



## Sun Art Retail Announces 2015 Annual Results

**Resilient results despite tough operating environment**

**Continued steady store expansion and exploration in new formats**

**Investments in E-commerce platform with strong growth from Feiniu.com**

**Proposed a dividend of HK\$0.19 representing a growth of 18.75% from 2014**

### Financial Highlights

(In RMB million, unless stated otherwise)	Year ended 31 December		
	2015	2014	Growth rate
Revenue	96,414	91,855	+ 5.0%
Gross profit	22,463	20,998	+ 7.0%
Profit from operations	3,575	4,214	(15.2%)
Profit for the year	2,464	3,023	(18.5%)
Profit attributable to equity shareholders of the Company	2,443	2,899	(15.7%)
Earnings per share - Basic and diluted	RMB 0.26	RMB 0.30	

### Business Highlights

- Revenue increased 5.0% YoY to RMB96,414 million, gross profit grew 7.0% YoY to RMB22,463 million, and gross profit margin increased 0.4 ppt to 23.3%
- Opened 38 new stores, of which 36 were hypermarkets, 2 were supermarkets. Successfully secured 117 sites to open hypermarket complexes, of which 77 were under construction to prepare for the Group's expansion for next three years
- Feiniu GMV increased six-fold as compared with 2014. It achieved national coverage by the first half of 2015, launched its third party marketplace in June 2015 and cross border import business in September 2015
- Further developed E-business platform by investing in Fields ([www.fieldschina.com](http://www.fieldschina.com)), an E-commerce site targeted at high-end consumers, Xiaohehe ([www.xiaohehe.org](http://www.xiaohehe.org)), a mobile O2O platform targeting university campuses and Auchan wines ([www.auchanwines.com](http://www.auchanwines.com)), a vertical platform specialized in wines

(29 February 2016, Hong Kong) **Sun Art Retail Group Limited** ("Sun Art Retail" or the "Group"; stock code: 6808), a leading retailer with hypermarket and fast-growing E-commerce businesses in China, has announced its 2015 annual results. Revenue increased by 5.0% to RMB96,414 million. Gross profit increased 7.0% to RMB22,463 million. Basic earnings per share amounted to RMB0.26.

For the year ended 31 December 2015, gross profit margin increased 0.4ppt to 23.3%, reflecting the Group's better management on product category mix to bring a higher profit margin and the economies of scale due to the continuously expanded business operation. Profit for the year decreased to RMB2,464 million. Excluding the loss incurred from the new E-commerce entities and Oney Accord Business Consulting (Shanghai) Co., Ltd, the decrease in profit for the year would have been around 8.5%.

The Board has recommended the payment of a final dividend of HK\$ 0.19 per ordinary share, subject to the approval of the shareholders.

The Group maintained a healthy financial position. As at 31 December 2015, net cash balance was RMB 5,978 million. Inventory turnover days and trade payable turnover days were 59 days and 85 days, respectively.

**Mr. Bruno Robert Mercier, the Chief Executive Officer and Executive Director of the Group** commented *“During 2015, the YoY growth rate of total retail sales of consumer goods in China was down 1.3 points while the national online sales increased 33.3% to RMB3,877 billion. With a background of economic slowdown, competition from fast growing E-commerce and the development of various retail formats and over building of shopping malls, I am glad to see the Group kept on the steady but prudent expansion of hypermarkets complexes, while at the same time strongly investing in the development of E-commerce platforms.”*

As of the year ended 31 December 2015, the Group’s turnover from sales of goods rose 4.6% to RMB93,270 million, primarily attributable to continuous business expansion with the opening of new stores.

Revenue from rental income rose 15.6% to RMB3,144 million, primarily attributable to an increase in leasable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

### **Prudent Expansion and exploration of new formats**

During the review year, the Group opened 38 new stores, of which 36 were hypermarket complexes and 2 were premium supermarkets. Meanwhile, the Group closed one Auchan store in Hangzhou. Of the 36 new hypermarkets, 14 were located in Eastern China, 3 in Northern China, 2 in North-Eastern China, 6 in Southern China, 9 in Central China and 2 in Western China. The two premium supermarkets operated by RT-Mart and Auchan under the brand names of “RH Lavia” and “Hi Auchan” are located in Changzhou City and Shanghai City respectively.

The Group also identified and secured 117 sites to open hypermarket complexes, of which 77 were under construction, ensuring sufficient reserve for the Group’s expansion in the next three years and laying a solid ground for its development in the medium term.

As of 31 December 2015, the Group had a total of 409 outlets across the country, with a total gross floor area of approximately 11 million square meters.

