

SUN ART

Retail Group Limited

高鑫零售有限公司

Stock code: 6808

2015 Annual Results Announcement



About SUN ART

SUN ART Retail Group Limited

Mortar Stores

 Auchan 欧尚

 大润发
RT-Mart



RH lavia 

E-Commerce


feiniu.com


FIELDS
A Taste of Quality

 校呵呵
hehexiao.org

 欧尚酒窖
ines
auchanwines.com

Operating Environment

Financial Review

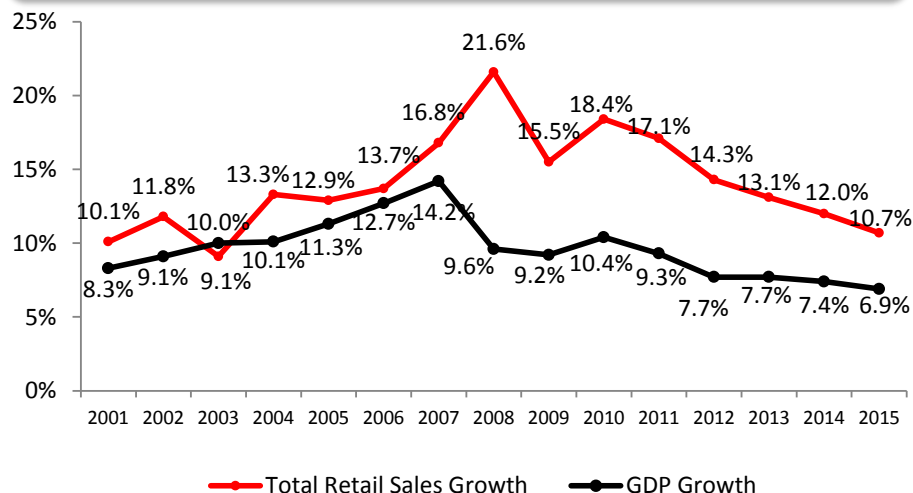
Business Review

Business Strategy

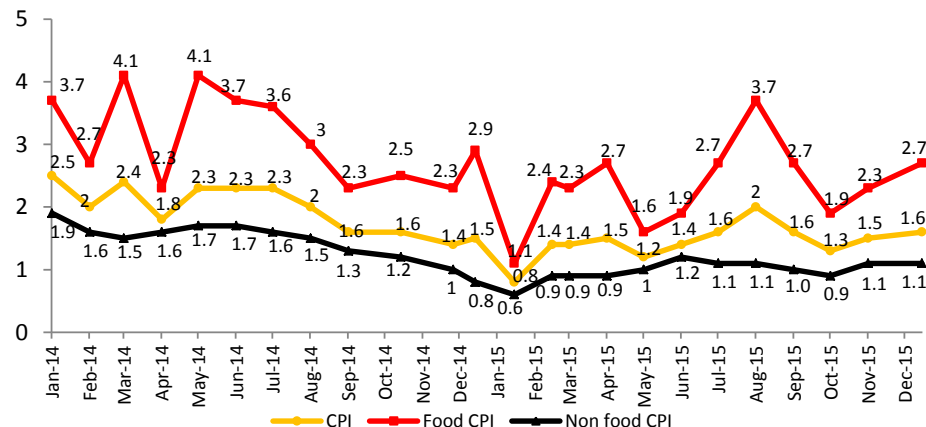


Operating Environment

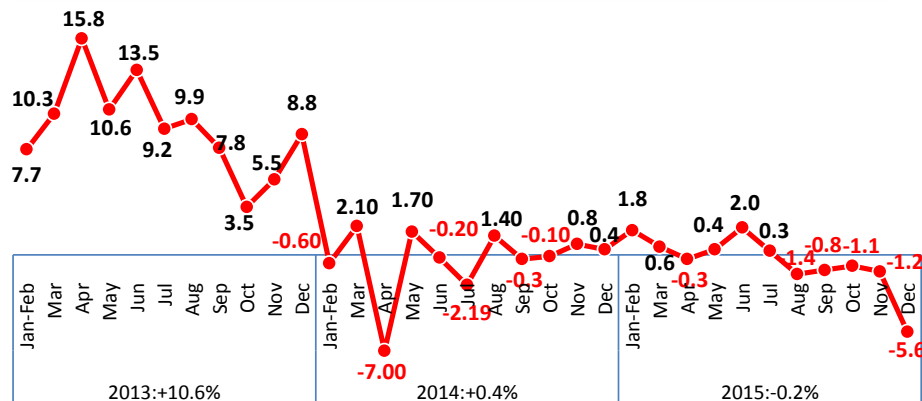
Economic growth continued to slow down and growth of retail sales declined



