

## FY17 Interim Results Presentation (21 Feb 2017)



# Safe Harbour Statement

The information contained in our presentation is intended solely for your personal reference. In addition, such information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on assumptions subject to various risks. No assurance can be given that future events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

# Agenda

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- **Summary for 1HFY17**
- **Results Highlights**
- **Our Strategy**
- **Our Store Portfolio and Pipelines**
- **Open Forum**

# Summary for 1HFY17



# Summary for 1HFY17

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## Same-store Sales

- SSS for self-owned stores was flat, which indicates a significant improvement compared to -8.5% in 1HFY2016

## Revenue

- Revenue in 1HFY2017 was RMB1,549.9 million, compared with RMB1,586.1 million in 1HFY2016

## Profit for the Period

- Profit for the period was increased by approximately 54.6% to HK\$92.5 million from HK\$59.8 million in 1HFY2016

## Cost Control

- Implemented cost control measures to reduce operating expenses by 13.4%

## Retail Network

- No. of stores was 42 as of 31 December 2016, with a total GFA of 1,646,880 sq.m. covering 22 cities in the PRC
- Opened a managed store in Yibin City in October 2016 to expand our foothold in Sichuan Province

# Summary for 1HFY17

## Innovating in Management

- Set up nine functional committees to foster prompt and effective implementation of strategies
- Launched staff incentive programs to motivate staff to excel
- Introduced Amoeba Operating Model to transform internal training department to a market-driven and profit-making center



# Summary for 1HFY17

## Innovating in Operations

- Introduced the capitalized operational approach of “One Store, One Strategy” to give stores high autonomy
- Constructed operating characteristics e.g. a cat-themed children’s zone at Beijing Store and “New Territories 88” themed street zone at Nanjing Store
- Co-organized “brand day” campaigns to boost concessionaire sales, e.g. “9.9 Chow Tai Fook Brand Day”
- Expedited brand renewal and strengthened popular categories such as children’s goods, sports items and cosmetics



# Summary for 1HFY17

## Innovating in Marketing

- Increased the number of headquarter-led marketing activities which all recorded significant sales growth
- Strengthened cross-industry, O2O collaboration to achieve efficient yet low-cost marketing results e.g. partnered with e-commerce platform ffan.com during “Double 11”, foot traffic up by 24% year-on-year
- Launched “Customers – Members - Fans” (CMF) digitized customer relationship management system and speeded up the “Customer” acquisition by 30%





# Summary for 1HFY17

## Innovating in Business Structures

- Enlarged Rental Business
  - Increase the proportion of in-store experiential facilities e.g. food and beverage, children's education and fitness centers in comparison to concessionaire counters
  - Increased leased out area to approx. 22% of total GFA
- Introduced Joint Venture Food and Beverage Label
  - Peter's Meadow (彼得家牧場)



# Summary for 1HFY17

## Innovating in Direct Sales

- LOL
  - Categorized management for LOL stores, positioning as black, gold or silver labels, to cater to customers with different consumption power
  - Opened first store out of New World Group establishment
  - Recorded double-digit growth in SSS
- n+ Natural Tastes Plus
  - Initial establishment of two stores in Shanghai are well-received
- High-end fashion brand distribution business
  - Recorded positive growth momentum in both revenue and profit

