

FY15 Annual Results Presentation (23 Sep 2015)



happy experiences ★ colorful life








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 FY15
-  Results Highlights
-  Our Strategy
-  Store Pipelines
-  Open Forum





Summary for FY15

Financial Summary for FY15

Same-store-sales

SSS for self-owned stores declined by 7.0%

Slight Decline in Revenue

Revenue declined 2.6% from HK\$4,136.2 million in FY14 to HK\$4,029.4 million in FY15

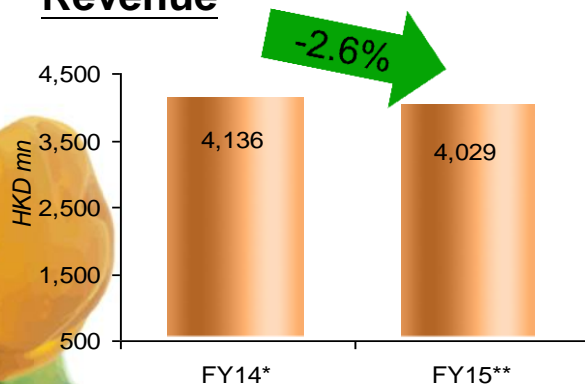
Profit for the Year

– Profit for the year was HK\$69.7 million

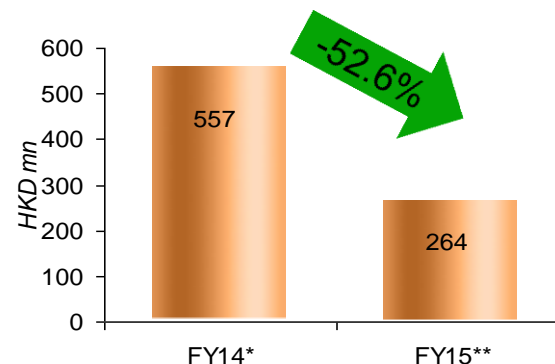
Core Net Profit

– Core net profit for the year decreased to HK\$264 million in FY15 from HK\$557 million in FY14

Revenue



Core Net Profit



Core net profit excludes:

- Net other losses
- Changes in fair value of investment properties and its related income tax expense
- Other non-core items

*For the year ended 30 June 2014

** For the year ended 30 June 2015

Summary for FY15

Cash position

As of 30 June 2015, the Company was in a net cash position. Cash and deposits were HK\$2,115.9 million

Retail network

- No. of stores was 43 as of 30 June 2015, with a total GFA of 1,667,780 sq.m. covering 21 cities in the PRC
- Opened 1 store during the year
 - Self-owned store: Shanghai 118 Branch Store in November 2014

Customer base

- VIP membership program with over 3.8 million members
- VIP contribution
 - VIP contributed approx. 51% of the total sales turnover in FY15

Store Portfolio

Gross Floor Area (GFA) of Store Portfolio

As of 30 June					
(approx. sq.m.)	2011	2012	2013	2014	2015
Self-owned stores	1,088,420 (32 stores)	1,279,970 (36 stores)	1,340,240 (36 stores)	1,518,890 (39 stores)	1,512,080 (39 stores)
Managed stores	186,900 (5 stores)	107,700 (3 stores)	173,700 (5 stores)	137,200 (4 stores)	155,700 (4 stores)
Total	1,257,320 (37 stores)	1,387,670 (39 stores)	1,513,940 (41 stores)	1,656,090 (43 stores)	1,667,780 (43 stores)

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 FY18

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

Wuhan Qiaokou Branch Store ceased to be a self-owned store since Nov 2014

Phase two of Shenyang Jianqiao Road Branch Store ceased to be a self-owned store since Mar 2015

New Store in FY15

New
Self-owned
Store

Shanghai 118 Branch Store

生活馆



Location:

118 Plaza, 1685 Jinshajiang Road, Putuo District, Shanghai, China

Self-owned Store:

Consists of shopping mall and department store
Total GFA: approx. 62,600 sq. m.

