

SUN ART

Retail Group Limited

高鑫零售有限公司

Stock code: 6808

Advance Phygital Development across China

2017 Annual Results Announcement



Agenda



Speakers



Significant Event



Operating Environment



Financial Review



Business Review



Business Strategy



Q&A

Speakers



Ludovic Holinier

Executive Director and
Chief Executive Officer



Peter Huang

Chairman of
RT-Mart China



Jean Chausse

Chief Financial Officer



Nelson Hsu

Chief Financial Officer
of RT-Mart China

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Significant Event — Strategic Alliance with Alibaba



New Retail Strategic Alliance



Auchan | RETAIL



36.168%

36.180%

4.672%

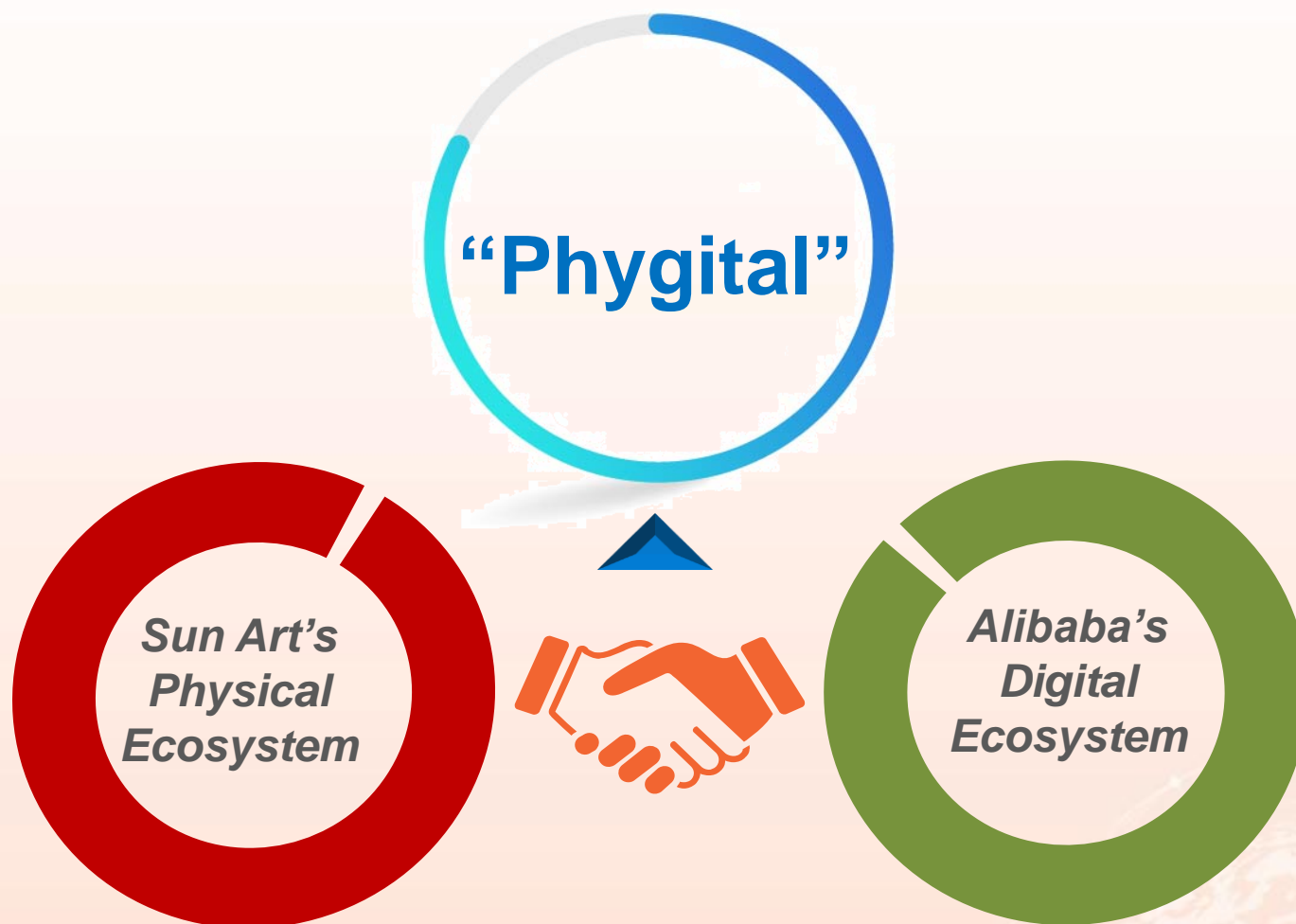
Public Shareholders

22.98%

Sun Art Retail Group Limited

***Joining Offline & Online Strengths to Offer a
New Consumer Experience in China***

Strategic Alliance Synergies



Advance Phygital Development across China

