

Business Review

During the year under review, the Group's revenue increased by 14.9% from HK\$3,490.1 million in FY2012 (or the "Previous Year") to HK\$4,011.5 million in FY2013 (or the "Current Year"). Profit for the year was HK\$641.5 million. Excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi, profit for the year increased by approximately 9.8% from HK\$561.3 million in the Previous Year to HK\$615.7 million in the Current Year.

BUSINESS NETWORK

During the Current Year, the Group operated 41 department stores, with a total gross floor area ("GFA") of about 1,513,940 square meters ("sq. m.") and a total operating floor area ("OFA") of about 1,190,360 sq. m.. Located in three operational regions, namely Northern China, South Eastern China and Central Western China, the stores covered 20 major cities in Mainland China, including Wuhan, Shenyang, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming,

Lanzhou, Changsha, Chongqing, Chengdu, Anshan, Nanjing, Zhengzhou, Mianyang, Yancheng, Xi'an, and Yanjiao with 36 self-owned stores and five managed stores.

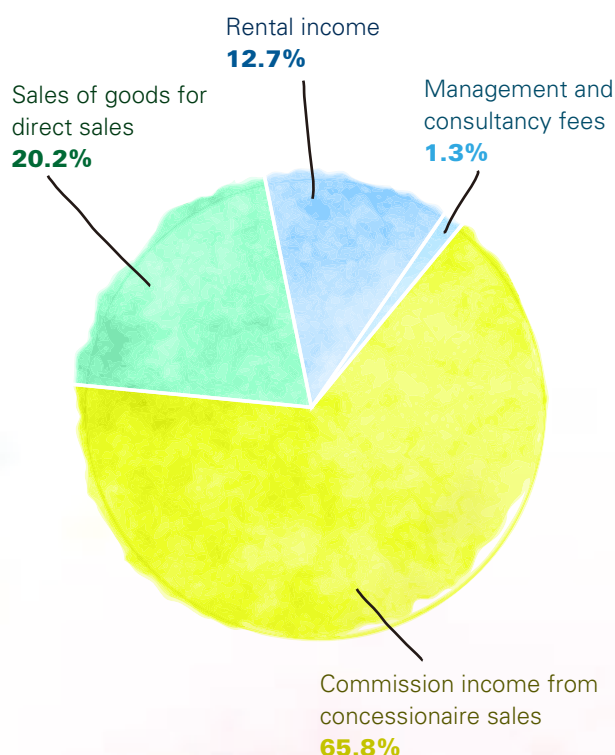
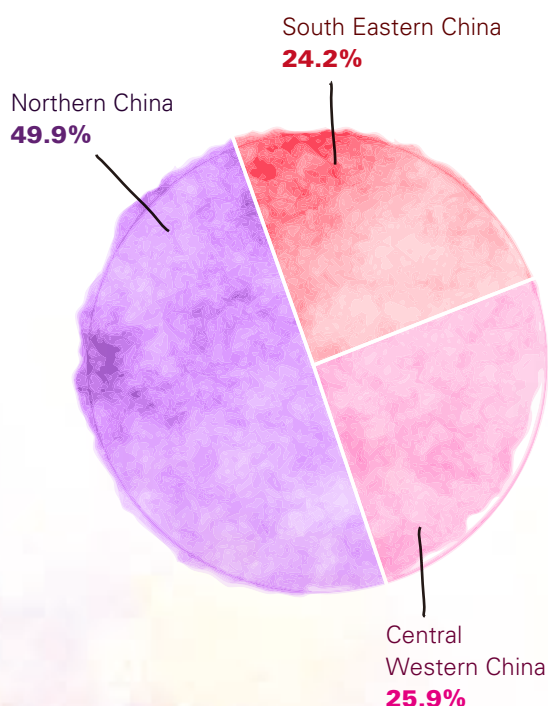
REVENUE CONTRIBUTION

By Region

The Northern China Region contributed the most to the Group's revenue during the year under review, accounting for 49.9% of total revenue, followed by the Central Western China Region and the South Eastern China Region, accounting for 25.9% and 24.2% of total revenue respectively.

By Segment

Commission income from concessionaire sales was the main source of income, accounting for 65.8% of total revenue. Sales of goods for direct sales and rental income accounted for 20.2% and 12.7% respectively. Management and consultancy fees accounted for 1.3%.



STORE NETWORK DEVELOPMENT

During the year under review, the Group continued to develop its business in the South Eastern China Region and the Northern China Region, and opened two self-owned stores, i.e., Yancheng New World Department Store ("Yancheng Store") and Xi'an New World Department Store ("Xi'an Store") in the namesake cities in December 2012. In addition, the Group opened two managed stores, namely, Ningbo New World Beilun Department Store ("Ningbo Beilun Store") in Beilun, Ningbo City in September 2012 and Yanjiao New World Department Store ("Yanjiao Store") in Yanjiao, Sanhe City in April 2013 respectively.

As at 30 June 2013, the Group's total GFA was approximately 1,513,940 sq. m., up 9.1% from the same period of the Previous Year, in which the total GFA of self-owned stores and managed stores were 1,340,240 sq. m. and 173,700 sq. m. respectively.

