

Sun Art Retail Group Limited

2013 Interim Result Announcement

Auchan 欧尚

大润发
RT-Mart



舒適
Comfort

Trust 信任

優質產品
Quality

進步 Progress

分享 Sharing

便利
Convenience

Freshness 新鮮

便宜 Economical

多元化 Variety

14 August 2013

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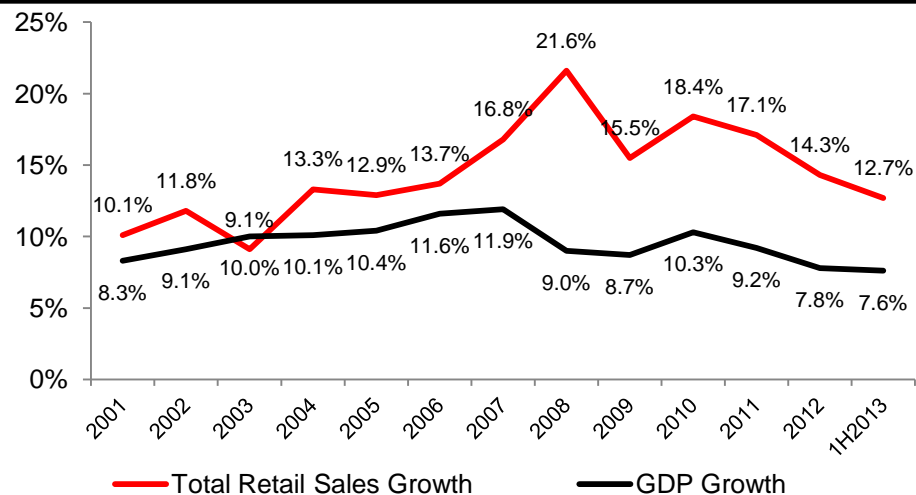


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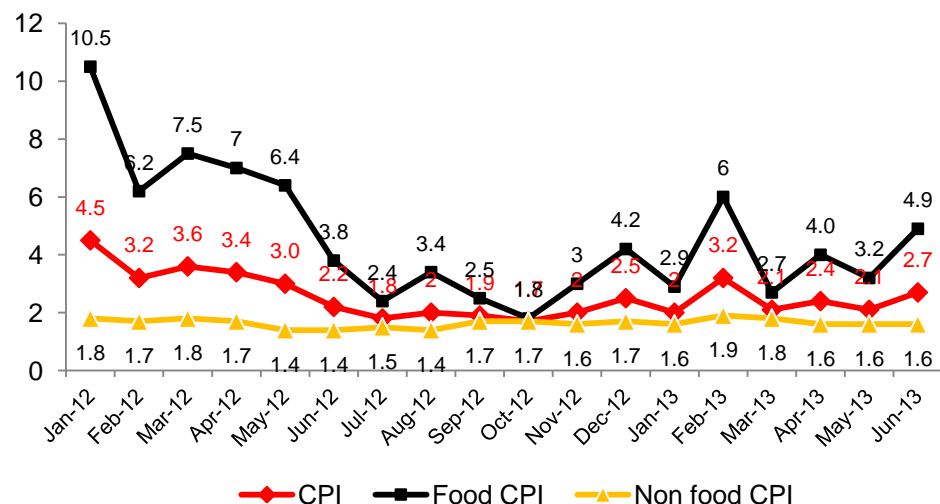
Operating environment



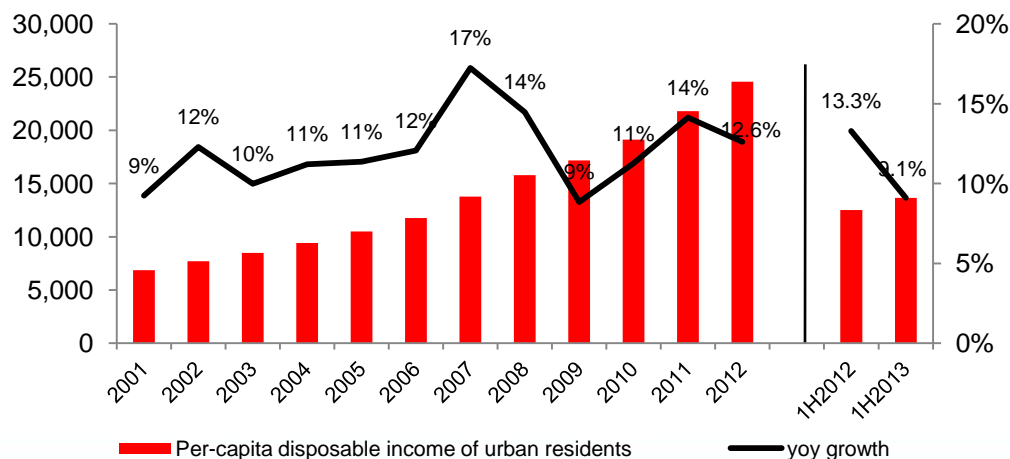
Growth of GDP and total retail sales of consumer goods



