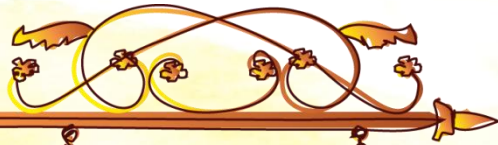




新世界百貨中國有限公司

New World Department Store China Limited

(HK Stock Code: 825)



Annual Results  
2013

(25 Sep 2013)



# 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

- 🌀 Key Achievements for FY2013
- 🌀 Results Highlights
- 🌀 Our Competitive Edges
- 🌀 Expansion Strategies
- 🌀 Latest Update and Store Pipelines
- 🌀 Open Forum



# Key Achievements for FY2013



# Key Achievements

**Sound same-store-sales growth**  
SSSG for self-owned stores: 11.4%

## Steady Growth

Revenue grew 14.9% from HK\$3,490.1 million in FY12 to HK\$4,011.5 million in FY13

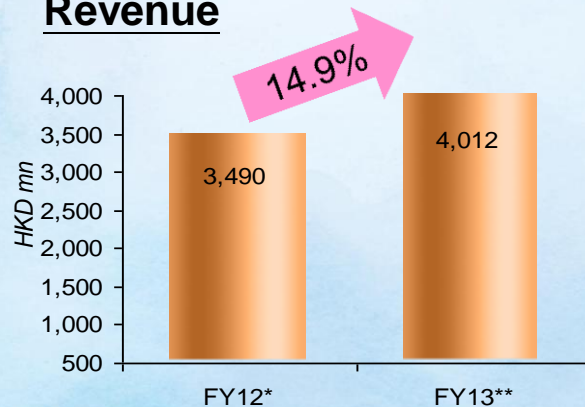
## Profit for the Year

- Profit for the year was HK\$641.5 million

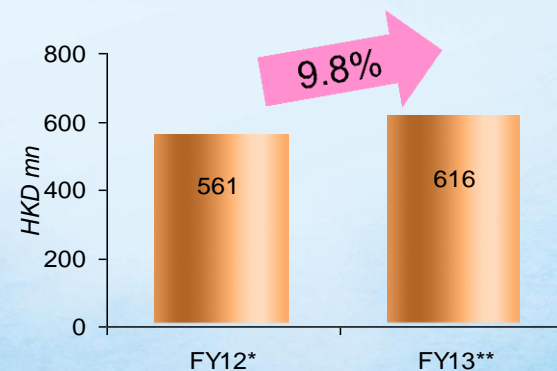
## Core Net Profit

- If excluding other losses/gains, changes in fair value of investment properties and one-off tax adjustment on disposal of properties situated in Wuxi, core net profit increased to HK\$615.7 million in FY13 from HK\$561.3 million in FY12

### Revenue



### Core Net Profit



# Key Achievements (cont'd)

## Stable financial foundation

As of 30 June 2013, the Company was in a net cash position with cash on hand of about HK\$2,300 million

## Extensive retail network

- No. of stores increased to 41 as of 30 June 2013, with a total GFA of 1,513,940 sq.m. covering 20 cities in the PRC
- Opened 4 stores during the year:
  - Self-owned stores: Yancheng Store and Xi'an Store in Dec 2012
  - Managed stores: Ningbo Beilun Store in Sep 2012 and Yanjiao Store in Apr 2013

## Strong customer base

- Well-established VIP membership program with over 3.8 million members
- VIP contribution
  - VIP contributed approx. 61% of the total sales turnover in FY13, ↑8 ppts year-on-year
  - VIP sales increased approx. 26% year-on-year in FY13
- No. of VIP club members was over 1.5 million, up 27%

# Store Portfolio

## Gross Floor Area (GFA) of Store Portfolio

	As of 30 June					As of 25 Sep
(approx. sq.m.)	2009	2010	2011	2012	2013	2013
Self-owned stores	601,730 (22 stores)	756,930 (25 stores)	1,088,420 (32 stores)	1,279,970 (36 stores)	1,340,240 (36 stores)	1,383,240 (37 stores)
Managed stores	462,100 (11 stores)	417,600 (10 stores)	186,900 (5 stores)	107,700 (3 stores)	173,700 (5 stores)	181,200 (5 stores)
Total	1,063,470 (33 stores)	1,174,530 (35 stores)	1,257,320 (37 stores)	1,387,670 (39 stores)	1,513,940 (41 stores)	1,564,440 (42 stores)

*Wuhan Store became self-owned store since Feb 2008*

*Hong Kong Store ceased to be a managed store since July 2008*

*Kunming & Ningbo Trendy stores became self-owned store since Mar and Apr 2009 respectively*

*Xiamen Store ceased to be a self-owned store since June 2009*

*Shanghai Pujian Branch Store became self-owned store since Jan 2010*

*Shenyang Taiyuan Street Branch Store ceased to be a self-owned store since Apr 2010*

*Beijing Store and Chengdu Store became self-owned store since Aug and Oct 2010 respectively*

*Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store became self-owned store in Jan, Mar and Apr 2011 respectively*