Weibo Fans
OVER
3,500,000

VIP Members
APPROX.
3,870,000

WeChat
Subscribers
OVER
339,000



BUSINESS REVIEW

Northern China Region



Xi'an Store

Northern China Region		Population As of the End of 2012	Local Gross Domestic Product in 2012 (RMB)	Gross Domestic Product Per Capita in 2012 (RMB)	Per Capita Disposable Income in 2012 (RMB)	Total Retail Sales of Consumer Goods in 2012 (RMB)
Northern District	Beijing	20.69 million	1,780.1 billion	87,091	36,469	770.3 billion
	Tianjin	14.13 million	1,288.5 billion	91,181	29,626	392.1 billion
North Eastern District	Sanhe (inc. Yanjiao)	0.58 million	42.5 billion	74,481	29,295	10.1 billion
	Harbin	9.94 million	455.0 billion	45,810	22,499	239.5 billion
	Shenyang	8.23 million	660.7 billion	80,532	26,431	280.2 billion
	Dalian	5.90 million	700.3 billion	102,216	27,539	222.4 billion
North Western District	Anshan	3.67 million	262.9 billion	71,646	24,194	70.3 billion
	Lanzhou	3.22 million	156.4 billion	43,261	18,443	74.9 billion
	Xi'an	8.55 million	436.9 billion	51,086	29,982	223.6 billion

Source:

Beijing: Beijing Statistical Information Net

Tianjin: Tianjin Statistical Yearbook

Sanhe: Governmental Information Opening Platform of SanHe City

Harbin: Harbin Municipal Bureau of Statistics

Shenyang: ShenYang Statistical Information Net

Dalian: Dalian Municipal Bureau of Statistics

Anshan: Anshan Municipal Bureau of Statistics, Governmental Portal of Liaoning Province

Lanzhou: Lanzhou Municipal Bureau of Statistics

Xi'an: Xi'an Municipal Bureau of Statistics, 2012 Statistical Bulletin of the National Economy and Social Development of Xi'an

THE CIRCUM-BOHAI ECONOMIC ZONE BECOMES THE "THIRD POLE" OF COUNTRY'S ECONOMIC GROWTH

Following China's latest development strategy, the Circum-Bohai Economic Zone has gradually become the focus of the country's future development. The government has made it clear that the zone will be the new engine of China's economic growth, after the Yangtze River Delta and the Pearl River Delta. Gross domestic product ("GDP") of Beijing, Tianjin, Shenyang and Dalian and other cities in the Northern China Region grew substantially in 2012. Among them, Tianjin's growth rate of 13.8% ranked number one in the country.

Being the Group's important business footholds in the north, Beijing's and Shenyang's per capita disposal income of urban households were RMB36,469 and RMB26,431 respectively in 2012, with a year-on-year increase of 11% and 13%, reflecting an immense purchasing power.

OPENING DOORS TO THE WEST AS A CORNERSTONE FOR FUTURE BUSINESS DEVELOPMENT

During the year under review, the Group opened two "Living Galleries", namely Xi'an Store and Yanjiao Store, that provide customers with one-stop shopping experience in the Northern China Region. In particular, Xi'an has huge purchasing power with its per capita

disposable income at RMB29,982 in 2012 after Beijing, making Xi'an City an important economic gateway to Northwestern China. Hence, in December 2012, the Group entered the Bell Tower and the Drum Tower Business Circle in Xi'an City, a prime area featuring frequent commercial, political, tourist and cultural activities and opened a five-story outlet with a GFA of about 58,500 sq. m.. Targeting the middle and high-end market, it introduced a collection of merchandises including clothing, cosmetics, jewelry, watches and household items, and accommodated complementary facilities, such as, a trendy zone, a 2,000-sq. m. food court and a children's playground, creating an all-round shopping experience to its customers.

THE CIRCUM-BOHAI
ECONOMIC ZONE
WILL BECOME THE
NEW ENGINE
OF CHINA'S ECONOMIC
GROWTH



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Yanjiao Store

In addition to Xi'an Store, the Group extended its business from Beijing to Yanjiao in April 2013, where is only 30 km from the Capital, to be in line with the Group's expansion strategy of "radiation city". Yanjiao is one of the core areas in the Central Capital Economic Circle, and an increasingly-popular residential area for Beijing people. The four-story "Living Gallery" has a GFA of about 32,000 sq. m.. It is the first and the only large-scale integrated department store in East Beijing. Yanjiao Store is located in Xin Le Hui Shopping Mall, the largest shopping complex in the area, with large residential

housing and serviced apartments in its proximity. Featuring a mega supermarket and a pedestrian street, the mall could drive in huge traffic for Yanjiao Store. To fulfill diverse needs of targeted customers aged 18 to 45, Yanjiao Store has collected a variety of international fashion brands and popular merchandises, and has accommodated all kinds of complementary facilities including cinema, specialty cuisines, game center and children's playground under one roof. To be in line with the local environmental policy of "Green Yanjiao, Eco-homes", its interior design integrated the elements of nature to create a decent living space for all family members.



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TOTAL GFA APPROX.
664,650 SQ. M.



REBRANDING LIFTS SAME-STORE SALES GROWTH

During the year under review, the Group had a total of 14 stores in the Northern China Region, including: seven in the Northern District, i.e., Tianjin New World Department Store ("Tianjin Store"), 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"), Beijing Shishang New World Department Store ("Beijing Shishang Store"), Beijing New World Qianzi Department Store ("Beijing Qianzi Store") and Yanjiao Store; five in the North Eastern District, i.e., Shenyang New World Department Store-Zhonghua Road Branch Store ("Shenyang Zhonghua Road Branch Store"), Shenyang New World Department Store-Jianqiao Road Branch Store ("Shenyang Jianqiao Road Branch Store"), Harbin New World Department Store ("Harbin Store"), Dalian New World Department Store ("Dalian Store") and Anshan New World Department Store ("Anshan Store"); and two in the North Western District, i.e., Lanzhou New World Department Store ("Lanzhou Store")

and Xi'an Store. With the exception of Dalian Store and Yanjiao Store, all of the other 12 stores are self-owned stores. During the year under review, upon the completion of rebranding in Dalian Store and Anshan Store last year, the rebranding program for all stores were completed. The redevelopment of Shenyang New World Department Store-Nanjing Street Branch Store ("Shenyang Nanjing Street Branch Store") has commenced and is expected to complete in FY2017.



