

SUN ART

Retail Group Limited

Stock code: 6808

Advance Phygital Development
across China

2020 Interim Results Announcement





Speakers



Operating Environment



Expansion Status



Business Review



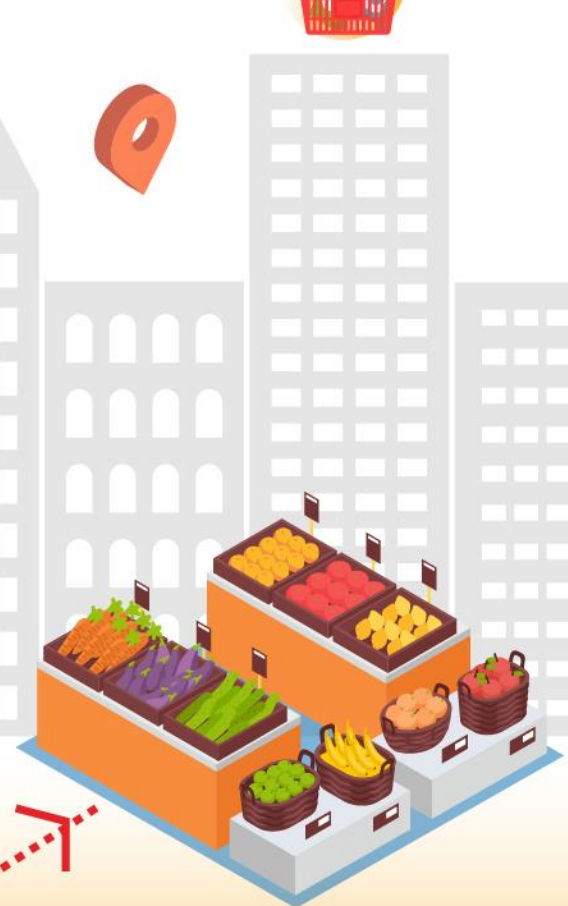
Financial Review



Business Strategy



Q&A



Speakers



Peter Huang

Chief Executive Officer



Chris Fan, Yi-Gang

Chief Financial Officer



Nelson Hsu

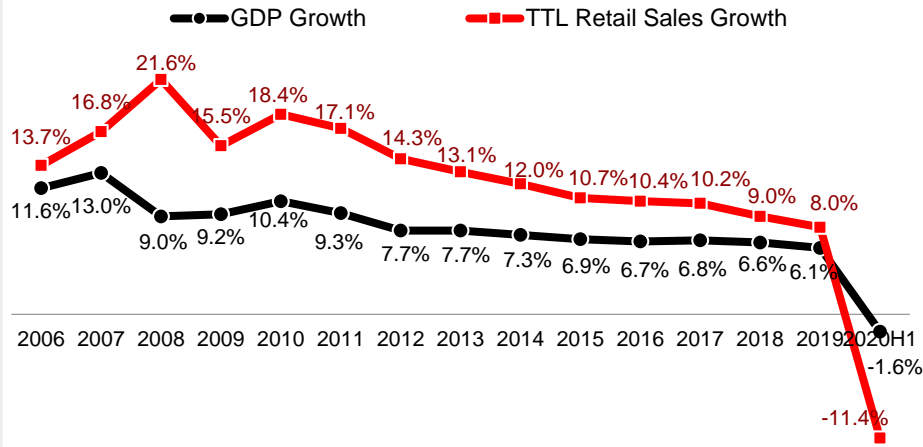
Chief Financial Officer
of RT-Mart China