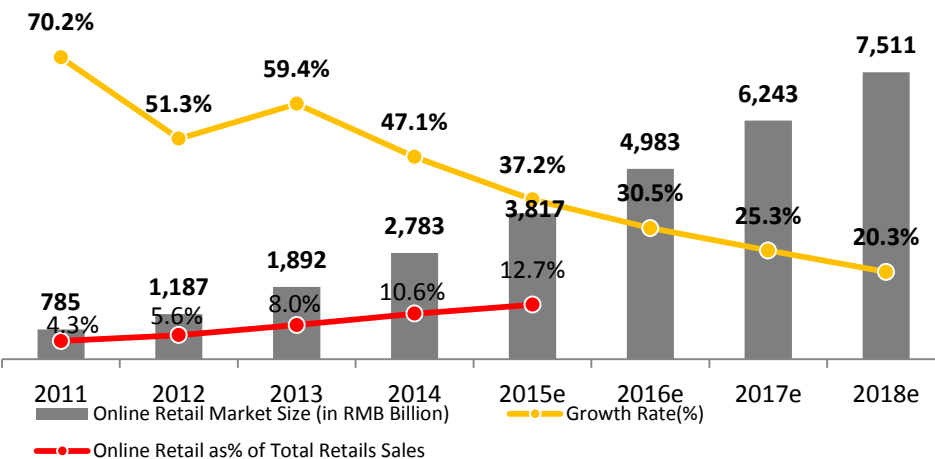
Mild Inflation: 2015 CPI grew 1.4% YoY



Retail enterprises suffered from sales decline: 50 key retailers sales down 0.2%

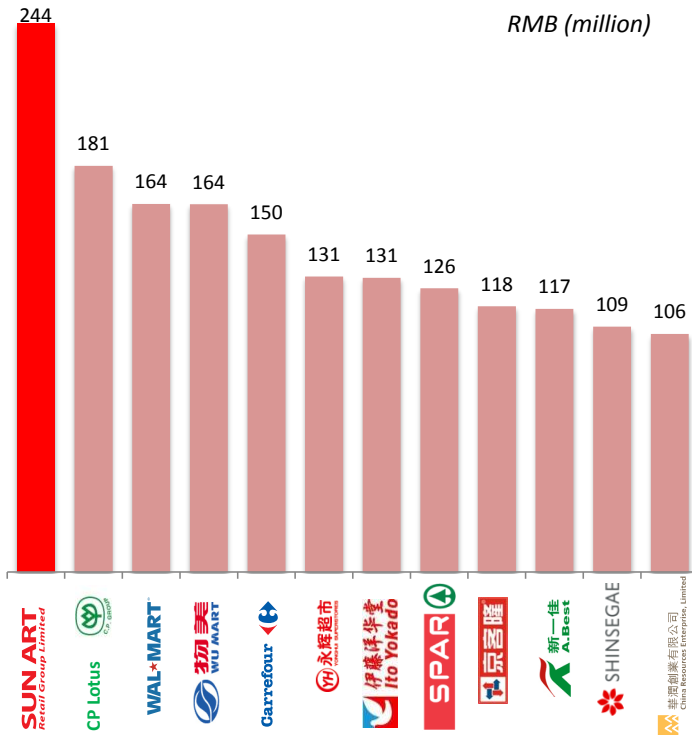


Online Shopping maintained robust growth for 37.2%, account for 12.7% of total retail sales



