



Opened **16**
new stores
A total of **388**
hypermarkets
across China



SUN ART
Retail Group Limited
Stock Code : 6808

2015 Interim Results Announcement



No.1
hypermarket
in the nation
in terms of
market share⁽¹⁾



Auchan 欧尚

大润发
RT-Mart

飞牛网
feiniu.com

FIELDS
A Taste of Quality

Source: (1) Data from Euromonitor

Content





OPERATING ENVIRONMENT

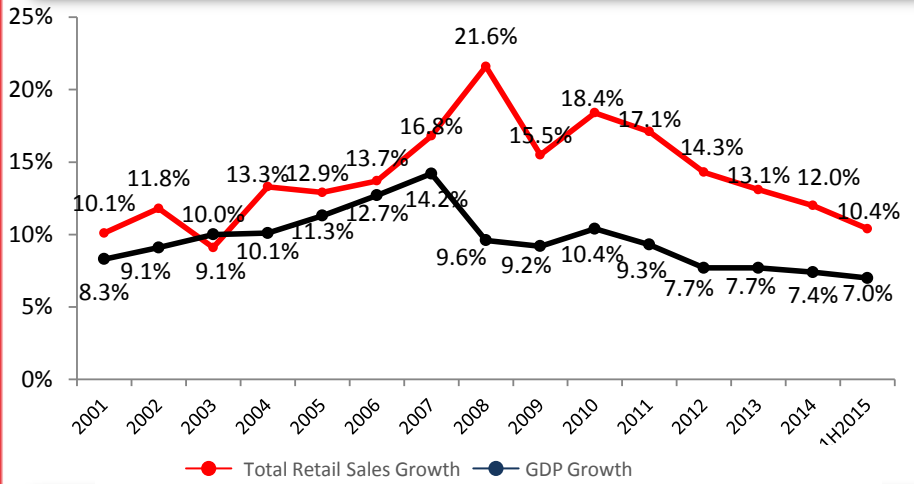
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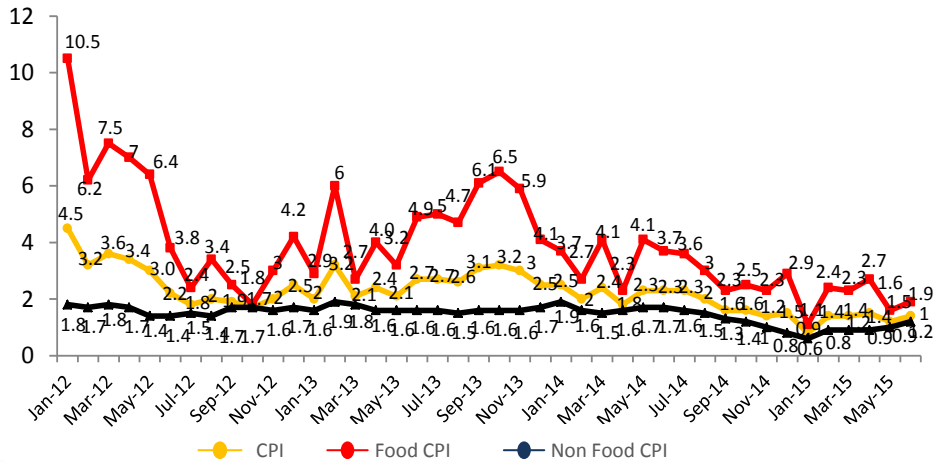


Operating Environment

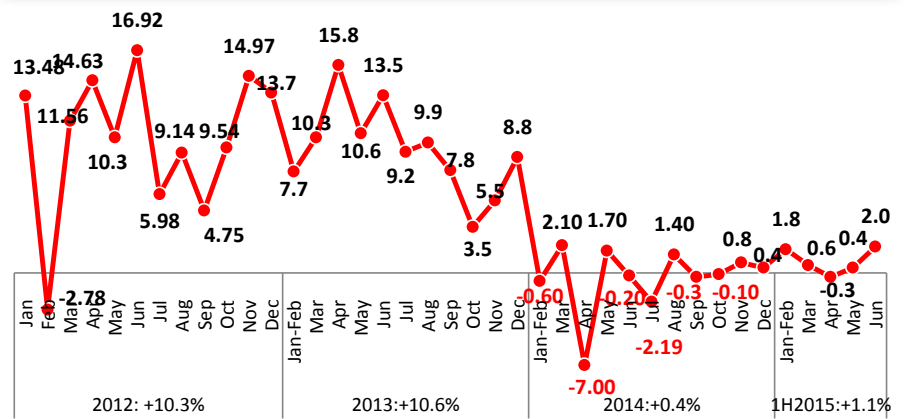
Growth of GDP and Total Retail Sales of Consumer Goods (1)