OPERATING ENVIRONMENT

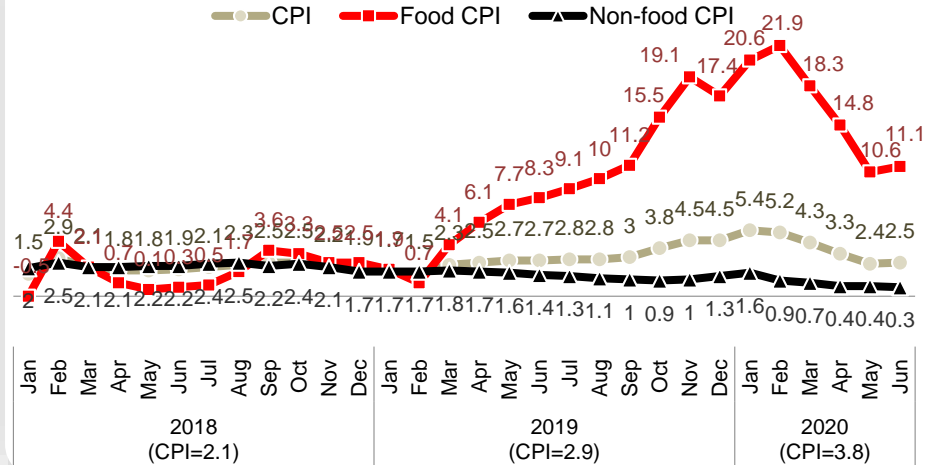


Operating Environment

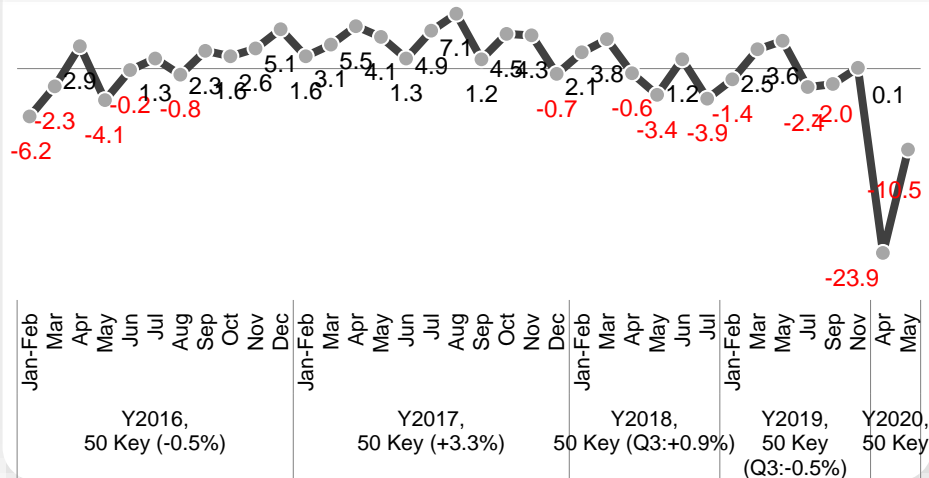
(1) Growth of GDP & Total Retail Sales of Consumer Goods



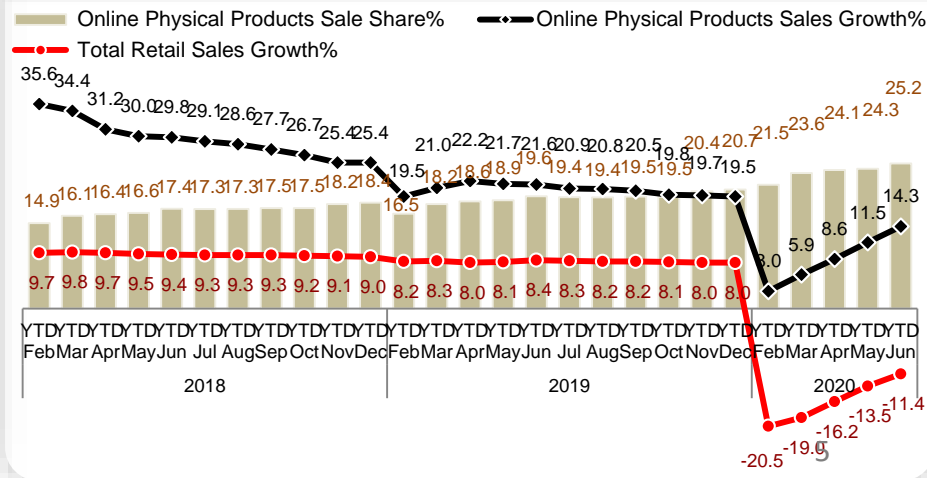
(2) 2020H1: CPI was up by 3.8% yoy (Food CPI up 16.2%, Non Food CPI up 0.7%)



(3) Downtrend of 50 Key Retailers Sales Growth



(4) Online physical products sales accounted for 25.2% of total retail sales in 2020H1, up by 14.3%



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

EXPANSION STATUS



Expansion Status

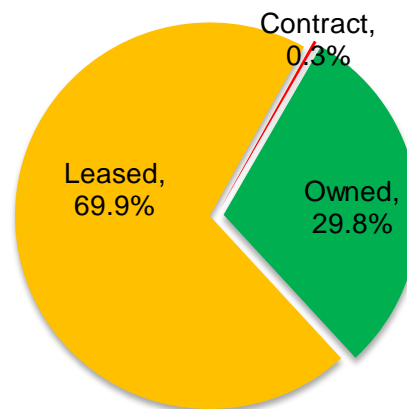


Covering 231 cities across 29 provinces, autonomous regions and municipalities. Secured 43 sites to open hypermarket complexes, of which 37 were under construction

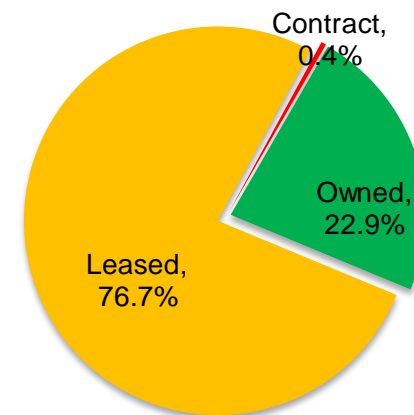
- In 2020, the Group has opened 1 supermarket and closed 3 loss-making stores.
- As of 30 June 2020, the Group had 481 hypermarket complexes and 3 supermarkets.