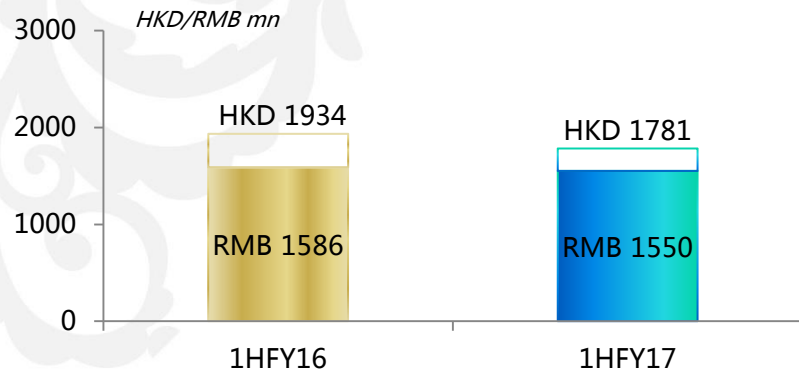


# Results Highlights

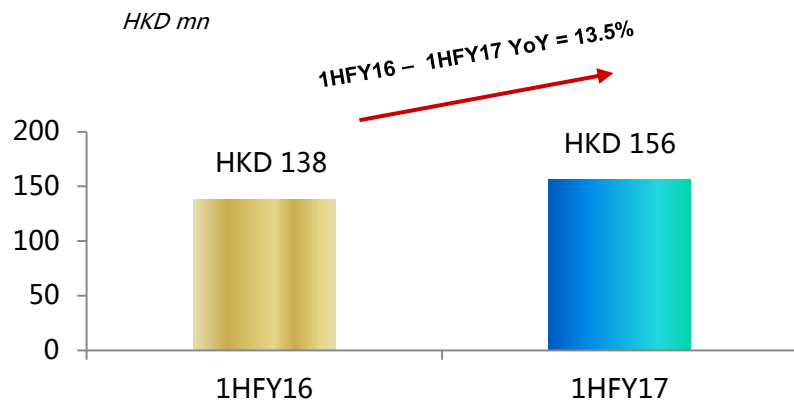


# Financial Highlights

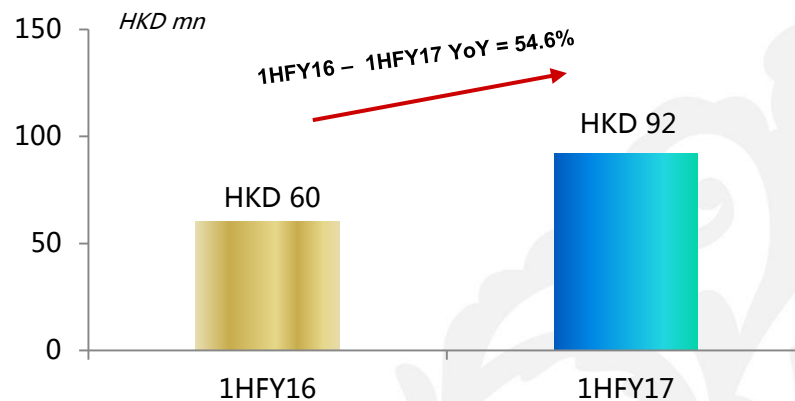
## Revenue



## EBIT

