

[For Immediate Release]



Sun Art Continues to Integrate Online and Offline Channels

Delivers seamless and more convenient shopping experience to customers

Financial Highlights

(In RMB million, unless stated otherwise)
(Unaudited)

For the Six Months Ended 30 June

	2018	2017	Growth rate
Revenue	54,060	54,080	-0.0%
Gross Profit	12,922	12,582	+2.7%
Profit from Operations	2,699	2,925	-7.7%
Profit for the Period	1,914	1,898	+0.8%
Profit Attributable to Equity Shareholders of the Company	1,758	1,757	+0.1%
Earnings per Share - Basic and Diluted	RMB0.18	RMB 0.18	

Business Highlights

- Revenue was RMB54,060 million. Gross profit grew 2.7% YoY to RMB12,922 million, and net profit margin increased 0.8% to RMB1,914 million.
- Opened 11 new hypermarket complexes in 1H 2018.
- As at 30 June 2018, the Group had 472 hypermarket complexes across China. The Group has also secured 56 new sites, out of which 48 new hypermarket complexes are being built.
- As at the end of June 2018, as a key collaboration with Alibaba Group, the Taoxianda initiative was rolled out in 165 brick-and-mortar stores, covering 93 cities within 17 provinces and municipalities nationwide.
- For the period under review, the revenue generated from B2B business reached RMB2.5 billion, which exceeded the full year revenue generated from B2B business last year.
- As at the end of June 2018, the Auchan banner has rolled out 270 "Auchan Minute" unmanned convenience boxes, and the Group expects to open a total of 500 boxes by the end of 2018.
- On 30 June 2018, RT-Mart China and Suning.com Co., Ltd. ("Suning") signed a strategic agreement to have extensive cooperation in the electronics appliance section in RT-Mart stores.

(8 August 2018 – Hong Kong) **Sun Art Retail Group Limited** ("Sun Art Retail" or the "Group", HKEX stock code: 6808), a leading hypermarket operator in China, today announced its 2018 interim results for the six months ended 30 June 2018 (1H 2018). During the period, revenue was RMB54,060 million. Comparing to the same period last year, gross profit rose 2.7% to RMB12,922 million and gross profit margin was 23.9%, an increase of 0.6 ppt, reflecting the ability of the Group to leverage economies of scale to improve its margin. Profit for the period increased 0.8% to RMB1,914 million. Basic earnings per share amounted to RMB0.18.

In 1H 2018, the Group opened 11 new hypermarket complexes under the RT-Mart banner. As of 30 June 2018, the Group had a total of 472 hypermarket complexes in China with a total gross floor area (“GFA”) of approximately 12.70 million square meters. The Group has also secured 56 new sites out of which 48 new complexes are being built.

Mr Daniel Zhang, Chairman of the Group said, *“We are pleased to witness the encouraging results Sun Art has achieved over the past six months. What’s even more exciting is that Alibaba’s New Retail infrastructure has played a substantive role in Sun Art’s digital upgrade, which I believe will yield significant results in the next six months. We will continue to explore opportunities in the evolving retail landscape to provide users with better products and services and create more value for customers. ”*

Mr. Ludovic HOLINIER, Chief Executive Officer and Executive Director of the Group commented, *“Since we established our strategic alliance with Alibaba Group in November 2017, multiple projects have been launched within six months. Some initiatives have begun to take shape and are expected to ramp up in the near future. We will continue integrating online and offline, revamping bricks-and-mortar stores and deploying omni-channels going forward. ”*

“Taoxianda”

As a key initiative in collaboration with Alibaba Group, the Taoxianda service was launched in two stores in March this year and was gradually expanded to 165 stores as at the end of June 2018, serving customers in 93 cities within 17 provinces and municipalities nationwide. Taoxianda is a fresh food service that offers an integrated online and offline solution to retailers to digitize their operations and raise efficiency.

The upgraded stores now provides a series of features aimed at improving customers’ shopping experience. Customer orders will be delivered in an hour, within a three-kilometer radius from a designated store to the customer’s doorstep. Taoxianda has digitally transformed the traditional hypermarket format and the project has delivered initial positive results.

B2B continues to boom

As at the end of June 2018, the revenue generated from B2B reached RMB2.5 billion, exceeding the full year revenue of this business in 2017. It is expected that B2B sales will double this year when compared to that of last year. During the period under review, B2B business contributed more than 4% of total sales of goods. Currently, B2B clients are mostly from mom-and-pop grocery shops, canteens and restaurants, wholesalers and the entertainments area, etc. The number of registered members is about 400,000. It offers 18,000 SKUs, of which FMCG and fresh accounted for 78% and 19% of sales, respectively.