Region	No. of stores (as of 30 June 2020)			GFA (sqm) (as of 30 June 2020)		
	Super market	Hyper market	Total	Supermarket	Hypermarket	Total
Eastern China	2	188	190	32,945	5,397,803	5,430,748
Northern China	1	49	50	10,283	1,236,543	1,246,826
N-Eastern China	0	52	52	0	1,446,005	1,446,005
Southern China	0	90	90	0	2,188,522	2,188,522
Central China	0	76	76	0	1,933,517	1,933,517
Western China	0	26	26	0	719,759	719,759
Total	3	481	484	43,228	12,922,149	12,965,377

GFA breakdown



Store no. breakdown



BUSINESS REVIEW



- B2C Business -

- The number of B2C users reached nearly 50 million and the number of active users reached nearly 13 million.
- In the first quarter of 2020, the online Daily Order per Store (“**DOPS**”) was more than 750, and ticket size was more than RMB85;
In the second quarter of 2020, the online **DOPS** was more than 950, and ticket size was more than RMB68.
- On the day of the 6-18 promotion, **DOPS** leaped to more than 1,750, and ticket size was more than RMB70. The Group doubled the total revenue and total orders of the B2C business compared to that of the same day last year. The Group set a new record exceeding the previous peak that was created on “double 11” in 2019.
- With the expansion of ticket size and order density, B2C’s unit economics was further optimized and profitability was further improved.

- B2B Business -

- The number of existing users and active users reached more than 600,000 and nearly 250,000 respectively.
- B2B business, such as catering and corporates related, was affected amid the pandemic, and the performance was below the Group's expectation.
- With the stabilization of the pandemic, B2B business grew by 5% compared to the same period of last year and has progressively recovered.

- Tmall supermarket inventory sharing -

- One-hour-delivery of Tmall Supermarket (“Tmall one-hour-delivery”) provides a service to the customers within a five-kilometer radius and has been rolled out to all stores.
- Half-day-delivery of Tmall Supermarket (“Tmall half-day-delivery”) is applicable to a catchment area within a five to twenty kilometers radius. There are 180 stores available for this service.
- The Tmall supermarket inventory share initiative is still at a pilot stage, and orders continued to increase month by month.

- Community group purchase -

- The initiative has been rolled out and adopted dual operating mode i.e. Cainiao pick-up stations and directly developed outlets.
- Cainiao pick-up stations acquired advantage by leveraging Sun Art's supply chain and sharing its more than 50,000 outlets across China.
- More than 3,000 Cainiao pick-up stations across 16 cities and more than 5,000 directly developed outlets across 85 cities have rolled out this service.
- This initiative provides a new shopping scenario to customers.

- Due to the pandemic, the targeted number of remodeling has been adjusted from previously 50 to 40, of which 5 stores have been completed and 15 ones are under construction.
- Revenue growth rate of remodeled stores was nearly 7 percentage point better than non-furnished ones.
- This initiative includes store remodeling and gallery upgrading. The Group expects to provide customers with a completely new shopping experience.
- The remodeling not only features an upgrade of the stores' shopping environment, but also better the offerings. The power of products and services shall return to the essence of retail, thus enabling the customers to find the reasons to return to the brick-and-mortar stores again.

Multi-format store expansion mode

- Brick-and-mortar stores have been impacted by e-commerce and peer competition, and the catchment areas have been shrinking.
- The customers are demanding ever more convenience in shopping.
- Expanding store footprints by opening smaller and community-based formats is an inevitable direction of development.
- Kick-off of multi-format store expansion mode features a hand-in-hand expansion of hypermarkets, supermarkets and mini stores.
- This year, the Group expects to open approximately ten hypermarkets, two to three supermarkets and 30 mini stores.

Integration of two banners

- Integration of two banners plays a prominent part to drive the growth of the Group's revenue and profit.
- Auchan's gross margin has been significantly improved and the steady decline of fresh goods wastage under the Auchan banner has gradually decreased.
- The synergies among departments became more evident, and controllable costs were further optimized.
- DOPS of B2C business under the Auchan banner has improved. This has enhanced employees' efficiency and greatly improved the profit earning of its B2C business.

