



GRAND OCEAN RETAIL GROUP LIMITED
大洋百貨集團控股股份有限公司

2018 INVESTOR CONFERENCE



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Overview

1. Established in May 2002, GORG is one of the leading retail service providers in China. With the philosophy of “customer first”, GORG has provided steadily excellent services to ten millions of customers for the past 17 years, raising their living quality, continuously going forward, and facilitating economic development of the cities where stores are located. GORG has been listed on TWSE since June 2012. (Code: 5907.TT)
2. GORG currently has 17 stores in 12 cities in China, with a total operation area of approximately 700 thousand meters. With stores located in Central China centered in Wuhan, in East China centered in Nanjing, and in South China centered in Fuzhou, GORG influences and changes the local's lifestyle habits.
3. With over 17 years of experiences on average in department stores and shopping malls, the company's management team is composed of professionals from China, Hong Kong, and Taiwan and specialized in retail operation and management.





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Vision and Mission

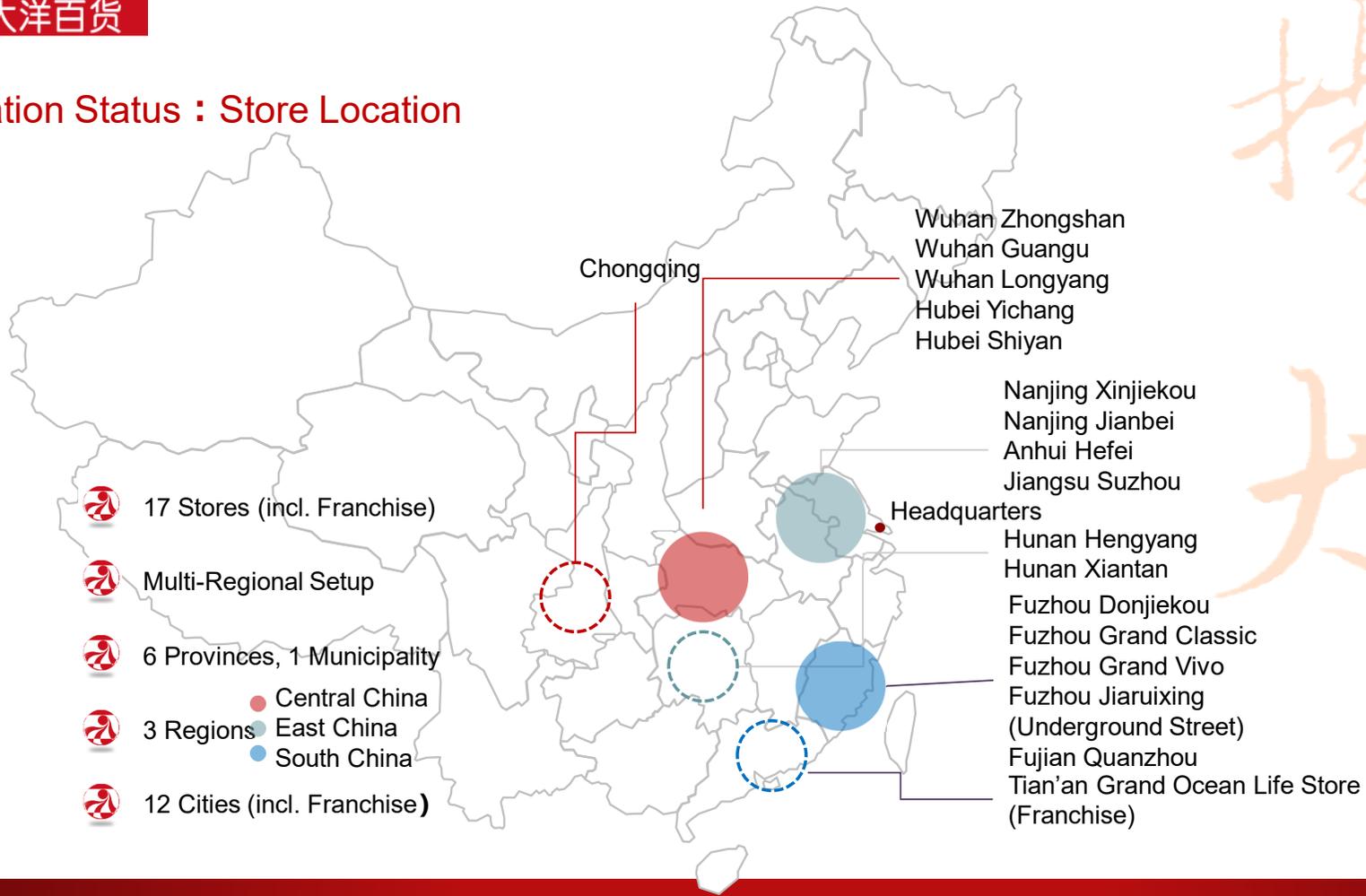
1. Vision

Centered on “Expanding the retail market without limits by not forgetting its initial core; Build a 3rd living space by catching its mission,” GORG forms a creative transformation model by performing deep internal reform, expanding all channels, developing new business, and optimizing its supply chain in 2018. Moreover, GORG returns to the essence of retail, based on customers’ needs as well as its merchandises and services, and builds the group’s new development scheme by actively adapting needs of consumption upgrade, applying concepts of internet, and accelerating business innovation, model innovation, and organization innovation.

