

SUN ART

Retail Group Limited

高鑫零售有限公司

Stock code: 6808

2016 Interim Results Announcement



About SUN ART

SUN ART Retail Group Limited

Mortar Stores

 Auchan 欧尚

 大润发
RT-Mart



RH lavia 

E-Commerce

 飞牛网
feiniu.com

 FIELDS
A Taste of Quality

 校呵呵
hehexiao.org

 欧尚酒窖
ines
auchanwines.com

Operating Environment

Financial Review

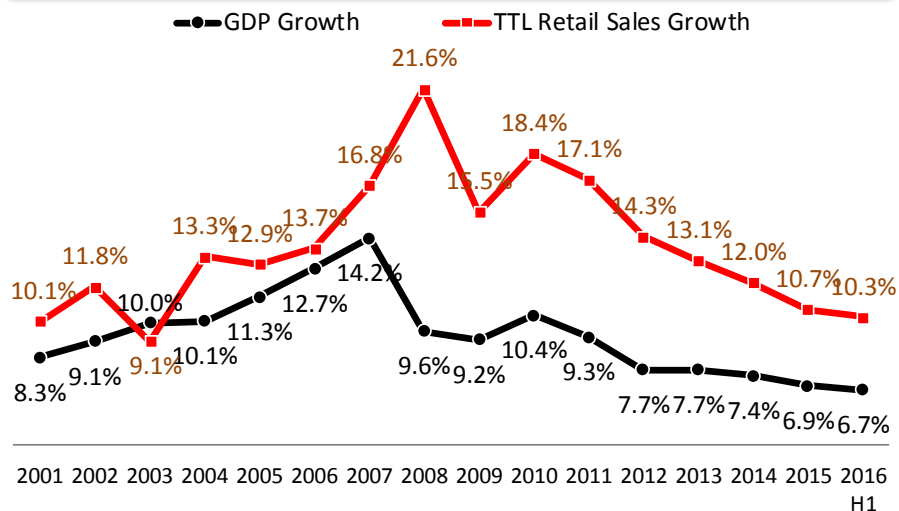
Business Review

Business Strategy

