



新世界百貨中國有限公司

New World Department Store China Limited

(HK Stock Code: 825)

A  
FY14 Interim  
Results  
Presentation

(25 Feb 2014)



# 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 in 1HFY14
- 🌀 Results Highlights
- 🌀 Our Competitive Edges
- 🌀 Expansion Strategies
- 🌀 Latest Update and Store Pipelines
- 🌀 Open Forum



# Key Achievements for 1HFY14



# Key Achievements

## Same-store-sales growth

SSSG for self-owned stores: 0.4%

## Steady Growth

Revenue grew 4.8% from HK\$2,028.6 million in 1HFY13 to HK\$2,125.3 million in 1HFY14

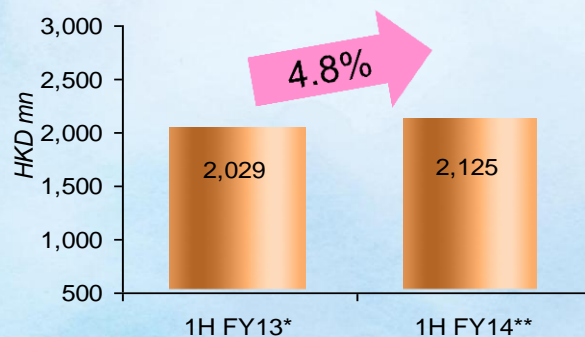
## Profit for the Period

– Profit for the Period was HK\$349.9 million

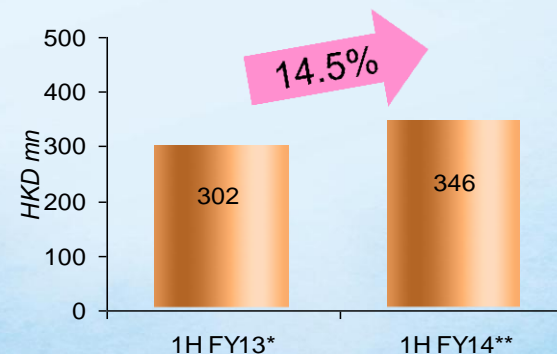
## Core Net Profit

– If excluding other loss and changes in fair value of investment properties and its related income tax expenses, core net profit increased to HK\$345.5 million in 1HFY14 from HK\$301.7 million in 1HFY13

### Revenue



### Core Net Profit



# Key Achievements (cont'd)

## Stable financial foundation

As of 31 December 2013, the Company was in a net cash position with cash on hand of about HK\$2,506.5 million

## Extensive retail network

- No. of stores increased to 43 as of 31 December 2013, with a total GFA of 1,630,790 sq.m. covering 21 cities in the PRC
- Opened 1 store and acquired 2 stores during the Period
  - Self-owned stores: Yantai Store in December 2013
  - Property and Operating right acquisition: Shanghai Hongxin Trendy Plaza in July 2013
  - Operating Right Acquisition: Shanghai Wujiaochang Branch Store in November 2013

## Strong customer base

- Well-established VIP membership program with over 3.9 million members
- VIP contribution
  - VIP contributed approx. 55% of the total sales turnover in 1HFY14
- No. of VIP club members was over 1.5 million, up 12%

# Store Portfolio

## Gross Floor Area (GFA) of Store Portfolio

As of 31 December					
(approx. sq.m.)	2009	2010	2011	2012	2013
Self-owned stores	604,730 (22 stores)	929,320 (28 stores)	1,193,970 (35 stores)	1,348,280 (37 stores)	1,493,590 (39 stores)
Managed stores	463,600 (11 stores)	295,100 (8 stores)	159,700 (4 stores)	141,700 (4 stores)	137,200 (4 stores)
Total	1,068,330 (33 stores)	1,224,420 (36 stores)	1,353,670 (39 stores)	1,489,980 (41 stores)	1,630,790 (43 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*

*Shanghai Wujiaochang Branch Store became self-owned store in Nov 2013*



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New World Department Store China Limited