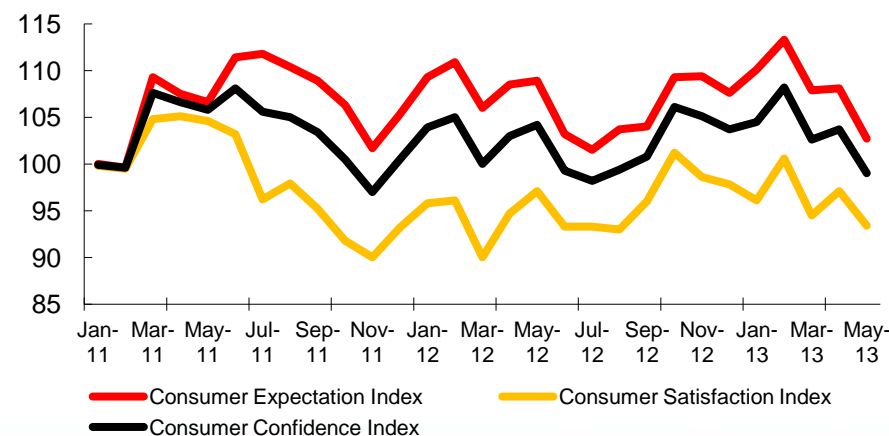
Consumer Price Index



Disposable income of urban citizen



Consumer Confidence Index



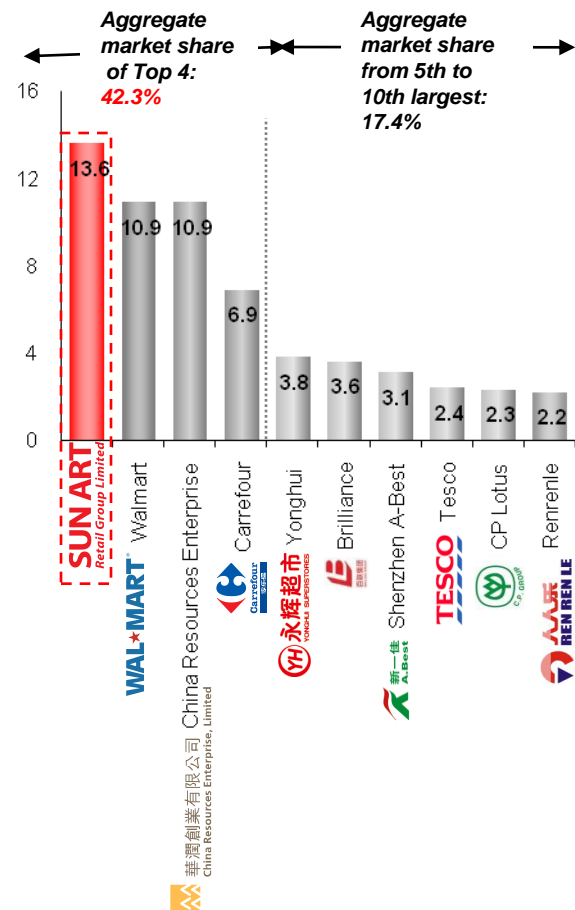


The largest and fastest growing hypermarket operator in China



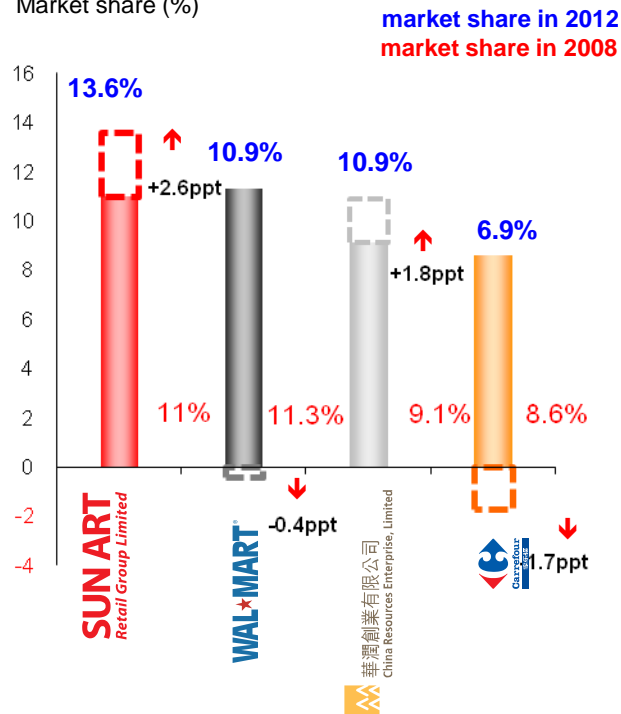
Sun Art - ahead of international and local players in terms of market share on 2012

Market share (%)

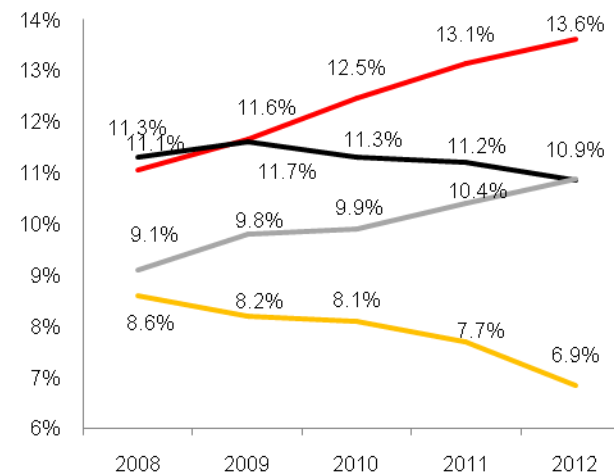


Fastest-growing hypermarket operator from 2008-2012

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 highlights



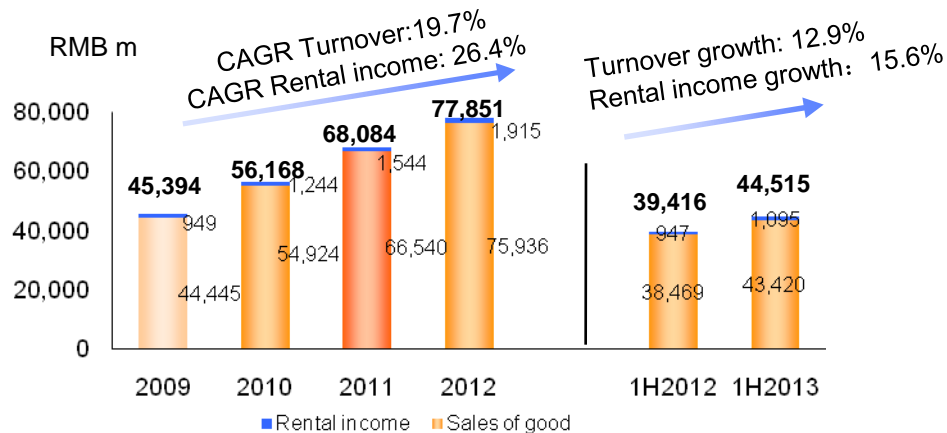
As of 30 June (RMB million)	2013	2012	Change
Turnover	44,515	39,416	12.9%
Gross profit	9,231	8,066	14.4%
Gross profit margin	20.7%	20.5%	0.2ppt
Same store sales growth ⁽¹⁾	4.0% ⁽¹⁾	4.3%	-
Profit from operations (EBIT)	2,298	2,037	12.8%
Operating profit margin	5.2%	5.2%	0 ppt
Profit for the period	1,670	1,445	15.6%
Net profit margin	3.8%	3.7%	0.1 ppt
Profit attributable to equity shareholders of the Company	1,576	1,373	14.8%
Earnings per share — Basic and diluted (RMB)	0.17	0.14	-

(1) Same store sales: the growth rate of the stores opened before 30 June 2012. It is calculated by comparing the sales derived from those stores during their operating periods in first half of 2012 with sales during the corresponding periods in 2013.