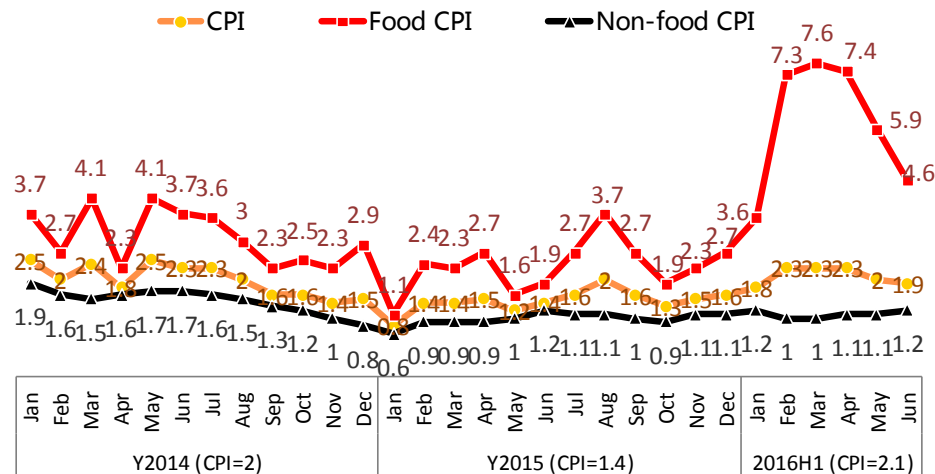


Operating Environment

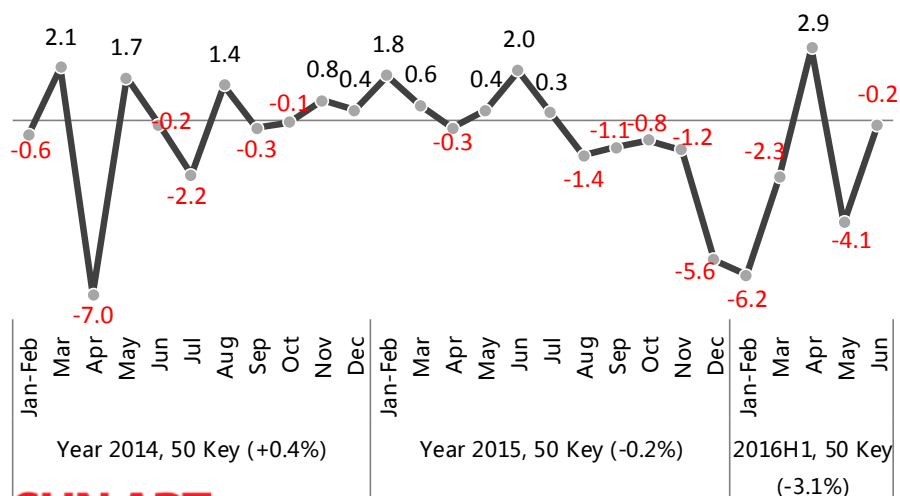
Growth of GDP & Total Retail Sales of Consumer Goods



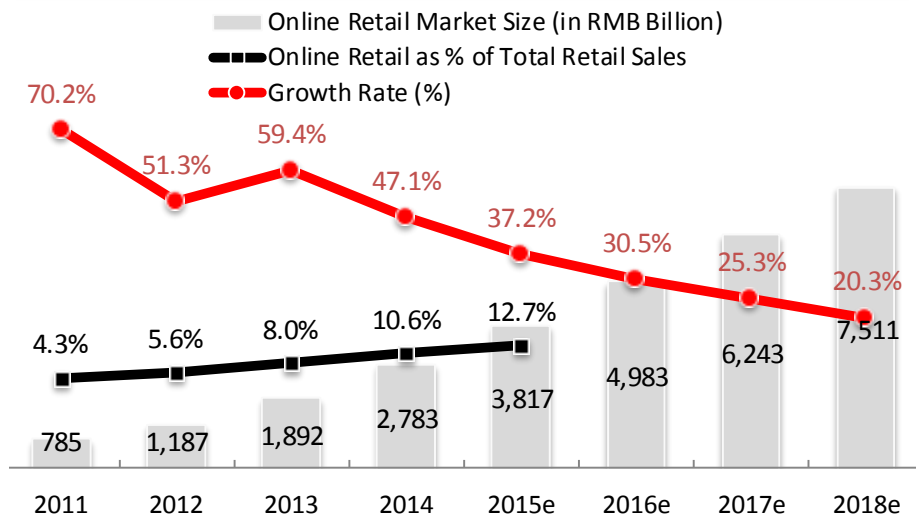
1H2016 CPI 2.1% Food CPI 6.2%, Non Food CPI 1.1%



1H2016 50 Key Retailers Sales Growth:-3.1%

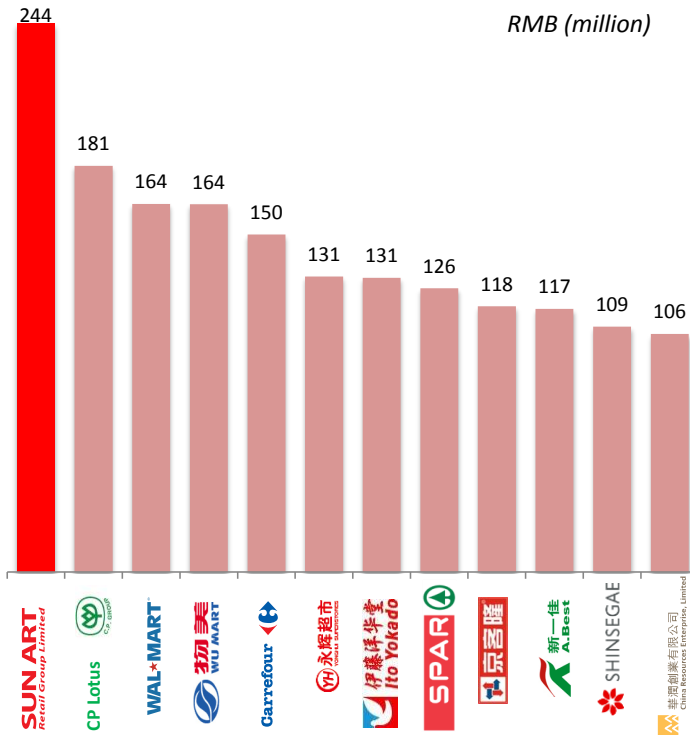


Online physical products sales accounted for 11.6% of total retail sales in 2016H1, up by 26.6%



