

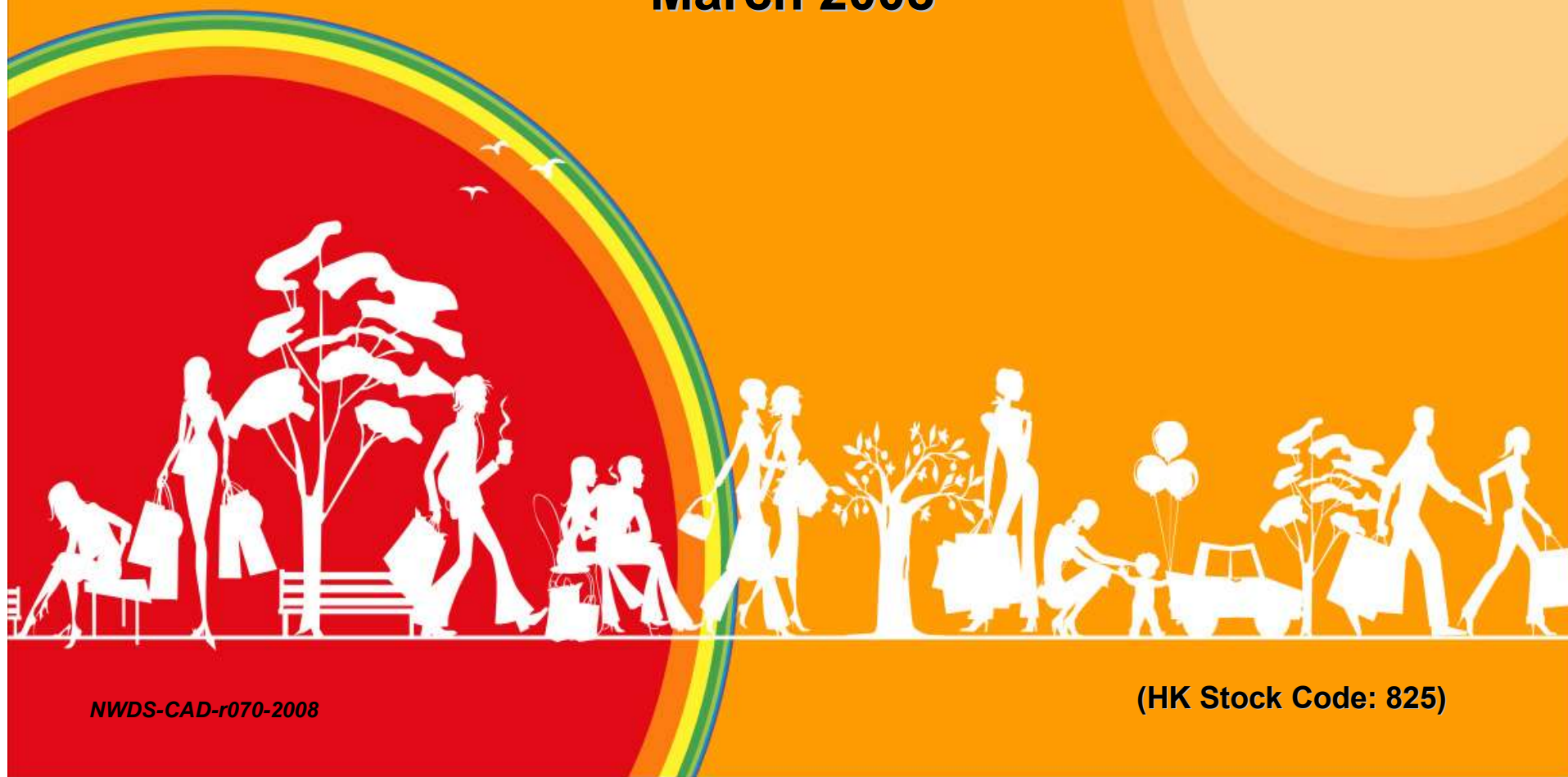


新世界百貨中國有限公司

New World Department Store China Limited

# Corporate Presentation

## March 2008



NWDS-CAD-r070-2008

(HK Stock Code: 825)

# Safe Harbour Statement

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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

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-  **Key Achievements for 1H 2007/08**
-  **Latest Update**
-  **Results Highlights**
-  **Business Review**
-  **Future Strategies**
-  **Open Forum**



# Key Achievements for 1H 2007/08



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# Key Achievements

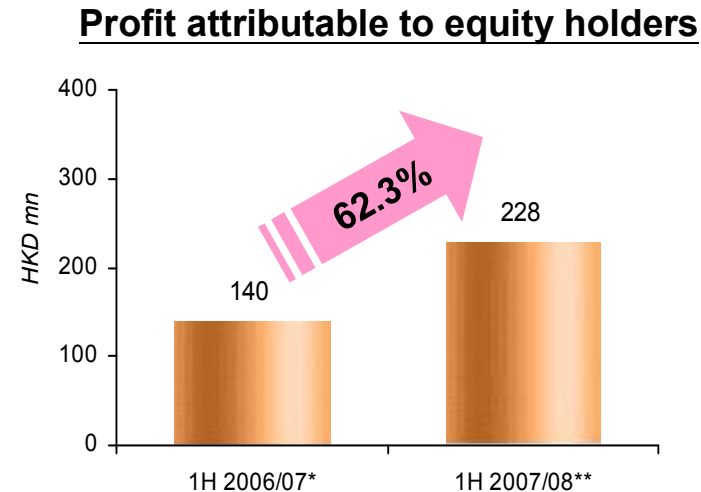
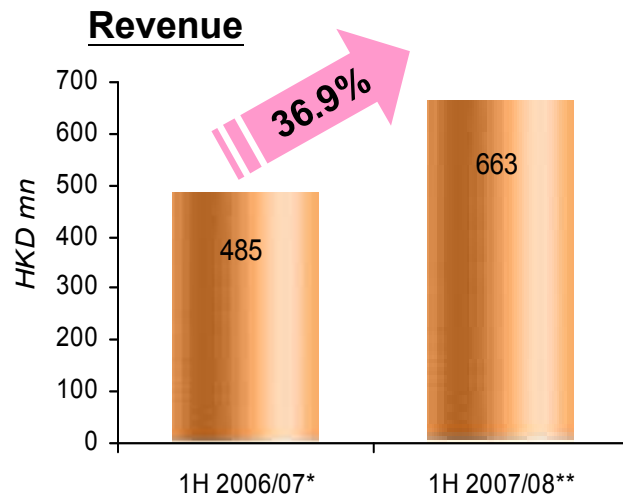