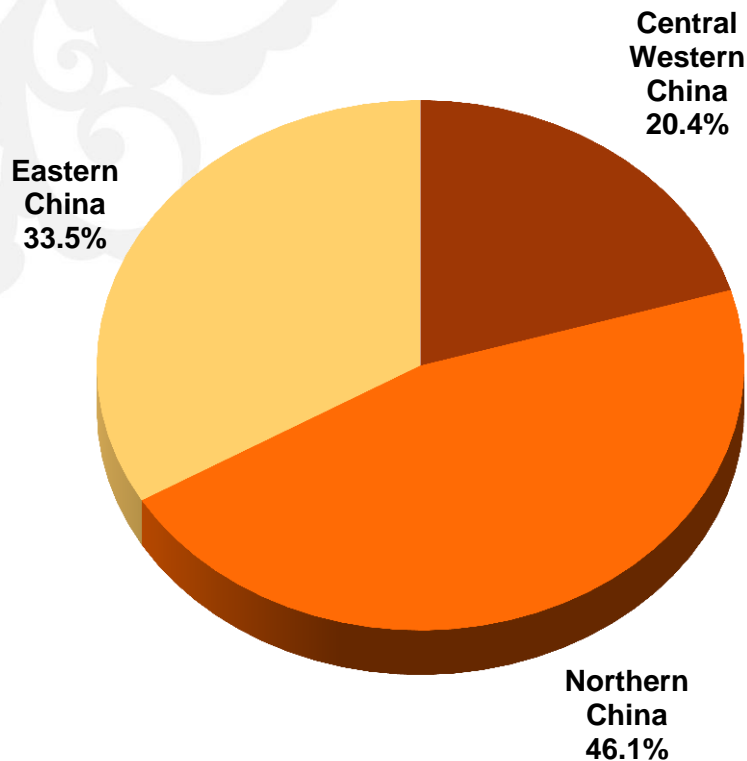


## Net profit

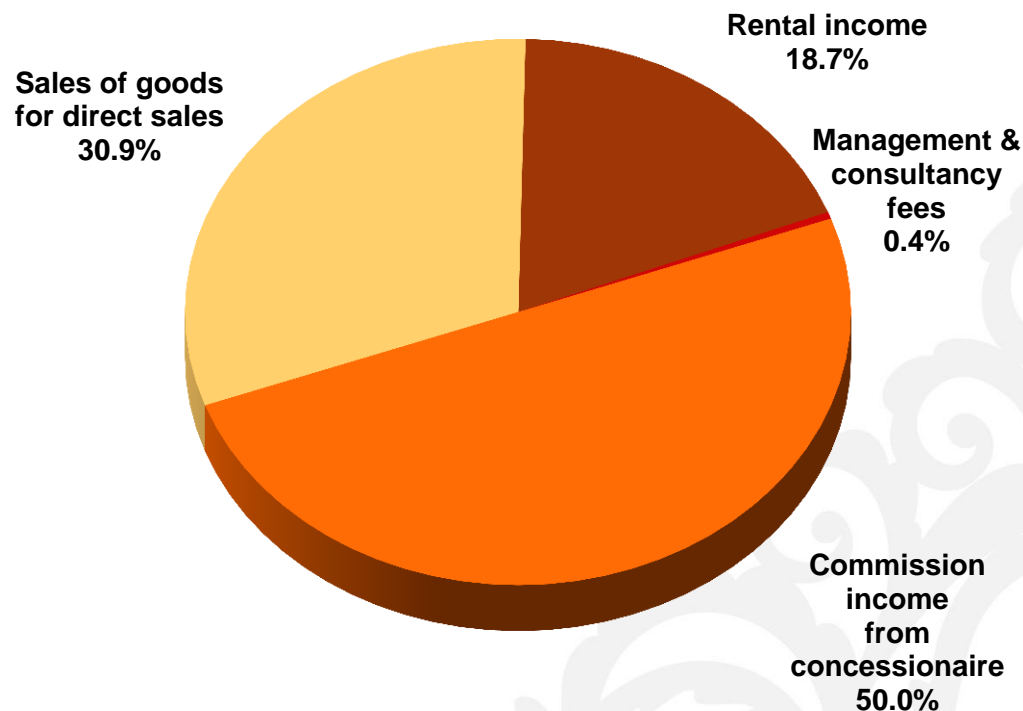


# Revenue Analysis

## Revenue contribution by region

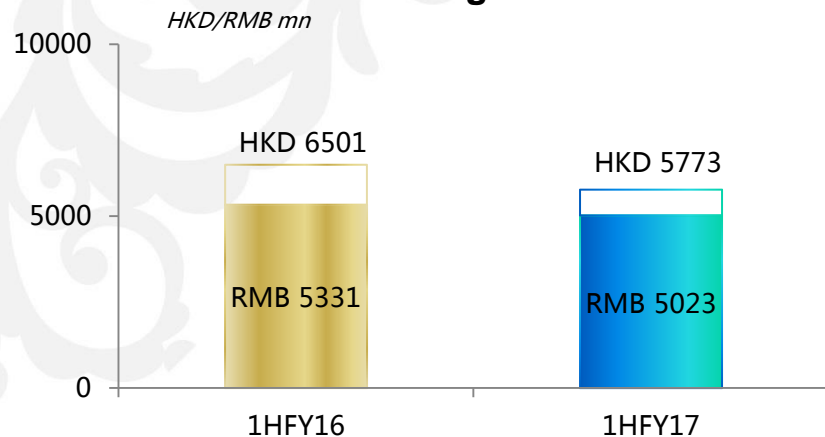