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ALL-IN-ONE OUTLET DELIVERS DIVERSE SHOPPING EXPERIENCE

With China's economic development shifting to the north, the per capita income of the Northern China Region has subsequently improved and shaped the style of its consumers to be more in line with the international one. During the year under review, "Living Galleries" in the Northern China Region introduced a number of internationally renowned brands, such as, Longines, New Balance, The North Face, ANNA SUI, CANALI, so as to meet customers' growing demand for middle and high-end merchandises. On the other hand, the booming economy fueled customers' pursuit of fashion, hence, stores added unique fashion brands, such as, lily, Five Plus and eifili, into the stores. Shenyang Jianqiao Road Branch Store particularly changed the use of the area for children's wear and small home appliances to a trendy zone that provides affordable fashion choices for young white collars, generating more traffic and sales successfully. At the same time, as fast fashion craze sweeps the world, stores brought in UNIQLO, MIXXO, E-LAND and other fast fashion brands, and expanded their sales areas. As a result of the reduced family size, parents have devoted more attention on nurturing their children. During the year under review, "Living Galleries" in the region added more "child elements" into the stores by introducing well-known children's concessionaire counters, such as, IKALI Kids, Balabala etc.. With the introduction of children's playground and enhanced families facilities, the sales of children-related merchandises were further lifted.



In recent years, department store has become a preferred place for shopping and entertainment for many consumers. Thus, "Living Galleries" gradually added more in-store complementary facilities and expanded the area to about 20% to 30% of their operating area during the year under review and introduced food and beverage brands in accordance with their market position to retain customers. For example, Shenyang Zhonghua Road Branch Store introduced DQ Ice Cream, Meet Fresh and other popular dessert stalls catering to white collars; on the other hand, Beijing store, targeting affluent families, introduced fine dining brands, such as, Wuchenglucha and Bellagio Café into the store. In addition, stores further strengthened their entertainment and leisure components, for instance, introducing Kudi Pets, Letiancong KTV and game center etc.. As a result, customer's duration of stay in our stores was increased successfully.



CONTINUOUS OPTIMIZATION OF MERCHANDISE MIX TO CONSOLIDATE POSITIONING OF STYLISH DEPARTMENT STORE

In view of the emerging of young consumers, "Fashion Galleries" in the Northern China Region tapped into the youth market and continuously optimized their brand portfolio through introducing young fashion brands, such as, VANS, Phil Morley, OASIS and HONEYS during the year under review, in order to add varieties to their merchandise offerings and to bring customers to the forefront of fashion trends. The rebranding exercise of Dalian Store and Anshan Store was completed during the year under review. Other than interior renovation and layout adjustment to reinforce their images, the stores also underwent a profound restructuring of their merchandise mix. For instance, Dalian Store has strengthened its category killers, such as, jewelry, young ladies' fashion and ladies' footwear, and introduced 85°C Bakery Café, the very first branch in Dalian City, to seize market share of the youth market while Anshan Store established the city's first menswear brand outlet and introduced popular men's and ladies' casual wear brands to strengthen its position as a trendy and young department store. In addition to providing a wide spectrum of trendy merchandises, many stores took the initiatives and strengthened their in-store leisure facilities during the year under review, such as, expanding food and beverage area, adding beauty and body salons and game centers, making "Fashion Gallery" a truly hotspot for fashionistas.



INTEGRATING NEW MEDIA TO PRESENT FABULOUS PROMOTIONAL EVENTS

During the year under review, stores of the Northern China Region successfully drove sales and recorded remarkable results by organizing either classic or exciting activities. The "60-hour Non-stop Mega Sales" held by Beijing Store in November 2012 did not only recreate the classic "grab as the door opens" activity and introduce mega-sized yurt-like outlets, but also launched a big lucky draw with the other four stores in Beijing. The event has achieved a record-high gross sales proceeds of RMB180 million and foot traffic of more than 600,000. Other than nationwide activities, such as the "Blast of Joy – Celebrating the 20th Anniversary", Lanzhou Store, Harbin Store, Anshan

IN VIEW OF THE
EMERGING OF
YOUNG CONSUMERS,
"FASHION
GALLERIES"
TAPPED INTO THE
YOUTH MARKET

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Store and others also launched their anniversary sales promotion. To celebrate its 16th anniversary, Harbin Store joined hands with Heilongjiang Television City Channel to present the "Sleepless Night" event. Inviting famous anchors to the store brought highlights to the event and helped create its new single-day sales record.

On the other hand, community-based stores held a number of interesting community activities catering to the interest of the residents to foster deeper engagement during the year under review. In light of Shenyang people's favor of drinking cold beer, Shenyang Jianqiao Road Branch Store hosted "The First Beer-drinking Contest" in 2012. Besides, Beijing Liying Store has organized the "Wangjing 3V3 Basketball Competition" for two consecutive years, which received active participation from the surrounding communities, enterprises and colleges, further promoting community harmony. In addition, stores have been actively seeking cross-sector collaboration opportunities. For instance, Anshan Store collaborated with Ping An Insurance (Group) Company of China, Ltd to hold a six-hour private sale exclusively for customers and employees in December 2012. Sales of the night recorded an almost sevenfold increase year-on-year with traffic grew by more than 170%.



In view of the increasing popularity of new media, many stores have set up their Weibo and WeChat accounts, and many online activities were held on these platforms to interact with the customers. Beijing Store, for instance, presented a live broadcast of a thousand-people speed-dating event on Weibo where users could also share their love experiences with others online. As at 30 June 2013, the Northern China Region had over 1.8 million fans on Weibo and over 110,000 subscribers on WeChat.