1H2015 Consumer Price Index: CPI 1.3%, Food CPI 2%, Non Food CPI (2)

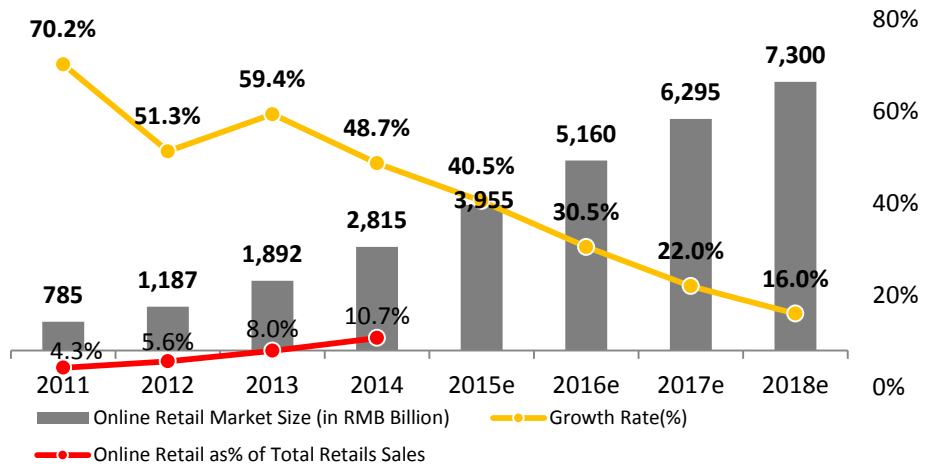


1H2015 50 Key Retail Enterprises Sales Growth : +1.1% (3)



1H2015 Total Retail Sales of Consumer Goods (4)*

National online retail sales was 1.6459 trillion in 1H2015, a growth of 39.1%.



Source:

4 Chart(1),(2), from the National Bureau of Statistics of China; Chart (3)from China Nation Commercial Information, Chart (4) from iResearch



FINANCIAL REVIEW

SUN ART
Retail Group Limited

Stock Code : 6808



Financial Highlights

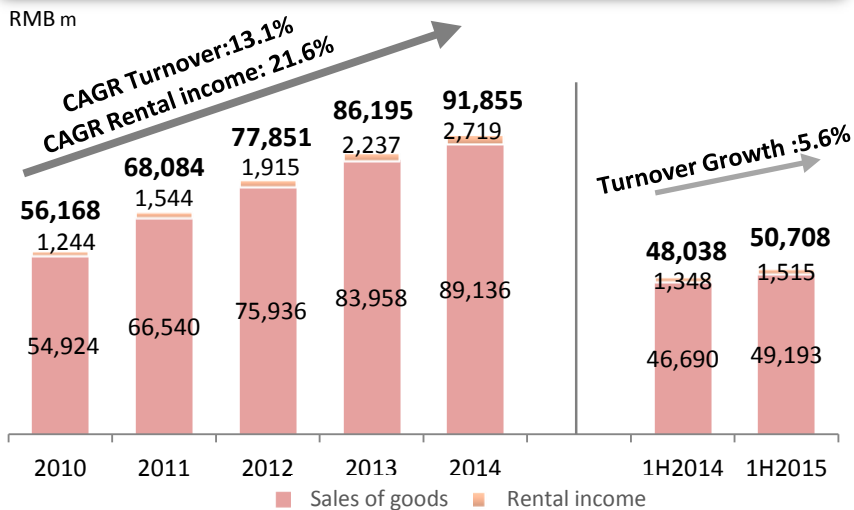
*For the six months ended 30 Jun
(RMB million)*

	2015	2014	Change
Turnover	50,708	48,038	5.6%
Gross Profit	11,425	10,523	8.6%
Gross Profit Margin	22.5%	21.9%	0.6ppt
Profit from Operations (EBIT)	2,190	2,495	-12.2%
Operating Profit Margin	4.3%	5.2%	-0.9ppt
Profit for the Period	1,522	1,789	-14.9%
Net Profit Margin	3.0%	3.7%	-0.7ppt
Profit Attributable to Equity Shareholders of the Company	1,476	1,710	-13.7%
Earnings per Share			
— Basic and Diluted (RMB)⁽¹⁾	0.15	0.18	-

