



新世界百貨中國有限公司
New World Department Store China Limited

(Hong Kong Stock Code: 825)

時 新 尚 個 生 性 活
Enriching Lives Enhancing Character

FY18 Interim Results Presentation

26 February 2018



FY18

Interim Results

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

- Financial Highlights
- Operational Highlights
- Retail Network
- Future Strategies



Financial Highlights

Financial Highlights





Summary for 1HFY18

Same-store Sales Growth

- SSSG for 1HFY18 was 2.0%, SSSG for 1HFY17 was flat

Revenue

- Revenue was HK\$1,873.3 million compared with HK\$1,781.5 million in 1HFY17, with period-on-period growth of 5.2%

Operating Profit

- Operating profit increased to HK\$174.4 million from HK\$156.2 million in 1HFY17, with period-on-period growth of 11.6%

Profit for the Period

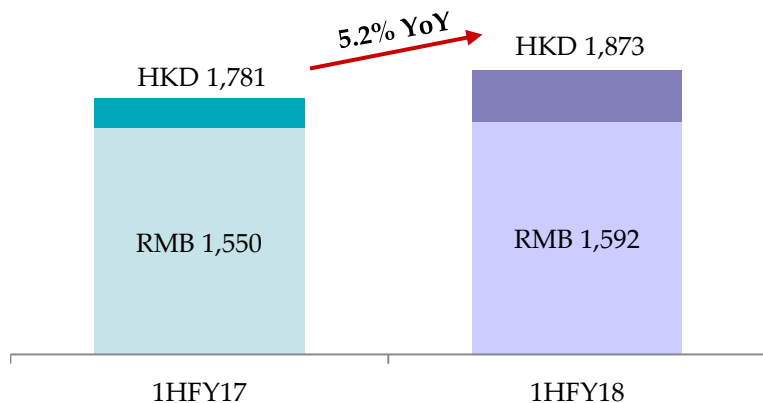
- Profit for the period increased to HK\$103.0 million from HK\$92.5 million in 1HFY17, with period-on-period growth of 11.4%