*Wuxi Store ceased to be a self-owned store since May 2011*

*Lanzhou Store became self-owned store since Nov 2011*

*Beijing Liying Store became self-owned store since Jan 2012*

*Taizhou Store ceased to be a self-owned store since Nov 2012*

*Shenyang Nanjing Street Branch Store was closed in Feb 2013 for redevelopment and is expected to reopen in FY17*



新世界百貨中國有限公司

New World Department Store China Limited

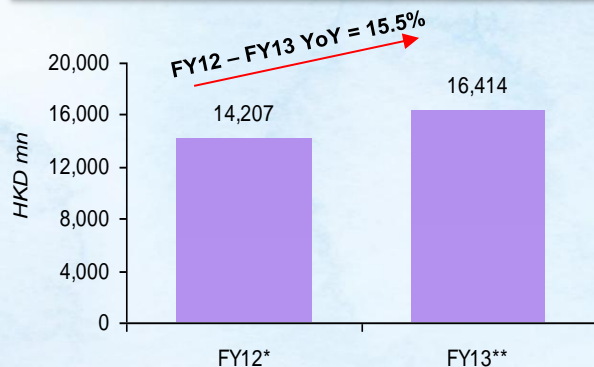
# Results Highlights



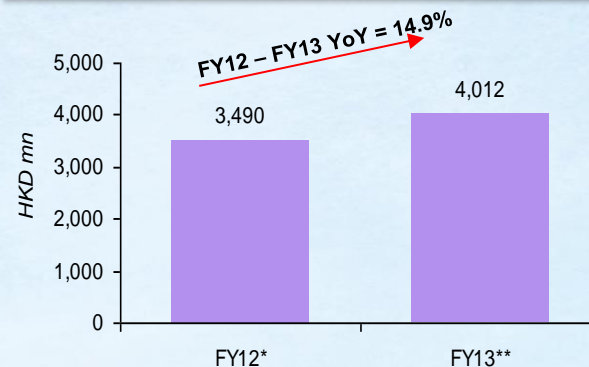


# Financial Highlights

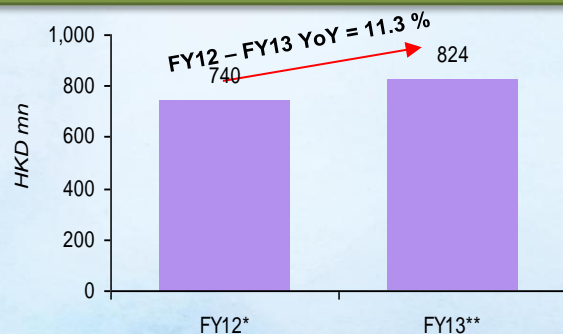
## GSP



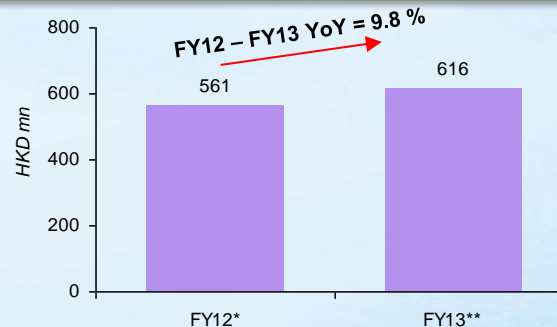
## Revenue



## EBIT (Core)



## Net Profit (Core)



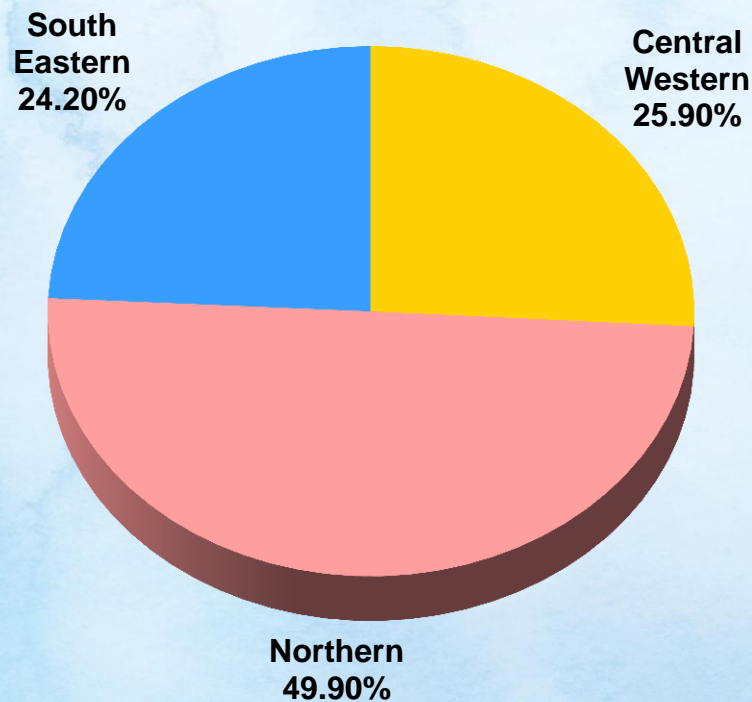
GSP includes concessionaire sales (net of VAT), direct sales (net of VAT), rental income, management and consultancy fee income and other income.