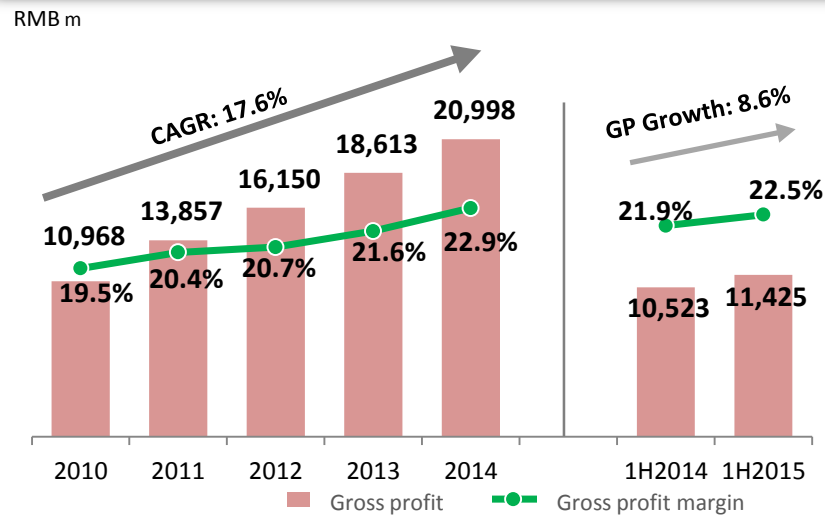
(1) The calculation of basic and diluted EPS for the six months ended 30 June 2015 and 2014 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the period.