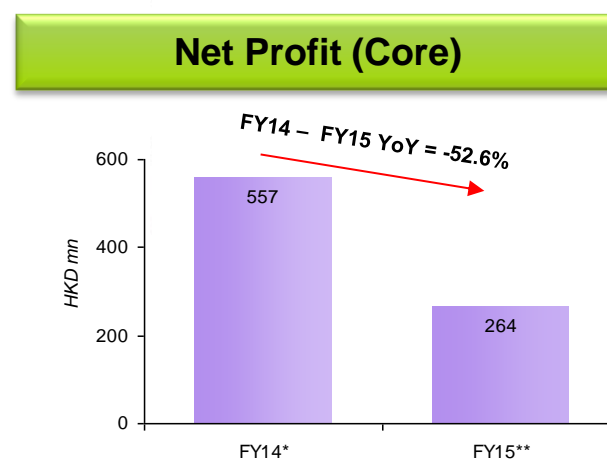
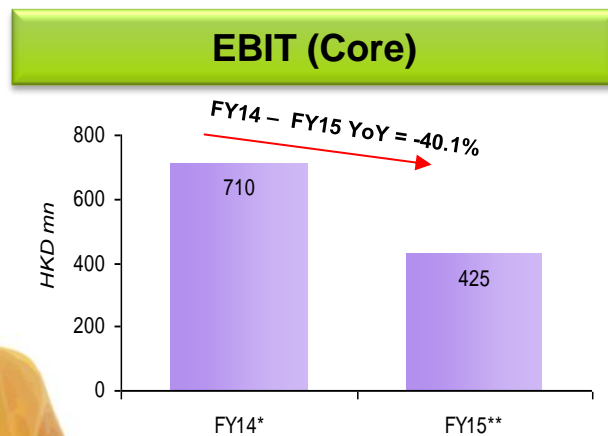
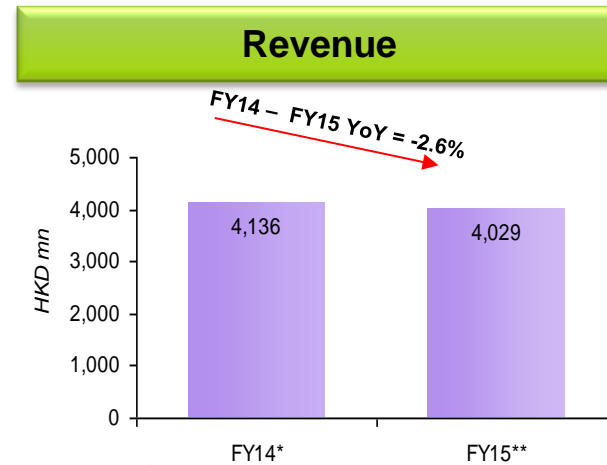
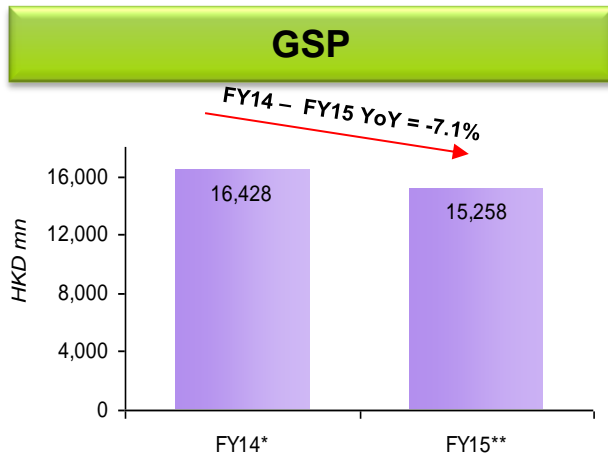
- ① The new self-owned store in Shanghai Putuo District further strengthens our “multiple presences within a single city” strategy to achieve economies of scale so that marginal operating costs can be reduced
- ② A new department store plus shopping mall hybrid model