Core excludes:

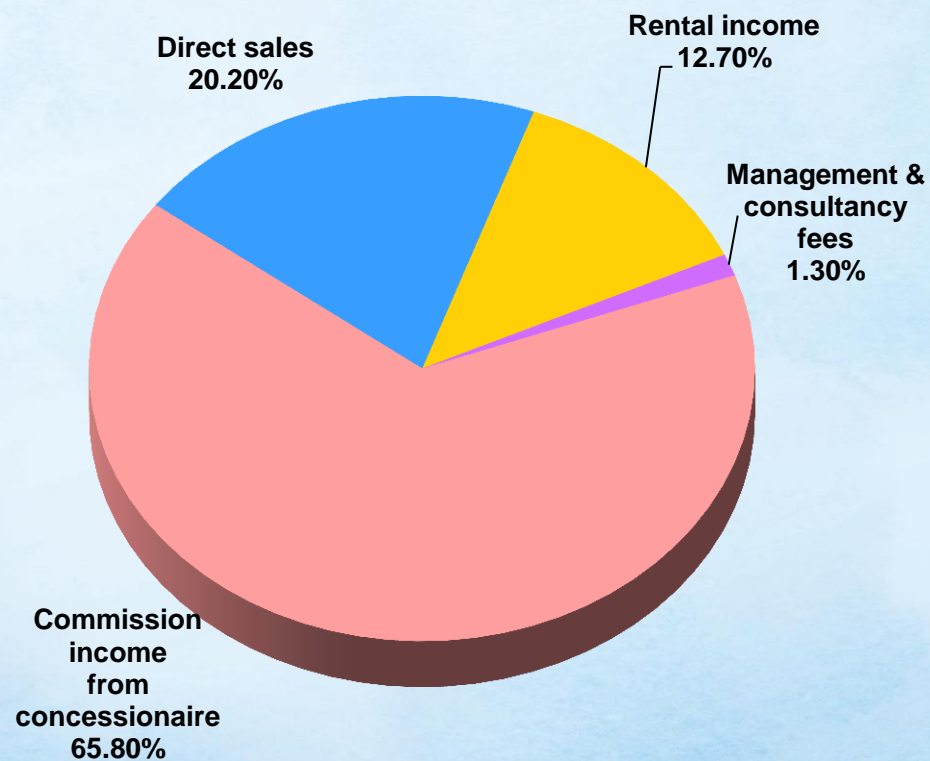
- Other losses/gains
- Changes in fair value of investment properties
- One-off tax adjustment on disposal of Wuxi properties

