



Opened **49**  
new stores  
A total of **372**  
hypermarkets  
across China



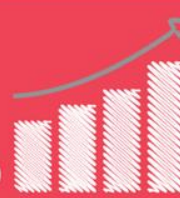
**SUN ART**  
*Retail Group Limited*

Stock Code : 6808

# 2014 Annual Results Announcement



**No.1**  
hypermarket  
in the nation  
in terms of  
market share<sup>(1)</sup>



**Auchan 欧尚**

**feiniu.com**

**大润发 RT-Mart**

Source: (1) Data from Euromonitor

# Content





# OPERATING ENVIRONMENT

**SUN ART**

**Retail Group Limited**

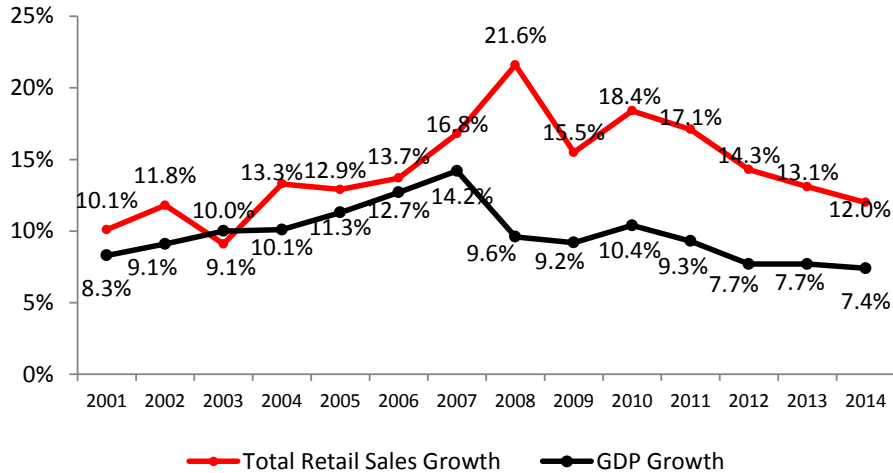
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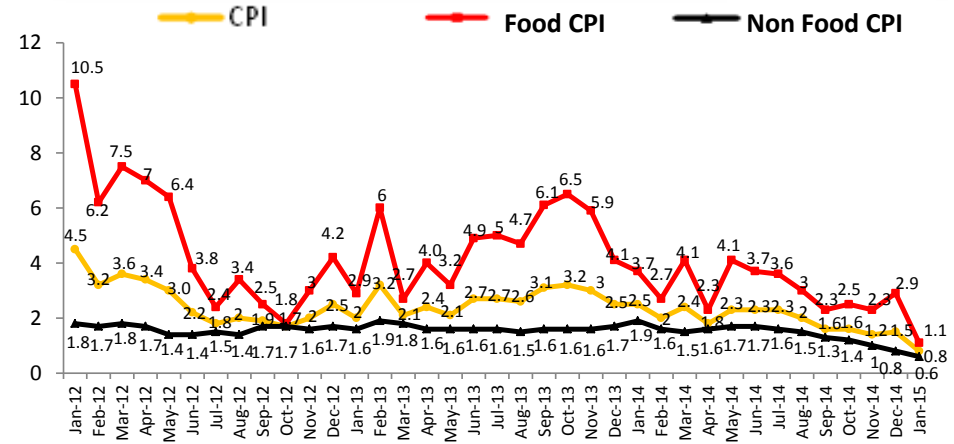


# Operating Environment

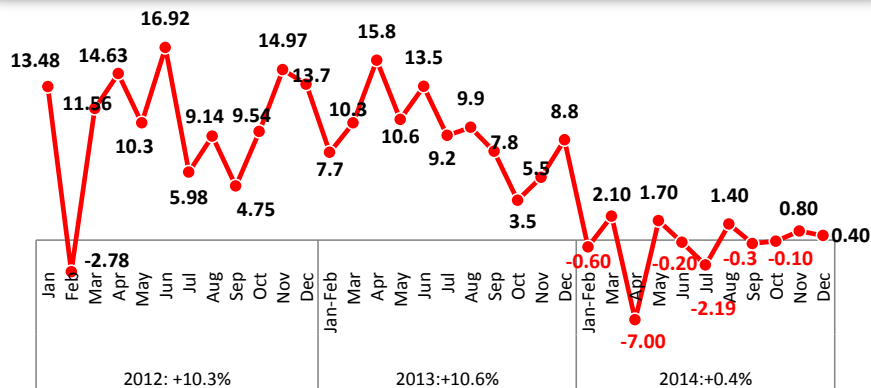
**Growth of GDP and Total Retail Sales of Consumer Goods<sup>(1)</sup>**



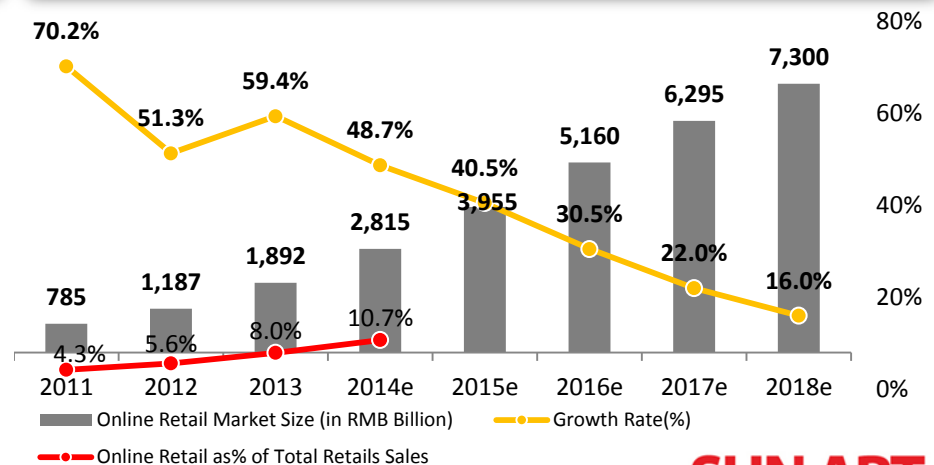
**2014 Consumer Price Index: CPI 2%, Food CPI 3.1% <sup>(2)</sup>**