Earnings per Share

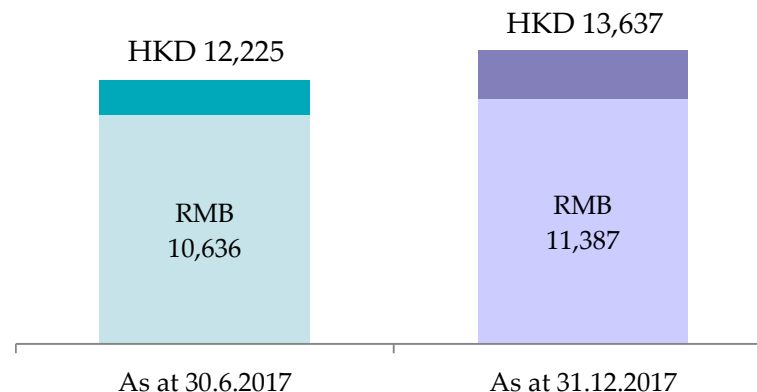
- Earnings per share was HK\$0.06

Financial Highlights *(HKD/RMB mn)*

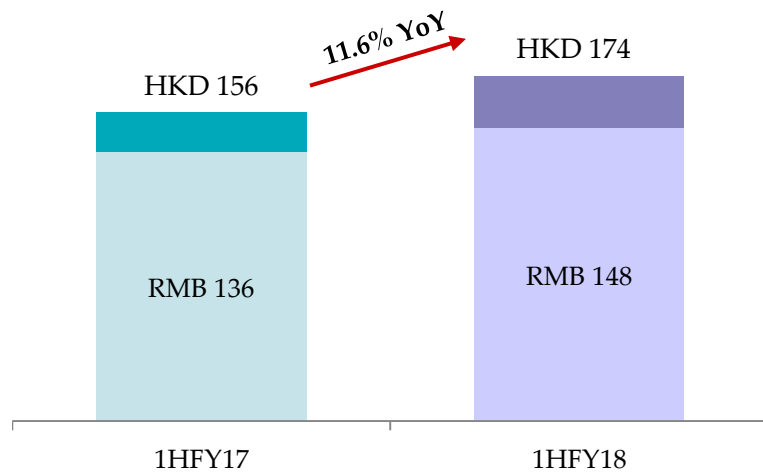
Revenue



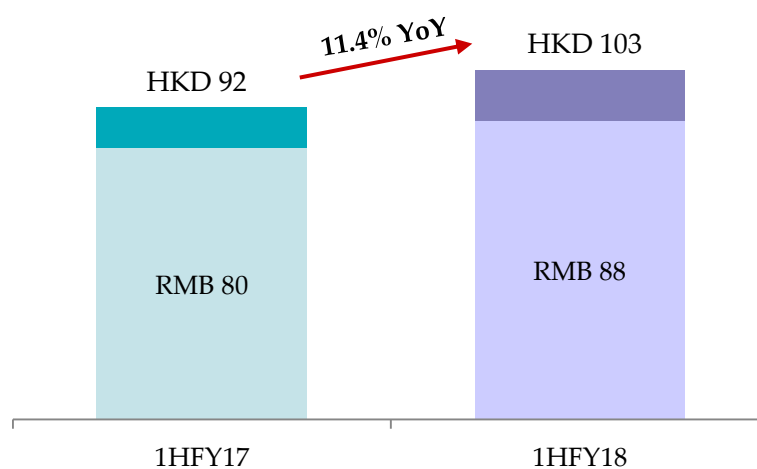
Total Assets



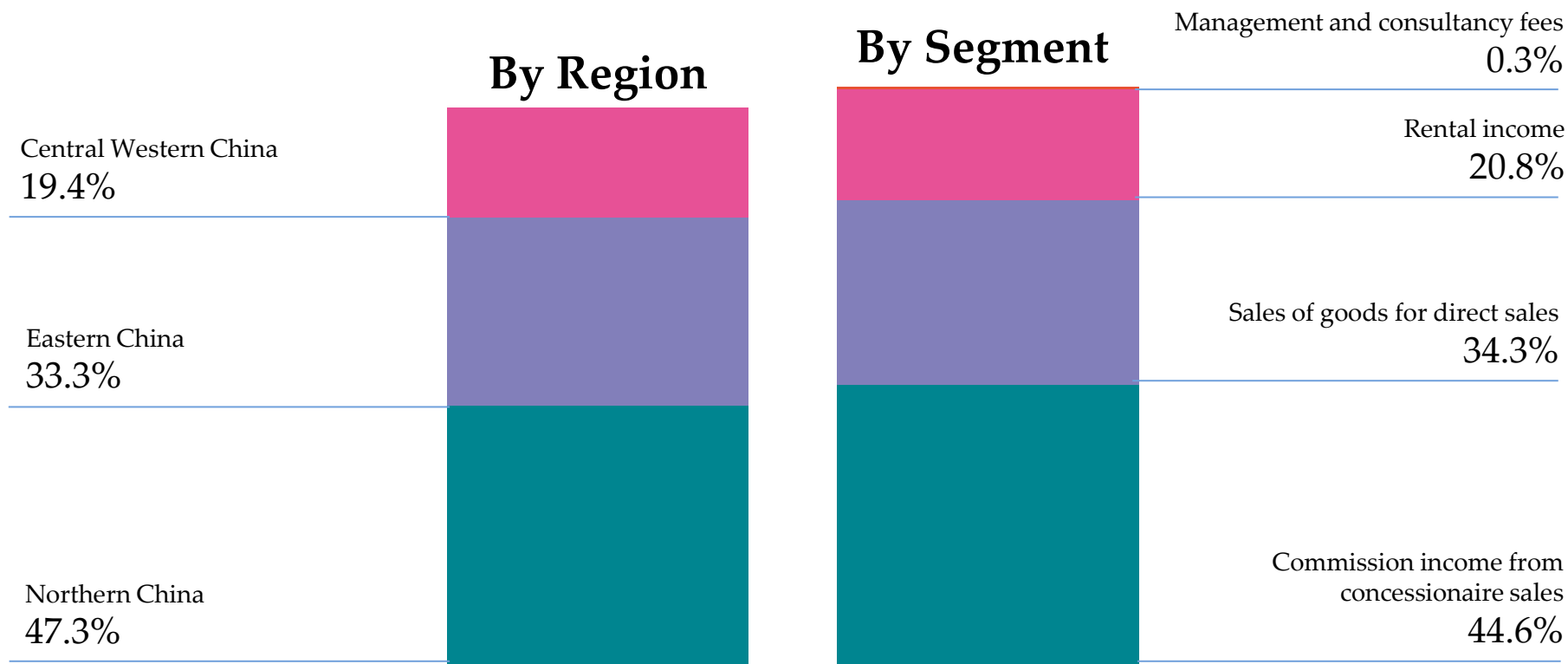
EBIT



Net Profit



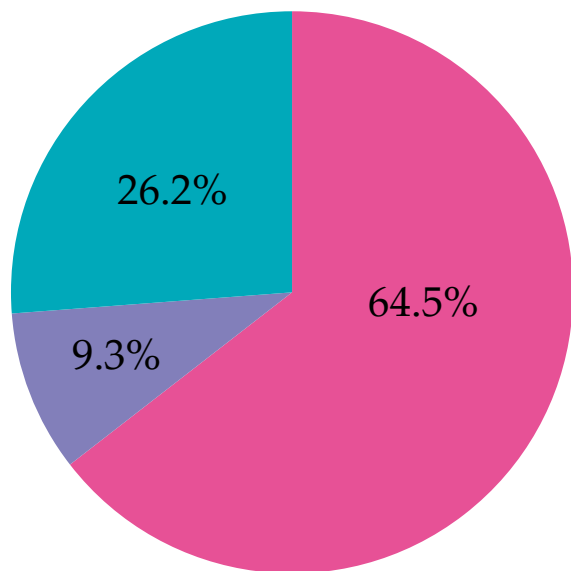
Revenue Breakdown



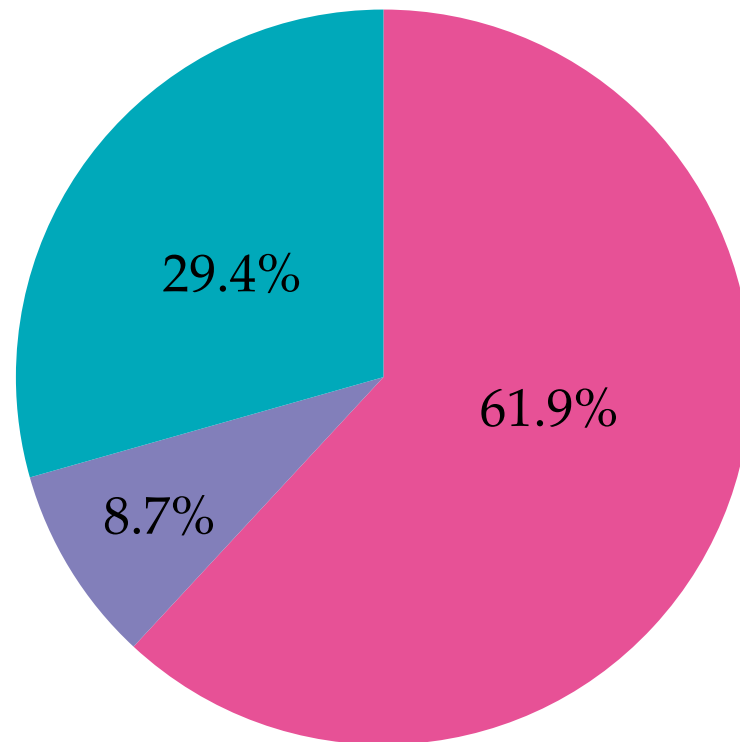