2. Mission

To build stores as people’s 3rd living space is our mission. Targeted strategically as an intellectual shopping mall, GORG applies the mobile internet technology to closely link customers with stores and merchandises taking opportunities of the 4th retail revolution. GORG, through its acute market sense, works with Meituan, Tencent, JD, Weimob, and other top-tier internet enterprises to bring various landscapes and to enhance customers’ shopping experiences.

Operation Status : Store Location



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Operation Status : Business Area (Central China)

Province	Store	GFA (m ²)	Property Status
Hubei	Wuhan Zhongshan	55,185	Leased
Hubei	Wuhan Guangu	34,311	Leased
Hubei	Wuhan Longyang	48,094	Leased
Hubei	Yichang	50,620	Leased
Hubei	Shiyan	35,484	Self-Owned
Chongqing	Chongqing	48,720	Leased





Operation Status : Business Area (East China)

Province	Store	GFA (m ²)	Property Status
Jiangsu	Nanjing Xinjiekou	56,362	Leased
Jiangsu	Nanjing Jianbei	40,888	Leased
Anhui	Hefei	40,500	Leased
Hunan	Hengyang	41,830	Self-Owned
Hunan	Xiantan	44,052	Leased
Jiangsu	Suzhou	30,336	Leased

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Operation Status : Business Area (South China)

Province	Store	GFA (m ²)	Property Status
Fujian	Fuzhou Dongjiekou	25,044	Self-Owned
		8,865	Leased
Fujian	Fuzhou Grand Vivo	38,590	Self-Owned
Fujian	Fuzhou Grand Vivo	20,607	Leased
Fujian	Jiaruixing	13,389	Leased
Fujian	Quanzhou	26,882	Self-Owned
Guangdong	Tian'an Grand Ocean Life Store	30,103	Franchise

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Brand Strategy

 大洋天地
GRAND OCEAN
Grand Vivo

- Lifestyle Store
- Family Oriented
- 2 Stores; Fuzhou Grand Vivo, Tian'an Grand Ocean Life Store

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GRAND OCEAN
Grand Ocean

- Fashion Store
- Urban Mid-high End Customer Oriented
- 14 Stores

 大洋晶典
Boutique Mall
GRAND CLASSIC
Grand Classic

- International Luxury
- Urban High-end Customer Oriented
- 1 Store; Fuzhou Grand Classic

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New Retail Development Milestone

- 2016/03 : The Group started its CPOS project and worked toward supporting digital wallets in the whole group.
- 2016/04 : GORG signed a strategical cooperative agreement for QQ Wallets with Tencent.
- 2016/05 : GORG signed a strategical cooperative agreement for CPOS with Minsheng Bank.
- 2016/06 : GORG officially used digital wallets by launching QQ Wallets, and later increased WeChat Pay, Alipay, Apple Pay, UnionPay Quick Pass, and JD Pay.
- 2016/09 : The Group created an O2O division focused on e-commerce.
- 2016/09 : GORG activated its CPOS WeChat membership e-card, starting its electric age of membership cards.
- 2016/09 : GORG partnered with Meituan to build the ecosystem of big-data intellectual retails together.
- 2017/04 : GORG achieved strategical cooperation with Baiwang in participation of intellectual tax, big-data tax, and electric receipts.
- 2017/08 : GORG signed a strategical cooperative framework agreement with JD, working with JD.com, JD shopping malls, JD financials, JD logistics, its members, and other aspects of big data.
- 2017/12 : The Group achieved strategical cooperation with China Postal Express & Logistics, together pushing the new development of “Internet + Retail + Express.”

2018 Q3 Financial Results

NTD 000's	2018 1-3Q	%	2017 1-3Q	%	Difference	%
Gross Sales	4,515,909	100.00%	4,124,412	100.00%	391,497	9.49%
Operating Costs	1,046,554	23.17%	917,693	22.25%	128,861	14.04%
Gross Margin	3,469,355	76.83%	3,206,719	77.75%	262,636	8.19%
Operating Expenses	627,234	13.89%	469,994	11.40%	157,240	33.46%
Non-Op. Profit	(72,187)	-1.60%	(275,059)	-6.67%	202,872	-73.76%
Profit Before Tax	555,047	12.29%	194,935	4.73%	360,112	184.73%
Tax	248,242	5.50%	266,090	6.45%	(17,848)	-6.71%
Net Profit	306,805	6.79%	(71,155)	-1.73%	377,960	531.18%
EPS	1.69		(0.38)			