Results Highlights



Financial Highlights



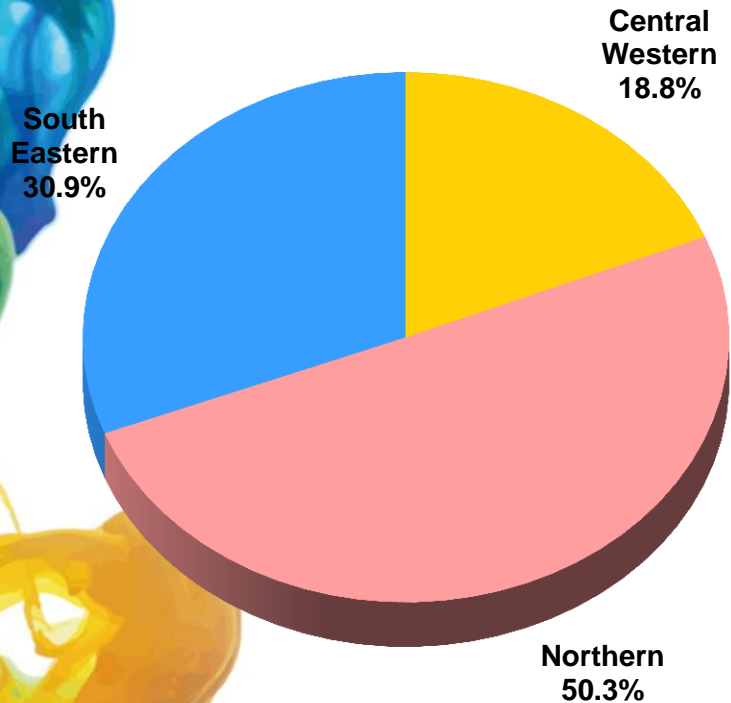
GSP includes concessionaire sales (net of VAT), direct sales (net of VAT), rental income, management and consultancy fees and other income.

Core net profit excludes:

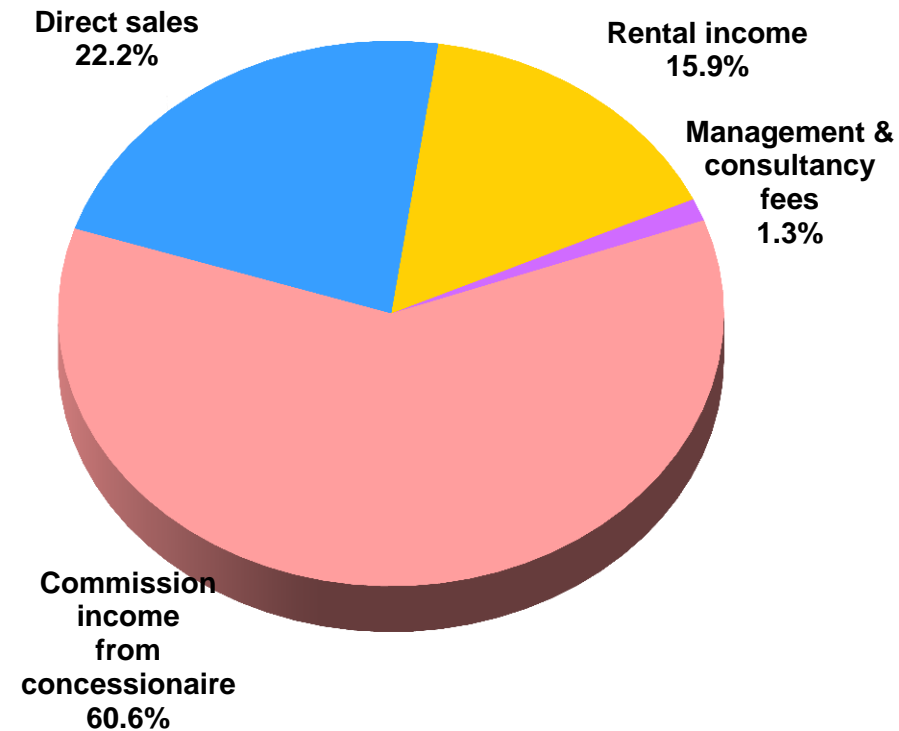
- Net other losses
- Changes in fair value of investment properties and its related income tax expense
- Other non-core items