WIDE SPREADING OF JOY TO STRENGTHEN INTERACTION WITH VIP MEMBERS

In addition to the exclusive VIP privileges, such as, gift redemption and free giveaways upon purchase, stores in the Northern China Region also held a number of special VIP activities to stay close with VIP members. During the year under review, the newly-opened Yanjiao Store spreaded the festival joy to customers through organizing family activities, for instance, giving away 500 goldfish to VIP members and their babies on Children's Day, and providing Han costumes for photographing during the Dragon Boat Festival. To cater to young VIP members' desire for beauty, stores also cooperated with renowned cosmetic concessionaires to organize makeup and skincare seminars to provide grooming advices for VIP



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HEARTFELT SERVICES RECEIVE NUMEROUS HONORS

Creativity and caring services from stores in the Northern China Region won wide recognition from consumers and the public and thus, received a number of awards during the year under review. For instance, Shenyang Jianqiao Road Branch Store was granted the "E-Commerce Innovation Award" in the 2nd Liaoning Online Merchant Summit in 2013. Harbin Store was accredited as the "Outstanding Service Station for 12315 Consumer Rights Protection" by Harbin City Administration for Industry and Commerce, in appreciation of the store's quality service.

members. At the same time, a number of exclusive sales promotions were offered to VIP members to enhance their sense of superiority. For example, Anshan Store held "Ladieswear Day" and "Shoes Day" specifically for VIP club members on a monthly basis while Harbin Store served Platinum VIP members with exclusive "Platinum Banquet". Inspired by the romantic and elegant ambience in Aegean Sea, Harbin Store decorated its storefront in accordance with the exotic style for the banquet. The event attracted more than 13,000 VIP members to visit the store and created RMB5 million sales in two days.

During the year under review, the number of VIP members of the Northern China Region increased to approximately 1,833,000, representing a 38% year-on-year growth; compared with last year, the number of VIP club members surged 29% to about 576,000, and VIP members accounted for 65% of gross sales proceeds.

VIP MEMBERS
ACCOUNTED FOR **65%**
OF GROSS SALES PROCEEDS



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South Eastern China Region



Yancheng Store

South Eastern China Region		Population As of the End of 2012	Local Gross Domestic Product in 2012 (RMB)	Gross Domestic Product Per Capita in 2012 (RMB)	Per Capita Disposable Income in 2012 (RMB)	Total Retail Sales of Consumer Goods in 2012 (RMB)
Shanghai District Eastern District	Shanghai	23.8 million	2,010.1 billion	85,000	40,188	738.7 billion
	Ningbo	5.78 million	652.5 billion	85,475	37,902	232.9 billion
	Nanjing	8.16 million	720.2 billion	88,525	36,322	308.1 billion
	Yancheng	7.22 million	312.0 billion	43,221	21,941	102.3 billion

Source:

2012 Statistical Bulletin of the National Economy and Social Development

Shanghai: Shanghai Municipal Statistics Bureau
Ningbo: NingBo Municipal Statistics Bureau
Nanjing: Nanjing Municipal Statistics Bureau
Yancheng: Yancheng Statistical Information Net

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ECONOMIC TRANSFORMATION DRIVES ECONOMIC GROWTH IN THE YANGTZE RIVER DELTA

With China's economic transformation, urbanization has replaced exports and investments to be the new growth engine, resulting in an economic slowdown in the well-developed Yangtze River Delta. Despite that, with the accelerated development of advanced technologies and emerging industries, and the deeper level of city integration facilitated by the increasingly-sophisticated railway system in the region, its economy is expected to regain momentum. In 2012, the total retail sales of consumer goods in Zhejiang Province and Jiangsu Province achieved a year-on-year increase of around 13.5% and 15% respectively, outperforming



their peers in Mainland China. The combined retail sales of consumer goods in these two provinces and Shanghai amounted to RMB3,914.9 billion, which accounted for 19% of the country's total, further reinforcing Yangtze River Delta's leading position as one of the regions with strongest purchasing power in Mainland China.

EXTENDING GROUP'S INFLUENCE IN THE YANGTZE RIVER DELTA THROUGH REFINED EXPANSION STRATEGIES

To carry through the expansion strategies of "radiation city" and "multiple presences within a single city", during the year under review, the Group opened two department stores in Yancheng City and Ningbo City respectively. Leveraging Shanghai's advantage as our business foothold, the Group extended its network to a surrounding city, Yancheng, in December 2012 by establishing a six-story "Living Gallery" with a GFA of approximately 54,000 sq. m.. Located in the Pioneer Square, the largest commercial complex on Pioneer Island, the move further strengthened our position in the Yangtze River Delta. To address to the needs of high-incomes and those who desire for quality of life, Yancheng Store has introduced a number of trendy and fashion brands around the world into the store, with the provision of many choices for international cuisines and complementary facilities. Coupled with the interior design inspired by nature, Yancheng Store is set to create a comfortable shopping space for the customers.

THE TOTAL RETAIL
SALES OF CONSUMER
GOODS IN ZHEJIANG,
AND JIANGSU PROVINCES,
AND SHANGHAI
ACCOUNTED FOR **19%**
OF THE COUNTRY'S TOTAL

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Ningbo Beilun Store

The Group entered Ningbo City as early as in 1998. Following the expansion strategy of "multiple presences within a single city", the Group set up its third Ningbo store in September 2012, further expanding our influence in the area. Ningbo Beilun Store is situated in the Central Business District of Beilun. With convenient transportation, and being proximity to plenty of leisure facilities, commercial and residential buildings, this district is filled with huge consumption potential. The four-story Ningbo Beilun Store is a large-scale "Living Gallery" that targets middle and high-income households and



high-income white collars who pursue a high quality lifestyle. Therefore, other than trendy apparel and jewelry brands acquired from international and domestic market, the store has also introduced plenty of private labels and designer brands to enrich its product portfolio. Furthermore, about 40 popular ladies' footwear labels were brought into the store to highlight its position of "NWDS-Shopping Paradise for Shoe Lovers". Besides, the store is equipped with comprehensive complementary facilities to cater to the needs of people from all walks of life.

