

# SUN ART

*Retail Group Limited*

高鑫零售有限公司

Stock code: 6808

## 2017 Interim Results Announcement



*Retail Group Ltd.*



## SUN ART Retail Group Limited

### Mortar Stores

 **Auchan**



 **大润发**  
RT-Mart

**LLABEAU 莱碧**  
进口化妆品专营门店

**RH lavia** 

### E-Commerce

  
feiniu.com

 **欧尚酒窖**  
ines  
auchanwines.com

 **FIELDS**  
A Taste of Quality



 **大润发优鲜**  
RT-Fresh



# SUN ART

Retail Group Limited

高鑫零售有限公司



1

Operating Environment

2

Financial Review

3

Business Review

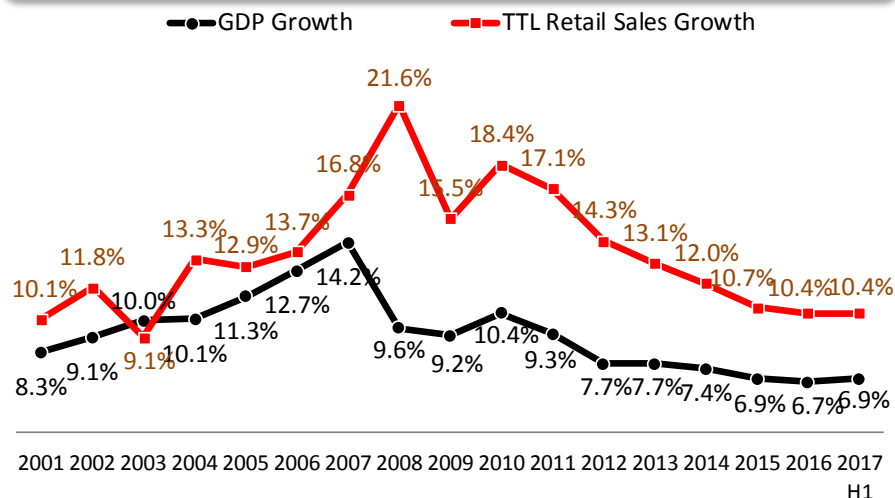
4

Business Strategy

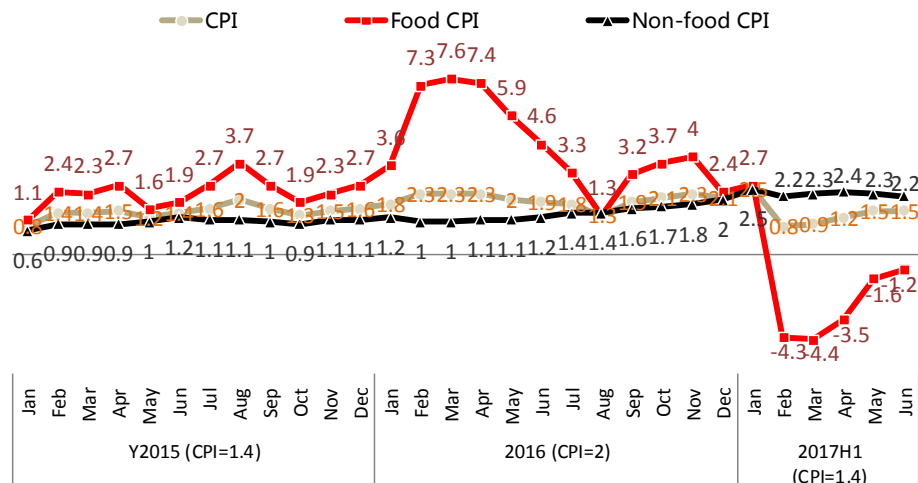


# Operating Environment

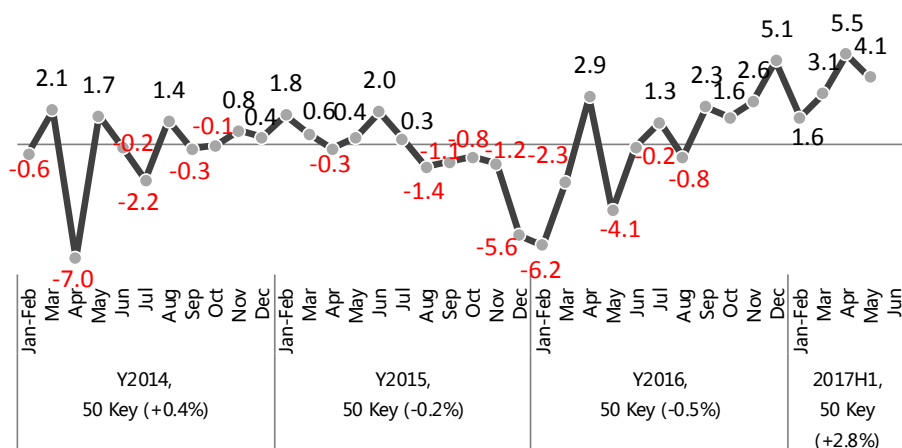
(1) Growth of GDP  
& Total Retail Sales of Consumer Goods