Leading Retailer in China

Average Sales Per Store in 2015 in the Hypermarkets Industry



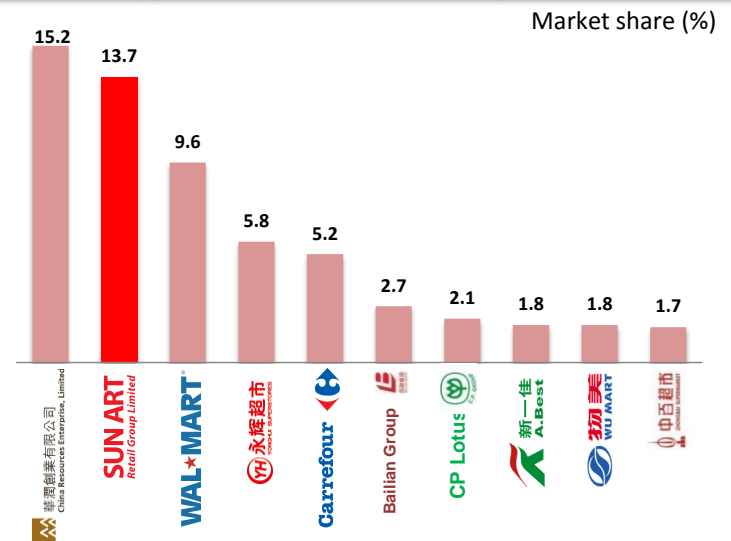
Source: Euromonitor

- (1) Calculated based on figure from Euromonitor: retail value of 2015/(average number of stores between beginning and ending of 2015)
- (2) The definition of hypermarkets from Euromonitor is retail outlets with a selling space of over **2,500** square metres and with a primary focus on selling food/beverages/tobacco and other groceries.

Top 10 China Retailers Market Share in 2015

	Market share (%)
Alibaba Group Holding Ltd	6.5
JD.com Inc	2.8
China Resources Enterprise Ltd	1.2
Suning Appliance Co Ltd	0.9
GOME Electrical Appliances Holding Ltd	0.8
Wal-Mart Stores Inc	0.8
Sun Art Retail	0.7
Bailian Group Co Ltd	0.5
Beijing Xiao Mi Co Ltd	0.5
Belle International Holdings Ltd	0.3
Total	15.0

Market Share in the Hypermarkets Industry 2015



Operating Environment

Financial Review

Business Review

Business Strategy



Financial Highlights

(RMB in million)	2015	2014 (Restated)	Change
Revenue	96,414	91,855	5.0%
Same store sales growth ⁽¹⁾	(3.6%)	(1.6%)	-
Gross Profit	22,463	20,998	7.0%
Gross Profit Margin	23.3%	22.9%	0.4ppt
EBIT	3,575	4,214	(15.2%)
EBIT Margin	3.7%	4.6%	(0.9) ppt
Profit for the year ⁽²⁾	2,464	3,023	(18.5%)
Net profit margin	2.6%	3.3%	(0.7) ppt
Profit attributable to equity shareholders	2,443	2,899	(15.7%)
Earnings per share -Basic and diluted (RMB) ⁽³⁾	RMB0.26	RMB0.30	-

(1) Same store sales: the growth rate of sales of the stores opened before 31 December 2014. It is calculated by comparing the sales derived from those stores during their operating periods in 2015 with sales during the corresponding periods in 2014.

(2) The decrease of profit for the year of 2015 compared to the year 2014 would have been around 8.5%, had the losses occurred by the E-commerce entities and Oney Accord been excluded for both years.

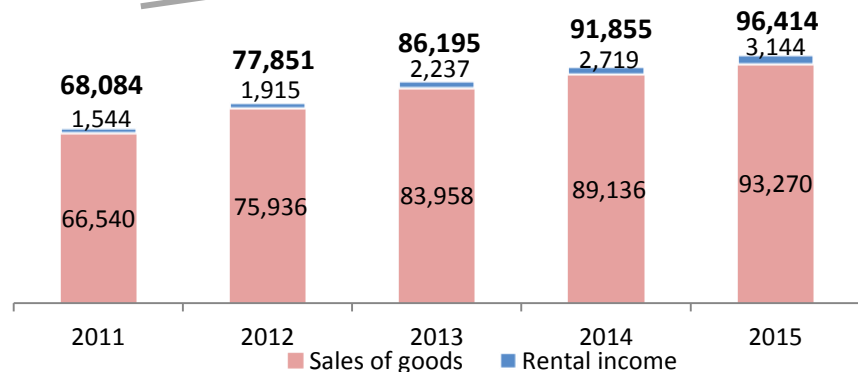
(3) The calculation of basic and diluted EPS for the years ended 31 December 2015 and 2014 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