**50 Key Retail Enterprises Sales Growth: +0.4% <sup>(3)</sup>**



**China's Online Shopping Market Size <sup>(4)</sup>**



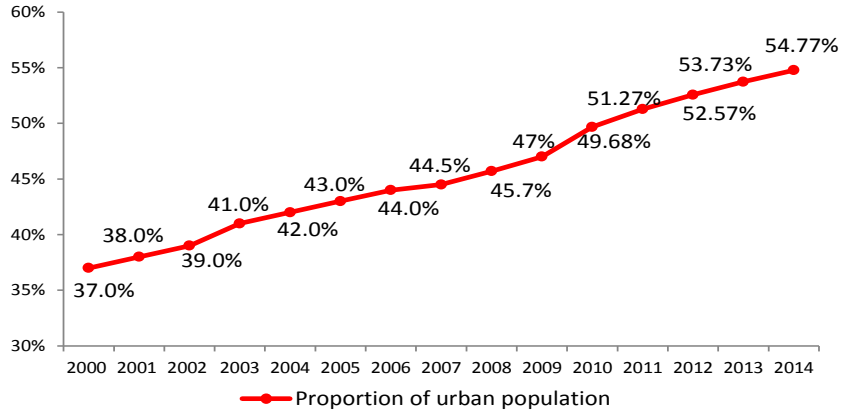
Source:

Chart(1),(2) from the National Bureau of Statistics of China; Chart (3) from China Nation Commercial Information; Chart (4) from iResearch

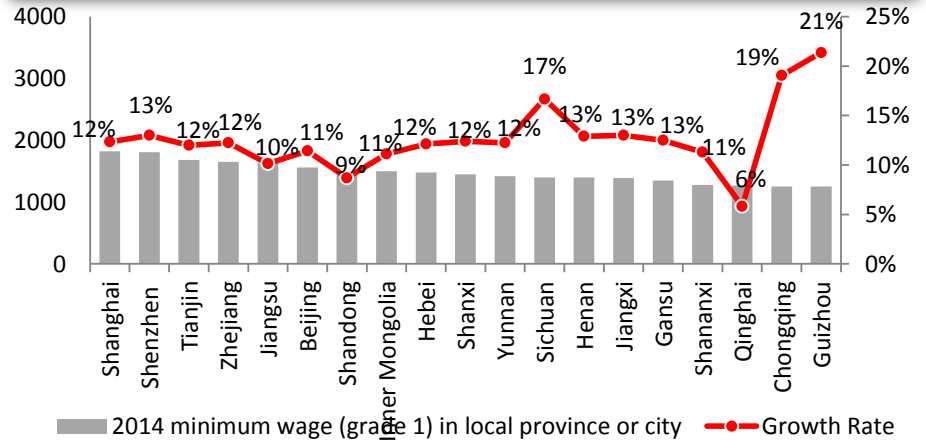
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# Operating Environment

