

[For Immediate Release]



## Sun Art Retail Achieves Profitable Year in 2014 Strengthened Market Leading Position with 49 New Hypermarket Complexes Launches [www.feiniu.com](http://www.feiniu.com) to Create a New Driver of Growth

### Financial Highlights

(In RMB million, unless stated otherwise)	Year ended 31 December		
	2014	2013	Growth rate
Turnover	91,855	86,195	+ 6.6%
Gross profit	20,998	18,613	+ 12.8%
Profit from operations	4,233	4,147	+ 2.1%
Profit for the year	3,042	2,942	+ 3.4%
Profit attributable to equity shareholders of the Company	2,908	2,775	+ 4.8%
Earnings per share - Basic and diluted	RMB 0.30	RMB 0.29	

### Business Highlights

- Turnover increased 6.6% YoY to RMB91,855 million, gross profit surged 12.8% YoY to RMB20,998 million, and gross profit margin increased 1.3ppt to 22.9%
- Opened 49 hypermarket complexes, of which 9 were under the Auchan banner and 40 were under the RT-Mart banner
- Successfully secured 162 sites to open hypermarket complexes, of which 116 were under construction, ensuring sufficient sites reserves for the Group's expansion in the next three years
- [www.feiniu.com](http://www.feiniu.com) started operations in 2014, will go nationwide and start a marketplace in 2015

(2 March 2015, 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 2014 annual results. Turnover increased by 6.6% to RMB91,855 million. Profit attributable to equity shareholders of the Company increased by 4.8% to RMB2,908 million. Basic earnings per share amounted to RMB0.30.

For the year ended 31 December 2014, gross profit was RMB20,998 million, an increase of 12.8% from 2013. Gross profit margin increased 1.3ppt to 22.9%. The increase in gross profit margin was a result of improvements in the Group's product mix and further common negotiations by the Group's two banners, Auchan and RT-Mart.

Operating margin and net profit margin were respectively 4.6% and 3.3%,. If not for the losses incurred by the Group's new venture [www.feiniu.com](http://www.feiniu.com), the growth rate of profit for the year would have been higher by around 5.5 percentage points. This shows both the underlying strength of the Group's brick-and-mortar business and the Group's commitment to develop Feiniu.com, whose capital was increased by RMB500 million at year end.

The Board has recommended the payment of a final dividend of HK\$0.16 per ordinary share, subject to the approval of the shareholders.

The Group maintained a healthy financial position. As at 31 December 2014, gearing ratio stayed at 0.61, identical to last year. Net cash amounted to RMB5,482 million. Inventory turnover days and trade payable turnover days were 58 days and 83 days, respectively.

**Mr. Bruno Robert Mercier, the Chief Executive Officer and Executive Director of the Group** commented *"In 2014, China's retail sales of consumer goods grew 10.9% to RMB 26,239 billion; online retail sales grew 49.7 %. In response to this evolving environment, our e-commerce site Feiniu.com started operations at the beginning of the year, and we have by now developed both IOS and Android mobile applications for the convenience of our customers. At the end of the year, we have around 1.4 million members of which around 400,000 are active. And by the end of January 2015, the average number of daily transactions has increased 10 fold after just one year of operations."*

As of the year ended 31 December 2014, the Group's turnover from sales of goods rose 6.2% to RMB89,136 million, primarily attributable to continuous business expansion with the opening of new stores.

Furthermore, the Group recorded turnover of RMB2, 719 million from rental income, representing an increase of 21.5%. The increase was primarily attributable to the rise in leasable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

### **Opened 49 New Stores and 162 Sites Secured**

In 2014, the Group continued to open new stores at a steady pace. During the year, the Group opened 49 hypermarket complexes, of which 9 were under the Auchan banner and 40 were under the RT-Mart banner. Of the new stores, 12 were located in Eastern China, 2 in Northern China, 11 in Central China, 7 in Northeastern China, 16 in Southern China and 1 in Western China. Through execution of lease contracts or acquisition of land parcels, the Group had identified and secured 162 sites to open hypermarket complexes, of which 116 were under construction, ensuring sufficient reserve for the Group's expansion in the next three years and laying a solid ground for its development in the medium term.

As of 31 December 2014, the Group had a total of 372 hypermarket complexes across the country, with a total gross floor area of approximately 10.28 million square meters.

### **Store Improvement**

During the year, the Group continued to improve or enlarge many of our shopping centers, allowing for better shopping experience, and sometimes an increased number of tenants and increased income. In our shopping centers, the sustained traffic flow of the hypermarket continues to attract branded tenants to our malls.

The Ningbo "Sun Art Plaza (高鑫廣場)" shopping center owned and operated by the Group was completed and opened on 31<sup>st</sup> December 2014. Sound combination of the hypermarket and gallery tenants has provided differentiation for the stores of the Group.

### **Optimization of Procurement and Merchandise Mix**

To increase its market understanding, the Group has been tracking the sales of top e-commerce selling items. The Group has also launched new in house manufactured fresh produce for customers, such as Sushi Bars. During the year, the Group continued to achieve progress in common negotiation through our two banners, namely Auchan and RT-Mart.

Sales of "Big Thumb", "RT-Mart" and "Auchan" own brands increased by 21% over 2013. In addition, the Group's Disney co-branded food items and the Ekolia appliances brand also received strong customer response.

### **Successfully Launched E-Business Platform: [www.feiniu.com](http://www.feiniu.com)**

Leveraging the Group's extensive network of physical stores, Feiniu.com explored Online to Offline ("O2O") opportunities and commenced the distribution of fresh products in Shanghai at year end. It took advantage of the Group's well-established sourcing channels to buy vegetables from direct procurement bases and imported fruits from overseas in large quantities. Thanks to fresh warehouses located in our physical stores, we can ensure the freshness of the products being delivered thanks to the high inventory turnover of the fresh products in stores.

### **Optimization of Supply Chain Management and Operating Efficiency**

In June 2014, Auchan launched a Customer Relation Management mobile application, and established a membership system. Through this system, the Group can carry out analysis according to the consumption record of members to achieve greater understanding of their needs. RT-Mart has also proactively advanced its membership system development. As at 31 December 2014, RT-Mart had a total of 21 million customer members.

The Central China distribution center of RT-Mart located in Chibi, Hubei commenced operations in October 2014. The Group also plans to open regional distribution centers in Eastern and Southern China, which are expected to commence operations in 2015.

### **Human Resources Development and Training**

The Group attaches importance to the improvement in the professional quality of its staff at each level. The Group has increased staff training and continued to adopt innovative training approaches, such as designing training courses integrating new and prevailing concepts in e-commerce and O2O, enabling the Group's staff to have greater management capabilities in these areas. The average number of staff per store decreased 5% as compared to the end of 2013 by proactively promoting efficiency enhancement, process optimization and flexible scheduling.

**Mr. Mercier** concluded *"Although 2015 GDP and retail growth anticipations are no greater than 2014, although challenges such as soft prepaid card sales will abound, we will continue to maintain a sustained pace in new store expansion while keeping high standards in site selection, and continue to develop our e-commerce business in order to become an omni-channel retailer."*

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### **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 2014, Sun Art Retail had a total of 372 hypermarket complexes in China with a total gross floor area ("GFA") of approximately 10.28 million square meters. The e-commerce business platform of Sun Art Retail: [www.feiniu.com](http://www.feiniu.com) officially commenced operations on 16 January 2014.

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