Leading Retailer in China

Average Sales Per Store in 2015 in the Hypermarkets Industry



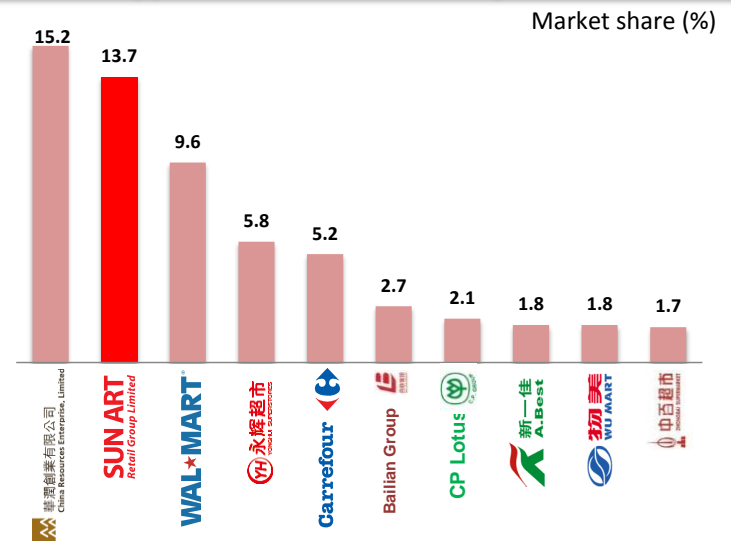
Source: Euromonitor

- (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

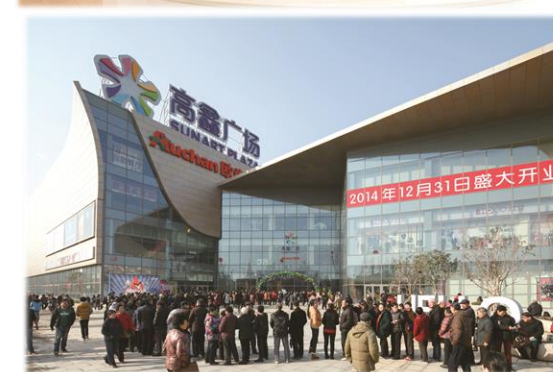


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Financial Highlights

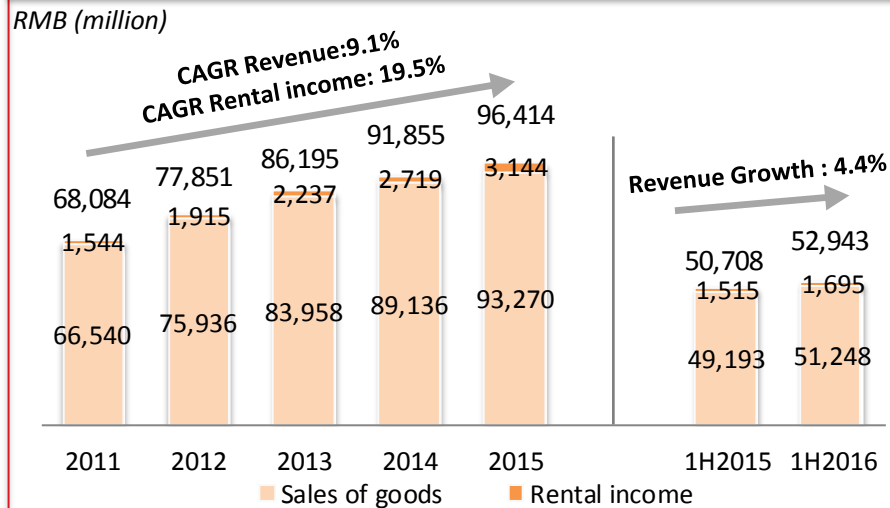
For the six months ended 30 June (RMB in million)	2016	2015 Restated	Change
Revenue	52,943	50,708	+4.4%
Gross Profit	12,059	11,425	+5.5%
Gross Profit Margin	22.8%	22.5%	+0.3ppt
EBIT	2,199	2,180	+0.9%
EBIT Margin	4.2%	4.3%	-0.1ppt
Profit for the year	1,461	1,512	-3.4%
Net profit margin	2.8%	3.0%	-0.2ppt
Profit attributable to equity shareholders	1,432	1,471	-2.7%
Earnings per share -Basic and diluted (RMB) ⁽¹⁾	0.15	0.15	

