

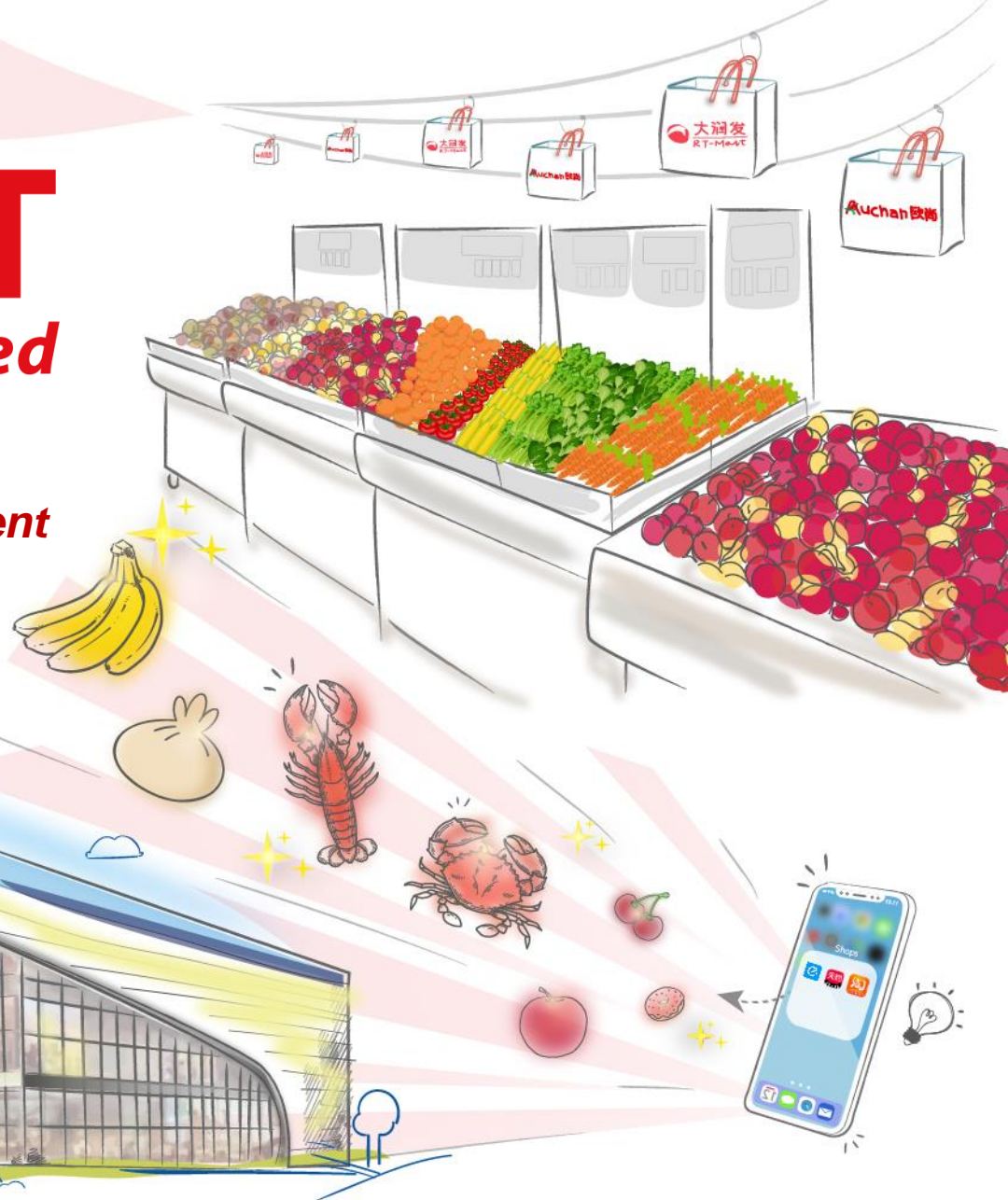
SUN ART

Retail Group Limited

Stock code: 6808

*Advance Phygital Development
across China*

**2019 Interim Results
Announcement**





Speakers



Business Review



Operating Environment



Financial Review



Business Strategy



Q&A



Speakers



Peter Huang

Chief Executive Officer



Jean Chausse

Chief Financial Officer



Nelson Hsu

Chief Financial Officer
of RT-Mart China



BUSINESS REVIEW



Business Review

B2C business is on the right trajectory, “one-hour-delivery-to-home” pattern becomes feasible

- By March 2019, the distribution area of all our stores was expanded from 3 kilometers to 5 kilometers.
- In June 2019, daily order per store (“DOPS”) was more than 700.
- During the “6.18” promotion event, the average DOPS was more than 1000.
- Fresh products account for more than 50% of our online revenue.
- The ratio of negative comments and customer complaints were less than 0.3%. Our on-time delivery rate is more than 99%.
- DOPS has been climbing steadily, the efficiency of fulfillment is improving gradually. One-hour-delivery-to-home pattern has been adopted by Sun Art.
- In the second half of this year, we will accelerate the expansion of B2C business scale and increase daily order density.