## Significant growth

Revenue grew 36.9% to HK\$663.3 million and profit attributable to equity holders surged 62.3% to HK\$227.8 million

## Margin improvement

Operating margin achieved 41.2% in 1H2007/08 from 33.9% in 1H2006/07, representing an increase of 7.3 pts



\* For the six months ended 31 December 2006.

\*\* For the six months ended 31 December 2007.



# Key Achievements *(cont'd)*



## **Successful public offering**

**Listed on the main board of The Stock Exchange of Hong Kong in July 2007 with overwhelming market response**

## **Escalating retail network**

**No. of stores increased from 28 in June 2007 to 31 as of 31 December 2007, with a total GFA of 932,180 sq.m, covering 18 cities**

## **Strong customer base**

**Well-established VIP membership program with over 1.23 million members**

## **Healthy financial position**

**As of 31 December 2007, the Company was in a net cash position with cash on hand of about HK\$3,932 million**





# Key Achievements - Expansion



## Expansion Shanghai Hongkou Store



**District:**

- Hongkou District, Shanghai

**Self-owned Store:**

- GFA: 19,600 sq. m. (+4,100 sq. m.)
- Expanded area to commence operation in Aug 2007

## New Store Shanghai Pujian Store



**District:**

- Pudong District, Shanghai

**Managed Store:**

- GFA: 46,000 sq. m.
- Commenced operation in Sep 2007

## New Store Liaoning Anshan Store



**District:**

- Tiedong District, Anshan, Liaoning

**Self-owned Store:**

- GFA: 35,000 sq. m.
- Commenced operation on 20 Oct 2007

## New Store Nanjing Store



**District:**

- Junction of Xuanwu District and Gulou District

**Self-owned Store:**

- GFA: 30,000 sq. m.
- Commenced operation on 29 Nov 2007



The expanded area in Shanghai Hongkou, 3 new stores in Shanghai Pudong, Anshan and Nanjing, commenced operation during the 1H 2007/08.



# Latest Update



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# Post Interim New Stores



## New Store

### Wuhan Xudong Store



- District:**
- Wuhan
- Managed Store:**
- GFA: 30,000 sq. m.
  - Commence operation in Jan 2008

## New Store

### Beijing Store



- District:**
- Chaoyang District, CBD area of Beijing
- Managed Store:**
- GFA: 52,000 sq. m.
  - Commence operation by end of 2008



The new Wuhan store just commenced operation in Jan 2008, while the Beijing store is scheduled to open in 2008.



# Acquisition



## Acquisition of Wuhan Department Store



**Consideration:**

HK\$885,417,000




*(including store operation and property)*

**Location:**

Levels 1-6 and one basement of the Wuhan New World Trade Tower I,  
Levels 1-5 and one basement of the Wuhan New World Trade Tower II

**Size of the Store:**

GFA: 42,000 sqm

-  The Company proposed to acquire the Wuhan managed store in December 2007
-  The acquisition was approved by shareholders in January 2008
-  The acquisition enhances the Company's department store business and enriches the revenue stream



# Acquisition (cont'd)



## Store Portfolio after Acquisition

	<u>Number of stores</u>	<u>Approximate total GFA (sq. m)</u>
Self-owned <sup>1</sup>	19	505,880
Managed <sup>2</sup>	13	456,300
<b>Total</b>	<b>32</b>	<b>962,180</b>

Notes:

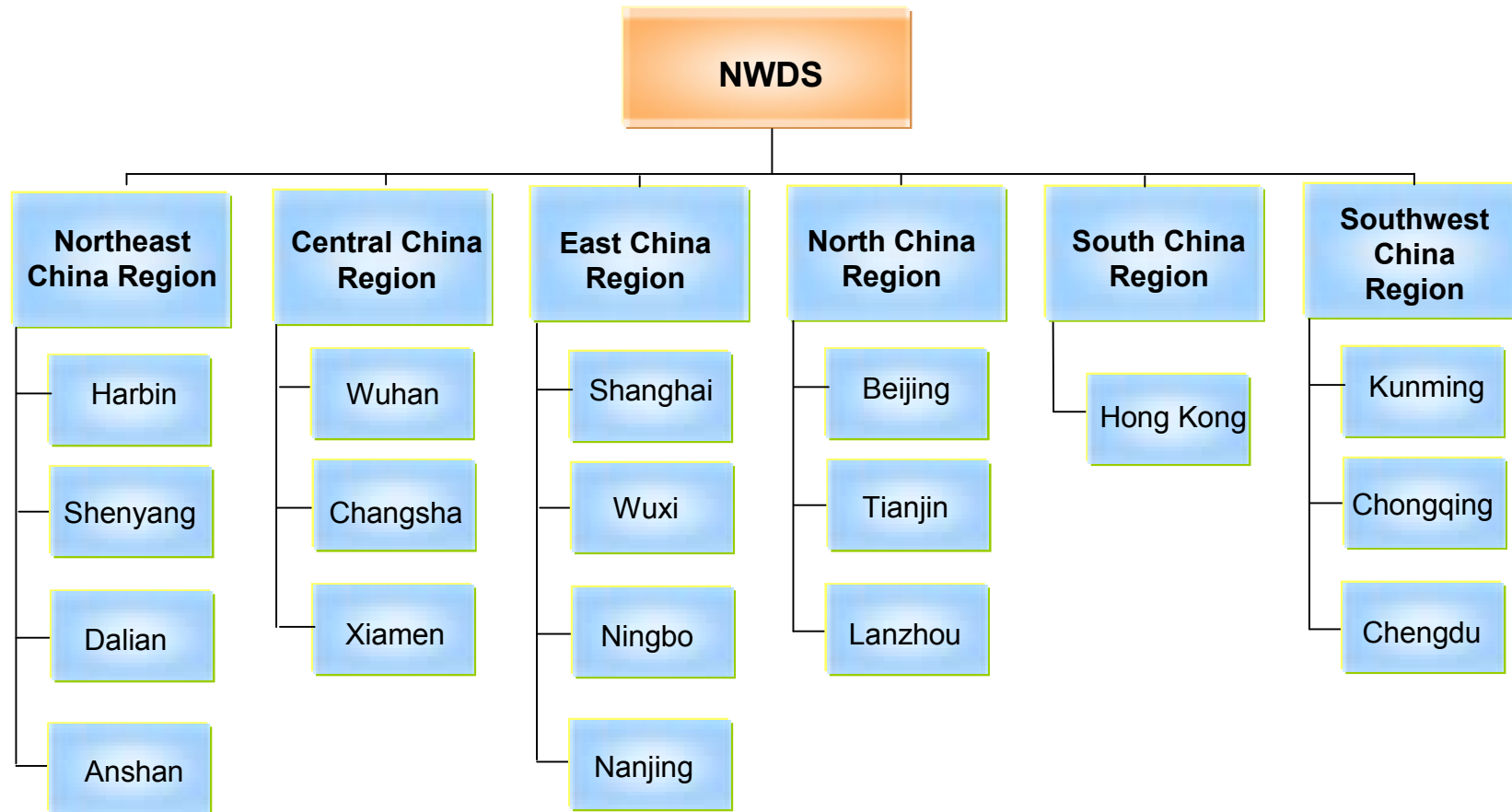
1. Including the newly acquired Wuhan Store effective from Feb 2008.

2. Including the newly opened Wuhan Xudong Store in Jan 2008.

After the acquisition, the no. of self-owned stores will increase to 19 from 18, while total owned property GFA will achieve 83,354 sqm from 41,354 sqm, which represent around 16.5% of total self-owned stores' GFA.



# Optimize regional operations : New 6 Regions



# Results Highlights



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# Financial Highlights



<i>For the interim period (HK\$'000)</i>	1H 2007/08**	1H 2006/07*	Change
Revenue	663,297	484,643	36.9%
Other income	73,695	18,811	292.0%
Operating profit	272,992	164,276	66.2%
Operating profit margin	41.2%	33.9%	+7.3ppts
Profit before income tax	283,781	169,576	67.3%
Net profit <sup>(1)</sup>	227,844	140,363 <sup>(2)</sup>	62.3%
Net profit margin	34.3 %	29.0 %	+5.3ppts
Cash on hand	3,932,117	967,534	306.4%

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

(2) Including HKD32mn one-off gain from disposal of subsidiaries.

\* For the six months ended 31 December 2006.

\*\* For the six months ended 31 December 2007.