(1) The calculation of basic and diluted EPS for the years ended 30 June 2016 and 2015 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

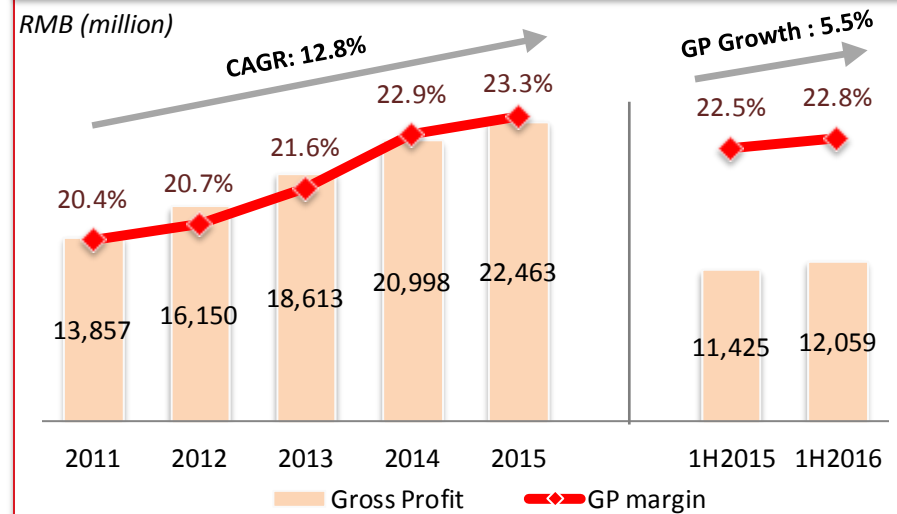
(2) The profit for the period ended 30 June 2016, compared to the corresponding period in 2015, would have increased by 2.2%, had the losses occurred by the E-commerce entities and Oney Accord been excluded from both periods.