Strategic Alliance Visions

New Retail Vision

Leverage Alibaba's internet-based approach and new technology



Auchan Changes Lives

Fortify physical & online presence, i.e. hypermarkets and Auchan Minute stores



Seamless O2O Experience

Working closely with retail partners to provide a seamless O2O experience



Personalized Customer Experience

Digitize and introduce new retail solutions at Sun Art stores



New Shopping Experience to 1.3 billion Consumers in China

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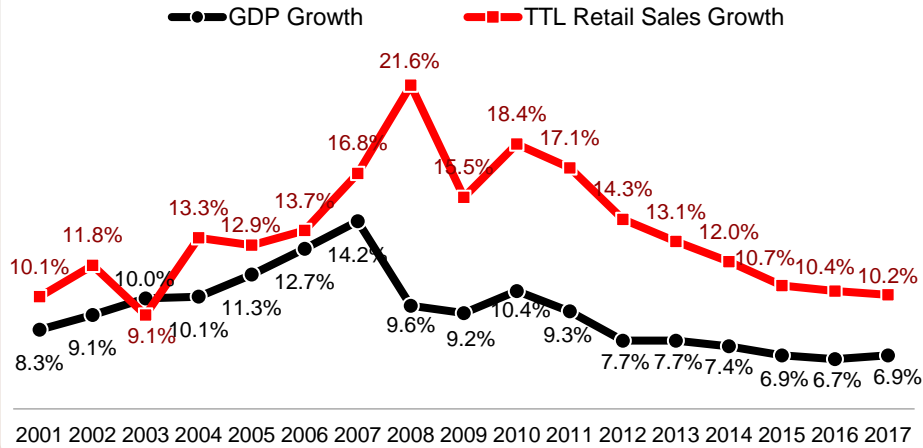
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Operating Environment

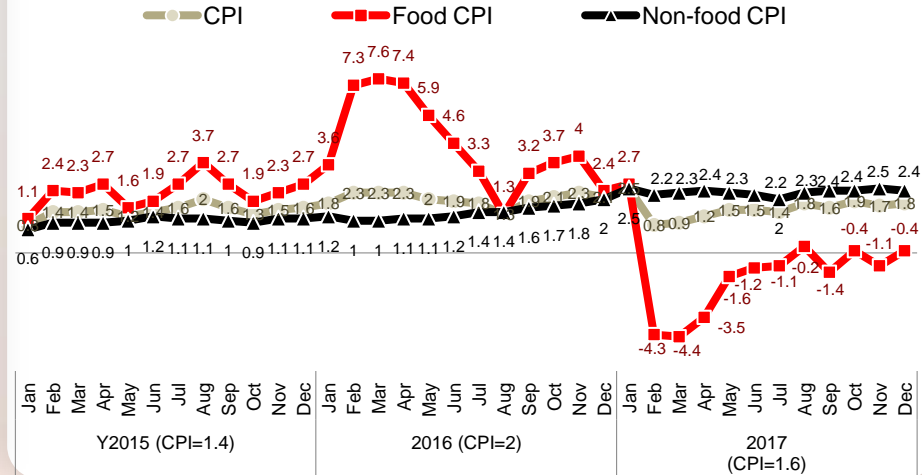


Operating Environment

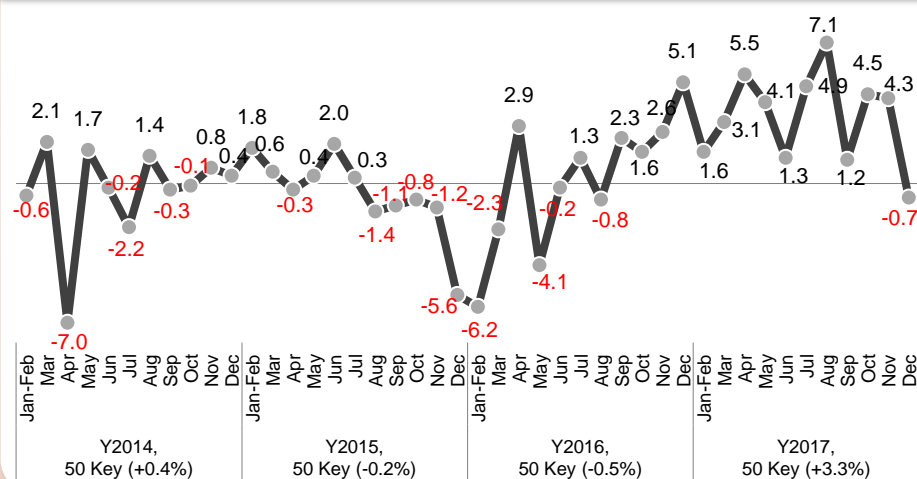
(1) Growth of GDP & Total Retail Sales of Consumer Goods



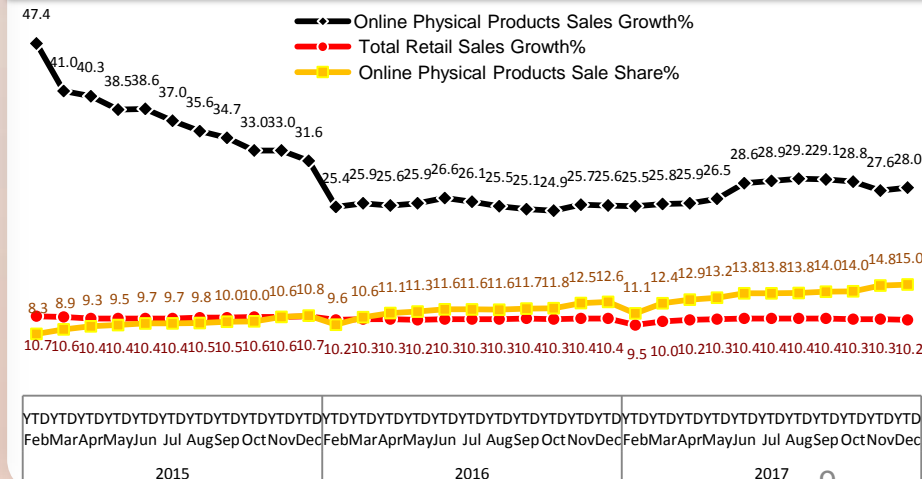
(2) 2017: CPI 1.6% (Food CPI -1.4%, Non Food CPI 2.3%)