## Revenue contribution by segment

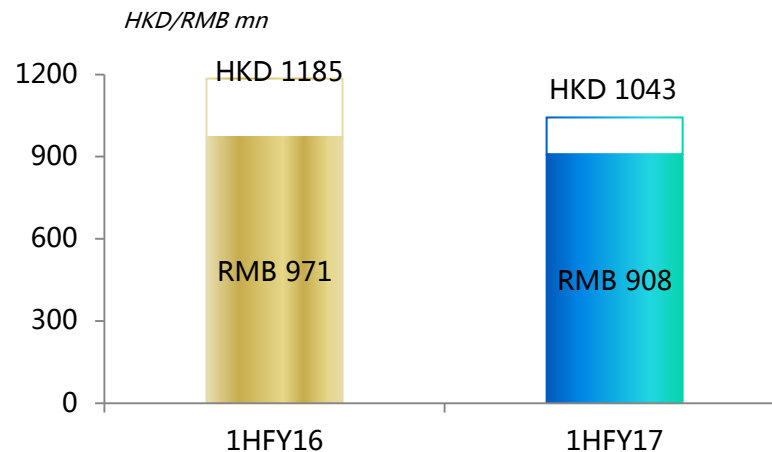


# Revenue Analysis

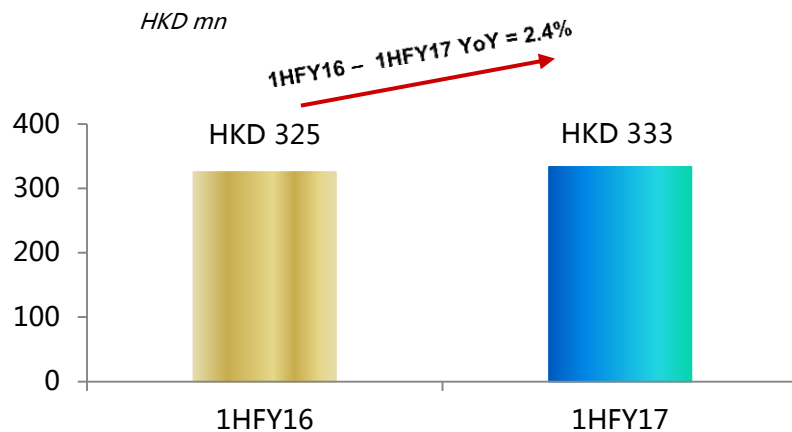
## Gross revenue from concessionaire sales and sales of goods for direct sales



