

Business Review

BUSINESS NETWORK

In the year ended 30 June 2010 (or “the Current Year”), the Group operated 35 department stores, with a total gross floor area (or “GFA”) of about 1,174,530 square metres and a total operating floor area (or “OFA”) of about 904,900 square metres. Located in five operational regions, namely Northeastern China, Northern China, Eastern China, Central China and Southwestern China, the stores covered 17 major cities in the PRC. These included Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing and Taizhou. Our business network comprised 25 self-owned stores and 10 managed stores.

REVENUE CONTRIBUTION

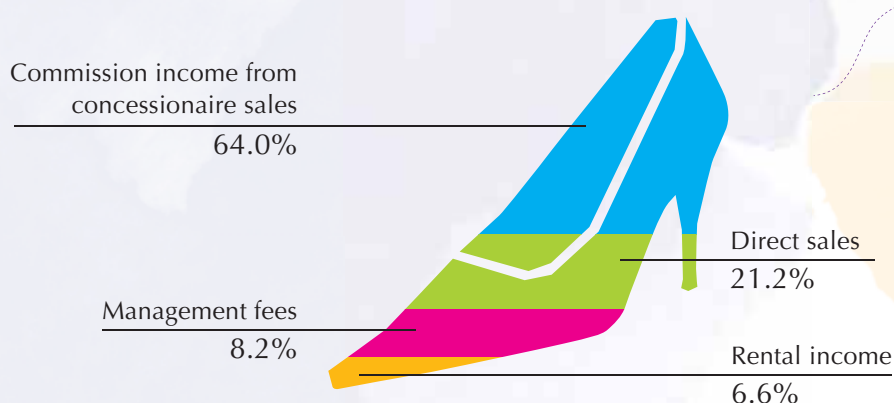
By region

The Central China Region contributed the most to the Group’s revenue during the year under review, accounting for 32.4% of total revenue, followed by the Eastern China Region and the Northeastern China Region, accounting for 31.5% and 20.7% of total revenue, respectively.



By segment

Commission income from concessionaire sales was the major type of income, accounting for 64.0% of total revenue. Proceeds from direct sales and management fees accounted for 21.2% and 8.2%, respectively. Rental income accounted for 6.6%.





STORE NETWORK DEVELOPMENT

In the year under review, the Group opened three new self-owned stores in Shanghai and Beijing, including Shanghai – Hong Kong New World Department Store – Baoshan Branch Store (“Shanghai Baoshan Branch Store”), Shanghai – Hong Kong New World Department Store – Chengshan Branch Store (“Shanghai Chengshan Branch Store”) and Beijing Shishang New World Department Store (“Beijing Shishang Store”). Besides, Shenyang New World Department Store – Taiyuan Street Branch Store (“Shenyang Taiyuan Street Branch Store”) ceased to be the Group’s self-owned store since April 2010.

Therefore, as of 30 June 2010, the Group’s total GFA was approximately 1,174,530 square metres, up 10.44% from the Previous Year.

GROWTH IN NATIONWIDE VIP MEMBERSHIP

In the year under review, the Group especially launched three VIP clubs: namely the “Smart Lady Club”, “Perfect House Wife Club” and “Platinum VIP Club”. With only one year ever since these VIP clubs were launched, the number of our VIP club members was over 400,000, whereas club activities also successfully attracted more new VIP members. In the Current Year, the total number of VIP and platinum VIP members increased by 13.7% and 5.8% respectively when comparing with that of the Previous Year. The number of our VIP members now exceeds 1.88 million.

VIP Club
Members
400,000
(approx.)

VIP Card
+13.7%

Platinum
VIP Card
+5.8%



Northeastern China Region



• Harbin Store

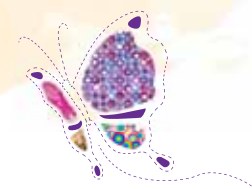


“Starting from September 2009, the Northeastern China Region has pioneered in the new operation mode of 'Fashion Style' and 'Living Style'. Stores in Shenyang, Harbin, Anshan and Dalian have been gradually rebranding into “Fashion Gallery” and “Living Gallery”.”



Northeastern 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)
Harbin	9.90 million	325.81 billion	33,000	15,887	150.79 billion
Shenyang	7.86 million	435.92 billion	55,000	18,560	177.86 billion
Dalian	6.17 million	441.77 billion	72,000	19,014	139.67 billion
Anshan	3.61 million	191.50 billion	52,000	16,580	46.00 billion

Northeastern China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Harbin	37.49 million	240,000	30.03 billion
Shenyang	52.90 million	500,000	42.80 billion
Dalian	34.12 million	1,050,000	43.05 billion
Anshan	17.16 million	137,000	9.30 billion



Source:

- National Statistics Bureau of China
- Statistical Information Network of Harbin
- Statistical Information Network of Dalian
- Statistical Information Network of Anshan

- Sina Network
- 2009 National Economic and Social Development Statistic Bulletin
- Statistical Information Network
- Statistical Data Network

Improving Economy in Northeastern Region Boosts Internal Consumption

Although the economy of the Northeastern China Region underwent a setback in the shadow of global financial meltdown in 2009, it regained upward momentum with master development plans of Government including "Redevelopment of Northeastern Industrial District", "8 Major Economic Zones" and "Ten Engineering Projects" implemented in full swing. The overall economy of the two provincial governments were given gradual growth impetus through which economic indicators registered a satisfactory rebound: the first half of 2010 saw Liaoning's total GDP grew by 17.6% as compared to the same period last year; while that for Heilongjiang was 12.9%.

Thanks to the effort of the provincial governments to promote domestic consumption and the development of service industry, the retail sales of consumer goods of Liaoning and Heilongjiang reached 320.06 billions and 181.54 billions respectively in the first half of 2010. While Heilongjiang saw a year-on-year growth of 19% with a year-on-year increase of 3.1 percentage points, the consumer goods market in Northeastern China Region was on a continuing trend of expansion, and

the development of consumption in both rural and urban districts was elevating. To cope with fierce competition, retail department stores were eagerly enhancing their brand images and positioning. Apart from the conventional merchandises like fashion and accessories, department stores now provide food and beverage, entertainment and other latest leisure options. This new trend changes the shopping habits and consumption modes of the Northeastern China market, dealing a heavy blow to traditional department stores.

514.3 BILLION
Total Retail Sales of Consumer Goods (RMB)

“As the first store rebranded into “Fashion Gallery”, Shenyang Nanjing Street Branch Store prided itself on featuring renowned international and stylish brands.”



• Shenyang Nanjing Street Branch Store

Differentiated Operation Mode Highlights Stores' Character

In the year under review, the Group operated four self-owned stores in the Northeastern China Region. They were Harbin New World Department Store (“Harbin Store”), Shenyang New World Department Store—Nanjing Street Branch Store (“Shenyang Nanjing Street Branch Store”), Shenyang New World Department Store—Zhonghua Road Branch Store (“Shenyang Zhonghua Road Branch Store”) and Anshan New World Department Store (“Anshan Store”). In addition, we also operated one managed store: Dalian New World Department Store (“Dalian Store”).

Starting from September 2009, the Northeastern China Region has pioneered in the new operation mode of ‘Fashion Style’ and ‘Living Style’. Stores in Shenyang, Harbin, Anshan and Dalian have been gradually rebranding into “Fashion Gallery” and “Living Gallery”.

As the first store rebranded into “Fashion Gallery”, Shenyang Nanjing Street Branch Store prided itself on featuring renowned international and stylish brands. Striving to implement a differentiated operation, the store highlighted its edges with its strong presence of branded goods and highly acclaimed VIP services. VIP members can enjoy tailor-made privileges such as multiple bonus scheme, guided shopping, wine tasting gatherings, etc. The interior also played an important role in the rebranding program. The men’s fashion section at the third floor of Shenyang Nanjing Street Branch Store has undergone a lighting enhancement which boosted the sleek and chic visual merchandizing effect through tactful uses of lighting and displays.



