



## Sun Art Retail's net profit reaches record high at RMB 1,710 million in 1H14 Gross profit margin increases to 21.9%

### Financial Highlights

(In RMB million, unless stated otherwise)	For the six months ended 30 June		
	2014 (Unaudited)	2013 (Unaudited)	Growth rate
Turnover	48,038	44,515	+ 7.9%
Gross profit	10,523	9,231	+ 14.0%
Profit from operations	2,495	2,298	+ 8.6%
Profit for the year	1,789	1,670	+ 7.1%
Profit attributable to equity shareholders of the Company	1,710	1,576	+ 8.5%
Earnings per share - Basic and diluted	RMB 0.18	RMB 0.17	

### Business Highlights

- Opened four new hypermarket complexes, of which one was under the Auchan banner and three were under the RT-Mart banner
- Successfully secured 162 sites to open hypermarket complexes, ensuring sufficient sites reserves for the Group's expansion in the next three years
- Officially launched the web-site feiniu.com. As of 30 June 2014, 750,000 members had registered, of whom 167,000 were active members. The number of self-operated items available for sale on line amounted to 120,000

(13 August 2014, Hong Kong) - Sun Art Retail Group Limited ("Sun Art Retail" or the "Group"; stock code: 6808), a leading hypermarket operator in China, has today announced its 2014 interim results. For the six months ended 30 June 2014, the Group's turnover increased by 7.9% to RMB48,038 million. Profit attributable to equity shareholders of the company increased by 8.5% to RMB1,710 million. Basic earnings per share amounted to RMB0.18.

For the six months ended 30 June 2014, gross profit was RMB10,523 million, an increase of 14.0% from the corresponding period in 2013. The gross profit margin was 21.9% compared to 20.7% for the corresponding period in 2013. The increase in gross profit margin was a result of a greater increase in turnover of 7.9% as compared to the increase in cost of sales of 6.3%, reflecting the Group's ability to leverage the economy of scale to improve the gross profit margin.

**Mr. Bruno Robert Mercier, the Chief Executive Officer and Executive Director of the Group** commented, "During the first half of 2014, China's economy maintained steady growth with gross domestic product growing 7.4% while total retail sales growth of consumer goods dropped 60 basis points when compared to the same period of last year."

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*“While labor costs are on an upward trend, we will continue to enhance employees’ productivity through training and optimized work processes. In response to market opportunities, we have set up a new e-commerce business. The website feiniu.com officially commenced operations on 16 January 2014. Additionally, Auchan Store APP tool was officially launched on 27 June, in order to enhance the shopping experience at our stores and create a deeper relationship with our customers. Finally we are happy to have opened a 8,000 square meters hypermarket complex in Inter IKEA Wuxi LIVAT, a 230,000 square meters shopping center.” Mr. Mercier added.*

During the period under review, the Group opened four hypermarket complexes, of which one was under the Auchan banner and three were under the RT-Mart banner. Of the new stores, two were located in Eastern China and two in Southern China. As of 30 June 2014, the Group had a total of 327 hypermarket complexes in China with a total gross floor area (“GFA”) of approximately 9.02 million square meters. Approximately 65.4% of the GFA was operated on leased space, 34.0% of the GFA in self-owned properties and 0.6% of the GFA as contracted Stores.

In particular, the above mentioned Wuxi LIVAT store is the first of three such cooperation projects with Inter IKEA, the next ones will be in Beijing and Wuhan.

As of 30 June 2014, the Group’s turnover from sales of goods rose 7.5% to RMB46,690 million, primarily attributable to its continuous business expansion with the opening of new stores.

Besides, Sun Art Retail recorded a RMB1,348 million turnover from rental income, an increase of 23.1%. This increase was primarily attributable to the rise in rentable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

### **Store Expansion with 162 sites secured and 102 sites under construction**

During the period under review, the Group continued to proactively seek opportunities to open new stores. As of 30 June 2014, through the execution of lease contracts or the acquisition of land parcels, the Group had identified and secured 162 sites to open hypermarket complexes, of which 102 were under construction, ensuring that there were sufficient land reserves for the Group’s expansion for the next three years till 2016 and laying a solid ground for the Group’s development in the medium term.

### **Optimization of Procurement and Merchandise Mix**

The Group continued to enhance direct sourcing of fruit, vegetables and dried vegetables and fruits. We introduced more quality yet price competitive fresh products to our customers. At the same time, the Group continued to provide a greater variety of choices to our customers including customized mass consumer products (“MCP”) as well as own branded products under the Disney license with high quality and “fun” packaging.

### **Successfully launched E-Business platform: [www.feiniu.com](http://www.feiniu.com)**

During the period under review, our e-commerce business, so-called [feiniu.com](http://feiniu.com) was officially launched and the operations commenced on 16 January 2014. Currently the delivery area of [feiniu.com](http://feiniu.com) covers Shanghai, Jiangsu Province, Zhejiang Province and Anhui Province, and the delivery area is scheduled to be rolled out successively to other areas across the nation till the end of 2014. As of 30 June 2014, 750,000 members had registered, of which 167,000 were active members. The number of self-operated items available for sale on line amounted to 120,000 with the coverage of categories of fast moving consumer goods (“FMCG”), bazaar, electronics, fashion, maternal and child products and imported products. [feiniu.com](http://feiniu.com) will continue to introduce new items to expand the range of offerings . A 40,000 square meters warehouse dedicated to feiniu.com was opened in Shanghai Qingpu district. Along with the

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expansion of delivery areas, [feiniu.com](http://feiniu.com) will establish warehouses in other areas across the nation. The business of feiniu.com is not yet contributing to the Group's net profit.

### **Optimization of Supply Chain Management & Operating Efficiency**

The Auchan banner recruited more new suppliers to integrate into its Taicang warehouse. Chibi distribution center of the RT-Mart banner will commence operations in October 2014.

**Mr. Mercier** concluded "*Building on the steady growth of the economy in China, the Group will continue to have a multi-pronged approach to its development in China: Both RT-Mart and Auchan banners will continue to open stores in more regions in China, either as leased or property projects; we will also make necessary investment in I.T. systems and marketing to enhance the very positive trends we start to see in our on-line business.*"

– End –

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

Sun Art Retail is a leading hypermarket operator in China. Sun Art Retail operates its hypermarket business under two recognized banners – "Auchan" (歐尚) and "RT-Mart" (大潤發). As of 30 June 2014, Sun Art Retail had a total of 327 hypermarket complexes in China with a total gross floor area ("GFA") of approximately 9.02 million square meters. The e-commerce business platform of Sun Art Retail: [www.feiniu.com](http://www.feiniu.com) officially commenced operations on 16 January 2014.

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