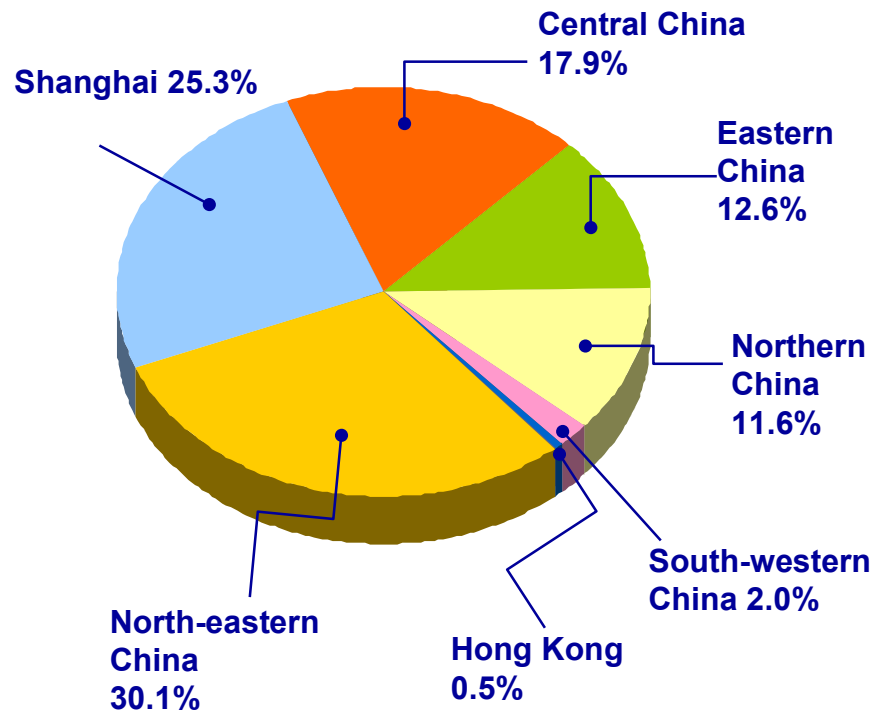




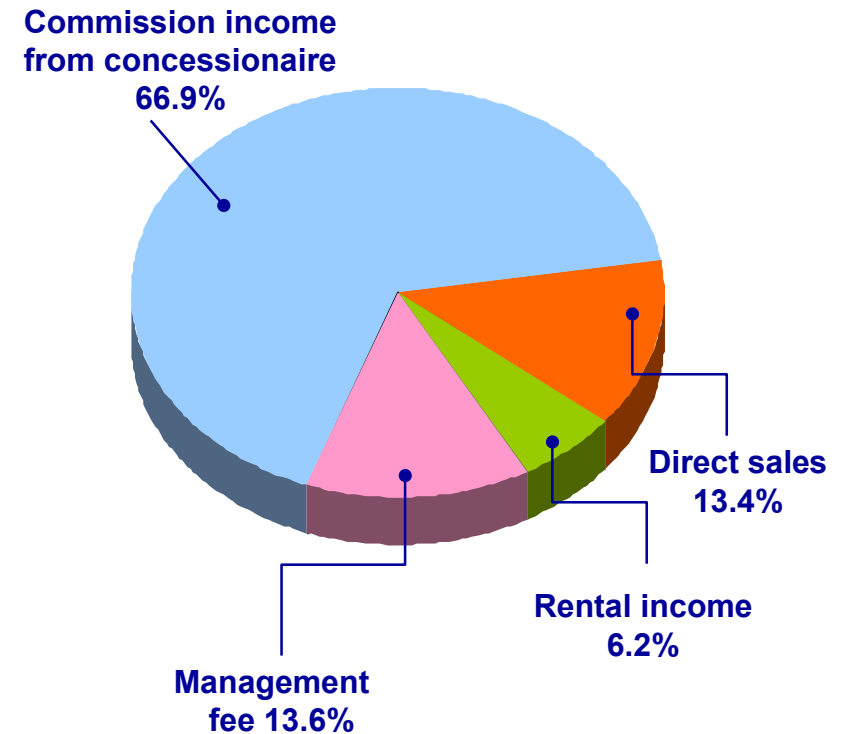
# Revenue Analysis



**Revenue contribution by region  
in 1H 2007/08**



**Revenue contribution by segment  
in 1H 2007/08**



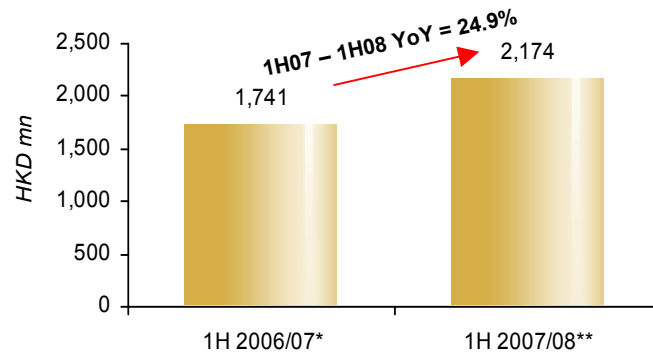
*\*\*\* For the six months ended 31 December 2007.*



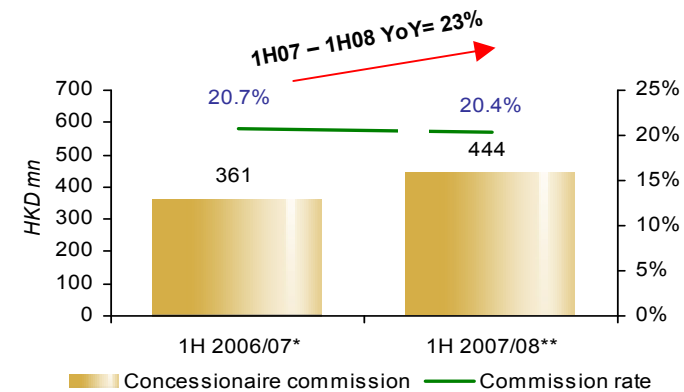
# Revenue Analysis (cont'd)