FINANCIAL REVIEW



Financial Highlights

For the six months ended 30 June (RMB in million)	2020	2019	Change
Revenue ⁽¹⁾	53,170	50,586	5.1%
Same Store Sales Growth ⁽²⁾⁽³⁾	5.7%	-1.8%	
Gross Profit	13,054	13,188	-1.0%
Gross Profit Margin ⁽⁴⁾	24.6%	26.1%	- 150 bps
EBIT	3,346	3,014	11.0%
EBIT Margin ⁽⁵⁾	6.3%	6.0%	+ 30 bps
Profit for the period	2,191	1,899	15.4%
Net profit margin ⁽⁶⁾	4.1%	3.8%	+ 30 bps
Profit attributable to equity shareholders	2,062	1,766	16.8%
Earnings per share -Basic and diluted (RMB) ⁽⁷⁾	0.22	0.19	

Note: The Group has initially applied HKFRS 16 at 1 January 2019.

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

(2) SSSG: the growth rate of sales of the stores opened before 30 June 2019. It is calculated by comparing the sales derived from those stores during their operating periods in first half of 2020 with sales during the corresponding periods in 2019.

(3) The Same Store Sales Growth, calculated based on sales of goods excluding electronic appliance.

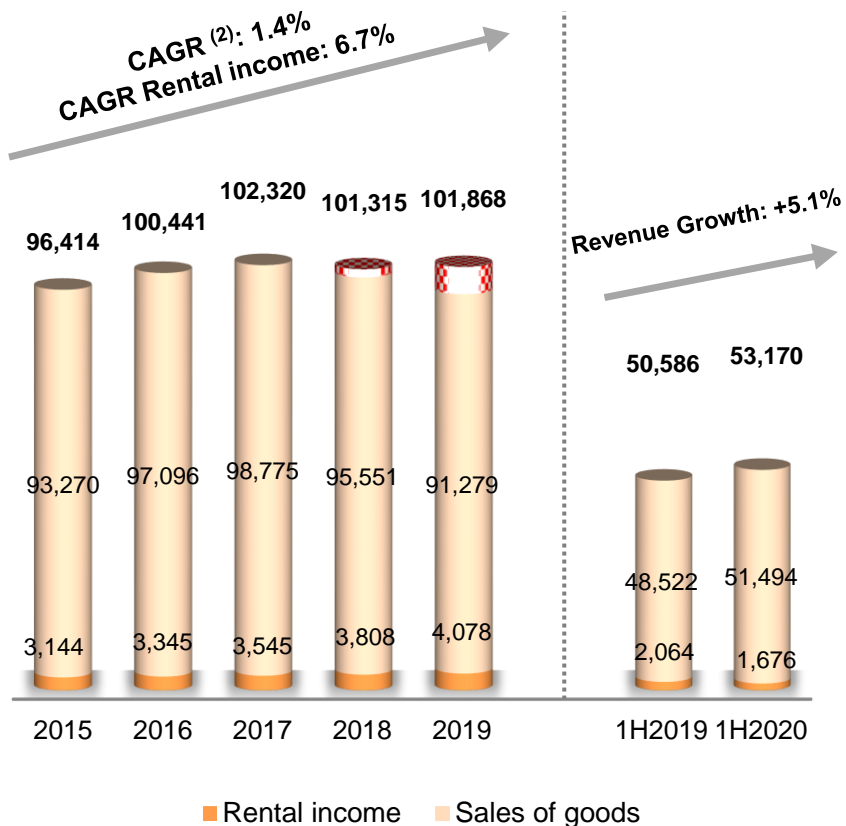
(4), (5), (6) calculated on revenue.

(7) The calculation of basic and diluted EPS for the six months ended 30 June 2020 and 2019 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