Financial Highlights

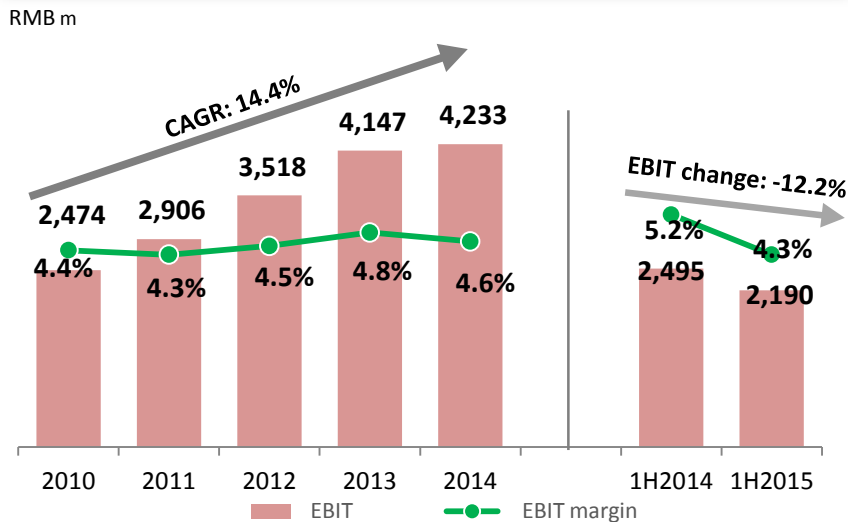
Turnover



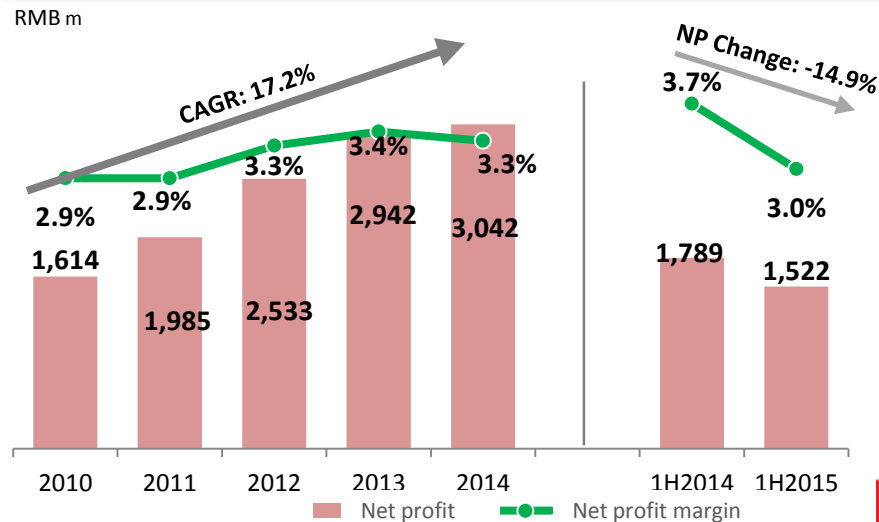
Gross Profit and Margin



EBIT and Margin



Net Profit and Margin ⁽¹⁾

