



SUN ART
Retail Group Limited

Stock Code : 6808

2013 Annual Result Announcement



Content





OPERATING ENVIRONMENT

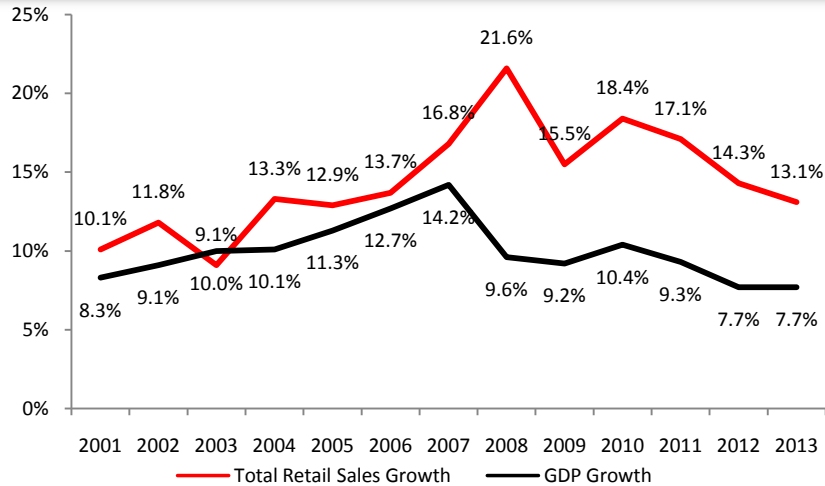
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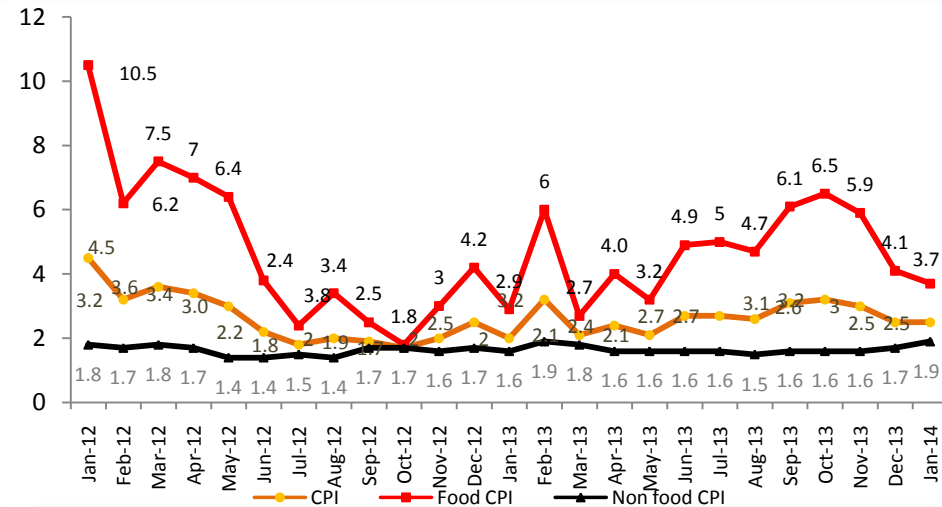


Operating environment

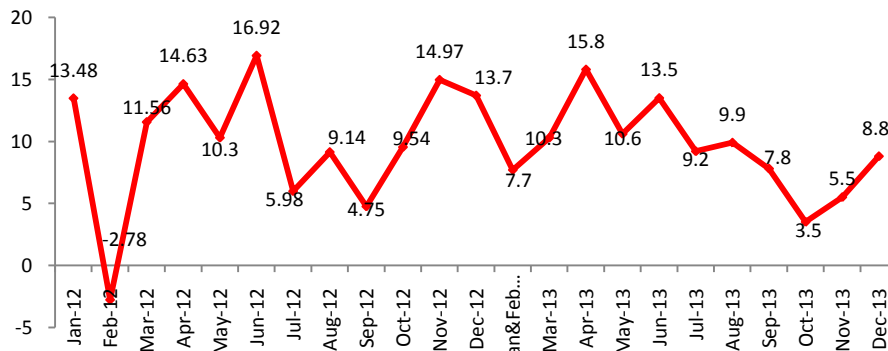
Growth of GDP and total retail sales of consumer goods ⁽¹⁾