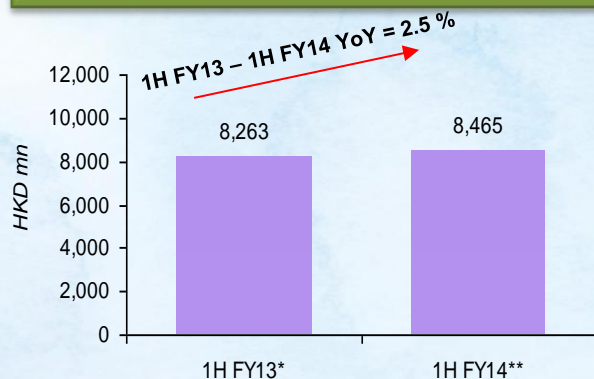
# Results Highlights



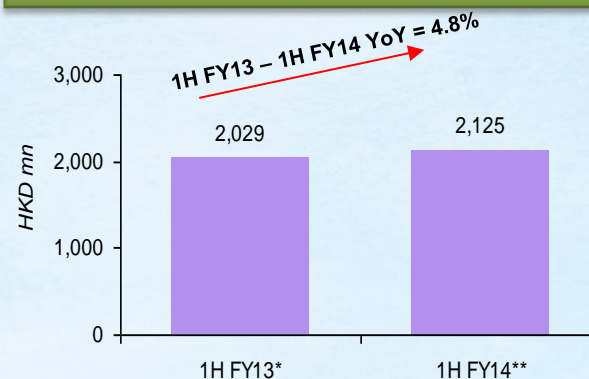


# Financial Highlights

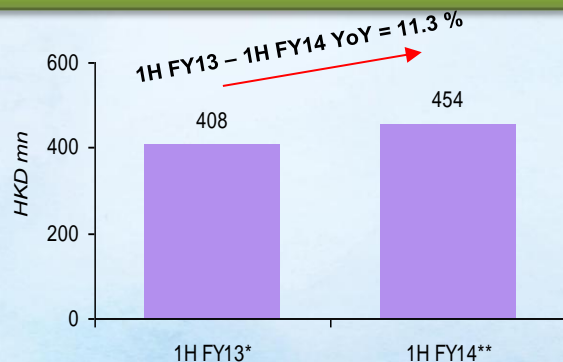
## GSP



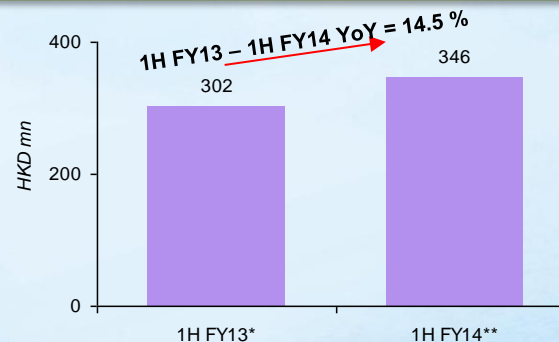
## Revenue



## EBIT (Core)



## Net Profit (Core)



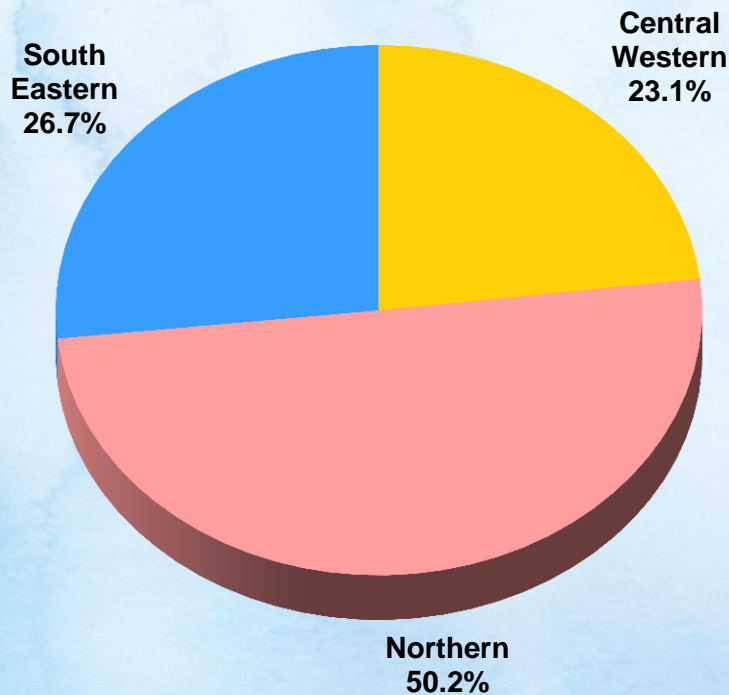
GSP includes concessionaire sales (net of VAT), direct sales (net of VAT), rental income, management and consultancy fee income and other income.

Core excludes:

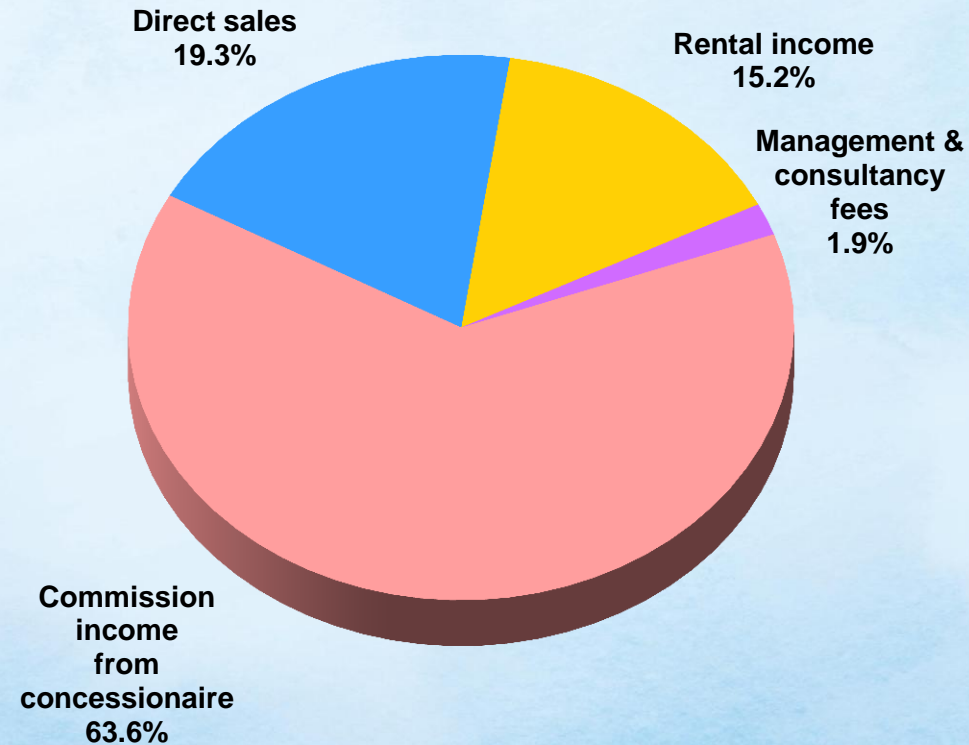
- Other loss
- Changes in fair value of investment properties and its related income tax expenses