Category Analysis

Gross Revenue from Concessionaire Sales and Sales of Goods for Direct Sales

For the six months ended
31 Dec 2016



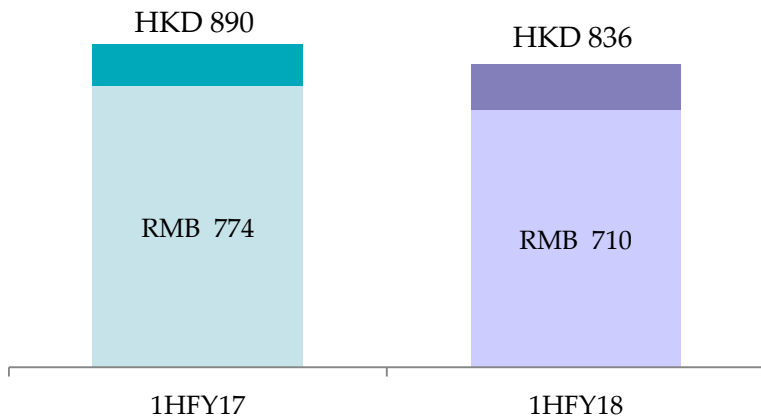
For the six months ended
31 Dec 2017



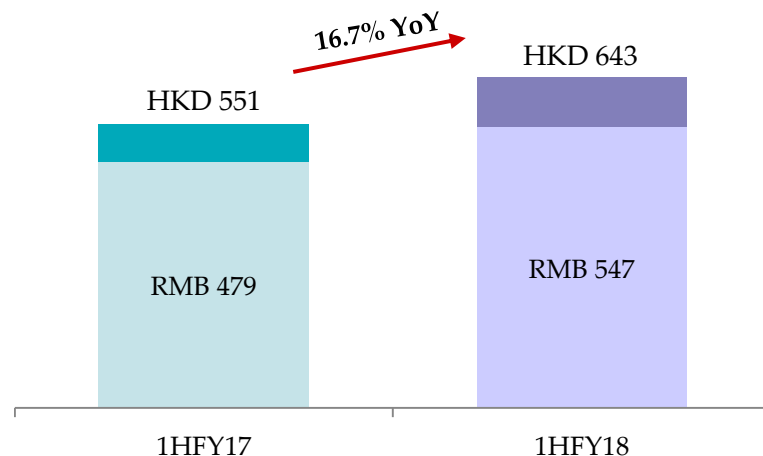
- Ladieswear and accessories
- Menswear and accessories
- Sportswear, bread and snacks, electrical appliances, kidswear and personal care products