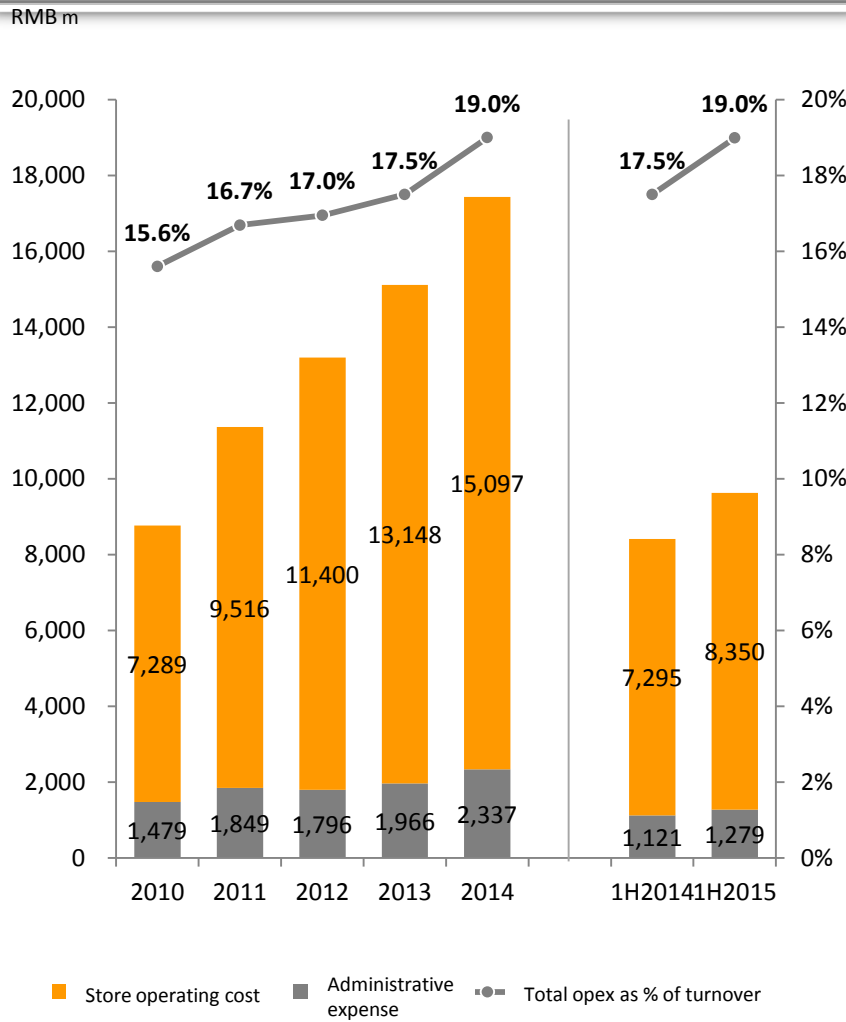


Note: (1)

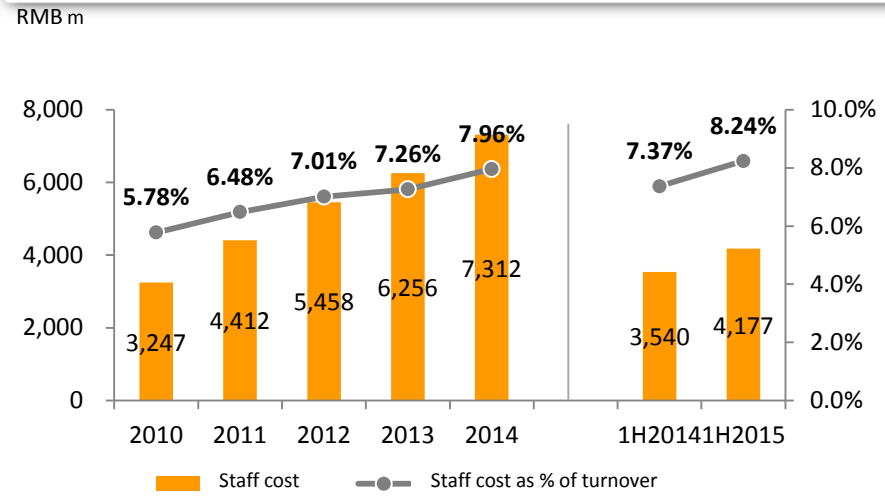
Showing profit for the period under review, i.e. including the non-controlling interests