# Revenue Analysis

Revenue contribution by region

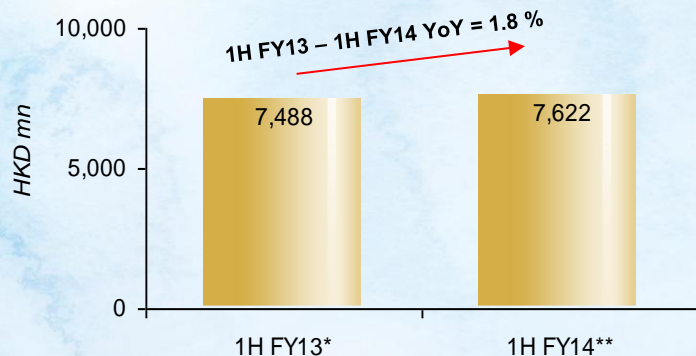


Revenue contribution by segment

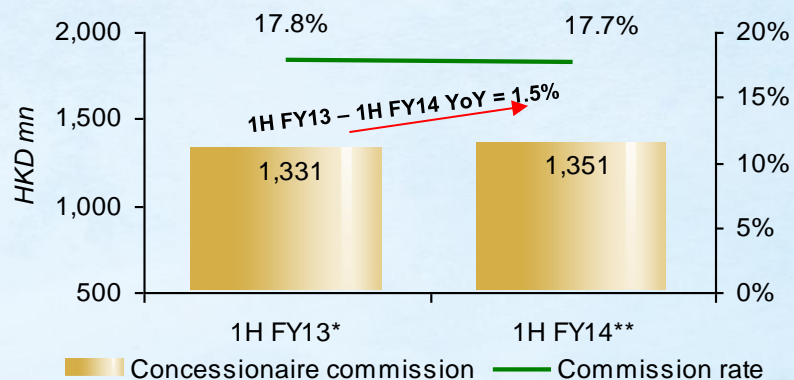


# Revenue Analysis

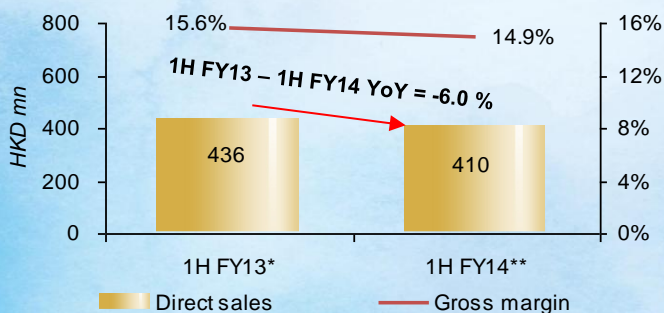
## Concessionaire gross sales revenues



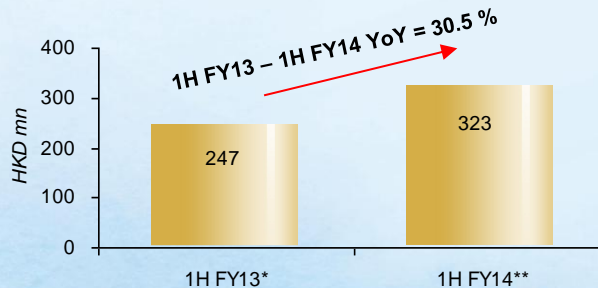
## Concessionaire commission



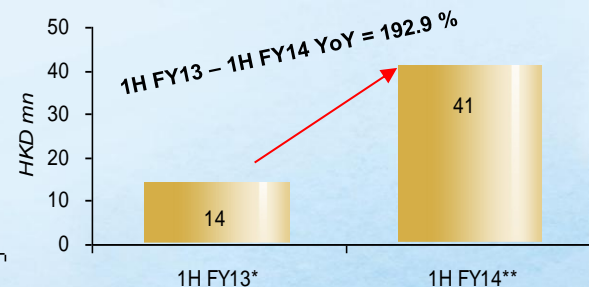
## Direct sales and its gross margin



## Rental income

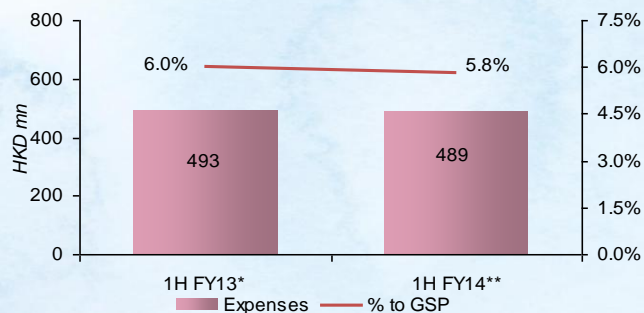


## Management & consultancy fee income

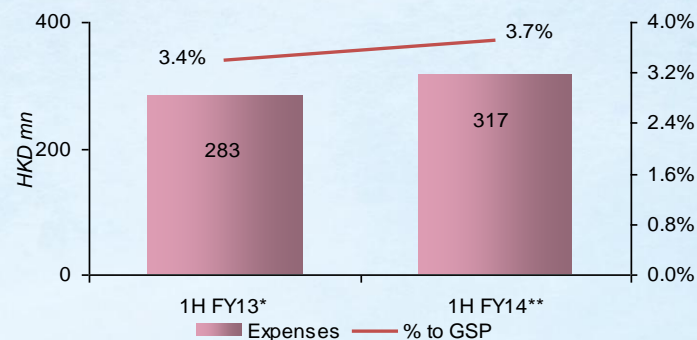


# Expense Ratios

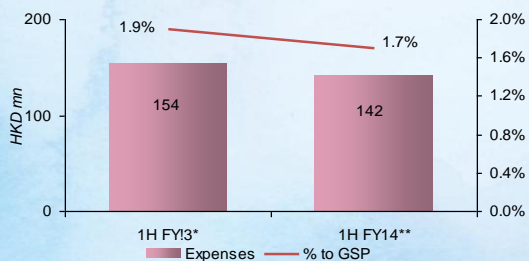
## Rental expense



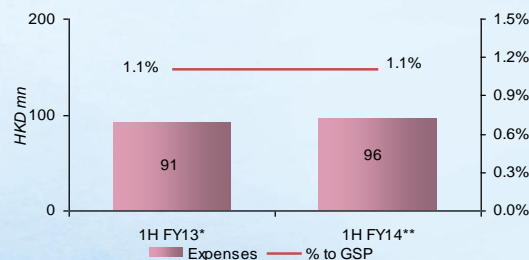
## Staff expense



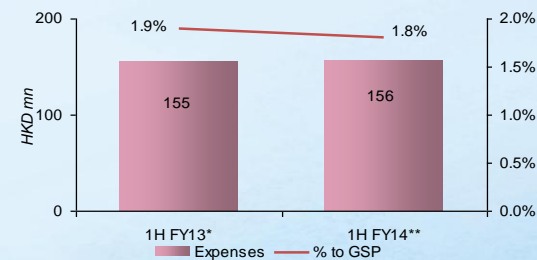
## Promotion, advertising & related expense