Financial Highlights

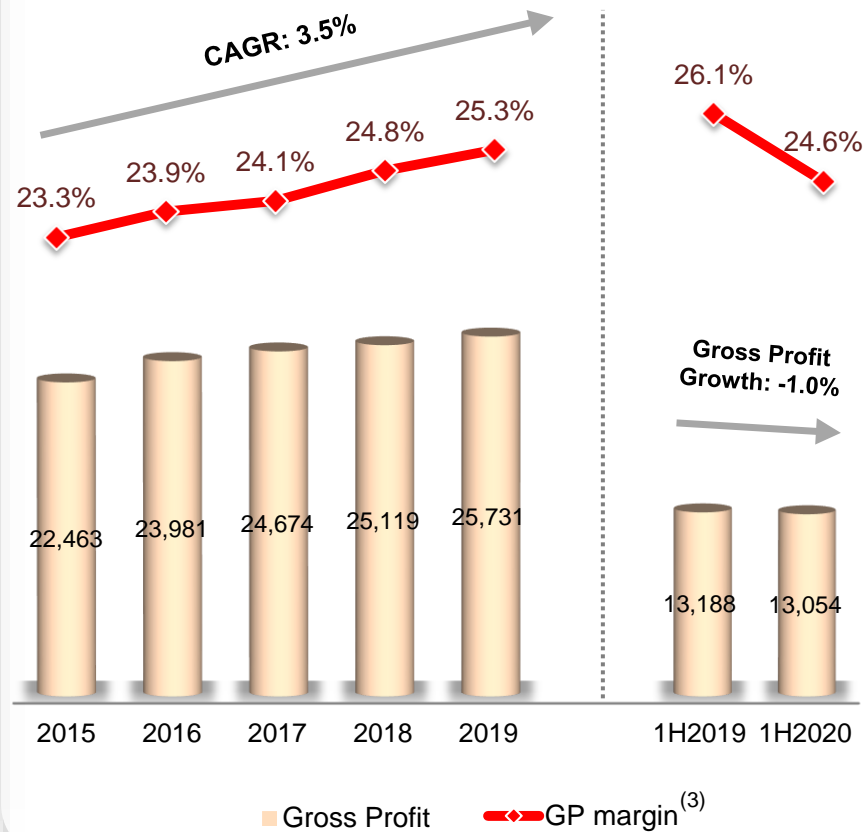
Revenue & Gross Sales Proceeds (1)

RMB (million)



Gross Profit & Margin

RMB (million)



Note: (1) The figures for the year of 2018 and 2019 are gross sales proceeds.

(2) CAGR was calculated based on gross sales proceeds.

(3) Gross margin was calculated based on gross sales proceeds for the year of 2018 and 2019. The calculation for the six months ended 30 June 2019 and 2020 was based on revenue.

SUN ART

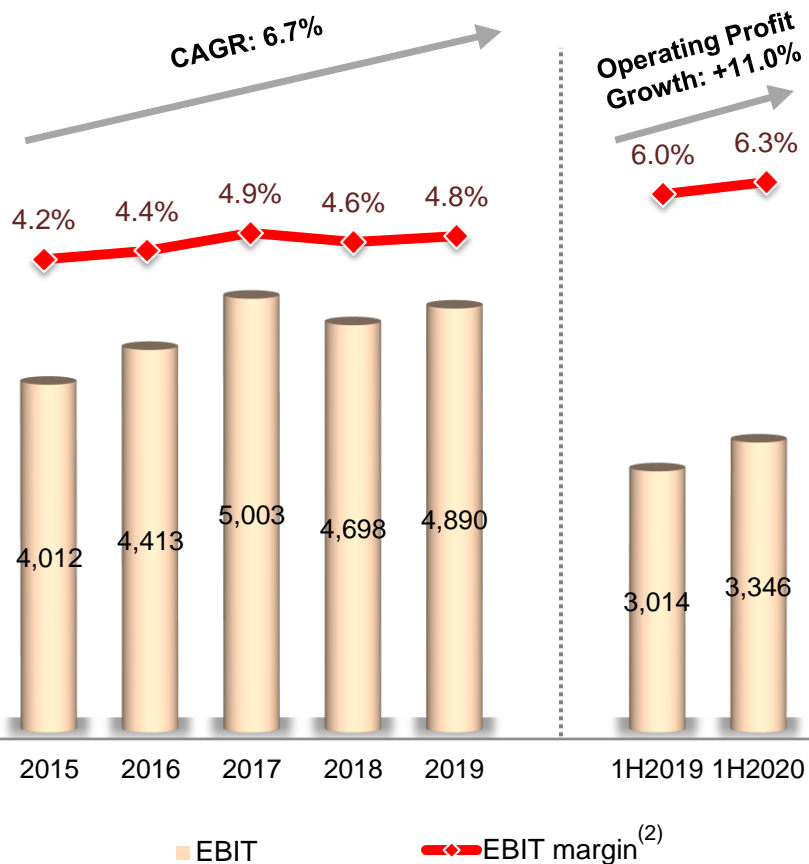
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Financial Highlights

The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, figures in the 4 years earlier than 2019 (i.e. since 2015) are restated retrospectively.