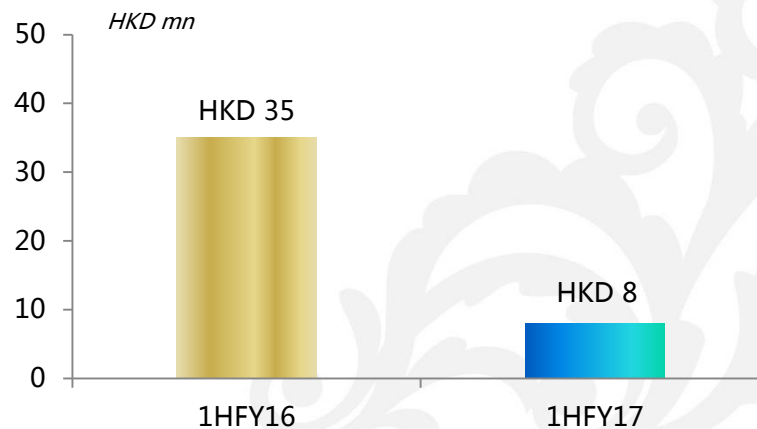
## Merchandise gross margin



## Rental income

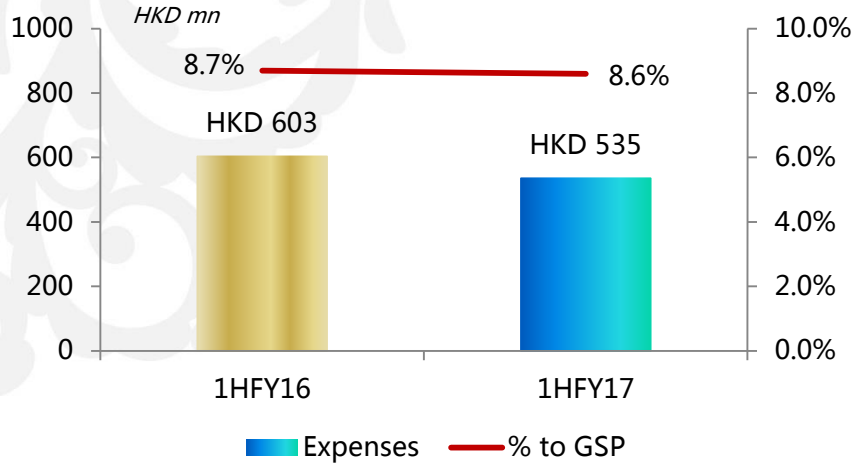


## Management & consultancy fees

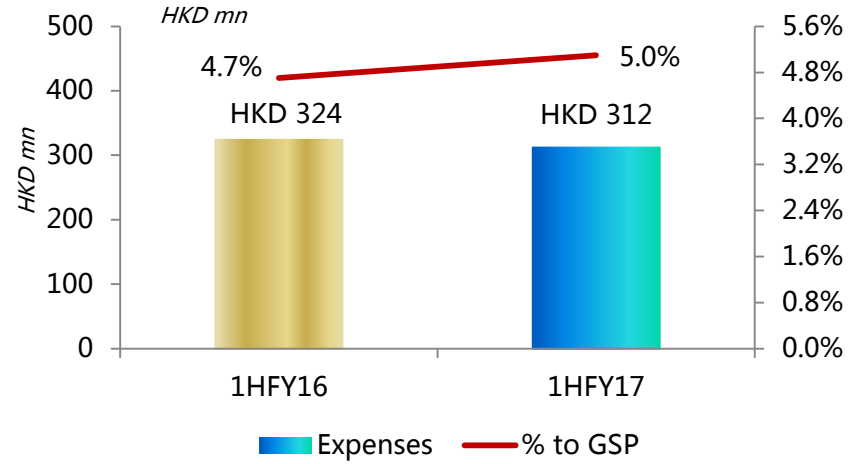


# Expense Ratios

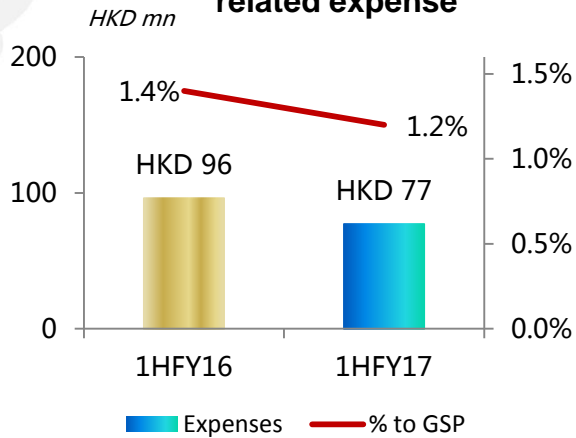
## Rental expense



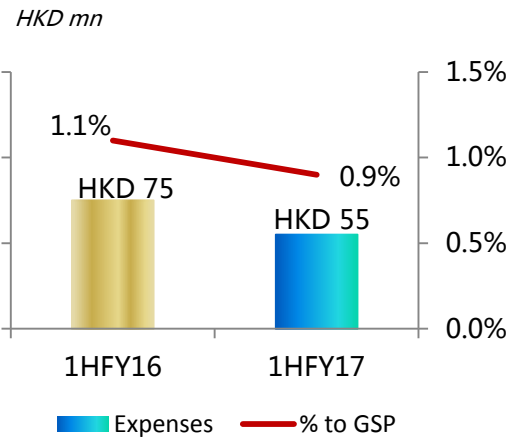
## Staff expense



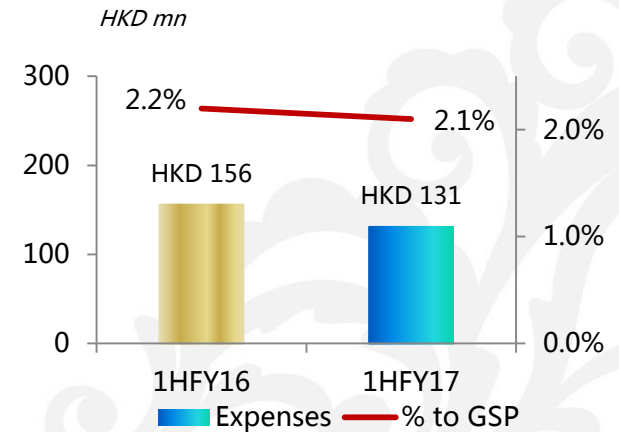
## Promotion, advertising & related expense



## Water & electricity expense



## Depreciation & amortisation expense



# Our Strategy





# Operations Strategies

## Roll out the Capitalized Operational Approach of “One Store, One Strategy”

- Customize operations strategies according to stores' growth potentials, business model, operating conditions
- Higher degree of autonomy for stores
- Create operating characteristics for stores