## Water & electricity expense



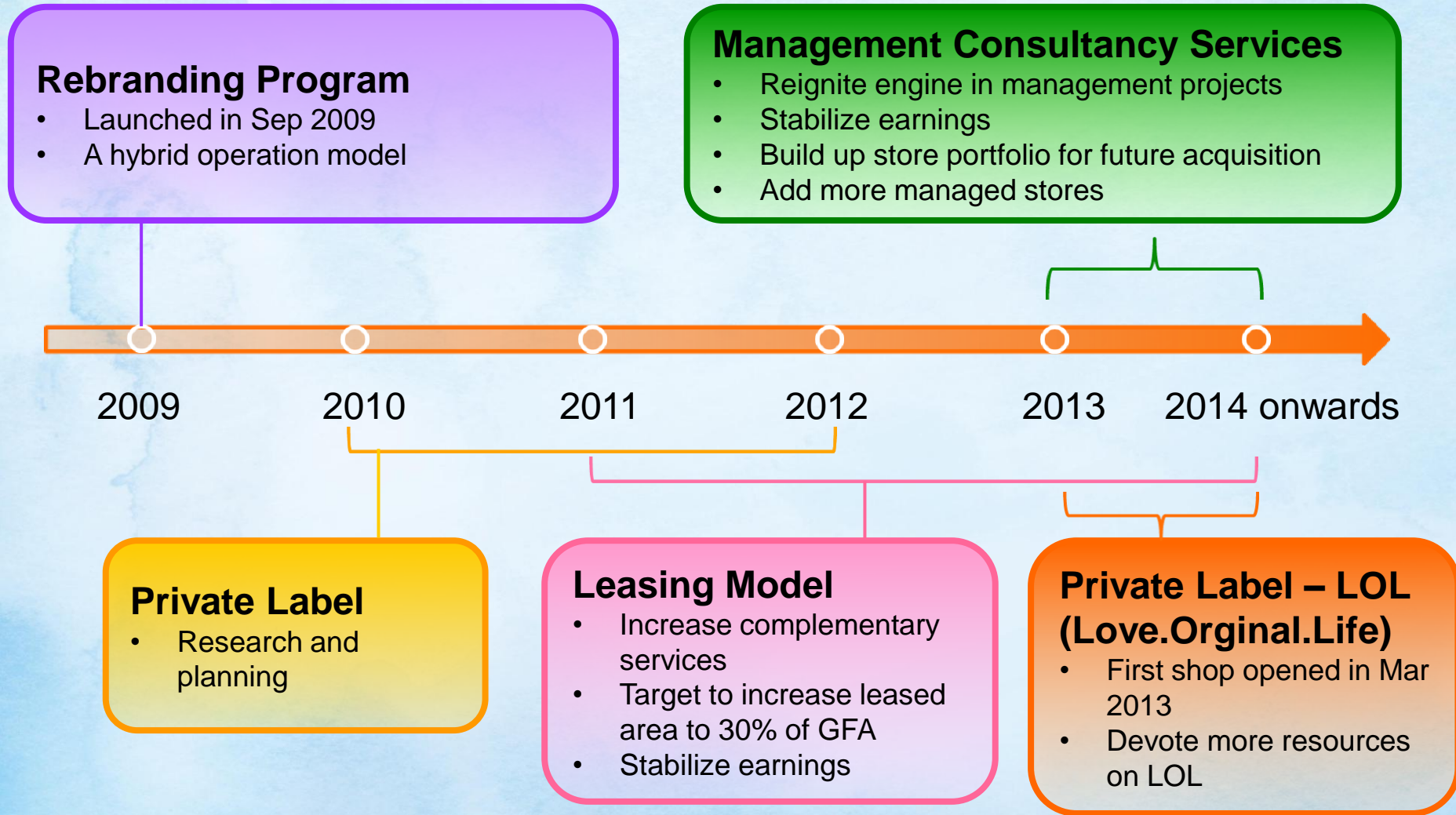
## Depreciation & amortisation expense



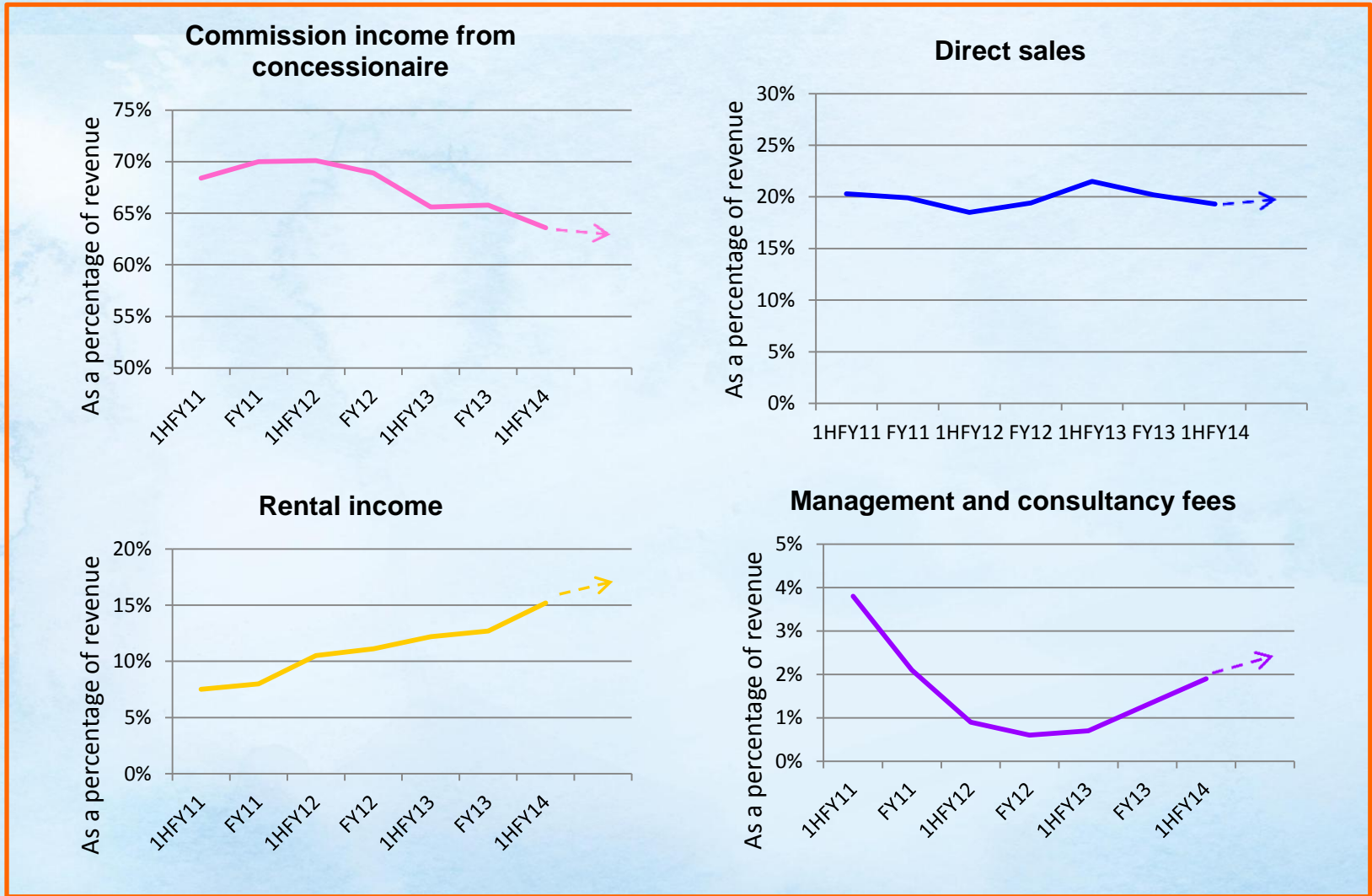
# Our Competitive Edges



# 1. Pioneer in Hybrid Model



# 2. Pioneer in Hybrid Model (cont'd)

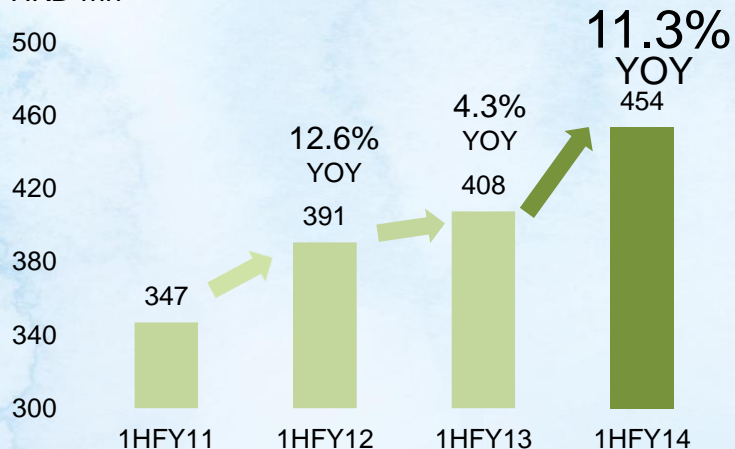


# 3. Proven Track Record

## Stable earnings growth

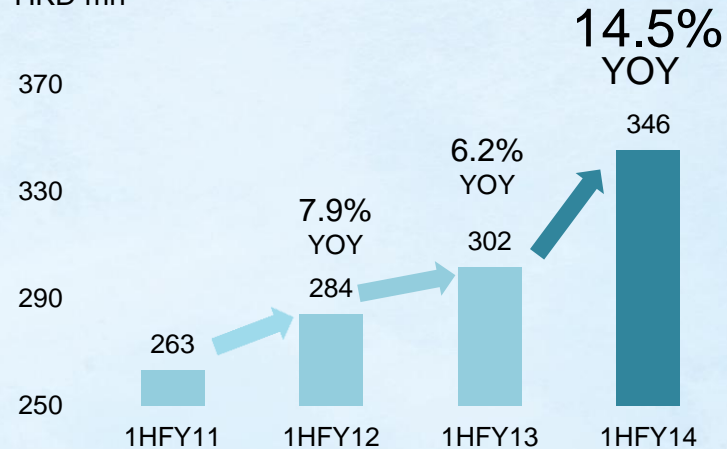
### Core EBIT

HKD mn



### Core Net Profit

HKD mn



Notes:

1. Core EBIT excludes other gains/losses and changes in fair value of investment properties
