

Business Review — Eastern China



Eastern China Region



Outstanding performance rewarded
with an array of honours.



Leveraging advantages in eastern China

As one of the wealthiest economic region in the PRC, eastern China has the highest rate of utilisation in terms of capital and resources. Rich in tourism resources, it is also the key region benefiting from the sixth escalation in railway speed commencing nationwide on 18 April 2007. With traveling time

among major cities significantly shortened, new opportunities arise for further growth of the retail and tourism industries within the region.

Cities in eastern China have pursued economic reform relatively earlier. Since major urban economies develop at a faster pace, their commercial markets have also grown to higher levels of maturity.

Eastern China Region	Population	Local Gross Domestic Product (RMB)	Gross Domestic Product Per Capita (RMB)	Per Capita Disposable Income (RMB)	Total Retail Sales of Consumer Goods (RMB)
Wuxi	5.9 million	330 billion	55,932	18,189	95.9 billion
Ningbo	5.6 million	286.4 billion	51,285	19,674	88.3 billion
Xiamen	2.25 million	116.2 billion	51,661	18,513	31.5 billion

Eastern China Region	No of Mainland Tourists	No of Foreign Tourists	Consumption Expenditure by Mainland Tourists (RMB)
Wuxi	30.33 million	760,000	35 billion
Ningbo	26.85 million	540,000	31.6 billion
Xiamen	17.57 million	1,000,000	25.3 billion

Source

- Wuxi Statistical Information Network (無錫市統計信息網)
- Official Website of Ningbo Municipal Statistics Bureau
- Xiamen Statistical Information Network (廈門統計信息網)

(Statistical period: January–December 2006)

215.7 billion

Total Retail Sales of Consumer Goods (RMB)

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New direction for new store

Opened in early September 2006 and located at Jiahe Road, Mingfa Mall in the Fushan commercial district, Xiamen New World Department Store ("Xiamen Store") has a GFA of about 20,000 sq. m.. The store has started with a mid-to-high end market positioning, on a fashion-and-accessories theme. The key customer groups targeted, aged 25–50 and mainly feminine, are mid-to-high income local residents and weekend "jetsetters" from the Fujian Golden Triangle.

The store fully leverages its geographic advantages and the excellence of the Group's vision and mission in its operations. By continually optimising merchandise mix, reinforcing and growing brand portfolio through introduction of more non-apparel goods, it gradually adjusted its positioning bias from an apparel specialty store to an integrated department store.

Maximising efficacy with differentiated marketing strategies

In the period under review, the Group operated three self-owned stores in the region, including Wuxi New World Department Store ("Wuxi Store"), Ningbo New World Department Store ("Ningbo Store") and Xiamen Store. It also managed one store: the Ningbo New World Trendy Department Store ("Ningbo Trendy Store").

All four stores occupied prime locations in the major business districts in the three cities, enjoying convenient transport and comprehensive public facilities that afford a huge and stable consumer market.

Considering market demands for high-end products, Wuxi Store and the two Ningbo stores optimised merchandise mix with a view to raising brand profile by including more international brands and high-end



“optimised merchandise mix with a view to raising brand profile by including more international brands and high-end exclusive brands”



• Ningbo Store

exclusive brands. Certain merchandise sections at these stores were either renovated or re-designed to enhance the shopping environment and to raise overall profile as a department store.

In the period reported, sales of international brands, cosmetics and up market women's clothing reported marked growth at Wuxi Store, which operated in a local market dominated, in branding and in sales, by Korean brands.

Similarly, there was apparent growth in sales at Ningbo Store in international brands, jewellery, premium menswear, men's shoes, leather bags, up market ladies' wear and ladies' shoes. Ningbo Trendy Store expanded its accessories range and jewellery section.

Based on a review of operations after about a year in business, and a series of market research and survey,

Xiamen Store optimised merchandise mix to include cosmetics, bedding, children's wear, sportswear and casual wear. Many renowned brands had already been introduced.