Revenue Analysis

Revenue contribution by region

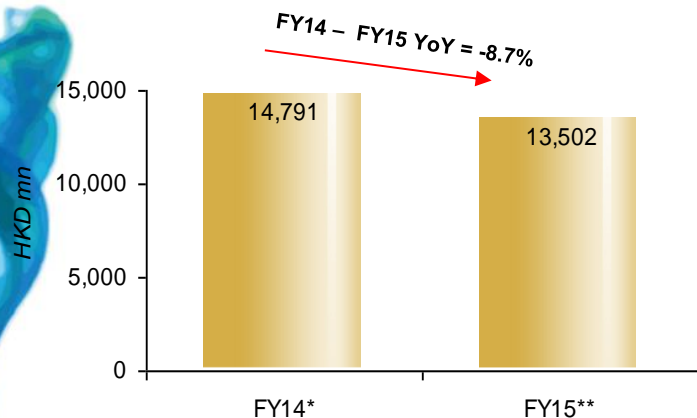


Revenue contribution by segment

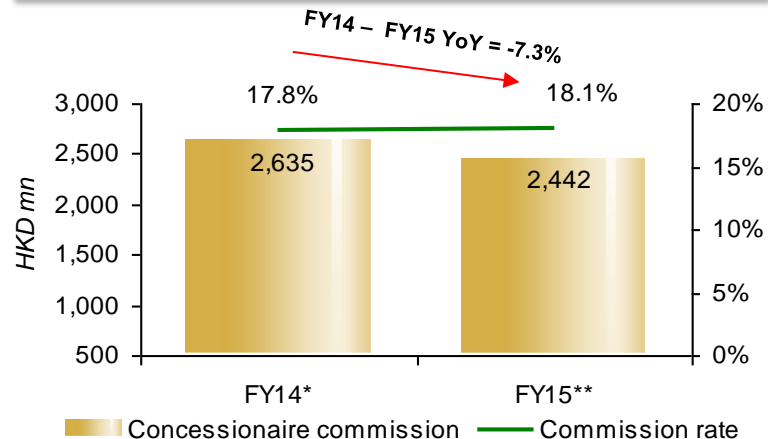


Revenue Analysis

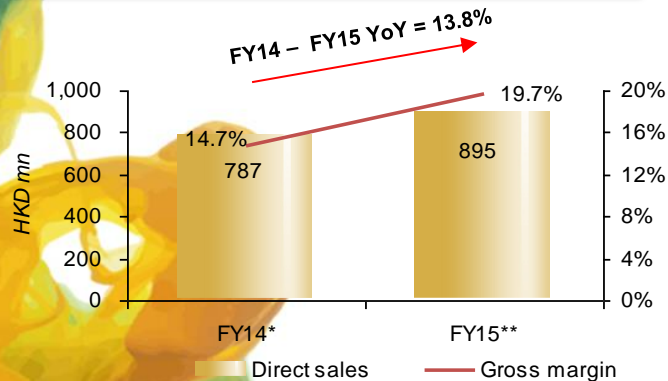
Concessionaire gross sales revenues



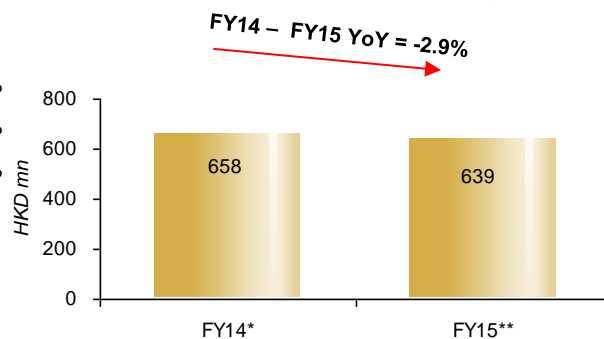
Concessionaire commission



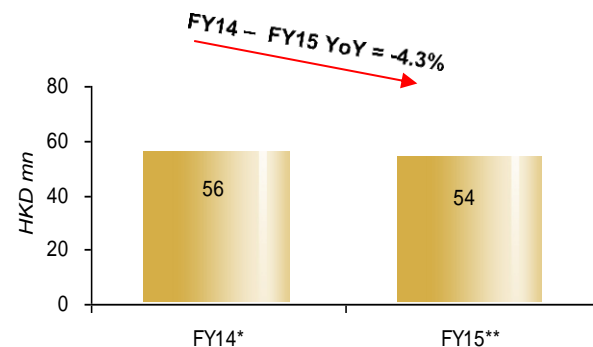
Direct sales and its gross margin



Rental income

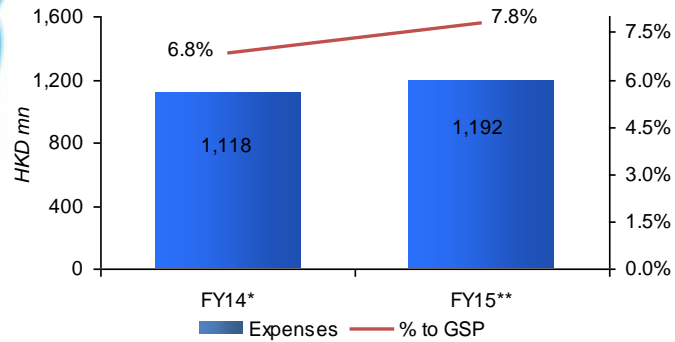


Management & consultancy fees

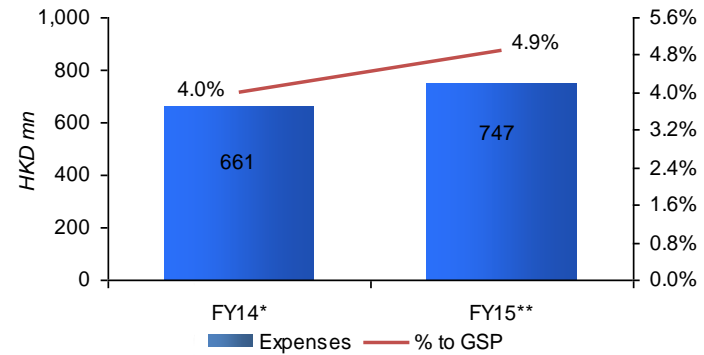


Expense Ratios

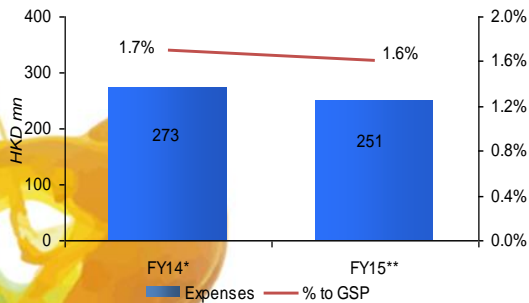
Rental expense