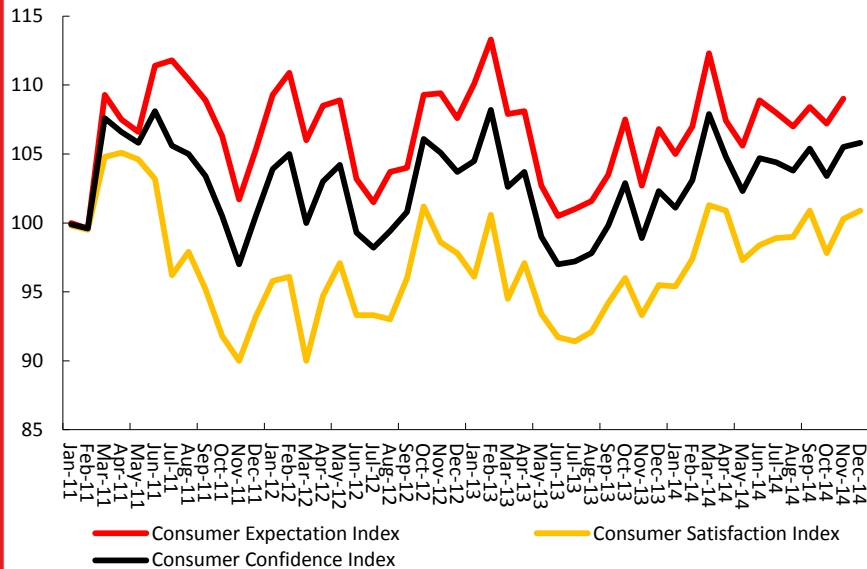
### Urbanization Trend <sup>(1)</sup>



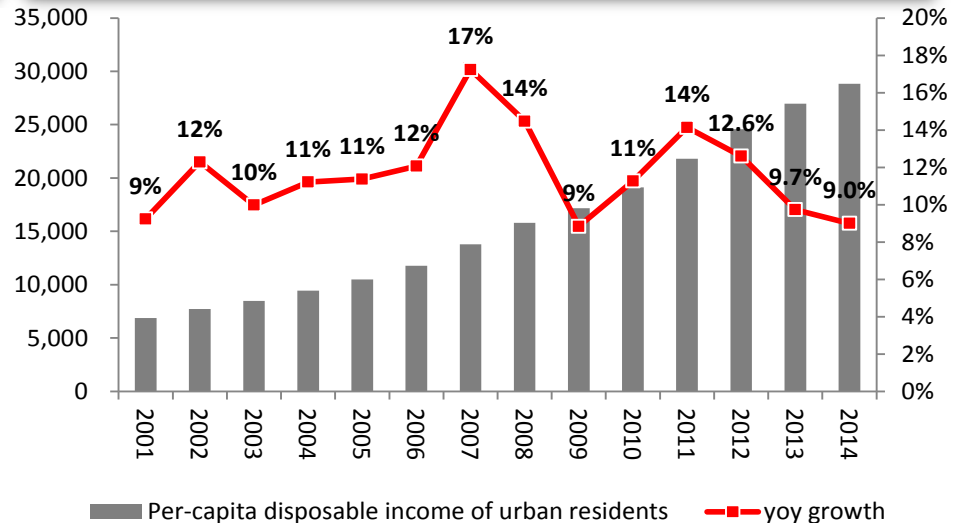
### Monthly Minimum Wage Increase in 2014 <sup>(2)</sup>



### Consumer Confidence Index <sup>(3)</sup>



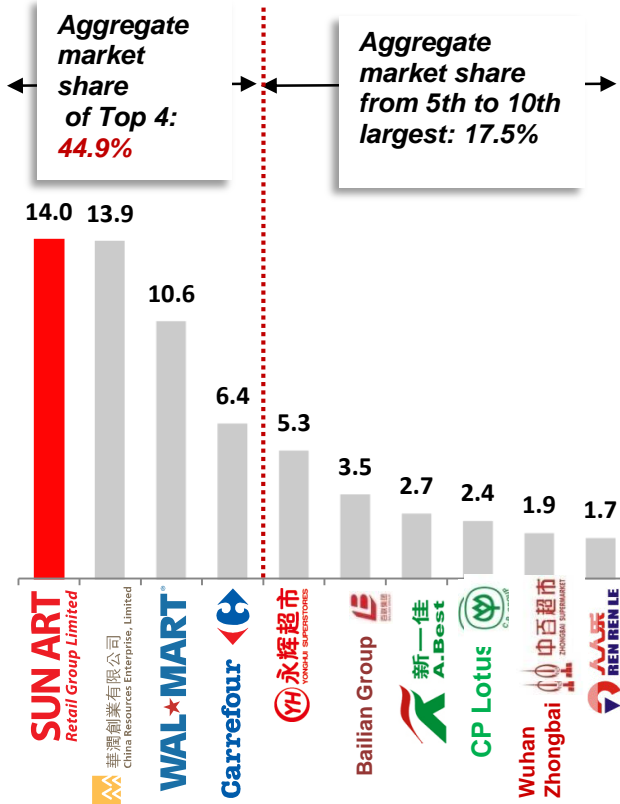
### Per Capita Disposable Income of Urban Residents <sup>(4)</sup>



# Largest and Most Productive Hypermarket Operator in China

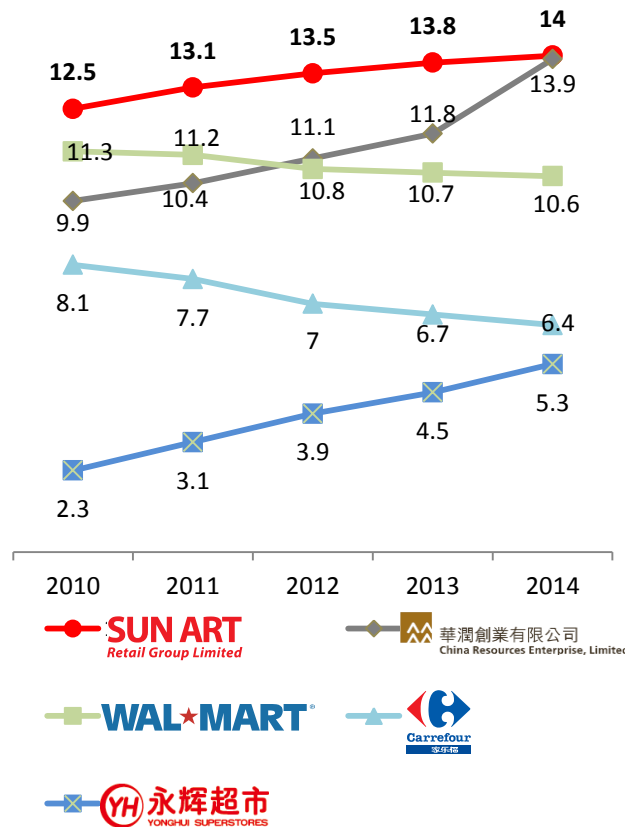
## Sun Art – Maintaining Market Leadership Through Organic Growth

Market share (%)

