



SUN ART
Retail Group Limited
Stock Code : 6808

2014 Interim Result Announcement



Content





OPERATING ENVIRONMENT

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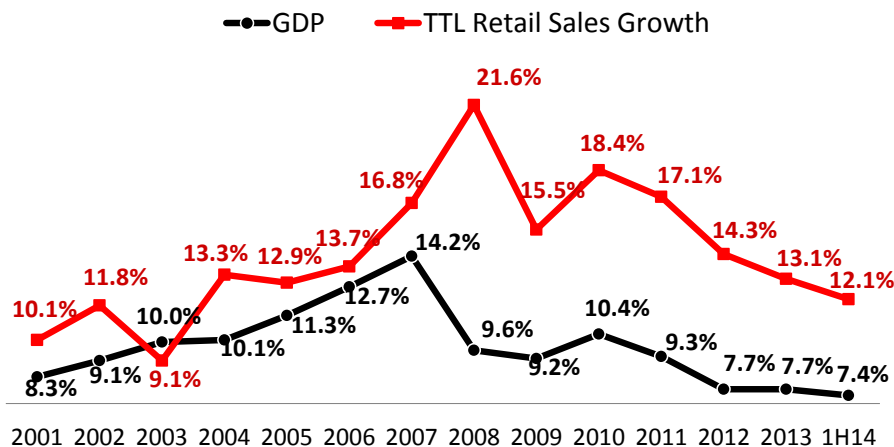
大润发
RT-Mart



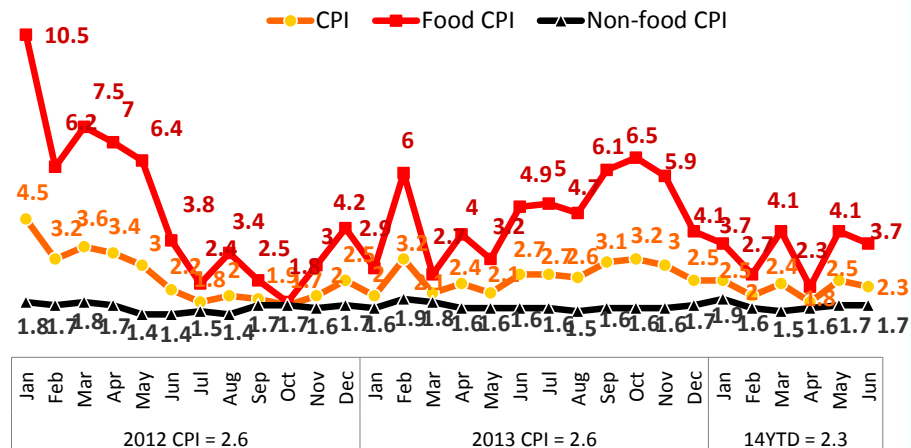
欧尚
Auchan

Operating environment

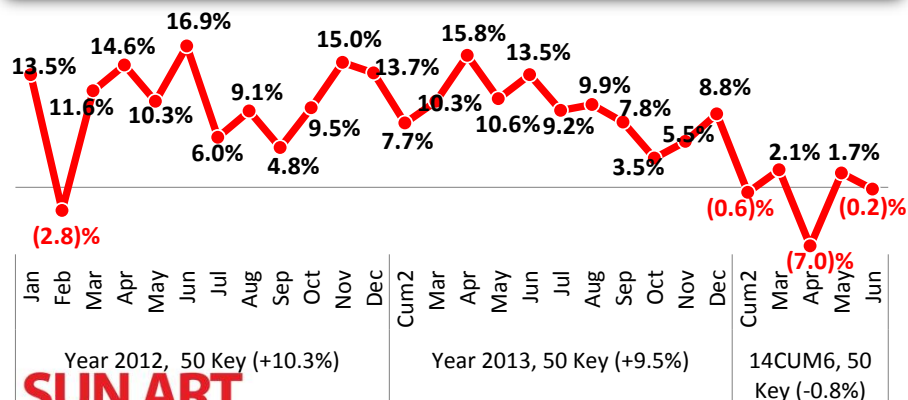
Growth of GDP and Total Retail Sales of Consumer Goods ⁽¹⁾