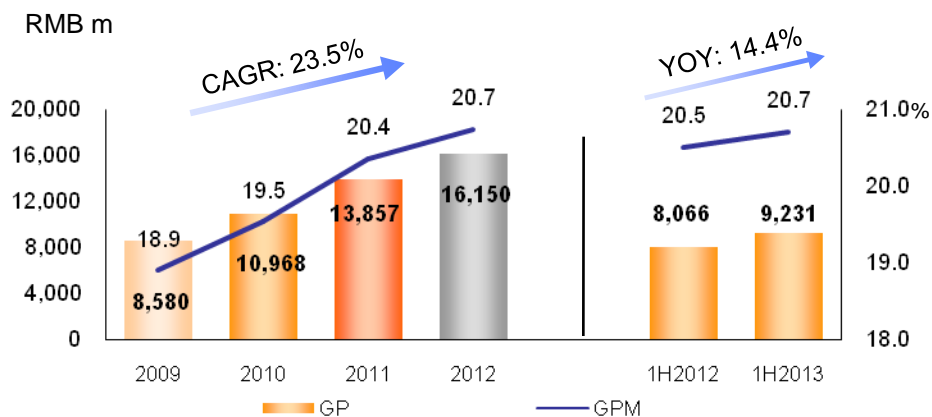
Financial highlights



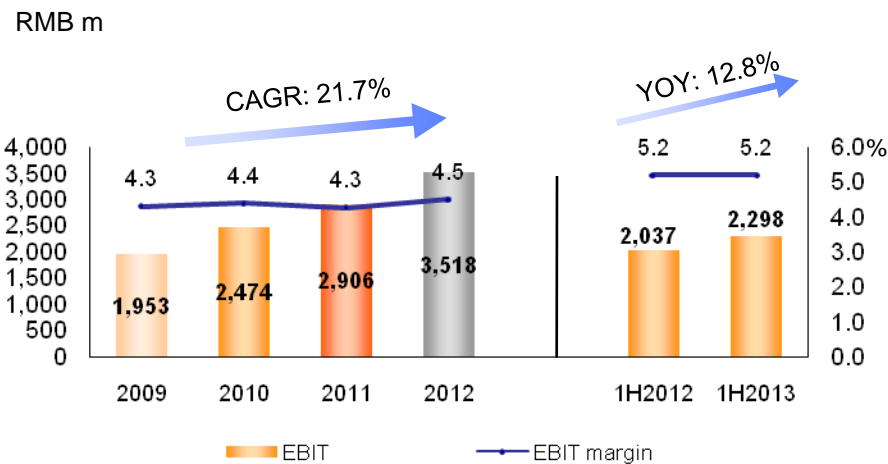
Turnover



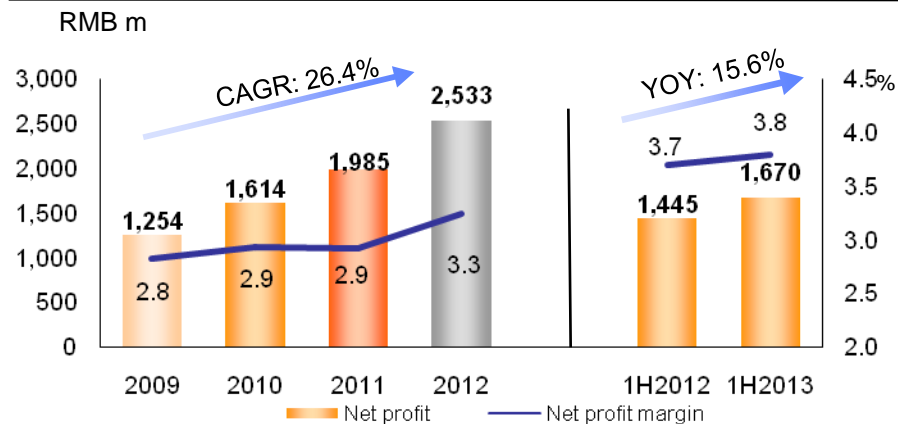