Financial Highlights

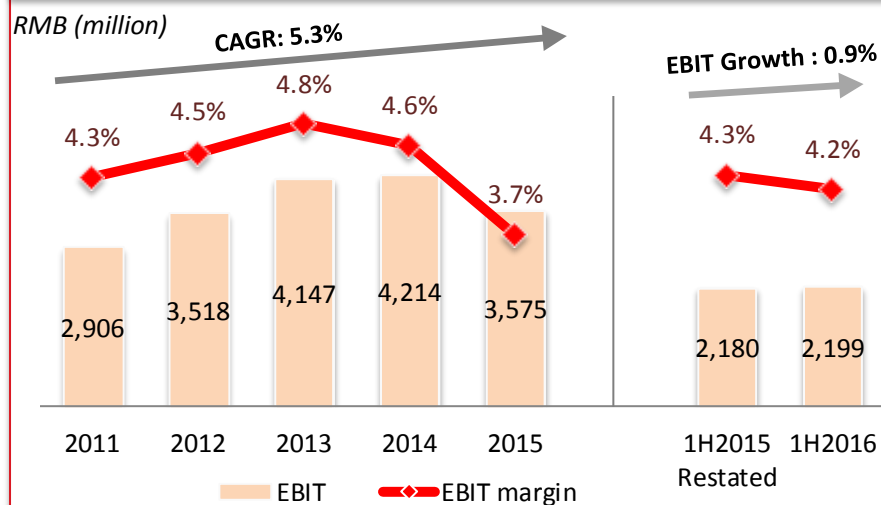
Revenue



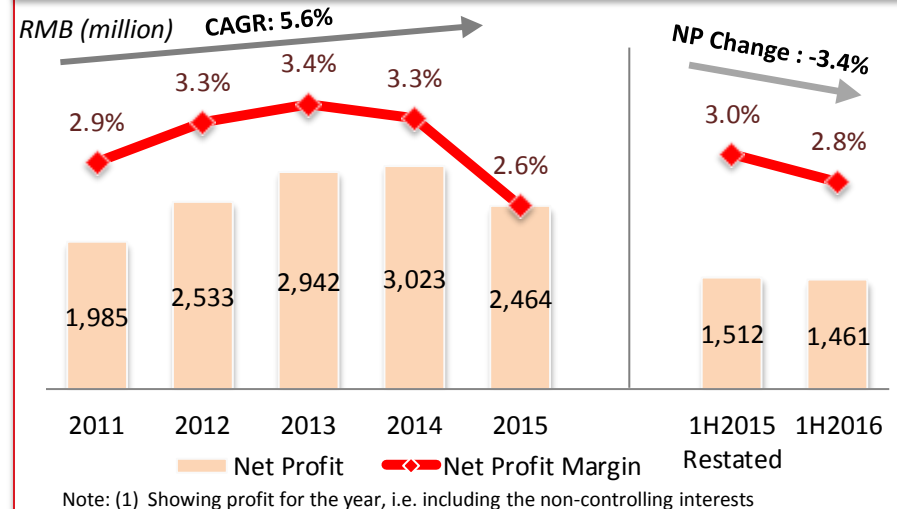
Gross Profit Margin



EBIT and EBIT Margin



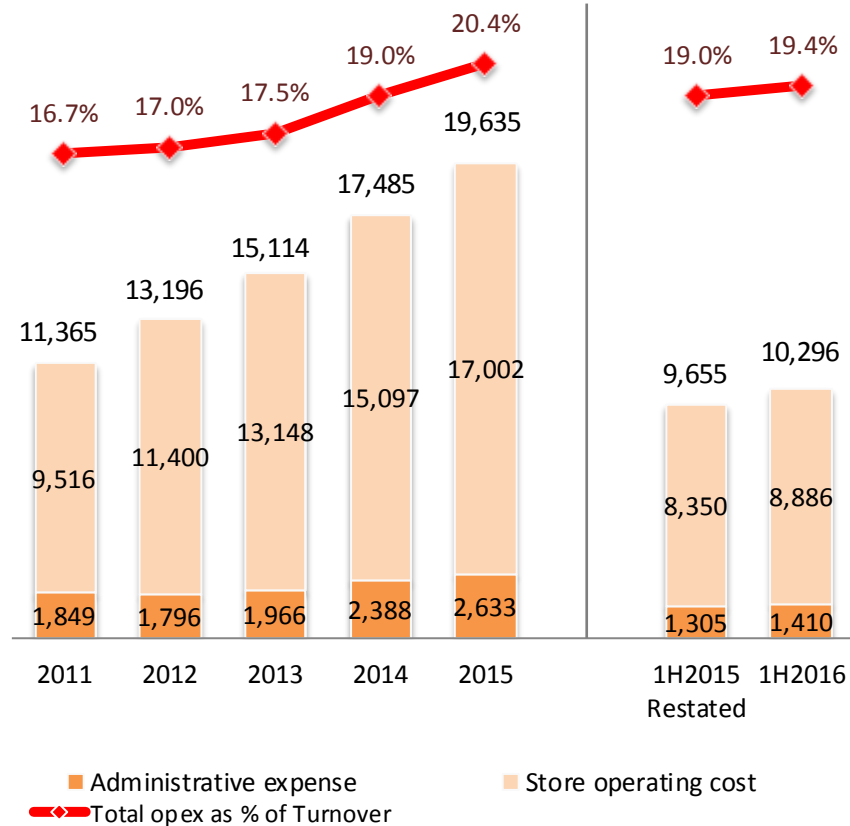
Net Profit⁽¹⁾ and Margin