(3) 2017: 50 Key Retailers Sales Growth was +3.3%



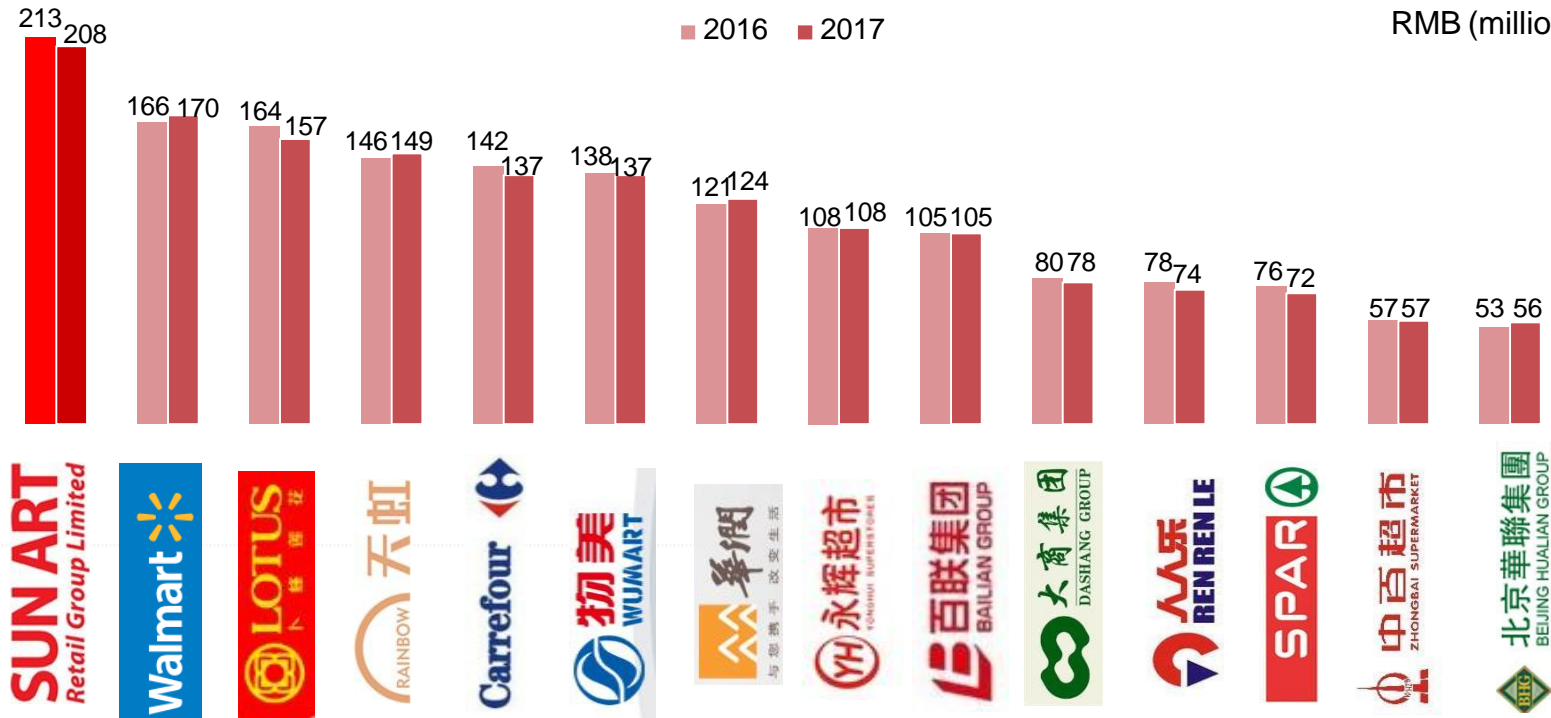
(4) Online physical products sales accounted for 15.0% of total retail sales in 2017, up by 28.0%



Operating Environment

Average Sales (Excluding Sales Tax) Per Store in 2016 and 2017 in the Hypermarkets Industry

RMB (million)

