

Sun Art Retail Group Limited

2012 Annual Result Announcement

Auchan 欧尚

大润发
RT-Mart



舒適
Comfort

優質產品
Quality
Trust 信任

進步
Progress

分享
Sharing

便利
Convenience

Freshness 新鮮

便宜
Economical

多采多姿
Variety

18 March 2013

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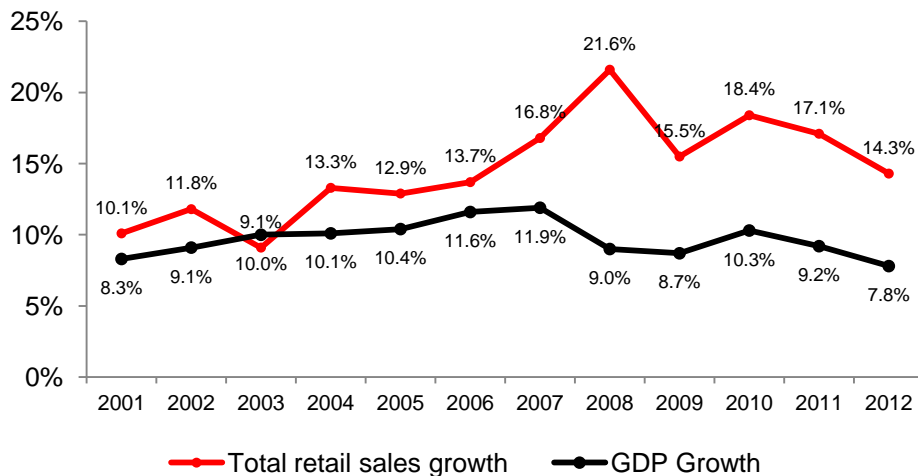


Trust 信任
 多元化 Variety
 便利 Convenience
Operating Environment
 Freshness 新鲜
 舒适 Comfort
 優質產品 Quality
 進步 Progress
 分享 Sharing
 便宜 Economical

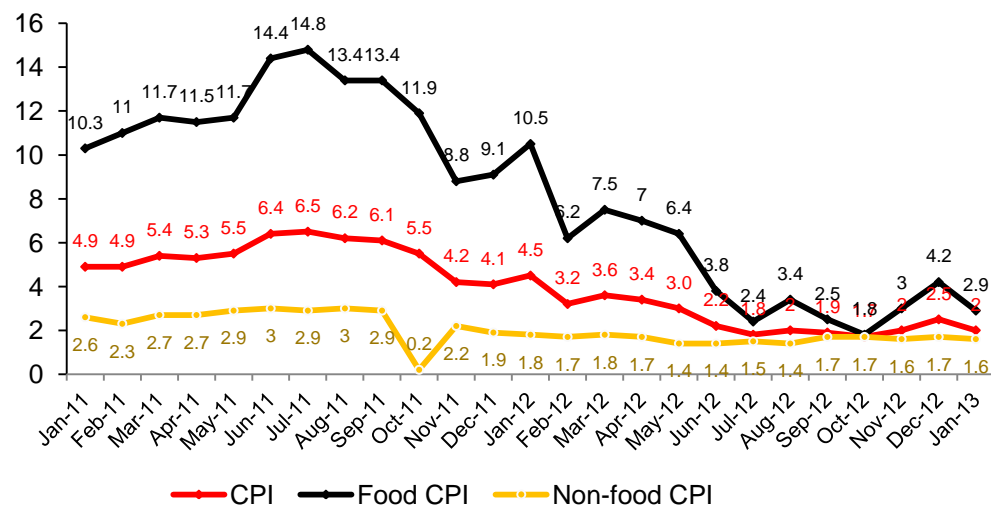
Operating environment



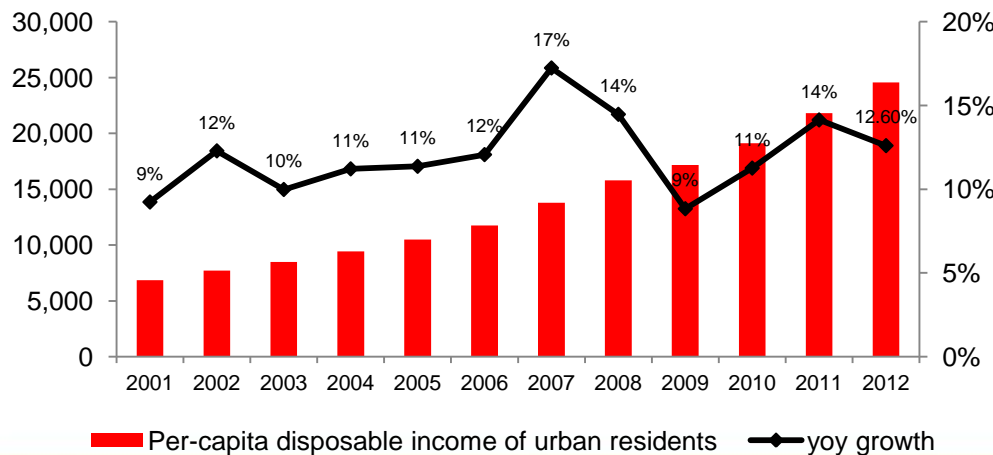
Growth of GDP and total retail sales of consumer goods