Expenses

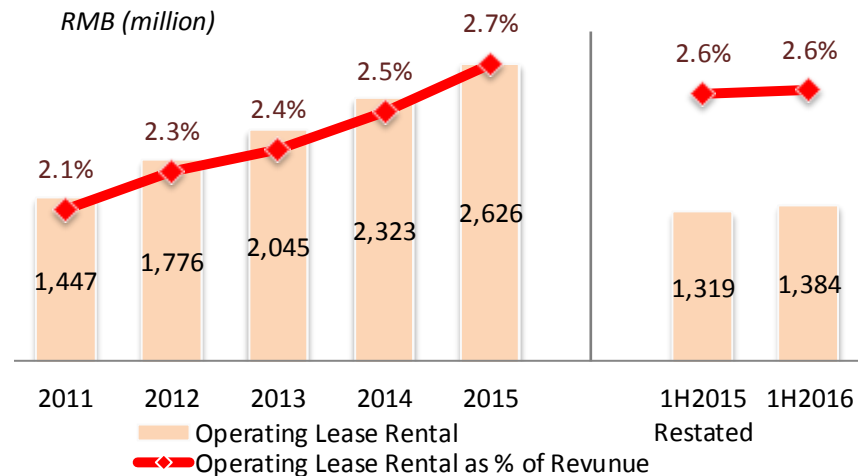
Expenses

RMB (million)



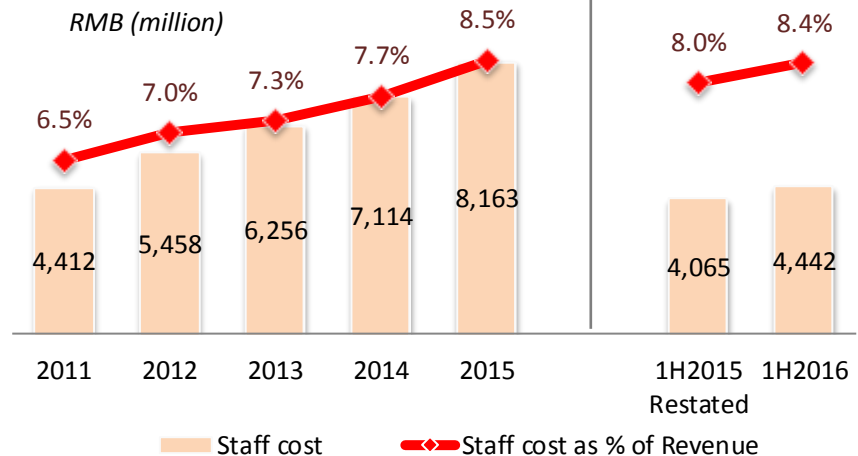
Operating Lease Charges

RMB (million)



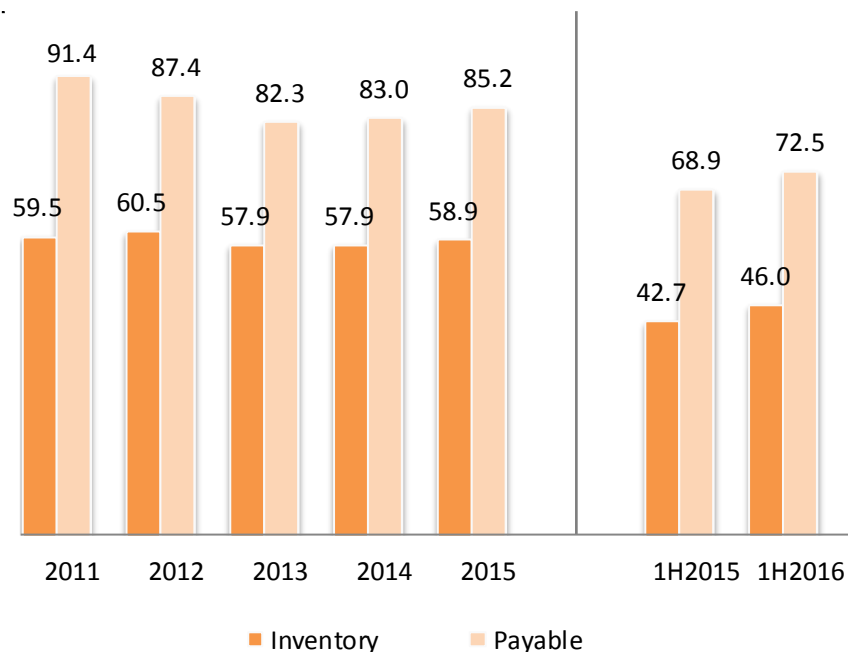
Staff Cost

RMB (million)