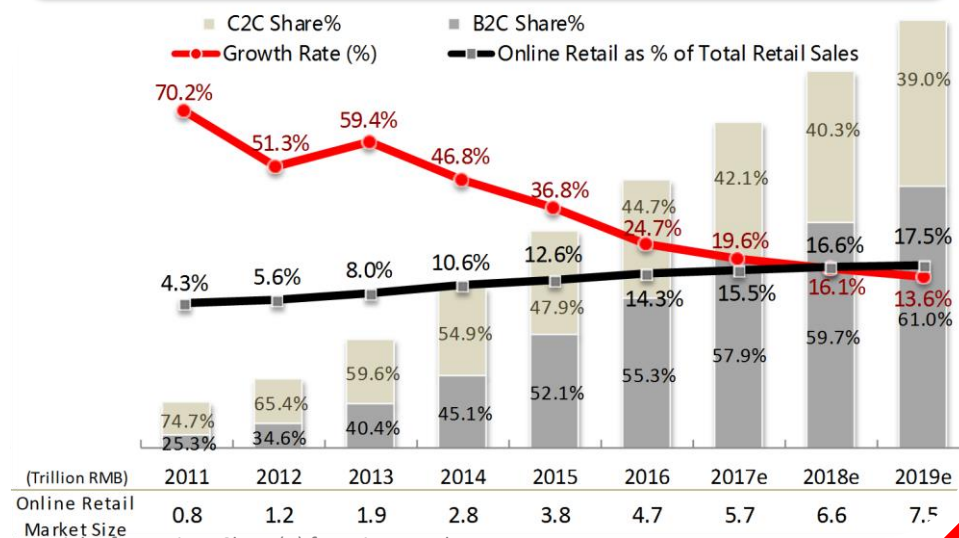
(2) 2017H1: CPI 1.4%  
(Food CPI -2.1%, Non Food CPI 2.3%)



(3) 2017H1: 50 Key Retailers Sales Growth was +2.8%



(4) Online physical products sales accounted for 13.8% of total retail sales in 2017H1, up by 28.6%

