



## Sun Art Retail Achieves Strong Improvement of Profit Result with Better Merchandising and More Effective Integration

**Strengthen O2O strategy by Linking Mortar Stores to Our Online Capability**  
**Enhance Differentiation in Our Business through Fresh Products and Exclusive Brands**  
**Satisfy our Customer with Diverse Formats**

### Financial Highlights

(In RMB million, unless stated otherwise)	Year ended 31 December		
	2016	2015	Growth rate
Revenue	100,441	96,414	+ 4.2%
Gross profit	23,981	22,463	+ 6.8%
Profit from operations	3,936	3,575	+ 10.1%
Profit for the year	2,629	2,464	+ 6.7%
Profit attributable to equity shareholders of the Company	2,571	2,443	+ 5.2%
Earnings per share - Basic and diluted	RMB 0.27	RMB 0.26	

### Business Highlights

- Revenue increased 4.2% YoY to RMB100,441 million, gross profit grew 6.8% YoY to RMB23,981 million, and gross profit margin increased 0.6 ppt to 23.9%
- Opened 38 new hypermarket complexes and successfully secured 79 sites to open hypermarket complexes, of which 69 were under construction to prepare for expansion over the next three years
- As of 31 December 2016, the Group had 446 hypermarket complexes across China
- Good gross margin performance given professional procurement and operation teams, together with strong execution capability, advanced logistics and IT systems
- Various newly implemented strategies proved to be successful, including the direct sourcing of Fresh products and the debut of new exclusive product brands
- Feiniu's business strategy has been evolving, combining online and offline business by leveraging the advantage of mortar stores. In 2016, Feiniu's gross merchandise volume ("GMV") doubled, achieving RMB2.1 billion, and the Feiniu's loss is expected to decrease in year 2017

(19 February 2017 – Hong Kong) **Sun Art Retail Group Limited** ("Sun Art Retail" or the "Group;" HKEX stock code: 6808), a leading hypermarket operator in China, announced its 2016 annual results. Revenue rose to RMB100,441 million, while EBIT and net income improved.

For the year ended 31 December 2016, gross profit margin increased 0.6ppt to 23.9%, reflecting the Group's better inventory management and greater economies of scale. Profit for the year rose by 6.7% to RMB2,629 million and would have risen around 8.7%, had the losses incurred by the e-commerce entities and Oney Accord Business Consulting (Shanghai) Co., Ltd been excluded.

Basic earnings per share amounted to RMB 0.27. The Board has recommended the payment of a final dividend of HK\$0.23 per ordinary share, representing a growth of 21% from last year, subject to the approval by the shareholders general assembly.

The Group maintained a healthy financial position. As at 31 December 2016, net financial position was RMB8,110 million. Inventory turnover days and trade payable turnover days were 67 days and 93 days, respectively.

**Mr. Bruno Robert Mercier, the Chief Executive Officer and Executive Director of the Group** commented *"The Year 2016 has been for the retail market with challenges still unfolding and opportunities are everywhere. During the year, total retail sales of consumer goods reached RMB33,232 billion, climbing 10.4% year on year, while online sales reached RMB5,156 billion, increasing 26.2% during the year. This is coming from mortar stores extending their business online, and e-commerce players also extending their online business to physical outlets. Sun Art Retail's online business started in 2013 and it is opening new possibilities for our future development, by relying on our core competences of our mortar stores and our new capabilities as an online carrier."*

As of the year ended 31 December 2016, the Group's revenue from sales of goods rose 4.1% to RMB97,096 million, due to continued business expansion with the opening of new stores and significant growth in Feiniu. Revenue from rental income rose 6.4% to RMB3,345 million, with an increase in rentable area from new stores and an increase in rental income from existing stores as a result of a better tenant mix.

#### **Prudent Expansion and Innovation**

During the year, the Group opened 38 hypermarket complexes, of which five were under the Auchan banner and 33 were under the RT-Mart banner. As of 31 December 2016, it had a total of 446 hypermarket complexes in China with a total gross floor area ("GFA") of approximately 12.032 million square meters. Approximately 68.8% of the GFA was leased space, 31.0% in self-owned properties and 0.2% was Contracted Stores. The Group has identified and secured 79 sites to open hypermarket complexes, of which 69 were under construction.

After one year of operation, the two small format stores "HiAuchan!" and "Lavia" recorded strong progress. In particular, "HiAuchan!" in Shanghai recorded satisfactory growth, opening an opportunity for the Group to open additional units of this smaller format in the future.

#### **Business Differentiation**

As of 31 December 2016, the Group had a total of 120 stores engaged in direct sourcing for their full range of vegetable products, while another 220 stores also had part of their vegetable products directly sourced. The comparable sales growth in the vegetable section increased by more than 8% over last year. In the second half of 2016, the Group has gone further and launched a direct sourcing for fruit for 10 stores in Eastern China.

The Group also kick-started a central kitchen project to produce semi-finished products for stores such as delicatessen, dim sum products, bread and pastries in collaboration with selected high-standard factories. In 2016, certain stores in Eastern China were used as pilot stores.

Sun Art Retail's exclusive brands have enjoyed a remarkable performance. Last year, sales of "Actuel," specializing in general goods, home textiles and tableware, surged by 88%. Sales of the small appliances brand "Qilive" and the home apparel brand "Unic" also enjoyed double digit growth. Its luggage and travelling goods brand "Airport" and sport brand "Cup's," doubled their sales year on year. More newly added brands will drive growth for the future.

### **Feiniu Keeps Improving, Integrating Online and Offline**

Feiniu's operation keeps improving. Combining online and offline business, it leverages the advantage of mortar stores and using feiniu.com as a platform to speed up and shorten the distance delivering goods to customers. Meanwhile, the effective control of inventory and the improvement of the professionalism of the procurement and the efficiency of the operation has reduced costs. The loss of Feiniu is expected to be reduced in 2017.

For 2016, the GMV of Feiniu doubled, reaching RMB2.1 billion, of which 29.1% was delivered out of stores. In 2016, O2O contributed 6.4% of total sales of the 36 participating stores. Moreover, more than 230 mortar stores under the RT-Mart banner as well as 14 mortar stores under the Auchan banner have begun cooperation with "Baidu Waimai," "Meituan" and "Eleme" in November 2016. In 2017, more stores will be joining the O2O project; rapid delivery within one to two hours of fresh products will be an attractive proposition to our customers.

### **Joint Efforts of the Two Banners for Better Margins**

Common procurement expanded from contract negotiation to joint-purchasing and tailor-made products, aiming to obtain the best prices from manufacturers. The Group will customize exclusive products to obtain better profit through sales differentiated products.

An equipment co-sourcing project between Auchan banner and RT-Mart banner was launched. Last year, 24 initiatives were identified, among which eight projects have brought extra savings of over 8%.

**Mr. Mercier** concluded, *"Looking ahead to the new year, we will continue to strengthen our O2O business by "internetising" (互聯網化) our mortar stores, and will also try to diversify the retail formats to satisfy our customer needs anytime and anywhere for any purpose."*

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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 2016, Sun Art Retail had a total of 446 outlets in China with a total gross floor area ("GFA") of approximately 12 million square meters. The E-commerce business platforms of Sun Art Retail include Feiniu.com (<http://www.feiniu.com/>), Fields (<http://www.fieldschina.com/>), Auchan Wine (<http://www.auchanwines.com/>), and O2O platform Xiaohehe (<http://xiaohehe.org/>).

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