Consumer Price Index : CPI 2.6%, Food CPI 4.7% ⁽²⁾



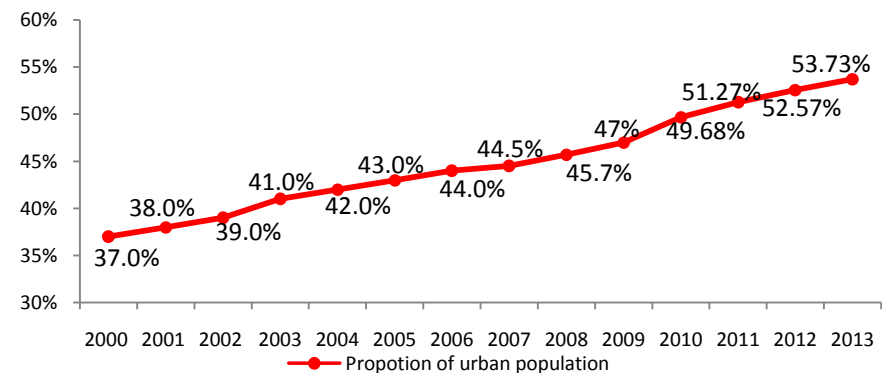
50 Key Retail Enterprises Sales Growth: +9.5% ⁽³⁾



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Source:
Chart (1),(2),(4) from National Bureau of Statistics of China
Chart (3) from China Nation Commercial Information Center

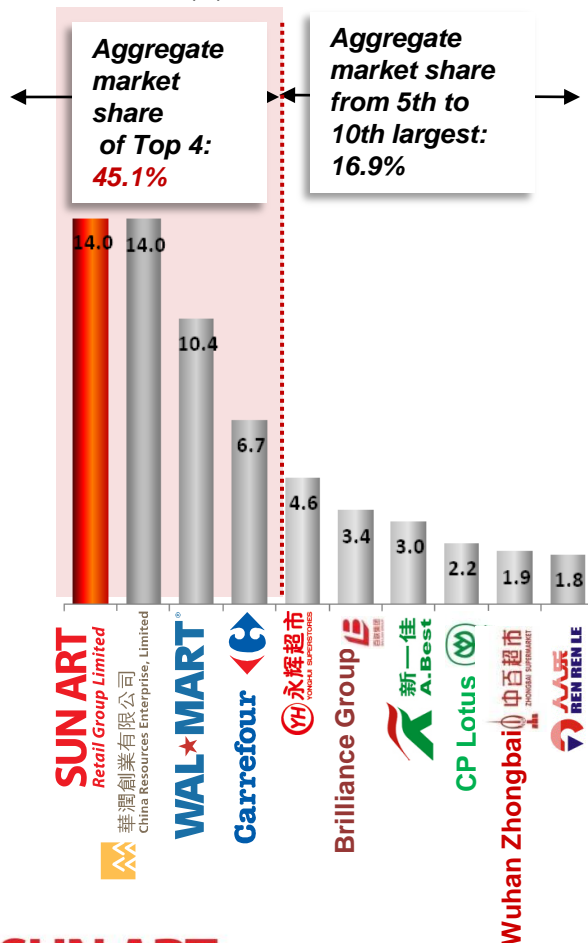
Urbanization ⁽⁴⁾



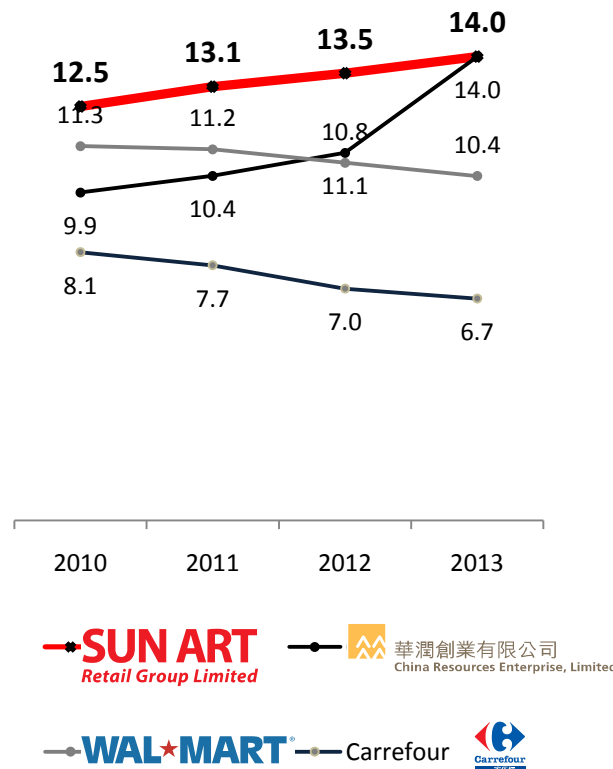
The largest and most productive hypermarket operator in China