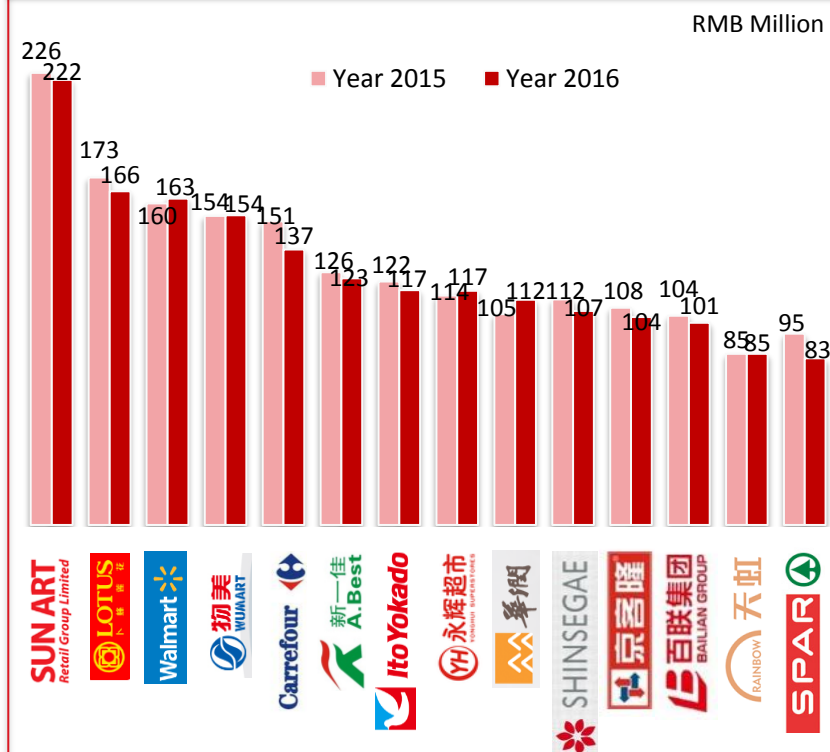


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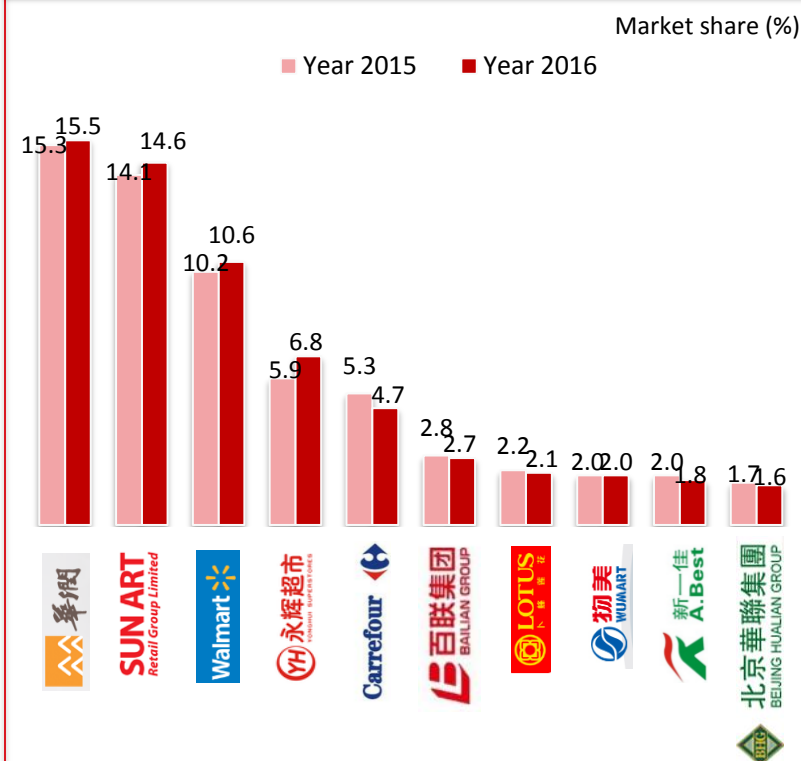
Chart(1),(2) from the National Bureau of Statistics of China; Chart (3) from China Nation Commercial Information; Chart (4) from iResearch

# Leading Retailer in China

Average Sales (Excluding Sales Tax) Per Store in 2015 and 2016 in the Hypermarkets Industry



Market Share in the Hypermarkets industry 2015 and 2016



Source: Euromonitor

- All 2015 numbers are the historical actual performance data and 2016 numbers are estimated based on the first half year actual performance of 2016.
- The definition of Hypermarkets from Euromonitor is retail outlets with a selling space of over **2,500 square meters** and with a primary focus on selling food / beverages / tobacco and other groceries.
- In the hypermarkets of Euromonitor data:  
**Walmart** including “Wal-Mart (China) Investment Co. Ltd.” and “Trust-Mart Co. Ltd.”;  
**Bailian Group** including “Lianhua Supermarket Holdings Co. Ltd.” and “Hualian GMS Shopping Center Co. Ltd.”.

# Leading Retailer in China

## Top 10 China Retailers Market Share in 2015 and 2016

	2015 Market Share (%)	2016 Market Share (%)
Alibaba Group Holding Ltd	6.3	7.5
JD.com Inc	2.3	3.5
Suning Commerce Group Co Ltd	1.0	1.2
China Resources Holdings Co Ltd	1.2	1.1
GOME Electrical Appliances Holding Ltd	0.9	0.9
Sun Art Retail Group Ltd	0.7	0.7
Wal-Mart Stores Inc	0.7	0.5
Vipshop Holdings Ltd	0.4	0.5
Bailian Group Co Ltd	0.4	0.4
Yonghui Superstores Group	0.3	0.3
<b>Top 10 Aggregated</b>	<b>14.2</b>	<b>16.6</b>

Source: Euromonitor

- (1) All 2015 numbers are the historical actual performance data and 2016 numbers are estimated based on the first half year actual performance of 2016.
- (2) The definition of Retailing from Euromonitor is retail sales of new and used goods to the general public for personal or household consumption. Excludes specialist retailers of motor vehicles, motorcycles, vehicle parts, fuel. Also excludes foodservice, rental and hire and wholesale industries (Cash and Carry).
- (3) For Alibaba Group, Euromonitor data just including T-mall. For “JD.com Inc.” 2016 data including “YHD.com”. Walmart including “Wal-Mart (China) Investment Co Ltd” and “Trust-Mart Co. Ltd.”. Bailian Group including “Lianhua Supermarket Holdings Co. Ltd.”, “Hualian GMS Shopping Center Co. Ltd.”, “Shanghai Bailian Group Co. Ltd.”, “Hualian Supermarket Co. Ltd.”, “Shanghai Friendship Group Inc. Co.” and “Shanghai Sanlian Group”.