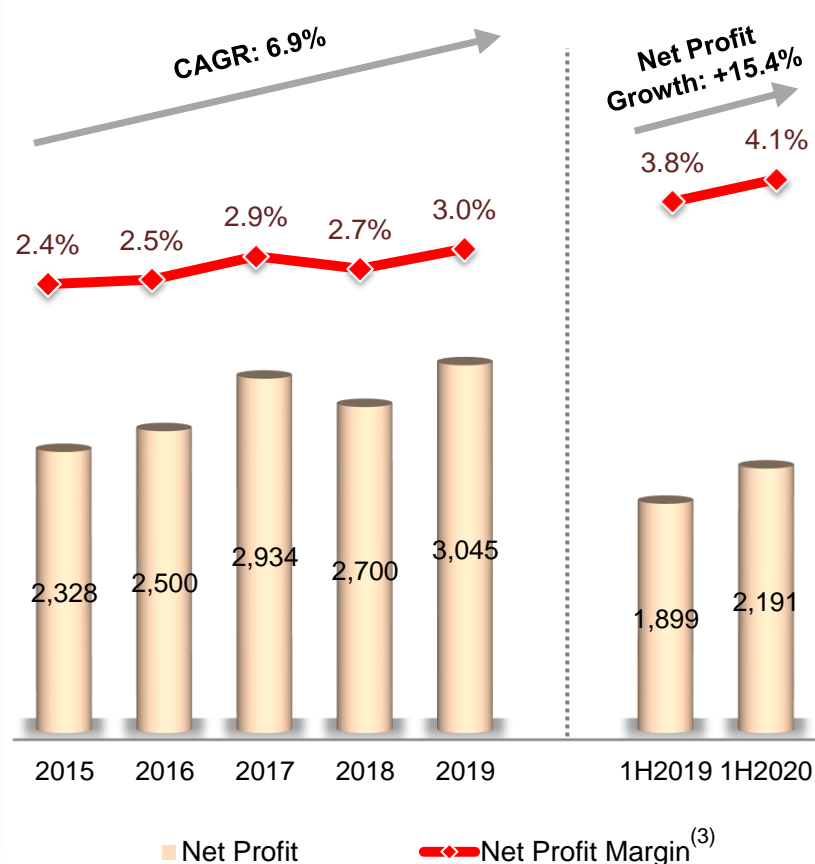
Operating Profit

RMB (million)



Net Profit ⁽¹⁾ and Margin

RMB (million)



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

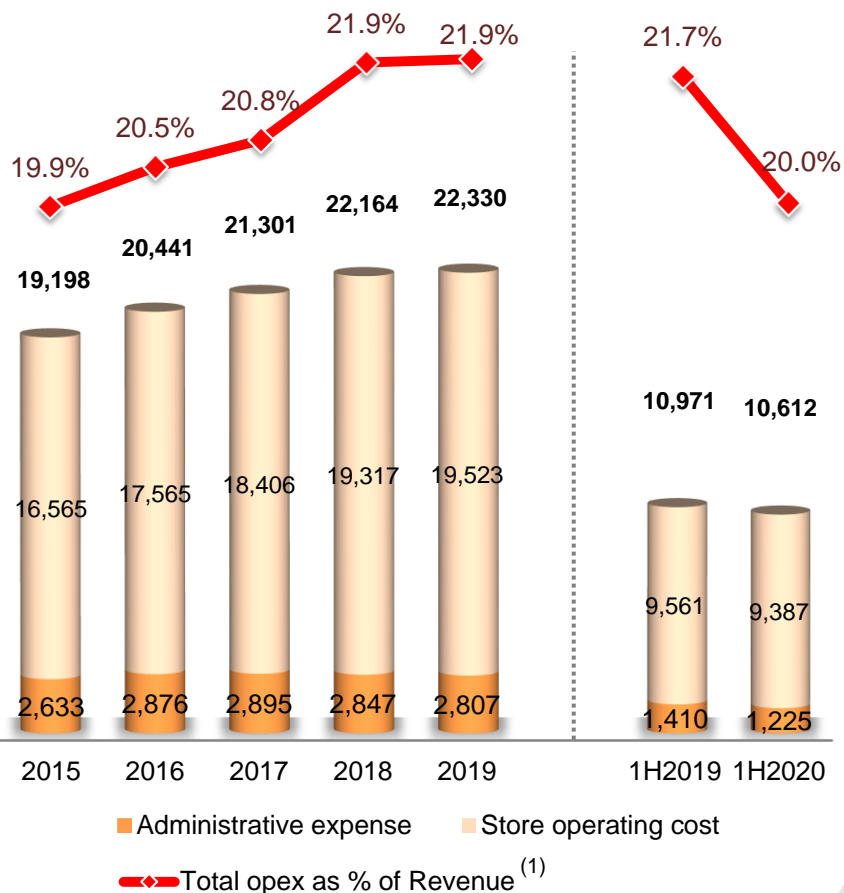
(2), (3) Operating margin and net profit margin were calculated based on gross sales proceeds for the year of 2018 and 2019. The calculation for the six months ended 30 June 2019 and 2020 was based on revenue.

Financial Highlights

The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, figures in the 4 years earlier than 2019 (i.e. since 2015) are restated retrospectively.