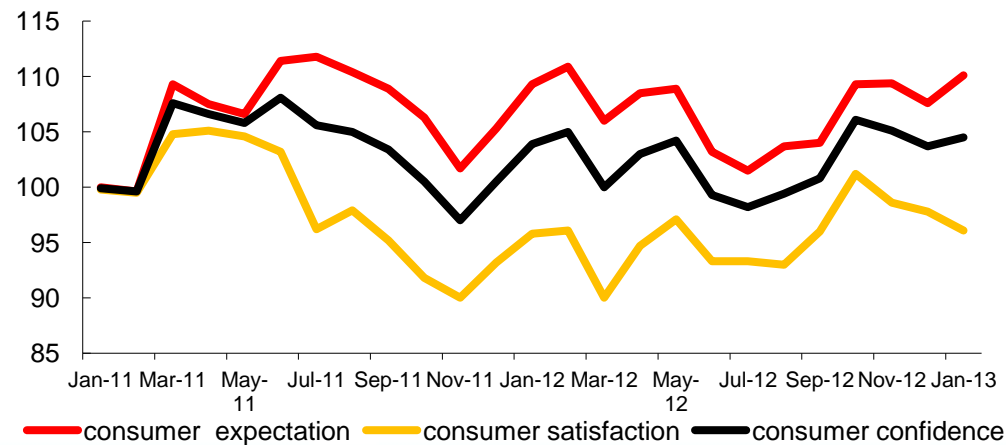
Consumer Price Index



Disposable income of urban citizen



Consumer Confidence Index



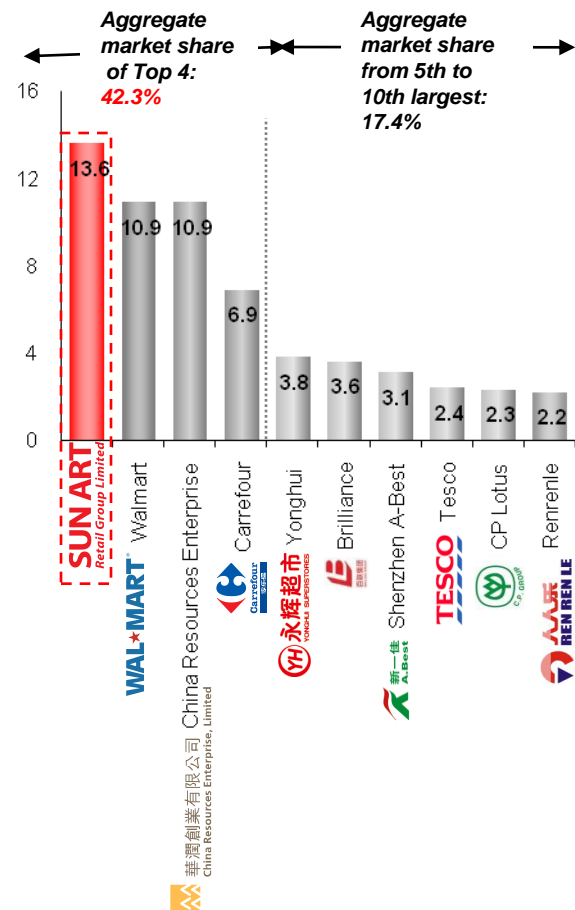


The largest and fastest growing hypermarket operator in China



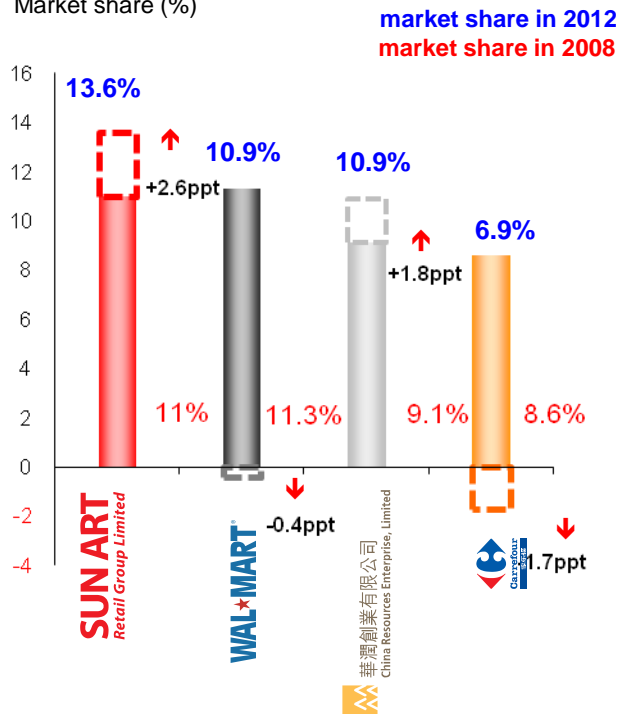
Sun Art - ahead of international and local players in terms of market share on 2012

Market share (%)

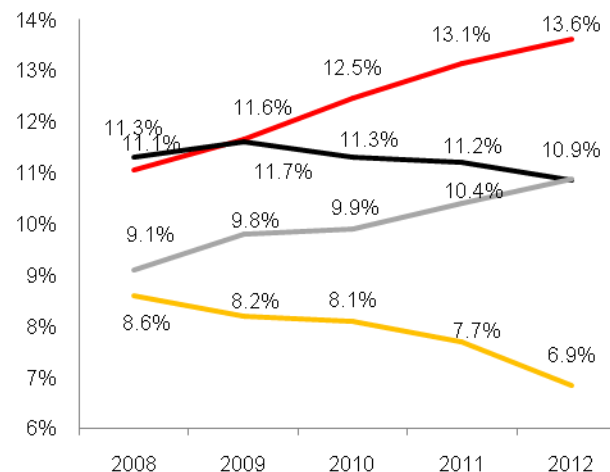


Fastest-growing hypermarket operator from 2008-2012

Market share (%)



Market share evolving of top 4 hypermarket players from 2008-2012



SUN ART
Retail Group Limited

WAL-MART

華潤創業有限公司
China Resources Enterprise, Limited

Carrefour



Source: Euromonitor



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Financial Review