Consumer Price Index of 1H14: 2.3, Food CPI 3.4 ⁽²⁾



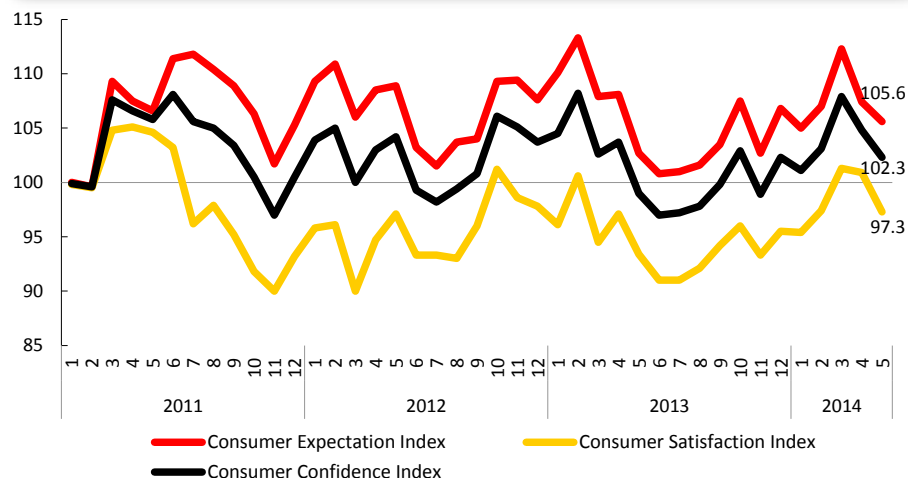
50 Key Retail Enterprises Sales Growth of 1H14: -0.8% ⁽³⁾