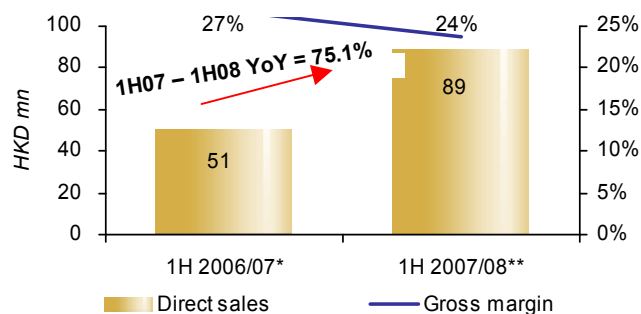
## Concessionaire gross sales revenues



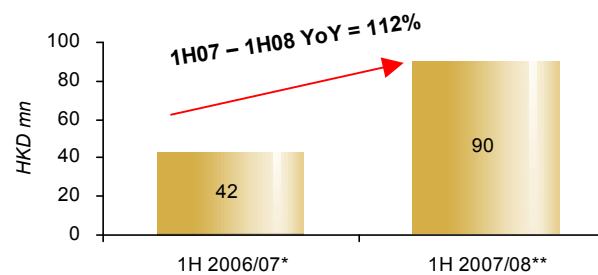
## Concessionaire commission



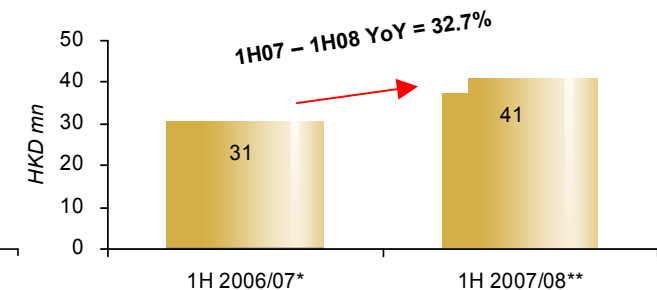
## Direct sales and its gross margin



## Management fee



## Rental Income

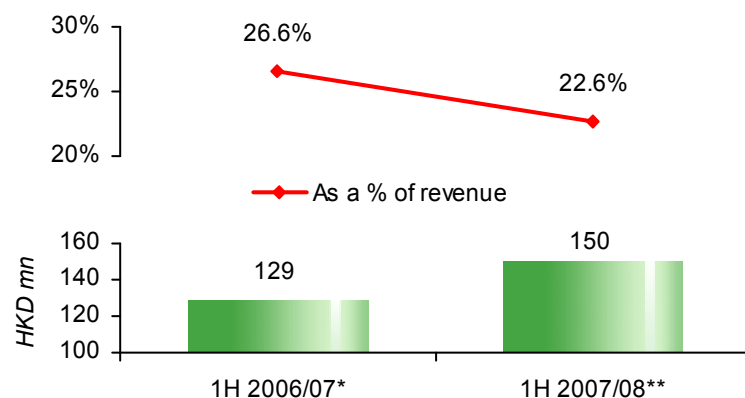


\* For the six months ended 31 December 2006.  
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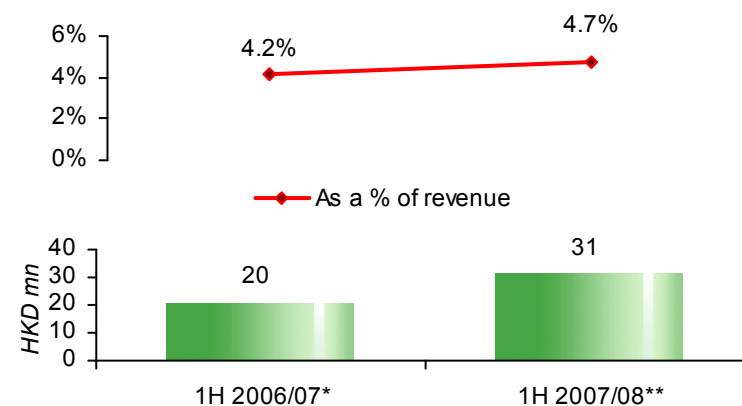
# Stable Expense Ratios



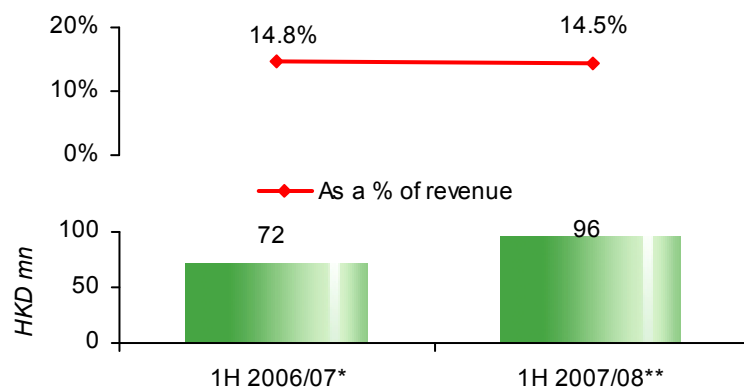
## Rental expense



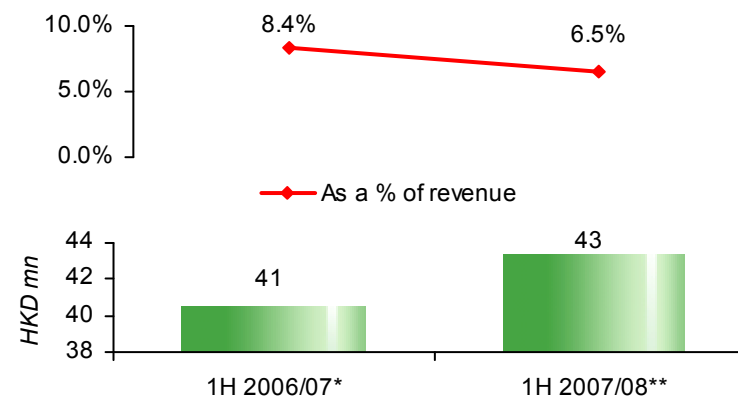
## Selling expense



## Staff expense



## Water and electricity expense



# Business Review



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# Highlights



1

**Extensive store network and established large scale operations**

2

**Nationwide VIP programmes**

6

**Experienced management team and effective management system**



3

**Prime store locations in major PRC cities**

5

**Strong and long-term relationships with concessionaires and suppliers**

4

**Proven business model and transparent growth strategy**



1

# Extensive store network and established large scale operation



## PRC regions where NWDS has presence

City / Province	GRP per capita rank	Disposable income per capita rank	Disposable income '03-'05 CAGR	No. of NWDS stores
Shanghai	1	1	12.0%	7
Beijing	2	2	12.8%	2 + 1
Tianjin	3	5	10.7%	1
Zhejiang	4	3	11.2%	3
Jiangsu	5	7	15.3%	1
Liaoning	8	15	12.2%	5
Fujian	9	6	11.0%	1
Heilongjiang	12	24	11.3%	1
Hubei	16	18	9.5%	4 + 1
Chongqing	18	9	12.5%	1
Hunan	20	10	11.4%	1
Sichuan	26	23	9.1%	1
Yunan	29	13	10.1%	1
Gansu	30	29	10.2%	1