Financial highlights



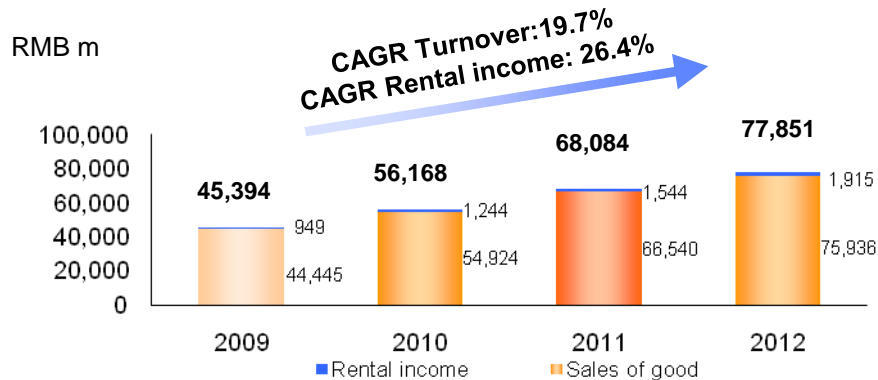
| As of 31Dec (RMB million) | 2012 | 2011 | Change |
|--|---------------------|--------|---------|
| Turnover | 77,851 | 68,084 | 14.3% |
| Gross profit | 16,150 | 13,857 | 16.5% |
| Gross profit margin | 20.7% | 20.4% | 0.3ppt |
| Same store sales growth ⁽¹⁾ | 3.3% ⁽¹⁾ | 8.8% | - |
| Profit from operations (EBIT) | 3,518 | 2,906 | 21.1% |
| Operating profit margin | 4.5% | 4.3% | 0.2ppt |
| Profit for the year | 2,533 | 1,985 | 27.6% |
| Net profit margin | 3.3% | 3.0% | 0.3 ppt |
| Profit attributable to equity shareholders of the Company ⁽²⁾ | 2,409 | 1,600 | 50.6% |
| Earnings per share — Basic and diluted (RMB) ⁽³⁾ | 0.25 | 0.20 | 25.0% |