# Revenue Analysis

Revenue contribution by region

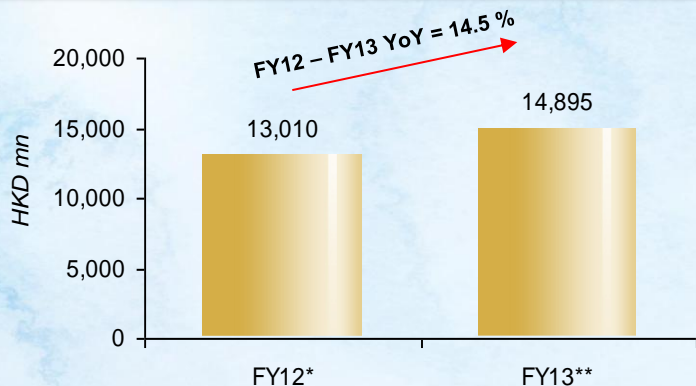


Revenue contribution by segment

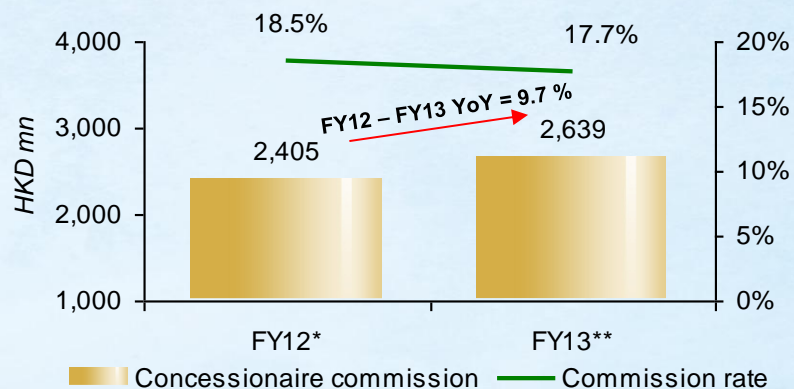


# Revenue Analysis

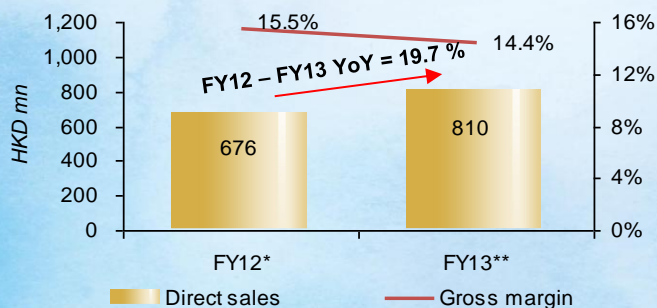
## Concessionaire gross sales revenues



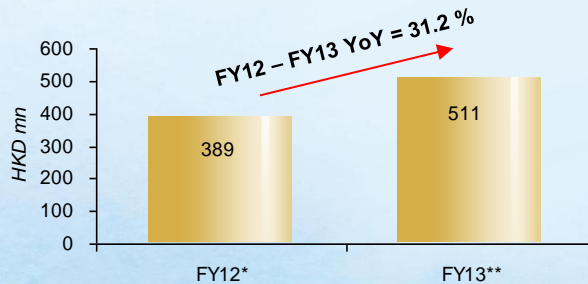
## Concessionaire commission



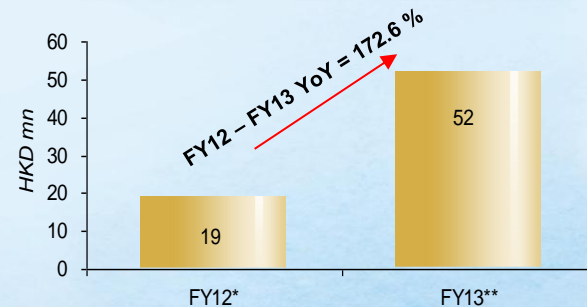
## Direct sales and its gross margin



## Rental income

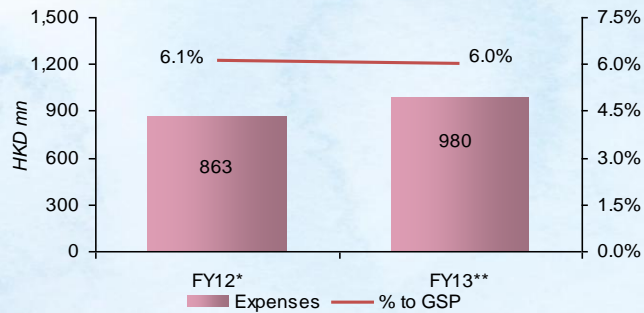


## Management & Consultancy fee income

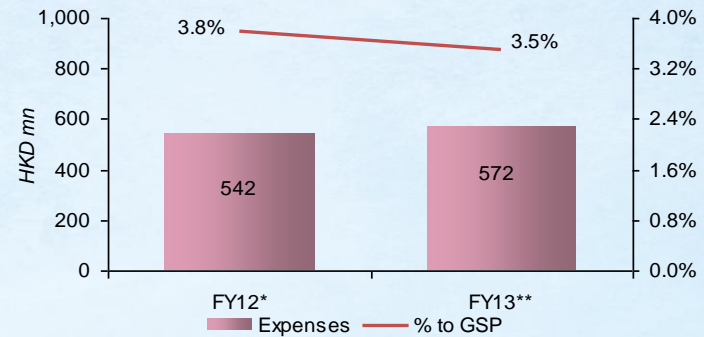


# Expense Ratios

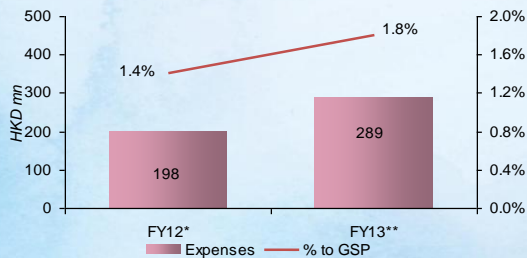
## Rental expense



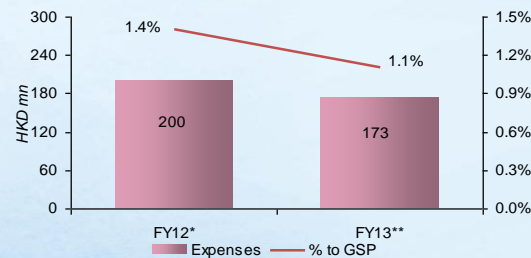
## Staff expense



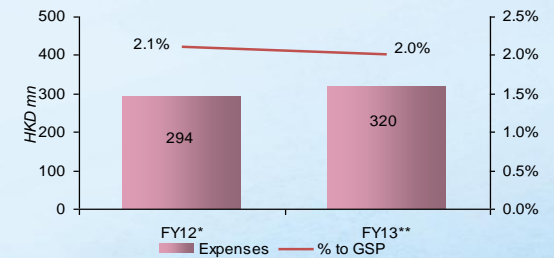
## Promotion, advertising & related expense