2. Core net profit in excludes other gains/losses, changes in fair value of investment properties and its related income tax expenses (if any)

- ✓ Benefit from operational structure refining and cost control
- ✓ Stable growth in core EBIT and core net profit



# 4. 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

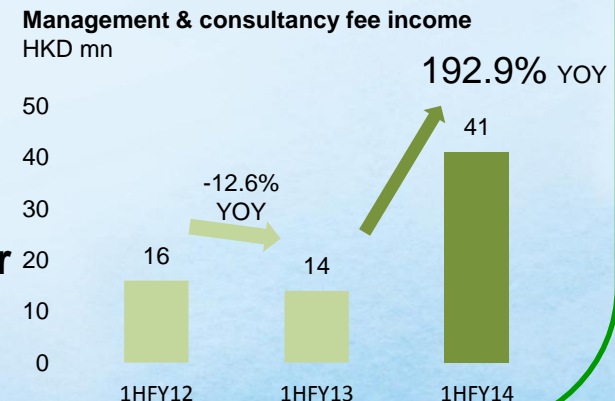


## Our Plan (FY14-FY16)

- ✓ To add 8-10 managed stores
- ✓ Total GFA to be added: 300,000-350,000 sq.m.
- ✓ To sign 6-8 management and consultancy contracts each year