Sun Art –Maintaining market leadership through organic growth

Market share (%)

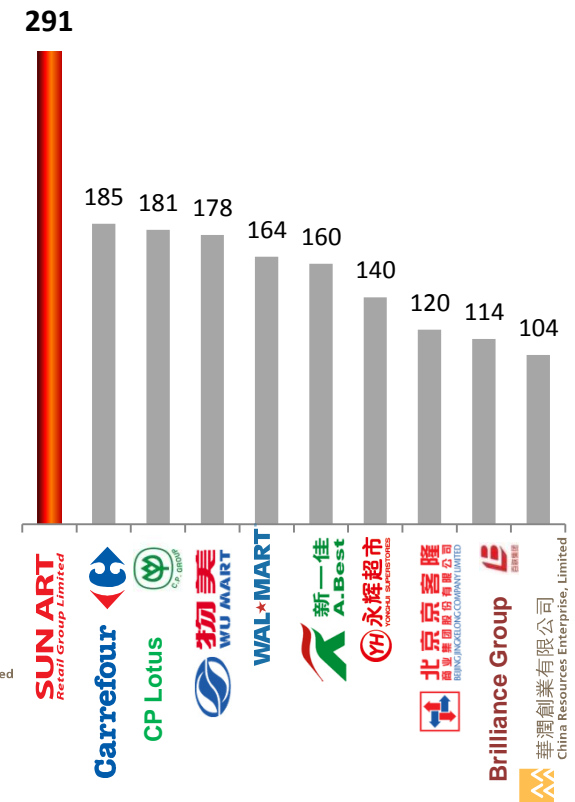


Market share evolving of top 4 hypermarket players from 2010-2013



Sales per average number of store in 2013

(RMB m/average no. of stores)



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Source: Euromonitor

- (1) According to Euromonitor, the retail value of Sun Art and China Resources Hypermarkets in 2013 was RMB 86,926.3 million and 86,802.5 million respectively.
- (2) CRE figure included CRE and Tesco in 2013 in all three charts above.
- (3) Calculated based on figure from Euromonitor: retail value of 2013/(average number of stores between beginning and ending of 2013)



FINANCIAL REVIEW

SUN ART
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Financial Highlights

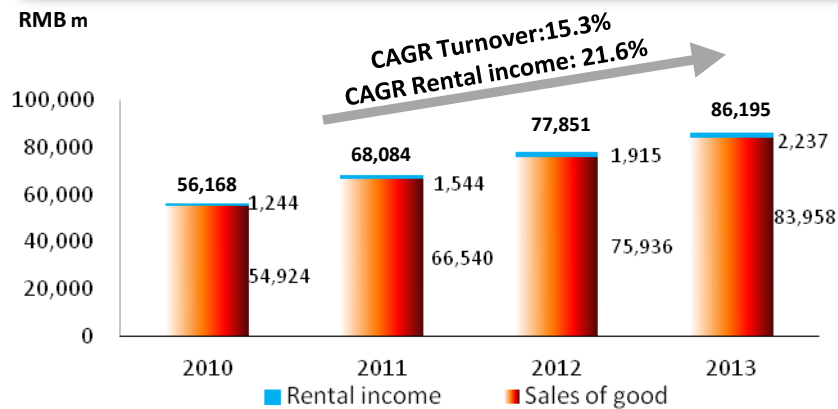
As of 31Dec (RMB million)	2013	2012	Change
Turnover	86,195	77,851	10.7%
Gross profit	18,613	16,150	15.3%
Gross profit margin	21.6%	20.7%	0.9ppt
Same store sales growth ⁽¹⁾	2.0%	3.3%	-
Profit from operations (EBIT)	4,147	3,518	17.9%
Operating profit margin	4.8%	4.5%	0.3ppt
Profit for the period	2,942	2,533	16.1%
Net profit margin	3.4%	3.3%	0.1 ppt
Profit attributable to equity shareholders of the Company	2,775	2,409	15.2%
Earnings per share			
— Basic and diluted	0.29	0.25	-
(RMB) ⁽²⁾			

(1) Same store sales: the growth rate of sales of the stores opened before 31 December 2012. It is calculated by comparing the sales derived from those stores during their operating periods in 2012 with sales during the corresponding periods in 2013.