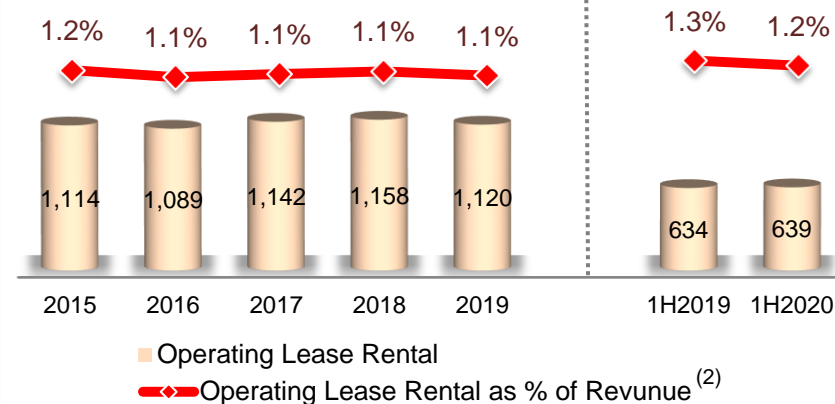
Expenses

RMB (million)



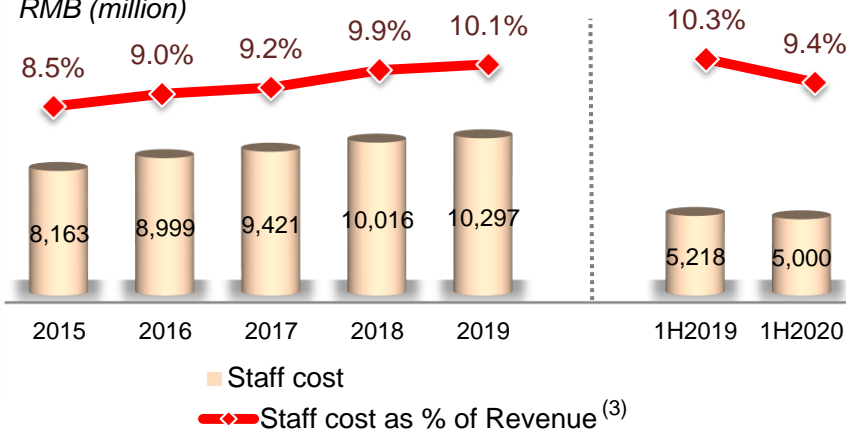
Operating Lease Charges

RMB (million)



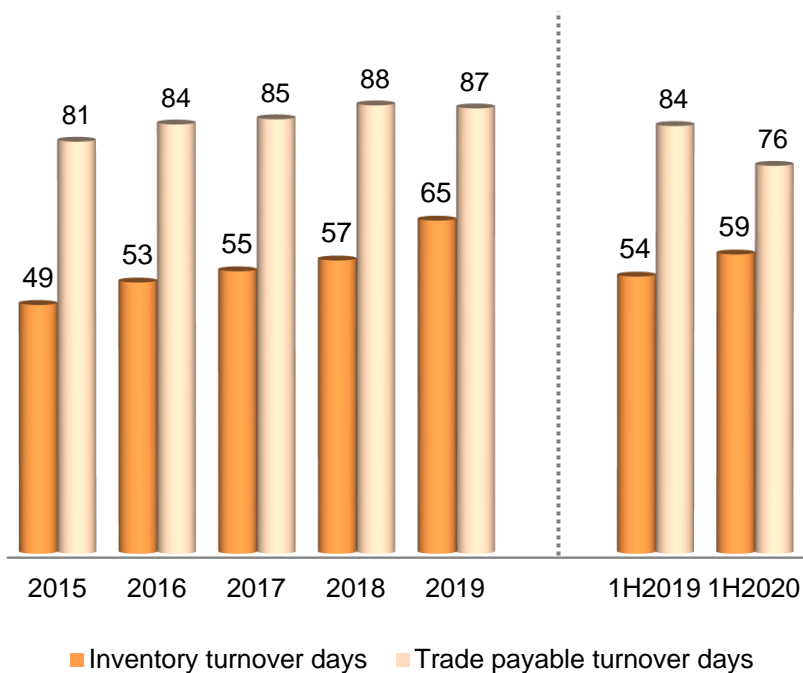
Staff Cost

RMB (million)