Revenue Analysis *(HKD/RMB mn)*

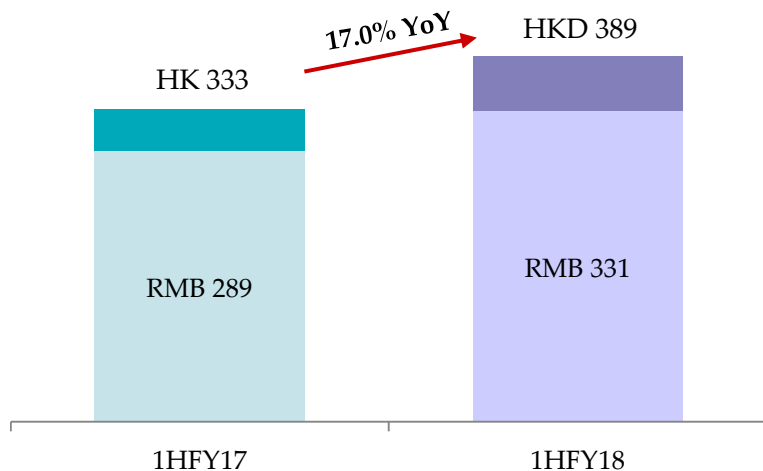
Commission Income from Concessionaire Sales



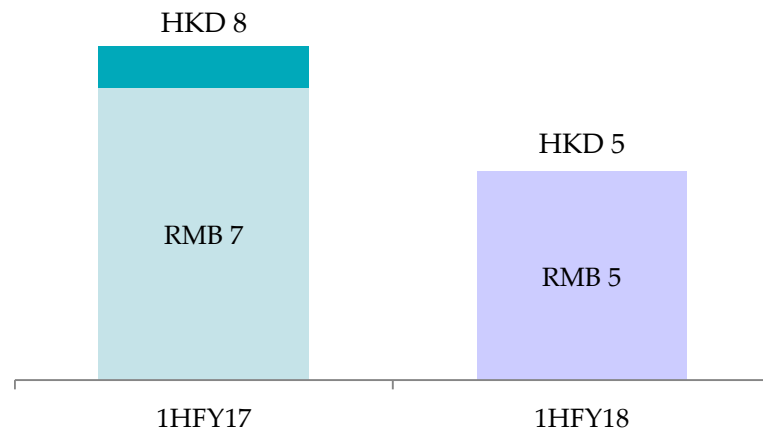
Sales of Goods – Direct Sales



Rental Income

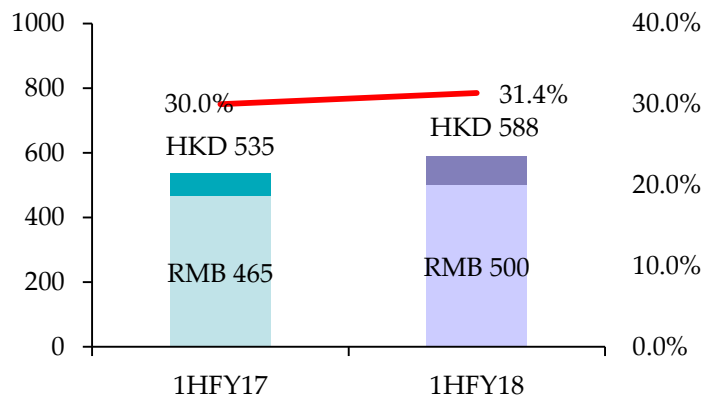


Management and Consultancy Fees

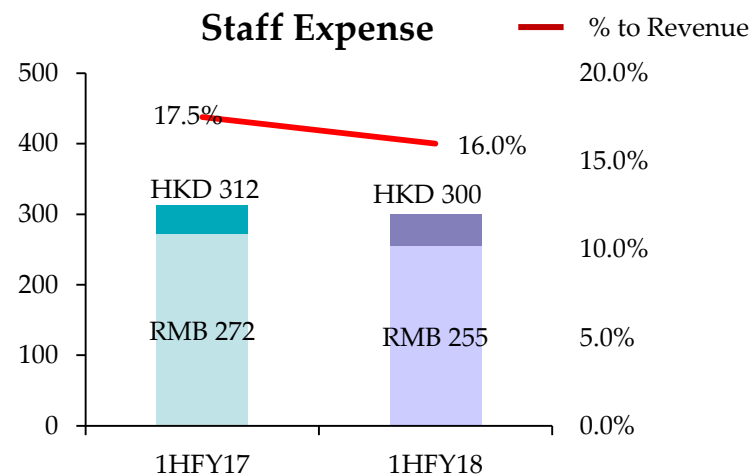


Expense Ratios (HKD/RMB mn)