Business Review

B2B operations continue to grow

- B2B is a platform that can provide fresh products, covering a full range with 20,000 SKUs.
- All Sun Art stores have rolled out B2B business.
- By June 2019, “RT-mart e Lu Fa” has more than 500,000 registered clients.
- The development of business clients is mostly concentrated within a 20-kilometer radius of our stores and the farthest distance is 100 kilometers.
- By the end of 2019, the sales of B2B business is expected to increase by 50%.
- After two years’ running, “RT-mart e Lu Fa” has moved into the first-tier of the industry.
- Next year, “RT-mart e Lu Fa” will become one of the 10 billion club members.

Business Review

Restructuring the Hypermarket Proved Successful

- Restructuring our hypermarkets meant restructuring our functions, our categories and our mindset.
- Restructuring offerings and displays, we have strengthened products suitable for the consumption of middle-to-upper-tier customers and online requirements.
- Our first restructured pilot is a 20-year-old store in Shanghai. After renovation, this store was rejuvenated and had positive same store sales growth (“SSSG”), 10% better than Shanghai stores not yet refurnished. Fresh products sector, in particular, turned in double-digit SSSG.
- This year, more than 40 of our stores are being renovated.
- The renovated stores will pay more attention to customer experience, as well as reinventing customers of reasons for visiting physical store.

Business Review

Smooth convergence and deepening convergence

- By the end of February 2019, a joint-operations headquarters was established and has now been integrated.
- In mid-April 2019, the upgrade and integration of Auchan store IT systems was completed.
- In the first half of 2019, we had adjusted Auchan's product range, store layout and store organization, as well as clearing its inventories and integrating the distribution centers.
- Online business from the Auchan stores is on the right trajectory.
- In the future, our focus in convergence will be on improving the revenue and gross margin, reducing stores' controllable costs, as well as substantially decreasing headquarters expenses.

Business Review – Expansion Status

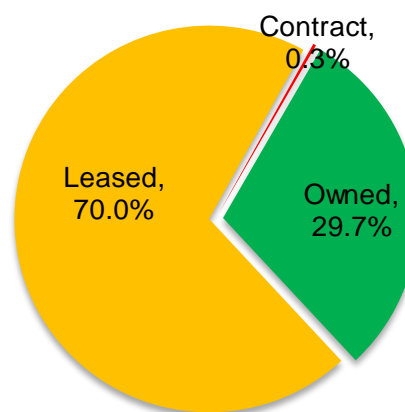
Covering 233 cities across 29 provinces, autonomous regions and municipalities
Secured 49 sites to open hypermarket complexes, of which 40 were under construction



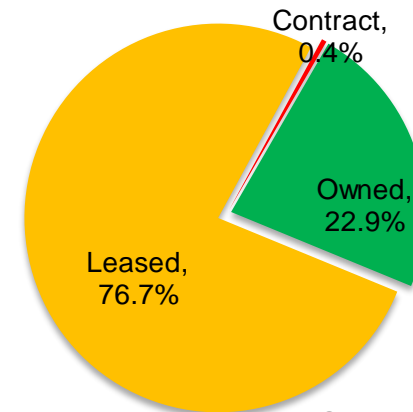
Region	No. of stores (as of 30 June 2019)		GFA (sqm) (as of 30 June 2019)			
			Total			Total
Eastern China	51	141	192	2,067,785	3,398,650	5,466,435
Northern China	5	46	51	151,064	1,137,050	1,288,114
N-Eastern China	1	51	52	32,033	1,413,972	1,446,005
Southern China	5	84	89	124,523	2,047,350	2,171,873
Central China	9	66	75	269,185	1,642,455	1,911,640
Western China	5	21	26	223,839	495,920	719,759
Total	76	409	485	2,868,429	10,135,397	13,003,826

- In 2019H1, the Group has opened 2 new hypermarket complexes and 1 Frehippo Supermarket, and closed 1 Auchan store.
- As of 30 June 2019, the Group had 485 hypermarket complexes and 2 Frehippo supermarkets