The Auchan banner kicked off its B2B business in January this year. The B2B business launched in four stores in February, and gradually rolled out to other stores in June. As of the end of June 2018, B2B business was available in 30 stores under the Auchan banner. For illustrative purposes and taking these four pilot stores as an example, sales contribution of B2B business from these four stores accounted for 2.6% of their total sales, and the highest one accounted for more than 4%. It is expected that the deployment of B2B business under the Auchan banner will be completed by end of July this year.

Supply chain sharing provides differentiation and better choices

Joint procurement with Hema (“盒馬鮮生”) – introduced Hema’s private label fresh products from Hema, namely “Daily Fresh” (“日日鮮”) and DIFRESCO (“帝皇鮮”) in all stores across Eastern China, covering vegetables, meats and seafood.

In addition, more SKUs are being prepared for future joint procurement including seafood, meats and bakery goods as well as ready-to-eat and ready-to-cook items.

Tmall Corner (“天貓下凡”) – By the end of June 2018, hundreds of SKUs have been introduced and displayed in Tmall Corner in all stores across Eastern China. Tmall Corner features a selection of popular products from Tmall merchants. The service will be rolled out to stores outside of Eastern China in the second half of the year.

Taobao Xinxuan (“淘寶心選”) – On 28 June 2018, the first “Taobao Xinxuan” store opened in RT-Mart Shanghai store. The 200-square-meter store features affordable lifestyle and daily necessities ranging from small household items, home fragrance, stationery to affordable clothing. Taobao Xinxuan will further expand the product offering and selection by the Group that will in particular meet the needs of younger customers.

Smart-Mommy-and-Me (“天貓智能母嬰區”) – At the “Smart-Mommy-and-Me Area” (“Smart Area”), customers can have a wide selection of infant products. In addition, customers can shop via the interactive kiosk to look for more choices. The first pilot was launched in a RT-Mart store in Shanghai with plans to roll out similar corner to more stores in Eastern China by year end.

270 “Auchan Minute” Unmanned Convenience Boxes have been rolled out

At the end of June 2018, 270 “Auchan Minute” unmanned convenience boxes have been rolled out under the Auchan banner. Each box is deployed within a five-kilometer radius of designated stores. Each box offers 300-400 SKUs, mainly covering beverage, snacks and dairy. Compared to hypermarket complexes, the boxes generated a better gross profit margin attributable to sharing the purchasing price with hypermarkets and benchmarking the selling price with that of convenience stores. As of July 2018, one-fourth of the boxes have achieved breakeven and the Group targets to have a total of 500 boxes by the end of this year.

First He Xiao Ma launched

He Xiao Ma is a joint venture funded by the Concord Investment (China) Co., Ltd. (“RT-Mart China”) and Alibaba Group to open stores mainly in lower tier markets. He Xiao Ma will deploy franchising arrangement to expand its coverage and offers fresh and FMCG products leveraging the extensive online and offline expertise of Alibaba Group and RT-Mart China. The first pilot store has been opened in early June 2018.

Strategic collaboration with Suning

On 30 June 2018, RT-Mart and Suning.com Co., Ltd. (“Suning”) reached a strategic agreement to join hands to enhance the electronic appliance product offerings in RT-Mart stores and integrate supply chain, systems and data service. 287 stores under the RT-Mart banner are expected to complete their renovation before the “8.18 Suning Festival”, and the renovation of the rest of the stores under the RT-Mart banner will be completed by the end of

September this year. With electronic appliances being a fast moving and highly competitive category, the Group can leverage Suning's expertise in the sector to rejuvenate the Group's electronic appliances business.

Mr. HOLINIER concluded, *"Looking ahead, our brick-and-mortar stores will continue to practice the integration with both online and offline channels, the Group will endeavor to accelerate the deployment of multi-format and enhance footfall with more coverage offline. The customers will be able to seamlessly switch between online and offline in accordance with their shopping needs. In addition, through digital and intelligent technology, we aim to provide a product mix to better satisfy our customers, and deliver a comprehensive 'phygital' shopping experience to customers."*

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About Sun Art Retail Group Limited

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 2018, Sun Art Retail had a total of 472 outlets in China with a total gross floor area ("GFA") of approximately 12.70 million square meters, covering 228 cities across 29 provinces, autonomous regions and municipalities. The Group reinforced the B2B business and O2O business by leveraging over 450 mortar stores which encompassed over 200 cities across the country.

On 20 November 2017, Alibaba Group Holding Limited ("Alibaba Group"), Auchan Retail International S.A. and Ruentex Group announced a strategic alliance that brings together the online and offline expertise to explore new retail opportunities in China's food retail sector. As part of this strategic alliance, Alibaba Group invested a total of approximately HK\$22.4 billion to obtain an aggregate direct and indirect stake of approximately 36.17% in Sun Art Retail Group Limited.

The priorities of the Group are to reinvent the hypermarket complexes, to explore and deploy multi-formats, and to become a leading phygital innovator and a model of New Retail with not only omni-channel and multi-format but also O2O and B2B.

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