In the region the Group succeeded in implementing a business strategy that, targeting differentiated market segments, had effectively driven growth in total sales.

Keeping in step with market trends

All stores within the region stress the importance of having an effective marketing strategy. During the period reported, apart from holding a series of regular activities for VIP members, we co-organised themed promotions with suppliers in related fields, with a view to enhancing sales and brand awareness.

The number of issued VIP cards and platinum VIP cards in the region increased by a drastic 132.8% and 149%, respectively, from that in the previous year.

In the period reported, all stores in the region organised two private fashion sales for the summer and autumn seasons, in addition to other *ad hoc* activities, for VIP members.



• Ningbo Trendy Store

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• Xiamen Store

“In March 2007, the store was honoured as one of the “2006 Top Ten Enterprises in Department Store Retailing in Ningbo”. The award, which we won for two consecutive years, was presented by the Steering Committee on Development of Logistic Services for Commerce and Trading in Ningbo.”

Among these activities, Wuxi Store jointly held, with banks and brand suppliers, a forum on trendy living, sharing tips on financial management and accessories coordination. Ningbo Store organised a series of interactive talks on maintenance of jewellery, watches and apparel.

There was good collaboration with several banks on many occasions, including special sales for VIPs, anniversary celebrations and Christmas promotions. During the promotional periods, VIP members and

bank customers enjoyed exclusive, extra discounts. Credit-card holders of the banks were also entitled to the same complimentary gifts that we offered to our VIP members.

VIP Autumn Feast, jointly organised by Wuxi Store and Bank of Communications during 24–28 November 2006, received great attendance from both Wuxi Store VIP members and bank cardholders.

During *Diamond Rings and Lovers*, the Valentine's Day promotion on 14 February 2007, our two Ningbo stores gave away diamond rings worth RMB1,500 each and bouquets of nine roses to targeted VIP customers whose spending hit preset levels. The promotion was well received by local residents, especially among lovers.

Way ahead in industry awards and honours

Ningbo Store received honours in December 2006, jointly conferred by China UnionPay Ningbo Branch and Ningbo General Chamber of Commerce, as “2006 Distinguished Business with Hindrance-free Credit-card Operations” (2006年度寧波市刷卡無障礙優秀示範商戶).

In March 2007, the store was honoured as one of the “2006 Top Ten Enterprises in Department Store Retailing in Ningbo” (2006年度寧波市百貨零售十強企業). The award, which we won for two consecutive years, was presented by the Steering Committee on Development of Logistic Services for Commerce and Trading in Ningbo (寧波市商貿流通服務業發展領導小組).

In April 2007, the VIP Service Centre on fifth floor of Ningbo Store received commendation from Ningbo Confederation of Labour (寧波市總工會) as “Ningbo May 1 Civilised Work Post” (寧波市五一文明崗).



Following designation as a Jiangsu enterprise engaged in authorised genuine products by Intellectual Property Office of Jiangsu Province in April 2006, Wuxi Store became the first enterprise in Jiangsu Province to receive authorisation from the same bureau in February 2007 to carry the “Authorised Genuine Product” (正版正貨) label.

The key criteria for authorisation were that the authorised must not be producing or selling counterfeit products, or fake patented products, or products that infringe on patents; and must not be engaging in market competition through any improper means.

In February 2007, Ningbo Store was honoured as having “Trade-A credibility” among industrial and commercial enterprises (工商企業信用A級) that were “contract-abiding and promise-keeping” by the Ningbo Administration for Industry and Commerce of Haishu.

In August 2007, the store won the “Best Organisation” (最佳組織獎) award from the organising committee of “Ningbo Shopping Festival”.

Eastern China Region	Date of Commencement of Operation	Approx Gross Floor Area (sq. m.)	Approx Operating Floor Area (sq. m.)
Wuxi Store (self-owned)	January 1996	18,600	9,800
Ningbo Store (self-owned)	April 1998	10,000	7,800
Ningbo Trendy Store (managed)	November 2004	10,600	9,800
Xiamen Store (self-owned)	September 2006	20,000	14,800