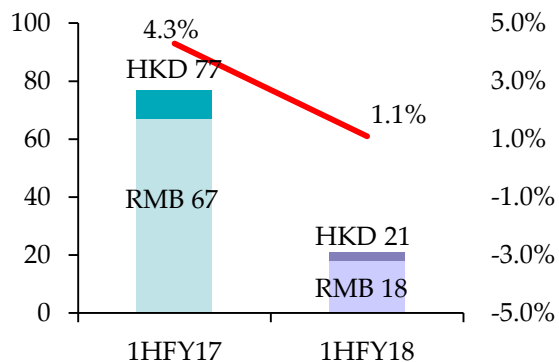
Rental Expense



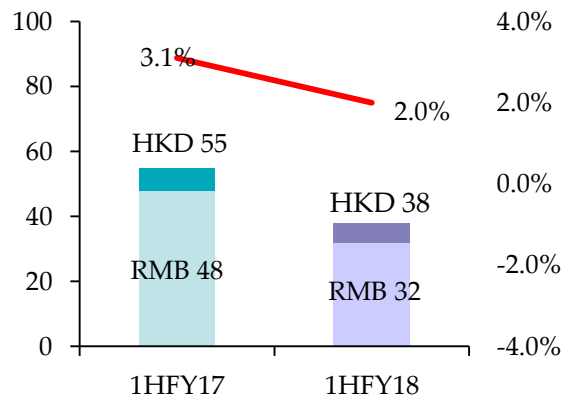
Staff Expense



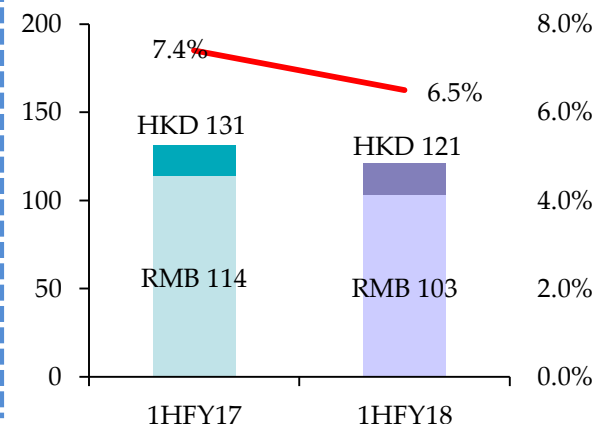
Promotion, Advertising & Related Expenses



Water & Electricity Expenses



Depreciation & Amortization Expense





Operational Highlights

Operational
Highlights

Innovative Management

- Put the advantage of double-line management into full play with the professional support from the headquarters and the aligned benchmarking and self-rectification of stores
- Implemented a trio (「三鵬」) of echelon cultivation initiatives to develop talent pool and cultivate management apprentice for various levels
- Set up “New NWDS Community” (「新新社團」) to unleash the potentials of post-85s core members via innovation projects and mentorship for “Xinpeng” members
- Launched various staff incentive programs to motivate staff to excel



Developing Long Term Core Competencies

Categorized Management

- Categorized stores into “novel department store”, “quasi-shopping mall”, “neighbourhood centre” and “urban outlet” for better market positioning and higher management efficiency



“One Store, One Strategy”

- Gave stores higher degree of autonomy to create its own characteristics in response to local market needs
- 10-12 stores will have taken part by FY2018

Tiered Store Management

- To cultivate flagship, leading stores

One Store, One Strategy

- Introduced Nanjing Store's "New Territories 88" and Zhengzhou Store's "7 Temple Street" in Nov 2016
- Launched Changsha Trendy Plaza's "MAX Commune" in Jul 2017
- Completed strategic premise retrofitting and brand portfolio adjustments for selected floors in Chongqing Store and Shanghai Pujian Branch Store in 1HFY18
- Planned to introduce the first themed store to Wuhan Wuchang Branch Store in the near future



Driving Concessionaire Sales

- Expedited brand renewal, optimized merchandise mix and strengthened competitive categories to lift product appeal and store competitiveness

Gold & Jewellery Products

- Co-organized “brand day” campaigns with strategic partners to boost concessionaire sales of gold and jewellery products
- Introduce anchor brands or brands with noise or talking points