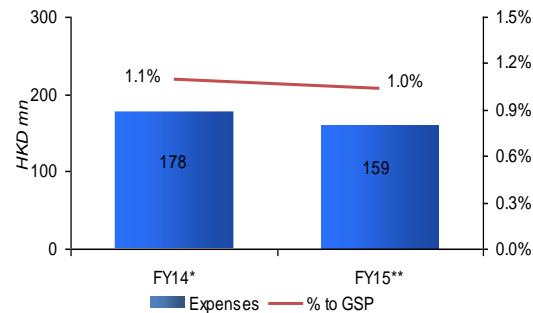
Staff expense



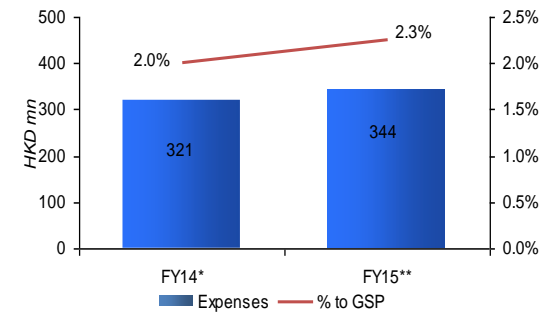
Promotion, advertising & related expense



Water & electricity expense



Depreciation & amortisation expense





Our Strategy



1. Cost Control

Major cost items

- Rental expense (7.8% of GSP)
- Staff expense (4.9% of GSP)

Measures implemented in FY15

- Downsized Shenyang Jianqiao Road Branch Store
- Re-negotiated rental rate with landlords
- Corporate restructuring to streamline workforce

Measures to be implemented in FY16

- Take immediate actions against underperforming or loss making stores
- Re-negotiate rental rate with landlords