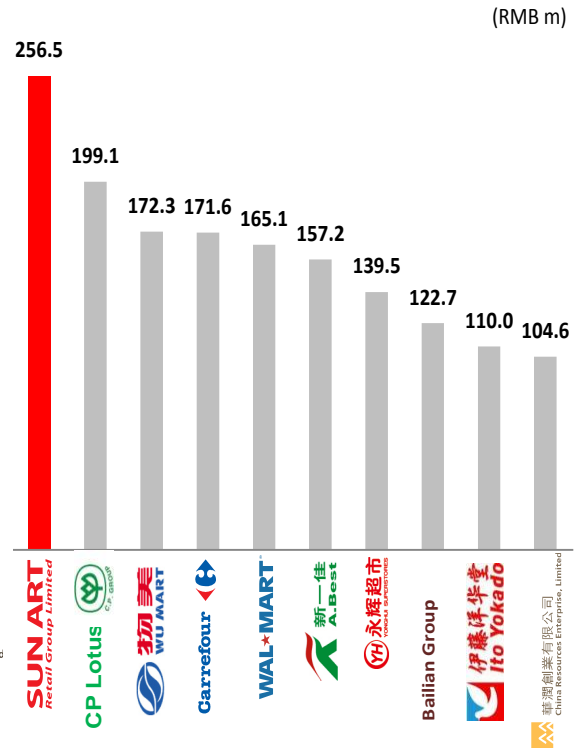


## Market Share Evolving of Top 5 Hypermarket Players from 2010-2014

Market share (%)



## Sales Per Average Number of Store in 2014



Source: Euromonitor

(1) CRE 2014 figure was CRE +Tesco full year pro forma .

(2) Calculated based on figure from Euromonitor: retail value of 2014/(average number of stores between beginning and ending of 2014)

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Retail Group Limited



# FINANCIAL REVIEW

**SUN ART**

**Retail Group Limited**

Stock Code : 6808



# Financial Highlights

As of 31 Dec (RMB million)	2014	2013	Change
Turnover	91,855	86,195	6.6%
Gross profit	20,998	18,613	12.8%
Gross profit margin	22.9%	21.6%	1.3ppt
Same store sales growth <sup>(1)</sup>	-1.6%	2.0%	-
Profit from operations (EBIT)	4,233	4,147	2.1%
Operating profit margin	4.6%	4.8%	-0.2ppt
Profit for the year <sup>(2)</sup>	3,042	2,942	3.4%
Net profit margin	3.3%	3.4%	-0.1 ppt
Profit attributable to equity shareholders of the Company	2,908	2,775	4.8%
Earnings per share			
— Basic and diluted (RMB) <sup>(3)</sup>	0.30	0.29	-

(1) Same store sales: the growth rate of sales of the stores opened before 31 December 2013. It is calculated by comparing the sales derived from those stores during their operating periods in 2014 with sales during the corresponding periods in 2013.

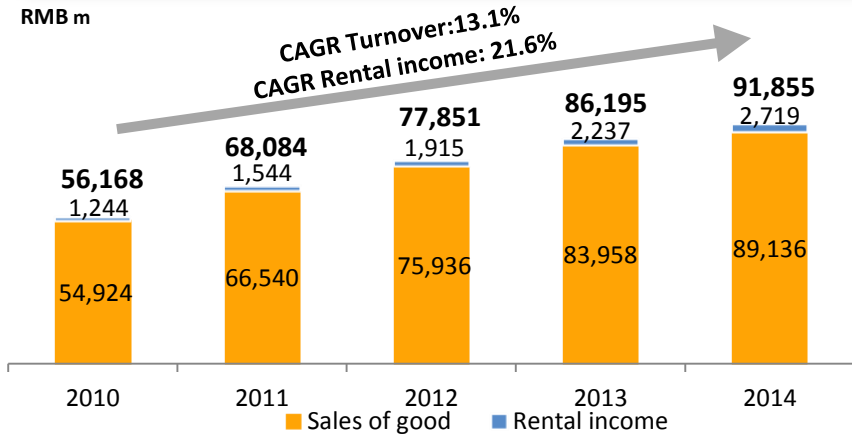
(2) The growth of profit for the year 2014 over year 2013 would have been higher by around 5.5ppts if we excluded the losses incurred by our new venture [www.feiniu.com](http://www.feiniu.com)

(3) The calculation of basic and diluted EPS for the years ended 31 December 2014 and 2013 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

