



Sun Art Retail Achieves profitable Growth in 2013
Record high of 50 new stores, increasing market leading position
Developing www.feiniu.com to become a multichannel retailer
A dividend of HK\$ 0.28 per share was recommended,
compare to HK\$ 0.12 per share in 2012

Financial Highlights

(In RMB million, unless stated otherwise)	Year ended 31 December		
	2013	2012	Growth rate
Turnover	86,195	77,851	+ 10.7%
Gross profit	18,613	16,150	+ 15.3%
Profit from operations	4,147	3,518	+ 17.9%
Profit for the year	2,942	2,533	+ 16.1%
Profit attributable to equity shareholders of the Company	2,775	2,409	+ 15.2%
Earnings per share - Basic and diluted	RMB 0.29	RMB 0.25	

Business Highlights

- Record expansion of 50 new stores, improving again its leading position in the food retail market. According to Euromonitor, Sun Art market share increased 0.5 percentage points to 14.0%. 160 sites are secured for next three year's expansion.
- Gross profit margin rose to 21.6%, an increase of 0.9 percentage points, reflecting a better product category mix and improvements in common negotiation.
- Effective cost control led to improved profit margin.
- Launched www.feiniu.com. By end 2013, it has attracted 182,000 registered members and had 100,000 available on-line items.

(28 February 2014, 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 its 2013 annual results. Turnover, profit margins and net profit have all improved over last year.

For the year ended 31 December 2013, the Group's year-on-year turnover increased 10.7% to RMB86,195 million. Profit attributable to equity shareholders of the company increased by 15.2% to RMB2,775 million. Basic earnings per share amounted to RMB0.29. The Board has recommended the payment of a final dividend of HK\$ 0.28 per ordinary share, subject to the approval of the shareholders.

Gross profit surged 15.3% to RMB18,613 million. Gross profit margin rose to 21.6%, an increase of 0.9 percentage points, reflecting improvements in product mix and further purchasing common negotiations (the banners negotiated together 40% of the Group's buying turnover in 2013).

Operating margin and net profit margin also rose to 4.8% and 3.4% respectively thanks to the effective cost control resulting from store level initiatives to improve our productivity and energy costs.

The Group maintained a healthy financial position. As at 31 December 2013, its gearing ratio stayed at 0.61, identical to last year. Cash flow generated from operating activities was RMB 6,994 million, an increase of 25.3%. Inventory turnover days dropped to 58 days.

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Mr. Bruno Robert Mercier, the Chief Executive Officer and Executive Director of the Group commented, *"During 2013, China's economy maintained steady growth with gross domestic product for the whole year growing by 7.7%. Nevertheless, changes emerged in consumer behavior. Luxury consumption such as premium tobacco and high end alcohol suffered set-backs while online retail continued to grow at a high rate.*

"Our cost control has been outstanding through efficient management. We opened a record 50 stores and in response to market changes we have set up a new e-commerce arm to tap into online shopping, another growth opportunity in the coming years. These initiatives will further strengthen the Group's leading position in the retail market." **Mr. Mercier** added.

For the year 2013, the Group's turnover from sales of goods rose 10.6% to RMB83,958 million primarily attributable to its continuous business expansion with the opening of new stores along with same store sales growth ("SSSG") of 2.0%.

Besides, Sun Art Retail recorded a RMB2,237 million turnover from rental income, an increase of 16.8%. This increase was primarily attributable to the rise in rentable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

Opened 50 new stores and 160 sites secured

In 2013, the Group continued to steadily open new stores. During the year, it opened 50 hypermarket complexes, of which 5 were under the Auchan banner and 45 were under the RT-Mart banner, covering first-tier to fifth-tier cities. At the same time, the Group continued to proactively seek opportunities to open new stores. It had identified and secured 160 sites to open hypermarket complexes, of which 99 were under construction, ensuring sufficient sites reserves for the Group's turnover growth in the next three years and laying a solid ground for the Group's development in the medium term.

As of 31 December 2013, the Group had a total of 323 hypermarket complexes across the country, with a total gross floor area of approximately 8.93 million square meters.

Optimization of Procurement and Merchandise Mix

To better grasp opportunities arising from changes in consumer demand, Sun Art Retail continuously enriched its product lines and improved merchandise differentiation. It also fostered the development of its own "Big Thumb," "RT-Mart" and "Auchan" brands, other exclusive brands and self-manufactured merchandise, all of which generated higher profit margins.

Successfully launched E-Business platform: www.feiniu.com

During the period under review, the Group established Uitox E-commerce (Shanghai) Co. Limited as one of Sun Art Retail's e-commerce business platforms. Uitox set up the web-site www.feiniu.com and its merchandise and logistics distribution system by December 2013. Trial operations were initially opened to internal staff of the Group and member registration in Shanghai was gradually rolled out. The number of registered members reached 182,000 by year end, and the number of items available on-line rose to 100,000. The site www.feiniu.com officially commenced operations on 16 January 2014.

Optimization of Supply Chain Management & Operating Efficiency

As the store network expanded and distribution efficiency was enhanced, the South China and Northeast China distribution centres of RT-Mart banner commencing operation at the end of 2011 had achieved profitability, providing greater support for regional development. During the year construction commenced on the Chibi distribution centre in Hubei province for future distribution in Central China with operations expected to start in October 2014. Besides, the Auchan banner East China Logistics Center started operating in August 2013.

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Information technology teams continued to provide more tools for simplifying procedures and eliminating paperwork delivering efficiency improvements in operations and office management, for instance, the “E-catalogue,” “DM (direct mail) merchandises stock-keeping system and “Electronic direct mail” (EDM).

Mr. Mercier concluded *“Looking ahead, we will continue to maintain steady new store expansion by leveraging the opportunities arising from accelerating urbanization and prudently selecting the location of new stores to ensure their quality. We will also devote efforts to reduce our costs by optimizing processes, stepping up training, and improving logistic, distribution and information technology systems to enhance staff productivity and effectiveness across the entire supply chain. Focused on the consumer needs, we will improve our product mix, develop aggressively our own brand products, increase the proportion of direct procurement, and impose strict product quality and safety controls in particular on all food products. Lastly, we will continue to improve and develop our e-commerce business, enhance our customers shopping experience and explore new shopping channels.”*

– End –

About Sun Art Retail Group Limited

Sun Art Retail is a leading hypermarket operator in China. Sun Art Retail operates its hypermarket business under two recognized banners – “Auchan” (歐尚) and “RT-Mart” (大潤發). As of 31 December 2013, Sun Art Retail had a nationwide footprint of 323 hypermarket complexes across 26 out of 31 provinces, autonomous regions and municipalities in China. The e-commerce business platform of Sun Art Retail: www.feiniu.com officially commenced operations on 16 January 2014.

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