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1

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2

Financial Review

3

Business Review

4

Business Strategy



# Financial Highlights

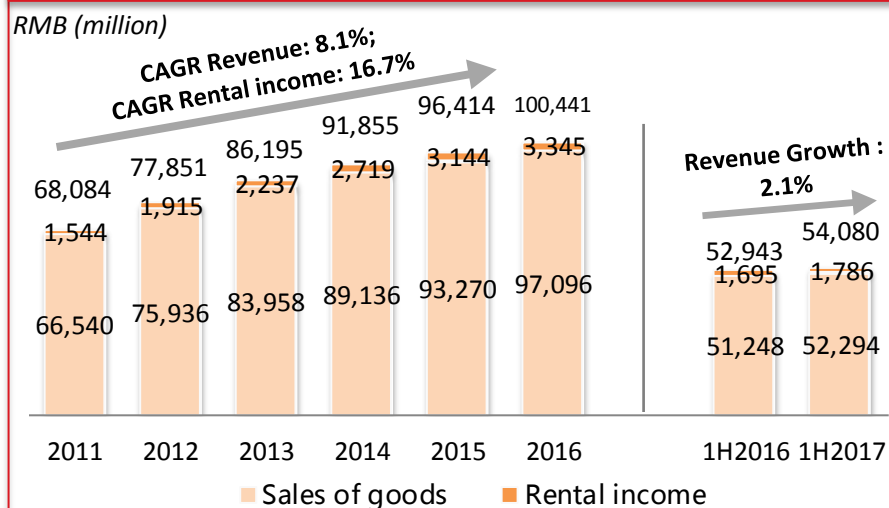
For the six months ended 30 June (RMB in million)	2017	2016	Change
Revenue	54,080	52,943	+2.1%
Gross Profit	12,582	12,059	+4.3%
Gross Profit Margin	23.3%	22.8%	+0.5ppt
EBIT	2,925	2,199	+33.0%
EBIT Margin	5.4%	4.2%	+1.2ppts
Profit for the year	1,898	1,461	+29.9%
Net profit margin	3.5%	2.8%	+0.7ppt
Profit attributable to equity shareholders	1,757	1,432	+22.7%
Earnings per share -Basic and diluted (RMB) <sup>(1)</sup>	0.18	0.15	

(1) The calculation of basic and diluted EPS for the years ended 30 June 2017 and 2016 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