## Water & electricity expense



## Depreciation & amortisation expense

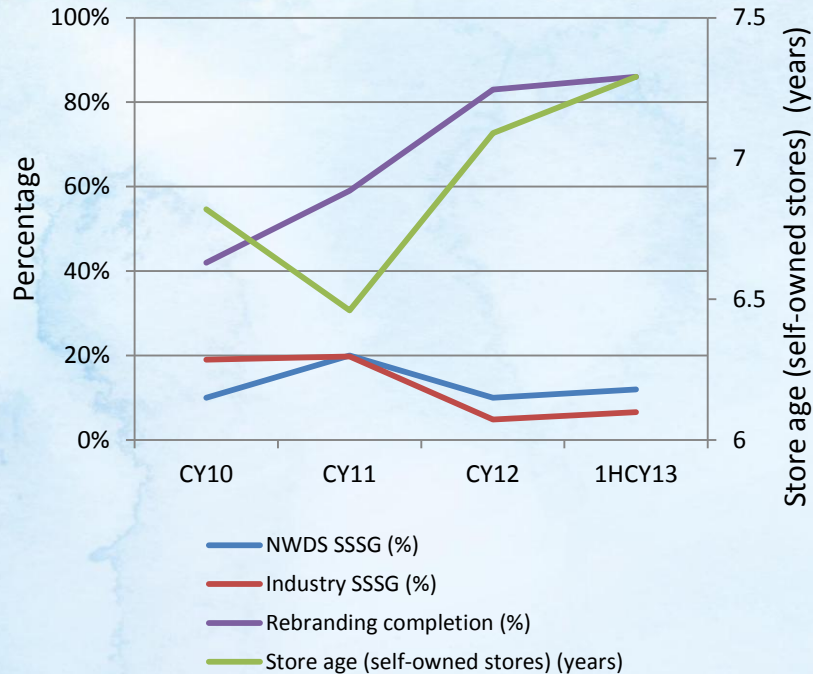


# Our Competitive Edges



# 1. Proven Track Record

## Resilient SSSG in Challenging Market



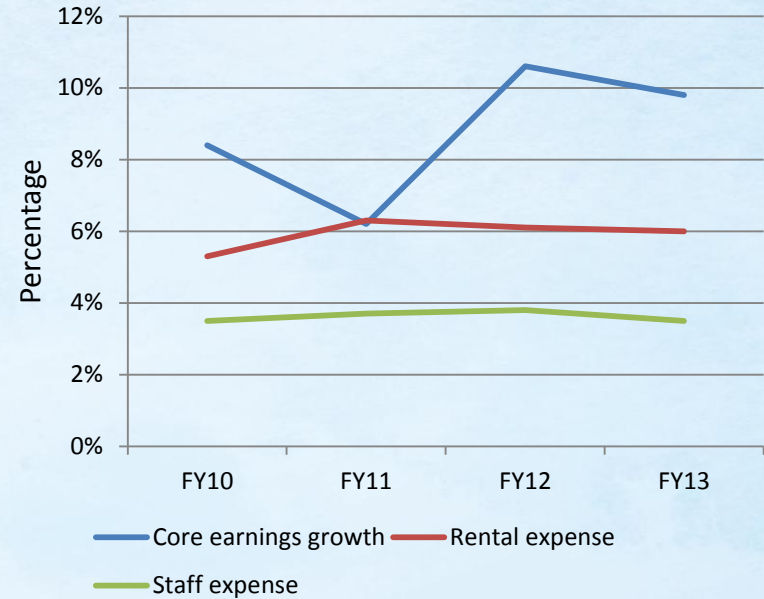
Note:

- 1) Industry SSSG: average of SSSG of Parkson, Golden Eagle, Intime, and Maoye in calendar year 2010, 2011, 2012 and the first six months in 2013
- 2) CY: calendar year

Source: Company reports, research reports, NWDS estimates

- ✓ SSSG outperformed industry average after rebranding started in Sep 2009
- ✓ Outperformance still maintained even with increased store age

## Cost Control Bears Fruit



Note: FY: NWDS financial year

- ✓ Most rental leases are fixed rentals
- ✓ Staff cost ratio dropped on refined structure
- Start to exhibit operating leverage
- ✓ Stable growth in core earnings

# 2. Expertise in Store Management

## Our competitive advantages

- ✓ Leverage on hotel management experience and expertise of New World Group
- ✓ Over 10 years of experience in managing third-party stores
- ✓ A team of experienced store managers
- ✓ Nationwide network
- ✓ Excellent brand image
- ✓ Strong relationship with local government and property developers



## Our Plan

- ✓ To add 6-8 managed stores between FY14 - FY16
- ✓ Total GFA to be added: 200,000-300,000 sq.m.

## Benefits

- ✓ No start-up costs
- ✓ Increase of management fee income can compensate part of the new store loss of self-owned stores
- Stabilize earnings amid challenging market environment
- ✓ Fast expansion
- No. of new stores and GFA can be doubled

Our new stores in FY13 and FY14:

	FY13	FY14	Total GFA
Self-owned stores	2	2	210,500 sq.m.
Managed stores	2	2	180,300 sq.m.