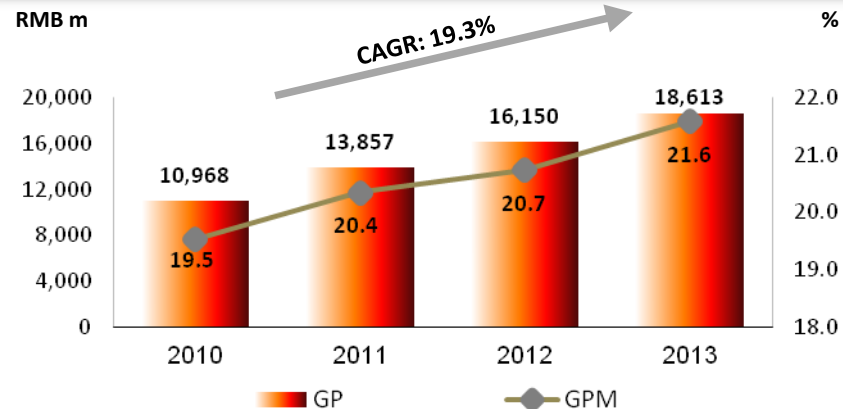
(2) The calculation of basic and diluted EPS for the years ended 31 December 2013 and 2012 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

Financial highlights

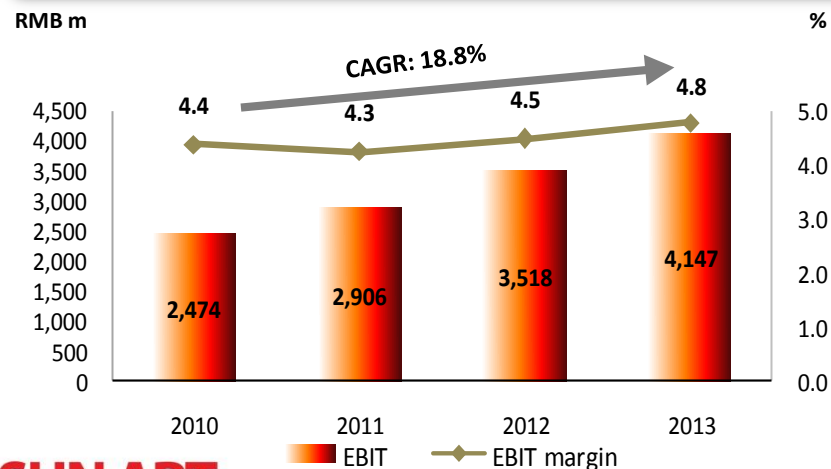
Turnover



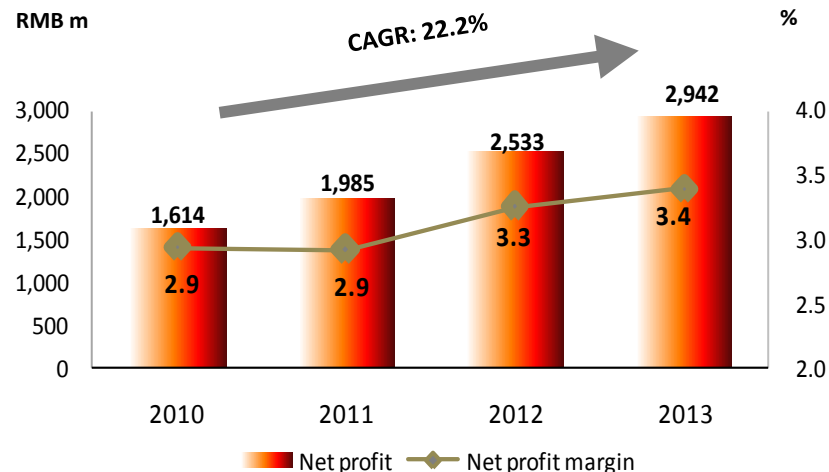
Gross profit and margin



EBIT and margin



Net profit and margin⁽¹⁾



Note:

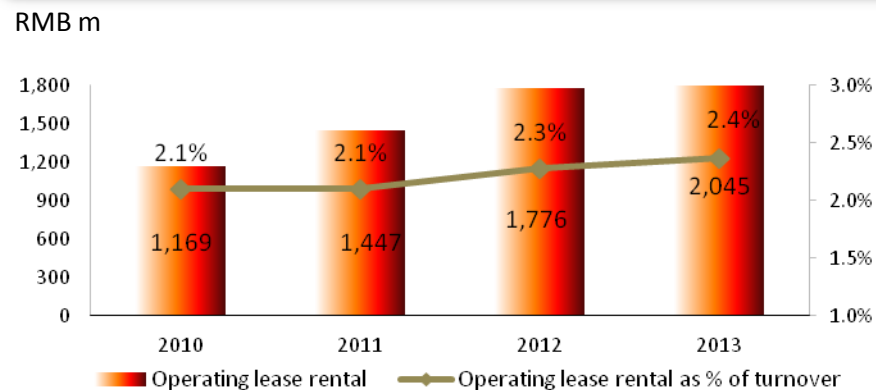
(1) Showing profit for the year, i.e. including the non-controlling interests

Operating expense

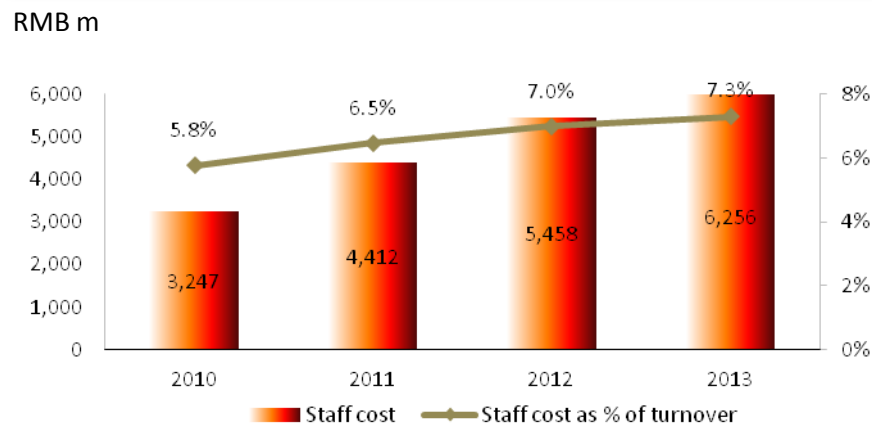
Total operating cost



Operating lease rental



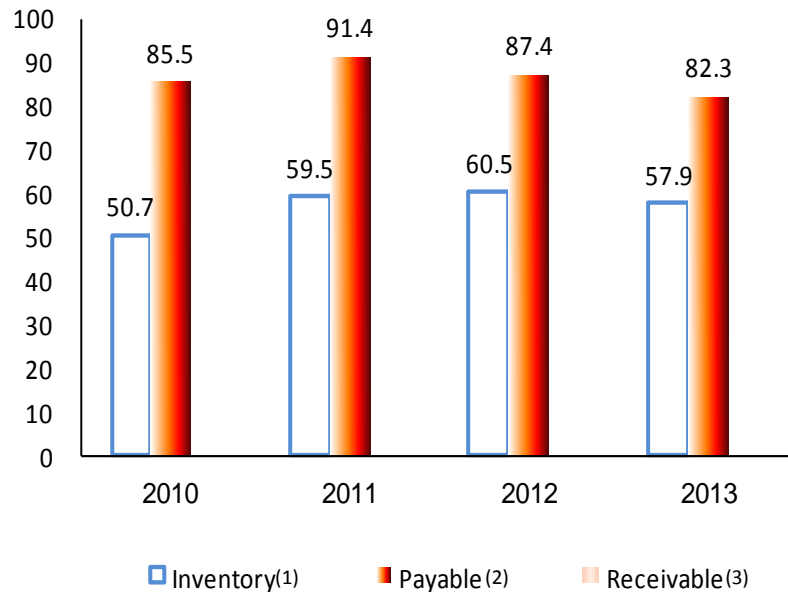
Staff cost



Balance sheet

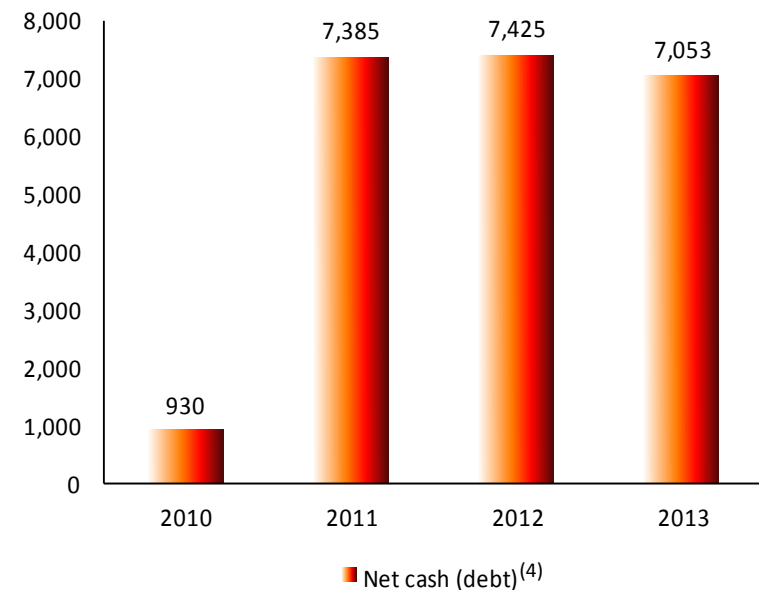
Stable working capital days

Days



Net cash position

RMB m



Note:

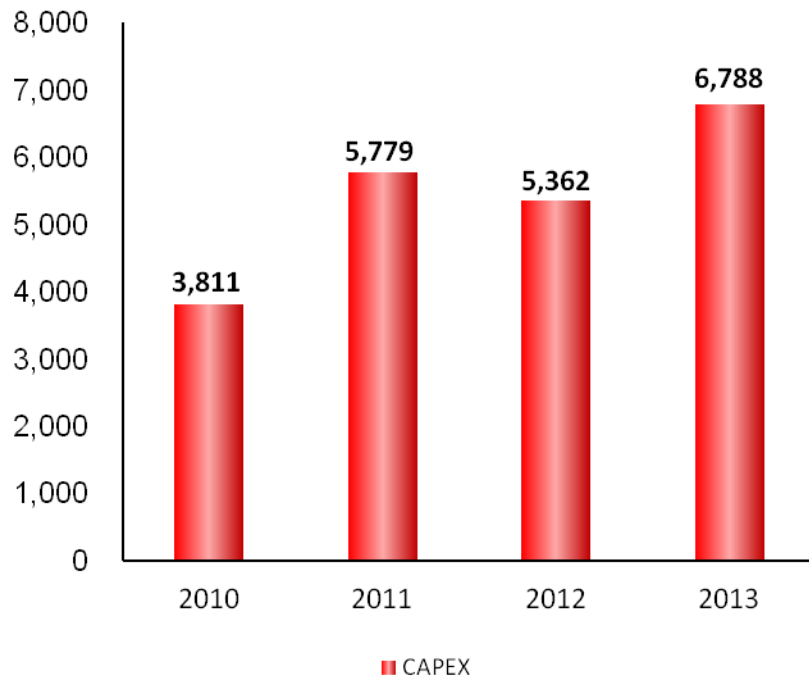
- (1) Turnover days of inventory is calculated as the average inventory for the year/ period, divided by cost of inventories charged to P/L for the year/ period, and multiplied by 365 days for 2010 , 2011 , 2012 and 2013.
- (2) Turnover days of accounts payable is derived by dividing the average of opening and closing balances of trade payables, for the relevant period by cost of inventories charged to P/L and multiplying by 365 days for 2010 , 2011 , 2012 and 2013.