Operating Expenses

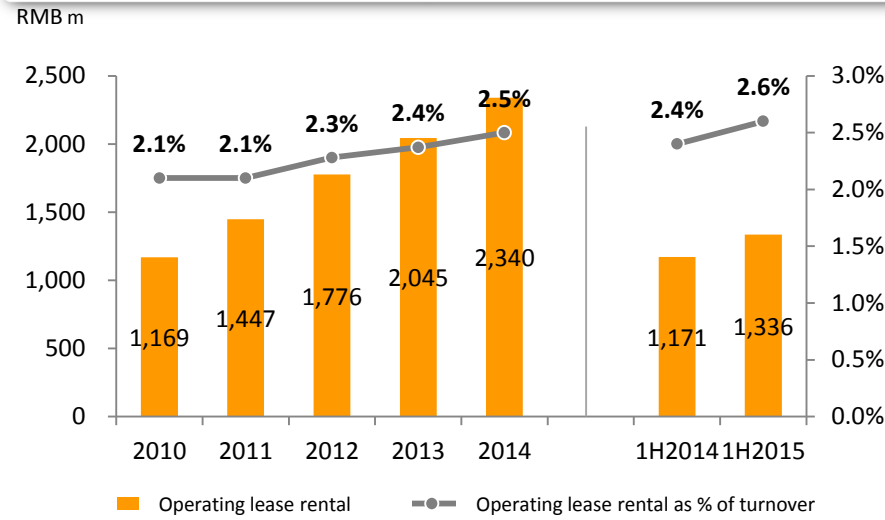
Total Operating Cost



Staff Cost

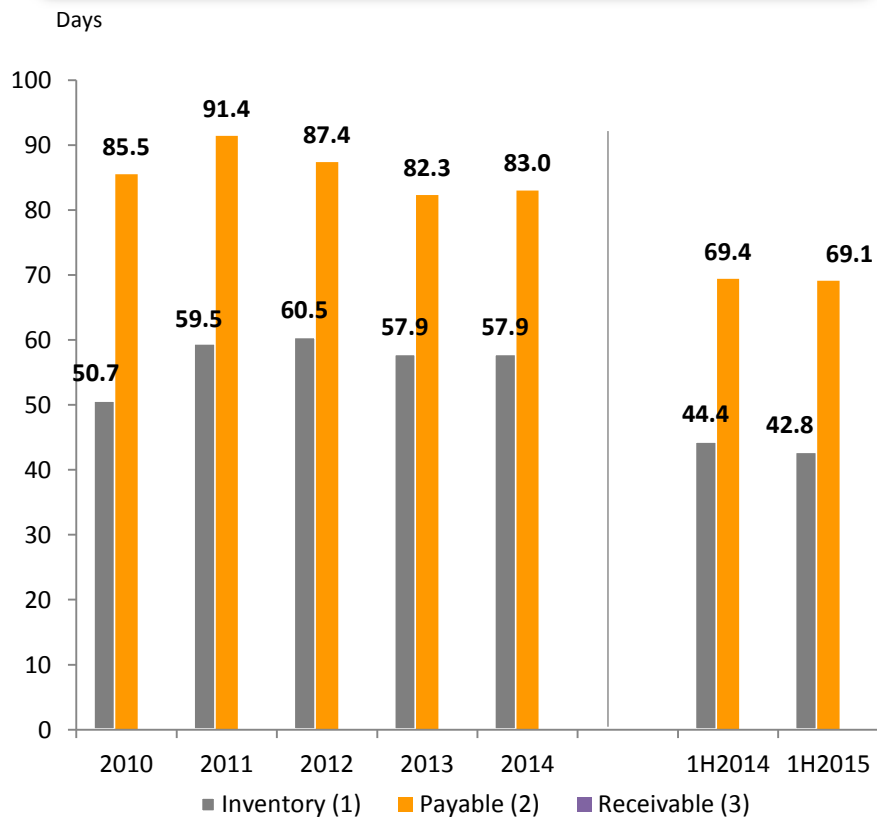


Operating Lease Rental

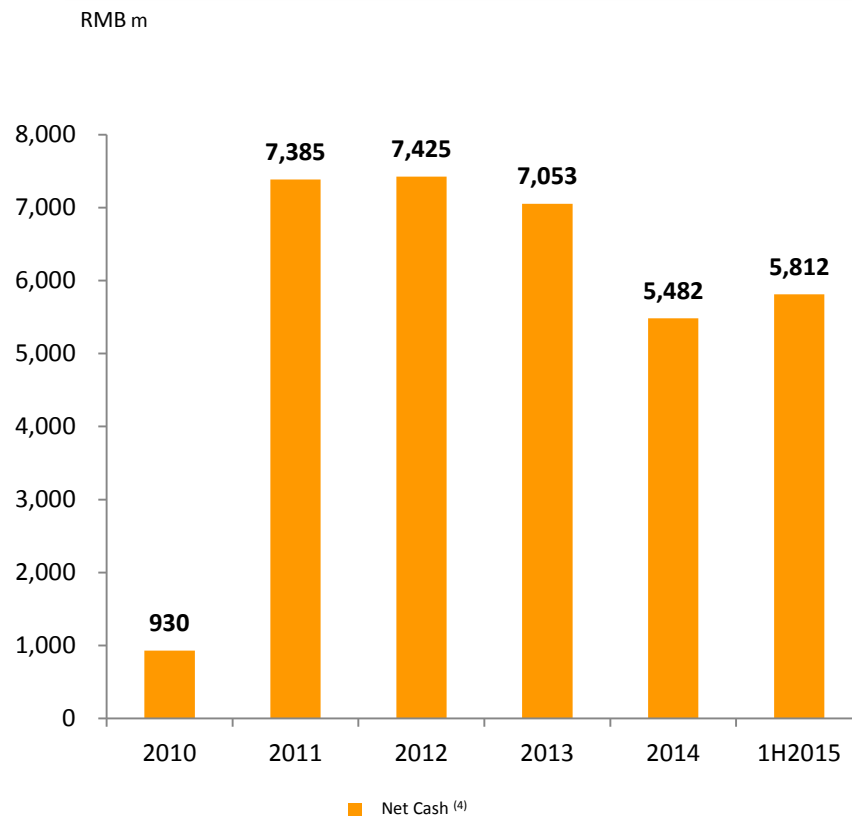


Balance Sheet

Stable Working Capital Days



Net Cash Position



Notes:

- (1) Turnover days of inventory is calculated as the average inventory for the year/ period, divided by cost of inventories charged to P/L for the year/ period, and multiplied by 365 days for 2010, 2011, 2012, 2013 and 2014 and 180 days for 1H2015.
- (2) Turnover days of accounts payable is derived by dividing the average of opening and closing balances of trade payables, for the relevant period by cost of inventories charged to P/L and multiplying by 365 days for 2010, 2011, 2012, 2013 and 2014 and 180 days for 1H2015.
- (3) Turnover days of accounts receivable is insignificant for the Company. It is derived by dividing the arithmetic mean of opening and closing balances of trade receivables, for the relevant period by turnover and multiplying by 365 days for 2010, 2011, 2012, 2013 and 2014 and 180 days for 1H2015.
- (4) Calculated as the sum of cash & cash equivalents, investments and time deposits, minus bank loans.