## 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
- ✓ Focus on third- to fourth-tier cities such as Xiangyang and Xianning in Hubei, and Nanyang in Henan
- ✓ Low risk to enter new markets
- ✓ Build up store portfolio for future acquisition
- Key earnings growth driver



# 5. Well-balanced Leasing Strategy

- ✓ Further strengthen in-store complementary facilities offered in stores
- Continue our hybrid shopping mall/department store model
- Complementary services offered: restaurants, supermarkets, fitness centers, beauty salons, children's playgrounds
- Continue to expand the scope of services
- Offers unrivalled shopping experience

➔ 1. Competitive advantage over e-merchants

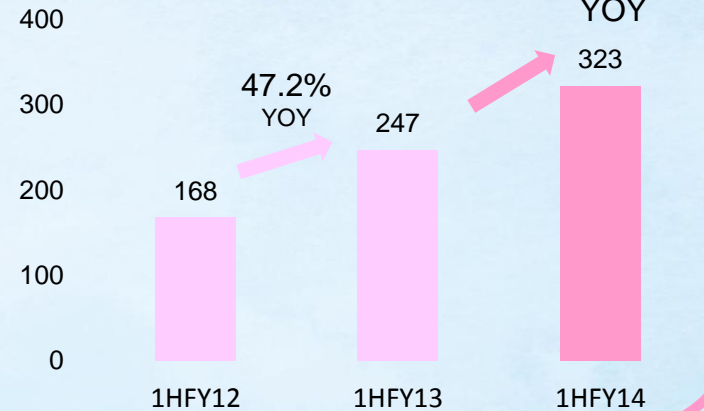
➔ 2. Attract customers

- Target to have 30% of total GFA leased out

➔ **Rental income to be one of the key earnings growth drivers**

Rental income

HKD mn



# 6. Private Label: LOL

- ✓ Continue to develop our lifestyle private label: LOL (Love.Original.Life)
  - Wide variety of products: consumer electronics, essential oils, cutlery, gadgets, etc.
  - Differentiate from competitors
  - Low inventory risk
  - Direct sales margin can be improved
  - Potential to be developed as standalone stores
  - Good performance in the existing 4 stores
    - Shanghai Pujian Branch Store, Beijing Store, Wuhan Store, Shanghai K11
  - Shop opening plan:

Average monthly sales per square metre (RMB)	Gross profit margin
~2,000	~50%

	FY14	FY15
Total no. of shops (estimated)	12	25



# 7. Digital Marketing – An Integrated System

**Mid- to long-term target:**

**To establish an integrated digital marketing system**

## Online Digital Marketing

- E-commerce
- Social media
- VIP website

## In-store Digital Marketing

- Digital Wall / Touch Screen Directory
- Free Wi-Fi
- E-Pop up store
- Mobile Service POS

## Customer Network

- VIP customer base
- Brand followers
- Personal network of customers

**Big Data**

# 8. Digital Marketing - Online and In-store

## Online Digital Marketing

- ✓ Social media
  - Weibo
    - No. of members: about 5.8M (as of 31 December 2013)
  - WeChat
    - No. of members: over 790,000 (as of 31 December 2013)
- ✓ Mobile platform
  - Online interactive activities e.g. game and survey



## Big Data

- ✓ To collect and analyze data from all channels
  - ✓ Revamp on CRM / VIP system
    - Analyze customer database to understand customer behavior and needs
- 
1. Market products/services to specific target groups
  2. Explore potential consumption

## In-store Digital Marketing

- ✓ Digital Wall / Touch Screen Directory
  - Advertising
  - Games
  - Promotional offers
  - Store information
  - Store map
  - QR code



Notional picture

- ✓ Free Wi-Fi
    - Sales coupon / redemption
    - Advertising
    - T-VIP
    - O2O
    - VIP service
    - Online survey
    - Customer information collection
- 
- Information analysis on customer spending
    - Traffic monitoring
    - In-store information

# 9. Enhanced Digital Marketing – T-VIP Card

- ✓ Cooperate with Tencent to roll out NWDS T-VIP card
  - Integrates the three functions of membership card, bonus point earning card and prepaid card into one
  - An O2O platform
  - Tap into Tencent's huge subscriber base
  - Provide customers with more payment choices
  - An e-shop will be developed



# 10. VIP Membership Restructuring

## ✓ Strategy

- Based on 2:8 theory, raise the number of Platinum VIP members to account for 20% of total VIP membership by
  - Lowering spending threshold to draw new members
  - Upgrade existing high-spending Gold VIP members
  - Offering more exclusive benefits, privileges, and incentives
- Introduce N-VIP card as a 3-in-1 card (prepaid card, membership card, bonus point earning)



## ✓ Target

- Enhance customer loyalty
- Boost customer spending
- Manage promotion expense on VIP more effectively

# 11. Synergies with Strategic Partners

## 1 Strategic Collaboration with Brands/Merchants

- Warner Bros.
- HKTDC

2

## Synergy with Affiliated Companies

- New World China Land
- Chow Tai Fook



Multidimensional Strategic Partners  
to Produce Synergies

3

## Media Collaboration

- Modern Media - Linkchic.com
- Tencent: T-VIP system development

4

## Bank Collaboration

- Ping An Bank
- Bank of Communications
- Agricultural Bank of China



# 12. Targeted Marketing Activities

## Nationwide Promotions

1. Well-scheduled promotions
  - Themed promotional activities with Warner Brothers and Chow Tai Fook
2. Enhance our brand image in association with world class brand names
3. Stronger bargaining power with suppliers and media channels
4. Incorporates fascinating activities to avoid direct competition with online companies



- ➔ • **Reduces the frequency of single-store promotions merely compete in price**