2. Adjustments in Business Model

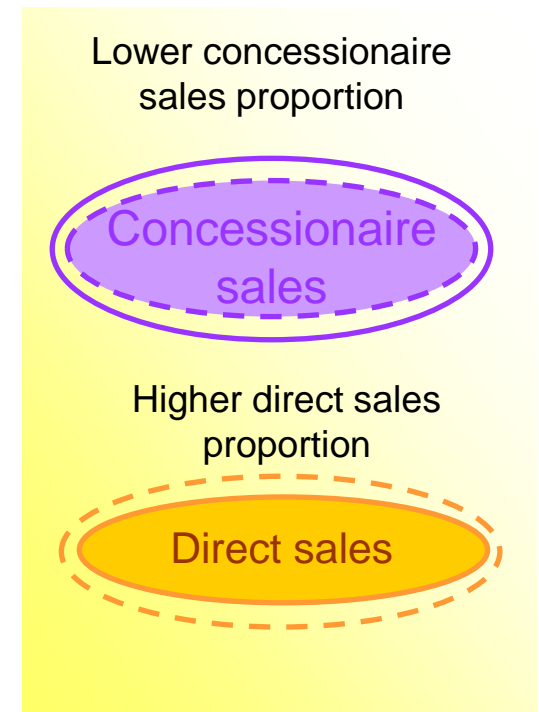
Challenging Market

- Sluggish economy slowed down retail consumption
- Anti-corruption affected consumer spending
- Competition from E-shopping and shopping malls
- Increasing trend of travelling abroad

Now



Going forward



3. Direct Sales: Apparel Direct Procurement

Well Metro Group

- A distributor and retailer of international fashion brands in China
- Advantages
 - ✓ Target at less price sensitive customers
 - ✓ Improve direct sales margin
 - ✓ Leverage its existing operations and experienced management team to enhance apparel procurement ability
- Continue to introduce quality fashion / accessories brands
- As of 30 June 2015, 34 specialty stores in total
- Plan to expand to Qingdao, Dalian, and Chongqing and to open over 10 stores by FY17

MOSCHINO

- Targets at tasteful customers aged 20-45



RED
VALENTINO



- Second-line brand of luxury brand Valentino



LOVE
MOSCHINO

- Second-line brand of MOSCHINO
- Targets at tasteful customers aged 20-45

4. Direct Sales: Private Label: LOL

LOL (Love•Original•Life)

- Gradual widening product portfolio to attract young customers: coffee, books, floral displays, lighting devices, small home appliances, derivatives from art exhibition, etc .
- Strive to source “same-day worldwide release, nationally exclusive, international debuts, limited edition and designer models”
- Future plan
 - ✓ Reposition or consolidate some of the existing stores, open new shops in shopping malls located in Beijing and Shanghai
 - ✓ On top of Tmall.com, open store at Weidian
 - ✓ Develop OEM products



LOL Concept Shop (as of 30 June 2015)	Date of Opening
Shanghai Pujian Branch Store	Mar 2013
Shanghai K11	Sep 2013
Beijing Store	Oct 2013
Wuhan Store	Dec 2013
Shenyang Zhonghua Road Branch Store	
Chengdu Store	Apr 2014
Beijing Liying Store	
Wuhan Wuchang Branch Store	
Beijing Qianzi Store	
Xi'an Store	May 2014
Chongqing Store	
Harbin Store	Jun 2014
Beijing Trendy Store	Aug 2014

5. Direct Sales: Food and Beverage

Set foot into F&B: Bakery

- “Perfect Balance of Health and Taste”
- Offer low-oil, low-fat and low-sugar European-style artisan bread
- Handmade and store-baked bread
- Target customers aged 25-40 who seek healthy food
- Advantages
 - ✓ Enhance shopping experience
 - ✓ Attract more foot traffic by strengthening groceries
 - ✓ A good fit to our community-based stores



6. Happy Shopping Experiences

“Happy New World”

- Launch new in-store recreational facilities e.g. giant slides, synthetic ice rinks, piano stairs
- Complemented by themed marketing activities e.g. ice performances, games and contests



Children’s recreational facilities

- Enlarged children’s playground
- Introduce more children-oriented leasing projects



Restaurants and other complementary facilities

- More cuisine options e.g. Korean, Japanese, BBQ
- Widen scope of complementary facilities e.g. Yoga houses, fitness centers, beauty salons



7. Partnered Digital Promotions

O2O Marketing Activities

- Widen marketing channels by cooperating with Internet companies e.g. Weibo, WeChat, Alibaba, Baidu, Dianping.com
 - ✓ Group buying coupons
 - ✓ Online queueing
- Draw online users to physical stores



Enhanced In-store shopping experiences

- Develop a mobile APP to facilitate shopping by customers
 - ✓ In-store navigation
 - ✓ Parking system
 - ✓ Brand promotions
 - ✓ Vouchers
- Mobile payment
 - ✓ Plan to cooperate with WeChat payment and Baidu Wallet to introduce more mobile payment methods