Cosmetics

- Commenced strategic cooperation with Amore Pacific and introduced Innisfree to 3 NWDS' stores
- Beijing Store recorded double-digit YoY growth in cosmetics sales and took a solid 3rd place* in Beijing's cosmetics market

*in terms of brand scale and sales performance



Strengthening Competitive Categories



Cosmetics



Sophisticated Ladieswear



Sports



Children's Products

Establishing Private Label Series

N+ Line-up:



N+ Natural Taste Plus

- Rolled out new store concept at Shanghai Baoshan Branch Store
- Landed at Shanghai Chengshan Branch Store in Nov 2017
- Introduced peripheral products such as coffee and western pastries on top of its signature artisan bread
- 2 stores as at 31 Dec 2017



N+ Convenience Store

- Landed at Beijing Store in Nov 2017, targeting office workers
- Specializes in the sales of general merchandise and fresh food products



N+ Baby

- Mother-and-baby themed supermarket landed at Beijing Store in Dec 2017
- 60% merchandise imported from Japan, Korea, Europe and the U.S.
- 20% in-store space set aside for value-added services e.g. children's play area, day care, etc.

Establishing Private Label Series

LOL Line-up:

- **LOL (Love · Original · Life) Concept Shop**
 - Implemented categorized management of black, gold and silver label stores and precision marketing to cater to customers with different purchasing power
 - Added 5 new stores, including Wuhan K11 and Life Hub @ Jinqiao, Shanghai, further expanding outside of NWDS' store network
 - Introduced 39 new brands and expanded OEM merchandise to improve product competitiveness and gross margin
 - Recorded double-digit SSSG
 - 17 stores as at 31 Dec 2017



Establishing Private Label Series

Other Private Labels:

- **Xin Shuo Retail Space**
 - Landed at Shanghai Wujiaochang Branch Store in Jun 2017, featuring designer ladieswear brands
 - Adjusted merchandise mix to drive steady growth in sales
- **Distribution Business of High-end Fashion Brands**
 - Existing brand portfolio: MOSCHINO, LOVE MOSCHINO, REDValentino and DSQUARED2
 - Opened 17 new stores and expanded into high-end retail premises of many tier-one cities
 - 71 stores as at 31 Dec 2017



Enriching Interactive Experience Category

Rental Income:

- Enriched customers' in-store experience with an enhanced rental business proportion of approx. 36.4% of total operating area
- Strengthened entertainment, F&B and children's categories, e.g. "Stellar International Cineplex", "Dayin Bookmall", "Nesno", "Uji Matcha", "Mi Home" and "HIMO" photography studio, etc.
- Started strategic cooperation with high traffic tenants, e.g. "Haidilao Hotpot" and "LEFIT" by increasing the number of collaborative stores



Innovative Marketing

- Increased the number of headquarters-led marketing campaigns, including the “812 More than 50%-off Promotion”, “An Extraordinary Double 11”, “Hot & Chic Items Shopping Festival” on Double 12, anniversary celebrations, etc.
- VIP base grew to almost 5 million
- WeChat and Weibo online fan base grew to close to 4 million



Cross-industry Marketing Collaboration

- Collaborated with WeBank, Mobile QuickPass, and Apple Pay to offer spending rebates and stimulate in-store sales growth
- Built “Magical Shop Window” online marketing platform with mobile app “Lianlian” to trigger experiential consumption by crowdfunding
- Provided synchronized online-offline offers with ffan.com to leverage customer base and draw online users to physical stores



WeBank 微众银行



Enhancing Technology Applications

Staff Digitalization

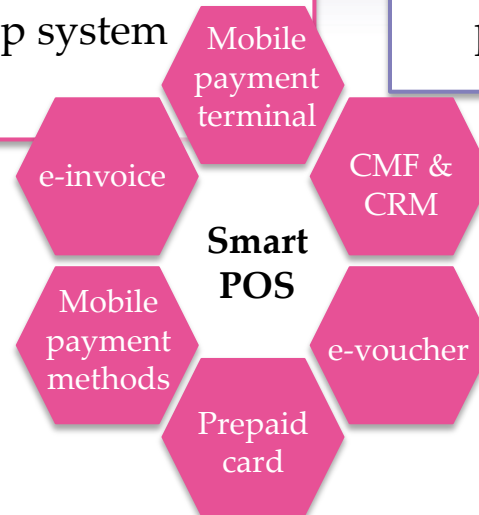
- Online 24/7 training
- Mobile operations management system - real time operations monitoring