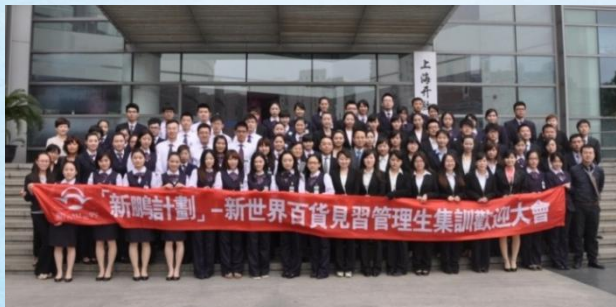
## Brand Activities

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

➔ **Preserve margin**

# 13. Huge Talent Pool

- ✓ NWDS Management Academy (新世界百貨管理學院)
  - Offered comprehensive training courses to different levels of staff since 2005
- ✓ Training for senior management
  - Periodic training courses and overseas visits
  - “Management Skills Workshop for Store Managers” (分店主管經營管理能力提升訓練營) tailored for store managers
  - “Project Feipeng - Core Talents Nurturing Plan” (飛鵬計劃 – 核心人才培育計劃)
- ✓ Training for middle management
  - 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)
  - “Elite Talents Nurturing Plan” (菁英人才培養計劃)
- ✓ 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)
- ✓ Awards by Shanghai Jiao Tong University in 2013
  - NWDS Management Academy was
    - Accredited as “China’s Best Corporate University”
    - Garnered “The Award for Social Responsibility of China Corporate University”
  - “Project Feipeng - Core Talents Nurturing Plan” won the honor of “Top 20 China Corporate Training Program”



# 14. NWDS Sustainability Achievements

Community Services	Environmental Protection	Staff Benefits & Development
<ul style="list-style-type: none"> <li>Launched “<b>@Dream Sustainable Development Program</b>” to help under-resourced children in China including Hong Kong</li> <li>Organized over <b>180 charitable activities</b> to give back to society</li> <li><b>HKD3.8M donation</b> from NWDS &amp; staff to NGOs</li> </ul>  	<ul style="list-style-type: none"> <li>Launched national campaign “<b>Clear Weather, Refreshing Store</b>” to incorporate green elements into stores</li> <li>Organized <b>over 60 green activities</b> to promote green living, resource recycling, waste reduction</li> </ul> 	<ul style="list-style-type: none"> <li>Launched “<b>Caring Our Staff</b>” and over 100 staff activities to create stronger ties at workplace</li> <li>Held “<b>Dedicated over 100% to Customers</b>” customer service campaign and around <b>90 training programs</b> to elevate staff’s skills</li> </ul> 

# 15. Engage Staff & Community in Sustainability

## Staff Engagement

- NWDS Volunteer Team established in April 2013
- Over **1,500 registered volunteers**
- About **150 volunteer activities\***
- Completed over **3,500 service hours\***

From 1 Jul – 31 Dec, 2013



## Community Engagement

- Over **500,000 NWDS CSR Weibo fans**
- Nearly **640 participants** for “@Sports-Hope Walkathon”, raising over **RMB70,000** to help under-resourced children in China
- Collected about **400 mobile phones** in “@Soul-Distant Calls” for Qinghai left-behind children
- Customers **claim Christmas wishes of Shanghai migrant children**