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

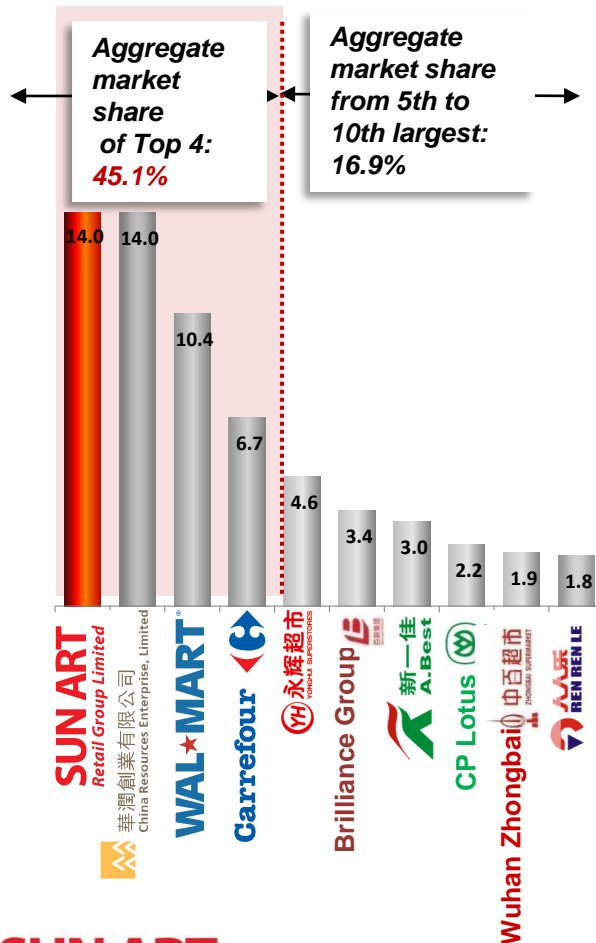
Consumer Confidence Index ⁽⁴⁾



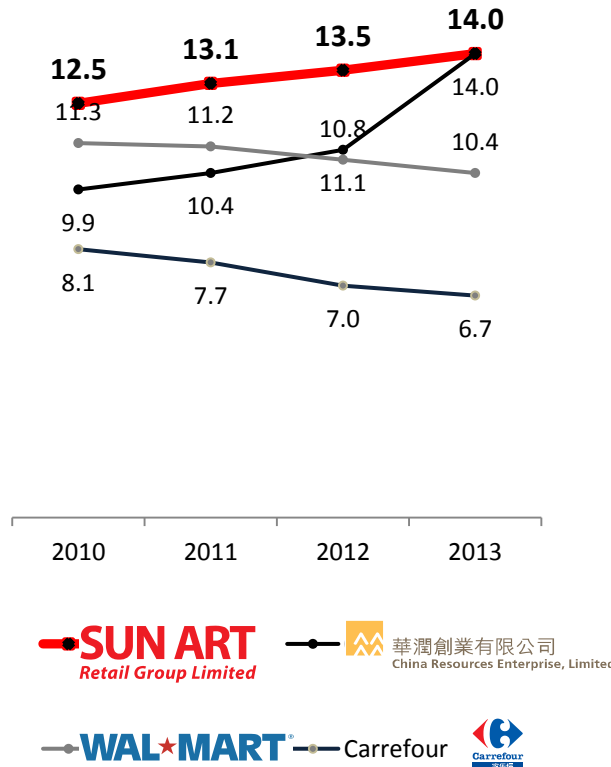
The largest and most productive hypermarket operator in China

Sun Art –Maintaining market leadership through organic growth

Market share (%)

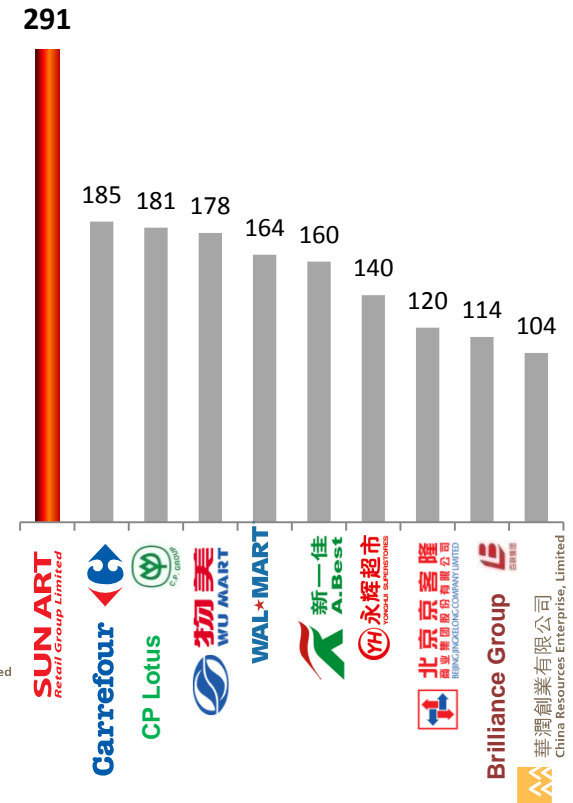


Market share evolving of top 4 hypermarket players from 2010-2013



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

Retail Group Limited

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Ruchan 欧尚

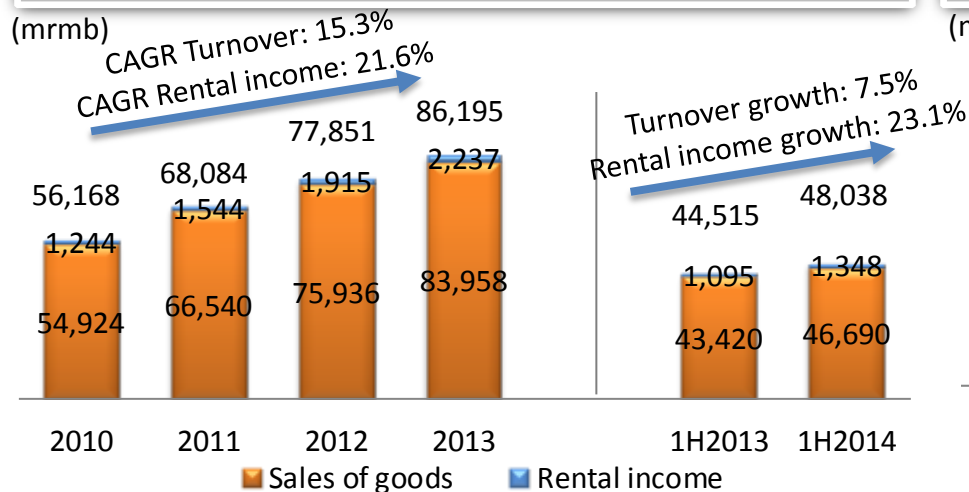
Financial Highlights

For the six months ended 30 June (RMB million)	2014	2013	Change
Turnover	48,038	44,515	7.9%
Gross profit	10,523	9,231	14.0%
Gross profit margin	21.9%	20.7%	1.2ppt
Profit from operations (EBIT)	2,495	2,298	8.6%
Operating profit margin	5.2%	5.2%	0.0ppt
Profit for the period	1,789	1,670	7.1%
Net profit margin	3.7%	3.8%	-0.1ppt
Profit attributable to equity shareholders of the Company	1,710	1,576	8.5%
Earnings per share			
- Basic and diluted (RMB) ^[*]	0.18	0.17	-

