

FY16 Annual Results Presentation (20 Sep 2016)



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

- **Summary for FY16**
- **Results Highlights**
- **Our Strategy**
- **Our Retail Network and Store Pipelines**
- **Open Forum**

Summary for FY16



Summary for FY16

Same-store Sales

- SSS for self-owned stores declined by 8.9%

Decline in Revenue

- Revenue declined 9.2% from HK\$4,029.4 million in FY15 to HK\$3,659.9 million in FY16

Profit for the Period

- Profit for the year was HK\$45.4 million

Retail Network

- No. of stores was 41 as of 30 June 2016, with a total GFA of 1,614,180 sq.m. covering 21 cities in the PRC
- Terminated operation of Beijing Shishang Store and Ningbo Trendy Store

Summary for FY16

Operations Highlights

- Increased the proportion of direct sales and lease-out projects from 38.1% of revenue in FY15 to 44.9% in FY16
- Department Store Business
 - Introduced more sports, children's and cosmetics brands to optimize the merchandise mix
 - Introduced themed interior designs to enhance shopping ambience



Summary for FY16

Operations Highlights

- Direct Sales Business
 - Introduced the new private label, n+ Natural Taste Plus, specializing in selling European-style artisan bread products in May 2016
- Positioned as Lifestyle Department Store
 - Expanded operating area of lifestyle-related facilities to 23% of total GFA
 - Introduced “Happy Slide” in Shanghai Pujian Branch Store in April 2016
- Exercised stringent cost control, resulting in 8.4% decrease in operating expenses

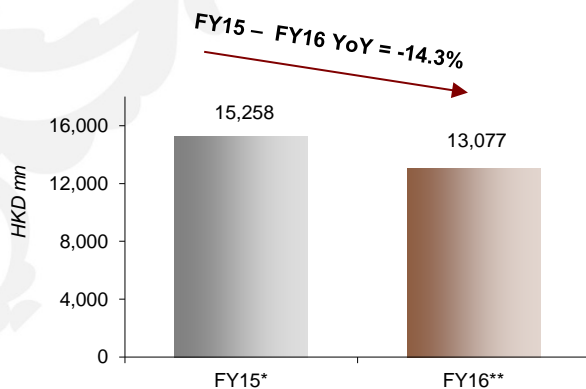


Results Highlights

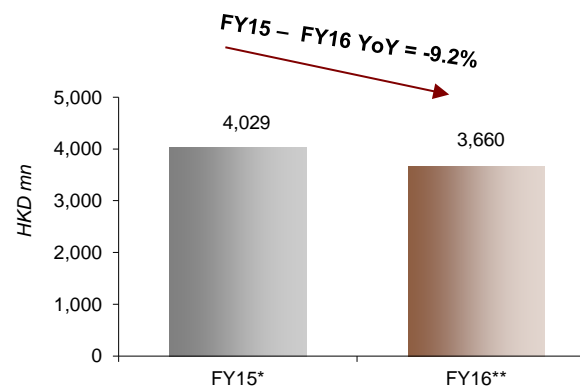


Financial Highlights

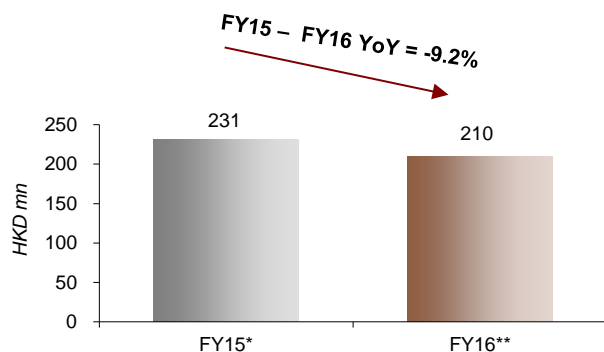
GSP



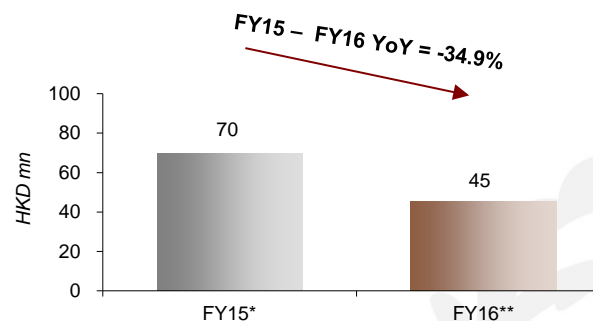
Revenue



EBIT (reported)