- ✓ Low risk to enter new markets
- ✓ Build up store portfolio for future acquisition

# 3. Synergy with Affiliated Companies

Chow Tai Fook



1. The largest jewelry retailer in China
2. Strategic partner with counters in most of our stores
3. Exclusive products for counters in NWDS
4. Special offers for VIP members

K11



1. Target customers: high-end vs. NWDS: mid-market
2. Complement each other
3. Share supplier resources to strengthen our bargaining power

New World China Land



1. Nationwide property developer
2. Huge commercial use land bank: over 2 million sq.m.  
→ Potential supply for future projects
3. Information sharing on property market trend for making expansion decisions



# 4. Targeted Marketing Activities

## Nationwide Promotions

1. Well-scheduled promotions
2. Good bargain discounts from suppliers → Compete with prices of online shopping
3. Bulk purchase of premium → Reduces promotion and advertising costs
4. Create noise effectively
  - **Lowers the frequency of single-store promotions merely compete in price**
  - **Stabilize commission rate**

## Brand Activities

1. Held at regional and single store level
2. Cooperate with single brands or retail chains in selective categories
3. Focus on marketing and PR activities → Boost customer traffic

**Preserve margin**

# 5. Enhanced Digital Marketing and E-platform

## Online Digital Marketing

- ✓ Social media
  - Engage young customers
  - Weibo
    - No. of members: over 3.5M (as of 30 June 2013)
  - WeChat
    - No. of members: over 339,000 (as of 30 June 2013)
  - Online interactive activities e.g. game and survey

## In-store Digital Marketing

- ✓ Free Wi-Fi
  - Offered in all the stores
  - Send promotional messages to customers connected
  - Multimedia messages to be developed and sent to target groups of customers

## E-platform Support

1. Connection of online shopping platform and SKU management system
  - No inventory risk for NWDS
  - Test run in Beijing Store

➔ **More efficient inventory management for brands**
2. Integrated VIP information database

➔ **Facilitates information analysis on customer spending**
3. Completed and launched OA system in FY13  
Continue to develop ERP system in FY14

➔ **Enhance efficiency to support sales**
4. Mobile cash registers
  - Pilot run in Shanghai and Beijing

➔ **Provide convenience for customers**

# 6. A Pioneer in Merchandising

- ✓ Established a leasing team to strengthen complementary facilities offered in stores
  - Continue our hybrid shopping mall/department store model
  - Target to have 30% of total GFA leased out
- ✓ Launched lifestyle private label: LOL (Love.Original.Life)
  - Procurement arm of direct sales business: procure lifestyle gadgets worldwide
  - Cooperate with HKTDC Design Gallery
  - Introduce more exclusive brands to differentiate from competitors
  - Low inventory risk
  - Direct sales margin can be enhanced
  - Shop opening plan

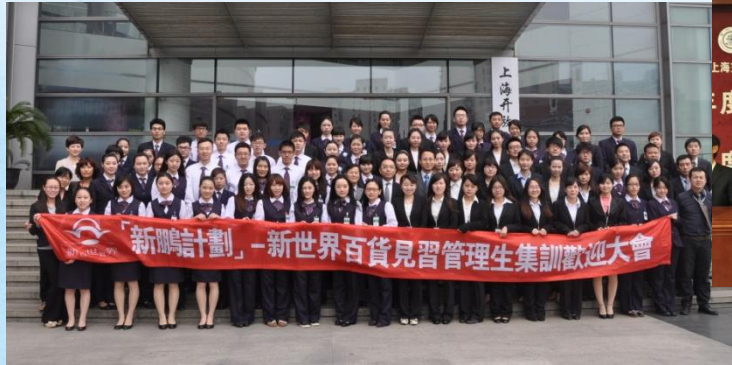


	FY14	FY15	FY16	FY17
Total no. of shops	8	20	35	50



# 7. Huge Talent Pool

- ✓ Training for middle to senior management
  - Periodic training courses and overseas visits
  - “Core Talents Nurturing Plan” (核心人才培養計劃) for senior management
- ✓ NWDS Management Academy (新世界百貨管理學院)
  - Offered comprehensive training courses to different levels of staff since 2005
  - Cooperate with Shanghai Jiao Tong University (上海交通大學) to organize “Certificate Program of Further Studies in Retail Operation and Management” (零售營運管理研修證書班). 240 middle to senior management were trained in 4 intakes
- ✓ Management intern program
  - “Project Xinpeng – NWDS Management Intern Cultivation” to nurture young management (新鵬計劃 – 新百見習管理生培育計劃)



# 8. NWDS Sustainability Framework

NWDS Sustainability Steering Committee established in March 2012

- ✓ Upgraded from former Environmental Protection Committee
  - Formulated Sustainability Policy
  - Oversees Company's works in Environment Protection, Community Services, Staff Development and Operating Practices
  - Plans to publish sustainability report in accordance to HKEx's requirements to disclose ESG performance on or before 2015



## Engage Staff in Sustainability...

- ✓ NWDS Volunteer Team formed in April 2013
- ✓ Over 1,500 registered volunteers
- ✓ Completed over 2,500 service hours

As of 30 Jun, 2013

# 9. Our Sustainability Achievements

## Environment Protection

- ✓ Stores' Lighting Revamp Completed
- ✓ Organized over **230 green activities** to promote energy saving, eco-friendly living, resource recycling



## Community Services

- ✓ Launched “@Dream Sustainable Development Program” to help under-resourced children in China
- ✓ Organized over **210 charitable activities** to give back to society
- ✓ Made over **RMB1M donation** to NGOs



## Staff Development

- ✓ Started “Caring Our Staff” Cultural Campaign to create a pleasant work environment
- ✓ Held over **250 staff activities** to create stronger ties; and over **70 training programs** to elevate staff's skills