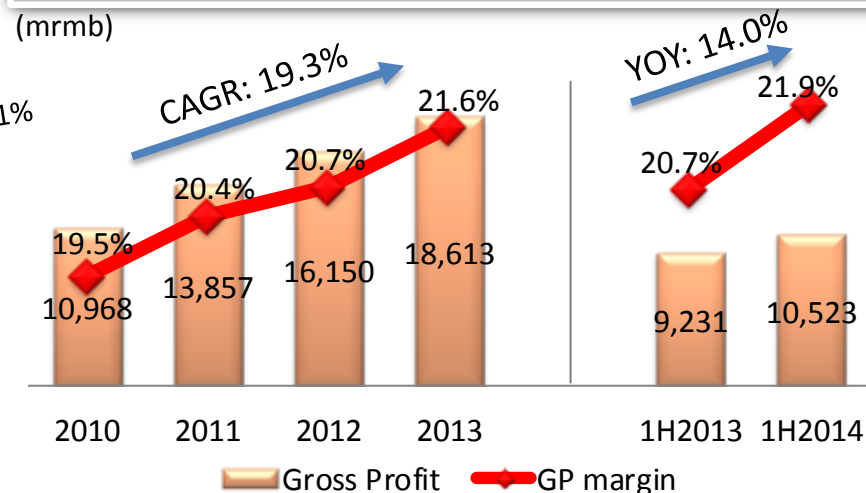
Note [*]: The calculation of basic and diluted EPS for the six months ended 30 June 2014 and 2013 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the period.