- (1) Same store sales: the growth rate of sales of the stores opened before 31 December 2011. It is calculated by comparing the sales derived from those stores during their operating periods in 2011 with sales during the corresponding periods in 2012.
- (2) Following the completion of the reorganization on 13 May 2011, the Company has acquired the non-controlling interests in Auchan (China) Hong Kong Ltd. and Concord Champion International Ltd., which became wholly owned subsidiaries of the Company
- (3) The calculation of EPS is based on the weighted average number of shares in issue during the year, including the new shares issued for the Reorganization, in IPO and the exercise of Over-allotment, after adjusting for the share subdivision on 27 June 2011

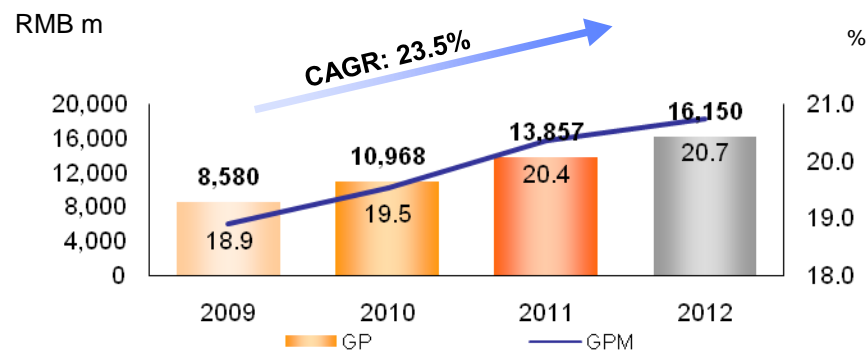
Financial highlights



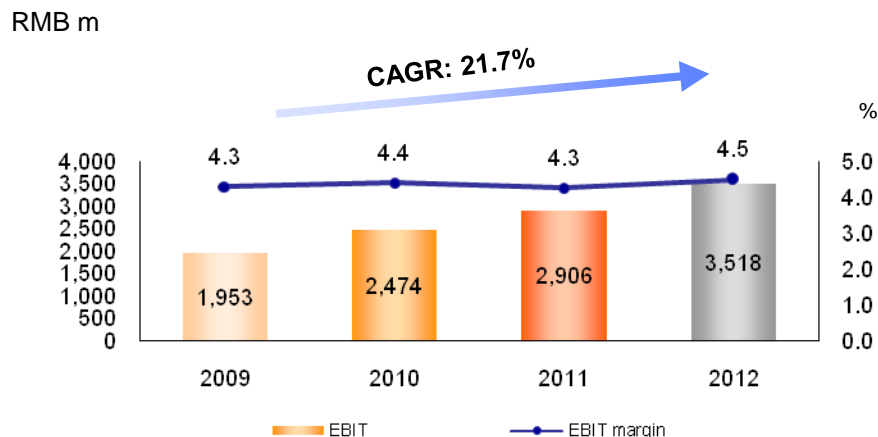
Turnover



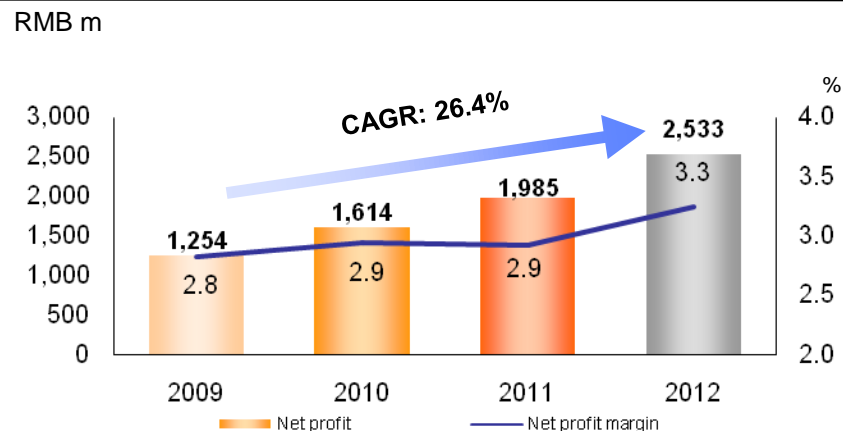
Gross profit and margin



EBIT and margin



Net profit and margin⁽¹⁾



Note:

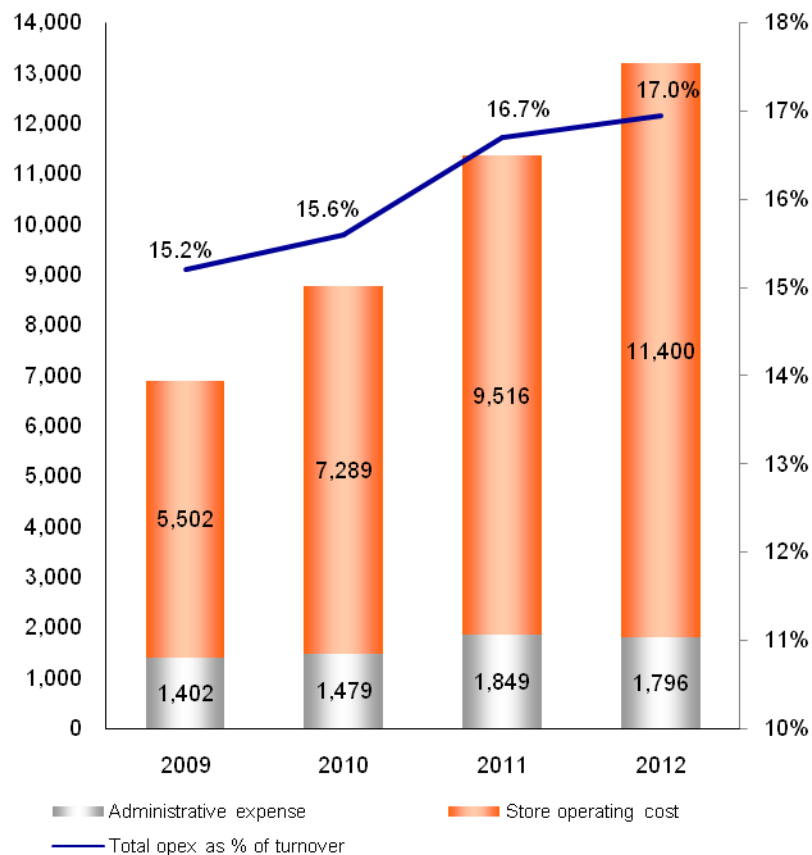
(1) Showing profit for the year, i.e. including the non-controlling interests