Gross profit and margin



EBIT and margin



Net profit and margin⁽¹⁾



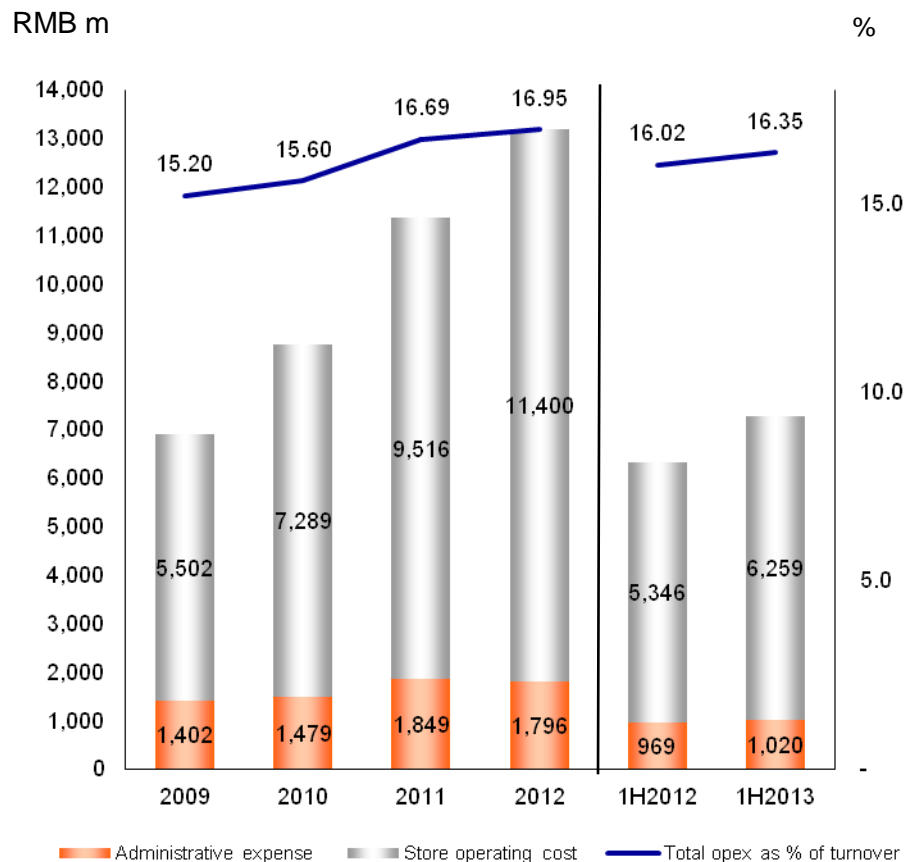
Note:

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

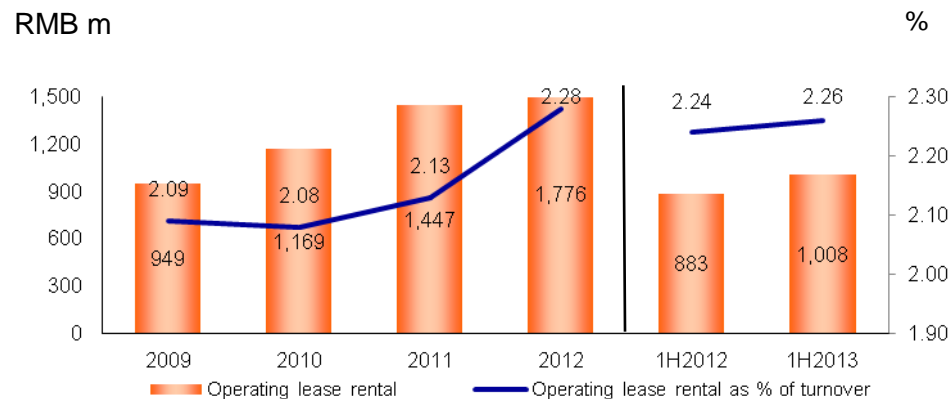
Operating expense



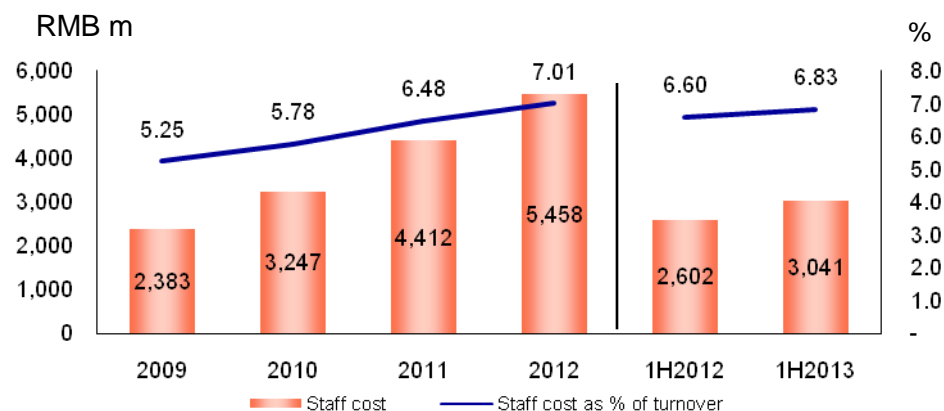
Total operating cost



Operating lease rental



Staff cost

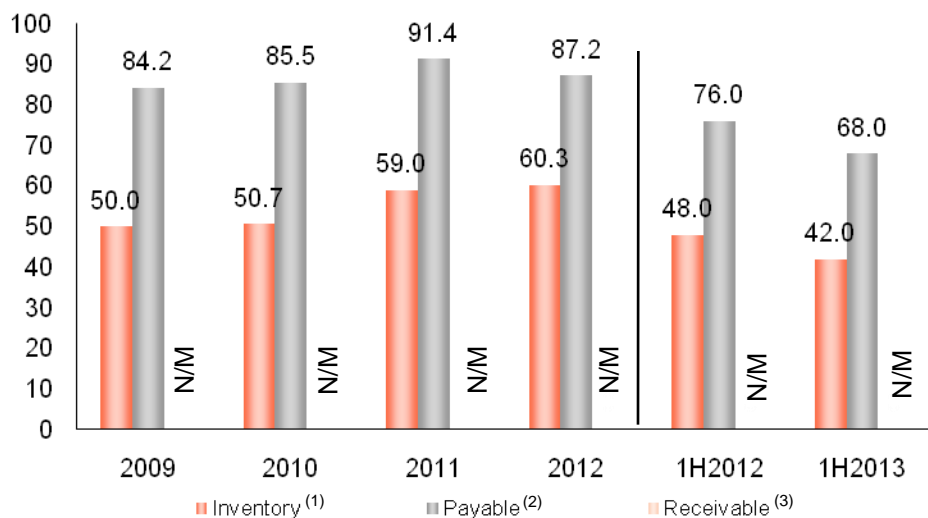


Balance sheet



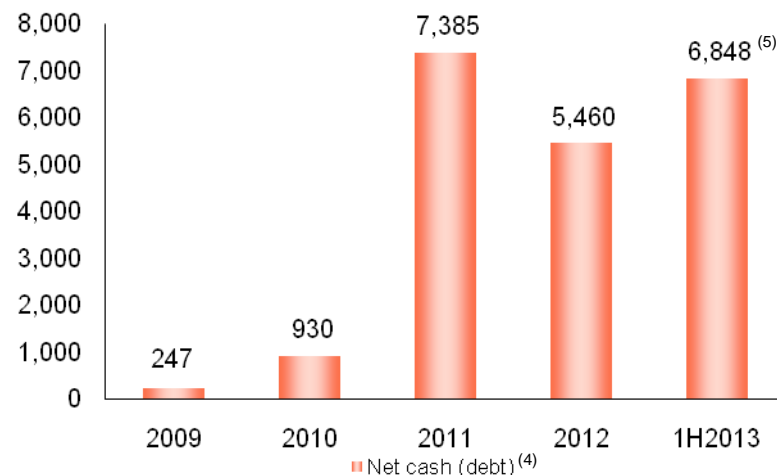
Stable working capital days

Days



Net cash position

RMB m



Note:

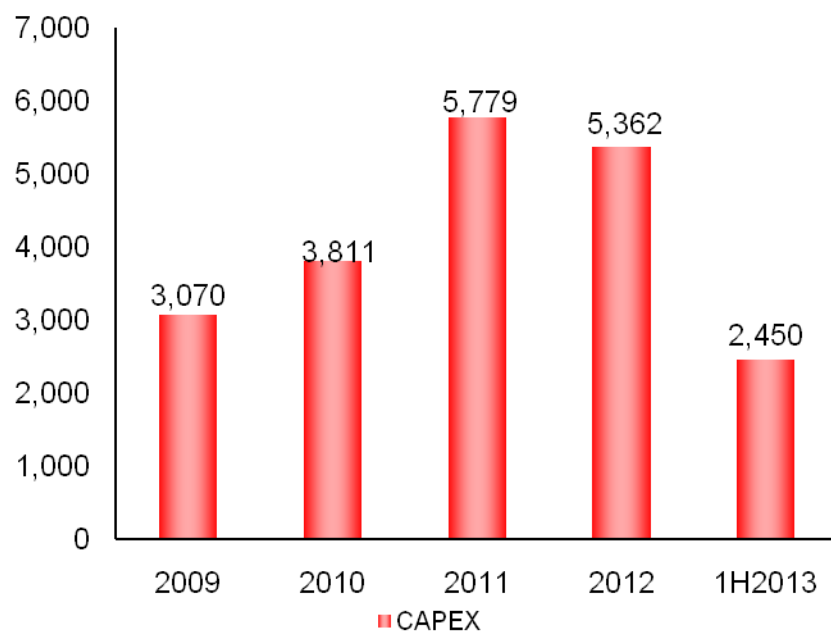
- (1) Turnover days of inventory is calculated as the average inventory for the year/ period, divided by cost of inventories charged to P/L for the year/ period, and multiplied by 365 days for 2009, 2010, 2011 and 2012 and 180 days for 1H2013.
- (2) Turnover days of accounts payable is derived by dividing 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 and 180 days for 1H2013.
- (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 and 180 days for 1H2013.
- (4) Calculated as the sum of cash & cash equivalents, restricted and pledged bank deposits, minus bank loans and Ods
- (5) Excluding the "Loans and receivables" and "Available-for-sale financial assets" which totals to RMB 1,358million.

Investment return

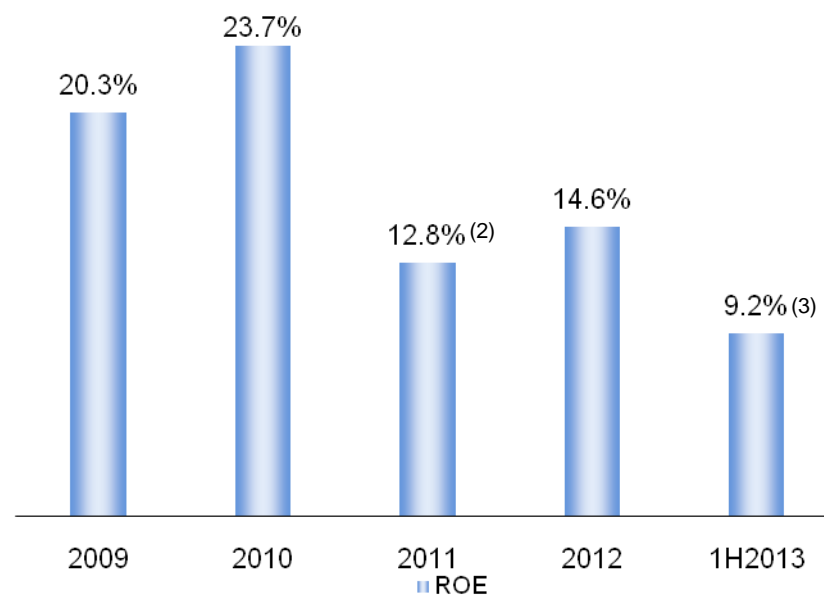


CAPEX

RMB m



ROE⁽¹⁾



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%

(3) Calculated on half year basis



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Proactive plan to expand store network