GFA breakdown



Store no. breakdown



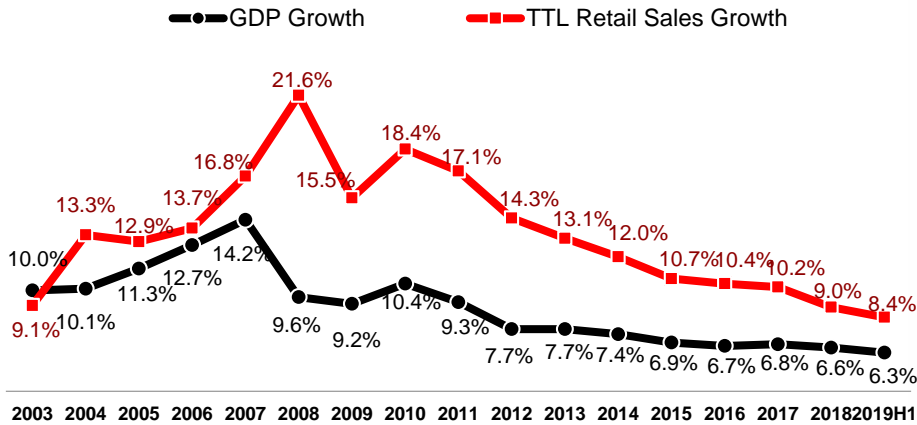


OPERATING ENVIRONMENT

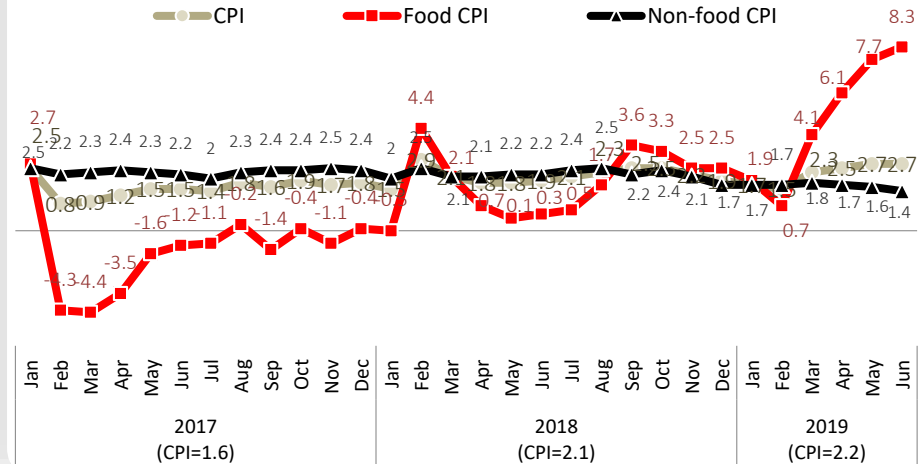


Operating Environment

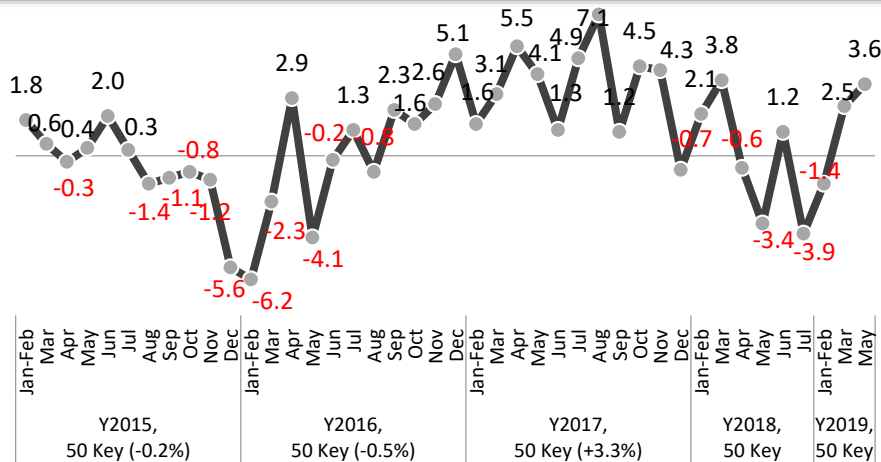
(1) Growth of GDP & Total Retail Sales of Consumer Goods



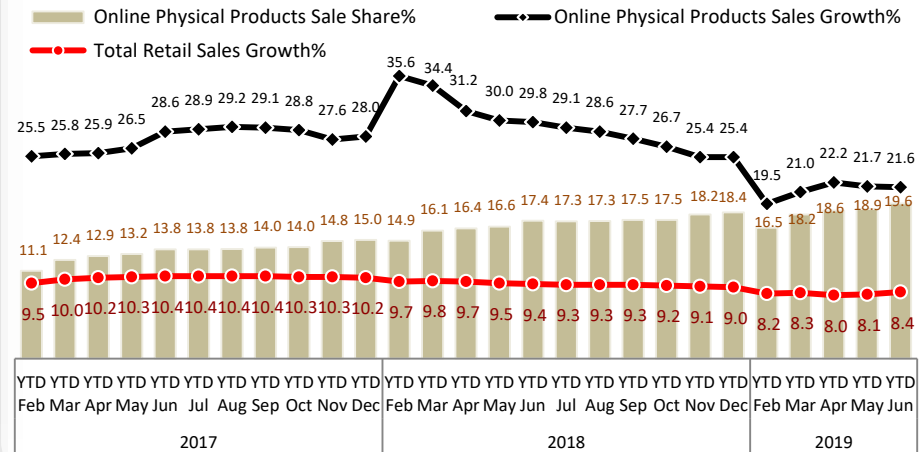
(2) 2019H1: CPI was up by 2.2% yoy (Food CPI up 4.7%, Non Food CPI up 1.6%)