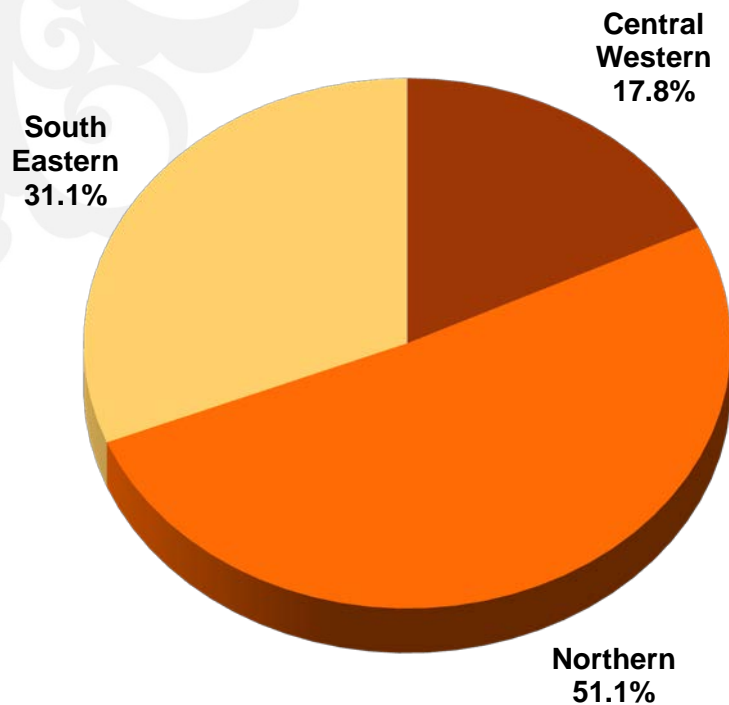
Net profit (reported)



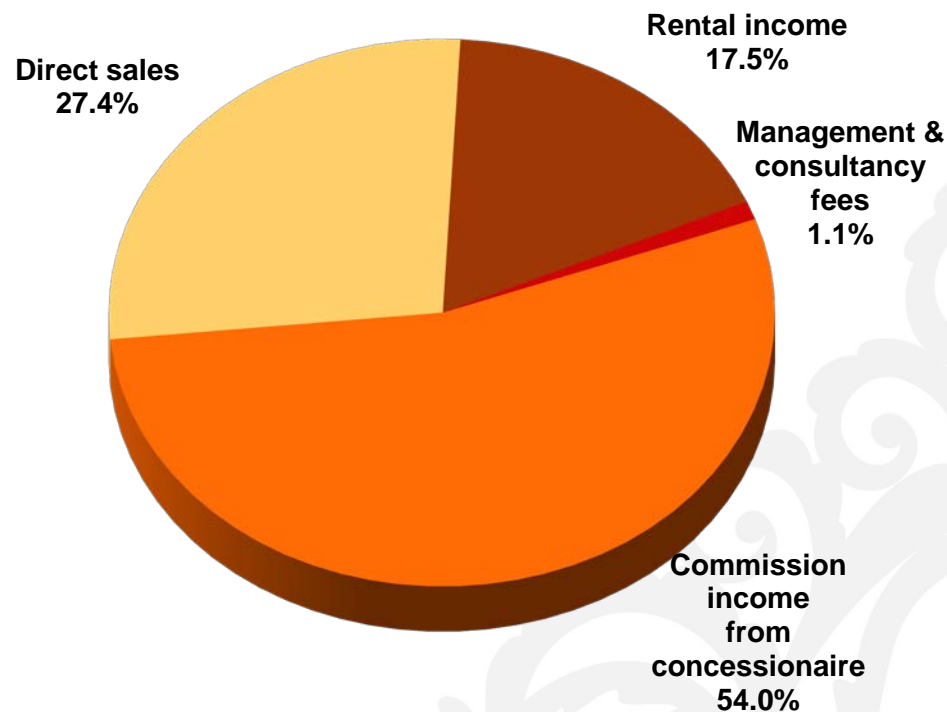
GSP includes concessionaire sales (net of VAT), direct sales (net of VAT), rental income, management and consultancy fees and other income.