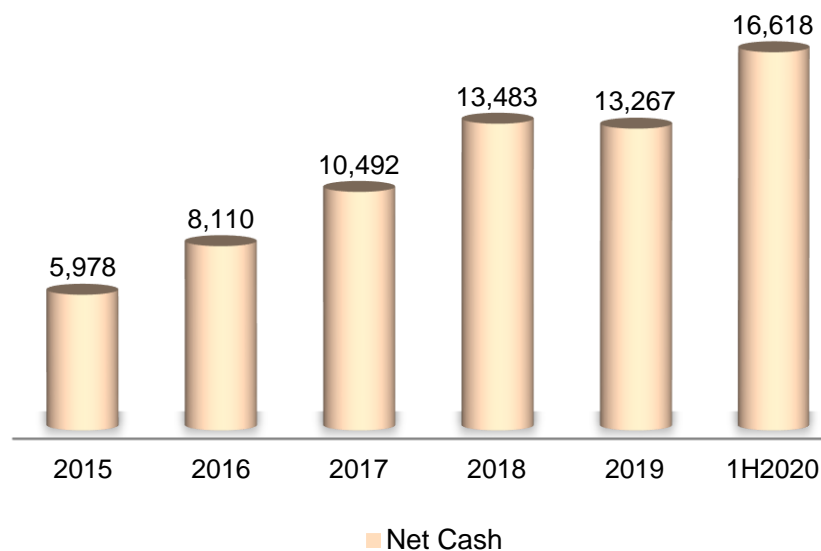
Balance Sheet

Working Capital Days (1)



Net Financial Position (2)

RMB (million)



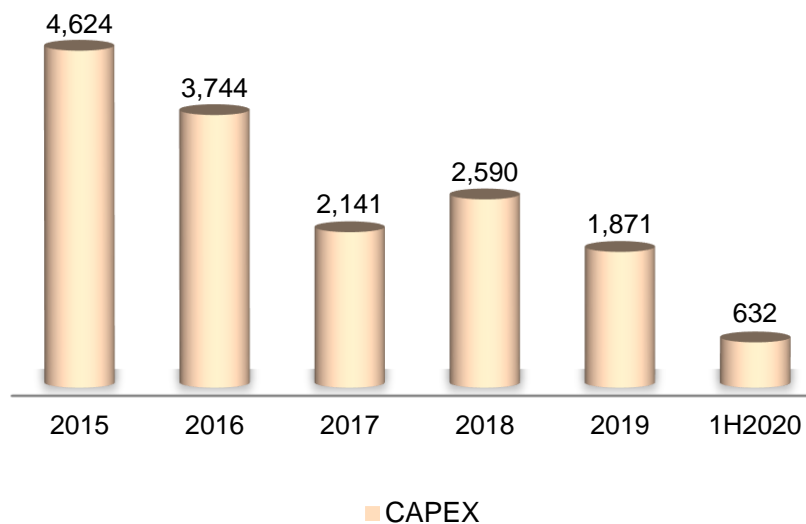
Note:

- (1) The inventory turnover days and trade payable turnover days are calculated on average balances of inventory and trade payable, together with the cost of inventory during past 12 months. Data has been restated since 2015.
- (2) The balance of net financial position is calculated as the sum of cash and cash equivalents and investment and time deposits minus bank loans.

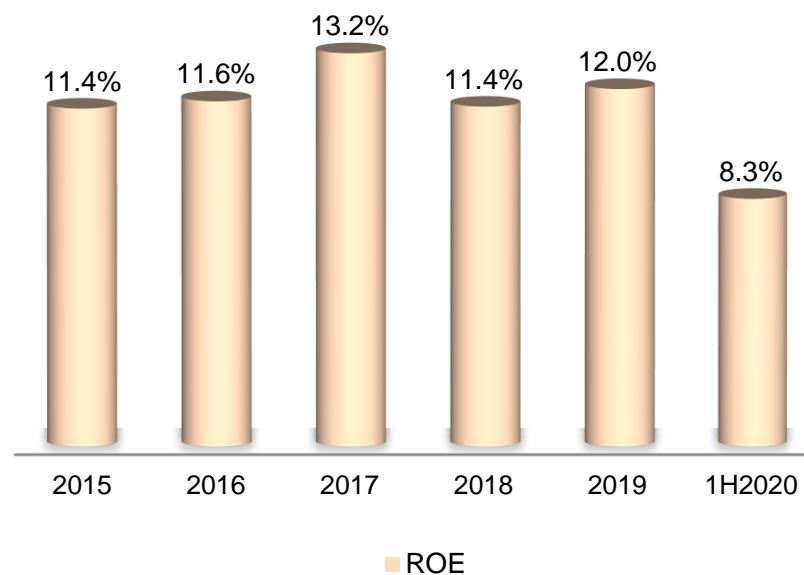
Investment Return

CAPEX

RMB (million)



ROE⁽¹⁾ (2)



Note:

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

(2) The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, figures in the 4 years earlier than 2019 (i.e. since 2015) are restated retrospectively.

BUSINESS STRATEGY



Business Strategy

- Development of multi-format and omni-channel
- Comprehensive digital upgrading and transformation
- Acceleration of remodeling hypermarkets
- Deepened integration of our two banners

Q & A

