

Business Review — Central China



Central China Region



Multiple presences in Wuhan enhanced our customers' loyalty and strengthened our partnership with suppliers.



Capturing development opportunities in central China

During the period under review, fast growth sustained for the regional economy in central China. Commerce flourished as urban infrastructure improved from day to day. The Central Government deployed a supportive policy towards the region that stimulated and promoted market growth. With per capita disposable income rising, local residents enjoyed better quality of

living and greater power of consumption.

Changes in modes of living, personal preferences and beliefs gave rise to changes in the consumer market. A tendency had developed among consumers for enjoyment on higher levels. As a result, many local and foreign retailers had been investing huge sums in cities in the region, unleashing immense potential for growth for the department store business.

Central 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)
Wuhan	8.58 million	223.8 billion	26,084	10,850	112.9 billion
Changsha	6.59 million	182.4 billion	28,242	9,807	95.2 billion

Central China Region	No of Mainland Tourists	No of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Wuhan	22.8 million	410,000	22.1 billion
Changsha	27.38 million	280,000	19.3 billion

Sources

- Statistical Yearbook of Wuhan (published in August 2006)
- Statistical Information of Wuhan
- Statistical Yearbook of Changsha (published in December 1996)
- White Paper on Consumer Market in Hunan (published in November 2006)

208.1 billion

Total Retail Sales of Consumer Goods (RMB)

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Vibrancy and dynamism at new stores

In the period under review, the Group opened our self-owned Wuhan New World Department Store — Qiaokou Branch Store (“Wuhan Qiaokou Branch Store”), and added Changsha New World Trendy Plaza (“Changsha Trendy Plaza”) to our portfolio of managed stores.

Opened in September 2006, Wuhan Qiaokou Branch Store has a market positioning of mid-to-high end, with a high-end bias. It is located in the hub of the Hankou CBD with convenient transport and heavy pedestrian traffic. Occupying a total GFA of 42,000 sq. m. on five levels, the store has the largest set-up among our operations in central China.

Merchandise on offer includes top international fashion brands, cosmetics, jewellery, watches, eyewear, fashion and sportswear, footwear for men and women, handbags, accessories, children’s wear and household items. The store features an indoor shopping lane, which creates a stylish ambience evocative of continental Europe. Alive with dynamics of



• Wuhan Qiaokou Branch Store

contemporary living, the store complex integrates shopping, dining and entertainment facilities into a centre of leisure and culture.

Also opened in September 2006 was Changsha Trendy Plaza. Located in the most prosperous district of Changsha, it enjoys convenience in transport. Positioning itself at the middle-to-high end of the market, it targets customers aged between 25 and 45. It has a total GFA of 35,000 sq. m., with the basement floor devoted to fashionable, trendy goods, and each of the six floors above it housing a pavilion themed, respectively, on international premiums, ladies’ fashion, ladies’ elegance wear, menswear and accessories, sports and leisure, as well as colourful



• Wuhan Trendy Plaza

living. A full range of leisure and entertainment facilities and services is available to shoppers to add comfort and convenience to their shopping delight.

A confluence of local and foreign brands within multiple shops in a single city

In the region, the Group operates three self-owned stores, namely Wuhan New World Trendy Plaza (“Wuhan Trendy Plaza”), Wuhan New World Department Store — Wuchang Branch Store (“Wuhan Wuchang Branch Store”) and Wuhan New World Department Store — Qiaokou Branch Store (“Wuhan Qiaokou Branch Store”). Under our management are two stores: Wuhan New World Department Store (“Wuhan Store”) and Changsha Trendy Plaza. All stores benefit from prime location in urban hubs of Wuhan and Changsha, well developed transport networks and heavy pedestrian traffic.

During the period reported, our stores implemented well-planned marketing strategies, and further enhanced both market positioning and corporate image. All five stores had an apparel bias in terms of merchandise. Nonetheless, they all recorded growth in year-on-year sales in apparel-related and non-apparel merchandise categories such as cosmetics and watches.