Operating expense



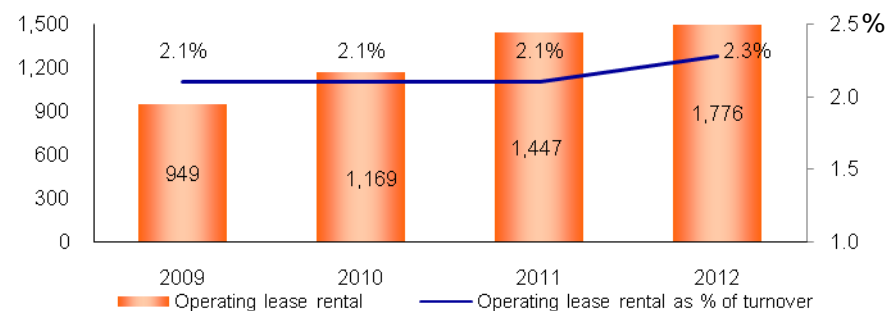
Total operating cost

RMB m



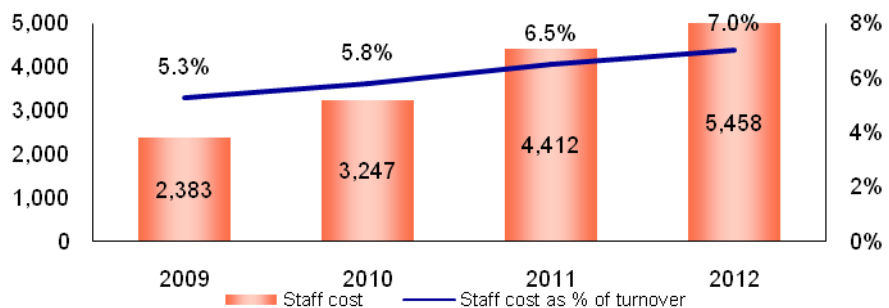
Operating lease rental

RMB m



Staff cost

RMB m

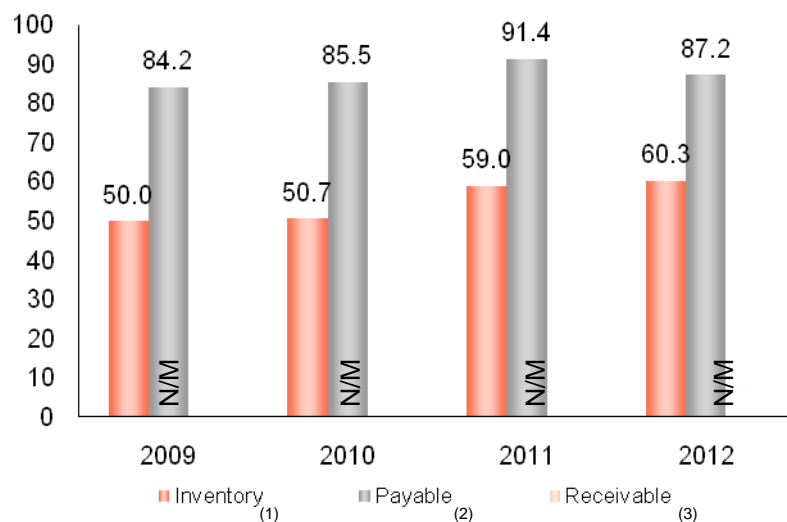


Balance sheet



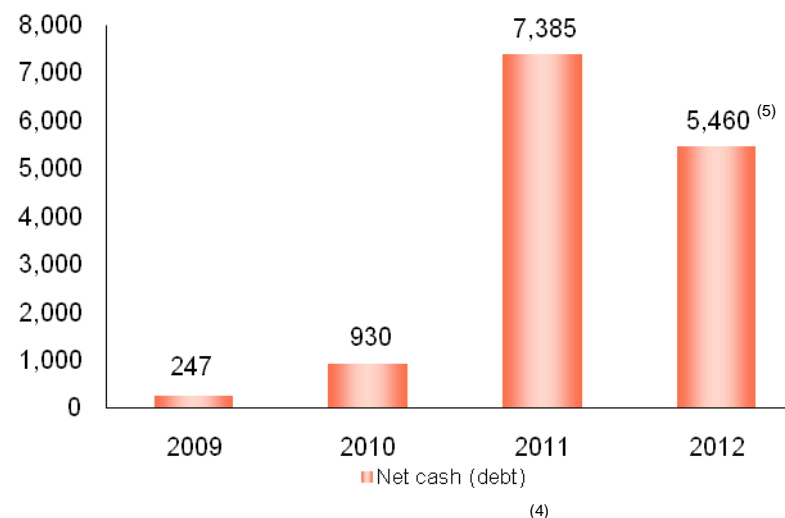
Stable working capital days

Days



Net cash position

RMB m



Note:

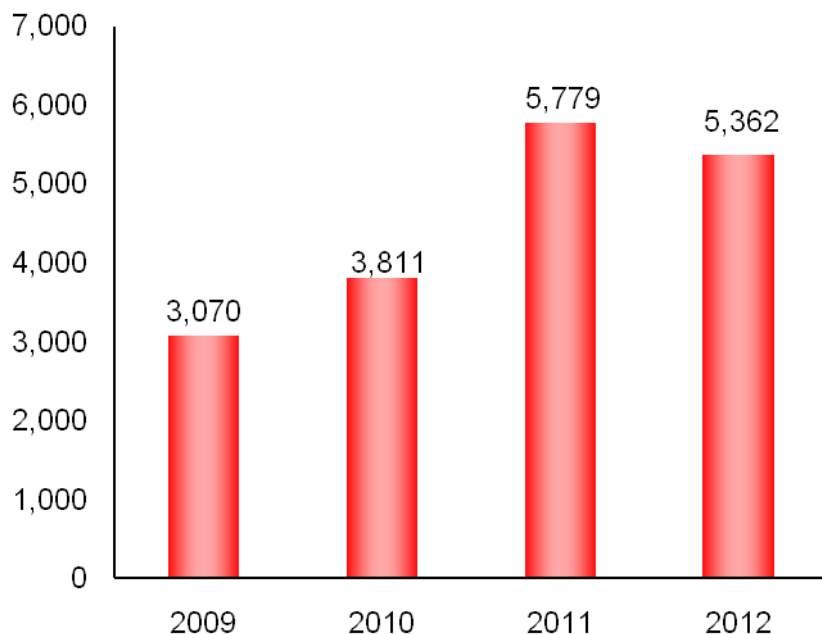
- (1) Turnover days of inventory is calculated as the average inventory for the year/ period, divided by cost of inventories charged to P/L for the year/ period, and multiplied by 365 days for 2009, 2010, 2011 and 2012.
- (2) Turnover days of accounts payable is derived by dividing the average of opening and closing balances of trade payables, for the relevant period by cost of inventories charged to P/L and multiplying by 365 days for 2009, 2010, 2011 and 2012.
- (3) Turnover days of accounts receivable is insignificant for the Company. It is derived by dividing the arithmetic mean of opening and closing balances of trade receivables, for the relevant period by turnover and multiplying by 365 days for 2009, 2010, 2011 and 2012.
- (4) Calculated as the sum of cash & cash equivalents, restricted and pledged bank deposits, minus bank loans and Ods
- (5) Excluding the "Available-for-sale financial assets" which is RMB1,965 million.