Note: HK Store is not included here

Source: China Statistics Yearbook 2006





**1** Extensive store network and established large scale operation (cont'd)



**Gross Floor Area (GFA) of Store Portfolio**

(sqm)	As of 30 June				As of 31 Dec 2007
	2004	2005	2006	2007	
Self-owned stores	267,500 (12 stores)	284,780 (14 stores)	387,980 (17 stores)	* 394,780 (16 stores)	463,880 (18 stores)
Managed stores	150,000 (3 stores)	150,000 (3 stores)	177,200 (4 stores)	* 422,300 (12 stores)	468,300 (13 stores)
Total	417,500 (15 stores)	434,780 (17 stores)	565,180 (21 stores)	817,080 (28 stores)	932,180 (31 stores)

\* DL, KM, NB stores being disposed from owned stores to managed stores

## 2 Nationwide VIP Programmes



### Well-established & nationwide VIP membership program



- **VIP card was first launched in 1996**
- **Over 1.23 million members in 1HFY08**
- **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
- **Successful in promoting customer loyalty and stimulating purchases at our stores**



### 3 Prime Store Locations in Major PRC Cities



#### Shanghai Huaihai Store



**Location:**

- Huaihai Zhong Road, Luwan District, Shanghai
- Self-owned store
- GFA: 22,500 sqm
- OFA: 17,300 sqm

#### Wuhan Store



**Location:**

- Jianshe Avenue, Hankou District, Wuhan
- Managed store
- GFA: 42,000 sqm
- OFA: 30,000 sqm

#### Wuxi Store



**Location:**

- Zhongshan Road, Wuxi City

#### Harbin Store



**Location:**

- Garden Street, Nangang District, Harbin City



#### Shenyang Nanjing Store



**Location:**

- Nanjing Street, Heping District, Shenyang City

#### Ningbo Jiangdong Store



**Location:**

- Zhongshan East Road, Jiangdong District, Ningbo City

#### Wuhan Qiaokou Store



**Location:**

- Jiefang Avenue, Hankou District, Wuhan

### 3 Prime store locations in major PRC cities (cont'd) Secure Long-term Presence in Prime Locations



#### Property ownership

Shenyang  
Taiyuan



Tianjin  
(partial)



Wuxi  
(partial)



#### New project sites

- **Close relationships with leading property developers in China market who provide:**
  - new property information
  - regular property market updates
- **Leverage strong local connections of the NWD Group**

#### Leased versus owned properties



- **Majority of properties are leased, with an average unexpired term of approximately 16 years**
- **3 owned properties of 31 stores**
- **Total owned property GFA of approximately 41,354 square meters**



## 4

# Proven Business Model and Transparent Growth Strategy



## Proven business model

- **Concessionaire sales**
  - multi-brand platform reduces business risk
  - flexibility to optimize merchandise and supplier mix
  - no inventory risk
  - attractive working capital cycle
- **Direct sales**
  - enhance profit margins with appropriate product mix
- **Management consultancy services**
  - stable income generation at minimal capital outlay
  - leverage on our brand equity and reputation
  - provide market information for future acquisition opportunities

## Transparent growth strategy

- **Organic growth**
  - open new stores in cities where we already have a presence and in new cities, such as Anshan, Nanjing, Xi'an, Zhengzhou and Taiyuan
  - expand and upgrade existing stores
- **Acquisition strategy**
  - option or right of first refusal to acquire our managed stores
  - acquire other department stores



## 5

# Strong and Long-term Relationships with Major Concessionaires and Suppliers



Representative brands	
<b>Fashion</b>	Burberry    Ermenegildo Zegna    Aquascutum    Nike    Cerruti 1881 Hugo Boss    Esprit    Carlo Castello    Ports International    Autason
<b>Accessory</b>	Chow Tai Fook    Belle    Time City Le Saunda    Walker Shop    Fed
<b>Cosmetics</b>	Lancome    Shiseido    Christian Dior OLAY    Aupres    L'oreal
<b>Household, electrical goods and others</b>	Osim    Sheridan    Toyohya A-Fontane    Aussino
<ul style="list-style-type: none"> <li>▶ 84% of our top 50 concessionaires and over 70% of our top 10 direct sales suppliers have maintained business relationships with us for at least 5 years</li> <li>▶ Top 5 concessionaires accounted for less than 9% of our gross concessionaires sales during the track record period</li> </ul>	





5

# Strong and Long-term Relationships with Major Concessionaires and Suppliers (cont'd)



	Description	Benefits
	<ul style="list-style-type: none"> <li>▶ Established in 2002, a communication platform for our concessionaires and direct sales suppliers</li> <li>▶ More than 600 well-known international and domestic members</li> </ul>	<ul style="list-style-type: none"> <li>▶ Enhance relationships with our concessionaires and suppliers</li> <li>▶ Encourage them to provide latest market information to us</li> </ul>
<p><b>Strategic Cooperation</b></p>	<ul style="list-style-type: none"> <li>▶ Strategic cooperation with some of the key concessionaires who indicated they intend to establish counters in the new stores we open</li> </ul>	<ul style="list-style-type: none"> <li>▶ Greatly bolster our expansion potential and facilitate opening of new stores</li> </ul>



## 6

# Experienced & Stable Management Team and Effective Management System



## Henry Cheng Chairman

- ▶ Responsible for overall planning, strategic development and major policy making
- ▶ Managing director of NWD, chairman and managing director of New World China Land Limited