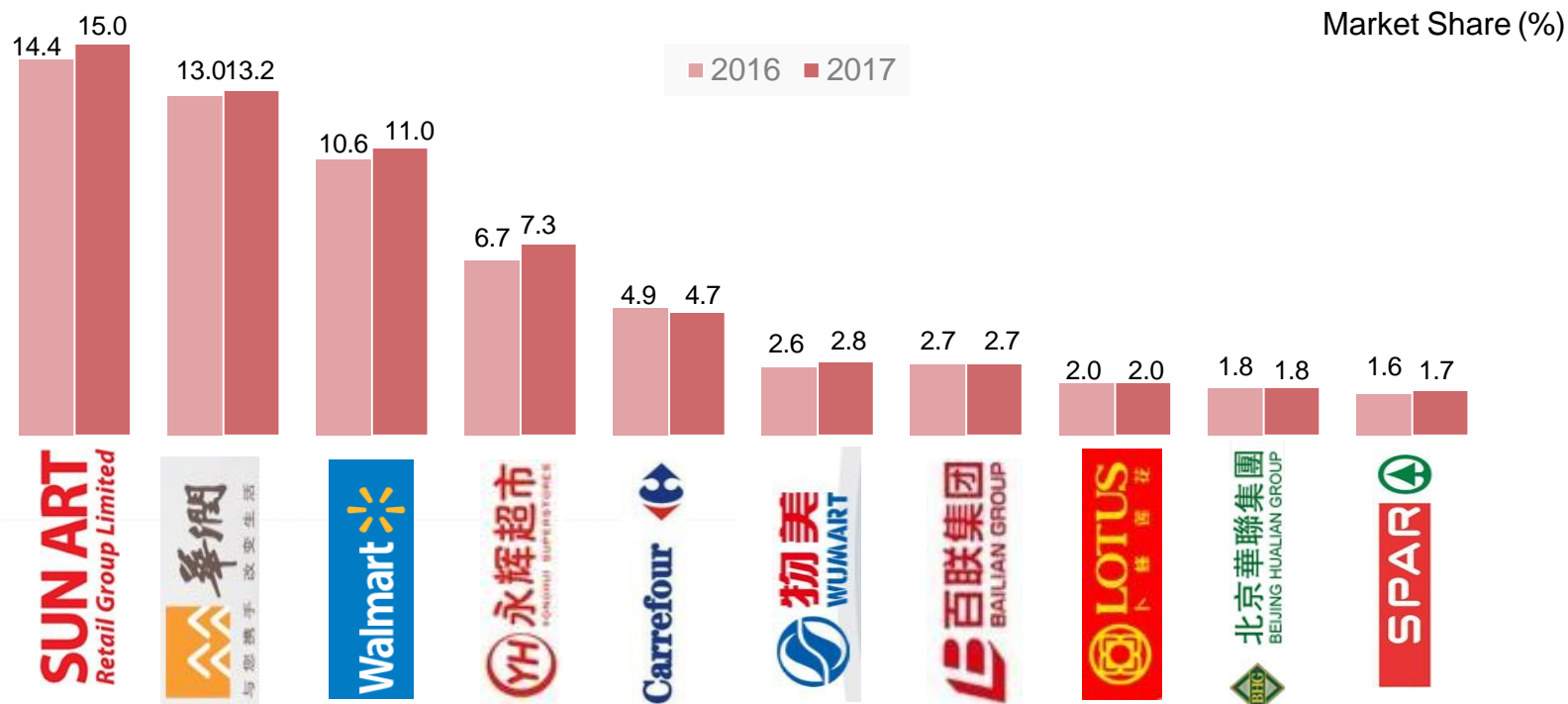


Source: Euromonitor

- (1) All 2016 numbers are the historical actual performance data and 2017 numbers are estimated based on the first half year actual performance of 2017.
- (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.
- (3) 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".
- (4) Notes: This chart only counts top 14 players in hypermarkets by retail Value

Operating Environment

Market Share in the Hypermarket Industry 2016 and 2017



Source: Euromonitor

- (1) All 2016 numbers are the historical actual performance data and 2016 numbers are estimated based on the first half year actual performance of 2017.
- (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.
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Financial Review



Financial Highlights

(RMB in million)	2016	2017	Change
Revenue	100,441	102,320	+1.9%
Same Store Sales Growth ⁽¹⁾	-0.34%	-0.98%	
Gross Profit	23,981	24,674	+2.9%
Gross Profit Margin	23.9%	24.1%	+0.2ppt
Profit from Operations	3,936	4,487	+14.0%
Operating Margin	3.9%	4.4%	+0.5ppt
Profit for the year	2,629	3,020	+14.9%
Net profit margin	2.6%	3.0%	+0.4ppt
Profit attributable to equity shareholders	2,571	2,793	+8.6%
Earnings per share -Basic and diluted (RMB) ⁽²⁾	0.27	0.29	

(1) SSSG: For stores opened over 12 full months as of 31 December 2017, we calculated and compared the sales derived in those stores from their opening month to the end of year 2016 with the same period in year 2017.

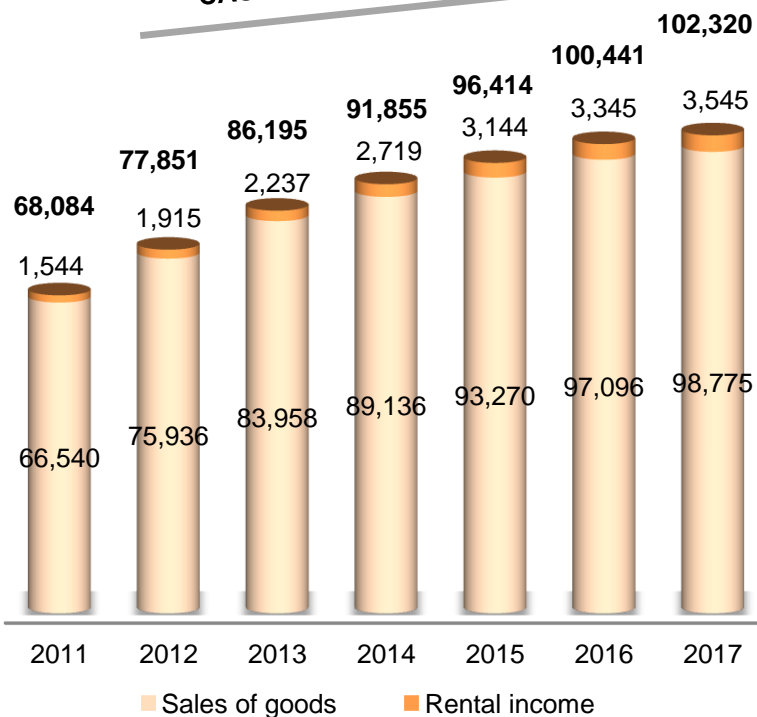
(2) The calculation of basic and diluted EPS for the year ended 31 December 2017 and 2016 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

Financial Highlights

Revenue

RMB (million)