• Shenyang Zhonghua Road Branch Store



• Dalian Store

Shenyang Zhonghua Road Branch Store, on the other hand, was revamped as the one-stop shopping "Living Gallery" with living facilities enlarged and new themed restaurants, snack corners and other complementary services introduced. In the year under review, we have renovated the store's health food & snack area and enlarged the dedicated area for sporting goods, leisure product, outdoor equipments, sportswear and swimwear to meet the need of consumers. Moreover, the store stressed on humanistic concern that human-oriented designs included greenery and rest area were added inside store to show our care to customers' needs. An Event



Hall was also set up in which regular themed promotion activities were held. For interior décor, the latest revamp saw a more spacious and sleek counter design. The atrium was rediscovered as a dedicated area for visual merchandizing and festive decorations that constituted a pleasant shopping experience.

Targeting to be a "Living Gallery", a one-stop department store for all walks of life, in the year reported, Harbin Store offered a diversified merchandise mix with special emphasis on increasing the brand for cosmetics, jewellery and expanded the watch and mature ladies' wear sections. Another key change was the conversion of bedding & houseware area into outerwear & outdoor equipments and stylish fashion and accessories sections. Moreover, new children's wear and pre-school education sections were launched to establish the store as the preferred family-oriented shopping spot.

With the goal of becoming a themed "Fashion Gallery", Anshan Store has gradually evolved its unique fashionable shopping ambience. In the year under review, Anshan Store boasted a new concessionaire planning for men's and ladies' shoe and apparel area. Leveraging the growing need for



• Anshan Store

Business Review - Northeastern China Region

mature ladies' wear, a new section was especially dedicated to this product category. The lingerie area was also redesigned into an elegant boudoir to highlight the edges of Anshan Store. The newly conceived dining area also refreshed customers' taste buds with new restaurants and dining outlets.

Also heading to revamp as a "Fashion Gallery", Dalian Store stayed ahead of local retail industry in the year reported by positioning ladies' footwear as its category killer product. To further enhance its competitiveness, its young ladies' fashion area has doubled the size in operation and new brands were introduced. As Dalian Store targets local office ladies, it especially adjusted its cosmetics area to achieve the goal as a retail spot with the most comprehensive brands, the best image as well as the best sales returns for this product category.



177,140sq.m.
Total GFA (approx.)

Northeastern China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
Self-owned Store			
Shenyang Nanjing Street Branch Store	November 1995	13,890	10,800
Harbin Store	November 1996	50,000	36,800
Shenyang Zhonghua Road Branch Store	December 2005	44,000	33,800
Anshan Store	October 2007	37,250	34,200
Managed Store			
Dalian Store	November 2002	32,000	26,500
Total		177,140	142,100

Bountiful Promotion Activities to Draw Customers' Patronage

In the year reported, the Northeastern China Region has done a lot to retain VIP customers and stimulate customers' patronage and spending. Shenyang Nanjing Street Branch Store, among all, was renowned for its powerful VIP activities and privileges. The store offered two hotel boutique and luxury goods sales event every year. These activities helped enhance VIP loyalty and boost revisit rate to a record high. Starting from February 2010, Shenyang Nanjing Street Branch Store has been hosting "VIP days" on the first Saturday of every month during which VIPs can earn multiple bonus points. The activity has been well-received since then. In addition, the "Platinum Night" for platinum VIPs created a sense of prestige among VIP members and became a powerful tool for member retention and customer loyalty enhancement. During the "Platinum Night", the store offered attractive VIP program through which members could redeem hotel accommodation and dining offers upon certain amount of purchase, a surge in sale among members was thus resulted. The number of platinum VIP members in Northeastern China Region increased by 3.4% in the Current Year.





“ The Northeastern China Region has done a lot to retain VIP customers and stimulate customers’ patronage and spending. Stores were renowned for its powerful VIP activities and privileges, which helped enhance VIP loyalty and boost revisit rate to a record high. ”

To encourage VIP members to join our newly-developed VIP clubs, Northeastern China Region organized specialized activities to attract specific customer groups, such as “Pink Ribbon-Breast Cancer Awareness Talk” for Smart Lady Club members held in Shenyang Nanjing Street Branch Store, “Happy Family Day Trip” organized for Perfect House Wife Club members by Harbin Store as well as “Platinum Style Skincare Seminar” for Platinum VIP Club members by Shenyang Zhonghua Road Branch Store. Stores in Northeastern China Region further introduced 5 times bonus for shopping on birthday and other attractive gifts for its club member solicitation. During the year reported, the total number of VIP club members in the region was over 66,000.

Apart from the above maneuvers, the Northeastern China Region also hosted a thong of sizable promotion activities. The “New World Carnival” held by Anshan Store was one of the examples. The event delivered a festive atmosphere through a dressed parade of the store staff. During the event, customers who spent in the store received ballots by which they could cast for their favorite carnival counters and enjoyed chances to win in the lucky draw. The event drew in a lot of customers who contributed to the rise of sale. Moreover, Harbin Store and Shenyang Nanjing Street Branch Store also hosted the “Nocturnal Spree” and the “Starry Night” respectively, in which customers received gifts and instant rebate for designated amounts of spending. Both events ended in great success with overwhelming customer support. On April 2010, Shenyang Zhonghua Road Branch Store held a “60 hour non-stop shopping event” where customers could win an ipod-touch when they have reached certain amount of spending. The event also offered VIP-only 20 times bonus points for designated brands within designated time interval. The result was a rise in both the number of pedestrian flow and sales.

The Accoladed Leader in the Northeast

During the year under review, stores in the Northeastern China Region have always been accoladed by the regional retail sector. Shenyang Nanjing Street Branch Store was awarded the “Favorite Brand Among Consumers in Shenyang” in the “Service Industry – Integrated Arcade and Shopping Center” category for 2009 by “Lifestyle & Trend Magazine”. Moreover, the store was recognized as the “Paragon of Prolonged Business Growth in Heping District for 2009” by the People’s Committee of Shenyang Heping District and the People’s Government of Shenyang Heping District. It was also acclaimed as the “Harmonious Consumption Model Unit for 2009” and the “Advanced Consumer Right Promotion Unit for 2009” awarded by the Consumers’ Committee of Shenyang City and the Consumers’ Committee of Heping District respectively. Moreover, both Shenyang Nanjing Street Branch Store and Shenyang Zhonghua Road Branch Store won the “Corporation for Hassle-free Patronizing” title in the “Shenyang National Day Thankful Corporations for Customers Event” co-hosted by Consumers’ Committee of Shenyang City and *Hua Shang Chen Bao*; while Shenyang Zhonghua Road Branch Store also won “The Most Popular Event” prize.

In the year reported, Harbin Store received the title of “2009 Advanced Public Security Integrated Management Conglomerate” from the Community Office of Harbin Nangang District. The store also won the excellent organization prize in the “2009 Harbin Excellent Service Month for Business Sector” hosted by the Commerce Committee of Harbin.

In addition, Anshan store was crowned the “Caring Enterprise” by the Anshan Municipal Government together with Anshan Red Cross.

66,000 (approx.)

Total Number of VIP Club Members



Eastern China Region



• Shanghai Chengshan Branch Store



“Following Northeastern China Region, Eastern China Region is our second operational region to undergo store rebranding. Since the end of 2009, stores in Eastern China Region has been gradually preparing and launching the revamp according to consumer demands and the characteristics of specific business circle where stores are located in.”