Financial Highlights

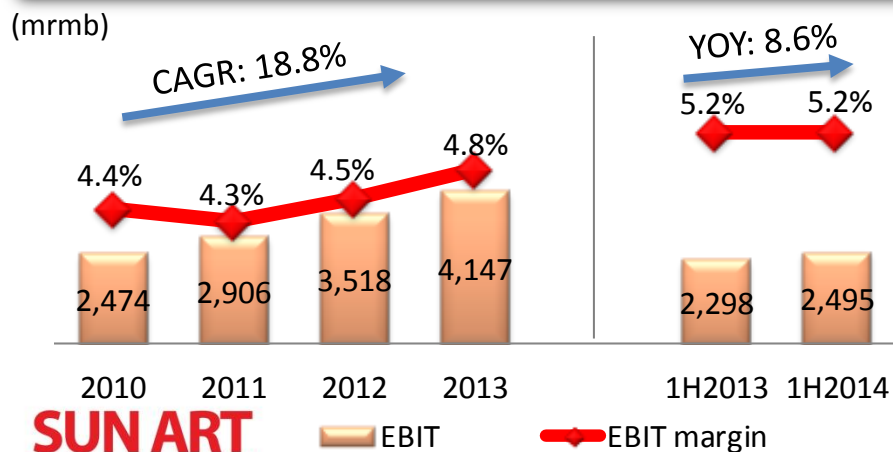
Turnover



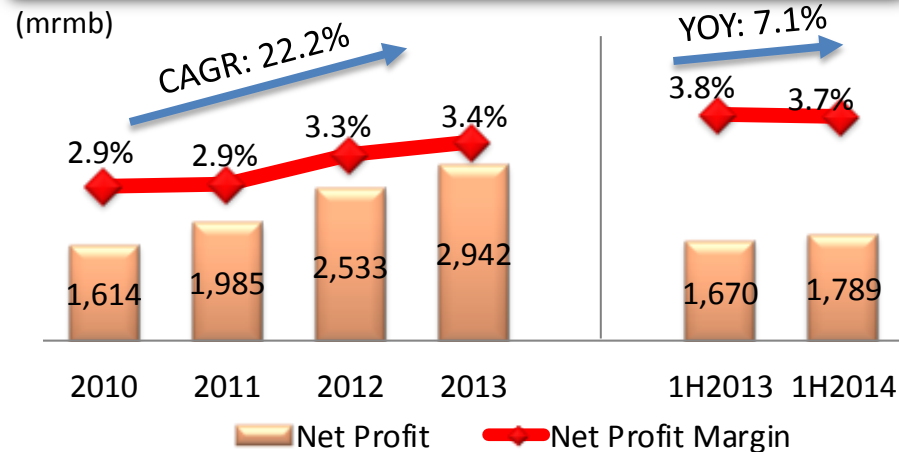
Gross Profit and Margin



EBIT and Margin



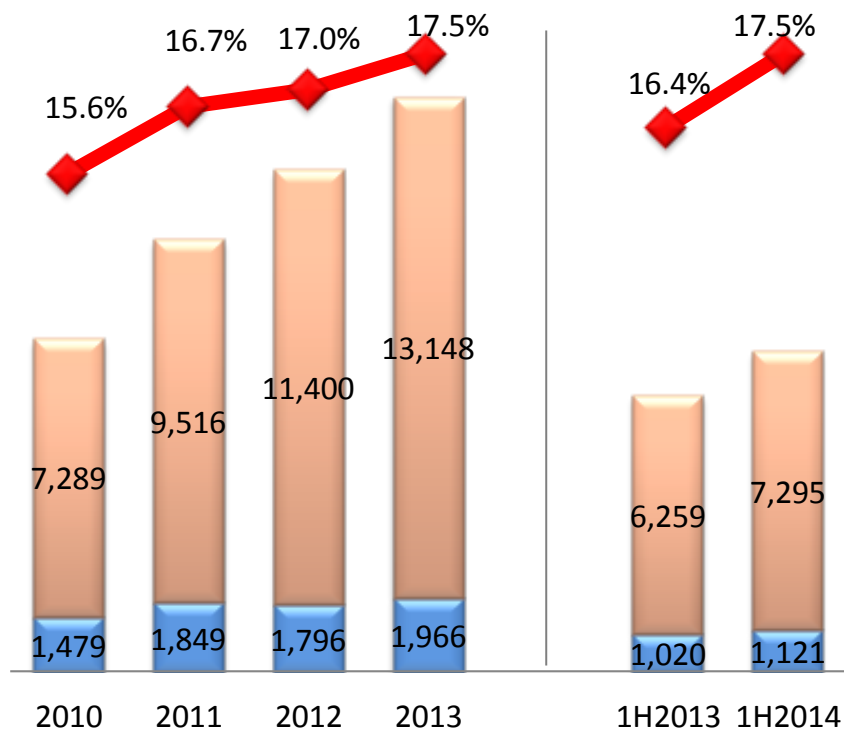
Net Profit and Margin ⁽¹⁾



Operating Expenses

Total Operating Cost

(mrmb)