(3) Downtrend of 50 Key Retailers Sales Growth



(4) Online physical products sales accounted for 19.6% of total retail sales in 2019H1, up by 21.6%



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



FINANCIAL REVIEW



Financial Highlights

For the six months ended 30 June (RMB in million)	2019	2018	Change
Gross Sales Proceeds ⁽²⁾	54,396	54,060	0.6%
Revenue	50,586	54,060	-6.4% ⁽¹⁾
Gross Profit	13,188	12,922	2.1%
Gross Profit Margin ⁽³⁾	24.2%	23.9%	+ 30 bps
EBIT ⁽⁴⁾	3,014	2,921	3.2%
EBIT Margin ⁽⁵⁾	5.5%	5.4%	+ 10 bps
Profit for the period ⁽⁶⁾	1,899	1,833	3.6%
Net profit margin ⁽⁷⁾	3.5%	3.4%	+ 10 bps
Profit attributable to equity shareholders ⁽⁸⁾	1,766	1,682	5.0%
Earnings per share -Basic and diluted (RMB) ⁽⁹⁾	0.19	0.18	

(1) In our electronic appliance department, the business model was changed from self-operation to consignment with Suning from August 2018. Since then, only consignment fees received have been recognized in revenue instead of gross sales.

(2) Gross Sales Proceeds consist of gross proceeds from product sales, consignment sales and rental income, excluding value-added tax.

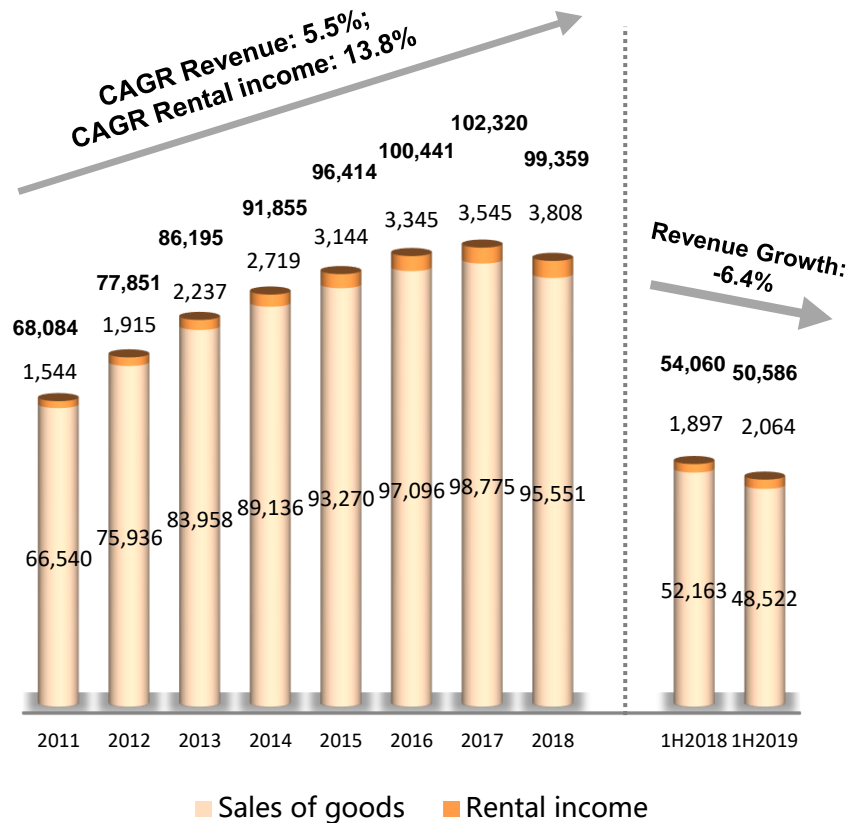
(3), (5), (7) calculated on gross sales proceeds. (4), (6), (8) had the impact of HKFRS16 included

(9) The calculation of basic and diluted EPS for the six months ended 30 June 2019 and 2018 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