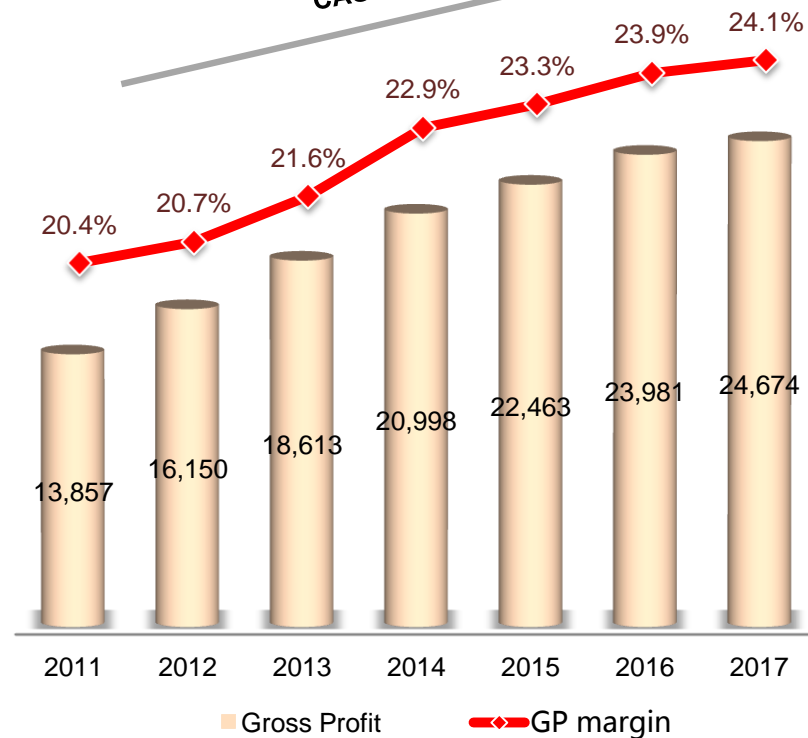
CAGR Revenue: 7.0%;
CAGR Rental income: 14.9%



Gross Profit & Margin

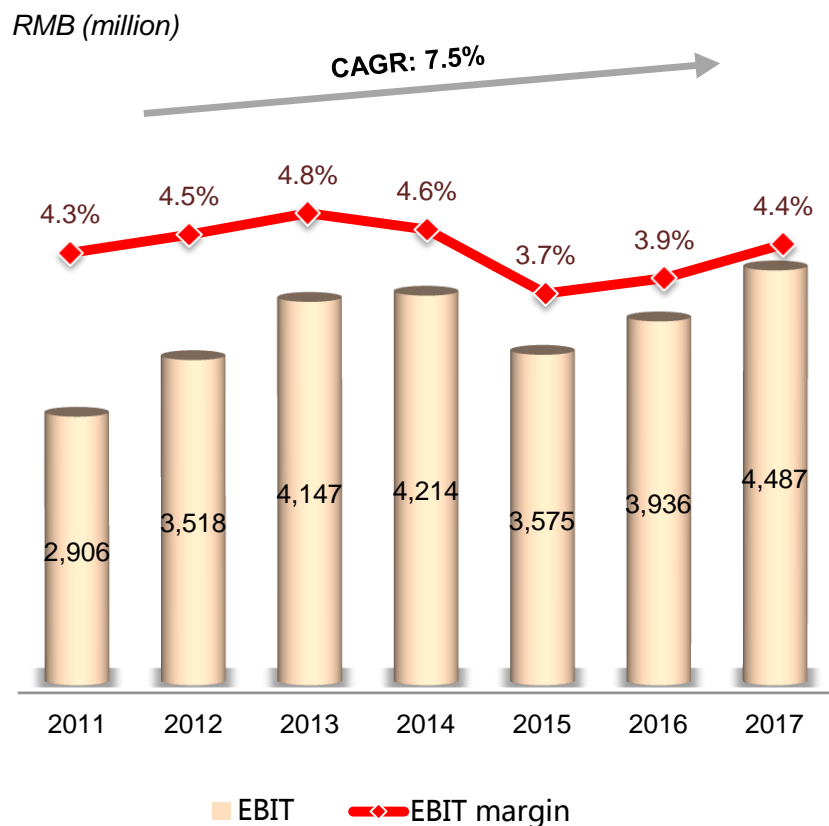
RMB (million)