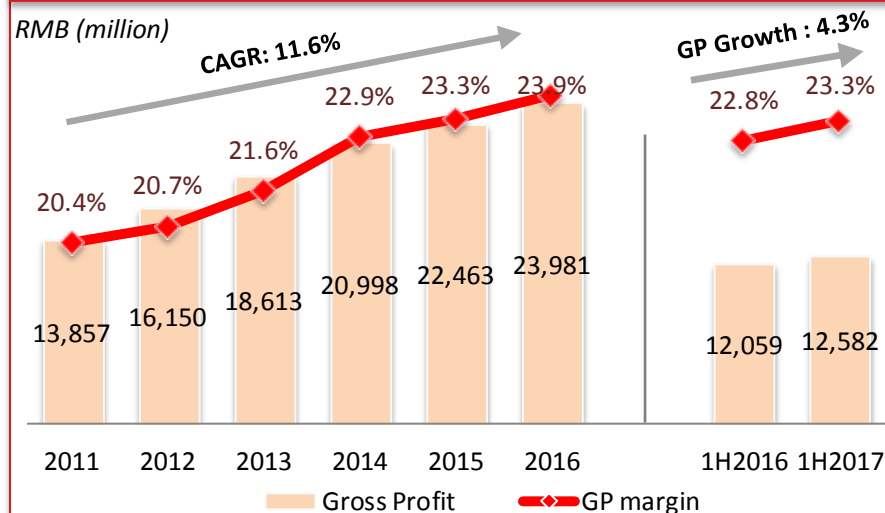


# Financial Highlights

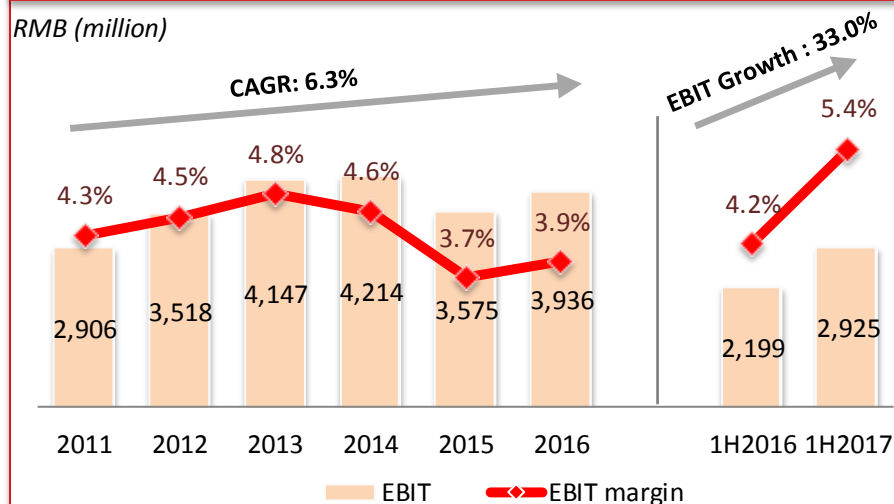
## Revenue



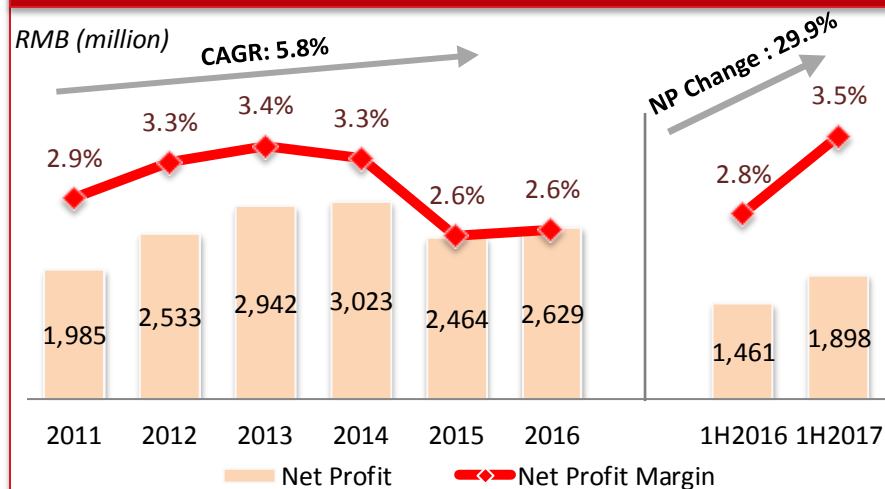
## Gross Profit Margin



## EBIT and EBIT Margin



## Net Profit<sup>(1)</sup> and Margin

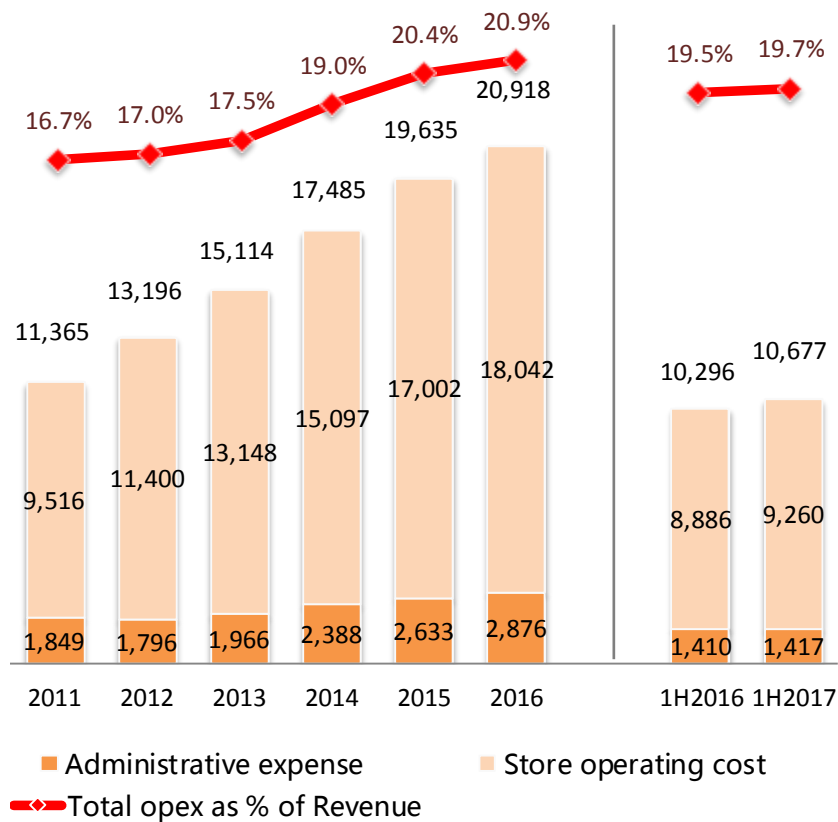


Note: (1) Showing profit for the year, i.e. including the non-controlling interests

# Expenses

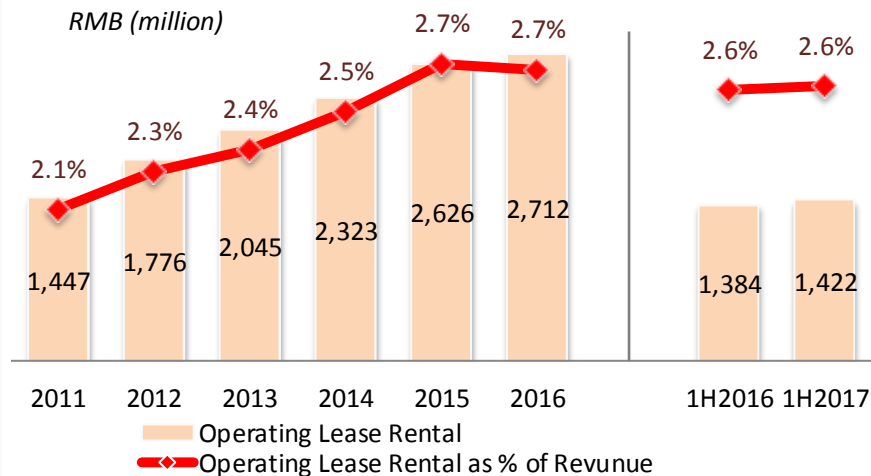
## Expenses

RMB (million)