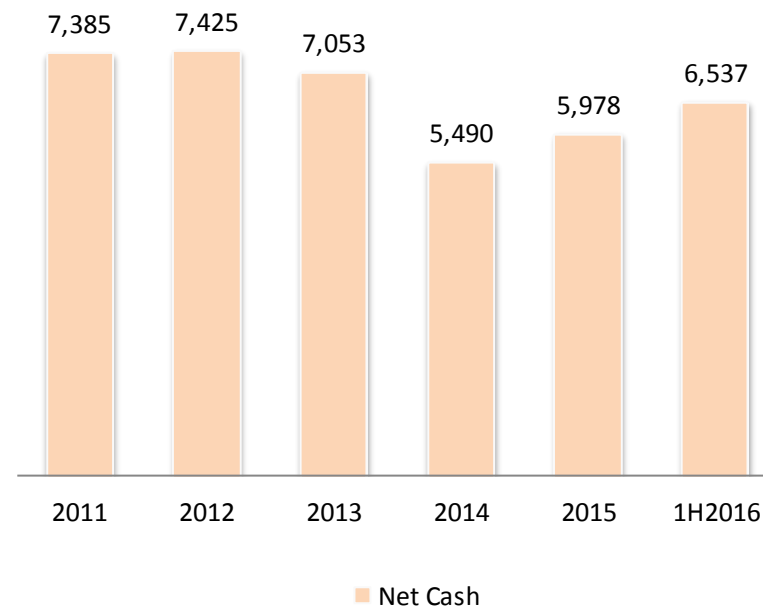
Balance Sheet

Stable Working Capital Days



Net Cash Position

RMB (million)



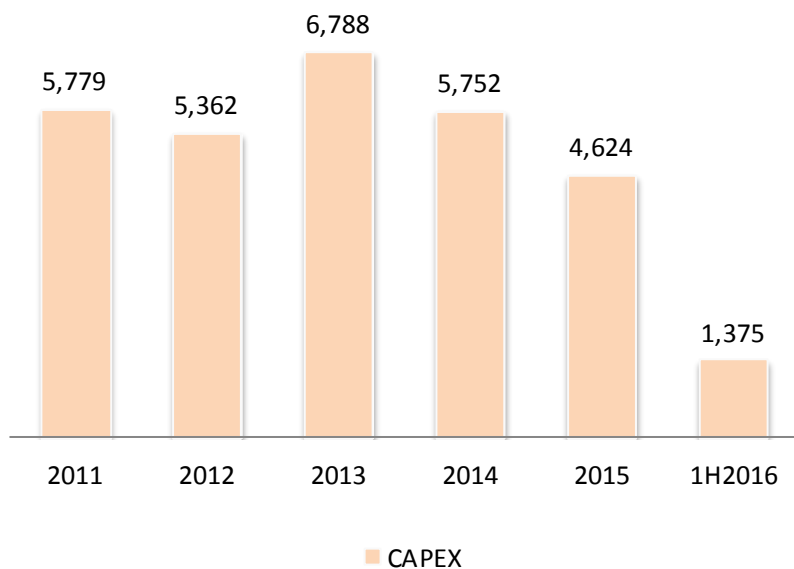
Note:

- (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

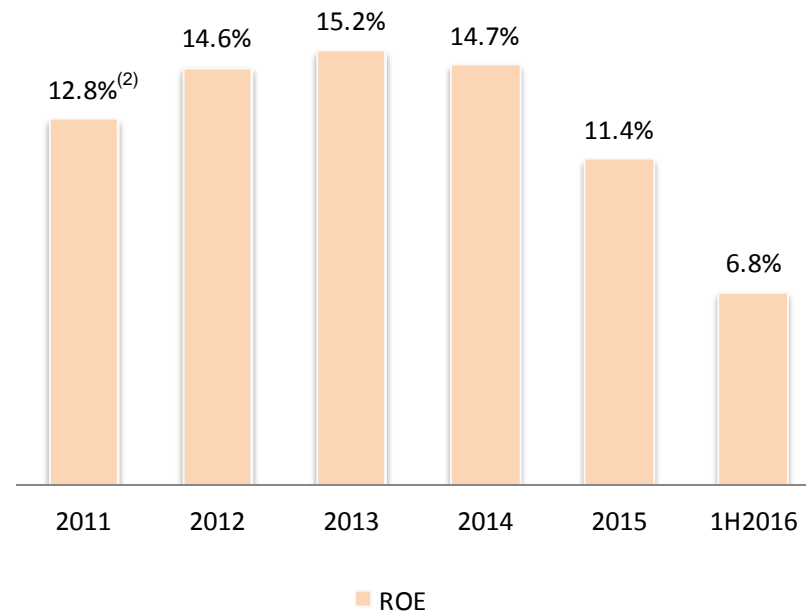
Investment Return

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%

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Business Review – Mortar Stores