## Operating Practices

- ✓ Devised “Supplier Code of Conduct” to share our sustainability vision with partners in the supply chain
- ✓ 8 out of Top 10 suppliers has complied



# Expansion Strategies



# Consistent Expansion Strategies

## Self-owned Stores

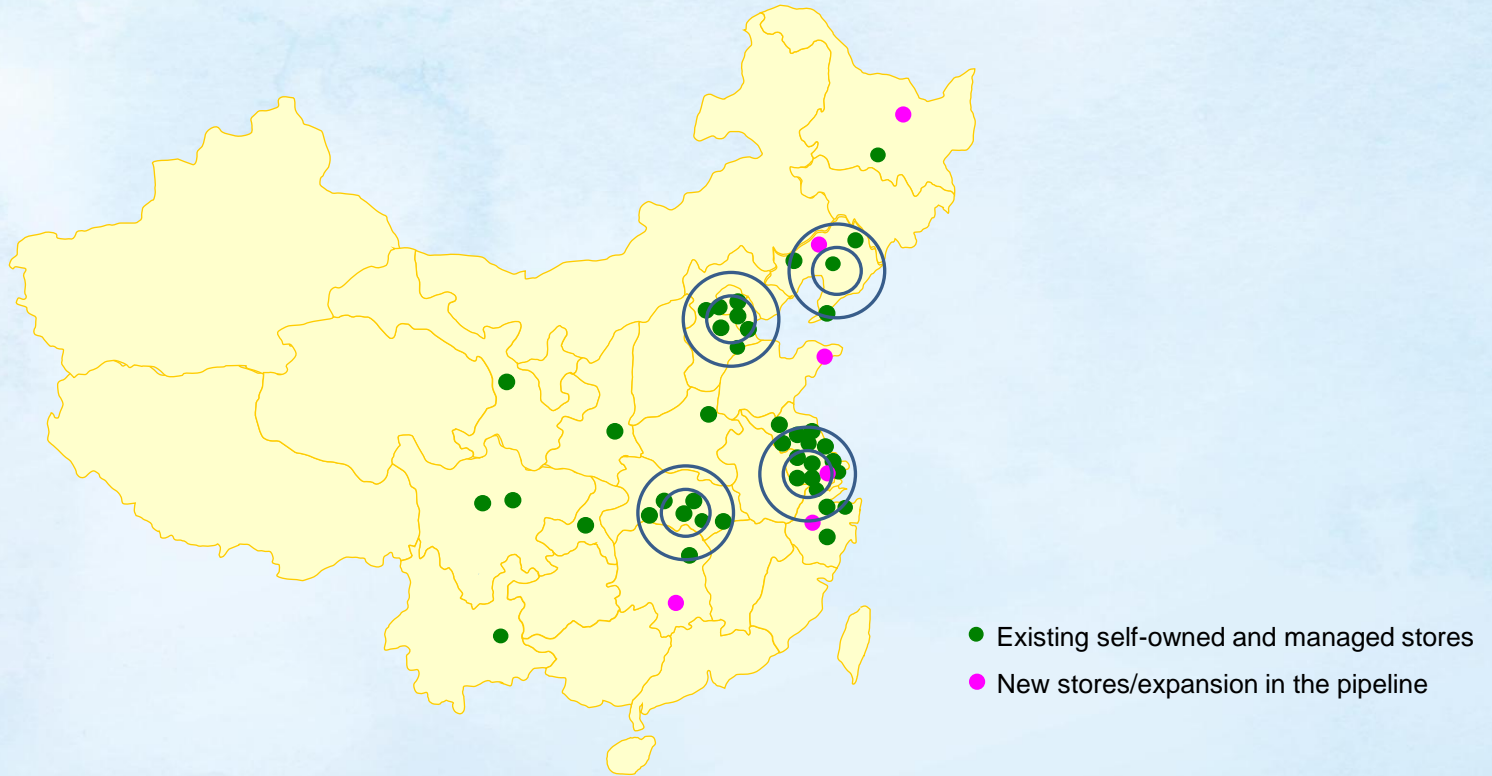
- ✓ Maintain our 5-year plan of increasing 1 million sq.m. GFA between FY12-FY16 i.e. to increase approx. 10%-15% GFA each year
  - Increase the GFA of self-owned properties to around 20%
  - Mainly focus on “radiation city” strategy, then “multiple presences within a single city” strategy
  - Focus on second-tier to third-tier cities especially on third-tier cities in Central Western China Region
  - To maintain store age between 7-8 years

## Managed Stores

- ✓ Mainly focus on “radiation city” strategy
- ✓ Focus on third-tier to fourth-tier cities
- ✓ Number of new managed stores matches the number of new self-opened stores