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2018 Q3 Financial Results

RMB 000's	2018 1-3Q	%	2017 1-3Q	%	Difference	%
Gross Sales	983,594	100.00%	919,190	100.00%	64,404	7.01%
Operating Costs	227,946	23.17%	204,523	22.25%	23,423	11.45%
Gross Margin	755,648	76.83%	714,667	77.75%	40,981	5.73%
Operating Expenses	136,616	13.89%	104,745	11.40%	31,871	30.43%
Non-Op. Profit	(15,723)	-1.60%	(61,301)	-6.67%	45,578	-74.35%
Profit Before Tax	120,893	12.29%	43,444	4.73%	77,449	178.27%
Tax	54,069	5.50%	59,302	6.45%	(5,233)	-8.82%
Net Profit	66,824	6.79%	(15,858)	-1.73%	82,682	521.39%
EPS	0.37	0.00%	(0.08)	0.00%		

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Retail's High Season in Q4 Going Forward

Q4 is the retail's traditional high season, and thus its business result will play a crucial role in achieving the year's operation goals.

GORG's gross sales for October and November in 2018 compared with those in 2017 as follows:

	Oct. + Nov. (2018)	Oct. + Nov. (2017)	Difference	%
NTD 000's	1,317,460	1,270,161	47,299	3.72%
RMB 000's	293,605	279,893	13,712	4.90%

3 More Major Q4 Events to Go (Double Twelve, Christmas & New Year)





GORG's Future: The Trend in China's Department Stores

The position of department stores appears awkward as personalization and market choices of customers change constantly. Thousands of stores basically are the same without differentiation. Also, the old-fashioned operation seems hard to satisfy customers of newer generations. Facing the market competition, retailers need to re-consider and execute their market positioning, business plans, marketing innovation, and customer adhesion.

Specific positioning: The future of department stores will be specialization and theme-orientation due to the limited total GFA, unlike shopping malls attracting all types of customers. The new operation is transformed by its role and function positioning, enriching and meeting needs according to the appropriate choice of customers.

Technology upgrade: Technology is used from the point of consumers' experiences and enhanced from datafication of core processes of the back end, revamping the traditional marketing by applying big data to map searching, in- and out- door positioning, face recognition, mobile payment, etc. and exploring depth and breadth of retails by digitizing customers, merchandises, services, marketing, and management.

Deep reform: Retail transformation inseparably and closely connects to organization reform and mechanism innovation. GORG builds an employee-incentive review system linked with job performance by implementing the employee stock option plan. Continuous deep reform brings out new inner energies of a transforming retail business.



GORG's Future: Thoughts of Adjustment

Operating as department stores formed earlier, GORG has encountered slow development due to a slump in traditional retail businesses. Without timely differentiation and business transformation, stores with good locations in the past have been marginalized by severe competition and ignored by customers of newer generations. Facing this crisis, GORG needs to re-arrange its future direction and makes major movements to regain customers.

Human-oriented, GORG will catch changes and trends of customers' needs. The current new business presentation is crossover, and might be without boundaries in the future. The categories of customers can be described by big data analysis nowadays and by artificial intellectual in the future. The essence will be borne in mind: centered on customers, targeted to cost-down and efficiency enhancement, and driven by technology innovation.

GORG will create an unlimited retail model by paying attention to customers' needs, raising its social attributes, interacting more to customers, increasing customer adhesion, as well as constructing a socialized landscape, creating crossover collaboration with brands, realizing digital transformation, in addition to creating the 3rd living space to satisfy material needs and much more to spiritual needs, which model will provide the ultimate customer experiences offering spiritual content raised from material content due to the feelings of attention and respect.

GORG will establish an employee-incentive review system linked with job performance by splitting original job functions, separating the processes, upgrading the management system, and implementing the employee stock option plan, which system will reward the good performance and punish the wrongdoing, thus decreasing the phenomenon of too many workers compared to the quantities of assignments.

GORG's Future: Thoughts of Adjustment

In its financial planning, GORG has repatriated approximately RMB 840 million in recent years used to repay foreign currency debts (decreasing non-RMB liabilities), thereby improving the company's financial structure, lowering foreign exchange rate risks, and reducing the interest expenses denominated in other currencies.

GORG will continue to repatriate operating cash for control of foreign exchange rate risks due to the decrease of foreign currency debts as well as profit-sharing to all shareholders.

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GORG's Future: Store Condition

Healthy: Operating results continue to grow and remain stable with solid future development goals. Each operating aspect meets the corresponding budget and requirement. Employees gel and work actively, while they achieve better control of suppliers.

Store: Yichang, Hefei, Wuhan No.1, Wuhan No.2, Nanjing No.1, Nanjing No.2

Bottlenecked: Operating results bounced back after transformation and upgrade, while stores are still required further enhanced to increase customers.

Store: Fuzhou No.1, Fuzhou No.2, Wuhan No.3, Chongqing, Hengyang, Quanzhou

Improvement-required: Encountered strong pressure from competitors, stores miss the best timing to revamp themselves and currently face bigger issues.

Operating results are negative, although losses decreased.

Store: Fuzhou No.3



Thank you

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