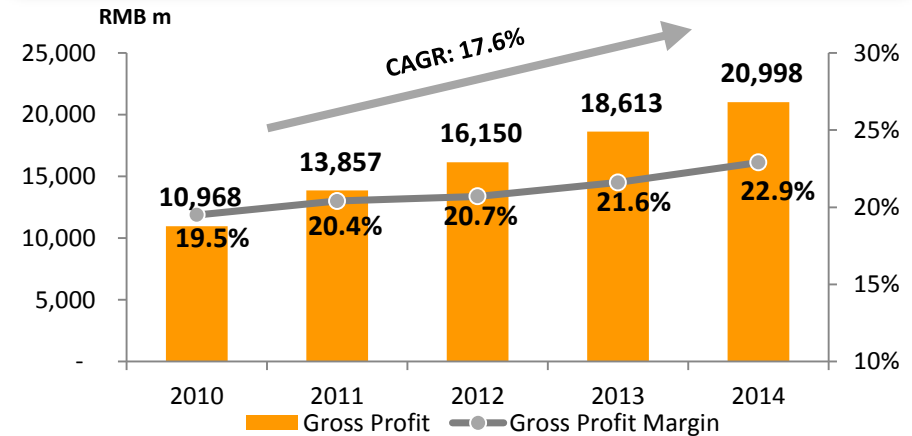


# Financial Highlights

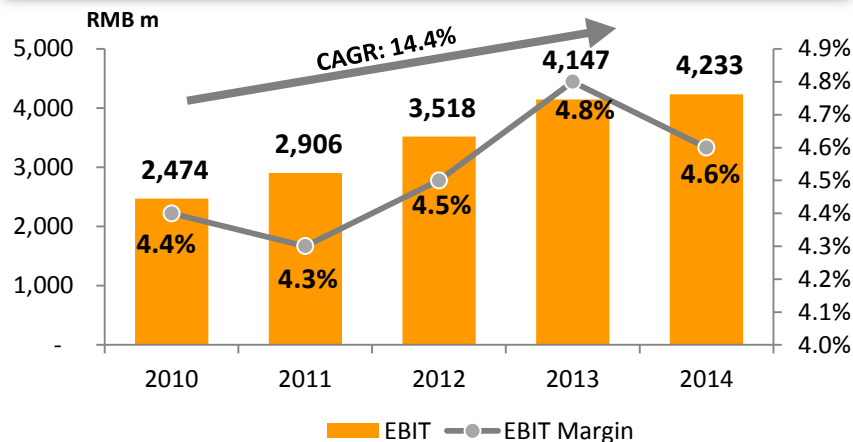
## Turnover



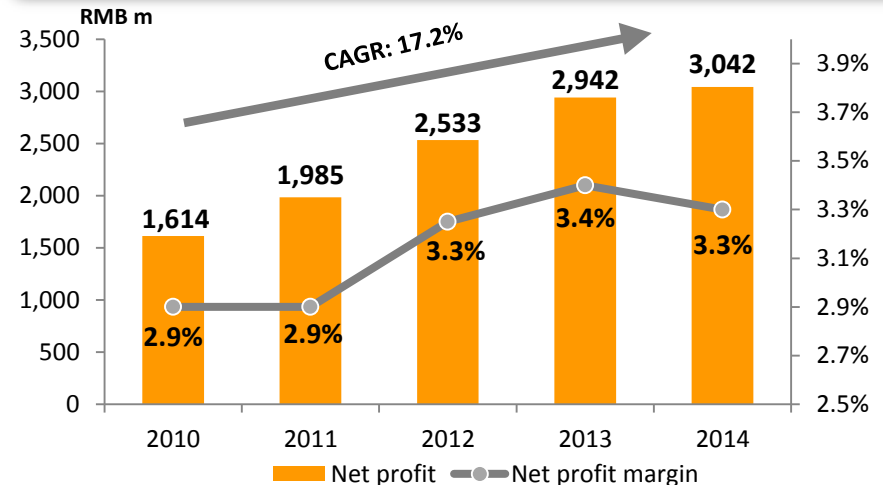
## Gross Profit and Margin



## EBIT and Margin



## Net Profit and Margin (1)



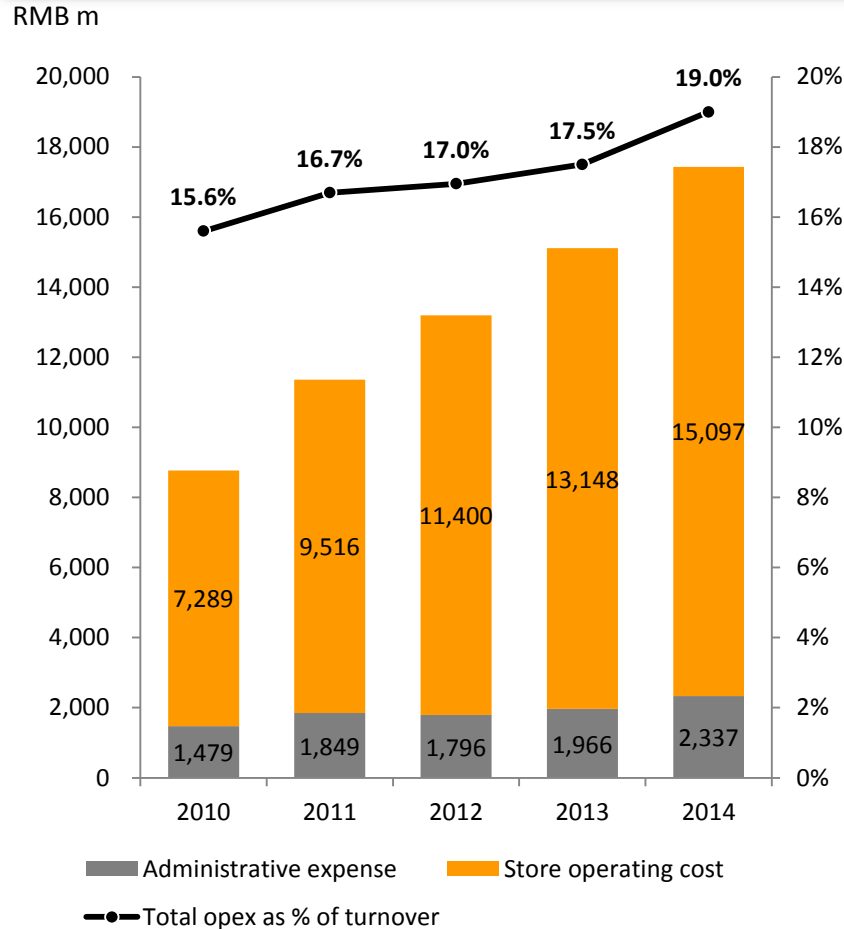
Note:

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

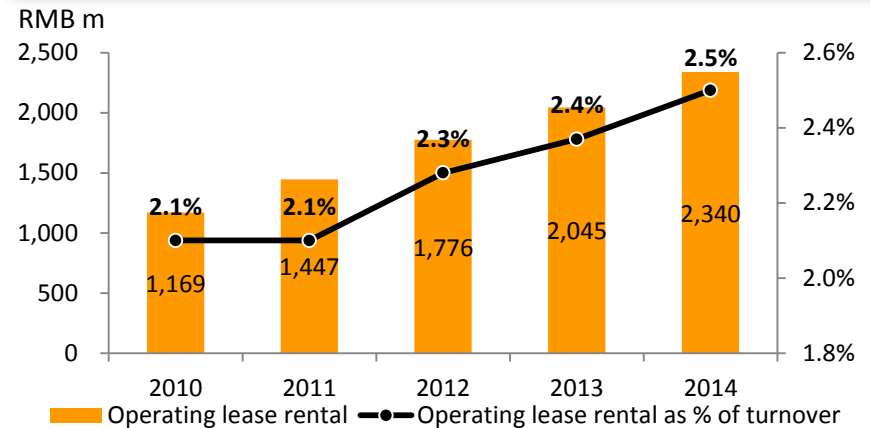
**SUN ART**  
Retail Group Limited

# Operating Expense

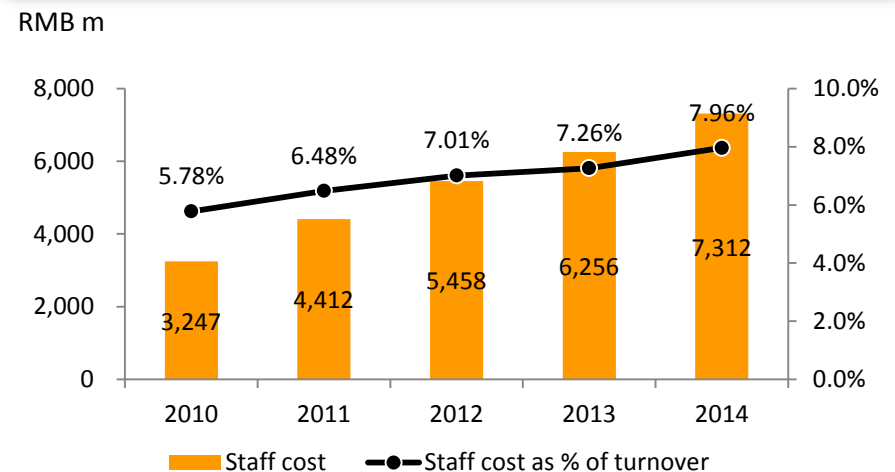
## Total Operating Cost



## Operating Lease Rental

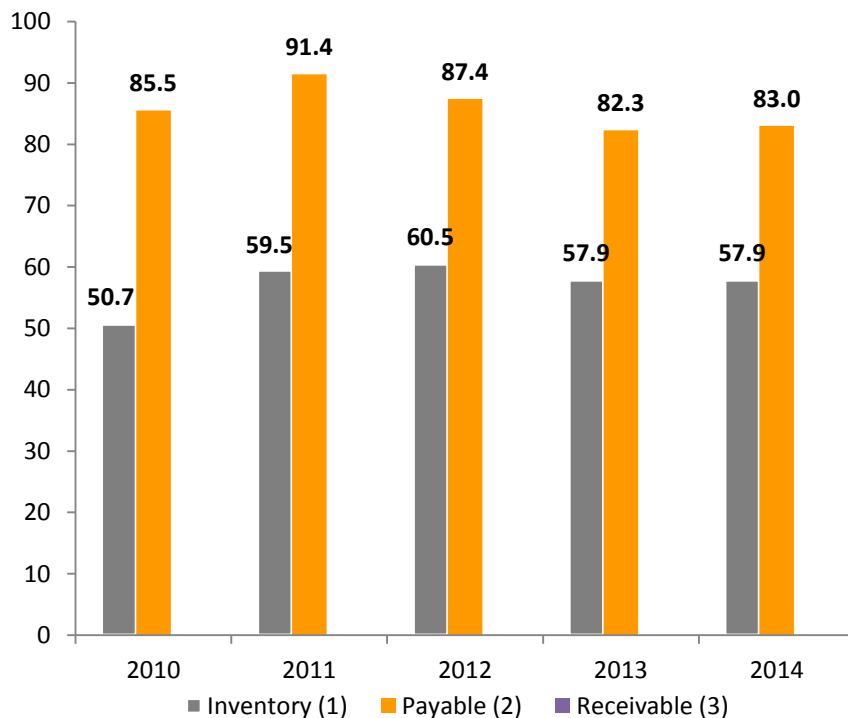


## Staff Cost

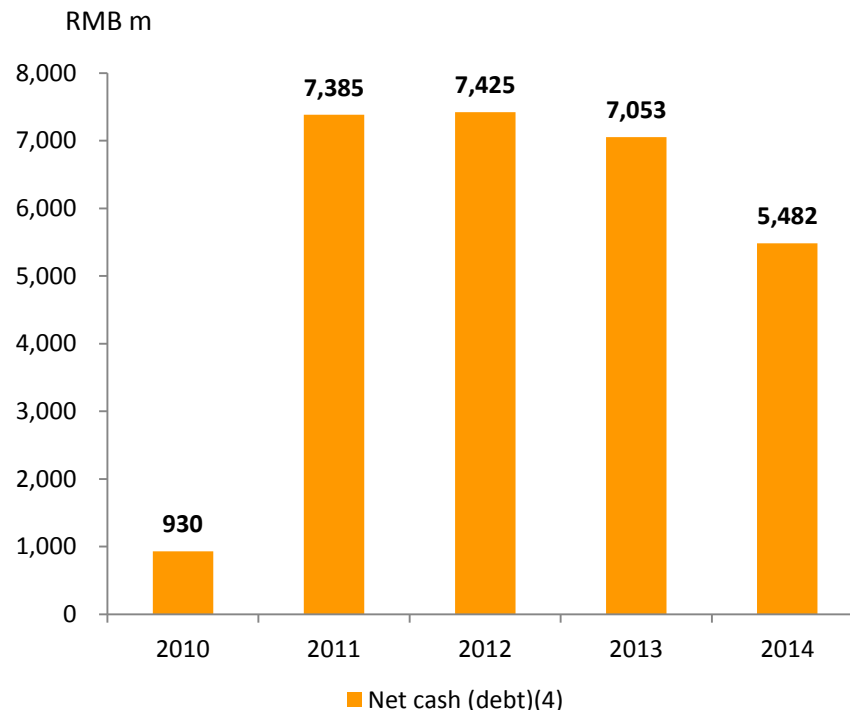


# Balance Sheet

Stable Working Capital Days



Net Cash Position

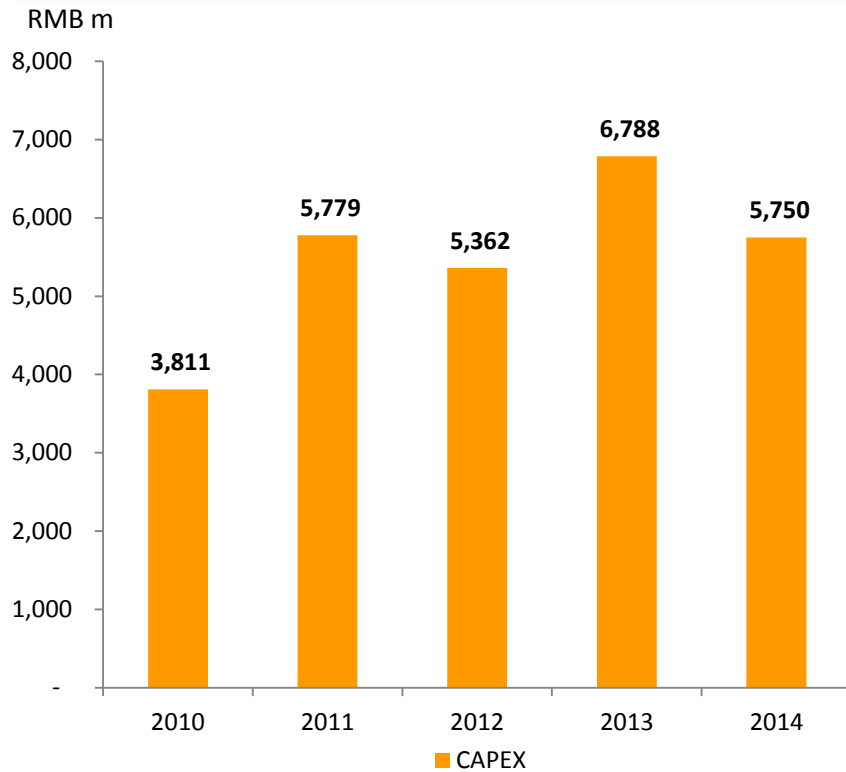


Note:

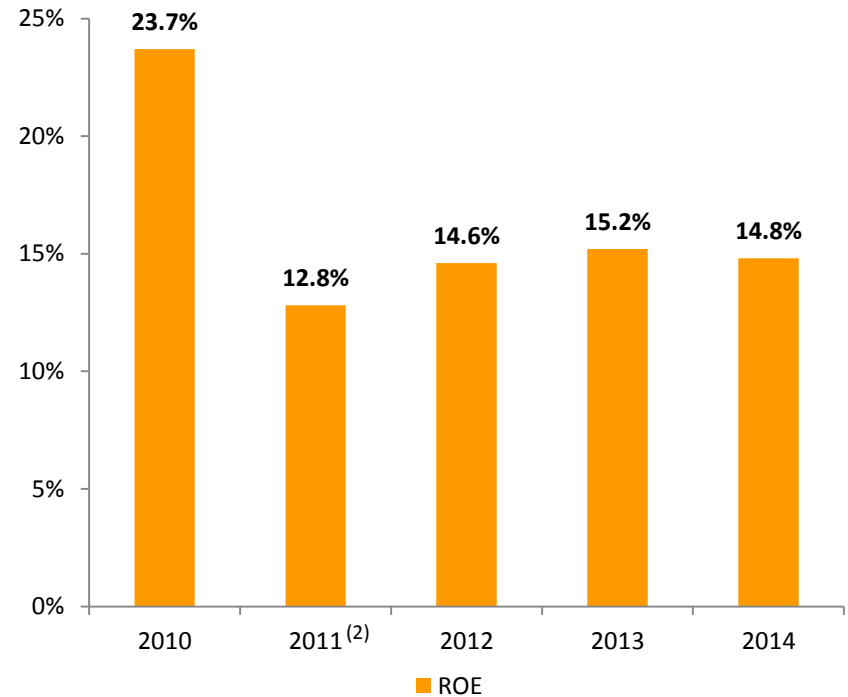
- (1) Turnover days of inventory is calculated as the average inventory for the year, divided by cost of inventories charged to P/L for the year, and multiplied by 365 days for 2010, 2011, 2012, 2013 and 2014.
- (2) Turnover days of accounts payable is derived by dividing the average of opening and closing balances of trade payables, for the relevant year by cost of inventories charged to P/L and multiplying by 365 days for 2010, 2011, 2012, 2013 and 2014.
- (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, 2013 and 2014.
- (4) Calculated as the sum of cash & cash equivalents, investments and time deposits, minus bank loans and overdrafts