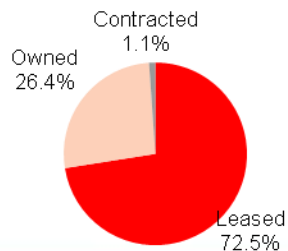


11 new hypermarket complexes were opened in first half of 2013

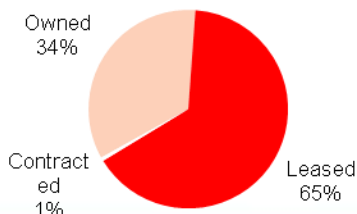
Region	No. of hypermarket complexes (30 June 2013)			GFA of hypermarket complexes (sqm) (30 June 2013)		
			Total			Total
Eastern China	39	90	129	1,574,484.4	2,254,847	3,829,331.4
Northern China	6	31	37	196,443.8	747,662	944,105.8
North-Eastern China	1	25	26	23,906.0	697,347	721,253.0
Southern China	1	42	43	15,968.0	1,037,944	1,053,912.0
Central China	4	32	36	138,095.8	805,063	943,158.8
Western China	3	10	13	150,447.5	249,173	399,620.5
Total	54	230	284	2,099,345.5	5,792,036	7,891,381.5



Store no. breakdown (30 June 2013)



GFA breakdown (30 June 2013)



A total of **284** hypermarkets across China as at 30 June 2013, covering **26** Provinces, autonomous regions and municipalities. Secured **158** sites to open hypermarket complexes, of which **117** were under construction

Business review



1

Store Improvement

- Continued to upgrade the areas for cooked food, bakery and apparel in some stores as planned, with the purpose of improving operational efficiency and merchandise display in these areas.
- Upgraded the automatic control of air-conditioning and refrigeration systems parameters at some stores as scheduled, with an aim of achieving energy-saving and emission reduction targets.
- Focused on enhancing the shopping experience of customers and improving the tenant mix in the galleries to improve its attractiveness. More charitable and interesting activities were jointly organized with the tenants which help to improve customer flow.

2

Optimization of Procurement and Merchandise Mix

- Continued to optimize its merchandise mix in order to better fulfil customer requirements. More attention was given to product safety by introducing products with higher security standards. Introduction of new fashionable and personalized products was accelerated. With more attention to local customer needs, more premium local brands were introduced. Middle to high-end merchandise choice was enriched so as to meet the up-trading in consumption.
- Continued to promote and expand merchandise direct sourcing in order to reduce procurement costs.
- Own brand's new products development was strengthened. An own brand dedicated design team was established in order to enhance the attractiveness and qualities of its own brand products.
- Continued to extend price surveys to e-commerce platforms. More interactive marketing activities based upon the operating advantages of physical stores were introduced in stores.

3

Further developed E-commerce business

- Established Uitox E-commerce (Shanghai) Co. Limited ('Uitox').
- Uitox will be one of the platforms used by the Group to develop E-commerce business.
- Home deliveries to customer in Shanghai are expected to commence in the fourth quarter of 2013.

Business review (Cont'd)



4

Optimization of Supply Chain Management

- Continued to improve its information systems in order to better support system processes optimization and operation efficiencies enhancement.
- Optimized the system for return of goods at the distribution centre, which enhanced the efficiency in sorting the products returned, streamlined the process flow and reduced the error rate.
- An integrated system for orders of internal equipment, supplies and payment began operations during the period under review. This has enabled all stores nationwide to order, receive, inspect and pay for internal equipment and supplies on one integrated platform. Efficiency in the approval of such orders was enhanced significantly whilst such costs were subject to better control and was managed in a safer manner.
- Auchan banner's east China distribution centre completed the testing of software and started trial operation for the distribution of two stores. It is expected that the distribution centre will be fully operational in the second half of 2013.
- The distribution centre under RT-Mart in central China at Chibi city, Hubei Province commenced construction work and is expected to commence operations in the second half of 2014.

5

Optimization of Human Resources Management and Training

- As at 30 June 2013, the Group had 114,979 employees.
- Continued to optimize human resources management by improving shift arrangement, increasing the use of advanced equipment and process optimization, which has brought improvement in productivity, staff deployment efficiency, service efficiency to varying degrees.
- The Group's two banners continued to promote exchanges and cooperation in human resource management. On the basis of regular meetings to exchange training management, joint training courses also created a platform for the two brands to learn and gain competitive advantages from each other. As an example, employees of Auchan had participated in 10 sessions of dim sum making training courses provided by RT-Mart.
- In the second half of 2013, joint trainings will be conducted as planned on bakery and butchery.



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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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Q&A

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Thank You!



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