## Adrian Cheng Executive Director

- ▶ Responsible for overseeing the corporate affairs of NWDS
- ▶ Executive director of NWD and New World China Land Limited

## Philip Cheung Managing Director

- ▶ Joined the Group in 1993
- ▶ Responsible for the overall management
- ▶ Extensive experience in managing retailing businesses in PRC, Hong Kong and Taiwan

## David Lin COO & Executive Director

Over 25 years of retail industry experience

**6 years with NWDS**

## Kenneth Wong CFO & Executive Director

Over 10 years of experience in retail and a member of ACCA and HKICPA

**12 years with NWDS**

## Johanna Lau Commercial Director

Over 20 years of experience in emporium retailing

**14 years with NWDS**

## Ringo Ma Director, HR and Administration

Over 20 years of experience in human resources, training and administration

**11 years with NWDS**

## Rebecca Woo Director, Corporate Affairs

Over 10 years of experience in project administration and business development

**14 years with NWDS**

## Kenny Lai Director, Project Development

Over 10 years of experience in project planning and project management

**11 years with NWDS**



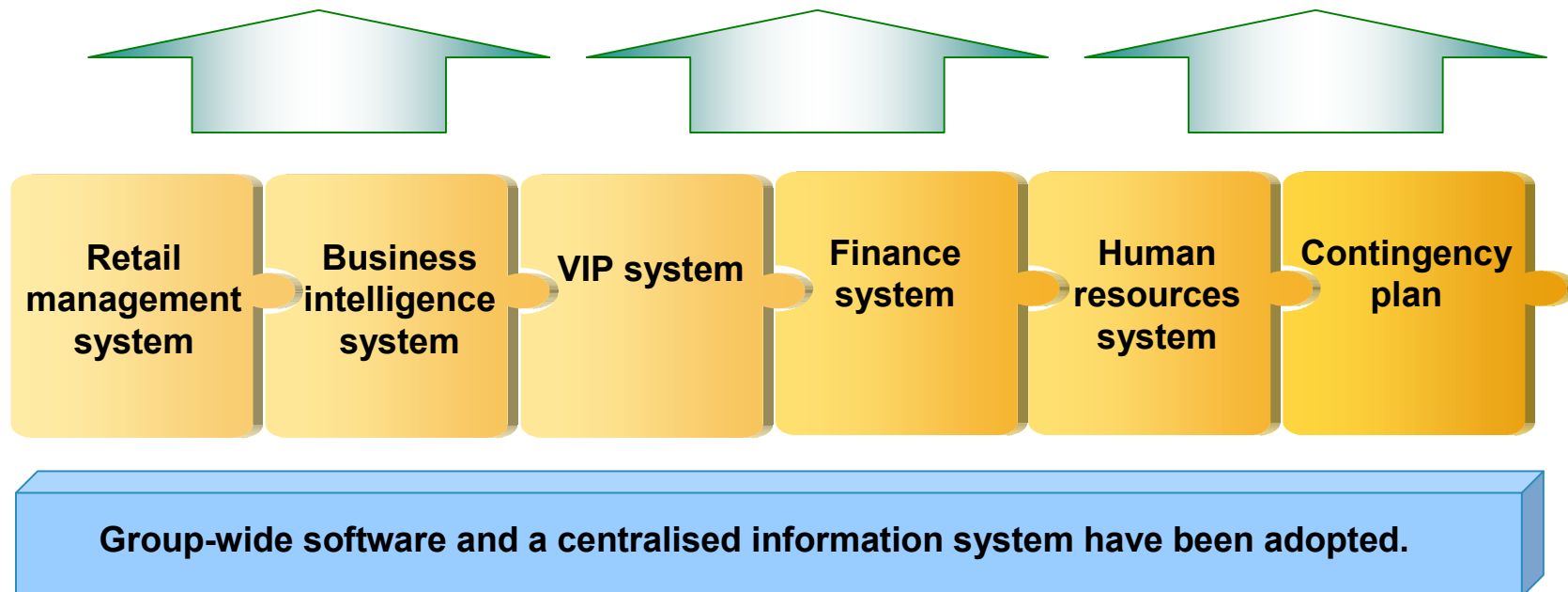
6

## Experienced & Stable Management Team and Effective Management System (cont'd)



### Efficient management information system

- ◆ Providing the data needed to effectively carry out our merchandising, inventory control, cash control, financial management and human resources management.
- ◆ Enhancing management control and analysis