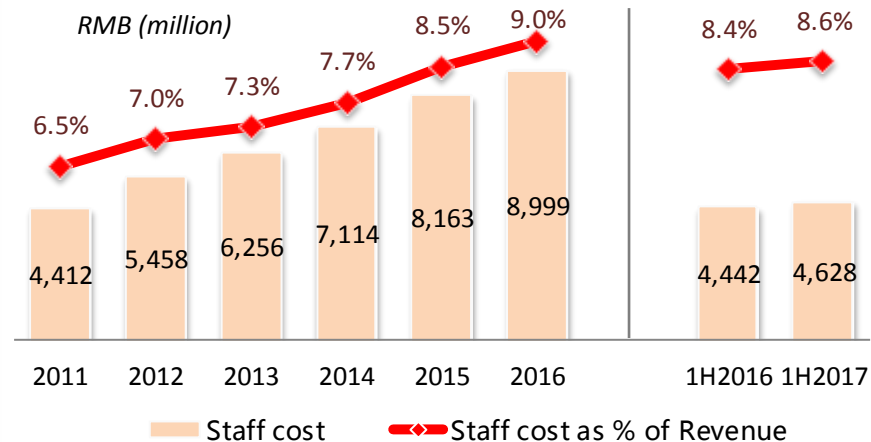
## Operating Lease Charges

RMB (million)



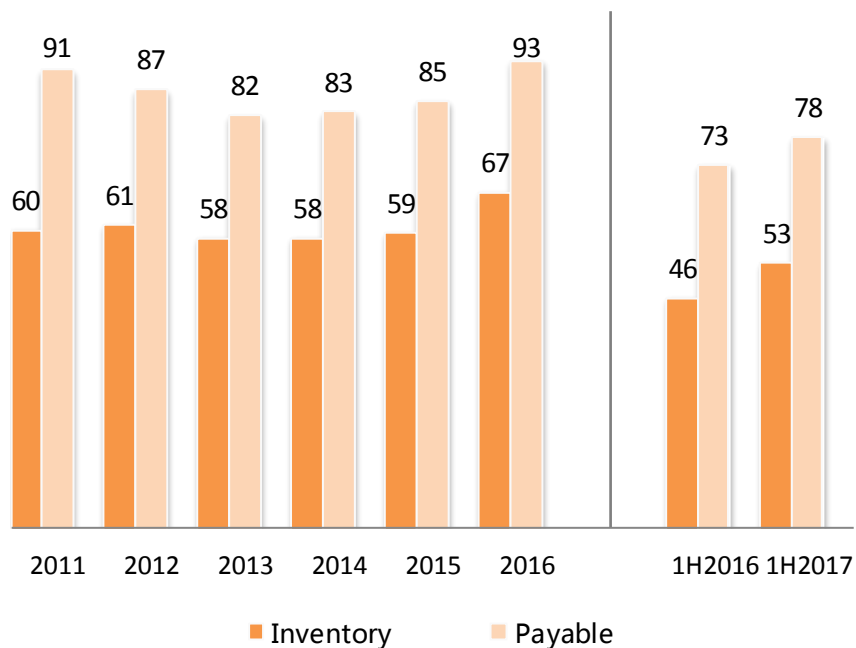
## Staff Cost

RMB (million)



