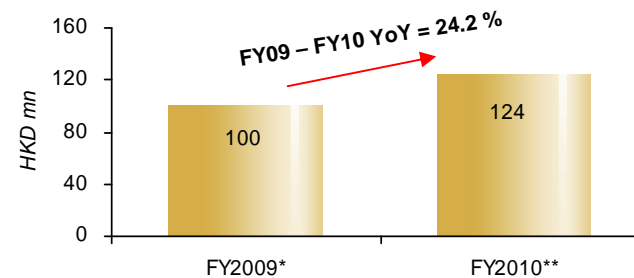
### Direct sales and its gross margin



### Management fees



### Rental Income

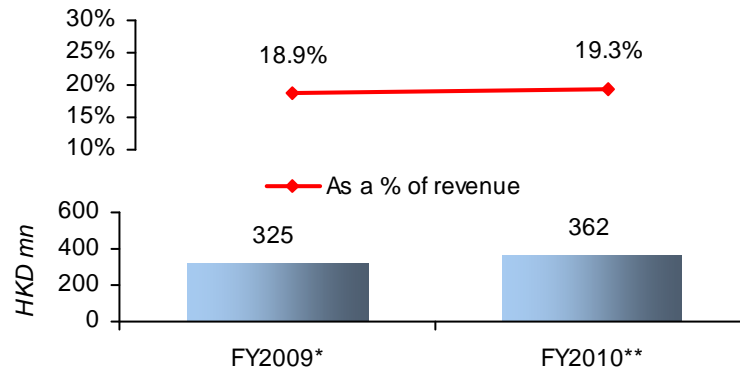


\* For the year ended 30 June 2009.

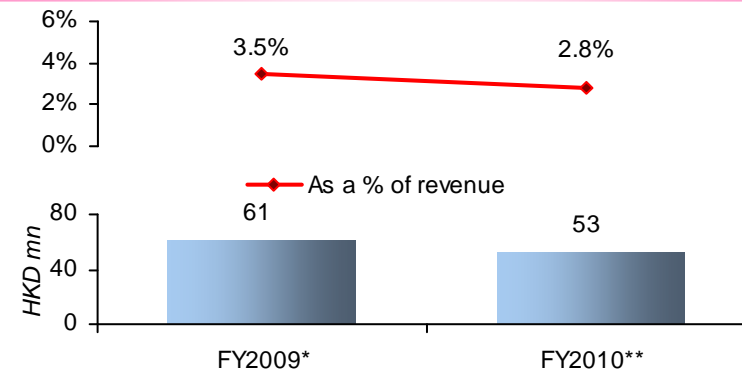
\*\* For the year ended 30 June 2010.