# Operations Strategies

## Boost Concessionaire Sales

- Co-organize more “brand day” campaigns with strategic brands
- Enhance counter service by rolling out FAB (feature, advantage and benefit) guideline
- Continue to optimize merchandise mix and to increase the brand renewal rate

## In-store Business Structure Revamp

- Continue to enlarge the proportion of in-store experiential facilities e.g. food and beverage, children’s education and fitness centers to facilitate experiential spending



# Marketing Strategies

## More Headquarter-led Marketing Campaigns and Deepen Cross-industry, O2O Collaboration

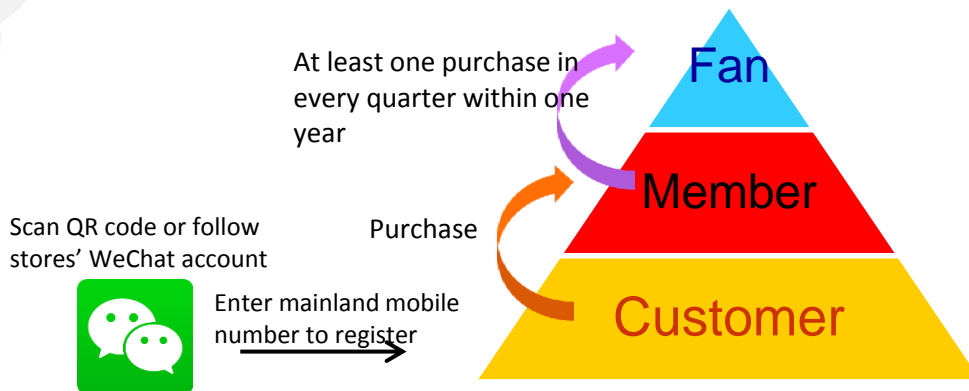
- Facilitate better coordination on introducing strategic partnerships with brands, utilizing promotional resources to increase efficiency
- Deepen low-cost yet efficient cross-industry and O2O integrated collaboration (banks, e-commerce platforms) to create win-win and expand customer base



# Marketing Strategies

## “Customers – Members – Fans” Digitized Customer Relationship Management System

- Expand registration channels for basic member level “Customers”
- Capture and analyze data relating to customer shopping behaviors for targeted marketing
- Provide incentives to encourage “Customers” to “Members” upgrade
- Enhance members’ privileges e.g. members’ annual reward activities



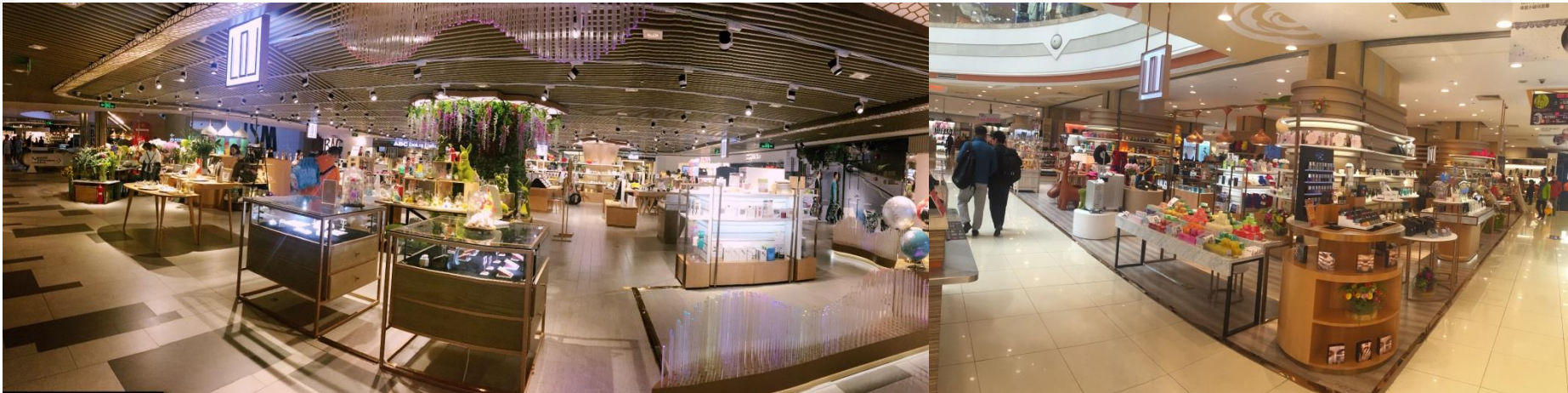
# Direct Sales Strategies

## LOL

- Categorized management for LOL stores, positioning as black, gold or silver labels, to cater to customers with different consumption power
- Growing independence and expand out of New World Group establishment

