



Sun Art Retail Announces 2016 Interim Results
*Enhance Differentiation and Competitiveness by
Developing Own Brands and Fresh Products
Developing O2O project with Mortar Stores*

Financial Highlights

(In RMB million, unless stated otherwise)

For the Six Months Ended 30 June

(Unaudited)	2016	2015	Growth Rate
Revenue	52,943	50,708	4.4%
Gross Profit	12,059	11,425	5.5%
Profit from Operations	2,199	2,180	0.9%
Profit for the Period	1,461	1,512	(3.4%)
Profit Attributable to Equity Shareholders of the Company	1,432	1,471	(2.7%)
Earnings Per Share			
- Basic and Diluted	RMB 0.15	RMB 0.15	

Business Highlights

- Revenue increased 4.4% to RMB52,943 million; gross profit grew 5.5% to RMB12,059 million; gross profit margin increased 0.3ppt to 22.8%.
- Opened 12 hypermarket complexes, one under the Auchan banner and 11 under the RT-Mart banner.
- As at 30 June 2016, the Group had a total of 421 hypermarket complexes across China.
- The implementation of exclusive brand products strategy enhances differentiation, while direct sourcing and central procurement of vegetables ensure better quality. Both policies will raise competitiveness and strengthen our traffic.
- Better Integration of On-line and Off-line with the Advantage of Mortar Stores
- As at 30 June 2016, Feiniu.com has more than 16.3 million registered members with over 3.2 million active members. The Group has more than 400 mortar stores covering 28 provinces nationwide. This factor gives us solid support to develop our O2O business more efficient and faster.

(11 August 2016, Hong Kong) **Sun Art Retail Group Limited** ("Sun Art Retail" or the "Group"; stock code: 6808), a leading hypermarket operator in China, has today announced 2016 interim results. For the six months ended 30 June 2016, the Group's revenue increased 4.4% to RMB52,943 million. Basic earnings per share amounted to RMB0.15.

For the period under review, gross profit was RMB12,059 million, rose by 5.5% YoY. Gross profit margin was 22.8%, up by 0.3ppt YoY, mainly due to the increase in turnover of 4.4% exceeding the increase in cost of sales of 4.1%.

Mr. Bruno Robert Mercier, the Chief Executive Officer and Executive Director of Sun Art Retail commented, "In 1H 2016, the total retail sales of consumer goods in China achieved a YoY growth of 10.3%, and the national online sales grew by 28.2% to RMB2,236.7 billion. In response to the dynamic retail market environment, the Group is consistently adhering to its strategies with prudent expansion, implementation of new formats, proactive development of our own brand products, as well as ongoing investment in E-commerce platforms, so as to enhance our differentiation and competitiveness."

Prudent Expansion, Continuous Improvement of New Format and Regional Integration Initiative

During the period under review, the Group opened 12 new hypermarket complexes, of which one was under the Auchan banner and 11 under the RT-Mart banner. Of the new stores, five were located in Eastern China, four in Southern China, two in Central China and one located in Northern China.

As at 30 June 2016, Sun Art Retail had a total of 421 hypermarket complexes across 28 provinces, autonomous regions and municipalities in China with a total gross floor area of approximately 11.385 million square meters.

During the period under review, the Group continued to proactively seek opportunities to open new stores. As at 30 June 2016, through execution of lease contracts or acquisition of land plots, it had identified and secured 111 sites to open hypermarket complexes, of which 59 were under construction, ensuring sufficient site reserves for its expansion strategy for the next three years.

The Group opened two premium supermarkets in 2015, which have enhanced their range of products and improved customer experience.

In May 2016, the Group decided to transfer one store under the Auchan banner located at Yantai in Shandong province to the RT-Mart banner effective on 1 July 2016. The transferred store is expected to benefit from the advantageous procurement and supplier chain resources of the RT-Mart banner.

Developing Own-Brand Products by Creating Exclusive Brands

Starting several years ago, Sun Art Retail has created brands exclusively for the Auchan and RT-Mart banners covering a wide range of products mainly in the non-food sectors. For example, "Actuel", a general goods own-brand name, includes LED bulbs, hangers, pillow covers, bed linen, wineglasses and stationery; "Unic", an own-brand name for good quality textiles, includes underwear and socks; "QILIVE" is an own-brand name for small appliances, such as fans and rice cookers; "Airport" is a luggage own-brand name; and "Cup's" is an own-brand name for sport-related products. In addition, the Group has also developed several food-specific brands such as "ALLEGRA", an imported mineral water from Italy; "Pierre Chanau" for imported wine, "Hui Shang" for Chinese cuisine and "MMM!" for dairy products. The Group will continue to bring more own-brands to its customers, and a gardening-related own-brand "Garden Star" was just launched in April this year.

Direct Sourcing of Vegetables for Better Quality and Better Prices

About 20 RT-Mart banner stores in Eastern China and five RT-Mart stores in Northern China were selected as pilot stores to commence direct sourcing of a full range of vegetable products. More than 160 RT-Mart stores participated in a centralized procurement project for vegetable direct sourcing. The sales share of the centralized procurement project accounted for 40% of the vegetable sector in participating stores with an average of 20 products per store. A professional team worked out a dedicated process for this project and obtained encouraging results after several months' operations.

Thanks to the strong commercial and financial results during the period under review, the pilot business model is expected to be replicated in more stores and across other fresh daily products such as fruits, DVF (dry vegetables and fruits) and fish. The Auchan network has started the same program in 1H 2016.

Equipment Co-sourcing Project to Improve Quality and Save Costs

Given the success of centralized procurement for merchandise across the two banner networks, the Group has decided to extend the approach to the purchase of equipment. An equipment co-sourcing project between Auchan and RT-Mart was launched at the end of January 2016. Some 12 co-sourcing initiatives have been launched, such as shelves, anti-theft equipment, trolleys and bakery equipment.

Commercial Activities Alliance

In addition to common negotiation, the two banners of the Group were increasingly engaged in sharing promotional

activities such as the “Street Market” themed promotions and exclusive white alcoholic beverage promotions during Chinese New Year period.

E-commerce Business Development

To advance Feiniu HK’s development in the coming two years, the Group decided to invest an additional one billion RMB in Feiniu HK.

Mr. Mercier concluded “Moving forward, the challenges for the retail industry include the competitive environment driven by the rapid growth of E-commerce as well as market consolidation. China government’s central strategy is to rely on the internal consumption as a key driver of spur economic growth. In view of this, we will continue to spare no effort to develop and innovate all aspects of our business in order to enhance the Group’s differentiation and attractiveness to our customers.”

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About Sun Art Retail Group Limited (stock code: 6808)

Sun Art Retail is a leading retailer with hypermarket and fast-growing E-commerce businesses in China. Sun Art Retail operates its hypermarket business under two recognized banners – “Auchan” (歐尚) and “RT-Mart” (大潤發). As of 30 June 2016, Sun Art Retail had a total of 421 outlets in China with a total gross floor area (“GFA”) of approximately 11 million square meters. The E-commerce business platforms of Sun Art Retail include Feiniu.com (www.feiniu.com), Fields (www.fieldschina.com), Auchan Wine (www.auchanwines.com), and a mobile O2O platform Xiaohehe (www.xiaohehe.org).

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