# Stable Expense Ratios

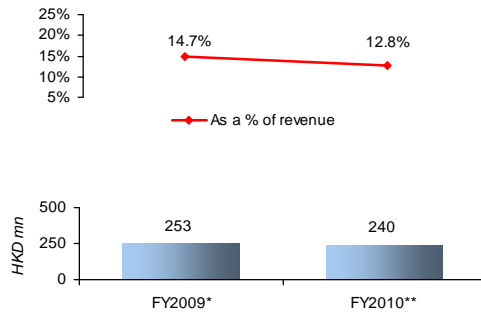
## Rental expense



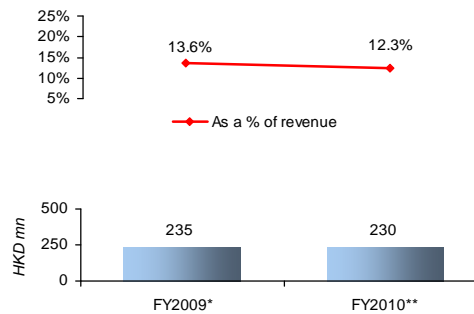
## Selling expense



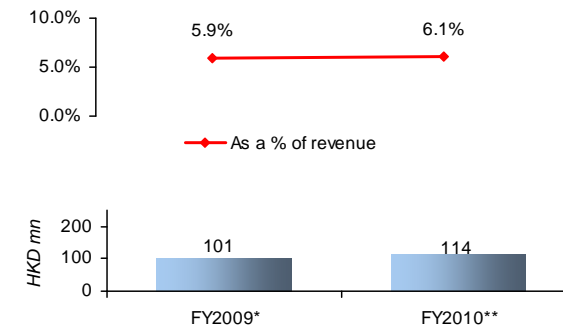
## Staff expense w/ Share options



## Staff expense w/o Share options



## Water and electricity expense



# Operational Review & Marketing Strategies

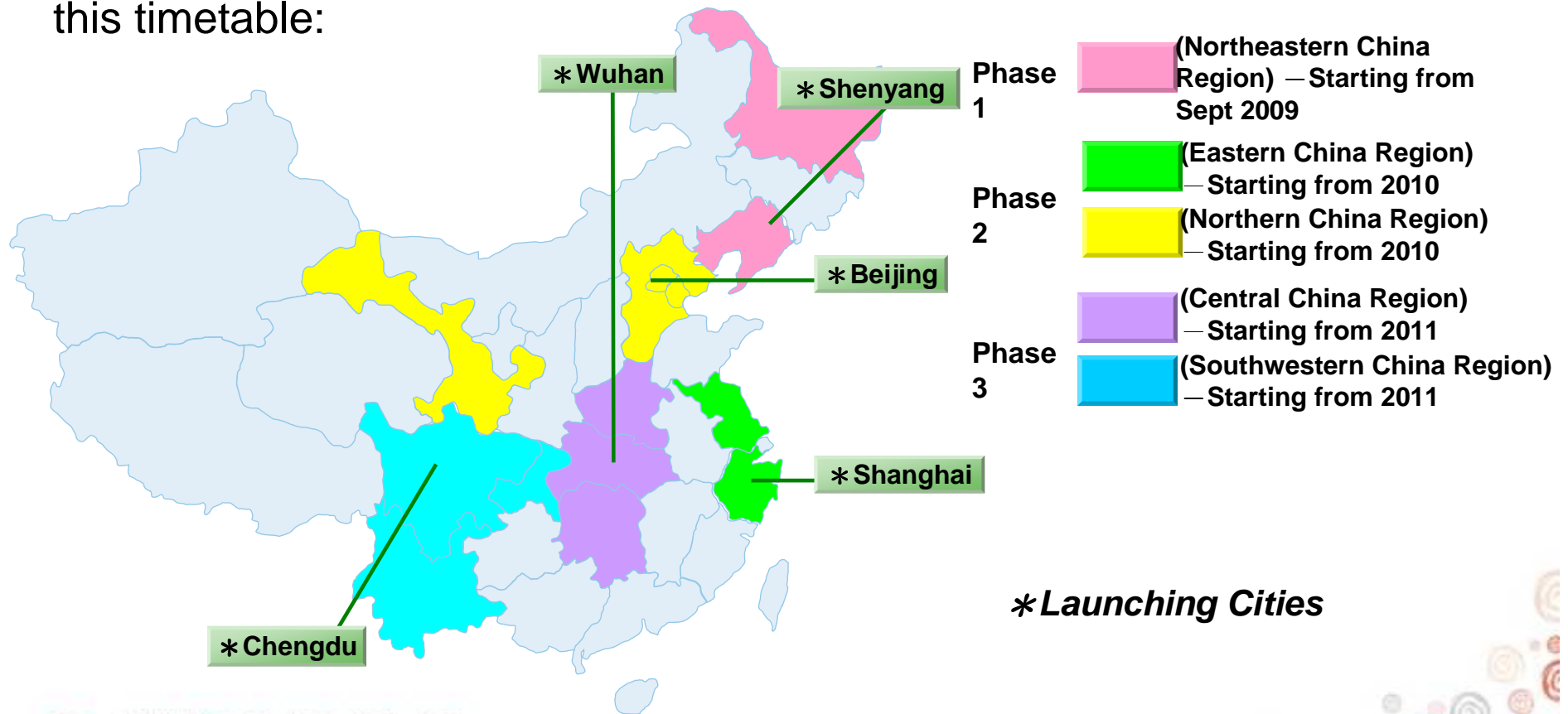


# Operational Review & Marketing Strategies



# 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:





# 1.2 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	Completed	
	Harbin Store	Sept 2009	Dec 2010
	Anshan Store and Dalian Store	2011	2012
Eastern China	Wuxi Store*	Completed	
	Shanghai Huaihai Branch Store and Shanghai Pujian Branch Store	Mar 2010	Nov 2010
	Other 5 Stores in Shanghai	2010	2011
	2 Stores in Ningbo**, Nanjing Store and Taizhou Store	2011	2012
Northern China	Tianjin Store	Completed	
	Beijing Store	Completed	
	Beijing Liying Store	Aug 2010	Nov 2010
	Other Stores in Northern China Region	2010	2011
Central China	Wuhan Hanyang Branch Store	Jun 2010	Oct 2010
	Other Stores in Central China Region	2011	2012
Southwestern China		2011	2012

Note: The above schedule may subject to change.