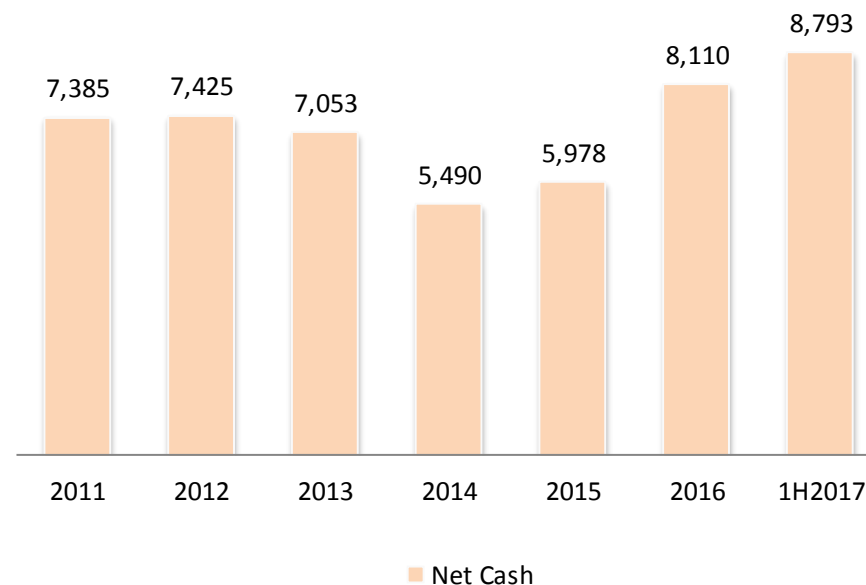
# Balance Sheet

## Working Capital Days



## Net Cash Position

RMB (million)



Note:

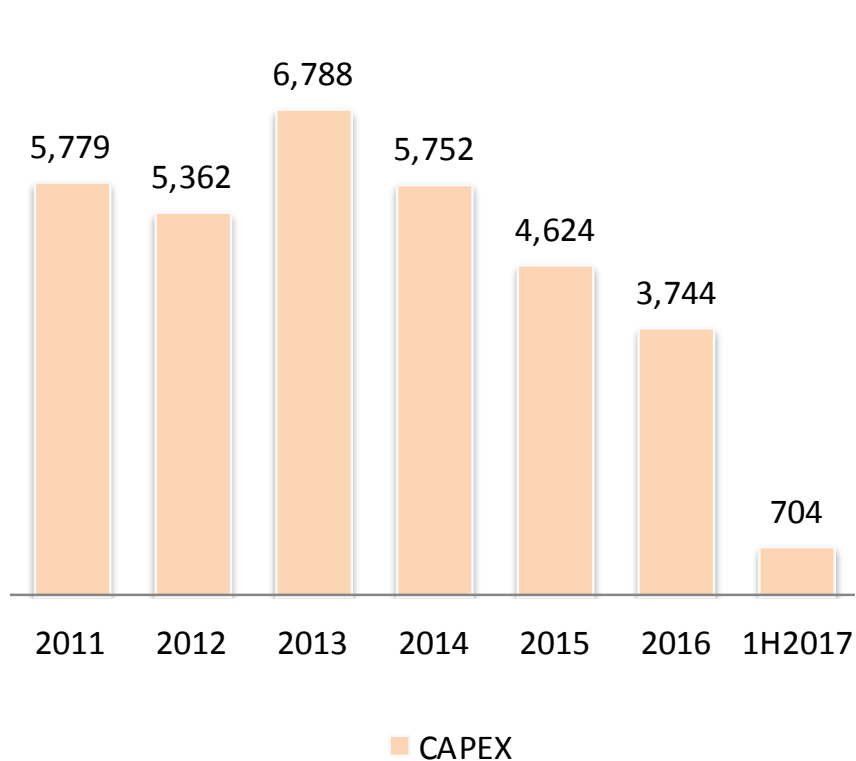
- (1) Turnover days of inventory is calculated as the average inventory for the year, divided by cost of inventories charged to P/L for the year, and multiplied by 365 days for 2011, 2012, 2013, 2014, 2015 and 2016 and 180 days for 2017H1.
- (2) Turnover days of accounts payable is derived by dividing 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, 2015 and 2016 and 180 days for 2017H1.
- (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, 2015 and 2016 and 180 days for 2017H1.
- (4) Calculated as the sum of cash & cash equivalents, investments and time deposits, minus bank loans and overdrafts