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REBRANDING UNVEILS TRENDY NEW IMAGE

During the year under review, the Group had a total of 15 stores in the South Eastern China Region, including: ten under the “Ba Li Chun Tian” brand in the Shanghai District, i.e., Hong Kong New World Department Store-Shanghai Huaihai Branch Store (“Shanghai Huaihai Branch Store”), Hong Kong New World Department Store-Shanghai Xinning Branch Store (“Shanghai Xinning Branch Store”), Hong Kong New World Department Store-Shanghai Hongkou Branch Store (“Shanghai Hongkou Branch Store”), Hong Kong New World Department Store-Shanghai Changning Branch Store (“Shanghai Changning Branch Store”), Hong Kong New World Department Store-Shanghai Qibao Branch Store (“Shanghai Qibao Branch Store”), Hong Kong New World Department Store-Shanghai Wujiaochang Branch Store (“Shanghai Wujiaochang Branch Store”), Hong Kong New World Department Store-Shanghai Pujian Branch Store (“Shanghai Pujian Branch Store”), Hong Kong New World Department Store-Shanghai Baoshan Branch Store (“Shanghai Baoshan Branch Store”), Hong Kong New World Department Store-Shanghai Chengshan Branch Store (“Shanghai Chengshan Branch Store”) and Hong Kong New World Department Store-Shanghai Shaanxi Road Branch Store (“Shanghai Shaanxi Road Branch Store”); and five department stores under the “New World” brand in the Eastern District, i.e., Ningbo New World Department Store (“Ningbo Store”) and Ningbo New World Trendy Department Store (“Ningbo Trendy Store”), Ningbo Beilun Store, Nanjing New World Department Store (“Nanjing Store”) and Yancheng Store. Other than Shanghai Wujiaochang Branch Store and Ningbo Beilun Store, all the other 13 stores are self-owned. During the year under review, following the completion of the renovation works at Nanjing Store in February 2013, the rebranding in the region has come to an end. All of the stores are now operating in their brand new images with gradual improvement in sales.

TOTAL GFA APPROX.

480,830 SQ. M.

QUALITY MERCHANDISES AND SERVICES ADD TASTE TO ONE-STOP “LIVING GALLERIES”

With well-developed economy, consumers in the South Eastern China Region generally have higher income and purchasing power. The long-term exposure to European and American cultures has shaped its unique “Shanghai Culture” and therefore, international fashion brands are more in demand. Because of that, many “Living Galleries” in the region are positioned as high-end department stores and introduced world-renowned brands, such as, Swarovski, Tissot, Emporio Armani, MARC BY MARC JACOBS, DKNY to elevate their profile during the year under review. Together with excellent complementary facilities, the stores are set to create an extraordinary shopping experience for the customers. For young white collars, the stores added trendy brands, such as, Teenie Weenie and E-LAND etc., supplemented with renovated storefronts and creative decorations, to create a stylish shopping ambience. In view of people’s pursuit of healthy lifestyle, a number of stores included The North Face, Jeep and other sport brands in their brand portfolios.



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Shanghai Baoshan Branch Store also expanded the sales area for sports merchandises accordingly. In response to consumers' desire for quality living, Shanghai Pujian Branch Store took the lead to set up Love • Original • Life, the Group's direct sales arm, selling exclusive tasteful home-related commodities to create differentiation advantages. On the other hand, many stores brought in children fashion brands, including E-LAND KIDS and BOBDOG House, and set up education centers to attract household consumers while establishing brand outlets to draw wise-spending consumers.

In addition to shopping, "Living Galleries" in the South Eastern China Region have also enhanced their complementary facilities catering to the needs of different customer groups, so as to project an image as the preferred places for entertainment and dining. During the year under review, our community-based department stores introduced children's playground,



children's SPA, post-natal rehabilitation center, and provided convenience service, such as, self-service cashier counters, to satisfy all kinds of needs of household consumers. At the same time, stores tried to prolong customer's duration of stay through continuous perfection of their restaurant portfolio and enlargement of catering areas. In this regard, the community-based department stores introduced popular food stalls including I Love Hotpot, Xin Feng Ji and Xintangyidong while stores targeting middle and high-income households brought in delicacies, such as, Famous Master Coffee, Neolithic Barbecue and Hua Bi He, into the stores.



"LIVING GALLERIES"
HAVE SET UP VARIOUS
COMPLEMENTARY FACILITIES
TO BE THE PREFERRED PLACES
FOR ENTERTAINMENT
AND DINING

INTRODUCTION OF CAREFULLY-SELECTED BRANDS TO SET FASHION TREND

The South Eastern China Region has long been recognized as the "Fashion Capital" and its people are well abreast of the most up-to-date fashion sense and develop a unique lifestyle. Therefore, "Fashion Galleries" in the region act as trendsetters to incessantly bring in edge-cutting and unique clothing and brands into the stores. Shanghai Huaihai Branch Store and Ningbo Store both primarily target at high-income women, who pursue unique character. Hence, the stores added a number of designer and exclusive brands for mature ladies, such as, ELLASSAY, O2LIFE etc. during the year under review. On the other hand, "Fashion Galleries" targeting younger groups and nearby communities introduced fashion brands, such as, A02, GOZO, DAZZLE, coupled with new concessionaire counters featuring famous ladies'

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footwear and cosmetics brands so that fashionistas could find everything they desire in the store. Adopting the outlet-like operations model, Shanghai Changning Branch Store and Shanghai Xinning Branch Store increased their competitiveness in the business circles they operate in with sales promotion and popular restaurants. Also, stores enhanced their attractiveness with unique interior decoration. For instance, the recently-revamped Nanjing Store differentiated itself with a glamorous "Hong Kong Style" image by using Cantonese as the chosen language in its in-store broadcasts, with furnishings, concessionaire counters and floor names featuring Hong Kong lifestyle.

