

[For Immediate Release]

# SUN ART

Retail Group Limited

(Incorporated in Hong Kong with limited liability)

Sun Art Retail Group Limited

Sun Art Retail Announces its 2011 Interim Results

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**Turnover achieved stable growth of 24.1% to RMB34,459 million**  
**Profit for the period increased by 30.6% to RMB1,118 million**  
**Successful expansion of retail network further strengthens market position**

## Financial Highlights:

<i>(in RMB million, unless stated otherwise)</i>	For the six months ended 30 June		
	2011	2010	Change (%)
Turnover	<b>34,459</b>	27,760	+24.1
Gross profit	<b>6,844</b>	5,274	+29.8
Operating profit (EBIT)	<b>1,658</b>	1,340	+23.7
Profit for the period	<b>1,118</b>	856	+30.6
Profit attributable to equity shareholders of the Company <sup>1</sup>	<b>784</b>	554	+41.5
Earnings per share – Basic and diluted (RMB cents) <sup>2</sup>	<b>13.0</b>	10.0	+30.0

(30 August 2011, Hong Kong) **Sun Art Retail Group Limited** (“Sun Art Retail” or the “Group”; stock code: 6808), a leading hypermarket operator in China, today announces its interim results for the six months ended 30 June 2011.

During the period under review, the Group’s revenue posted a year-on-year growth of 24.1% to reach RMB34,459 million. Gross profit increased by 29.8% to RMB6,844 million, while gross profit margin increased to 19.9% from 19.0% for the corresponding period in 2010. The increase in gross profit margin reflected the improvement in product category management and economies of scale due to its continuously expanding business operations. The Group’s profit attributable to equity shareholders amounted to RMB784 million, an increase of RMB230 million, or 41.5%, from the corresponding period in 2010. Basic earnings per share as at 30 June 2011 rose 30.0% to RMB13 cents.

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1. Following completion of the reorganization on 13 May 2011, the Company has acquired the non-controlling interests in ACHK and CCIL, which became wholly owned subsidiaries of the Company
2. The calculation of EPS is based on the weighted average number of shares in issue during the period after adjusting for the share subdivision on 27 June 2011.

Mr. Bruno Mercier, the Chief Executive Officer and Executive Director of the Group said, *“2011 is the first year of the 12th Five-year Plan period which is looking forward to 5 years of growing urbanization, rising average income for citizens, and a two-digit annual increase for average nominal growth rate for total retail sales of consumer goods. The increased minimum wage and minimum threshold for personal income tax during the year is expected to increase residents’ income across the nation and create favorable conditions for development of consumer market in China. Capitalizing on the thriving Chinese economy, the Group continued to expand strategically its retail network, optimize its stores, merchandise and services, as well as enhance its operating efficiency through constant optimization of its business flow, information system and logistic system. In addition, the Group proactively enhanced the efficiency of its human resource management which is a necessity to meet the rising trend of staff cost. Through optimization of various aspects of its operations, the Company continued to drive steady growth to its business performance.”*

The Groups’ turnover is derived from sales of goods and rental income. For the six months ended 30 June 2011, turnover from sales of goods rose 24.1% to RMB33,712 million. The increase in turnover was primarily attributable to comparable store sales growth and new store opened. Turnover from sales of goods in comparable stores increased approximately 12.0%, which is ahead of inflation, mainly as a result of better management on store shopping environment and product mix to cater to customer preference. Turnover from rental income rose 27.3% to RMB747 million during the period. This increase was primarily attributable to an increase in rentable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

For the six months ended 30 June 2011, the Group’s operating profit margin remained stable at 4.8% as compared with the corresponding period in 2010, which demonstrated the ability of the Group to maintain the profitability along with the expansion of business scale. The store operating costs increased 32.9% to RMB4,590 million, from RMB3,453 million a year ago. This increase was primarily attributable to the increase in personnel expenses during the course of store expansion and the rise of existing stores payroll. and the effect of the additional surcharges and taxes due to the Urban Maintenance and Construction Tax and Education Levy effective from 1 December 2010.