Financial Highlights

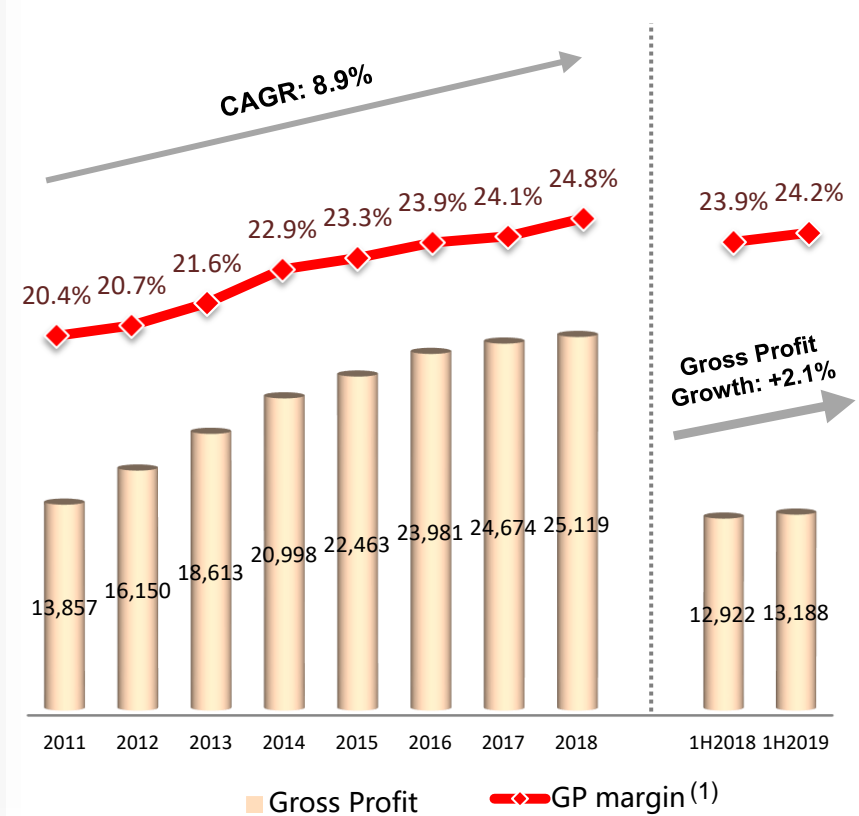
Revenue

RMB (million)



Gross Profit & Margin

RMB (million)



Note: (1) Gross margin were calculated based on gross sales proceeds for the period of 2018, 2018H1 and 2019H1.

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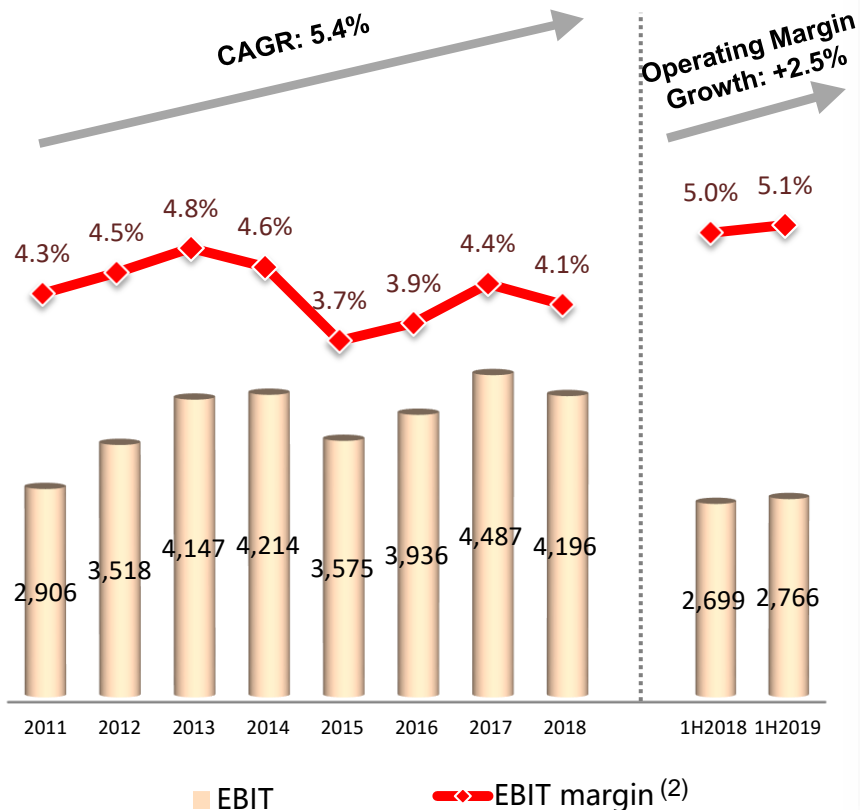
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Financial Highlights

For the purpose of easier comparison, the impact of HKFRS16 adoption has been excluded for both periods.