Financial Highlights

Revenue

RMB (million)

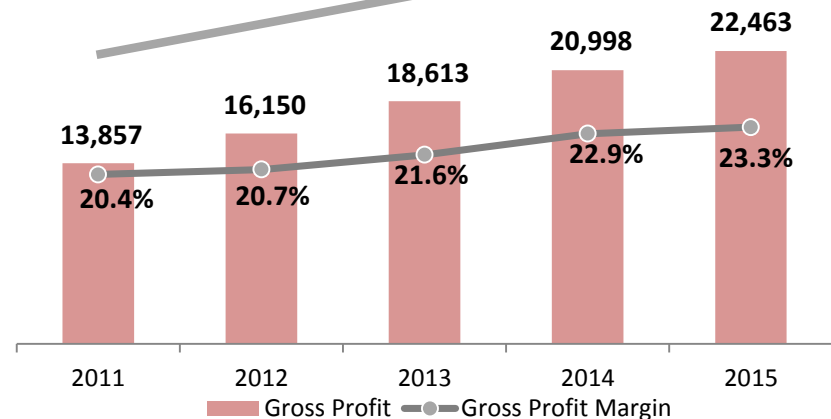
CAGR Revenue: 9.1%
CAGR Rental income: 19.5%



Gross Profit Margin

RMB (million)

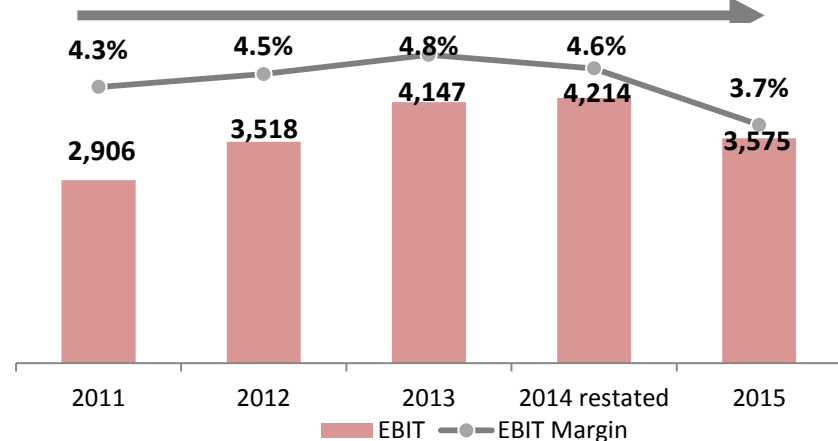
CAGR: 12.8%



EBIT and EBIT Margin

RMB (million)

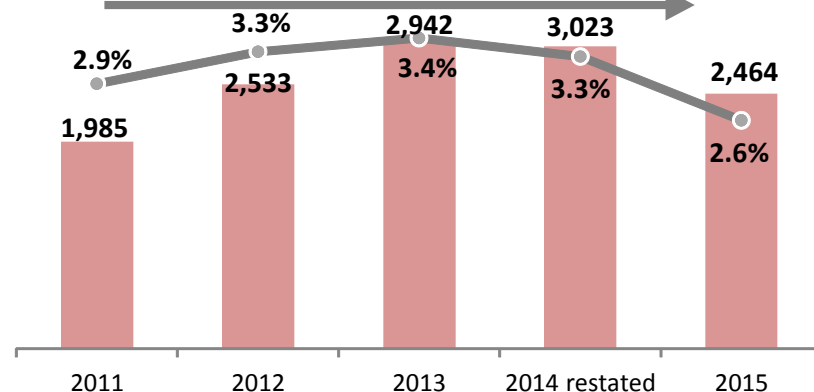
CAGR: 5.3%



Net Profit ⁽¹⁾ and Margin

RMB (million)