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)
Shanghai	19.21 million	1,504.65 billion	78,225	28,838	517.32 billion
Wuxi	4.65 million	499.20 billion	78,989	25,027	165.14 billion
Ningbo	5.71 million	421.46 billion	73,808	27,368	143.44 billion
Nanjing	6.30 million	423.03 billion	55,290	25,504	196.16 billion
Taizhou	5.79 million	202.55 billion	35,148	24,429	81.79 billion

Eastern China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Shanghai	123.61 million	6,289,000	191.35 billion
Wuxi	43.10 million	662,000	61.90 billion
Ningbo	39.62 million	801,000	49.73 billion
Nanjing	55.20 million	1,135,000	76.25 billion
Taizhou	25.95 million	104,000	20.37 billion

Source:

- 2009 Statistical Yearbook of Shanghai
- 2009 Nanjing Bureau of Statistics for Economic Development

- Statistical Data Network of Ningbo
- Wuxi Statistical Report

Structural Change in Economy of Yangtze River Delta Corporation In Search of New Opportunities

Stricken by the global economic tsunami in 2008 – 2009, the economy of Yangtze River Delta Region stumbled with significantly reduced exports. Shanghai posted a humble GDP growth of 8.2% in 2009, the lowest since 1992. To actively tackle the crisis, National Development and Reform Commission launched Regional Plan for Yangtze River Delta (YRD), aiming to, through a series of programs, steered the Eastern China Region out of the economic crisis, and promoted the economic model transformation of YRD into an international hub as well as centre of modern services and leading manufacturing in the Asian Pacific region. Boosted by governmental economic stimulus plans on all levels, economy in Eastern China cities was already showing signs of recovery, revitalizing finance and retail industries in the year reported. However, in view of structural change in economy, the pressure from unemployment rate and inflation,

retail industry in Eastern China Region will still have a tough time. Industry players in department store therefore must seize new opportunities leveraging on their sound business foundation and strong innovative spirit.

1,103.9 BILLION
Total Retail Sales of Consumer Goods (RMB)

“The design of “Living Gallery” is themed as ‘Eco Paradise’, elements of nature and greenery have been incorporated into every corner of the store. Moreover, spacious areas are retained on each floor and lift lobby for shoppers to relax, showing heartfelt care to the customers.”



• Shanghai Baoshan Branch Store



“Multiple Presences in a Single City” Fosters Development in Core Cities

In line with our “multiple presences in a single city” strategy, the Group has opened two self-owned stores in Shanghai in January 2010 and April 2010 respectively: they were Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store. Shanghai Baoshan Branch Store is located at a newly-developed community – Baoshan commercial circle. It has 7 storeys with a GFA of approximately 39,000 sq.m. It is the first newly developed ‘Living Gallery’ providing one-stop shopping, leisure, dining & integrated services that targets people of all ages and both genders. Around 30% of the store’s area is reserved for providing complementary services, such as beauty & hair salon, pre-school children centre and food & beverage outlets. The design of “Living Gallery” is themed as ‘Eco Paradise’, elements of nature and greenery have been incorporated into every corner of the store. Moreover, spacious areas are retained on each floor and lift lobby for shoppers to relax, showing heartfelt care to the customers.

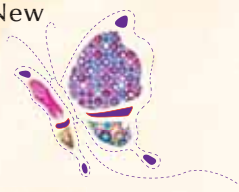
Situated in the centre of Dahua Jinxiu in Pudong District, Shanghai Chengshan Branch Store is adjacent to the site of World Expo Shanghai, taking the advantage of this strategic location. The store has 4 storeys with a GFA of approximately 38,000 sq.m. The store renders a spa centre exclusively provided for female customers as well as a household item galleria with bountiful household supplies. Moreover, there are children’s playground, pre-school children centre as well as photography facilities, providing comprehensive care for children. To cater the needs of tourists visiting World Expo, the store also houses numerous specialty counters for customers to purchase souvenirs. Shanghai Chengshan Branch Store has been designed with the reddish-orange theme colour designated to Living Gallery, nature’s elements were incorporated into every corner of the store, delivering an unprecedented shopping environment to customers.





Innovative Operational Model Brought New Store Image

In the year reported, the Group operated fourteen stores in the Eastern China Region: nine of them were under the “Ba Li Chun Tian” brand, including eight self-owned stores: Shanghai – Hong Kong New World Department Store – Huaihai Branch Store (“Shanghai Huaihai Branch Store”), Shanghai – Hong Kong New World Department Store – Xinning Branch Store (“Shanghai Xinning Branch Store”), Shanghai – Hong Kong New World Department Store – Hongkou Branch Store (“Shanghai Hongkou Branch Store”), Shanghai – Hong Kong New World Department Store – Changning Branch Store (“Shanghai Changning Branch Store”), Shanghai – Hong Kong New World Department Store – Qibao Branch Store (“Shanghai Qibao Branch Store”), Shanghai – Hong Kong New World Department Store – Pujian Branch Store (“Shanghai Pujian Branch Store”), Shanghai Baoshan Branch Store and Shanghai Chengshan Branch Store; and one managed store: Shanghai – Hong Kong New



World Department Store – Wujiaochang Branch Store (“Shanghai Wujiaochang Branch Store”). In addition, there were also five self-owned stores under the “New World” brand in this region: Wuxi New World Department Store (“Wuxi Store”), Ningbo New World Department Store (“Ningbo Store”), Ningbo New World Trendy Department Store (“Ningbo Trendy Store”), Nanjing New World Department Store (“Nanjing Store”) and Taizhou New World Department Store (“Taizhou Store”).

Following Northeastern China Region, Eastern China Region is our second operational region to undergo store rebranding. Since the end of 2009, stores in Eastern China Region has been gradually preparing and launching the revamp according to consumer demands and the characteristics of specific business circle where stores are located in.



Refreshing Store Profile to extend market recognition

During the year reported, Shanghai Huaihai Branch Store has been gradually modifying towards the goal of Fashion Gallery. Shanghai Huaihai Branch Store put its emphasis on ladies' shoes as its category killer which was accompanied by the enhancement of ladies' wear. The store also introduced many best-selling hot brands of ladies' shoes, in which included some most sought-after Japanese labels popular among female customers.



• Shanghai Huaihai Branch Store



• Shanghai Xinning Branch Store



• Shanghai Qibao Branch Store

Shanghai Xinning Branch Store has gradually developed itself into the mode of Fashion Gallery, appealing to young consumers with best-selling brands in market, aiming to establish it as the center of fashion hub in the region. In the year reported, the store reduced the number of brands of men's formal and business suits whereas expanded operating area for men's casual wear to suit young generation's style. Shanghai Changning Branch Store was revamped into a Fashion Brand Outlet in Zhongshan Park Commercial Circle, featuring lower price yet high-quality fashion merchandises. Its regular discounted concessionaires are highly competitive within the business circle. Also targeting to be a Fashion Gallery in future store development, Shanghai Hongkou Branch Store in Sichuan North Road strived to further extend its direct sales merchandise in the year under review.

In the Current Year, Shanghai Qibao Branch Store focused on enhancing the images of its ladies' shoes, jewellery, mature ladies' wear, and men's business suits concessionaires, laying a solid groundwork



for establishment towards a Fashion Gallery with kaleidoscopic fashion merchandises.

During the year reported, Shanghai Wujiaochang Branch Store opened trendy brand flagship store on second floor, whilst Event Hall and brand outlet were launched on the seventh floor. The store turned out to be the most popular department store in Wujiaochang Business District.

Located in Tangqiao Commercial Circle, Shanghai Pujian Branch Store bears in mind the goal of developing into a community-type Living Gallery, catering the needs of residents on all levels in terms of "Clothing", "Dining", "Living", "Travelling" and



• Shanghai Wujiaochang Branch Store



• Shanghai Pujian Branch Store



• Ningbo Store

"Entertainment". In the Current Year, Shanghai Pujian Branch Store expanded the dining area on first floor and re-arranged the fashion accessories section.

In the year under review, Ningbo Store refurbished its branded goods zone, and introduced new category like fragrance and smoking sets product. Handicraft gift, wine cellar and tea products were also showcased on the top floor, all of which showed its endeavor to become a fashionable department store with distinguished character in Ningbo.

Ladies' wear floor in Ningbo Trendy Store was enriched with health and beauty concept products, stretching the women's merchandise into a more

diverse end. Moreover, in order to attract higher traffic flow, Ningbo Trendy Store enlarged the size of its discounted outlet area, so that consumers in Ningbo could find ideal products at affordable prices.

During the year under review, Wuxi Store was revamped into Fashion Gallery with a brand-new image. Wuxi Store endeavored to enlarge its first-floor ladies' shoes section, which contributed to an ever stronger ladies' shoes merchandise. Moreover, the store rebranding also included interior re-decoration which generates modernity in the overall store atmosphere.