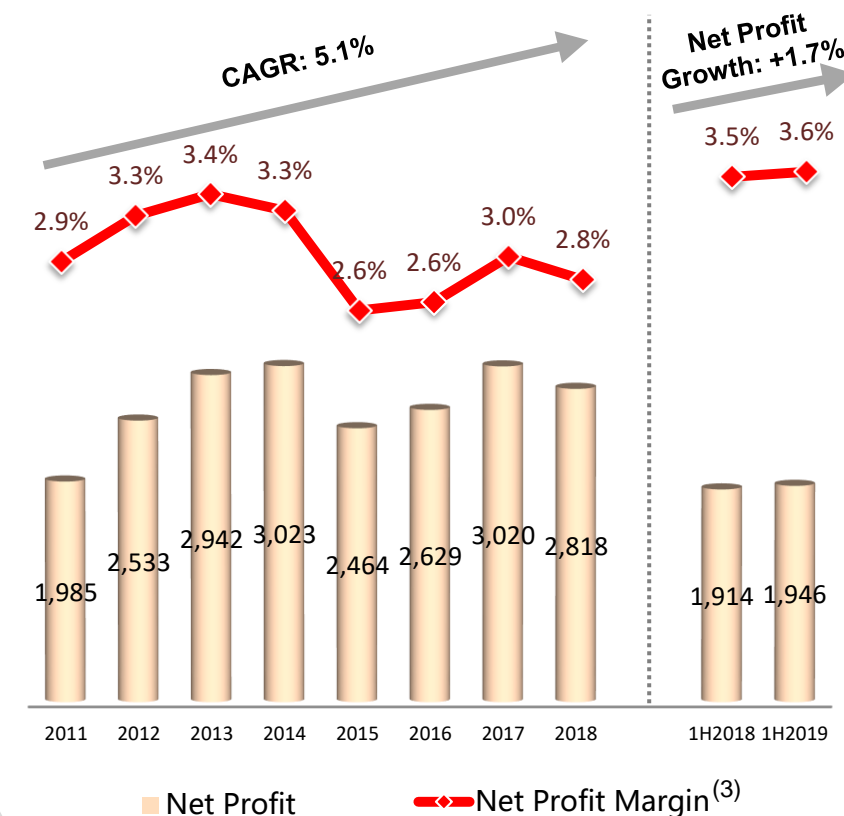
Operating Margin

RMB (million)



Net Profit⁽¹⁾ and Margin

RMB (million)



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

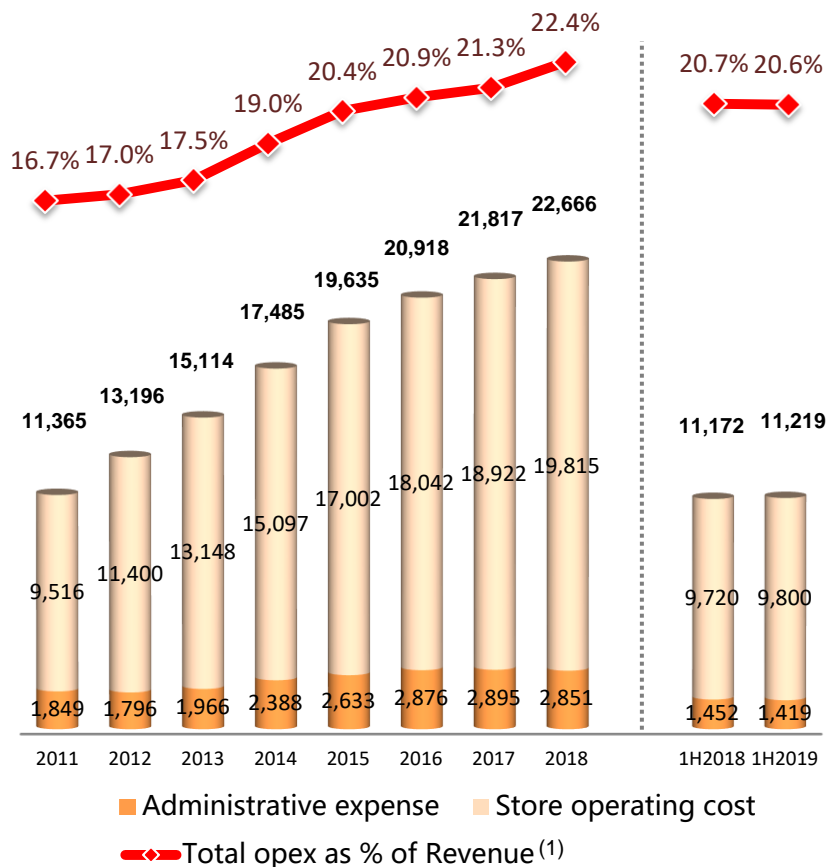
(2), (3) Operating margin and net profit margin were calculated based on gross sales proceeds for the period of 2018, 2018H1 and 2019H1.