CAGR: 10.1%

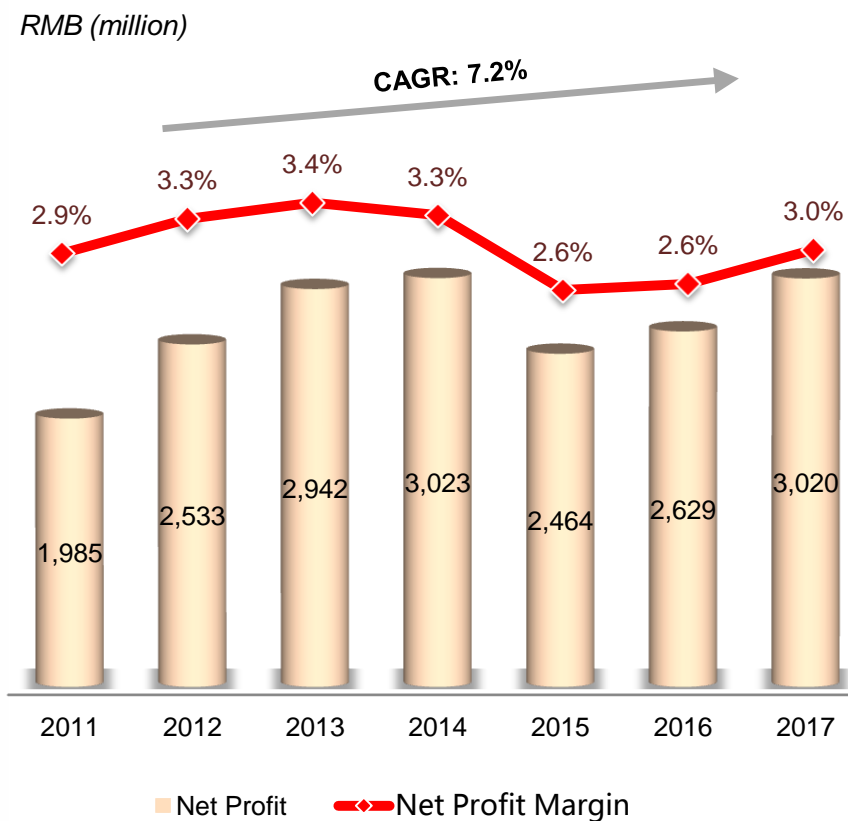


Financial Highlights

Operating Margin



Net Profit⁽¹⁾ and Margin

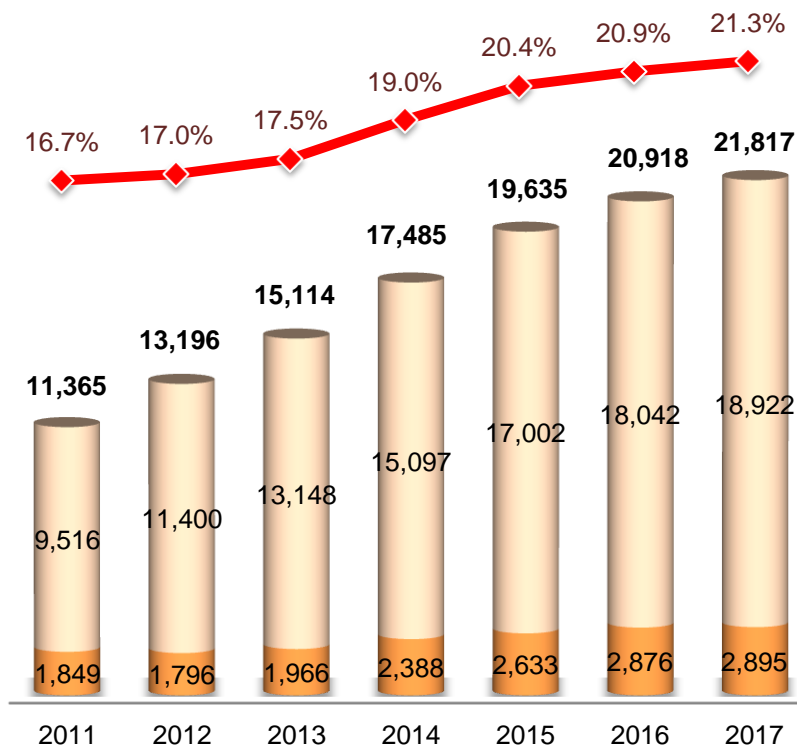


Note: (1) Showing profit for the year, i.e. including the non-controlling interests

Financial Highlights

Expenses

RMB (million)

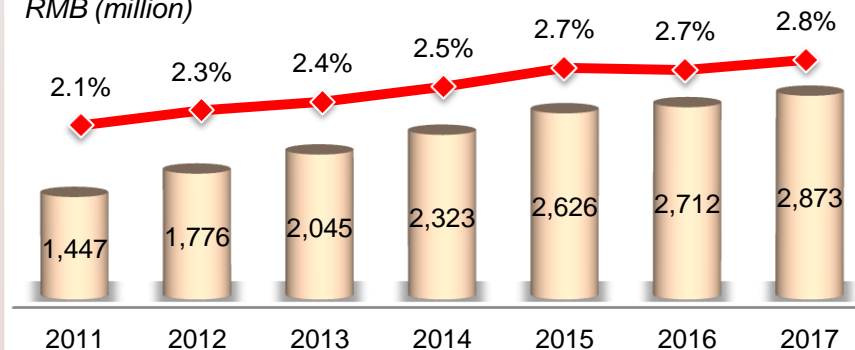


◆ Total opex as % of Revenue

■ Administrative expense ■ Store operating cost

Operating Lease Charges

RMB (million)

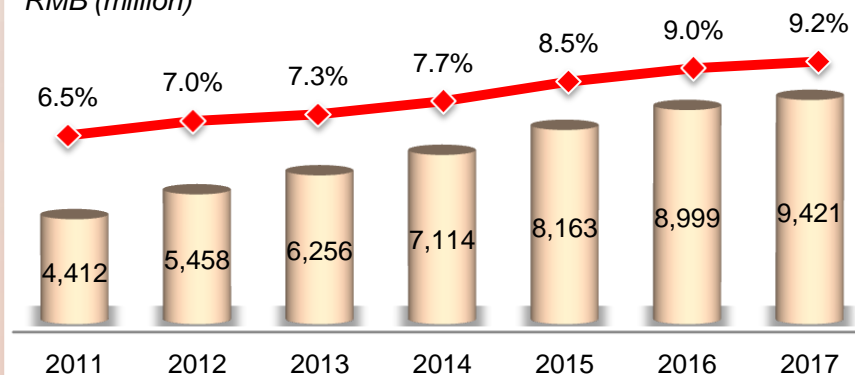


■ Operating Lease Rental

◆ Operating Lease Rental as % of Revenue

Staff Cost

RMB (million)