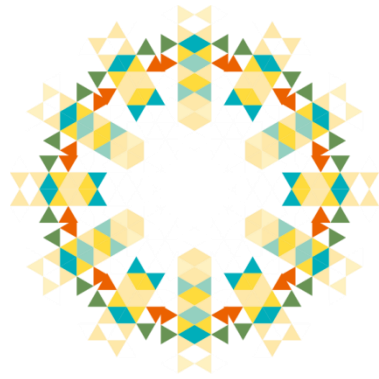
Customer Digitalization

- Integrated WeChat-based CMF customer relationship management platform with CRM membership system
- Smart POS

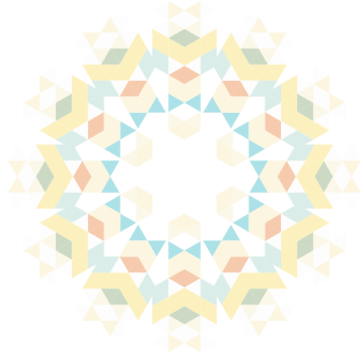
Vendor Digitalization

- Vendor automated settlement system
- Vendor WeChat-based communication platform





Retail Network

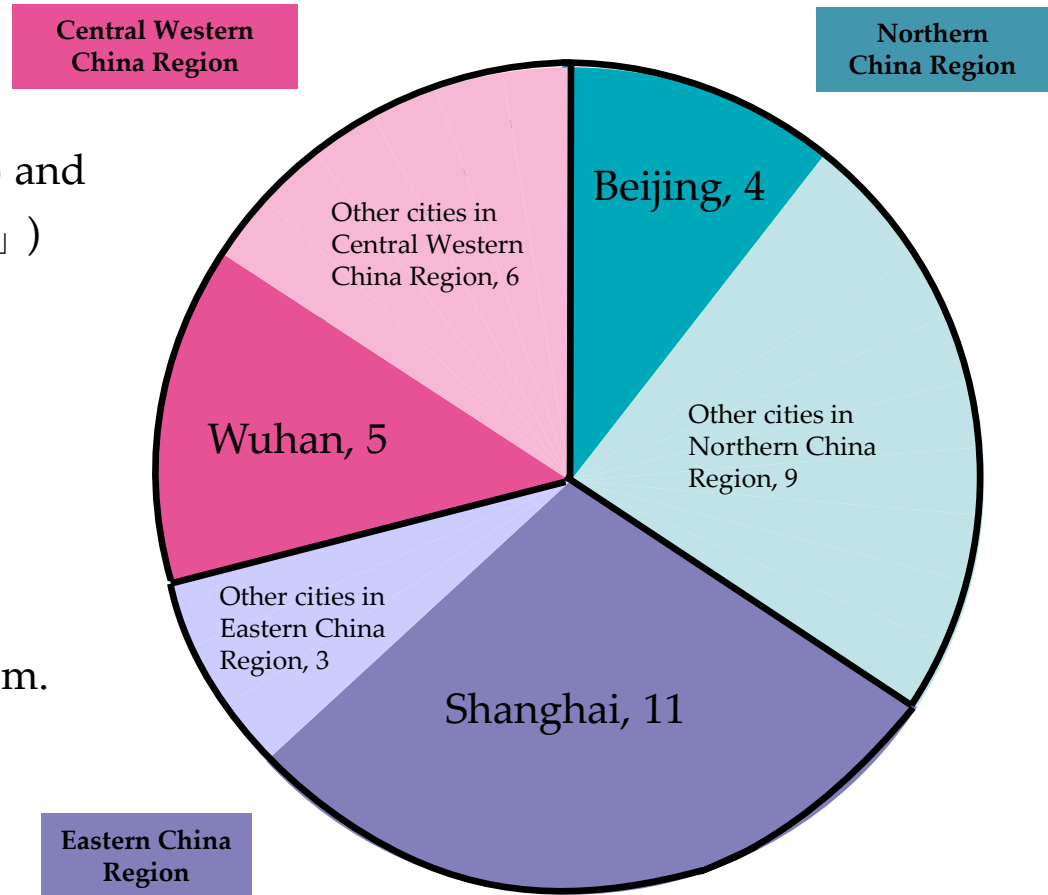


Retail Network

Store Portfolio

Number of Stores in Different Regions

- **38** “New World” (「新世界」) and “Ba Li Chun Tian” (「巴黎春天」) branded department stores and shopping malls
- **20** major cities/locations in Mainland China
- 3 operating regions
- Total GFA: **1,500,380** sq.m.