Financial Highlights

For the purpose of easier comparison, the impact of HKFRS16 adoption has been excluded for both periods.

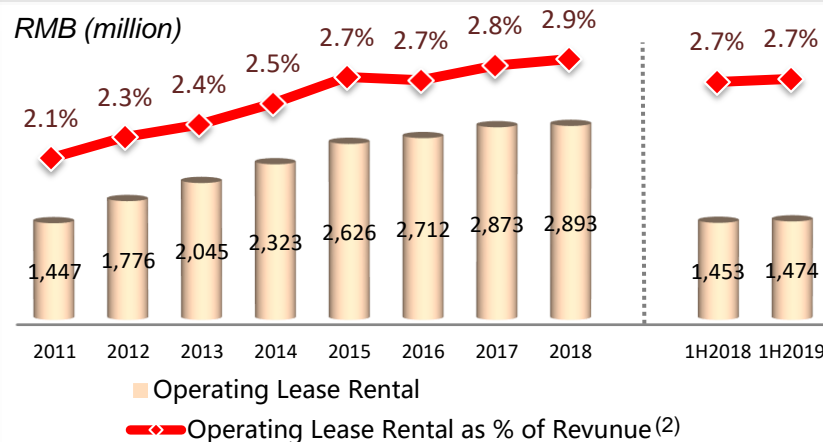
Expenses

RMB (million)



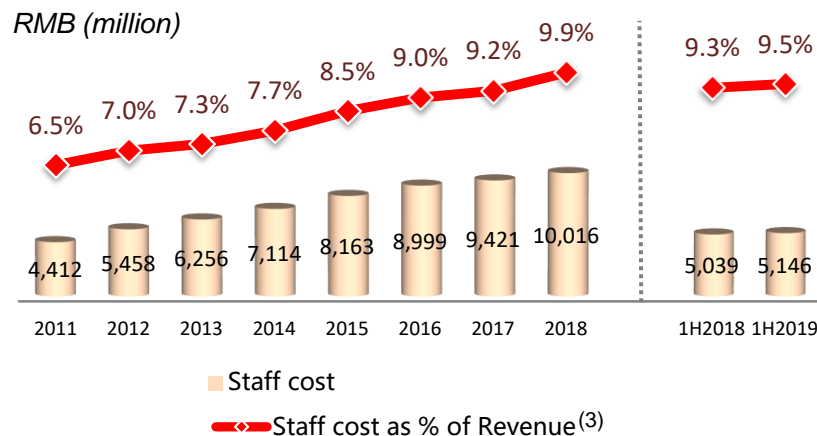
Operating Lease Charges

RMB (million)



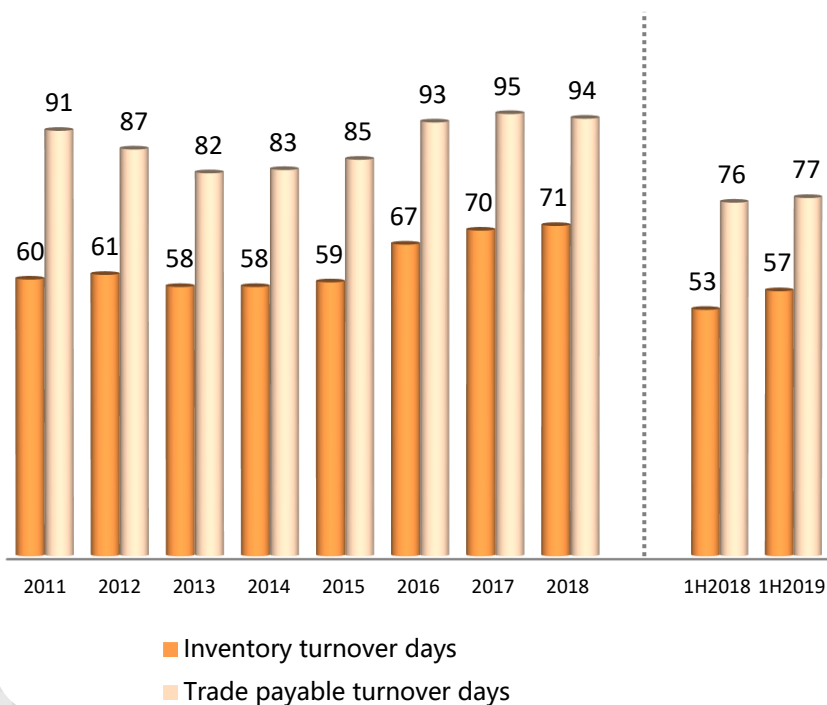
Staff Cost

RMB (million)