Investment return



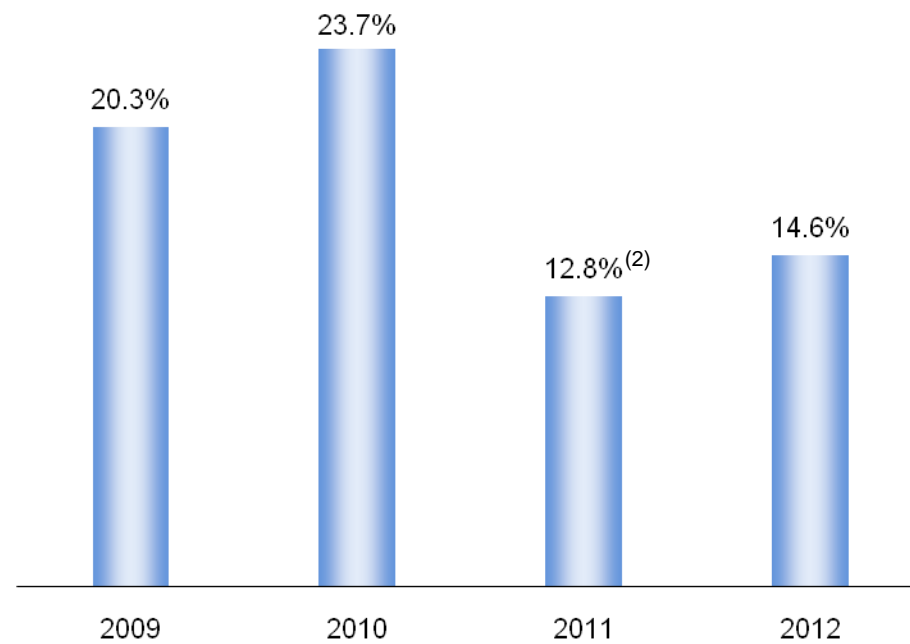
CAPEX

RMB m



■ CAPEX

ROE⁽¹⁾



■ ROE

Note:

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

(2) Excluding effect of initial public offering of equity, ROE for 2011 is 25.2%



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Business Review

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Proactive plan to expand store network

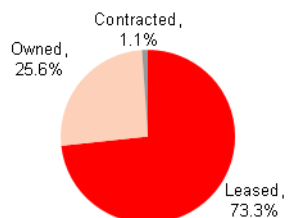


43 new hypermarket complexes were opened in 2012

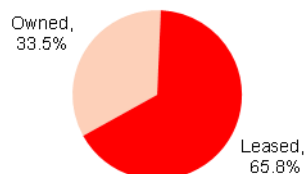
| Region | No. of hypermarket complexes (31 Dec 2012) | | | GFA of hypermarket complexes (sqm) (31 Dec 2012) | | |
|---------------------|--|------------|------------|--|---------------------|--------------------|
| | | | Total | | | Total |
| Eastern China | 39 | 87 | 126 | 1,574,484.4 | 2,194,678 | 3,769,162.4 |
| Northern China | 6 | 28 | 34 | 196,443.8 | 680,582 | 877,025.8 |
| North-Eastern China | 1 | 24 | 25 | 23,906.0 | 667,220 | 691,126.0 |
| Southern China | 1 | 41 | 42 | 15,968.0 | 1,018,231 | 1,034,199.0 |
| Central China | 4 | 30 | 34 | 138,095.8 | 763,425 | 901,520.8 |
| Western China | 3 | 9 | 12 | 150,447.5 | 220,427 | 370,874.5 |
| Total | 54 | 219 | 273 | 2,099,345.5 | 5,544,563.00 | 7,643,908.5 |



Store no. breakdown (31 Dec 2012)



GFA breakdown (31 Dec 2012)



A total of **273** hypermarkets across China as at 31 December 2012, covering **25** Provinces, autonomous regions and municipalities. Secured **157** sites to open hypermarket complexes, of which **101** were under construction

Business review



1

Store Optimization

- Continued to improve the shopping environment of stores and enhance customers' shopping convenience by expanding the area of some hypermarket complexes and car parks.
- Upgraded the fresh food, cooked food, bakery and women's apparel areas in some stores according to annual plan.
- Upgraded the retail galleries . As a result, the retail galleries are becoming more diverse and offering better services thereby differentiating from competitors.