- (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 2010 , 2011, 2012 and 2013.
- (4) Calculated as the sum of cash & cash equivalents, investments and time deposits, minus bank loans and Ods

Investment return

CAPEX

ROE⁽¹⁾

RMB m



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%



BUSINESS REVIEW

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Ruchan 欧尚

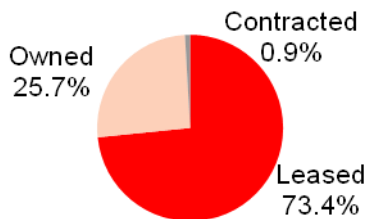
Proactively expanded store network

50 new hypermarket complexes were opened in 2013

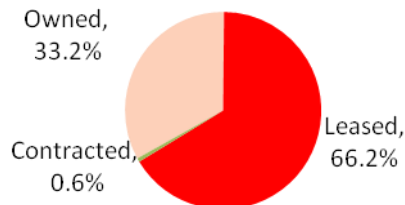
Region	No. of hypermarket complexes (31 Dec 2013)		GFA of hypermarket complexes (sqm) (31 Dec 2013)		
			Total		Total
Eastern China	41	100	141	1,651,053	2,503,068
Northern China	6	34	40	196,444	814,075
North-Eastern China	1	30	31	23,906	821,222
Southern China	2	50	52	42,226	1,244,340
Central China	5	39	44	170,463	1,016,730
Western China	4	11	15	178,609	264,368
Total	59	264	323	2,262,701	6,663,803