# Investment Return

CAPEX



ROE <sup>(1)</sup>



Note:

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

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





# BUSINESS REVIEW

**SUN ART**





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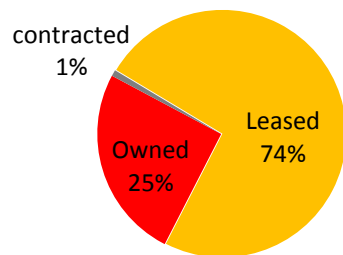
# Proactively Expanded Store Network

**49** new hypermarket complexes were opened in 2014

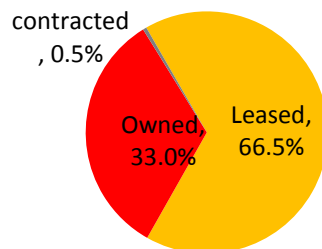
Region	No. of Hypermarket Complexes (31 Dec 2014)		GFA of Hypermarket Complexes (sqm) (31 Dec 2014)			
			Total			Total
Eastern China	43	110	153	1,834,683	2,724,740	4,559,423
Northern China	7	35	42	216,810.8	843,714	1,060,525
North-Eastern China	1	37	38	23,906	1,014,622	1,038,528
Southern China	5	63	68	124,523	1,550,931	1,675,454
Central China	8	47	55	262,506	1,217,962	1,480,468
Western China	4	12	16	178,609	284,518	463,127
<b>Total</b>	68	304	372	2,641,038	7,636,487	10,277,525



**Store Number Breakdown  
(31 Dec 2014)**



**GFA Breakdown  
(31 Dec 2014)**



A total of **372** hypermarkets across China as at 31 December 2014, covering **26** Provinces, autonomous regions and municipalities. Secured **162** sites to open hypermarket complexes in next 3 years, of which **116** were under construction.

## Calendar



**16 January 2014**

Official operation commenced



**18 December 2014**

Mobile App launched



**27 December 2014**

Fresh products delivery commenced in Shanghai

**March 2015**

Feiniu.com launches nationwide, starting from Southern China from March 1



**Q2 2015**

Marketplace launches

## Our achievements by the end of 2014:

**1,395,010**

Total registered members

**407,607**

Active members

**145,658**

Total self-operated SKUs

**Shanghai, Jiangsu, Zhejiang and Anhui provinces are served by Feiniu.com**

# Business Review

## Store Improvement

- Located in Ningbo, the “Sun Art Plaza” shopping center operated by the Group was completed and opened during the year. The total GFA of Sun Art Plaza is 170,000sqm, higher than the average commercial complex of the Group. As of today, it has almost finished recruiting gallery tenants.
- We continued to expand the commercial space of retail galleries, which nicely supplements the hypermarkets with various retail offers such as catering, groceries and children’s amusement parks to meet various customer needs and improve customer loyalty.
- We continued to push energy saving oriented renovation across the Group’s stores, through the replacement of LED light sources and renovation of old automatic air-conditioning and automatic lighting control.
- The Auchan banner launched a mobile application of Customer Relation Management (CRM), establishing a membership system to achieve precise marketing. The RT-Mart banner is also proactively pushing its membership system development. As of 31 December 2014, the RT-Mart banner of the Group had 21,392,639 customer members.
- We continued to strengthen control on merchandise quality and traceability through automatic inspection of shelf life of merchandise through the cashier system.

## Supply Chain Optimization

- The Central China distribution center of the RT-Mart banner located in Chibi, Hubei, commenced operations in October 2014. Currently, it serves over 30 stores in provinces including Shaanxi, Gansu and Ningxia.
- The No.2 Eastern China and Southern China regional distribution centers are expected to commence operations in 2015.
- Auchan Shenyang store initiated procurement and deliveries of FMCG through the Northeastern distribution center of RT-Mart
- Auchan continued to integrate new suppliers into the distribution center in Eastern China



# Business Review

## Procurement and Merchandise Mix Optimization

- Continued to achieve progress in common negotiation among the two banners, Auchan and RT-Mart. At the end of 2014, the Group's common negotiations accounted for 43.8% of buying turnover. Sales and promotions achieved improved performance driven by the large-scale procurement strategy.
- 33 tailor-made SKUs were developed jointly by the two banners and suppliers, providing customers with better choice and lower prices.
- Enhanced the development of self-operated brands: Sales of "Big Thumb", "RT-Mart" and "Auchan" brands increased 21% over 2013. The Disney co-branded food items received favorable customer response, and sales performance were better-than-expected. We also developed the Ekolia appliances brand, and the Cosmia skincare brand.
- Further boosted the direct procurement of fresh produce such as fruit and green vegetables from local markets.
- Improved merchandise mix: Launched more self-produced merchandise catering for new needs of customers, kept an eye on popular e-commerce items, duly introduced them in stores and tracked their sales. The Group also consolidated supplier resources and tested the model of store-in-stores, such as the Daphne shoe store, to improve merchandise display and mix.

## Optimization of Human Resources Management

- A total of 144,530 employees by year end. The average number of staff in each store has decreased 5% , a result of efficiency enhancement promotion, process optimization and flexible scheduling.
- Attached great importance to improving the professional quality of our staff at each level.
- Dedicated to create a harmonious corporate environment and paid attention to the feedback of the staff.



# BUSINESS STRATEGY

**SUN ART**

*Retail Group Limited*

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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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