CAGR: 5.6%



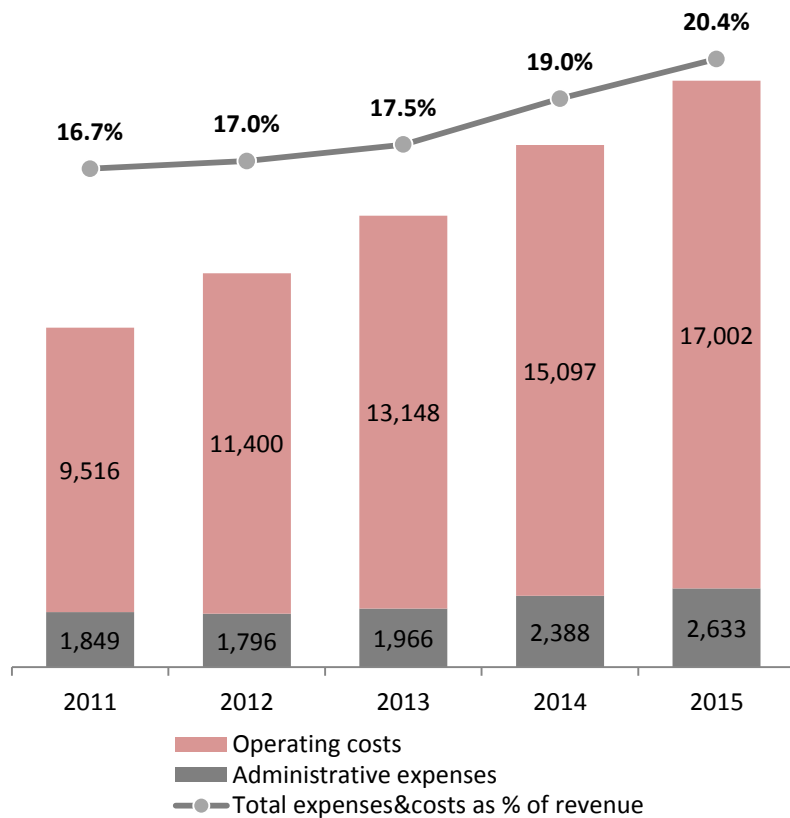
Note:

(1) Showing profit for the year, i.e. including the non-controlling interests

Expenses

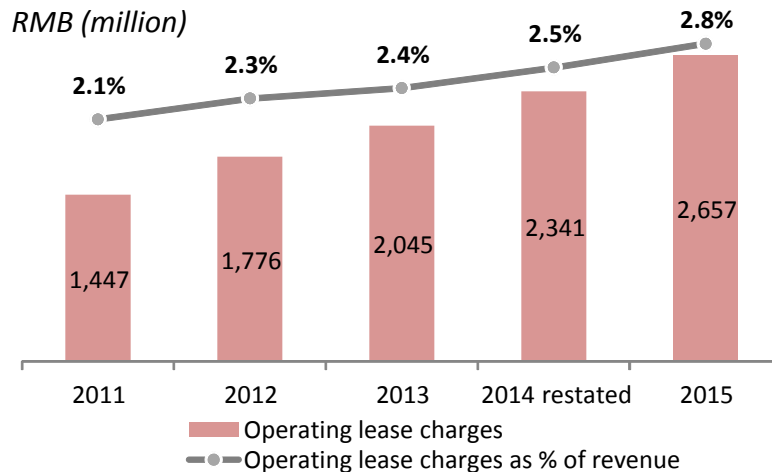
Expenses

RMB (million)



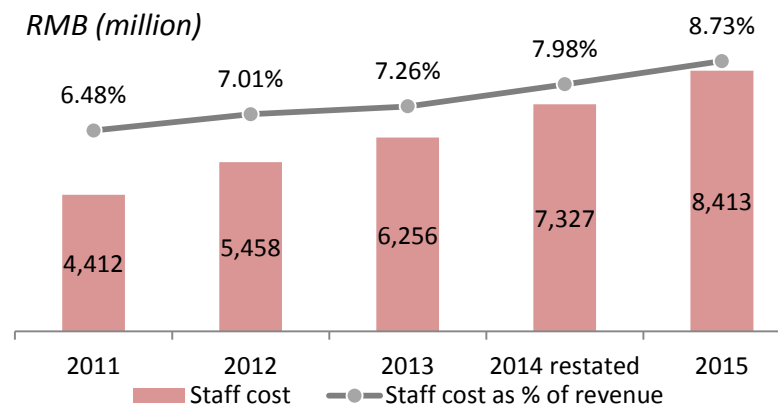
Operating Lease Charges

RMB (million)