REGIONAL COLLABORATIVE MARKETING ACTIVITIES BLAST WITH CREATIVITY

During the year under review, stores in the South Eastern China Region leveraged its extensive network and jointly launched a series of regional marketing activities with great creativity, successfully boosting its sales and traffic. At the end of 2012, 10 stores in Shanghai co-organized a large-scale "Non-stop Mega Sales" promotion with highlights including iPhone 5 giveaway, online mega sales which customers could enjoy the same great deals easily at home and the introduction of comfortable version of mega sales that exclusive timeslots were assigned to selected consumers with the supply of refreshments. All these aimed to create a comfortable shopping environment to the shoppers. During the event, the stores gave nearly 270 iPhone 5 away and achieved gross sales proceeds of about RMB500 million, representing an increase of more than 70% year-on-year. During the year under review, stores such as Ningbo Store and Shanghai Xinning Branch Store, celebrated their



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anniversaries concurrently by offering extra discounts and shopping privileges with banks for consumers who use credit cards to settle their bills. In addition, during peak shopping seasons such as traditional and contemporary festivals, stores organized a number of festival-themed events accordingly. For instance, Shanghai Huaihai Branch Store held "A New Year of Unbeatable Weekly Prices" Promotion during Chinese New Year; in October 2012, Ningbo Beilun Store organized a "Trick or Treat" Halloween costume party with an English school, in which parents and children had great fun in the intriguing activities, including pumpkins carving, candy seeking, treasure hunt in haunted houses, etc, successfully driving traffic and sales of the store.

WEIBO FANS APPROX.

492,000

WECHAT SUBSCRIBERS OVER

174,000

During the year under review, our stores also made good use of social media platforms, such as, Weibo and WeChat, for marketing purpose, with the objective of achieving "Online promotion, Offline Purchase". Among them, Shanghai Wujiaochang Branch Store launched its "Wei-life Membership Card" during the International Women's Day period, in which models arrived at the store to interact with the customers. Over 5,000 card applications were received and a year-on-year sales increase of approximately 20% was recorded. As at 30 June 2013, the South Eastern China Region had about 490,000 fans on Weibo and over 170,000 subscribers on WeChat.

FABULOUS CUSTOMIZED ACTIVITIES TO DEEPLY ENGAGE WITH VIP MEMBERS

During the year under review, stores in the South Eastern China Region hosted numerous exciting VIP events catering to their diverse needs to further consolidate the relationship between the stores and their VIP members. For example, stores worked with Avene, AUPRES and other well-known cosmetic brands on grooming seminars for beauty-savvy VIP members. Our stores were keen to be a match maker and organized speed-dating activities to help our single members to find true love, for instance, Shanghai Baoshan Branch Store partnered with *Shanghai Morning Post* to organize "Shanghai Community's Love Season", which successfully matched a few couples together. To better serve the high-earning households, stores often organize family activities on weekends and holidays to draw them into our stores.

Besides organizing warmhearted birthday parties for its members and their families, during Christmas, Shanghai Shaanxi Road Branch Store held a Santa Clause Parade while Shanghai Pujian Branch Store organized the "Christmas GAGA's Painting Contest" with *U+Weekly*, which were well received by the consumers. Stores in the region also further improved their VIP facilities during the year under review. Shanghai Chengshan Branch Store, for instance, set up a lounge area exclusively for its Platinum members, where is supplied with free Internet service, massage armchairs, coffee grinding machines, card games and board games etc., to provide our valued members with the maximum comfort and convenience.

During the year under review, the number of VIP members of the South Eastern China Region increased to approximately 860,000, representing a 33% year-on-year growth; compared with 2012, the number of VIP club members jumped 20% to approximately 319,000, and VIP members accounted for 57% of gross sales proceeds.

ESTABLISHING BRAND INTEGRITY WITH WHOLEHEARTED SERVICES

During the year under review, stores in the South Eastern China Region won customers' appreciation and public recognition with their innovative marketing strategies and superb customer services. In November 2012, Shanghai Changning Branch Store and Shanghai Xinning Branch Store were granted the "Shanghai Shopping Festival – Best Promotion" Award by the Commission of Commerce of Changning District; in March 2013, the two stores were named "Advanced Entities" while Shanghai Pujian Branch Store was given the "Best Marketing Award" in 2012 Pudong's Year-End Thematic Marketing Promotions and Shanghai Huaihai Branch Store was named one of the "Top 100 Enterprises of the Year" by China Construction Bank; besides, Ningbo Store garnered "The Most Powerful Advertisement Award" and "2012 Consumers' Most-Trusted Enterprise" Award from *Ningbo Evening News*. In addition, our stores have demonstrated exceptional performance in integrity. Shanghai Hongkou Branch Store earned the third-class award in the "Business Integrity, Start with Me" Contest organized by the Commission of Commerce of Hongkou District.



BUSINESS REVIEW

Central Western China Region



Chengdu Store

Central Western China Region		Population As of the End of 2012	Local Gross Domestic Product in 2012 (RMB)	Gross Domestic Product Per Capita in 2012 (RMB)	Per Capita Disposable Income in 2012 (RMB)	Total Retail Sales of Consumer Goods in 2012 (RMB)
Central District	Wuhan	10.12 million	800.4 billion	79,089	27,061	343.2 billion
Central Southern District	Changsha	7.15 million	640.0 billion	89,903	30,288	245.5 billion
	Zhengzhou	9.03 million	554.7 billion	63,328	24,246	229.0 billion
South Western District	Chengdu	14.18 million	813.9 billion	57,624	27,194	331.8 billion
	Chongqing	29.45 million	1,145.9 billion	39,083	22,968	396.1 billion
	Kunming	6.53 million	301.1 billion	46,256	25,240	149.4 billion
	Mianyang	4.64 million	134.6 billion	29,018	20,755	57.3 billion

Source:

Wuhan: Statistical Information of Wuhan
 Changsha: Statistical Information of Changsha
 Zhengzhou: Statistical Information of Zhengzhou
 Chengdu: Chengdu Bureau of Statistics Internet