Nanjing Store is preparing for its transformation into Fashion Gallery spotlighting ladies' shoes, ladies' wear. Nanjing Store also grabbed every



• Taizhou Store



• Nanjing Store

chance to strengthen its sporting goods sector. By introducing the discount outlet of international sports brands rarely seen in the region, Nanjing Store stands out with another unique feature.

Ladies' shoes and discounted sportswear concessionaire were set as the category killer for Taizhou Store. On the other hand, its sportswear discounted concessionaires are the only one of its kind in Taizhou until now and therefore greatly enhance the store's competitiveness. Taizhou Store will continue to consolidate the category's leading role in Taizhou city by expanding and developing it in terms of size and products.





Eastern China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
Self-owned Store			
Wuxi Store	January 1996	18,600	12,100
Ningbo Store	April 1998	10,000	9,100
Shanghai Huaihai Branch Store	December 2001	22,500	16,800
Shanghai Xinning Branch Store	January 2002	21,000	16,200
Shanghai Hongkou Branch Store	October 2003	19,600	11,800
Shanghai Changning Branch Store	September 2004	6,680	6,000
Ningbo Trendy Store	November 2004	11,500	10,100
Shanghai Qibao Branch Store	December 2005	36,550	29,700
Shanghai Pujian Branch Store	September 2007	46,000	30,800
Nanjing Store	November 2007	30,000	20,300
Taizhou Store	April 2009	30,000	25,000
Shanghai Baoshan Branch Store	January 2010	39,000	36,100
Shanghai Chengshan Branch Store	April 2010	38,000	35,300
Managed Store			
Shanghai Wujiaochang Branch Store	December 2006	44,000	37,200
Total		373,430	296,500

373,430sq.m.

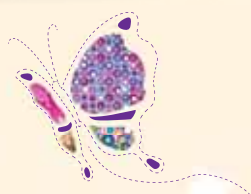
Total GFA (approx.)



• Shanghai Changning Branch Store



• Shanghai Hongkou Branch Store



Integrating Regional Resources for Brilliant Joint Campaigns

During the year under review, Eastern China Region exerted itself to develop VIP customer groups and launched a variety of VIP tailored events and featured club activities to enhance sales after having integrated all shared resources under multiple stores in a single city. In 2009, all Shanghai stores allied with a renowned toddler learning center and held a series of childcare activities, such as bubble game, parachute program, baby dance campaign, baby crawling game, music game, puttee run and so on. Members of Perfect House Wife Club and their babies all had good time partaking in these interesting games, and were effectively encouraged VIP's patronage and stimulated in-store spending. VIP club of the stores in Ningbo also went on a trip of "Red Bayberry Picking Day" in June 2010. Members could socialize in picturesque scenery of green nature. During the year under review, the Eastern China Region's total number of VIP club members was over 95,000. Moreover, Eastern China stores all jointly cooperated and launched a "VIP Return Day". On such day, VIP member were privileged with many benefits, like new products introduction, VIP welcoming gifts, VIP extra bonus reward, VIP priority checking counter, VIP afternoon tea, and so on. The activity was well received among members. In the Current Year, the total number of VIP members in Eastern China Region increased by 2.0%.



“ In the Current Year, Eastern China Region exerted itself to develop VIP customer groups and launch a variety of VIP tailored events and featured club activities to enhance sales after having integrated all shared resources under the circumstance of multiple stores in a single city. ”



95,000(approx.)
Total Number of VIP Club Members

Apart from VIP programs, more creative and interesting events and activities of Eastern China Region came along in the year under review, like "Mid-Summer Enjoyable Season" in Shanghai Xinning Branch Store, "Gifts for Your School Opening Day" in Shanghai Wujiaochang Branch Store, "Non-stop shopping event" throughout all Shanghai stores, "Golden Week Exciting Prices" and so on. All these promotional activities became talk of the town and therefore helped boost pedestrian flow. Among all the activities, two major ones were worth noticing: the joint celebration by all Shanghai stores for "The 2nd Anniversary of Shanghai Pujian Branch Store" and "Count Down to the Opening of Expo". These two activities received overwhelming feedback and attracted numerous citizens to join. Another outstanding activity was "New-Concept Sports" held by Nanjing Store in April, 2010. It was a very special event, in which the entire Nanjing Store was redecorated into a sports-theme exhibition hall and a street dancing competition added dynamic vitality to the activity, successfully gathered up huge crowd of visitors.



Winning More Prizes than Ever

During the year under review, prizes awarded to stores in Eastern China Region reached a record high, reflecting our endeavors as well-received by consumers. Shanghai Huaihai Branch Store was honored as "Excellent Patriotic Health Unit welcoming Expo in Luwan District" by Patriotic Health Campaign Committee of Luwan District, "Model Store of Credits in Shanghai" by Shanghai Commercial Association. The store was also awarded as "Model Store with Civil and Standard Public Signs in Welcome of Shanghai Expo".

Shanghai Xinning Branch Store won the title of "Outstanding Team" in Service Competition for Young Practitioners in 2009 Changning District's "Welcoming Expo, Promoting Culture" activities. Moreover, Shanghai Changning Branch Store and Shanghai Xinning Branch Store were both awarded with "Model Store for Credit Cards Friendly Service" by Shanghai Municipal Commission of Economy and Information, Shanghai Municipal Commission of Commerce, and Shanghai Federation of Trade Unions.



• Wuxi Store

Shanghai Wujiaochang Branch Store won the title of "Youth Civilization Team in Welcoming Shanghai Expo" awarded by Expo Service Headquarters at Yangpu District, Communist Youth League Yangpu Branch Committee, Commission of Commerce of Yangpu District, Construction Committee Office of Wujiaochang and Sub-street Office of Wujiaochang. On the other hand, Shanghai Baoshan Branch Store was awarded with the title of "Fire Protection Model Unit" and an honor flag by Shenxin Group in Baoshan District.

In the year reported, Ningbo Store was awarded with titles of "2009 Harmonious Enterprise" and "2010 Backbone Enterprise" by Jiangdong District Government of Ningbo City. Ningbo Trendy Store won the "Best Organizing Prize" again on 2010 Ningbo Shopping Season by Haishu District Government of Ningbo City. Meanwhile, it was also recognized as the "2009 Outstanding Enterprise in Ningbo Commerce System" by Ningbo Bureau of Trade and Commerce.

Wuxi Store was acclaimed as "Ten Best Overseas Chinese ventures and Hong Kong-invested Enterprises in Wuxi" chosen by Wuxi Municipal Government Office and "2006-2008 Best Overseas Chinese ventures and Hong Kong-invested Enterprises in Jiangsu Province" by Overseas Chinese Affairs Office of Jiangsu Province.



• Ningbo Trendy Store



Central China Region



“Facing fierce competitions among the industry players, all stores in Wuhan were dedicated in integrating all the resources in the city, expanding their scope of direct sales and putting emphasis on key commodities in order to achieve differentiated operation effectively and maintaining the Group’s leading role in the region.”

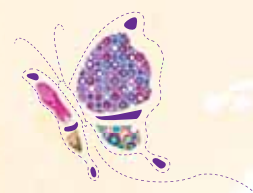


• Wuhan Qiaokou Branch Store



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	9.10 million	503.77 billion	55,359	19,826	234.73 billion
Changsha	6.64 million	374.48 billion	56,620	20,238	152.49 billion

Central China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Wuhan	63.60 million	669,000	48.62 billion
Changsha	38.37 million	578,000	32.48 billion



Source:

- Wuhan Bureau of Statistics
- Wuhan Centre of Economic Information
- Statistical Information Network of Changsha
- 2009 Statistical bulletin of domestic economy and society development of Changsha

Better Development Expected as Domestic Consumption Improved in Central China

As the "Rising Strategy of Central China" and the "Western China Development" were gradually rolled out by the Central government, Wuhan, the economic and political centre of Central China, was actively expanding its economic and technological development zone outward whilst urban area also continued to expand and sprawl. The rate of urbanization was accelerating, attracting more inhabitants and mobile population to different cities in Central China. These were a prominent impetus to local retail market development. The improvements in domestic consumption and the change of mode of living have resulted in 200 billion and 150 billion annual retail sales

of consumer goods recorded for Wuhan and Changsha respectively in 2009. Citizens in Central China were thirst for retail and consumer goods. The government's stimulus plan has successfully boosted the domestic demands and the consumption demand of cities in Central China, providing an ideal breeding ground for the further development of department stores.