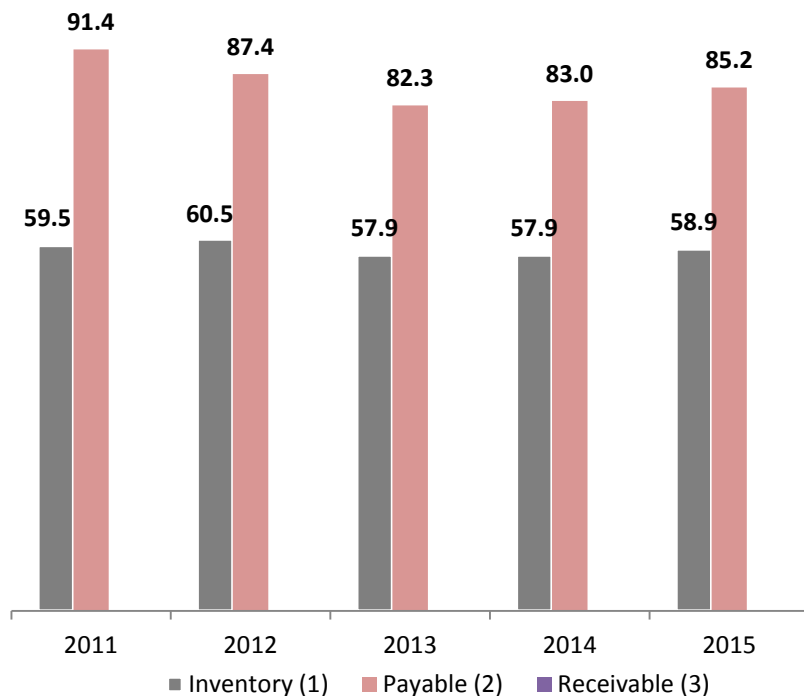
Staff Cost

RMB (million)



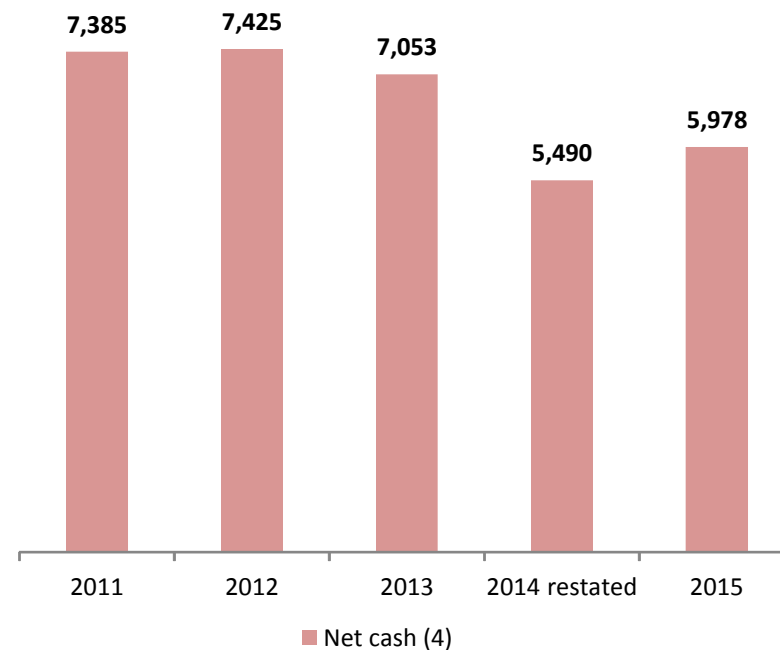
Balance Sheet

Stable Working Capital Days



Net Cash Position

RMB (million)