\*Until the end of 2013 (estimated), roads surrounding Wuxi Store are blocked due to the construction of underground station.

\*\*Until the end of 2014 (estimated), roads surrounding Ningbo Trendy Store are blocked due to the construction of underground station.

# 1.3 Rebranding Progress – Merchandise Mix and Interior of Brand New Stores

## Living Gallery

### Merchandise Mix



### Interior Design & In-store atmosphere



## Fashion Gallery

### Merchandise Mix



### In-store atmosphere



### Promotional Activities



# 1.4 Rebranding Progress – Merchandise Mix and Interior of Existing Stores



## Living Gallery

### Merchandise Mix



### Design & In-store atmosphere



## Fashion Gallery

### Merchandise Mix



### Design and in-store atmosphere



# 1.5 Rebranding Progress – Exterior Design

## Living Gallery

## Fashion Gallery



Beijing Store



Shenyang Nanjing Street Branch Store



Shanghai Baoshan Branch Store



Shanghai Chengshan Branch Store



Wuxi Store

## 2. Introduce Symbol of “N-only” and Exclusive Brand Strategy



- ① NWDS introduced the symbol of “N-Only” and launched its Exclusive Brand Strategy in April 2010
- ② Highlight the exclusive brands to differentiate NWDS from its competitors and accentuate NWDS’ unique position in the market
- ③ Further enhance the “mix & match” concept of the rebranding program
- ④ Organized various promotional activities in line with the Exclusive Brand Strategy
- ⑤ Year-on-year sales growth of some selected exclusive brands under intensive promotion increased over 50% during the promotion period



# 3. Establish “Category Killer”

Focus on building “Category Killer” in NWDS stores, especially in themed department store – Fashion Gallery

Shanghai Huaihai Branch Store – Ladies’ Shoes



Wuxi Store – Ladies’ Shoes



Chongqing Store – Ladies’ Shoes

# 4. 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



# 5.1 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 1.88 million members as of 30 June 2010**
- **VIP contributed approx. 45% to the total sales turnover in FY10**
- **About 485,000 holders of co-branded credit card with Bank of Communications in FY10**
- **Successful in promoting customer loyalty and stimulating purchases at our stores**



# 5.2 Strengthen VIP Services



## VIP Clubs & Activities



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

## Service facilities

VIP Lounge



Customer Services Centre



## New World Group VIP Benefits & Activities



# Expansion Strategies



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New World Department Store China Limited



# Consistent Expansion Strategies



## ① Open new stores

- ① Maintain our target of opening self-owned stores of 2-3 stores with total GFA of approx. 100,000-120,000 sq.m. per fiscal year
- ① Multiple presences within a single city
- ① To enter new markets with radiation effect from cities where NWDS has a strong presence

## ② Acquisitions

- ① Acquire existing managed stores
- ① Maintain the GFA of owned properties at around 20%-30% of total GFA
- ① Acquire potential stores in prime locations

## ③ Greenfield projects

- ① Looking for opportunities on greenfield projects

# Strategies to open new stores

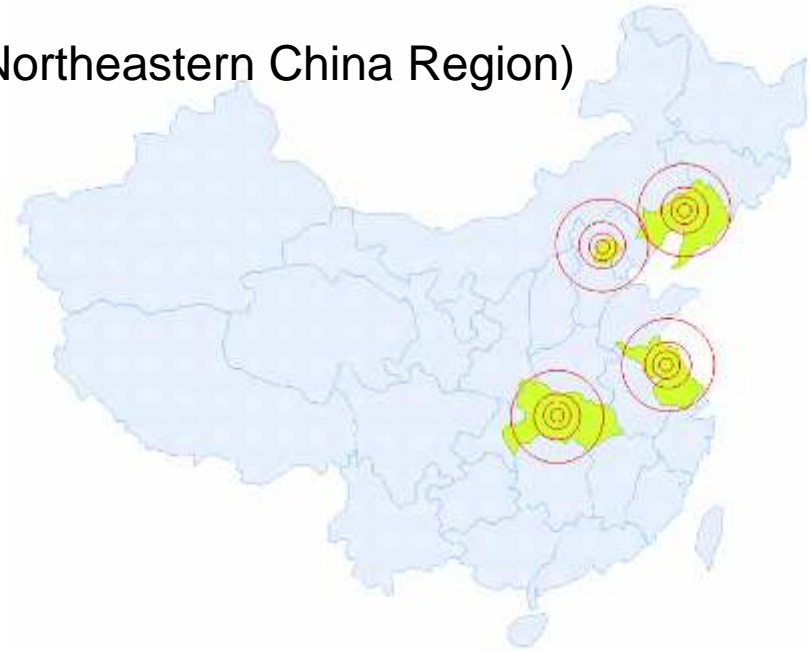


## Multiple presences in a single city

- 6 stores in Wuhan, Hubei (Central China Region)
- \*5 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