2

Procurement and Merchandise mix optimization

- Attaches great importance to good strategic relationships with suppliers.
- The two banners aligned their contractual conditions, thereby facilitating the progress of their common negotiations with suppliers. Consequently around 32% of the total group turnover was now negotiated in common.
- Put customers first and endeavored to satisfy their wants and needs. Closely monitored the latest consumption trends, watched out for the needs of different consumer groups and kept enriching the choice of merchandise to meet the evolving demand.
- Strived to offer high quality fresh products which are good value for money.
- Fresh products procurement base has been expanding through such measures as "connection between farms and hypermarkets" and direct procurement of goods at their places of production.
- Intensive trainings were provided for fresh product employees to strengthen their professional skills.
- Introduced over 700 new products under the Group's own brands to satisfy customers' needs. Packaging and design improvement were also made.

3

Optimization of Supply Chain Management

- RT Mart's two DCs opened in 2011 have seen smoothly operation after one year. Staff professionalism was enhanced. Usage rate and loading capacity of the Group's trucks were improved through better routes, scheduling and communication with stores. The overall inventory level and operating costs were reduced as the operation became smooth. DC in eastern China enlarged their fleet of self-owned trucks during the year to cope with rapid development.
- Auchan set up a distribution center in Eastern China, which is scheduled to commence operations in 2013.
- IT systems contributed to improving operational efficiency and cost cutting through ongoing optimization. The launch of non-direct procurement system, together with the common negotiation of equipments and consumables will enable the Group to control its procurement more effectively and reduce costs.

Business review (Cont'd)



4

Operating Efficiency Enhancement

- Many of the stores raised the efficiency of energy consumption by installing automatic lighting control system, air-conditioners with automatic energy saving system as well as freezers and refrigerators with energy saving and adjustment systems.
- Auchan adopted the “LOHAS” management program, which aims at enhancing operating efficiency. A trial run of the program was conducted in one store and remarkable progress has been achieved. The program will be rolled out at all stores.
- RT-Mart reviewed and improved 160 operational procedures (including management of the merchandise entry, sales and inventory, equipment and consumables, damage prevention and maintenance and repair as well as the operation of retail galleries) in order to meet the objectives of lean management and operational efficiency enhancement

7

Optimization of Human Resources Management and Trainings

- Auchan rolled out its first “Staff Engagement Survey”. Based on the survey findings as well the meetings with employees, communication with staff about wages and benefits, job opportunities and corporate brand recognition were strengthened. Auchan was accredited with the “Best Performance Compensation Management Model in 2012” and “China’s Best HR Exemplary Enterprise in 2012” by “www.51job.com” during the year.
- A professional fresh products training school was established by RT-Mart and put into use, improving the efficiency for training technicians and allowing for the development of new fresh products favored by customers. Employees of Both banners attended trainings and hundreds of proficient fresh products masters were deployed in stores.

8

Environment and Social Responsibilities

- Works to comply with the state’s regulations on environmental protection, energy conservation and the retail industry requirements in terms of hypermarkets’ design and construction and business operations. Gradually established and improved the internal procedures for garbage classification and processing and for recording, classifying and processing of hazardous waste. Meanwhile, the Group took initiatives to renovate its stores to save energy and reduce emissions of exhaust gas and waste water.
- Formulated specifications and procedures for product quality control, which include the audit system for introduction of new suppliers merchandise.
- Made efforts in environmental protection and sustainable development. In 2012 Auchan’s Wuxi store became the first retail company in China to obtain carbon credits and LEED (Leadership in Energy and Environmental Design) certification. Six RT Mart stores have won the title of being one of the “One hundred exemplary low-carbon emission shops nationwide” by the China Chain Store & Franchise Association.



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便利 Convenience

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Freshness 新鲜

Progress 进步

Quality 優質產品

Sharing 分享

Economical 便宜

Business Strategy

Business strategy



Proactively expand quality retail network to widen the gap between competitors and maintain market leadership



Constantly strive to optimize the product mix and pricing strategy



Focus on further improving operational efficiency, supply chain management



Continue to provide staff with training and maintain good corporate culture





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多元化 Variety

便利 Convenience

Q&A

Freshness 新鲜

舒适 Comfort

優質產品 Quality

進步 Progress

分享 Sharing

便宜 Economical



Thank You!



Trust 信任

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優質產品

Quality

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便宜 Economical