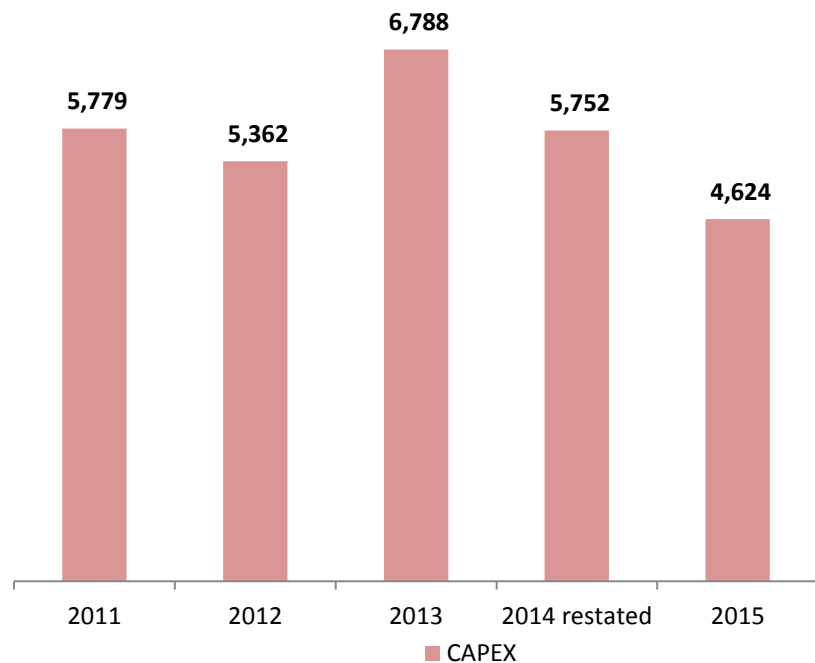
Note:

- (1) Turnover days of inventory is calculated as the average inventory for the year, divided by cost of inventories charged to P/L for the year, and multiplied by 365 days for 2011, 2012, 2013, 2014 and 2015.
- (2) Turnover days of accounts payable is derived by dividing the average of opening and closing balances of trade payables, for the relevant year by cost of inventories charged to P/L and multiplying by 365 days for 2011, 2012, 2013, 2014 and 2015.
- (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 2011, 2012, 2013, 2014 and 2015.
- (4) Calculated as the sum of cash & cash equivalents, investments and time deposits, minus bank loans and overdrafts

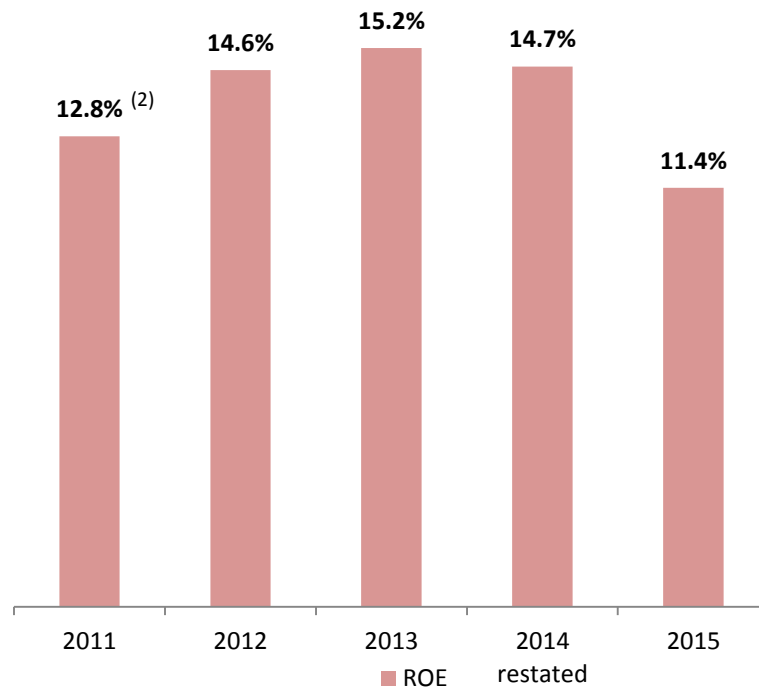
Investment Return

CAPEX

RMB (million)



ROE ⁽¹⁾



Note:

(1) ROE is calculated by dividing net profit for the year by total equity amounts as at the end of the year

(2) Excluding effect of initial public offering of equity, ROE for 2011 is 25.2%

Operating Environment

Financial Review

Business Review

Business Strategy



Business Review – Mortar Stores

Hypermarket Complexes

Supermarkets

Auchan 欧尚

大润发
RT-Mart



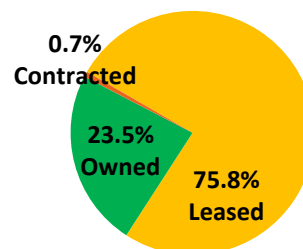
RH lavia

- A total of **409** hypermarkets and supermarkets across China as at 31 Dec 2015, covering **28** Provinces, autonomous regions and municipalities
- Secured 117 sites to open hypermarket complexes in next 3 years, of which 77 were under construction.