Revenue Analysis

Revenue contribution by region

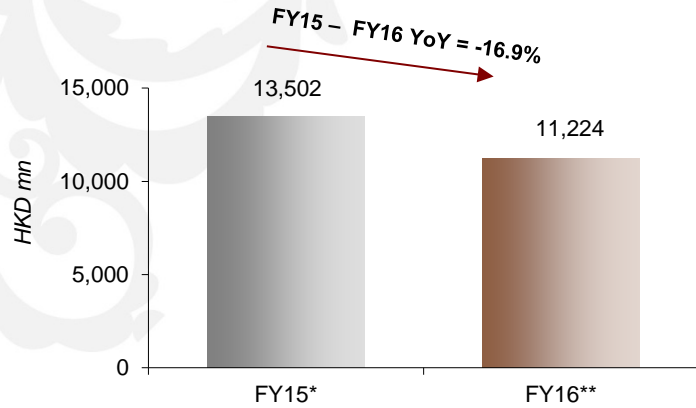


Revenue contribution by segment

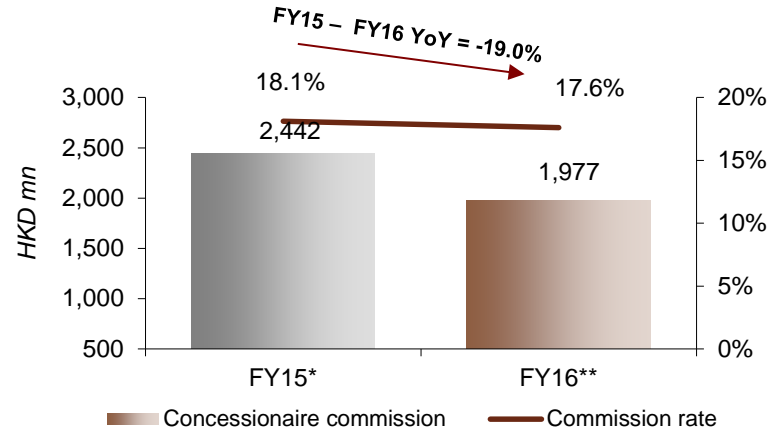


Revenue Analysis

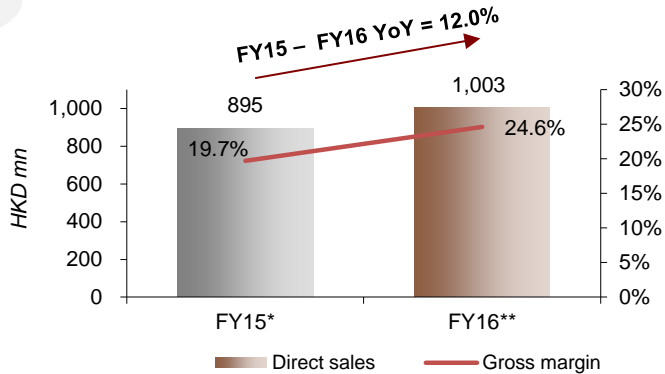
Concessionaire gross sales revenues



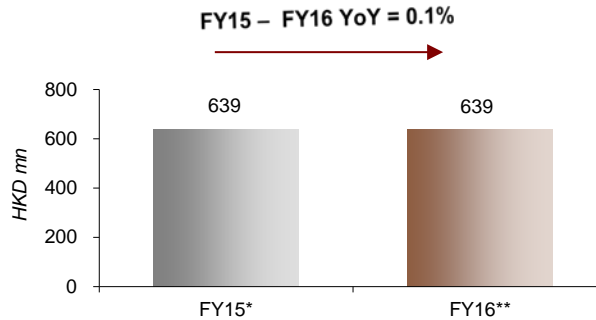
Concessionaire commission



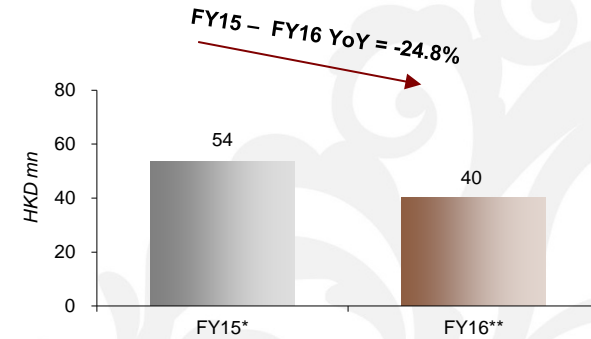
Direct sales and its gross margin



Rental income

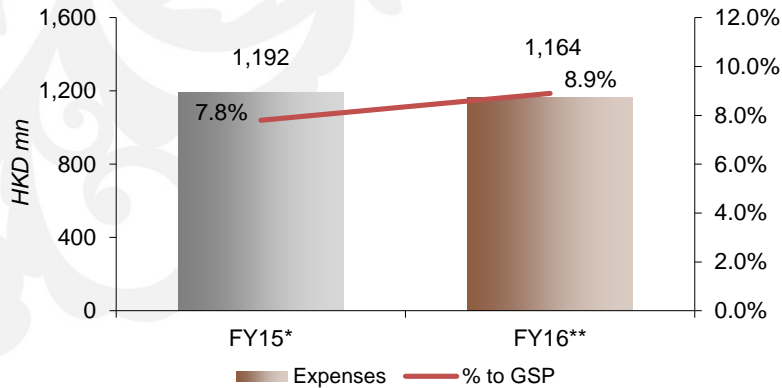


Management & consultancy fees

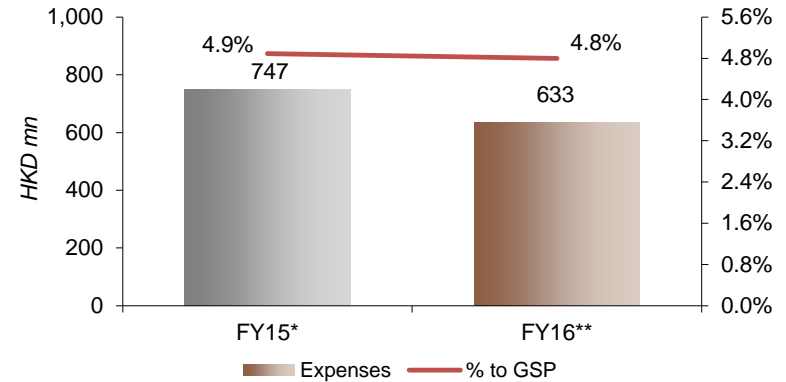


Expense Ratios

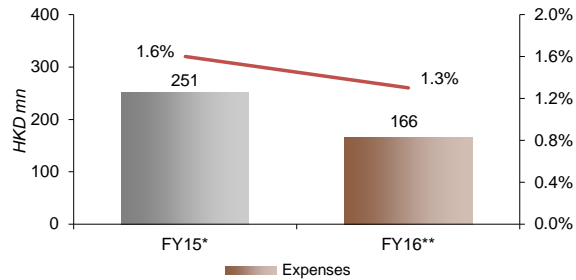
Rental expense



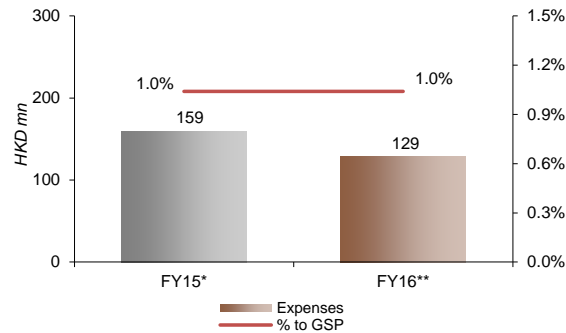
Staff expense



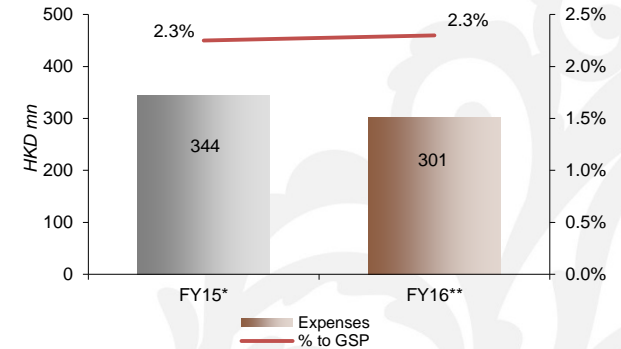
Promotion, advertising & related expense



Water & electricity expense



Depreciation & amortisation expense



Our Strategy



Catalysts

- **New Management Team**
- **Refined Store Management**
 - **3-Tiered Active Store Management**
 - **“One Store, One Strategy” Store Positioning**
- **Customer-oriented Operations Strategies**
 - **“NWDS’ Chief Experience Officer” Project**
 - **“NWDS’ Theory of Happiness”**
 - ✓ **Themed Interior Design**
 - ✓ **“Best Quality, Best Price, Best Taste” Merchandising Strategy**
- **Transaction-centric Marketing Strategies**