• Wuhan Hanyang Branch Store



• Wuhan Store

387.2 BILLION
Total Retail Sales of Consumer Goods (RMB)

“ To cater the need of hosting more promotional programs for VIPs and families, Wuhan Store converted the fifth floor to an Event Hall that is suitable for holding events like luxury goods promotions, fashion shows and product launching, thus in turn attracted larger customer flow and upper-floor traffic rate, sales volume of the floor also greatly improved. ”



• Wuhan Wuchang Branch Store



Intense Competition Calls for Store Revamp

In the year under review, the Group operated five self-owned stores in the region. They were Wuhan New World Department Store (“Wuhan Store”), Wuhan New World Trendy Plaza (“Wuhan Trendy Plaza”), Wuhan New World Department Store – Wuchang Branch Store (“Wuhan Wuchang Branch Store”), Wuhan New World Department Store – Qiaokou Branch Store (“Wuhan Qiaokou Branch Store”) and Wuhan New World Department Store – Hanyang Branch Store (“Wuhan Hanyang Branch Store”). The Group also operated two managed stores in the region, namely Changsha New World Trendy Plaza (“Changsha Trendy Plaza”) and Wuhan New World Department Store – Xudong Branch Store (“Wuhan Xudong Branch Store”).

Facing fierce competitions among the industry players, all stores in Wuhan were dedicated in integrating all the resources in the city, expanding their scope of direct sales and putting emphasis on key commodities in order to achieve differentiated operation effectively and maintaining the Group’s leading role in the region.

Wuhan Store, previously with its emphasis on the sale of prestigious brands, was gradually extending its portfolio into a one-stop living department store. In the year under review, the store focused on the introduction of home appliances area, providing a new shopping spot of home appliances to Wuhan citizens. In addition, to cater the need of hosting more promotional programs for VIPs and families, Wuhan Store converted the fifth floor to an Event Hall that is suitable for holding events like luxury goods promotions, fashion shows and product launching, thus in turn attracted larger customer flow and upper-floor traffic rate, sales volume of the floor also greatly improved.



To achieve differentiated operation with other stores, Wuhan Trendy Plaza focused on strengthening its market advantages in footwear and jewellery in the year reported. The store expanded the scale of footwear section and jewellery section. In order to become a hip and chic department store, the store underwent restructuring in brand portfolio which was now domineered by apparel brands with large market shares and accessible price.



• Wuhan Xudong Branch Store

As a sleek and chic department store, Wuhan Wuchang Branch Store has introduced Moschino Women during the year under review. Since then, the store has built a more diverse portfolio with renowned international fashion brands which has greatly improved the sales atmosphere of its ladies' wear area. The store has gradually increased the proportion of mature ladies' wear as well as introducing a number of renowned fashion brands. It has also reduced operating area of sportswear in men's wear section to make room for an expanded area for men's suits to further enhance its competitive edge.

In the year reported, a number of young ladies' wear settled in Wuhan Qiaokou Branch Store and a dedicated private area has incorporated into the lingerie area. Young female customers find the store more appealing after these adjustments. To improve the store's complementary facilities, Wuhan Qiaokou Branch Store has expanded its branded outlet area on fifth floor, whilst concessionaires of household items, small home appliances and digital products were also

redistributed to increase traffic rate on higher floors of the store and diversified merchandise arrangement on each floor.

Wuhan Xudong Branch Store is positioned as a fashion department store in Xudong commercial circle. The store stressed on the development of nationwide renowned brand, in which the image and decoration of a number of both men's and ladies' wear concessionaires were enhanced in the year under review. These concessionaires were highly improved in terms of style and image, which contributed to create a more intriguing presence to customers as well as enhancing the trendy ambience for the entire store.



Business Review - Central China Region

Wuhan Hanyang Branch Store aimed at providing caring service to Hanyang citizens. Ever since its opening, the store has gradually developed into an integrated community department store, which offers shopping, entertainment, leisure, food and beverage under one roof. In the year under review, the store further enhanced its facilities by introducing chained restaurants, café and fitness center, aiming at improving store traffic flow and generate better sales.



• Changsha Trendy Plaza

During the year under review, Changsha Trendy Plaza focused on developing its direct sales portfolio by expanding the size of "Home of New World" direct sales section. It successfully brought more diverse trendy living products for customers. The store also strived to upgrade men's and ladies' underwear section. In face of challenges from counterparts in the city, Changsha Trendy Plaza strived to consolidate its position by dedicating its effort to exploring young fashion brands and introduced exclusive brands within the business circle in almost every floor of the store.





Central China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
Self-owned Store			
Wuhan Store	November 1994	42,000	25,400
Wuhan Trendy Plaza	December 2001	23,000	18,100
Wuhan Wuchang Branch Store	October 2005	22,650	16,900
Wuhan Qiaokou Branch Store	September 2006	42,000	34,300
Wuhan Hanyang Branch Store (business on Level 1 – Level 5)	November 2008	43,000	38,000
Managed Store			
Changsha Trendy Plaza	September 2006	35,000	23,000
Wuhan Xudong Branch Store	January 2008	31,700	24,800
Total		239,350	180,500

239,350sq.m.

Total GFA (approx.)



“Promotional activities in Central China Region have fully made use of the advantages of festivals to increase traffic flow.”

Colorful Promotion Activities to Draw in Customers

In the year under review, stores in Central China Region has organized various innovative VIP activities and has done a lot to improve their interaction with customers, raising customers' recognition towards New World Department Store. Special VIP events included “Grown Up Memories Photos Collection” jointly held by all stores in Wuhan, parenting activity - “Who is the brightest and bravest child?” organized by Wuhan Store, “I Love Watermelon and Watermelon Loves Me” in Wuhan Trendy Plaza. Central China Region also endeavored to develop different VIP club activities, for examples, “Wine Tasting for Platinum VIPs” for Platinum Style Club members in Wuhan Wuchang Branch Store, “Chinese New Year Feng Shui Seminar”, “Valentine’s Day Chocolate DIY” and “Mix & Match N-only Styling Seminar” targeting Smart Lady Club members were held in Wuhan Qiaokou Branch Store, whilst Changsha Trendy Plaza also hosted “Cake DIY program” for Perfect House Wife Club members and “Goodbye! Single life” social gathering for Smart Lady Club members. Furthermore, VIP clubs of Changsha Trendy Plaza was the pioneer in the Changsha department store industry. All the aforementioned VIP club programs utilized games or engaging activities, so that VIP club members can actively participate in the event and fostered their interaction with experts, brand salespersons and New World Department Store, therefore successfully attracted more VIP customers and stimulated their spending, which eventually increased sales volume. During the year reported, the number of VIP members and platinum VIP members

129,000 (approx.)

Total Number of VIP Club Members



in Central China Region increased by 16.1% and 20.6% respectively, whilst the region's number of VIP club members was over 129,000.

Promotional activities in Central China Region have fully made use of the advantages of festivals to increase traffic flow. In 2009, Wuhan Wuchang Branch Store hosted “Christmas Spree” in collaboration with numerous renowned brands. The event successfully established a record high sales, its brand engagement rate was also the top of the year. The event gained mass support from customers. In addition, Wuhan Xudong Branch Store nailed on Halloween, which is gaining its popularity in recent years. The store hosted “Magic Halloween” with “magic” and popular Halloween feature -- “pumpkin” as the theme, as well as offering festive gifts and set a lower threshold to encourage the mass to participate and celebrate Halloween together. The event also hosted “The



2nd Pumpkin lantern DIY" as a parenting activity to attract families' spending.