# Expansion Strategies



# Consistent Expansion Strategies

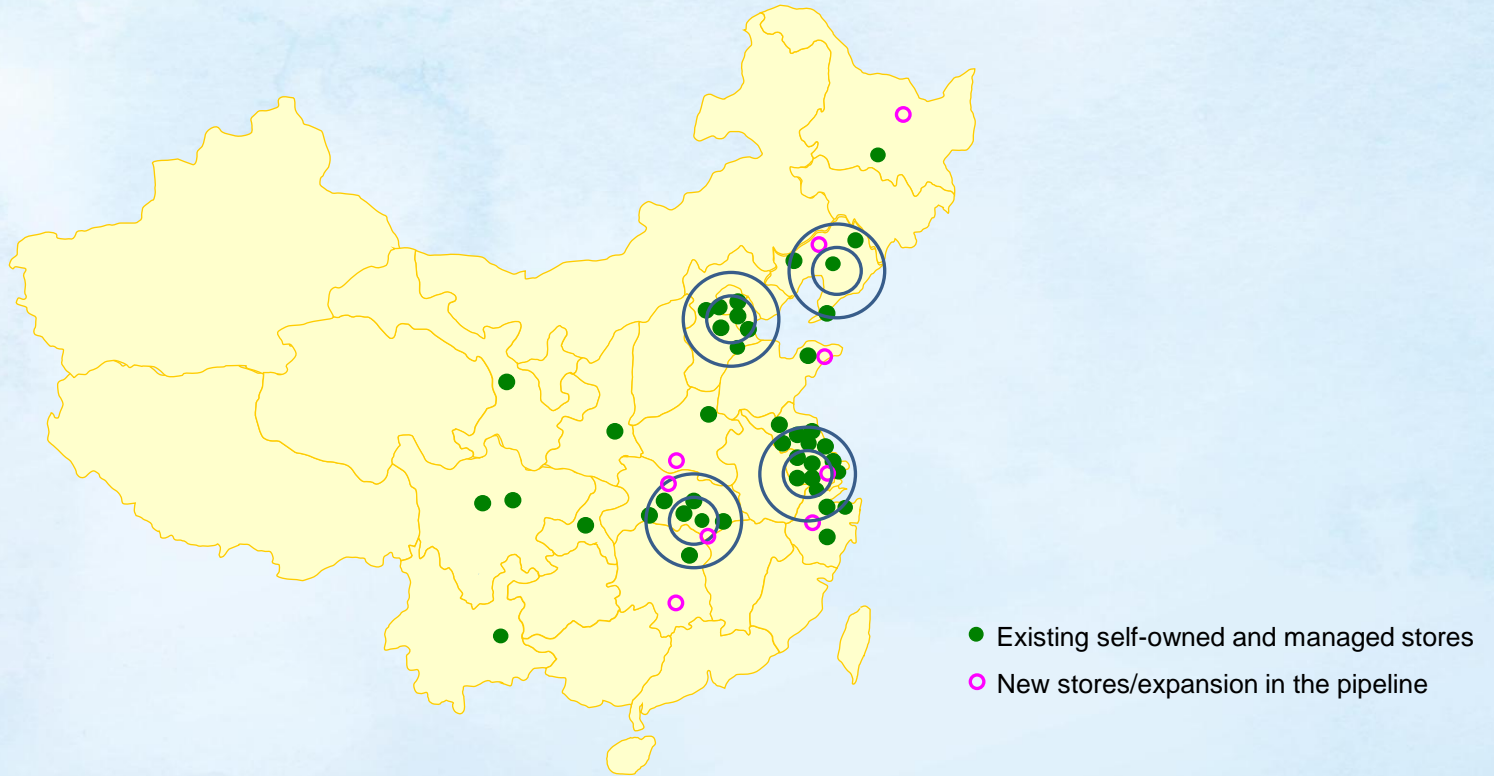
## Self-owned Stores

- ✓ 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-owned stores

# Continue to Grow Our Retail Network



As of 25 Feb 2014

# Latest Update and Store Pipelines





# Stores in the Pipeline

From FY12 to FY16, target to add 1 million sq.m. GFA

	FY12	FY13	FY14	FY15	FY16	FY17	Total
<b>Self-owned stores</b>	Mianyang Store: 35,000 sq.m. (Opened)	Yancheng Store: 56,750 sq.m. (Opened 45,910 sq.m., Will open 10,840 sq.m. in 2014)	Yantai Store: 55,000 sq.m. (Opened)	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)	Shanghai 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 Wujiaochang Branch Store: 44,000 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>115,250 sq.m.</b>	<b>142,000 sq.m.</b>	<b>130,200 sq.m.</b>		<b>26,300 sq.m.</b>	<b>603,950 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)			Jiamusi Project: 40,000 sq.m.	Xiangyang Project (signed LOI): 40,000 sq.m.	
		Yanjiao Store: 32,000 sq.m (Opened)			Shaoxing Project: 42,300 sq.m.	Xianning Project (signed LOI): 25,000 sq.m.	
<b>Managed Shopping Mall</b>				Yantai Project: 46,000 sq.m.		Nanyang Project (signed LOI): 40,000 sq.m.	
<b>Total</b>	<b>190,200 sq.m.</b>	<b>207,250 sq.m.</b>	<b>142,000 sq.m.</b>	<b>176,200 sq.m.</b>	<b>187,300 sq.m.</b>	<b>26,300 sq.m.</b>	<b>929,250 sq.m.</b>

# Property and Operating Right Acquisition in 1HFY14

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**



# Operating Right Acquisition in 1HFY14

Acquisition

## Shanghai Wujiachang Branch Store

生活馆



**Location:**

1 Songhu Road, Yangpu District, Shanghai, China

**Total consideration:** RMB280 million

**Self-owned Store:**

GFA: approx. 44,000 sq.m.

Acquisition completed in November 2013



**The earnings accretive acquisition demonstrated our expansion strategy through managed store**

# New Stores in 1HFY14 and FY15

New  
Self-owned  
Store &  
Managed  
Shopping  
Mall

## Yantai Store

生活馆 



### Location:

Wanxiang Plaza, Qingquan Road, Laishan District, Yantai, Shandong Province

### Self-owned Store:

GFA: approx. 55,000 sq.m.  
Commenced operation in December 2013

### Managed Shopping Mall Project:

GFA: approx. 46,000 sq.m.  
Expected to commence operation in FY15



The store helps expand our foothold in Northern China Region

# New Store 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:

Hengyang Commercial Pedestrian Zone,  
Zhengxiang District, Hengyang,  
Hunan Province, China

### 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, China

### Self-owned Store:

GFA: approx. 62,600 sq. m.

Expected to commence operation in FY15

- ① To enter the Hengyang market in FY15, further expands our foothold in Central Region
- ② The new self-owned store in Shanghai Putuo District further enhances our “multiple presences within a single city” strategy



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New World Department Store China Limited

# New Stores in FY16

New  
Managed  
Store

## Jiamusi Project



**Location:**

Dexiang Street, Jiamusi, Heilongjiang Province

**Managed Store:**

GFA: approx. 40,000 sq.m.

Expected to commence operation in FY16

生活馆



New  
Managed  
Store

## Shaoxing Project



**Location:**

Intersection of Jinkeqiao Road and Qunxian Road, Keqiao District, Shaoxing, Zhejiang Province

**Managed Store:**

GFA: approx. 42,300 sq.m.

Expected to commence operation in FY16

生活馆



- ① The new managed store in Jiamusi further reinforces our “radiation city” strategy for managed stores
- ② The managed store in Shaoxing helps explore the market in the city and expand our presence in Zhejiang Province

# New Stores in FY16

New  
Managed  
Store

## Xiangyang Project

生活馆



New  
Managed  
Store

## Xianning Project

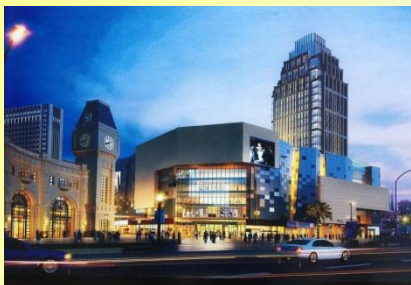
生活馆



New  
Managed  
Store

## Nanyang Project

生活馆



### Location:

Intersection of Changhong North Road and Jiangshan South Road, Xiayang, Hubei Province

### Managed Store:

GFA: approx. 40,000 sq.m.

Signed Letter of Intent.

Expected to commence operation in FY16



### Location:

188 Changan Road, Xianning, Hubei Province

### Managed Store:

GFA: approx. 25,000 sq.m.

Signed Letter of Intent.

Expected to commence operation in FY16



### Location:

Intersection of Zhangheng Road and Nandu Road, Nanyang, Henan Province

### Managed Store:

GFA: approx. 40,000 sq.m.

Signed Letter of Intent.

Expected to commence operation in FY16

- ① The new managed stores in Hubei further reinforces our “radiation city” strategy for managed stores
- ② The managed store in Nanyang helps explore the market in the city and expand our presence in Henan Province



# Our Mission

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



# Open Forum