Chongqing: Statistical Information of Chongqing
 Kunming: Statistics Bureau of Kunming
 Mianyang: Mianyang Municipal Statistics Bureau

INDUSTRIAL TRANSFER POLICIES ACCELERATE ECONOMIC GROWTH

Thanks to the issuance of *Guiding Opinions of the State Council on Central and Western Regions' Undertaking of Industrial Transfer* by the State Council of China in 2010 accelerating the industrial transfer from the Eastern coastal region to Central Western China, Central Western China's secondary industries have become the driver for its growth. Benefited from it, the economy of Central Western China continued its rapid growth momentum in 2012. The economic growth rates of Hubei Province, Hunan Province, Henan Province, Sichuan Province and Yunnan Province ranged from 10% to 13%, which were higher than the country's average of 7.8%. The growth of the total retail sales of consumer goods in the major cities of Central Western China, such as, Wuhan, Chongqing and Chengdu in 2012 was higher than the country's average, indicating the region's increasing purchasing power.

Following the implementation of differentiated regional development policies, the government will strengthen its support to Central Western China by increasing investments toward major infrastructure and livelihood enhancement projects. The region's late-mover advantage will be further distinguished and is expected to lead to a faster economic and consumption growth, outpacing its peers in Eastern China.

THE ECONOMIC GROWTH
RATES OF HUBEI, HUNAN,
HENAN, SICHUAN AND
YUNNAN PROVINCES
WERE HIGHER THAN THE
COUNTRY'S AVERAGE
GROWTH OF **7.8%**



SHARP POSITIONING TO CREATE BOUTIQUE DEPARTMENT STORES

During the year under review, the Group had a total of 12 stores in the Central Western China Region, including: six in the Central District, i.e., 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"), Wuhan New World Department Store-Xudong Branch Store ("Wuhan Xudong Branch Store"), and Wuhan New World Department Store-Hanyang Branch Store ("Wuhan Hanyang Branch Store"); two in the Central Southern District, i.e., Changsha New World Trendy Plaza ("Changsha Trendy Plaza") and Zhengzhou New World Department Store ("Zhengzhou Store"); and four in the South Western District, i.e., Chengdu New World Department Store ("Chengdu Store"), Chongqing New World Department Store ("Chongqing Store"), Kunming New World Department Store ("Kunming Store") and Mianyang New World Department Store ("Mianyang Store"). With the exception of Wuhan Xudong Branch Store as a managed store, all the other 11 stores in the Central Western China Region are self-owned stores.

During the year under review, the rebranding of Wuhan Wuchang Branch Store, Changsha Trendy Plaza, Kunming Store and Chongqing Store was completed while Wuhan Trendy Plaza and Wuhan Xudong Branch Store completed theirs in September 2013 as well. On the other hand, the rebranding and business revamp of Wuhan Store and Wuhan Qiaokou Branch Store is expected to finish by 2014.

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Central Western China Region



ENHANCED COMPLEMENTARY FACILITIES TRANSFORM STORES INTO LEISURE AND SHOPPING HOTSPOTS

The government's increasing support to the Central Western China Region in recent years gradually nurtured a huge consumption power in the region. Consumers are more brand-conscious with higher expectation on product quality. Thus, "Living Galleries" in the Central Western China Region are positioned as boutique department stores, providing quality services and products for consumers with an acute fashion sense. Considering the huge growth potential in the ladieswear market, the stores actively imported more ladies' brands and expanded their operating areas accordingly during the year under review. For example, the first to the third floors of Wuhan Qiaokou Branch Store were renovated into a showroom for ladies-related merchandises, while Changsha Trendy Plaza expanded the sales area of gold and jewelry, and introduced HONEYS, [eni: d], La Chapelle and other

young ladies' fashion brands into the store. In addition to shopping, in view of the fact that the consumption behavior in Mainland China has changed over time, consumers have started carrying out learning and leisure activities such as entertainment, dining and grooming in a department store. Hence, during the year under review, a number of "Living Galleries" in the region further expanded their leasing areas with an upgrade on their in-store complementary facilities. In terms of dining, other than cafes, Chinese and Western restaurants, stores in the region also added diverse flavors including Hunan and Cantonese cuisines, hotpot and food court, providing a wider selection of dining options to customers.

In terms of entertainment, stores in the region further strengthened their leisure facilities. Wuhan Hanyang Branch Store, for instance, added a famous cinema to screen Chinese and Western movies with the purpose of attracting and retaining customers so as to boost concessionaire sales. On the other hand, a number of "Living Galleries" in the Central Western China Region are community-based department stores targeting young families which attach great importance to their children's learning and development. Therefore, during the year under review, stores included children education centers and recreational facilities in their premises to attract household consumers. For instance, Wuhan Hanyang Branch Store introduced Happy King Children's Playground while Wuhan Xudong Branch Store added education and training centers.

"LIVING GALLERIES"
FURTHER EXPANDED THEIR
LEASING AREAS WITH AN
UPGRADE ON THEIR IN-STORE
COMPLEMENTARY FACILITIES

CUTTING-EDGE “FASHION GALLERIES” SIT ON TOP OF FASHION TRENDS

The population of young consumers in the Central Western China Region has grown rapidly in recent years, therefore, “Fashion Galleries” in the region are positioned as young, trendy and fashionable department stores to attract young consumers aged 18 to 35. During the year under review, in response to the rising popularity of fast fashion, stores in the region imported more corresponding brands, such as, Uniqlo, WHO A U and HOT WIND, to catch up with the younger consumers’ fast-changing fashion preference. At the same time, stores continued to optimize their brand mix to upgrade store profile. For example, Wuhan Wuchang Branch Store expanded the sales area of branded merchandises in view of consumers’ growing purchasing power. As a result, CHARRIOL, S.T. Dupont and other well-known brands landed at the stores. Since gold and jewelry, ladies’ footwear and ladieswear have always been the Group’s category killers, stores in the region expanded the corresponding sales area of these categories with careful maintenance. Therefore, Wuhan Trendy Plaza enlarged its operating area for jewelry, cosmetics, ladies’ footwear, men’s and ladies’ casual wear accordingly; Kunming Store increased the number of concessionaire counters for ladies’ footwear, thus strengthening its position as “NWDS-Shopping Paradise for Shoe Lovers”. In addition to optimizing the merchandise mix, “Fashion Galleries” in the region enhanced their dining facilities to transform themselves into the go-to places for young customers.