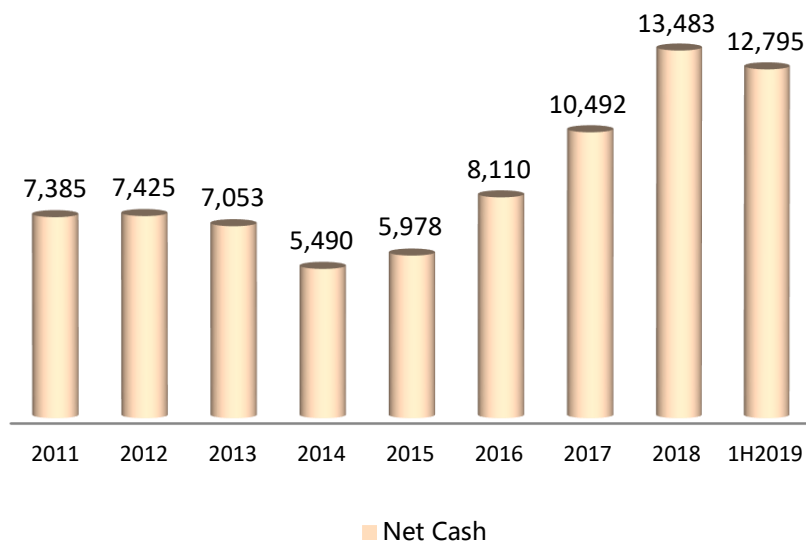
Balance Sheet

Working Capital Days



Net Financial Position

RMB (million)



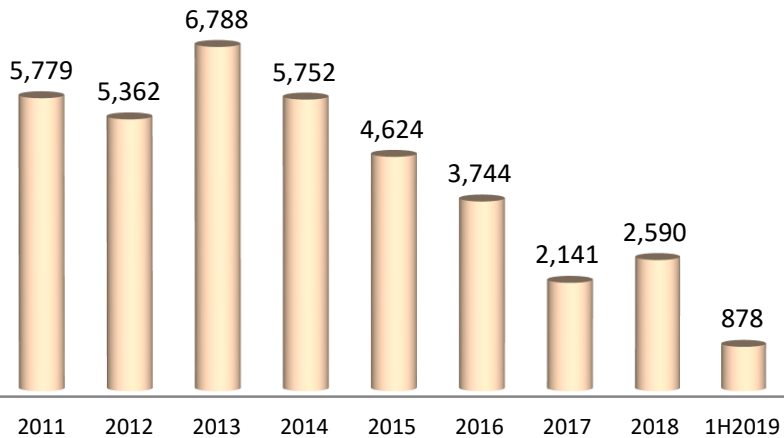
Note:

- (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, 2017, 2018 and 180 days for 2019H1.
- (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, 2017, 2018 and 180 days for 2019H1.
- (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, 2017, 2018 and 180 days for 2019H1.
- (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

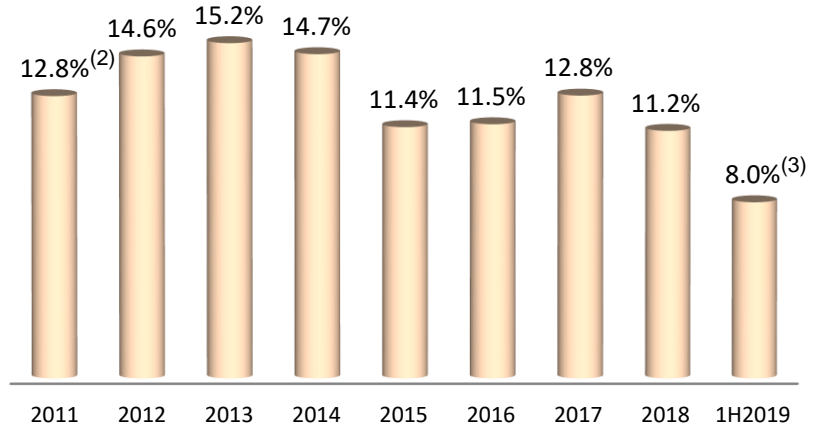
CAPEX

RMB (million)



■ CAPEX

ROE⁽¹⁾



■ ROE

Note:

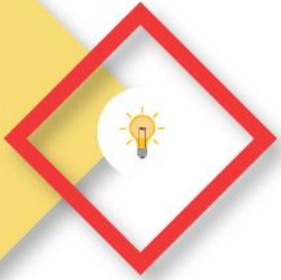
(1) ROE is calculated by dividing net profit for the year by total equity amounts as at the end of the year

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

(3) For easier comparison purpose, the impact of HKFRS16 adoption has been excluded.

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BUSINESS STRATEGY





**Renovation and optimization
for New Retail**

**Continuously deepen
Restructure of hypermarket**

Development of new formats

Deepen integration of two banners



Q & A