Paragon of Regional Retail Service Raises New Bar

In the year under review, stores in Central China Region have always been accoladed by the regional retail sector, proving its leading role in the region. In 2009, Wuhan Store was awarded the "Union Assessment Focus Advanced Unit in the City in 2009" by Wuhan Federation of Trade Unions and obtained "2009 Excellent Business Credit Card Accessibility" honoured by China Union Pay. In addition, Wuhan Store received the title of "The City's Advanced Group in Economic Security 2009" awarded by Economic Security Division of Wuhan Security Bureau. The store also obtained "12315 Consumer's Rights Protection Liaison & Model Shop" awarded by Wuhan Administrator for Industry & Commerce, on the other hand, it was also awarded the "2009 Outstanding Tax Contribution Enterprise in Jiangnan District" by People's Government of Wuhan Jiangnan District, .

In 2009, Wuhan Trendy Plaza, Wuhan Xudong Branch Store and Wuhan Qiaokou Branch Store were awarded "2009 Best Business Ethnic Labor and Social Security Employer Award" from Wuhan Bureau of Human Resources and Social Security. Meanwhile, Wuhan Qiaokou Branch Store also obtained the honour of "2009 Advanced Tax-paying Unit in Wuhan Qiaokou District".



Wuhan Hanyang Branch Store was designated "2008 Entrance Showcase Unit" by Leadership Group of Municipal Government of Wuhan and awarded the title of "2006-2008 Model Enterprise of Ideological Infrastructure Construction" by People's Government of Wuhan Hanyang District.

As for Changsha Trendy Plaza, it was awarded as "Top Ten Socially Responsible Store for Designated Area outside the Unit Building in Changsha" by Changsha Planning Board. Moreover, the store was awarded as "Advanced Unit" from Furong District Office of Changsha City, "Advanced Unit on Consumption Festival" from Changsha City Bureau of Commerce as well as "2009 Bank of China Excellence Merchant" from Bank of China.



• Wuhan Trendy Plaza

Northern China Region



• Beijing Store

“Consistent with the strategy of “multiple presences in a single city” and to form a strong “golden triangle” with Beijing Store, the Group opened a brand new self-owned store, Beijing Shishang Store, in Chongwen District in Beijing in May 2010, creating the first feminine club department store in the capital city.”



Northern 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)
Beijing	19.72 million	1186.5 billion	68,788	26,738	531.00 billion
Tianjin	12.30 million	750.0 billion	62,403	21,430	240.00 billion
Lanzhou	3.24 million	92.6 billion	28,616	12,761	46.98 billion

Northern China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Beijing	160.00 million	3,430,000	154.20 billion
Tianjin	76.13 million	220,000	95.83 billion
Lanzhou	4.66 million	40,000	3.31 billion



Sources:

- National Statistics Bureau of China
- People's Network
- Tianjin Administrative Affairs Network
- Lanzhou Statistics Bureau
- Beijing Tourism Bureau

Economic Structure Adjusted to Stimulate Retail Consumption

With a rapid change in economic environment both at home and abroad, the government has adjusted, this year, the economic structure of the Northern China Region to focus on the development of rural market. Since urban residents have gradually moved out of downtown to the outskirts, there was a remarkable increase in the number of newly-opened department stores in suburbs. This has changed the developmental direction of the retail department store industry in the region.

Besides, in 2009 the government continued to launch a series of consumption stimulus programs, as a result, the retail market in the Northern China Region kept growing at a balanced pace. In the first half year of 2010, Beijing, Tianjin and Lanzhou experienced a significant increase in Gross Regional Product by 12%, 26% and 13% respectively. However, as competition in the Northern China Region's retail industry became intense, department store operator must establish its competitive edges to foster a breakthrough in development.

Debut of the First Feminine Club Department Store in Beijing Chongwen Business District

Consistent with the strategy of "multiple presences in a single city" and to form a strong "golden triangle" with Beijing New World Department Store ("Beijing Store"), the Group opened a brand new self-owned store, Beijing Shishang Store, in Beijing Chongwen District in May 2010. This new Fashion Gallery, with a GFA of about 40,000 sq.m., is the first feminine club department store in the capital city. It is targeting urban female white-collars, hence, the merchandise mix, promotions and club activities are all tailored to meet the expectations of female customers. As for merchandise mix, it emphasizes "Mix & Match" elements by introducing exclusive brands and designer's labels, accentuating the features of "individuality" and "taste". Besides, unique Japanese & Korean style concessionaires are introduced inside store, offering a variety of trendy products to satisfy fashionista's demands. Beijing Shishang Store also houses a flagship pet shop that integrates pet beauty parlor and display area which serves to meet all-round needs of female pet lovers. Furthermore, it does not follow a traditional department store layout of categorization. Instead, it adopts a mixed store model, for instance, it has a niche book pub offering not only snacks and drinks, but also themed movie programs and

818.0BILLION

Total Retail Sales of Consumer Goods (RMB)

Business Review - Northern China Region

professional seminars as well. Therefore, it has become a preferred gathering place for women. As for the services, the store hires all male frontline salesperson to provide attentive services for customers, providing our female customers with heartfelt services from the perspective of males. The store even adds more value by organizing a series of carefully-tailored culture program in its VIP classrooms. In all aspects, from the private and carefree space to the passionate, considerate and professional services; from the accessible network coverage to the comfortable and elegant platinum VIP lounge, and to the natural and green decoration and design, reflect the unique taste and fashionable style of the store.



• Beijing Shishang Store

“ Since 2010, stores in the region have been moving steps by steps towards the rebranding program, in which stores gradually started preparing for the store revamp into “Fashion Gallery” and “Living Gallery” from phase to phase in order to win a place in the market competition in Northern China. ”





Gradual Store Revamp to Drive Business

In the Current Year, Northern China Region operated two self-owned stores: Beijing Shishang Store and Tianjin New World Department Store ("Tianjin Store") and four managed stores, namely Beijing New World Department Store ("Beijing Store"), Beijing New World Trendy Department Store ("Beijing Trendy Store"), Beijing New World Liying Department Store ("Beijing Liying Store") and Lanzhou New World Department Store ("Lanzhou Store").

Since 2010, stores in the Northern China Region have been moving steps by steps towards the rebranding program, in which stores gradually started preparing for the store revamp into "Fashion Gallery" and "Living Gallery" from phase to phase in order to win a place in the market competition in Northern China Region.

The reform in Tianjin Store first began at the end of 2008 and has completed by end of July 2010. To cater for the market needs in Tianjin, Tianjin Store targets at young family as their major customers. Following this direction, the store put its emphasis on developing fashionable living goods. In the year under review, it introduced digital product concept concessionaire, increased the number of brand flagships inside store to differentiate from major competitors and thus greatly enhanced its relationships with the customers and suppliers. Besides, Tianjin Store especially expanded the ratio of catering services in store. Among the recently-introduced catering service providers, many were entering the Tianjin market for the first time. Their presence has attracted many customers to visit the store. Footwear is also a dominant category in Tianjin Store. This section included all mainstream and popular brands after the merchandise adjustment. The rebranding has created a customer-friendly shopping environment making Tianjin Store a real one-stop "Living Gallery".



• Tianjin Store



In the Current Year, Beijing Store-Phase I focused more on diversification of merchandise mix. This included expanding the floor area for direct-sales accessories products with attractive price, which resulted in better pedestrian flow. In men's wear section, the store expanded the operating area for men's suit as well. It also enhanced the amenities on the top floor, such as hairdressing salons and manicure shops; re-segmented the household products and telecommunication sections, and thus constituted a merchandise mix that reflected the atmosphere of a diverse Living Gallery. For Beijing Store - Phase II, to preserve its fashionable features and to attract more young consumers, the store increased the number of popular domestic and international brands. To complement the diet habit of youngsters, the store had proactively presented customers with hamburger, cafes and other trendy catering service. The area of Beijing Store-Phase I and Phase II is huge, with such an expansion and the comprehensive development of product offers as well as complementary amenities, Beijing Store has gradually transformed from a traditional department store into a "Living Gallery" which focuses on enhancing lifestyle.