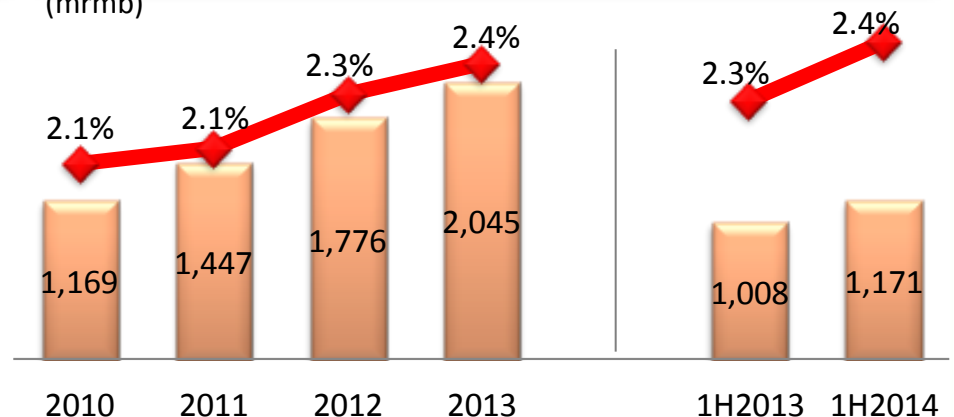


Store operating cost Administrative expense

Total opex as % of Turnover

Operating Lease Rental

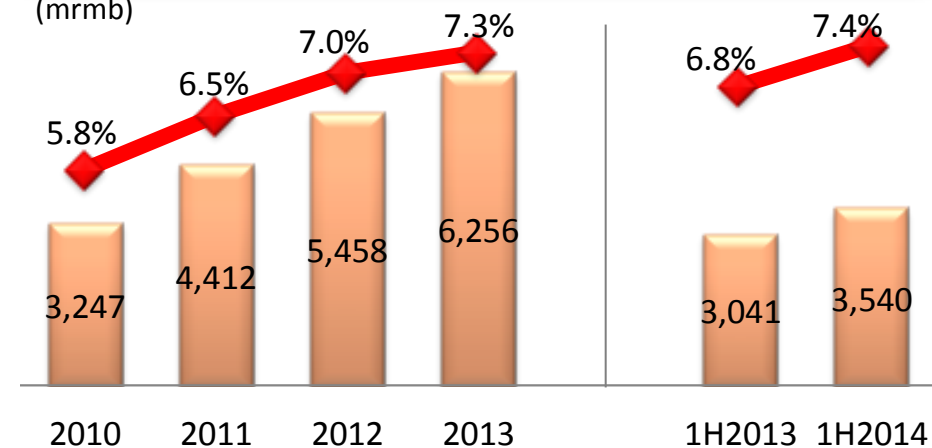
(mrmb)



Operating Lease Rental Operating Lease Rental as % of Turnover

Staff Cost

(mrmb)