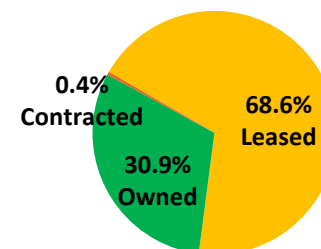


Region	No. of stores			GFA (sqm)		
			Total			Total
Eastern China	46	122	168	1,892,618	2,972,193	4,864,811
Northern China	7	38	45	216,811	907,113	1,123,924
North-Eastern China	2	38	40	56,237	1,039,544	1,095,781
Southern China	5	69	74	124,523	1,709,578	1,834,101
Central China	9	55	64	281,290	1,397,492	1,678,782
Western China	5	13	18	220,371	307,498	527,869
Total	74	335	409	2,791,850	8,333,418	11,125,268

Store no. breakdown



GFA breakdown



Business Review – E-commerce



▪ Mar-May 2015

Feiniu (www.feiniu.com) achieved national coverage by using RT-Mart store as DCs .

▪ Jun 2015

Feiniu (www.feiniu.com) further increased products offerings by launching marketplace and built its SKUs number to over 1 million.

▪ More investments:

Apr 2015

Fields (www.fieldschina.com), an e-commerce site selling high quality food mainly in Shanghai.

Sep 2015

Xiaohehe (www.xiaohehe.org), a mobile O2O platform targeting at university campuses.

Sep 2015

Auchanwines (www.auchanwines.com), a vertical platform specialized in wines.

- By the end of Jan 2016, Feiniu.com has over 11 million registered members, of which over 3 million are active users (purchased within half a year).
- The number of transactions that were completed through mobile terminal was 78% for Dec 2015.



Business Review

Gallery: Introducing new brands and enhancing attractiveness of galleries to customers

- Proactively adjusted tenants brand mix in the galleries by closely following purchasing trends and introduced some of these popular formats into our gallery.
- Carried out bi-weekly animation programs in the gallery for the full year and they have been effective in attracting young and families with children customers.

Changing the sourcing model of fresh products and adjusting merchandise mix gradually

- Started to adjust the sourcing model of fresh products by doing direct sourcing in vegetables, fruits, aquatic products, meats and raw materials for our delicatessens which helped achieve better control in purchasing price and products quality.
- Preparing for fruit DC to facilitate direct purchase of fruits.
- Started a reallocation of sales area among different categories within the stores: expanding the MCP category especially mother and baby section and imported products section. For categories faced growth pressure in sales, actively adjusted the products mix by eliminating the slow moving items and enhanced the fast moving and new items demanded by customers.
- Further pushed common negotiations jointly carried by Auchan and Rt-Mart with suppliers to 46.6% of the total buying turnover.
- Continued to push development and sales of own brand products. We have developed “Actuel” brand for household products, “Airport” for luggage products, “Huishang” for Chinese food and the food series developed jointly with the Disney brand. These products represent good quality and competitive prices so as to achieve strong differentiation.

Business Review

Adopting new marketing approach and improving attractiveness to customers

- Intensified promotion by joining the e-commerce players' promotion festivals in addition to the traditional ones which has further intensified our image as a discounter.
- More actively promoted festival related products such as Halloween which has made our stores trendier .
- Focused more on improving shopping experience and loyalty development when planning marketing campaigns: launched points conversion program that were targeted at young and families with child.

Improving logistic efficiency and developing supply chain

- A number of initiatives has been carried out to improve working efficiency of logistics.
- Auchan's Chengdu DC and Rt-Mart's Xiamen DC commenced operations.

Human Resources

- As of Dec 2015, the Group has a total of 147,086 employees, including employees of Auchan, Rt-Mart, Feiniu, Oney, Fields and Xiaohehe.
- Continued to push forward the improvement in efficiency of employees to achieve control over cost.

Operating Environment

Financial Review

Business Review

Business Strategy



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 an omni-channel retailer

Thank You!



Feiniu App



Feiniu H5



Feiniu WeChat



FIELDS APP



FIELDS WeChat



Auchanwines Website



Xiaohehe WeChat



Xiaohehe Website