 - **Cooperate with Banks / Financial Institutions to Foster Transaction**
 - **Headquarters-led Marketing Activities**
- **Tiered and Digitized Customer Relationship**
 - **“Customer-Member-Fan” Customer Relationship Management**
 - **The Digitization of Membership and Marketing Tactics**

New Management Team

Strategic Management

Mr. David Niu, CEO

- Over 20 years of experience in department store sector
 - Worked as top management at NWDS and two other leading department store operators in China
-

Operations

Mr. Simon Wang,

Operations Director & Regional Director – South Eastern China

- Over 10 years of experience in department store sector
 - Extensive operation experience gained from three other leading department store operators in China
-

Marketing

Mr. Calvin Yang, Director of Sales and Marketing

- Over 10 years of experience in sales and marketing
 - Experienced in developing marketing management system and CRM system
-

Refined Store Management

3-Tiered Active Store Management

- Categorize stores by its operating capabilities
- Deploy specific and tiered operations tactics

“One Store, One Strategy” Store Positioning

- Highly localize to its local customers
- Differentiated merchandise and service offerings in its business circle



Customer-oriented Operations Strategies

“NWDS’ Chief Experience Officer” Project

- Collect voice of customers

“NWDS’ Theory of Happiness”

- Provide customer-oriented shopping experience by responding to and satisfying all customers’ needs



Customer-oriented Operations Strategies

“NWDS’ Theory of Happiness” – Shopping Ambience



- Set up **Themed Interior Design**
- Increase in-store catering and recreational facilities
 - F&B or other joint ventures
 - Target to increase lifestyle-related facilities to 30% of total GFA

Customer-oriented Operations Strategies

“NWDS’ Theory of Happiness” – Merchandise Mix

- “Best Quality, Best Price, Best Taste” Merchandising Strategy
 - Deepen concessionaire partnership with strategic brands
 - Merchandize portfolio optimization
 - Continue to strengthen direct sales to differentiate from peers



Transaction-centric Marketing Strategies

Cooperate with Banks / Financial Institutions to Foster Transaction

- Provide exclusive shopping offers to the their customers

Headquarters-led Marketing Activities

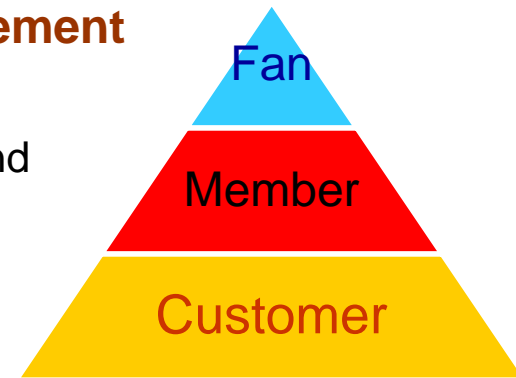
- Increase the number of inter-store marketing campaigns to 4 per year
- Headquarters to provide stores with framework, brand/ payment partnership and extended marketing channels