Offline Marketing Activities

- Organize offline marketing activities with technology companies
 - ✓ In-store video game group playing
 - ✓ Mobile recording studios
-
- Interact with young customers
 - Win-win for both parties



8. NWDS Sustainability Achievements

Published the First Standalone NWDS ESG Report

Community Services

- Further strengthened the **sports** and **music** sessions of the “@Dream Sustainable Development Program”, introducing “@Sports – Cool Soccer” and sustaining “@Sports – Tennis Academy”
- Staged Annual Performance of “@Dream Program”, generating media value worth of HK\$5 million
- Title-sponsored “**NWDS Sowers Action Challenging 12 Hours Charity Marathon**” for the second time
- Held two nationwide volunteer activities, “**Merry Hula Hooping Christmas**” and the second “**Volunteer Month**” activity
- Organized about **350 charitable activities** to give back to society



Environmental Protection

- Launched four nationwide green campaigns, including “**Green Mid-Autumn Festival- Moon Cake Box Recycling Campaign**”, “**Earth Hour**”, “**Reaching Out to Nature**” and “**Go Green with NWDS**” to engage with customers
- Organized about **190 green activities** to promote green living, resource recycling and waste reduction



Staff Benefits & Development

- Held around **300 training programs**, including “**Advanced Project Feipeng – NWDS Management ‘Golden Ladder’ Nurturing Program**” and “**Certificate Program of Further Studies in Retail Operation and Management**”, to nurture talents to cope with our diversified business
- Organized about **220 staff caring activities** to create a harmonious working environment