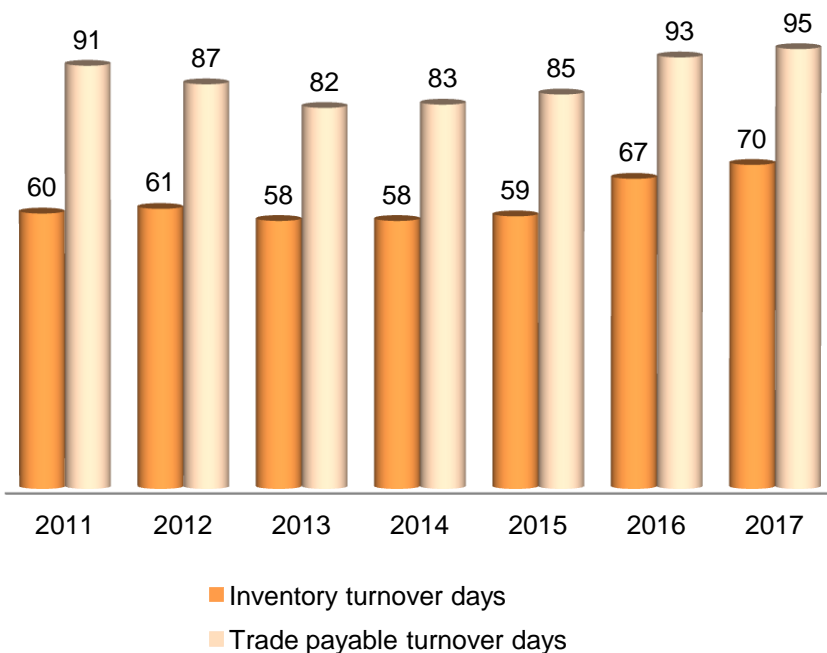


■ Staff cost

◆ Staff cost as % of Revenue

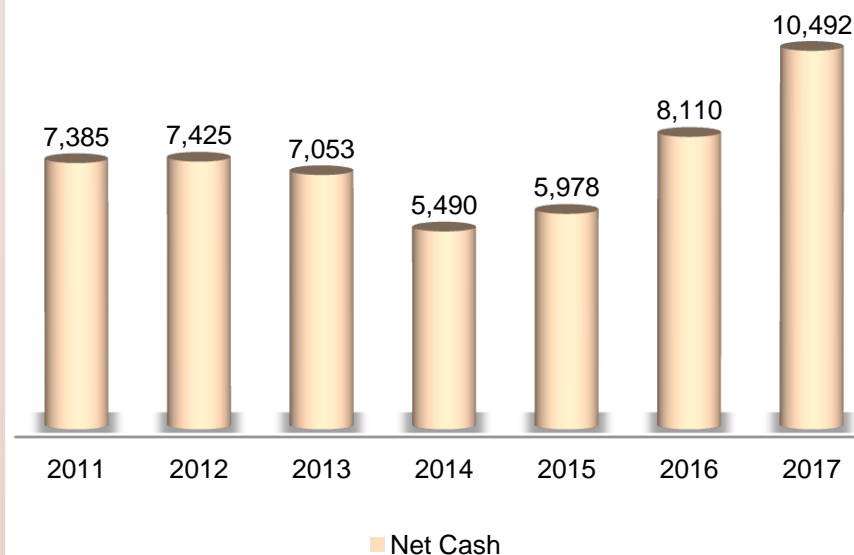
Balance Sheet

Stable Working Capital Days



Net Financial Position

RMB (million)



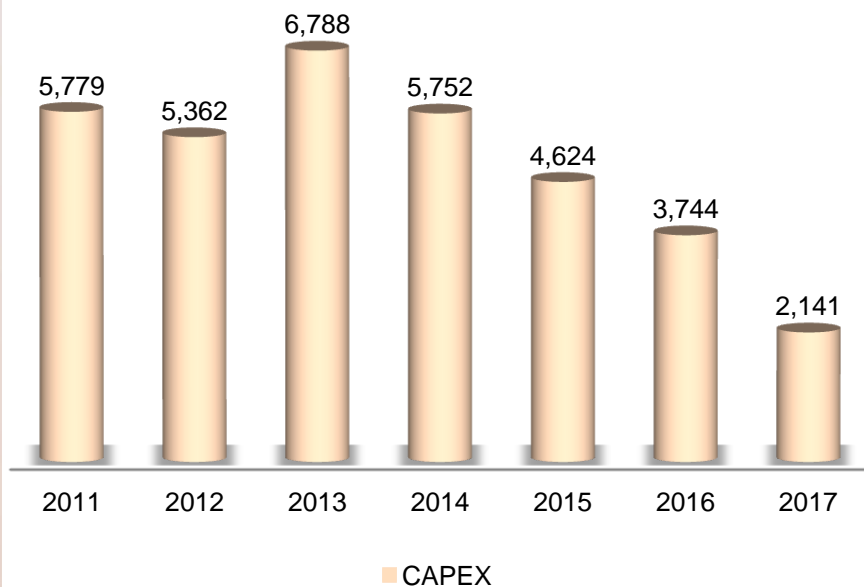
Note:

- (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, 2016 and 2017.
- (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, 2016 and 2017.
- (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, 2016 and 2017.
- (4) The balance of net financial position is calculated as the sum of cash and cash equivalents and investment and time deposits minus bank loans.