### **Introducing new brands and enhancing attractiveness of gallery to customers**

To enhance the attractiveness, the Group has been adjusting the tenants brand mix in the gallery by closely following purchasing trends, e.g. introducing the most popular format “concept stores” which combines various brands and categories, the smaller size “fast food store”, and the online hot stores to open offline stores in its gallery.

### **Changed the sourcing model of fresh products, gradually adjusted merchandise mix**

To better manage the control over purchasing prices and products quality, the Group proactively adjusted the purchasing model of fresh products by doing more direct sourcing in vegetables, fruits, aquatic products, meats and raw materials for deli. Meanwhile, the Group further increased the purchase of regional specialties so as to better differentiate its fresh products. The fruits distribution center located in Taicang city will commence operations in 2016 to facilitate the direct purchase of fruits.

During the year, the Group started a reallocation of the sales area by expanding the Mass Consumption Products category, especially mother and baby section and imported products section while downsizing partially the sections of electronics and apparel. Meanwhile, to meet the growing demand for imported products, the Group decided to increase the SKU number of directly imported products including wine, exclusive mineral water etc. It also actively adjusted the products mix by eliminating the slow moving items and enhancing the fast and new items demanded by the customers.

### **New marketing approach and improved attractiveness to customers**

The Auchan banner has launched member’s mobile application amid behavior change in consumption, targeting “young people” and “family with kids”. By offering the middle to high end merchandise, good feedback was received since these customers’ shopping frequency and trolley increased.

The Group has intensified promotion by joining the e-commerce players' promotion Festivals, e.g. "6.17-6.18" crazy shopping festival, "double 11" and "double 12" etc. With increased focus on improving shopping experiences and loyalty development, the Group launched the points conversion program targeting younger and "family with child" customers by giving out conversion commercial gifts with cartoon figures such as "Hello Kitty", "Minions" and "Doraemon" etc.

In addition, the Group has adopted a number of initiatives in improving working efficiency. Auchan's Chengdu DC and RT-Mart's Xiamen DC commenced operations during the year.

## **E – commerce Business**

In 2015, the Group continuously pushed E-commerce platform development and sought a good synergy between off-line store and E-business platform for the development of O2O so as to better serve customers.

Feiniu has realized national coverage by June 2015 through our hypermarkets' O2O program. Meanwhile, Feiniu has successfully enriched products offering by launching a third party marketplace and cross border import business separately in June and September 2015. As at 31 December 2015, Feiniu has over 1 million SKUs online and by end of January 2016, registered members amounted to 11 million with active member reached 3 million (purchased within half a year).

During the period, the Group made three investments that are expected to contribute to its top line growth in the future. To share synergies with the Group, Fields ([www.fieldschina.com](http://www.fieldschina.com)), an E-commerce site targeted at high-end consumers and Xiaohehe ([www.xiaohehe.org](http://www.xiaohehe.org)), a mobile O2O platform targeting university campuses, were acquired. Leveraged on the Group's sourcing strengths both overseas and in domestic China, a dedicated wine website [www.auchanwines.com](http://www.auchanwines.com) was launched.

At the end of 2015, feiniu.com was selected as one of China's top ten E-commerce websites by "China Internet Network Information Center" (中國互聯網研究中心). Its rapid growth has exceeded the industry's average growth rate.

## **Human Resources**

By end of 31 December 2015, the Group had 147,086 employees including employees from Auchan, RT-Mart, Feiniu, Oney, Fields and Xiaohehe. The group continued to push forward the improvement in employee efficiency to achieve control over cost.

**Mr. Mercier** concluded *"Even though 2016 will be a challenging year to retailers due to the economy slowdown and disrupted domestic demand, we will further adapt to changing customers' demands to enhance our attractiveness and will fully explore the synergies between offline stores and our E-commerce platforms to further develop O2O programs and improve revenue growth."*

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## **About Sun Art Retail Group Limited**

Sun Art Retail is a leading retailer with hypermarket and fast-growing E-commerce businesses in China. Sun Art Retail operates its hypermarket business under two recognized banners – "Auchan" (歐尚) and "RT-Mart" (大潤發). As of 31 December 2015, Sun Art Retail had a total of 409 outlets in China with a total gross floor area ("GFA") of approximately 11 million square meters. The E-commerce business platforms of Sun Art Retail include Feiniu.com ([www.feiniu.com](http://www.feiniu.com)), Fields ([www.fieldschina.com](http://www.fieldschina.com)), Auchan Wine ([www.auchanwines.com](http://www.auchanwines.com)), and a mobile O2O platform Xiaohehe ([www.xiaohehe.org](http://www.xiaohehe.org)).

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