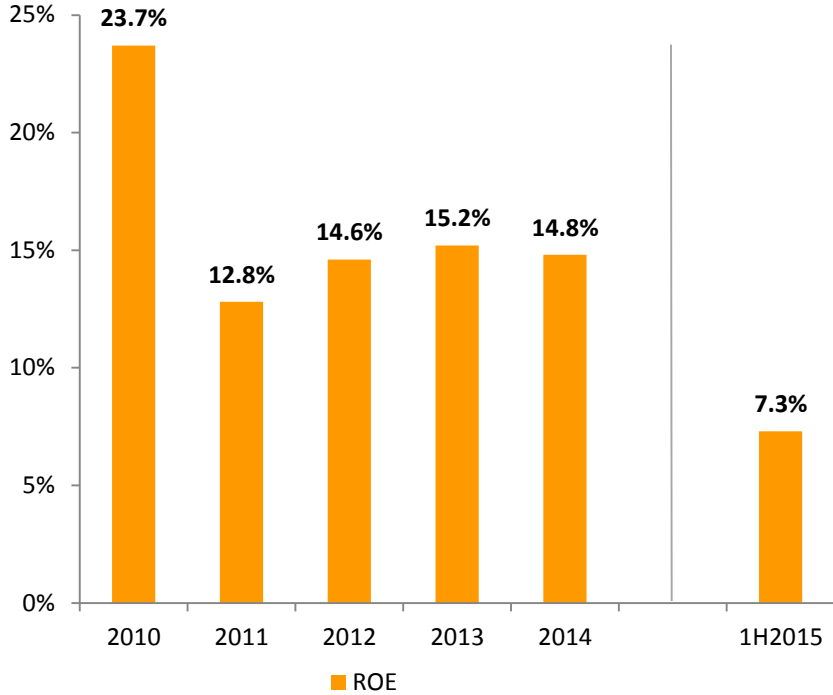
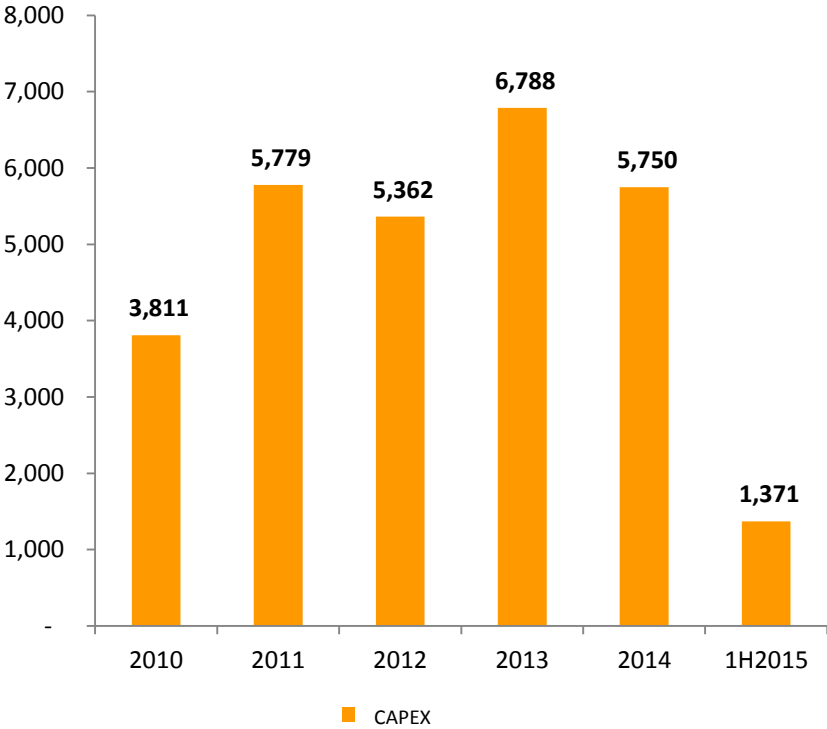
Investment Return

CAPEX

ROE ⁽¹⁾

RMB m

RMB m



Notes:
 (1) ROE is calculated by dividing net profit for the period by total equity amounts as at the end of such period.
 (2) Excluding effect of initial public offering of equity, ROE for 2011 is 25.2%.



BUSINESS REVIEW





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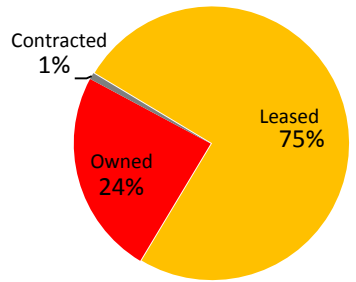
Business Review

16 new hypermarket complexes were opened in 1H2015

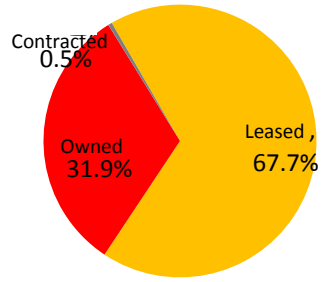
Region	No. of Hypermarket Complexes (30 Jun 2015)		Total	GFA of Hypermarket Complexes (sqm) (30 Jun 2015)		Total
						