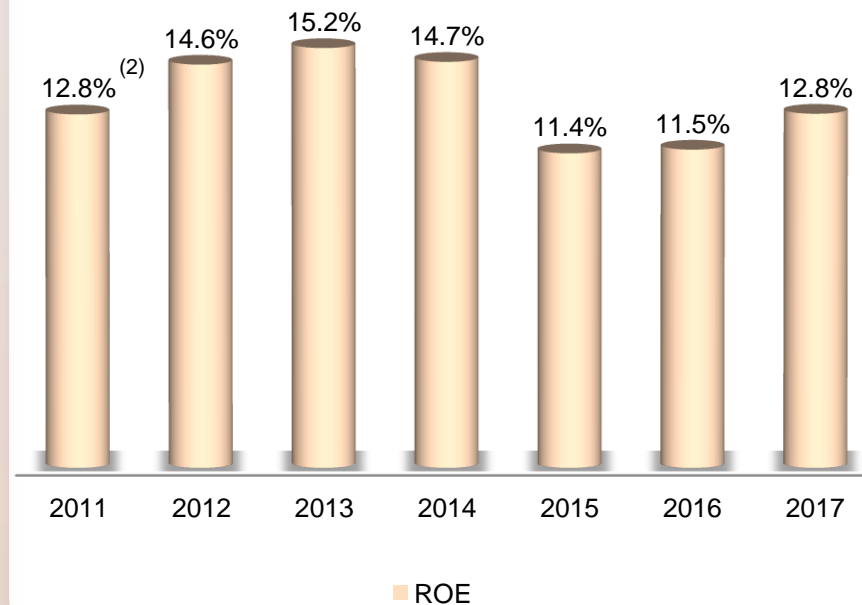
Investment Return

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



Business Review – Mortar Stores



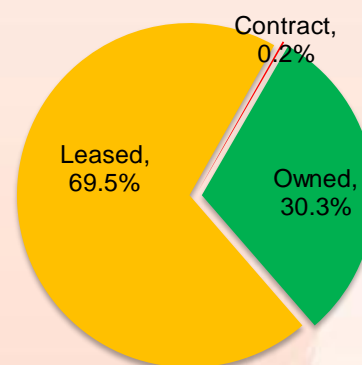
Total: 461 hypermarkets and supermarket (as at 31 December 2017)



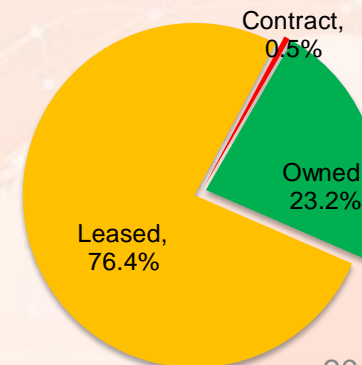
- Covering **226** cities cross **29** provinces, autonomous regions and municipalities
- Secured **78** sites to open hypermarket complexes, of which **67** were under construction

Region	No. of stores (as at 31 December 2017)			GFA (sqm) (as at 31 December 2017)		
			Total			Total
Eastern China	51	134	185	2,067,785	3,253,686	5,321,471
Northern China	5	42	47	151,064	1,045,298	1,196,362
N-Eastern China	1	49	50	32,033	1,361,428	1,393,461
Southern China	5	79	84	124,523	1,930,956	2,055,479
Central China	10	63	73	293,766	1,574,654	1,868,420
Western China	5	17	22	223,839	400,909	624,748
Total	77	384	461	2,893,010	9,566,931	12,459,941

GFA breakdown



Store no. breakdown



Alibaba's Technology and Traffic Import, Accelerating the Integration of Online and Offline

“RT-Mart Fresh” APP

- “RT-Mart Fresh”, a standalone APP has rolled out to all RT-Mart stores
- Approximately 6,000 to 7,500 SKUs including fresh, FMCG and general goods, of which 1,300 to 1,500 SKUs are fresh products including vegetables and fruits, seafood, dairy, butchery and eggs, bakery, delicatessen products and dim sum
- Over 1 million registered members, of which 330,000 are active
- Each active member purchased over 4 times in average a month and the conversion rate of Unique Visitors was over 40%
- Going forward, “RT-Mart Fresh” will also benefit from the traffic generated from “Taobao DaoJia” via Taobao APP



Digital Transformation



- Digital transformation of the stores will be rolled out in succession after March 2018
- All the transformation will be completed end of 2018

Feiniu

- As of 31 December 2017, the GMV of Feiniu has reached RMB4.1 billion, almost double the size compared to 2016
- Loss narrowed for the year



Deployment of Multi-formats and Omni-channel

“Auchan Minute”

- An 18-square-meter unmanned convenience box with 500 SKUs
- First box was launched in September 2017
- 67 boxes have been rolled out as end of 2017
- 43 Auchan stores have participated this project
- Deployed within a 3-kilometer radius of each store
- Competitive prices compared to the CVS nearby
- Tailor-made product range by different locations
- Timely replenishment and zero inventory pressure
- Accelerate the new venture in the coming future



B2B Business

- An standalone B2B APP named “RT-Mart e Lu Fa” (大潤發e路發)
- 200,000 B2B clients
- 12,000 SKUs
- B2B clients include companies, retail, mother and baby, wholesale, entertainment and catering
- Products provided with high quality and low price
- Help small mom-and-pop grocery stores to transform and upgrade.



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Business Strategy



3 Priorities & 2 Necessities

Develop new format



Reinvent hypermarket



O2O



Common back office



Get the best team





Reinvent Hypermarket

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Customer Experience



Private Label



Freshness



Restaurant



cosmia Qilive
in extenso® 怡客

Exclusive Brands



Data Driven



Develop New Format

Auchan Minute

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B2B

Superstore



O2O

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Taobao Dao Jia



RT Fresh



Auchan Waimai



Common Back Office

Negotiation



Global Sourcing



Finance



IT



Private Label



Supply Chain





Get the Best Team



**Alignment of the
leaders
competencies with
business challenges**



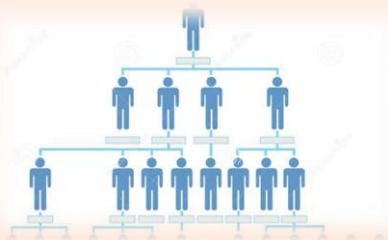
Professionalization



Talents Spotting



Supplementary teams



**Complete and effective
replacement
organization**



**Acceleration of the
international growth**



**Acceleration of
developing
omni-channels**



Results

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Q&A