Store no. breakdown (31 Dec 2013)



GFA breakdown (31 Dec 2013)



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A total of **323** hypermarkets across China as at 31 December 2013, covering **26** Provinces, autonomous regions and municipalities. Secured **160** sites to open hypermarket complexes in next 3 years, of which **99** were under construction

Business Review

1

Store Improvement

- Renovation comprised remodeling and capacity expansion of in-store sales area, retail galleries or car-parks completed in some stores presenting a better shopping environment with greater choices. Meanwhile, certain stores also carried out partial renovation and upgrade.
- Retail galleries: A new property management model was adopted in the largest retail galleries in 3 Auchan stores improving service standards for both customers and tenants. The RT-Mart banner continued to improve the proportion among national, regional chain brands and local specialties in the retail galleries. Tenant mix improved by increasing the proportion of experience-correlated business models, such as catering, entertainment and servicing, thus better addressing customers needs, attracting higher customer-flow and achieving rental income growth.

2

Procurement and Merchandise mix optimization

- Progress in common negotiation by two banners was made: products accounting for approximately 40% of our purchasing volume were negotiated in common.
- Continuously enriched our product lines and improved merchandise differentiation in order to better meet, and grasp opportunities arising from changes in, consumer demand.
- Continued to foster the development of own brands which includes the products under the “Big Thumb”, “RT-Mart” and “Auchan” brands, other exclusive brands and self-manufactured merchandise. By the end of 2013, own brand sales accounted for 9.8% of the Group’s sales amount.
- Adopted innovative marketing to improve shopping experience by leveraging on our edge in physical stores.

3

Development of E-commerce Business

- Established Uitox E-commerce (Shanghai) Co. Limited (“Uitox”) as one of our e-commerce business platforms.
- Uitox set up the web-site www.feiniu.com and the merchandise and logistics distribution system by December 2013.
- The number of registered members reached 182,000 by year end, and the number of items on-line amounted to 100,000.
- [www. Feiniu.com](http://www.feiniu.com) officially commenced operations on 16 Jan 2014.

Business Review

4

Optimization of Supply Chain Management

- As the store network expanded and the distribution efficiency enhanced, the Southern China and Northeastern China distribution centres of RT-Mart banner achieved profitability in 2013.
- The Auchan banner commenced the operation of its distribution centre for the Eastern China region.

5

Operating Efficiency Enhancement

- IT teams continued to simplify our procedures and eliminate paperwork by providing more tools for efficiency improvement in operations and office management.
- Fostered environmental protection and energy conservation efforts, including the renovation and replacement of automatic air-conditioning systems, refrigerating and freezing systems and automatic lighting control systems as well as the installation of LED energy saving lightings in stores, which resulted in a decrease in energy expenses.

6

Optimization of Human Resources Management and Training

- The Group's two banners enhanced exchange and co-operation in the areas of human resources management and training and conducted more shared training sessions.
- Devoted to enhancing productivity by training and improved work processes, resulting in success in effectively keeping rapid labor costs increase under control, achieving the goal of fewer employees with better skills.
- Continued to enlarge the pool of professional staff, and has trained up professional personnel by cooperation programs with vocational schools of textile and fresh food processing technology.

7

Corporate Social Responsibility

- Constantly fulfilled corporate social responsibilities by joining activities arranged by various charity organizations.
- Actively participated in charity activities and promoted environmental protection by organizing community entertainment activities, visiting social vulnerable groups and organizing charity donations



BUSINESS STRATEGY

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Business Strategy



Proactively expand quality retail network widening the competitive gap and maintaining market leadership



Constantly strive to optimize the product mix and pricing strategy



Focus on further improving operational efficiency and supply chain management



Continue to provide staff with training and maintain good corporate culture



Continue to develop e-commerce business and enhance consumer shopping experience

Further strengthen SUN Art's leading position in the retail market



Q&A

THANK YOU!

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