As of 30 June 2011, the Group had a total of 198 hypermarket complexes in China, covering 21 provinces, autonomous regions and municipalities. In the first half of 2011, the Group opened 14 hypermarket complexes under the “RT-Mart” banner, of which 5 were operated in self-owned properties and 9 were operated in leased properties. The total GFA of hypermarket complexes of the Group increased to 5,631,895 sq.m. as of 30 June 2011.

During the period under review, the Group expanded its retail network to cover more cities, including first-tier cities, second-tier cities, third-tier cities and fourth-tier cities. The expansion of the retail network into second-tier cities (prefecture-level cities) and below was in accordance with the process of China’s urbanization, which allowed the Group to make good use of the growth potentials of cities in different regions of China. Among the newly-opened hypermarket complexes during the period, 10 were located in cities of new markets. The Group also opened new stores in its established markets, such as Shanghai, to further deepen its market penetration. Breaking down by major regions, the Group has opened 5 new stores in Eastern China, 5 in Northern China, 2 in North-Eastern China, 1 in Central China and 1 in Southern China.

Along with the expansion of new stores, the number of members under the Group's "RT-Mart" banner's card membership program was on the rise and hit the mark of more than 15,060,000 members as at 30 June 2011.

During the period, the Group carried out optimization of its stores on an ongoing basis by improving building quality and layout design of stores. The "RT Mart" banner of the Group carried out renovation and improvement works on its 2 stores, namely Yingkou Store in North-Eastern China and Chunshen Store in Shanghai. The "Auchan" banner also completed renovating the Beijing Kexing store and the expansion of the roof parking spaces for the Chengdu Hi-Tech District store. The renovated stores have been attracting an increasing number of customers and achieving a significant rise in transaction volume at the same time. The Group also adjusted the tenant mix of the retail galleries of certain stores during the period by introducing new brands better tailored to consumer tastes and maintain their attractiveness to customers, increase customer traffic and improve rental income.

Logistics system provides logistical support to the Group's hypermarkets. In order to constantly enhance the efficiency of supply chain management, the Group has continuously improved its logistic workflow, its hardware and software. During the Period under Review, the Group's two distribution centres for "RT-Mart" hypermarkets located in Southern China and North-Eastern China were still under construction, they are all expected to commence operation in the second half of 2011. The new distribution centers will cover the provinces of Guangdong, Guangxi, Fujian, Yunnan, Hainan and the three provinces in Northeast China.

Working capital cycle remained healthy. For the six months ended 30 June 2011, the inventory turnover days and trade payable turnover days were 40 days and 72 days, respectively.

Looking ahead, Mr. Mercier concluded, *"In the second half of 2011, the government's policies will focus on controlling inflation and adjusting the economic structure. It is expected that the favorable environment beneficial to the long-term development of the retail industry will not change."*

*Moving forward, the Group will continue to proactively expand its retail network, open up new stores to develop locations with potential as well as constantly optimize its product mix and pricing strategy. The Group also will focus on further improving its operational efficiency and enhancing supply chain management while promoting staff training and maintaining its good corporate culture in order to achieve sound results and lay a solid foundation for sustainable development."*

**Supplemental Event:**

On 27 July, 2011, the Group was listed on the main board of Hong Kong Stock Exchange.

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### **About Sun Art Retail Group Limited**

Sun Art Retail is China's largest and fastest growing hypermarket operator in China in term of sales in 2010 and market share increase from 2008 to 2010 respectively. In 2010, the Group had the highest productivity among hypermarket operators in China in terms of sales per average number of stores of RMB323 million. Sun Art Retail operates its hypermarket business under two recognized banners – being the “Auchan” (歐尚) and “RT-Mart” (大潤發) banners. As at 30 June 2011, Sun Art Retail had a nationwide footprint with 198 hypermarket complexes across 21 out of 31 provinces, autonomous regions and municipalities in China.

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