To cater customers' needs within the business circle, Beijing Trendy Store has increased the percentage of its casual wear brands and has enhanced collaboration with leading brands in the year reported. At the beginning of 2010, the living product chainstore in collaboration with the Group have formally entered into Beijing Trendy Store, which remarkably increased the number of product categories. The store successfully created contrast with the adjacent department stores who are selling luxuries and high-end brands.

Business Review - Northern China Region

As a department store which targets to serve neighborhoods and local communities in Wangjing District in Beijing, the consumption pattern in Beijing Liying Store is characterized by “family” and “youth”. To meet young customers’ needs, the store has introduced favorite casual wear brands to capture the market share of this category. The underwear section has also been re-designed and renovated, and has introduced more brands well-received by young people. Considering the buying pattern of families, Beijing Liying Store has expanded the children’s section, and introduced concept outlets of famous Japanese digital products. Thus each member of the family can enjoy their time at our store. The top floor of the store was adjusted and turned into an “Event Hall” which provided customers with a cashmere



discount section and men’s casual wear discount section. All these rearrangements offer our customers with more product options, and fully embody an enjoyable shopping experience of family in terms of “clothing”, “eating”, “living” and “travelling”.

In the year reported, Lanzhou Store continued to enhance its distinctive feature of selling exquisite fashion commodities. It is dedicated to be created as a “Fashion Gallery” aligned with customers’ consumption concept. Some brands catering for



Northern China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
Self-owned Store			
Tianjin Store	October 1997	57,110	38,600
Beijing Shishang Store	May 2010	40,000	33,600
Managed Store			
Beijing Store*	July 1998	93,000	63,200
Lanzhou Store	September 2005	27,200	25,800
Beijing Trendy Store	March 2007	31,200	23,300
Beijing Liying Store	September 2008	52,000	36,500
Total		300,510	221,000

* Beijing Store has converted to self-owned store since August 2010.

the needs of local population at a moderate price was introduced for the footwear section. Besides, the store has expanded the floor area for ladies' wear and men's casual wear sections. This had significantly changed the store interior layout. Also, the ladies' casual wear section has fashion accessories, underwear and cosmetics included to diversify the product mix on the same floor. The fifth floor, on the other hand, housed a trendy sports gallery, a large discount outlet and a food plaza. The trendy sports gallery not only gathered world-famous sports brands but also decorated with plastic racetrack and sports music in place to accentuate a sporting atmosphere. This is the first department store to demonstrate such innovative interior design and product display among all its local counterparts in the city.

“In order to increase customers' recognition towards the newly-developed VIP clubs, stores in Northern China Region proactively organized featured club activities, fully utilizing its club activities to attract customers' patronage in the year reported.”

300,510 SQ.M.

Total GFA (approx.)



• Beijing Liying Store

Creative Promotions Gained Mass Support

In the year under review, stores in Northern China Region strived to consolidate VIP membership and stimulate spending through various fabulous VIP activities. Beijing Store and Beijing Trendy Store both hosted spring VIP exclusive events in 2010. Events such as exclusive multiple rewards, cash bonus from different banks, exclusive gifts for the season, birthday gifts, and special gift redemption offer received mass support from members, therefore successfully increasing VIPs' revisit rate and consolidated their loyalty towards New World Department Store. In the Current Year, the number of VIP members and platinum VIP members of Northern China Region was increased by 22.7% and 9.1% respectively. Besides, in order to increase customers' recognition towards the newly-developed VIP clubs, stores in Northern China Region proactively organized featured club activities, fully utilizing its club activities to attract customers' patronage in the year reported.



81,000 (approx.)

Total Number of VIP Club Members

For instance, Beijing Shishang Store hosted "International Pure Breed Cats Show and Scottish Fold Cat Contest" in 2010. Members from Smart Lady Club, Perfect House Wife Club and KudiPets were invited. Collaborated with KudiPets and Pets World Magazine, numerous owners with pedigreed cats entered the contest. VIPs who joined this event could have close contact with pets while shopping; the store also hosted promotions with counter suppliers to attract more VIPs. In the Current Year, the region's VIP club member was over 81,000.

Moreover, stores seized the opportunities to host various festive promotions. Beijing Trendy Store hosted "Thanksgiving Promotion" in November 2009, offering free photo taking with turkey during the period of Thanksgiving; and on the day of thanksgiving, customer could redeem a gift, a turkey from a five-star hotel and red wine simply by spending in store. This activity successfully raised customers' desire for shopping in store. Beijing Trendy Store also hosted "Beijing Babies Crawling Contest", a thematic Children's Day celebration held at the eve of Children's Day in 2010. Over 200 little contestants and their relatives attended the event, greatly boosting the store customer flow. Tianjin Store hosted a festive event called "Trendy Rice Dumpling Making Contest" to celebrate Dragon Boat festival. The event not only created strong festive mood for the store, but also attracted many customers to stop by and spent longer time inside store, store traffic flow was then greatly improved.



• Beijing Trendy Store



During the 2010 FIFA World Cup South Africa, Lanzhou Store made use of this international event to host a series of World Cup themed promotional activities including publishing a guidebook called "Zeal World Cup Total" which was exclusively for VIPs. VIP could enjoy exclusive discounts upon their spending, and with this guidebook, they could participate in match result prediction game to earn multiple bonus points. This integrated and continuous event was full of fun and successfully retained VIPs patronage to store and stimulated their spending.

In order to promote the Group's nationwide rebranding program, "The 1st NWDS Spokesperson" National Final was held in Beijing on June 2010. Through the competition of question-and-answer session, Latin dance performance, N-only fashion show, 1 male and 1 female spokespersons were selected to promote the new image of "Enriching Lives • Enhancing Character" of New World Department Store into the public.



• Lanzhou Store



The Accoladed Leader in the Northern China

Stores in Northern China are well known by their excellent services. Beijing Liying Store was awarded the title of "Green Channel for Quick Resolution of Consumer Issues" by Beijing Administration of Industry and Commerce. Lanzhou Store was named "National Model Merchants for Credit Card Handling" by UnionPay and China Merchants Union.

Moreover, quality products and overall management of Northern China stores have earned public approvals. Beijing Store was named "2009 Top 50 Enterprises in Chongwen District" by People's government of Chongwen District. Beijing Trendy Store was awarded "Advanced Unit of Trendsetting Civility for Upcoming National Day in Chaoyang District" by Beijing Chaoyang District Committee for Promotion of Civility. To honour the store's contributions to community, Beijing Chaoyang District Bei Lang Dong Community Party, Public Security Committee of Bei Lang Dong Community and Jian Wai Police Station jointly awarded Beijing Trendy Store with a flag stating "Maintain High - Level Security for Celebrating the National Day". Tianjin Store was also named "2009 Meritorious Enterprise, Star Enterprise and Key Enterprise in Nankai District".

Southwestern China Region



“The three stores in the region all made clear plans for business optimization and merchandise integration in the year reported, to cater for different needs from different customers. Since there are an increasing number of large shopping malls incorporated with international brands proliferating in the region, our stores in Southwestern China Region must speed up its process in highlighting its competitive edges in line with the rebranding to be launched soon.”

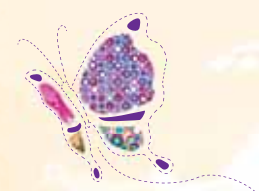


• Chengdu Store



Southwestern 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)
Chengdu	11.40 million	450.26 billion	39,510	18,659	195.0 billion
Chongqing	32.55 million	652.87 billion	22,916	15,749	247.9 billion
Kunming	6.28 million	180.87 billion	28,894	16,496	87.0 billion

Southwestern China Region	No. of Mainland Tourists	No. of Foreign Tourists	Consumption Spending by Mainland Tourists (RMB)
Chengdu	55.06 million	590,000	48.52 billion
Chongqing	122.00 million	1,050,000	66.63 billion
Kunming	30.37 million	780,000	21.15 billion



Sources: 2009 Statistical Report released by Chengdu, Chongqing, Kunming Bureau of Statistics



• Kunming Store

529.9BILLION

Total Retail Sales of Consumer Goods (RMB)

Recovering Economy Supports Retail Market in Southwestern China Region

In the year under review, governments played an active role in promoting urban construction and tourism in Southwestern China Region, which has been proven to be fruitful. GDP of Chengdu in 2009 hit RMB450.26 billion, with a 13% year-on-year growth; Chongqing's GDP reached RMB652.87 billion with a 11.2% year-on-year growth; and Kunming's GDP at 180.87 billion with a 9% year-on-year growth. Economic figures suggested a concrete upturn of this region, which led to a steady increase of people's income. More money in local people's pockets, together with more inbound residents and travelers, fuels the growth of retail industry in Southwestern China Region.