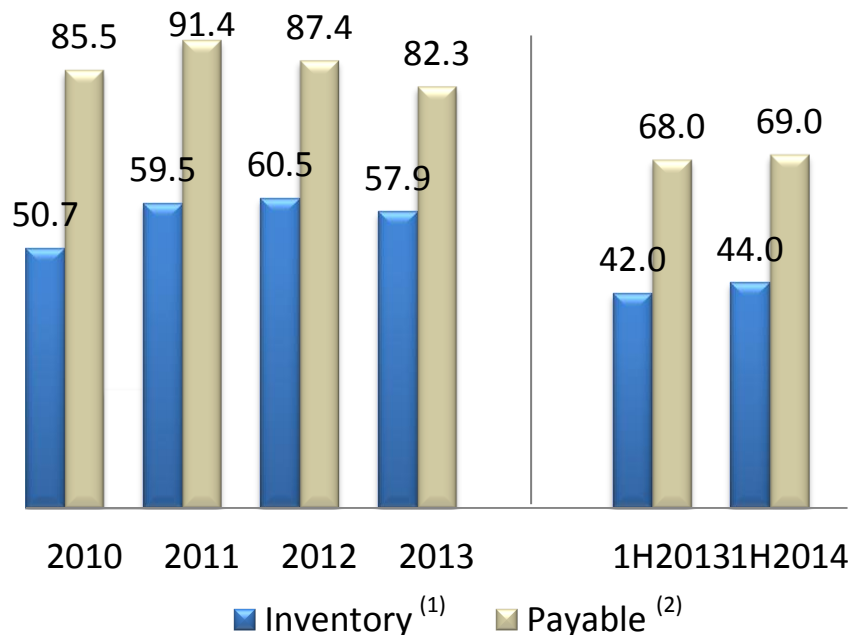


Staff cost Staff cost as % of Turnover

Balance Sheet

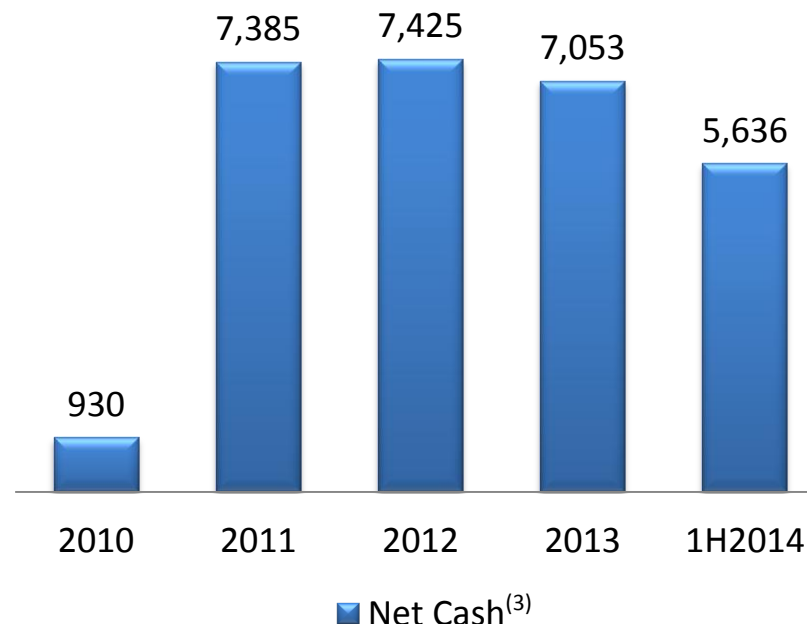
Stable Working Capital Days

(Days)



Net Cash Position

(mrmb)



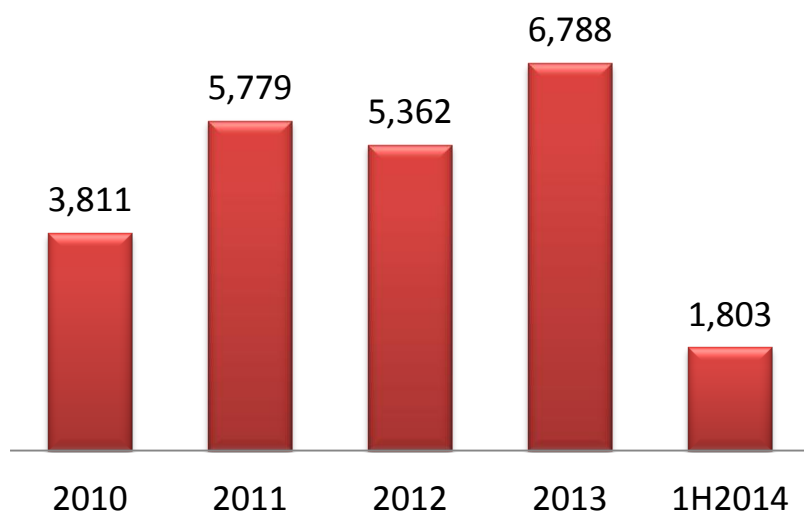
Note:

- (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, 2013 and 180 days for 1H2014.
- (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, 2013 and 180 days for 1H2014.
- (3) Calculated as the sum of cash & cash equivalents, investments and time deposits, minus bank loans.

Investment Return

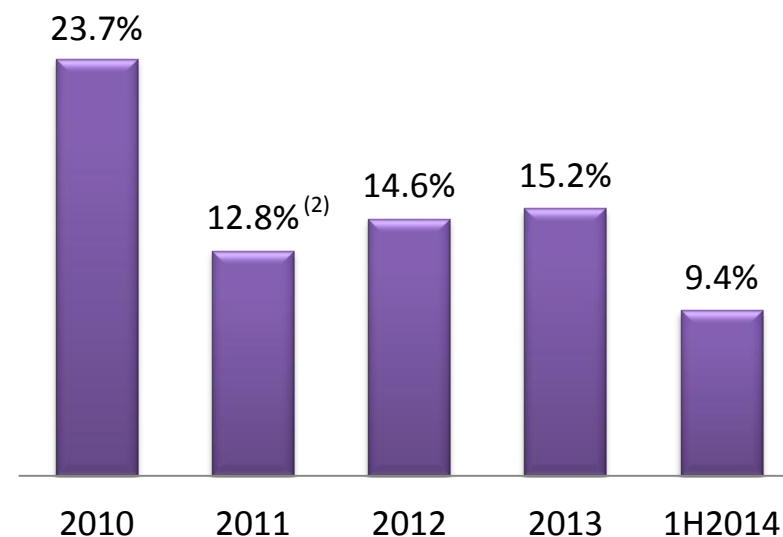
CAPEX

(mrmb)