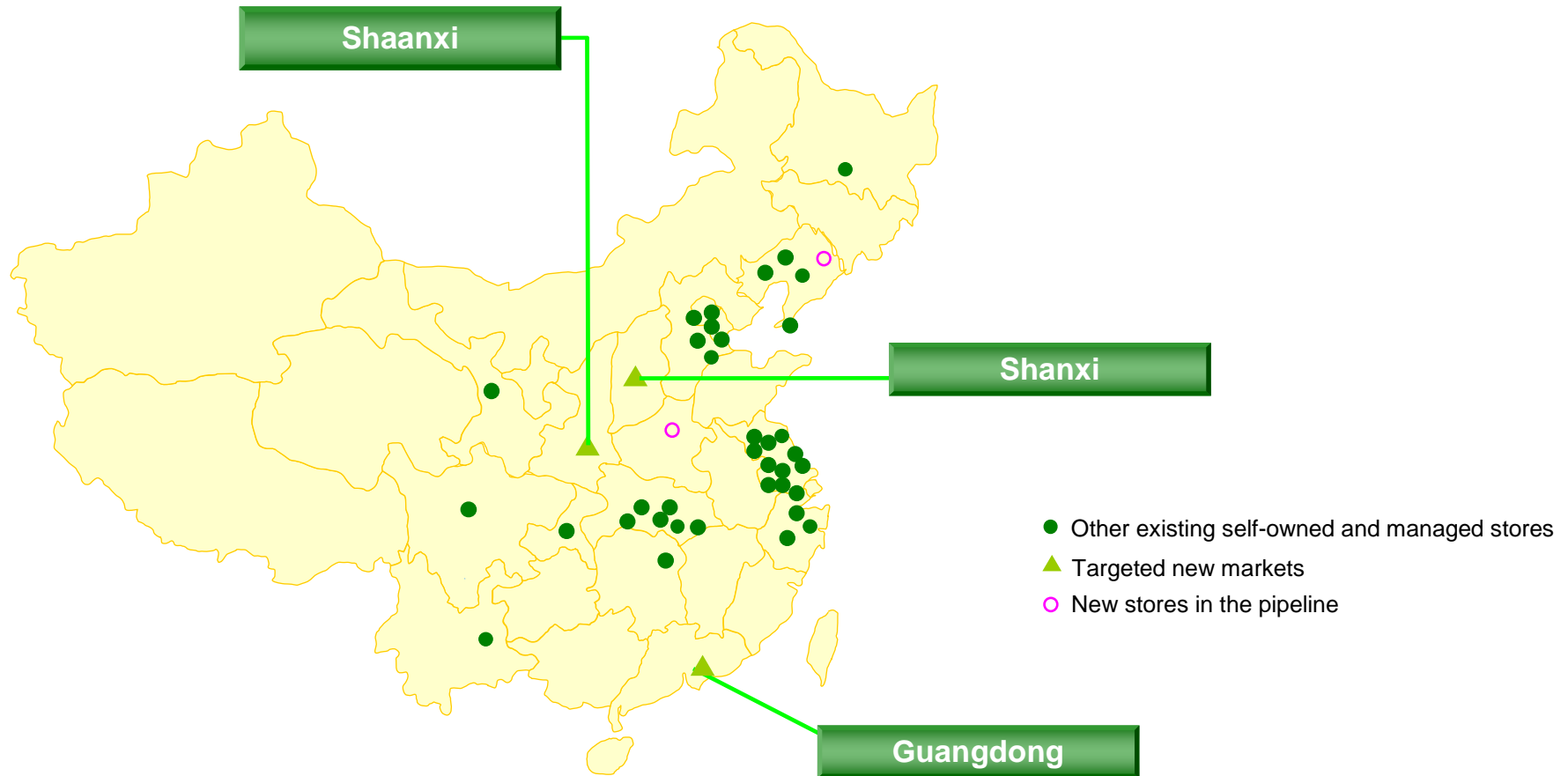
- \*Zhengzhou in Henan Province
- Nanjing in Jiangsu Province
- Taizhou in Zhejiang Province
- Changsha in Hunan Province
- Anshan in Liaoning Province



*\*Include stores in the pipeline*



# Continue to Grow Our Retail Network



~ As of 4 Oct 2010 ~

# Our Mission



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



# Open Forum