Capturing Opportunities in New Tier 1 Cities



Northern China Region:

[Tier 1] Beijing

[New Tier 1] Tianjin, Xi'an, Shenyang

[Tier 2] Yantai, Lanzhou, Harbin,

[Tier 3] Anshan

[Others] Yanjiao

Eastern China Region:

[Tier 1] Shanghai

[New Tier 1] Ningbo, Nanjing

[Tier 3] Yancheng

Central Western China Region:

[New Tier 1] Wuhan, Changsha, Zhengzhou, Chengdu, Chongqing

[Tier 2] Kunming

[Tier 3] Mianyang

N.B. The above cities are categorized according to the China's Cities 2017: Cities of Business Attractiveness released by The Rising Lab (新一線城市研究所) under Yicai Media Group (第一財經), which grades all 338 prefecture-level cities in Mainland China based on data of 160 commercial brands and data from 17 Internet firms and institutions. Source: <http://www.yicai.com/news/5293378.html>

Expansion Plan

- To uphold the expansion strategy of “multiple presences within a single city” and “radiation city”
- Focusing on the Greater Beijing, Greater Shanghai, Greater South Western markets
- Asset-light investment approach

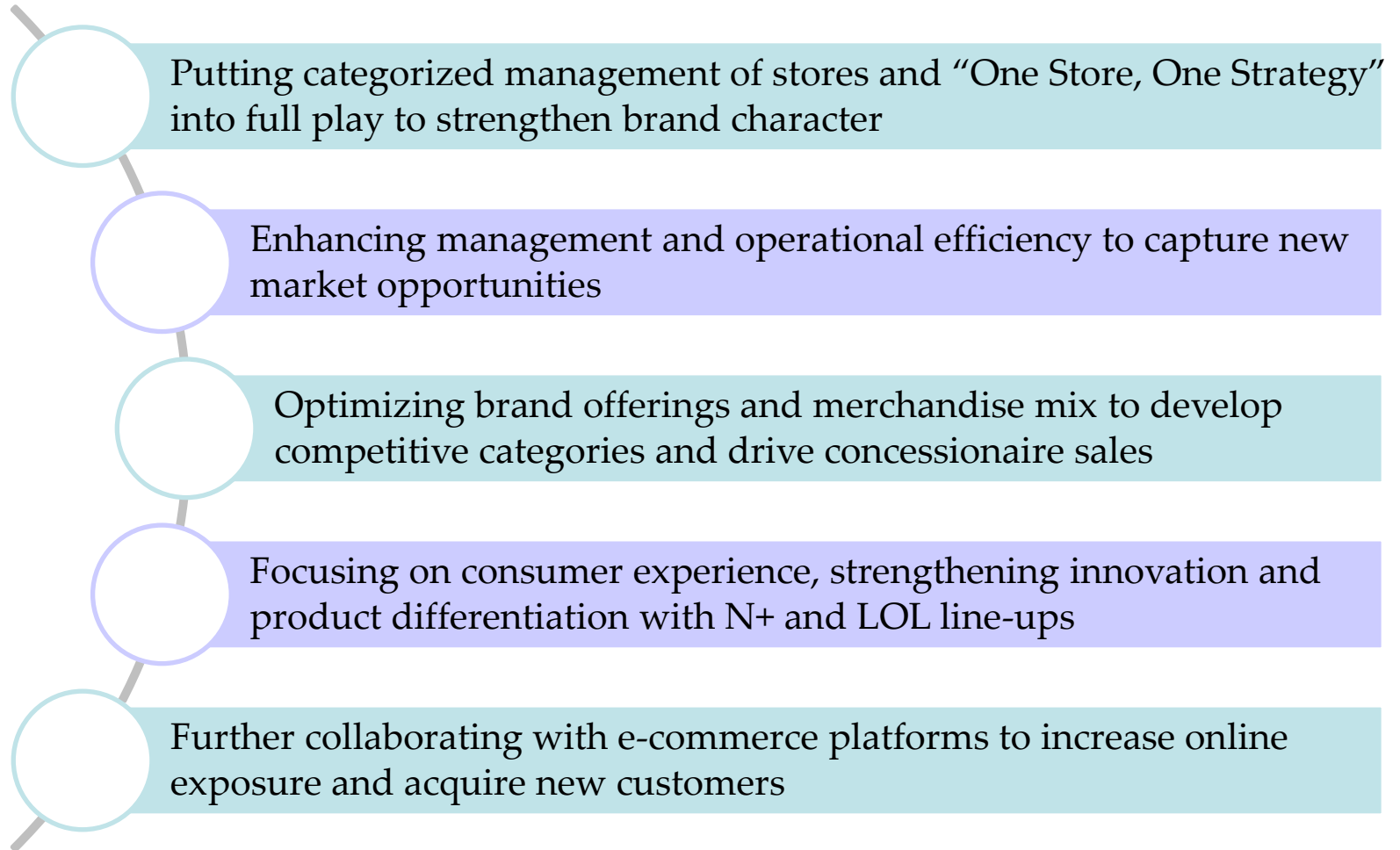




Future Strategies

Future Strategies

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THE END



Thank You



Thank You