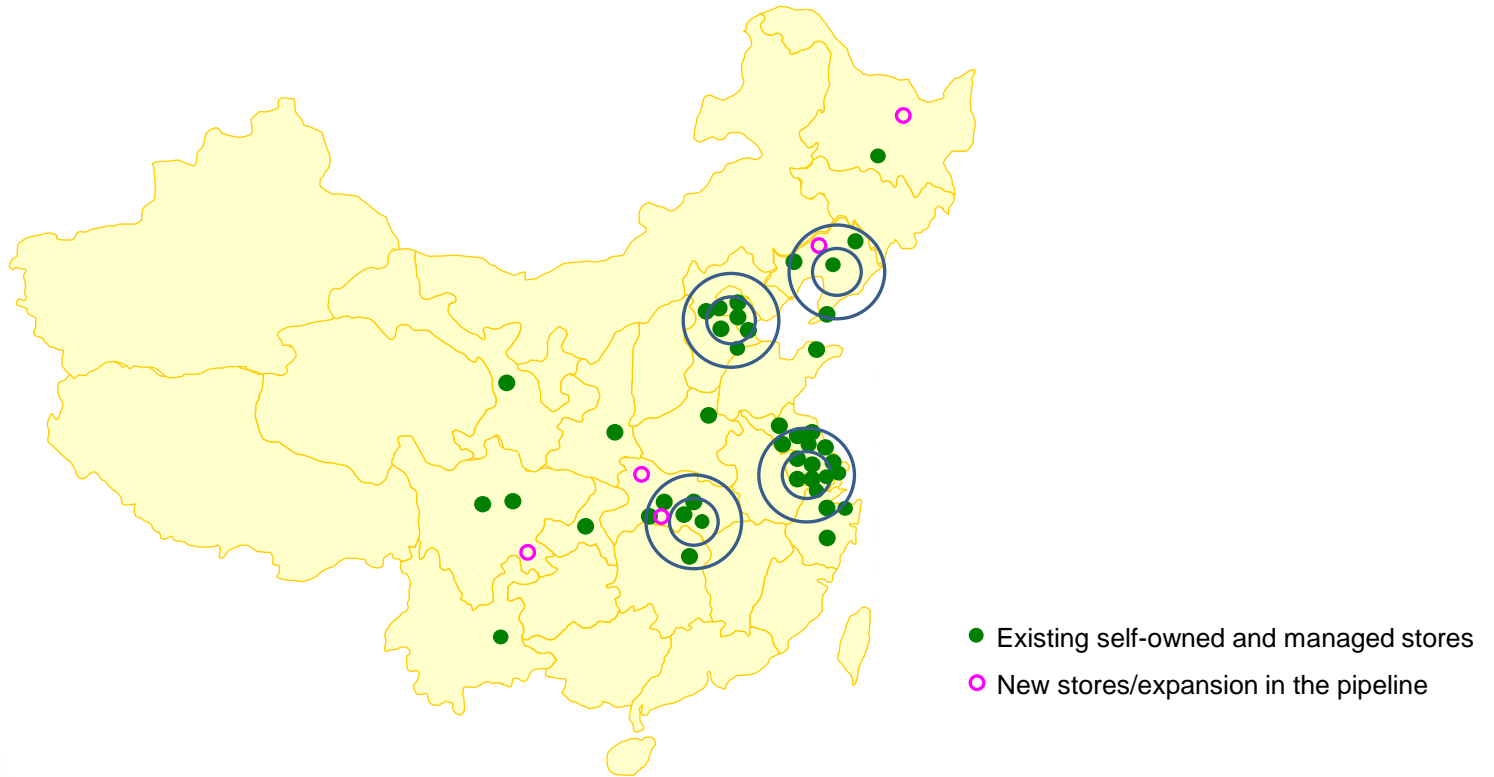




Store Pipelines



Our Retail Network



As of 23 Sep 2015

Stores in the Pipeline

	FY12	FY13	FY14	FY15	FY16	FY17*	FY18*	Total
Self-owned stores	Mianyang Store: 35,000 sq.m. (Opened)	Yancheng Store: 51,400 sq.m. (Opened)	Yantai Store: 55,000 sq.m. (Opened)	Shanghai 118 Branch Store: 62,600 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)			Hubei Shiyang Project: 50,000 sq.m. (Greenfield)	Hubei Jingmen Project: 35,000 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)					
	Lanzhou Store: 27,200 sq.m. (Acquired)							
	Beijing Liying Store: 52,000 sq.m. (Acquired)							
Sub-total	190,200 sq.m.	109,900 sq.m.	142,000 sq.m.	62,600 sq.m.	-	75,400 sq.m.	61,300 sq.m.	641,400 sq.m.
Managed Store		Ningbo Store: 60,000 sq.m. (Opened)				Heilongjiang Jiamusi Project: 40,000 sq.m.		
		Yanjiao Store: 32,000 sq.m. (Opened)				Sichuan Yibin Project: 32,000 sq.m.		
Total	190,200 sq.m.	201,900 sq.m.	142,000 sq.m.	62,600 sq.m.	-	147,400 sq.m.	61,300 sq.m.	805,400 sq.m.

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

New Stores in FY17

Redevelopment and Expansion

Phase I and Phase II of Shenyang Nanjing Street Store Project



Location:

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

Self-owned Store:

- Phase II expand GFA: approx. 25,400 sq.m. Expected to commence operation in FY17
- Phase I Redevelopment: GFA approx. 26,300 sq.m. Expected to be completed in FY18

時尚館

Self-owned Store

Shiyan Project

生活館



Location:

Wonderful World, 93 Renmin Road, Shiyan, Hubei Province

Self-owned Store:

GFA: approx. 50,000 sq.m.

Expected to commence operation 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



The new self-owned store helps explore market in Shiyan and expand our presence in Hubei Province



New Stores in FY17

New
Managed
Store

Jiamusi Project

生活馆



New
Managed
Store

Yibin Project

生活馆



Location:

Dexiang Street, Jiamusi, Heilongjiang Province

Managed Store:

GFA: approx. 40,000 sq.m.

Expected to commence operation in FY17



Location:

Ideal City, Eastern CuiBai Road, Yibin, Sichuan Province

Managed Store:

GFA: approx. 32,000 sq.m.

Expected to commence operation in FY17



The new managed stores in Jiamusi and Yibin further reinforce our “radiation city” strategy for managed stores

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

New Store in FY18

Self-owned
Store

Jingmen Project

生活馆 



Location:

Xingqiu Commercial Center, 11 Huyaguan Boulevard,
Duodao District, Jingmen, Hubei Province

Self-owned Store:

GFA: approx. 35,000 sq.m.

Expected to commence operation in FY18



The new store helps explore the market in Jingmen and further expand our presence in Hubei Province

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

Our Mission

“To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China”





Open Forum