Four of the stores — Wuhan Store, Wuhan Wuchang Branch Store, Wuhan Qiaokou Branch Store and Changsha Trendy Plaza — position themselves as integrated department stores at the middle-to-high end of the market, and build their competitive niche on the concentration of international brands and a wealth of exclusive labels under one roof.

International brands dominate the Wuhan market during the period reported. The introduction of new brands took the total number of international brands on our portfolio to 34.

In addition, there was apparent development in direct-sales brands. We recorded excellent sales from Olympic Games concessionaires in all stores, as well as in the cosmetics category at Wuhan Store.

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So, located though in different business districts, our three stores in Wuhan shared the same market positioning. With a high rate of overlapping in brands, we could satisfy our suppliers' need for growth and reinforce the operational niche of individual stores.

Sharpening trend sensitivity to stimulate sales

Concerning marketing strategies, our colleagues in central China have always stressed the importance of maintaining good relationships with VIP customers. In line with consumption trends, we have launched a variety of promotions to drive growth in VIP sales.

In the period under review, the total number of VIP cards and platinum VIP cards issued in central China increased by 58.6% and 69.8%, respectively, compared with that of the previous year. To strengthen relationship with VIP members and stimulate sales, our stores in the region organised promotions on a regular basis. By offering exclusive benefits to members, we enhanced their sense of prestige and succeeded in raising the revisit rate. Besides, we also sought to



enrich the card's add-on value and to launch activation plans for non-active cardholders.

Lady VIPs constitute an important part of our target group. In a Women's Day promotion on 8 March 2007, Wuhan Qiaokou Branch Store invited lady VIP members to a tea reception, and organised an announcement conference for new underwear from a well-known international brand as well as an exhibition and seminar on the fragrance from a top world brand.

Appealing to the broad female consumer market, we offered 20% discount on Spring fashion on a limited time basis. We also handed out complimentary women health-check cards worth RMB308 each. In addition, Wuhan Qiaokou Branch Store organised a Spring cosmetics festival and other super sale promotions for ladies' wear and lingerie. All succeeded in attracting a host of female consumers.





• Wuhan Store



During 2–25 April 2007, Wuhan Store held a fashion week featuring Japanese and Korean labels available at the store. Truly trendsetting, it was well received by consumers.

Between 14 June 2007 and 19 June 2007, Changsha Trendy Plaza jointly organised with Bank of China a member-only sale for the bank's credit-card holders. Exclusive benefits included, among others, double bonus points for purchases by credit cards.

Integrity and credibility come first

In the period under review, certain stores within the region were honoured with local government awards.

In December 2006, Wuhan Store received commendation from Wuhan National Taxation Bureau (武漢市國家稅務局) and Wuhan Local Taxation Bureau as a “2004–2005 Grade-A Taxpayer” (2004–2005年度A級納稅人), and as a “2006 Wuhan Jiangnan Advanced Tax-paying Unit” (2006年度武漢江漢納稅先進單位) in February 2007. In April 2007, the store was recognised as one of the “2006 Top 100 Most Credible Payers of National Tax in Hubei” (2006年度全省國稅百佳誠信納稅人) by Hubei State Administration of Taxation. Wuhan Trendy Plaza received a bronze medal in December 2006 from Wuhan National Taxation Bureau and Wuhan Local Taxation Bureau for being a “2004–2005 Grade-A Taxpayer”.

Central China Region	Date of Commencement of Operation	Approx Gross Floor Area (sq. m.)	Approx Operating Floor Area (sq. m.)
Wuhan Store (managed)	November 1994	42,000	30,000
Wuhan Trendy Plaza (self-owned)	December 2001	23,000	18,500
Wuhan Wuchang Branch Store (self-owned)	October 2005	22,650	16,700
Wuhan Qiaokou Branch Store (self-owned)	September 2006	42,000	30,000
Changsha Trendy Plaza (managed)	September 2006	35,000	23,500