# Continue to Grow Our Retail Network



As of 25 Sep 2013

# Latest Update and Store Pipelines



# Stores in the Pipeline

From FY12 to FY16, target to add 1 million sq.m. GFA of self-owned stores

	FY12	FY13	FY14	FY15	FY16	FY17	Total
<b>Self-owned stores</b>	Mianyang Store: 35,000 sq.m. (Opened)	Yancheng Store: 54,000 sq.m. (Opened 43,160 sq.m., Will open 10,840 sq.m. in 2014)	Yantai Project: 55,000 sq.m. (Greenfield)	Phase II of Shenyang Nanjing Street Store Project: 25,400 sq.m. (Greenfield)		Phase I of Shenyang Nanjing Street Store Redevelopment Project: 26,300 sq.m. (Greenfield)	
	Shenyang Jianqiao Road Branch Store (expansion): 34,000 sq.m. (Opened)	Xi'an Store: 58,500 sq.m. (Opened)	Hongxin Trendy Plaza: 43,000 sq.m. (Acquired)	Hengyang Project: 42,200 sq.m. (Greenfield)			
	Shanghai Shaanxi Road Store (previously named as Channel 1): 42,000 sq.m. (Acquired)			Shanghai 118 Project: 62,600 sq.m.			
	Lanzhou Store: 27,200 sq.m. (Acquired)						
	Beijing Liying Store: 52,000 sq.m. (Acquired)						
<b>Sub-total</b>	<b>190,200 sq.m.</b>	<b>112,500 sq.m.</b>	<b>98,000 sq.m.</b>	<b>130,200 sq.m.</b>		<b>26,300 sq.m.</b>	<b>557,200 sq.m.</b>
<b>Managed Store</b>		Ningbo Store: 60,000 sq.m. (Opened 41,500 sq.m., Will open 18,500 sq.m. in 2014)	Shaoxing Project: 42,300 sq.m.		Jiamusi Project: 40,000 sq.m.		
		Yanjiao Store: 32,000 sq.m (Opened)					
<b>Managed Shopping Mall</b>			Yantai Project: 46,000 sq.m.				
<b>Total</b>	<b>190,200 sq.m.</b>	<b>204,500 sq.m.</b>	<b>186,300 sq.m.</b>	<b>130,200 sq.m.</b>	<b>40,000 sq.m.</b>	<b>26,300 sq.m.</b>	<b>777,500 sq.m.</b>



# New Stores in FY14

Acquisition

## Shanghai Hongxin Trendy Plaza

生活馆



**Location:**

No. 762, Tianshan Road, Changning District, Shanghai

**Total consideration:** RMB1.25 billion

**Self-owned Store:**

GFA: approx. 43,000 sq.m.

Acquisition completed at the end of July 2013



**The acquisition of Shanghai Hongxin Trendy Plaza can strengthen our store network in Shanghai**



# New Store in FY14

New  
Self-owned  
Store &  
Managed  
Shopping  
Mall

## Yantai Project



### Location:

Laishan District, Yantai,  
Shandong Province

### Self-owned Store:

GFA: approx. 55,000 sq.m.

### Managed Shopping Mall:

GFA: approx. 46,000 sq.m.

Expected to commence operation in FY14

生活馆



New Managed  
Store

## Shaoxing Project



### Location:

Keqiao District, Shaoxing,  
Zhejiang Province

### Managed Store:

GFA: approx. 42,300 sq.m.

Expected to commence operation in FY14

生活馆



**1 self-owned store and 1 managed shopping mall are expected to commence operation in Shandong Province in FY14**



**The managed store helps explore the market in Shaoxing and expand our presence in Zhejiang Province**



新世界百貨中國有限公司

New World Department Store China Limited

# New Stores in FY15

Redevelopment  
and Expansion

## Phase I and Phase II of Shenyang Nanjing Street Store Project

时尚百货



### Location:

Level 1-5 of Nanjing South Road, Shenyang City, Liaoning Province

### Self-owned Store:

- Phase II expand GFA: approx. 25,400 sq.m.  
Expected to commence operation in FY15
- Phase I Redevelopment: GFA approx. 26,300 sq.m.  
Expected to be completed in FY17



**Phase I Redevelopment and Phase II of Shenyang Nanjing Street Store Project enhance the Company's competitive edge in Taiyuan Street commercial circle**

# New Stores in FY15

New  
Self-owned  
Store

## Hengyang Project

生活馆 



### Location:

Jiefang West Road, Hengyang,  
Hunan Province

### Self-owned Store:

GFA: approx. 42,200 sq.m.

Expected to commence operation in FY15

New  
Self-owned  
Store

## Shanghai 118 Project

生活馆 



### Location:

118 Plaza, 1685 Jinshajiang Road, Putuo  
District, Shanghai

### Self-owned Store:

GFA: approx. 62,600 sq. m.

Expected to commence operation in FY15

-  To enter the Hengyang market in FY15, further expands our foothold in Central Region
-  The new self-owned store in Shanghai Putuo District further enhances our “multiple presences within a single city” strategy

# New Store in FY16

New  
Managed  
Store

## Jiamusi Project

生活馆



**Location:**

Dexiang Street, Jiamusi, Heilongjiang, China

**Managed Store:**

GFA: approx. 40,000 sq.m.

Expected to commence operation in FY16



**The new managed store in Jiamusi further reinforces our “radiation city” strategy for managed stores**



# Our Mission

***“Striving to lay a good foundation for a  
New Brand Roadmap”***



# Open Forum