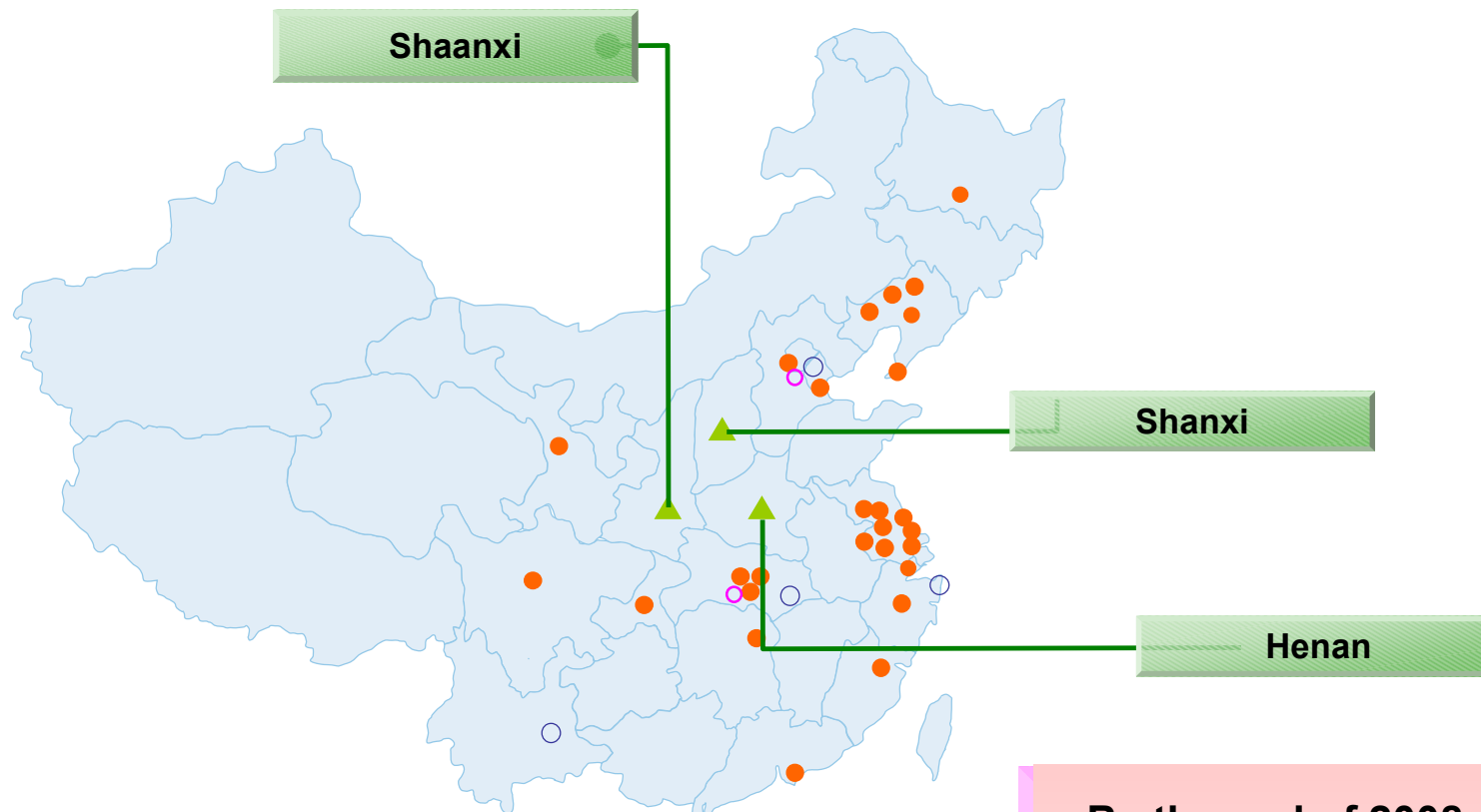


# Future Strategies



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# Continue to Grow Our Retail Network



- Existing PRC managed stores owned by NWD
- Other existing self-owned and managed stores
- ▲ Targeted new markets
- New stores to open in 2008

**By the end of 2008, the number of stores will be increased to 33, with a GFA of around 1,014,180 sq. m.**



# Expansion Strategies



## Open new self-owned stores

- ✓ Multiple presence within a single city or province
- ✓ To enter new markets with radiation effect from cities where the Company has strong presence



## Acquisitions

- ✓ Acquire managed stores
- ✓ Acquire own leased properties
- ✓ Acquire stores in prime locations



## Increase managed stores



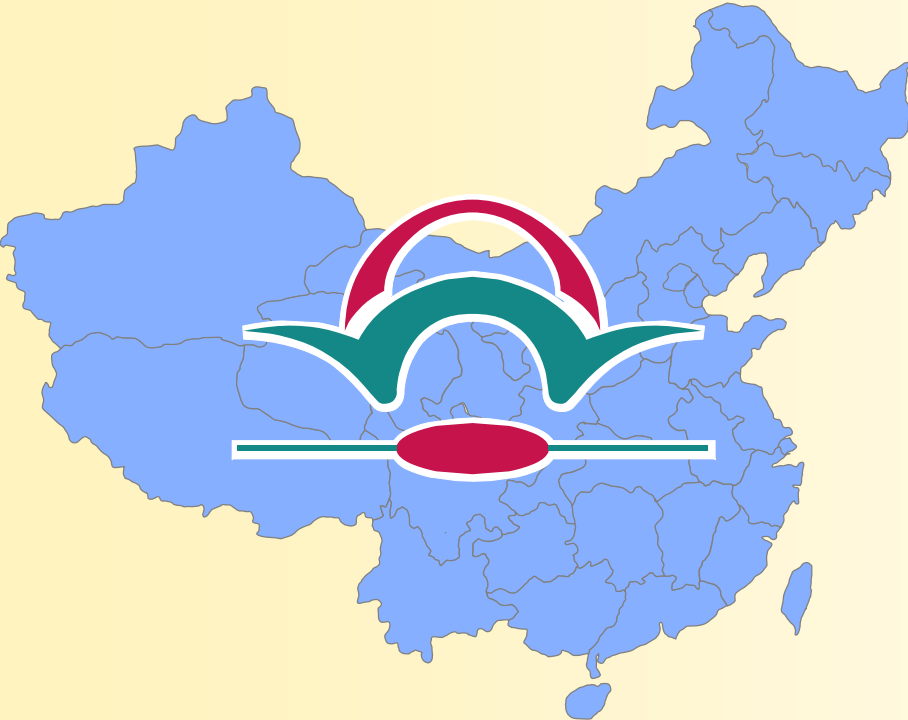
## Greenfield Project

- ✓ Looking for opportunities on greenfield project





# Our Mission



***“To become a dominant department store operator in the PRC”***



# Open Forum



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