

# Chairman's Statement





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The rebranding program unveils the new chapter of the retail industry. In the year under review, the Group endeavored to create an unprecedented shopping experience by stipulating operational strategies and implementing marketing strategies in line with our rebranding program:

- ~ Abandon the old and initiate the new by categorizing department stores into "Fashion Gallery" and "Living Gallery";
- ~ Develop innovative maneuvers by giving birth to 2 one-stop shopping department stores and 1 feminine club style department store;
- ~ Drive trend by holding "The 1st NWDS Spokesperson" contest;
- ~ Breakthrough by deploying the symbol of "N-only" and exclusive brand strategy;
- ~ Serve customers by three tailored VIP clubs;
- ~ Respond to market changes by launching sensational marketing strategy...

For the year ended 30 June 2010, total revenue of the Group amounted to HK\$1,872.9 million, with a 8.8% increase over the year under review. Operating profit was HK\$811.5 million. Profit attributable to shareholder increased by 5.5% to HK\$577.6 million. Earnings per share was about HK\$0.34. The Board of Director resolved to distribute a final dividend of HK\$0.07 per share.

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In the year under review, we opened three self-owned stores, including Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store, seizing the opportunity of 2010 Shanghai Expo. Both stores are positioned as "Living Gallery" to provide customers with one-stop shopping experience regardless of their age and gender, as well as catering their needs in terms of "Clothing", "Dining", "Living", "Travelling" and "Entertainment". In addition, we have opened the first feminine club style department store in Beijing, Beijing Shishang Store. It is a "Fashion Gallery" targeted OL group. As of 30 June 2010, the Group operated 35 department stores with a total gross floor area of about 1,174,530 sq.m. covering 17 major cities in China. The Group has acquired the operating right of Shanghai Pujian Branch Store in January 2010, converting the store from managed to self-owned. In August of the same year, the Group successfully acquired the operating right of Beijing Store and agreed to acquire Chengdu Store as self-owned store with the application on progress. Located at Shunyi district, Beijing Qianzi Store has recently opened in this September; while Zhengzhou Store and Shenyang Jianqiao Road Branch Store are scheduled for opening in 2011, further expanding the Group's market share in the industry.

As the retail industry in China grows more and more sophisticated, competition becomes fierce as well. In view of this, the Group has formulated a thong of new marketing strategies befitting the market situation. The Group has held "The 1st NWDS Spokesperson" contest to echo with the rebranding program in the year reported. The spokesperson with unique character selected in this 11-month contest help promote the new image of "Enriching Lives • Enhancing Character" to the public. Moreover, we have also launched the symbol of "N-only" and the exclusive brand strategy in order to stand out in the highly competitive market. In order to uplift the overall stores' ambience, the Group introduces the sensory marketing strategy which attracts different customers and stimulates their shopping desires through visual display, lighting effect, aroma, music and an open-style display. Guided by the ethos of "customers come first", customer services and VIP programs have been enhanced to provide tailored services catering to different needs, intensifying the sense of prestige for club members as well as attracting new customers.





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In business development, we will stick on our expansion strategies of "multiple presences in a single city", continuing to add retail footholds in a single city or region. Applying the "radiation strategy", our business is also expanding into cities on the periphery of the core city with strong presence. We will hold fast to our expansion strategy by adding 2-3 self-owned stores with total gross floor area of approximately 100,000-120,000 sq.m. in prime locations of target cities to our retail portfolio every fiscal year.

The Group endeavors to maintain corporate governance with a flawless management mechanism comprises not only the board of directors, but also the audit committee and the salary committee. We strive to enhance transparency by releasing updated company information timely as well as initiating activities that help strengthen the Group's relations with investors.

Following the philosophy of "give-and-take" spirit in the community, we make it our mission to maintain corporate citizenship responsibilities by supporting various social welfare and green initiatives. In June this year, all of our stores partook in the "Used Book Donation Campaign" through which over 70,000 copies were donated to hillside schools and charitable organizations. By being a main sponsor of MSF Day for 4 consecutive years and an ardent supporter of the Bright Future Action, the Group actively fulfills its goal of contributing to the community.

Since the outbreak of the financial tsunami in 2008, China has maintained a steady economic growth thanks to Chinese Government's swift and proactive endeavors to cope with the crisis. In 2010, proactive fiscal policy and loose monetary measures are adopted to boost per capita income, spending desire and hence internal consumption. Such maneuvers help accelerate the pace of economic development, creating a favorable atmosphere for the development of domestic retail industry. Hence, the Group remains cautiously optimistic on the future development of the department store industry. We believe that the Chinese economy will rise steadily in the latter half of 2010. It is vital for department stores to stay innovative and open for reforms since the Chinese retail industry is full of variables. Given the conditions and trends in the market and national policies, the Group will keep venturing out into uncharted lands.

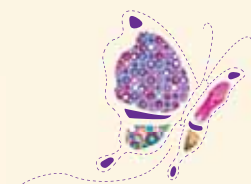
Looking ahead, the Group will continue to seize the opportunities brought by the vast Chinese market and ride the tide of the substantial economic growth in China. Through our strategies of business network expansion, stringent cost control, thoughtful services and quality merchandising, we strive to promptly readjust operational strategies to stay competitive and maintain profitability as well as maximizing return for shareholders.

With visionary mindset, the Group has grasped the opportunity to expand our network in the PRC retail market as well as maintaining a strong foothold in 17 major cities, becoming a distinguished chain operator with reputable fame in the industry. We owe our outstanding achievements to concerted efforts by management and staffs, trust from shareholders, support from business partners and patronage by customers. On behalf of the Board, I would like to extend heartfelt gratitude to all parties concerned.

We will continue on our path to build a new brand roadmap and lead the industry.

**Dr. Cheng Kar-shun, Henry**  
*Chairman*

Hong Kong, 4 October 2010







*Innovative operation mode*

*Establish new cornerstone  
for fashion and living  
department store*