UNIQUE MARKETING CAMPAIGNS CRAFT ALL-YEAR-ROUND SURPRISES TO THE CUSTOMERS

During the year under review, be it a regular or festive day, stores organized thematic marketing activities on a regular basis to deliver surprises to the customers. During Christmas in 2012, the Group displayed large-scale “Christmas GAGA’s Lapland Tour” themed Christmas decorations at Wuhan Qiaokou Branch Store and was the first mover to introduce Finnish Lapland Santa Claus Office to Mainland China while six Wuhan stores treated customers a big Christmas feast together with the Finnish Santa Claus. VIP members and Weibo fans of Chengdu Store and Chongqing Store were given the chance to meet and greet with the Finnish Santa Claus, who also led children to sing Christmas songs in the Christmas carol, making stores the must-go places for festive celebrations.

In addition to traditional festivals, stores have also organized a lot of promotional activities in emerging festivals. During the year under review, Wuhan Wuchang Branch Store held the “Halloween Night – Meeting Earl Dracula” event, teaching children on how to make pumpkin lamps and Halloween masks while holding interactive game shows for children. On Valentine’s Day, Zhengzhou Store presented the “Love Arriving at New World: A Valentine’s Date” event to stimulate more non-peak season sales.



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During the year under review, stores in the region deepened their cross-sector collaboration with banks, telecommunication companies and other corporations to inject new elements into their marketing campaigns. Through these projects, stores in the region could utilize partners' marketing and customer resources to increase the breadth and depth of the promotions so as to help explore new customers. In July 2012, Wuhan Store cooperated with CITIC Bank to organize a VIP event called "NWDS-CITIC Bank's Appreciation Meeting – Exclusive Privileges for Card Holders". Also, a press conference called "Cats at NWDS" of the classic Broadway musical "Cats" (Chinese version) was held in the same store in November 2012 and obtained extensive media coverage. In December 2012, Zhengzhou Store, Bank of Communications, China Minsheng Bank Corporation and Guangdong Development Bank jointly organized a series of "Christmas Carnival" activities with a bunch of credit card offers exclusively for VIP members. During the "Blast of Joy – Celebrating the 20th Anniversary" in May 2013, Chengdu Store invited 20 leading consumer brands from various industries including Gome Electrical Appliances and Tencent to set up in-store promotion booths and largely increased the publicity of the event.

During the year under review, stores in the region actively promoted themselves on social media platforms, such as, Weibo and WeChat and further strengthened the interaction with their fans through online prize-winning games, such as cracking golden eggs, Wei chats and big lucky wheels, all of which boosted the number of Weibo fans and their active

level. As at 30 June 2013, there were over 1.1 million Weibo fans and over 40,000 WeChat subscribers in the region.

HEARTFELT SERVICES AND SPECIAL EVENTS ENHANCE MEMBER LOYALTY

During the year under review, stores in the region outlined a variety of special club activities tailoring for VIP members with different interests. These included "Birthday Party" for Perfect House Wife Club, "Keeping Fit – Weight-loss Summer Camp" for Smart Lady Club, "DIY Diamond Heels" for Crystal High Heels Club and "Financial Management – Secret Tips to Managing Your Gold Portfolio" for Platinum VIP Club. All of these activities aimed to enhance VIP loyalty to the Group.



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Stores in the region also organized grooming seminars with renowned cosmetics brands for beauty passionates, for example, "Revlon VIP Grooming Class" by Chongqing Store and "Carslan's Spring Makeup Trends" by Zhengzhou Store, which successfully drove the sales of cosmetic products.

During the year under review, "Living Galleries" in the Central Western Region held numerous art-related VIP club activities enabling customers to enjoy a tasteful lifestyle. For instance, Wuhan Qiaokou Branch Store held a series of thematic events called "City Oasis". In these events, celebrities and instructors were invited to give talks on four selected topics, namely, "Photography", "The 'New' Tour", "Stylish Fashion" and "Playful Life", which have received active participation from club members. On the other hand, stores in the region completed a number of VIP facility enhancement projects, including the installation of free Wi-Fi, VIP lounge, free parking, tele-purchase and delivery, and "Reward Point Marketplace" redemption service, so as to further strengthen the relationship with their VIP members.



VIP MEMBERS APPROX.
1,175,000



During the year under review, the number of members in the Central Western China Region increased 30% to approximately 1,175,000, which accounted for 55% of gross sales proceeds of the region. The number of VIP club members also increased 29% to approximately 612,000.

WIDE RECOGNITIONS REINFORCE THE IMAGE AS TRENDY DEPARTMENT STORE

Stores in the region made remarkable achievements during the year under review. Their stylish market position received enormous recognition, including "The Most Fashionable Brand" Award in Trendsetting – City Life Style Award 2012 for Chongqing Store jointly presented by *City Life*, *Modern Weekly* and Baidu Chongqing, and the "2012 Award for Trendy Department Store" for Chengdu Store from Chengdu City Chamber of Commerce and others. In addition, their persistence on quality service was highly appreciated by consumers. For example, Wuhan Wuchang Branch Store was accredited as the "2011–2012 Consumer Satisfaction Entity" by the Hubei Province Consumers Association.



Diverse Heartfelt Services



Creating One-stop Joyful
Shopping and Entertainment
Experience