## n+ Natural Taste Plus

- Expand product portfolio, introducing café, light meals, boutique retail and IP peripheral merchandises
- A possible upgrade to n+ Lifestyle, offering a spectrum of lifestyle elements



# Services Improvement

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## “NWDS Chief Experience Officer” Project

- Interviewed over 7,000 customers
- Inspire NWDS to improve quality and accessibility of services that are critical to customer experience:
  - Improve salesperson’ product knowledge
  - Expand the scope of use of group-buying card
  - Introduce smart and unified POS
  - Accept more quick-pay methods
  - Offer one-stop goods refund and exchange



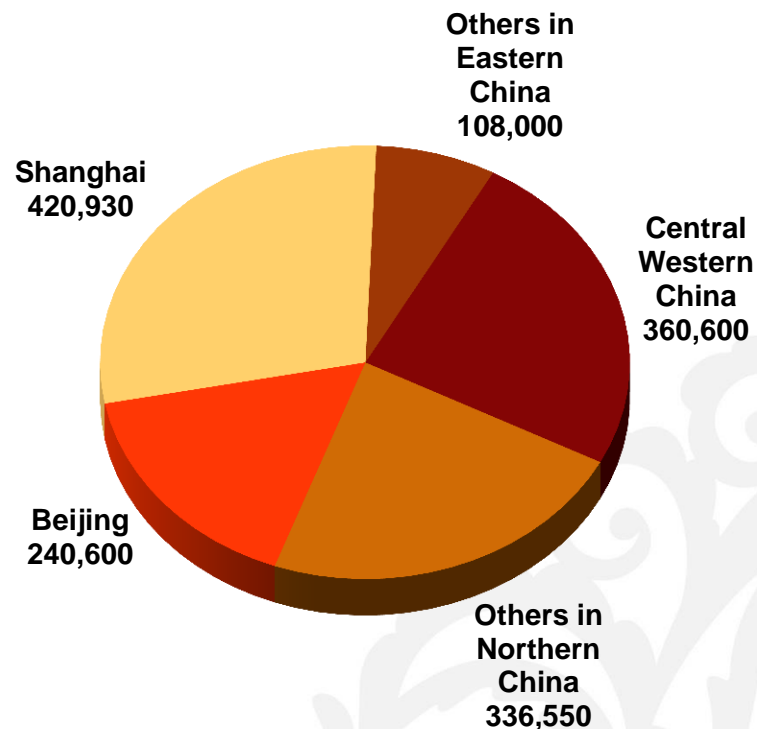
## Our Store Portfolio and Pipelines

# Store Portfolio

## Total Gross Floor Area (GFA) of Store Portfolio

As of 31 December 2016	
(approx. sq.m.)	
Self-owned stores	1,466,680 (37 stores)
Managed stores	180,200 (5 stores)
Total	1,646,880 (42 stores)

### Self-owned Store Area Breakdown (approx. sq.m.)





# Stores in the Pipeline

	FY17	FY18*	FY19*
<b>Store Pipelines</b>	Sichuan Yibin Project: 27,000 sq.m. (Opened)	Hubei Jingmen Project: 35,000 sq.m. (Greenfield)	Phase I of Shenyang Nanjing Street Store Redevelopment Project: 26,300 sq.m. (Greenfield)
		Chongqing Tongliang Project: 26,200 sq.m.	Phase II of Shenyang Nanjing Street Store Project: 25,400 sq.m. (Greenfield)
<b>Total GFA</b>	<b>27,000 sq.m.</b>	<b>61,200 sq.m.</b>	<b>51,700 sq.m.</b>
<b>Total</b>		<b>139,900 sq.m.</b>	

\*The above schedule is for reference only and may be subject to change.

# Future Expansion Plan

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## Carry through “Radiation City” Strategy

- Ride on our footholds in Beijing region, Shanghai region and South Western region to radiate to the surrounding areas