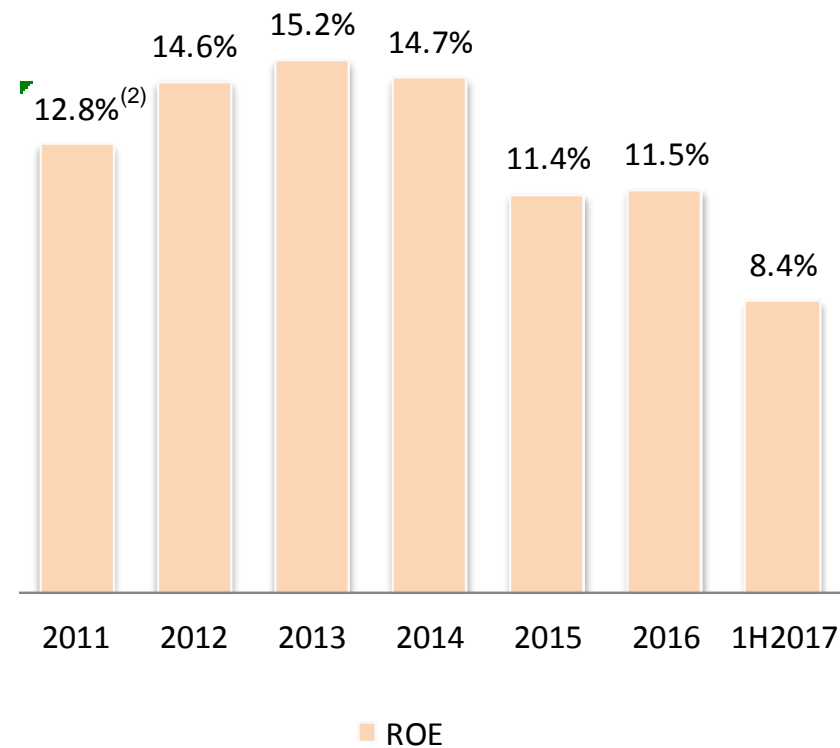
# Investment Return

## CAPEX

RMB (million)



## ROE<sup>(1)</sup>



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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1

Operating Environment

2

Financial Review

3

Business Review

4

Business Strategy



# Business Review – Mortar Stores

Hypermarket Complexes

Supermarkets

Auchan 欧尚

大润发  
RT-Mart



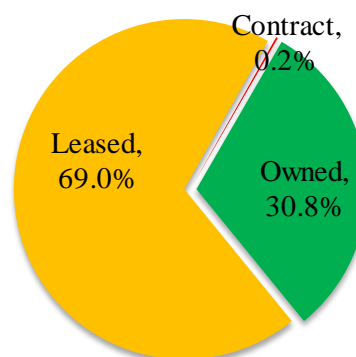
RH lavia

- A total of **446** hypermarkets and supermarkets across China as at 31 December 2016, covering **224** cities cross **29** Provinces, autonomous regions and municipalities.
- Secured **78** sites to open hypermarket complexes in next 3 years, of which **71** were under construction.

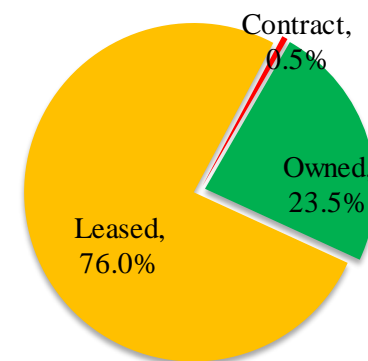


Region	No. of stores (30 June 2017)			GFA (sqm) (30 June 2017)		
			Total			Total
Eastern China	50	131	181	2,047,222	3,183,796	5,231,018
Northern China	5	42	47	151,064	1,045,298	1,196,362
N-Eastern China	2	44	46	55,939	1,235,587	1,291,526
Southern China	5	75	80	124,523	1,837,678	1,962,201
Central China	10	62	72	293,766	1,553,858	1,847,624
Western China	5	15	20	223,839	352,678	576,517
<b>Total</b>	<b>77</b>	<b>369</b>	<b>446</b>	<b>2,896,353</b>	<b>9,208,895</b>	<b>12,105,248</b>

GFA breakdown



Store no. breakdown





## Feiniu doubled its GMV and narrowed its losses

- ☐ The GMV of Feiniu has reached RMB1.8 billion with doubling the size compared to the same period of 2016;
- ☐ Feiniu is still loss-making, but narrowed compared to the same period of 2016;
- ☐ Feiniu now has over 28 million registered members, of which 3.5 million are six-month active members.

## Exploit particular advantages of existing stores, leverage off Feiniu's infrastructure, Speed up deployment of O2O layout

- ☐ Feiniu “Ji Su Da” (急速达):
  - First pilot store commenced the test on May 20<sup>th</sup>, 2017. It was officially launched and deployed in mid June, with a coverage of over 370 stores. The delivery service covers a radius of three-kilometer business area of each store;
  - “Ji Su Da” provides 4,000 SKUs with 3,000 standard SKUs and 1,000 fresh products, to satisfy 80% to 90% of family daily needs;
  - Fulfill one-hour delivery service to enhance customers' online shopping experience.
- ☐ “RT-mart Fresh” (大润发优鲜):
  - The first “RT-mart Fresh” has been launched inside RT-mart Yang Pu store in early July 2017;
  - As a model of future independent “RT-mart Fresh” stores, enables us to open 3,000~4,000m<sup>2</sup> mortar stores in city centers or shopping centers in the near future;
- ☐ Continue to roll out B2B business.

## Initiatives of other new ventures

- ☐ Premium Supermarket: the Group plans to open a second HiAuchan in the second half of this year;
- ☐ Beauty Shops: two beauty shops have been opened in the first half of this year;
- ☐ Continue to explore unmanned convenience stores.

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1

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2

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3

Business Review

4

Business Strategy



## DEVELOP INTO AN OMNI-CHANNEL RETAILER



**Revamp Existing Stores,  
Develop New  
Formats**



**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 to Enhance Customer Experience**



# Thank You!