Eastern China	43	115	158	1,834,683	2,827,545	4,662,228
Northern China	7	38	45	216,810.8	907,113	1,123,924
North-Eastern China	2	37	39	56,237	1,014,622	1,070,859
Southern China	5	66	71	124,523	1,625,136	1,749,659
Central China	9	50	59	262,506	1,305,069	1,567,575
Western China	4	12	16	178,609	284,518	463,127
Total	70	318	388	2,673,369	7,964,003	10,637,372



Store Number Breakdown (30 Jun 2015)



GFA Breakdown (30 Jun 2015)



A total of **388** hypermarkets across China as at 30 June 2015, covering **27** Provinces, autonomous regions and municipalities. Secured **146** sites to open hypermarket complexes in next 3 years, of which **100** were under construction.

E-Commerce

Calendar

March – May 2015

Launched O2O project - Feiniu.com achieved nationwide coverage

April 2014

Acquired controlling stakes in

www.fieldschina.com

June 2015

Feiniu Marketplace was officially launched

Projects in progress

September 2015

Launches “Cross-border platform” (跨境通)

Launches O2O project - to install electronic screens in offline stores

Feiniu’s achievements by the end of July 2015:

Over 5,500,000

Total registered members

Over 1,000,000

Active members

In July 2015, orders from mobile app accounted for **64%** of the total orders of the month

Business Review

Gallery

- Proactively sought for new shops including trendy brands, baby brands and theme restaurants.
- Organized joint promotional activities together with gallery tenants as to help improve tenants' sales and foot traffic to our stores.

Expand store coverage

- In-depth analysis of the customers' membership information to make the communication more efficient, promoting the delivery effectiveness of promotional leaflets, and increasing stops for free shuttle buses in certain areas.
- Proactively explored suitable marketing methods as to further expand the coverage of stores in catchment area.
- Market expansion measures, flexible pricing strategy and interactive activities with customers have improved the effectiveness of the relationship between customers and stores.

Innovative purchase method & Direct sourcing

- Direct purchase from vegetable wholesale markets especially of seasonal items or merchandise with big volume and good prices, and launches seasonal promotions in stores, stimulating consumers' desire to shop.
- Direct purchases of imported fresh produces and maintained pricing advantage over online sellers for hot selling items.
- Further pushed direct sourcing including overseas sourcing to meet high-end consumer demand and achieve differentiation .

Business Review

Adjusted merchandise mix to cater for new consumption demand

- Adjusted space allocation of different categories based on the changes of consumer demand. For example, around 600sqm² previously dedicated to appliances was reallocated to MCP (mass consumer products) to display more imported goods and health products.
- Introduced more categories to enrich the merchandise mix, for example to set a specialized area for flour to cater to the increasing demand of home baking.
- To better promote our dim sum section which is one of our strengths, the Group held a few food festivals such as “chef’s recommendation” and “Chinese time honored brand”.
- Continued to push own brand products development by launching the brands “Actuel” for household and “Airport” for luggage. These brands delivered positive sales growth with stable quality and competitive prices.

Diversified marketing campaigns

- Made effort to launch a series of more diversified, precise marketing campaigns. Leveraging the excitement created by e-commerce players’ promotions and launches shopping festivals in offline stores.
- Changed way of promotion from single item to heavier promotion on whole section so as to strengthen hypermarket’s positioning as a discounter.

Improved supply chain

- Implemented a series of initiatives at distribution centres to improve efficiency.
- Auchan started to prepare a regional DC in Chengdu and RT-Mart’s regional DC in Xiamen commenced operations; the regional DC of RT-Mart in Nanjing is expected to be complete in January 2016.

Improved labor efficiency

- Continuously implement initiatives at store level to improve productivity to lower the average number of staff per store.



BUSINESS STRATEGY

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Business Strategy



Higher standard for new stores, Gradually Slow Down Offline Store Expansion



Push Forward E-Commerce & O2O Development



Enhance Procurement Methods, Constantly Strive to Optimize Product Mix



Further Improve Operational Efficiency and Supply Chain Management



Continue to Provide Staff with Training and Maintain a Good Corporate Culture



Develop into a omni-channel retailer