Tiered and Digitized Customer Relationship

“Customer-Member-Fan” Customer Relationship Management

- Tiered relationship management for better engagement
- “Members” will be divided into “Royal”, “Diamond”, “Platinum”, and “Happy” categories



The Digitization of Membership and Marketing Tactics

- The attachment of VIP membership to bank or third party payment accounts
- Data segmentation to analyze customers' behaviors for target marketing





Our Retail Network and Store Pipelines

New Managed Store in FY17

Yibin Project



Location:

Ideal City, Eastern CuiBai Road, Yibin, Sichuan Province

Managed Store:

GFA: approx. 27,000 sq.m.

Expected to commence operation in late Sep 2016

- The new managed store in Yibin further reinforce our “radiation city” strategy

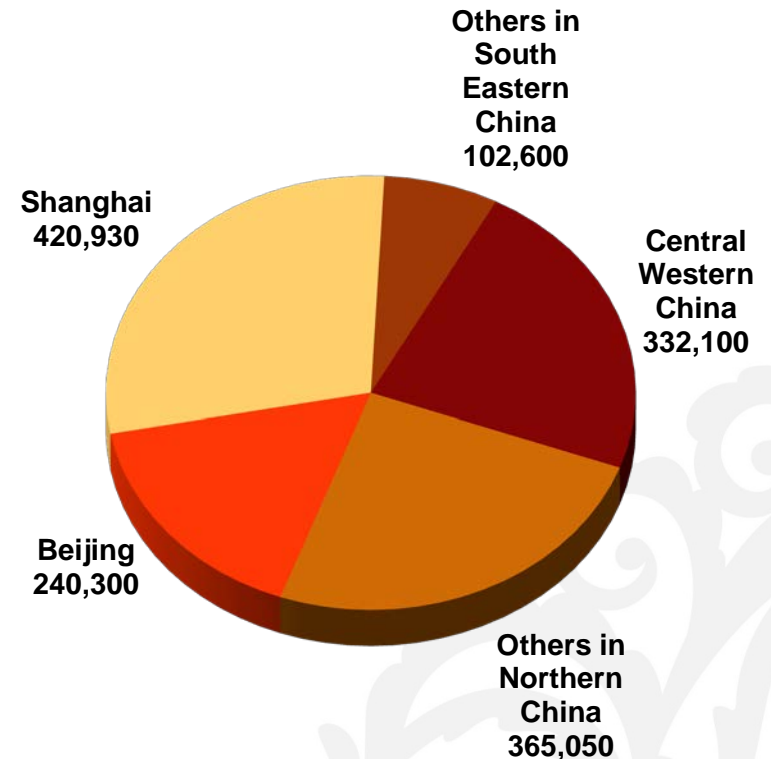
Store Portfolio

Gross Floor Area (GFA) of Store Portfolio

As of 30 June 2016	
(approx. sq.m.)	
Self-owned stores	1,460,980 (37 stores)
Managed stores	153,200 (4 stores)
Total	1,614,180 (41 stores)

Note:
 Beijing Shishang Store ceased to be a self-owned store since Jan 2016
 Ningbo Trendy Store ceased to be a self-owned store since Jun 2016

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



Stores in the Pipeline

	FY17*	FY18*	FY19*	Total
Self-owned stores	Phase II of Shenyang Nanjing Street Store Project: 25,400 sq.m. (Greenfield)	Hubei Jingmen Project: 35,000 sq.m. (Greenfield)	Phase I of Shenyang Nanjing Street Store Redevelopment Project: 26,300 sq.m. (Greenfield)	
Sub-total	25,400 sq.m.	35,000 sq.m.	26,300 sq.m.	86,700 sq.m.
Managed Stores	Sichuan Yibin Project: 27,000 sq.m.	Chongqing Tongliang Project: 26,200 sq.m.		
Total	52,400 sq.m.	61,200 sq.m.	26,300 sq.m.	139,900 sq.m.

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