Hypermarket Complexes

Supermarkets

Auchan 欧尚

大润发
RT-Mart



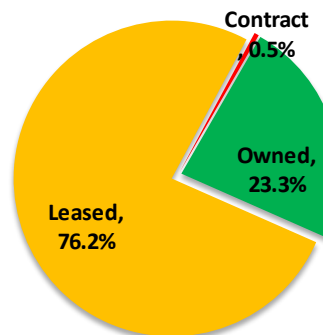
RH lavia

- A total of **421** hypermarkets and supermarkets across China as at 30 June 2016, covering **214** cities cross **28** Provinces, autonomous regions and municipalities.
- Secured 111 sites to open hypermarket complexes in next 3 years, of which 59 were under construction.

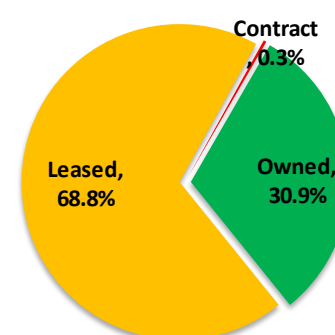


Region	No. of stores (30 June 2016)			GFA (sqm) (30 June 2016)		
			Total			Total
Eastern China	47	126	173	1,950,605	3,058,563	5,009,168
Northern China	7	39	46	222,518	915,118	1,137,636
N-Eastern China	2	38	40	55,660	1,054,374	1,110,034
Southern China	5	73	78	124,523	1,794,882	1,919,405
Central China	9	57	66	278,821	1,398,679	1,677,500
Western China	5	13	18	223,839	307,498	531,337
Total	75	346	421	2,855,966	8,529,114	11,385,080

Store no. breakdown



GFA breakdown



Business Review

To Build Up Own Brands Strategy to enhance our differentiation and competitiveness

- 🛒 To create exclusive brands only for Auchan banner and RT-mart banner (For examples, Actuel, QILIVE, Airport, Cup's, Pierre Chanau and ALLEGRA etc.);
- 🛒 The exclusive brands cover a wide range of food and non-food products;
- 🛒 Continue to introduce more own brands with good value to our customers.

Direct Sourcing of Vegetables : to Provide Vegetable Products with Better Quality and Better Price



- 🛒 20 stores of RT-mart banner located in Eastern China and 5 RT-mart stores located in Northern China were selected as pilot stores to start direct sourcing of full range of vegetable product;
- 🛒 Over 160 RT-mart stores participated in centralized procurement project of vegetable direct sourcing;
- 🛒 40% sales of vegetables comes from the centralized procurement project in participated stores;
- 🛒 The business model is expected to be replicated to more stores and other daily fresh products.

Commercial Activities Alliance



- 🛒 In addition to common negotiation of procurement, the two banners carried out common promotional events such as “Street Market” and exclusive white alcohol promotions.

Business Review

Equipment Co-sourcing Project : to Improve Quality and Save Costs

-  Given the success of common procurement for merchandise between the two banners, an equipment co-sourcing project between the Auchan banner and RT-mart banner was launched at the end of January 2016;
-  12 co-sourcing initiatives were identified, such as shelves, anti-theft equipment, trolleys and bakery equipment, to reduce the cost of equipment.

Continue to develop E-commerce

-  The Group determined to invest 1 billion RMB more as capital increase for Feiniu HK's development in the coming two years;
-  Better Integration of On-line and Off-line with the Advantage of Mortar Stores.

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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 an omni-channel retailer

Thank You!



Feiniu App



Feiniu H5



Feiniu WeChat



FIELDS APP



FIELDS WeChat



Auchanwines Website



Xiaohehe WeChat



Xiaohehe Website