■ 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%



BUSINESS REVIEW

SUN ART

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Ruchan 欧尚

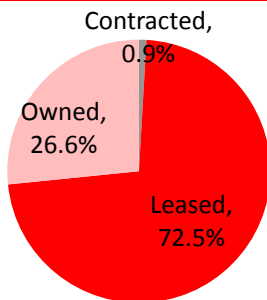
Proactively expanded store network

4 new hypermarket complexes were opened in the First Half of 2014

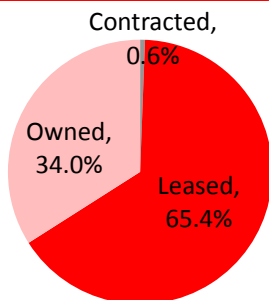
Region	No. of hypermarket complexes (30 Jun 2014)			GFA of hypermarket complexes (sqm) (30 Jun 2014)		
						
Eastern China	42	101	143	1,668,406	2,528,008	4,196,414
Northern China	6	34	40	196,444	814,075	1,010,519
North-Eastern China	1	30	31	23,906	821,222	845,128
Southern China	2	52	54	42,226	1,297,921	1,340,147
Central China	5	39	44	170,463	1,016,730	1,187,193
Western China	4	11	15	178,609	264,368	442,977
Total	60	267	327	2,280,054	6,742,324	9,022,378



Store no. breakdown (30 June 2014)



GFA breakdown (30 June 2014)



A total of **327** hypermarkets across China as at 30 June 2014, covering **26** Provinces, autonomous regions and municipalities. By 30 Jun 2014, **162** secured sites to open hypermarket complexes in next 3 years, of which **102** were under construction.

Business Review

1

Development of E-commerce Business

- The web feiniu.com was officially launched on 16 January 2014.
- Currently the delivery areas of feiniu.com cover Shanghai, Jiangsu Province, Zhejiang Province and Anhui Province, and it is scheduled that the delivery areas will be rolled out successively to other areas across the nation till the end of 2014.
- As of 30 June 2014, there were:
 - 750,000 registered members;
 - 165,000 active members;
 - 120,000 self-operated item available for sale on line with a range of categories of fast moving consumer goods (“FMCG”), bazaar, electronics, fashion, maternal and child products and imported products.
- A 40,000 square meters warehouse dedicated to feiniu.com was opened in Shanghai Qingpu district.
- Along with the expansion of delivery areas, feiniu.com will establish warehouses in other areas across the nation.
- feiniu.com is not yet contributing to the Group’s net profit.

2

Store Improvement

- The Auchan Minhang hypermarket complex completed the renovation comprised of both remodeling and capacity expansion of in-store sales area, retail gallery and car-park.
- 98 RT-Mart stores completed the upgrade of various commercial areas which mostly focused on fresh food in order to enhance the commercial atmosphere conveyed to the customers.
- Continued to reinforce the range for self-produced products such as Delicatessen and Dim Sum with more local characteristics and bakery with better technology, higher productivity and good quality.
- Continued to upgrade the light tubes with LED in the stores and all new stores opened in year 2014 will be installed with LED tubes.
- Continued to improve tenant mix and upgrade the shopping environment. Both banners are working together to introduce new and well-known chain brands and local specialists to all our regions.

Business Review

3

Procurement and Merchandise mix optimization

- Continued to enhance direct sourcing of fresh fruits, vegetables and dried vegetables and fruits providing our customers with freshness, good quality and better prices.
- Price checks now include physical stores as well as e-commerce sites in order to maintain our price competitiveness against both offline and online competitors.
- Cooperated with Disney to create own branded products under the Disney License thereby bringing high quality and “fun packaging” products to our customers.

4

Optimization of Supply Chain Management

- Chibi distribution center of the RT-Mart banner in Hubei province for future Central China Distribution will commence operations in October 2014.
- In the Auchan banner, more new suppliers were recruited to integrate into its Taicang warehouse.

5

Optimization of Human Resources Management and Training

- Continued to enhance exchange and co-operation in the areas of human resources management and training and conducted more shared training sessions between two banners. As of 30 June 2014, nearly 3,000 employees from both banners had participated in 3 common training sessions such as home-made delicatessen, dim sum and bakery.
- Managed to effectively keep the rapid increase in labor costs under control by successfully reducing the number of employees, but with better skills. As of 30 June 2014, we had 354 fulltime equivalent (“FTE”) employees per store compared to 393 FTE employees per store over the same period of last year.



Q & A

THANK YOU!

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Ruchan 欧尚