Enhance Competitive Edges Ready for Rebranding

In the year under review, the Group operated one self-owned store called Kunming New World Department Store ("Kunming Store") and two managed stores, namely Chengdu New World Department Store ("Chengdu Store") and Chongqing New World Department Store ("Chongqing Store"), in the Southwestern China Region.

The three stores in the region all made clear plans for business optimization and merchandise integration in the year reported, to cater for different needs from different customers. Since there are an increasing number of large shopping malls incorporated with international brands proliferating in the region, our stores in Southwestern China Region must speed up its process in highlighting its competitive edges in line with the rebranding to be launched soon.

Chengdu Store is positioned as a “Fashion Gallery”. During the year under review, it aimed at expanding the operation of its advantageous product category like ladies’ wear, ladies’ shoes and cosmetics to achieve larger scales and higher sales shares. For example, stylish young ladies’ fashion items and delicate underwear outlet have been set up in ladies’ wear section to solicit female customers with fine tastes. On the floor of young ladies’ wear, fashionable accessories and cosmetics counters were located side by side, facilitating customers to find the perfect accessories to match with their just-bought new clothes on the same floor. Moreover, Chengdu Store paid close attention to a balanced merchandise composition among floors, such as cosmetics, ladies’s shoes and jewellery were complemented with theme outlets, young ladies’ wear was matched by accessories and cosmetics, and trendy men’s wear and casual wear co-existed with small home appliances, highlighting the unique features of the store.

During the year under review, Chongqing Store endeavored to create a one-stop department store environment combining fashion, diverse styles, different operational traits and various interesting themes. Bit by bit, the store is turning into the mode of a Living Gallery. Therefore, Chongqing Store boldly made the decision of renovating the top floor into a brand new catering floor, differentiating

itself from competitors. Moreover, it grabbed the opportunity that no competition opponent in the region had achieved a mature operational state in running ladies’ shoes business, it thus began to attach great importance onto this subject. Ladies’ shoes area was enlarged and famous brands were introduced accordingly, establishing the status of the biggest ladies’ shoes trading center in Jiangbei District as well as spotlighting in Chongqing with a catchphrase popular among locals: “Want Shoes? Go to New World!” In the Current Year, under the guidance of merchandise optimization and integration, together with all kinds of effective promotions, Chongqing Store has set up two pillar edges in Jiangbei commercial circle: food delicacies and ladies’ shoes, effectively raised customers’ recognition of Chongqing Store.



• Chongqing Store

84,100sq.m.

Total GFA (approx.)

Southwestern China Region	Date of Commencement of Operation	Approx. Gross Floor Area (sq. m.)	Approx. Operating Floor Area (sq. m.)
Self-owned Store			
Kunming Store	June 2004	12,600	8,300
Managed Store			
Chongqing Store	September 2006	42,000	37,600
Chengdu Store	December 2006	29,500	18,900
Total		84,100	64,800



In the year reported, competition in Kunming market became increasingly furious, which drove key department stores to speed up their adjustments to cope with market changes. Kunming Store held tight onto its key strategy of consolidating its goal to be a hotspot with young trendy products. Operation strategy in relation to “Young, Fashion, Leader and Change” was deeply implanted in customers’ mind. The store strived to extend the market status of its advantageous category like ladies’ shoes and jewellery. While in the adjustment of ladies’ wear and female-related product category, Kunming Store marched further into the market targeting young people. It introduced many loyally-pursued fashion brands and created direct-sales accessories, which elevated the influence of Kunming Store in the ladies’ wear and accessories market. The strategy not only attracted more young fashion enthusiasts in Kunming, but also established a clear brand position of Kunming Store that stands out from its competitors.



“Store promotional activities in Southwestern China Region were always the talk of the town during festivals and holidays. Besides traditional gift upon purchase, the promotion events also gave special offers to highly recommended products and partnered with banks to encourage credit card consumption, which yielded successful sales result.”



Diversified Promotions Strengthened Market Position

Southwestern China Region was committed to getting in line with VIP club development of the Group across the nation during the year under review. Based on this, stores in this region launched various promotional campaigns, in which VIP consumers actively interacted with stores, and were encouraged to revisit our stores and enhanced VIP sales. Take Kunming Store for example, it presented both informative and interactive VIP club program called “Eco-friendly, Live Healthier”, introducing some daily tips on a water-saving and low-carbon lifestyle. Moreover, an activity called “Private Kitchen” was launched to bring members with tips on choosing best food to promote female’s longevity as well as making springtime diet for healthy skin, which were well received by female

members. Chengdu Store arranged a series of exclusive seminars, like Hair Style Seminar, Beauty and Health Seminar and Practical Color Makeup Seminar. In these activities, the store collaborated with famous brands to draw in female VIP. Chongqing Store, on the other hand, presented "Beauty In & Out – Get Ready to Change Your Look VIP Program" exclusively for Smart Lady Club, where senior fashion counselors shared the latest fashion tips with female members and conducted on-site demonstration to show VIP customers the technique of changing one's image and style instantly. These regular club activities provide a platform where stores and customers communicate and interact, delivering a sense of caring to the Group's VIP that makes them feel privileged. During the year under review, the number of VIP club members of Southwestern China Region was over 28,000.

Store promotional activities in Southwestern China Region were always the talk of the town during festivals and holidays. For example, in 2010, Chongqing Store presented "Fashion Around Mid-Year" program. Besides traditional gift upon



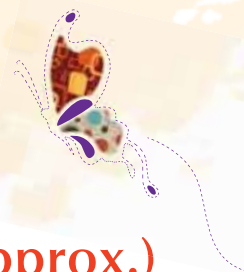
“Stores in Southwestern China Region also actively engaged in cooperative opportunities with New World Group and Chow Tai Fook in terms of VIP special programs, reaching the goal of sharing VIP resources with New World Group's subsidiaries and brother company.”



purchase, this program also gave special offers to highly recommended products including fashion merchandises such as accessories, ladies' wear and cosmetics. The store also partnered with banks in the program to encourage credit card consumption, which yielded successful sales result.

Stores also actively engaged in cooperative opportunities with New World Group and Chow Tai Fook in terms of VIP special programs, reaching the goal of sharing VIP resources with New World Group's subsidiaries and brother company. For example, Chengdu Store jointly hosted an evening party with New World China Land and Chow Tai Fook. With generous gifts-giving and multiple bonus privilege, VIP members' prestige were





raised, and therefore VIP loyalty was strengthened. In the year reported, stores in Southwestern China Region proactively organized various marketing activities and therefore developed new VIP groups successfully. During the year under review, the number of VIP members and platinum VIP members of Southwestern China Region increased by 27.4% and 16.3% respectively.

Take the Lead in the Region with Unsurpassed Services

To honor the excellent performance of stores in Southwestern China Region and their contributions to local economic growth, local governments awarded stores with prizes. Chengdu Store was awarded the title of "2009 Outstanding Tax-paying Enterprise" by Jinjiang District People's Government of Chengdu City.

On the other hand, Chongqing Store was awarded with "Group Third Prize" in 2009 Best Service Techniques in Retail Industry Competition

28,000(approx.)

Total Number of VIP Club Members



of Chongqing City organized by Chongqing Commerce Commission.

At the same competition, the store also won Fourth Prize and Sixth Prize in "Best Outfits Mix & Match of All Department Stores" and "Best Recommendation in Outfits of All Department Stores" respectively, applauding the store's excellence in merchandise as well as service quality.



*Heartfelt service
bringing about
unprecedented
shopping experience*

