

# Sun Art Retail Group Limited

## 2011 Annual Result Announcement

**Auchan 欧尚**

**大润发**  
RT-Mart



舒適  
Comfort

優質產品  
Quality  
Trust 信任

進步  
Progress

分享  
Sharing

便利  
Convenience

Freshness 新鮮

便宜  
Economical

多品种  
Variety

5 March 2012

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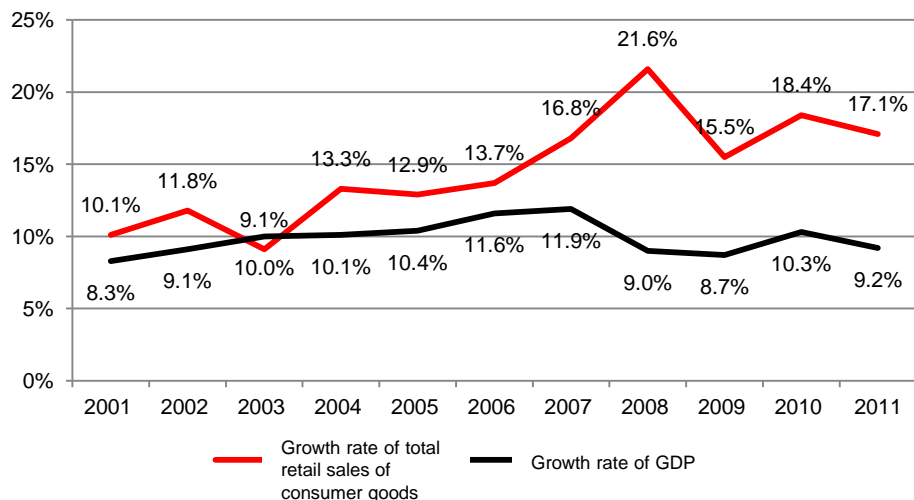
Trust 信任  
 多元化 Variety  
 便利 Convenience  
 新鲜 Freshness 新鲜  
 舒适 Comfort  
 优质产品 Quality  
 进步 Progress  
 分享 Sharing  
 便宜 Economical

# Operating Environment

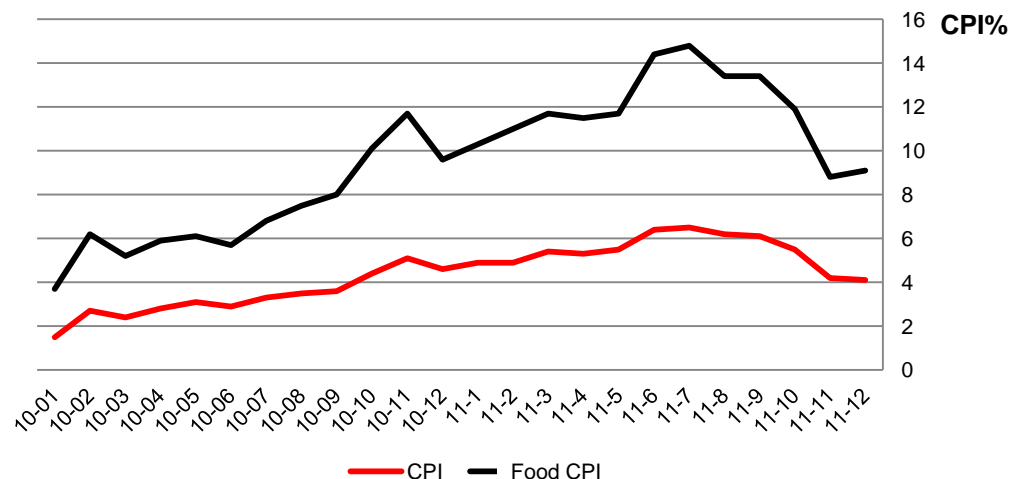
# Operating environment



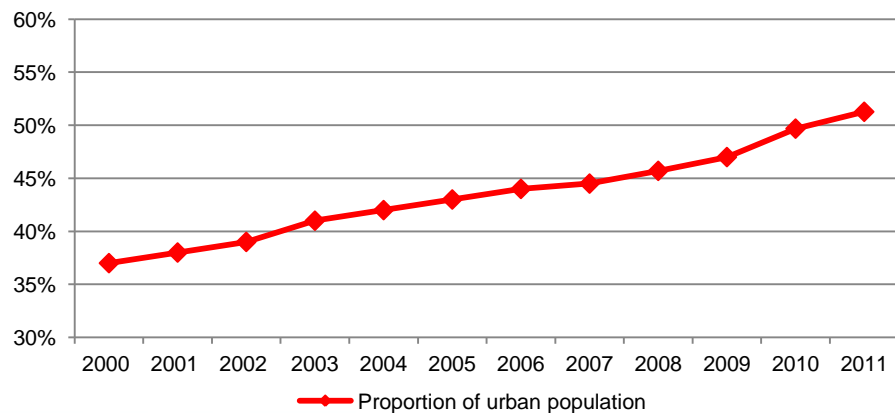
## Growth of GDP and total retail sales of consumer goods



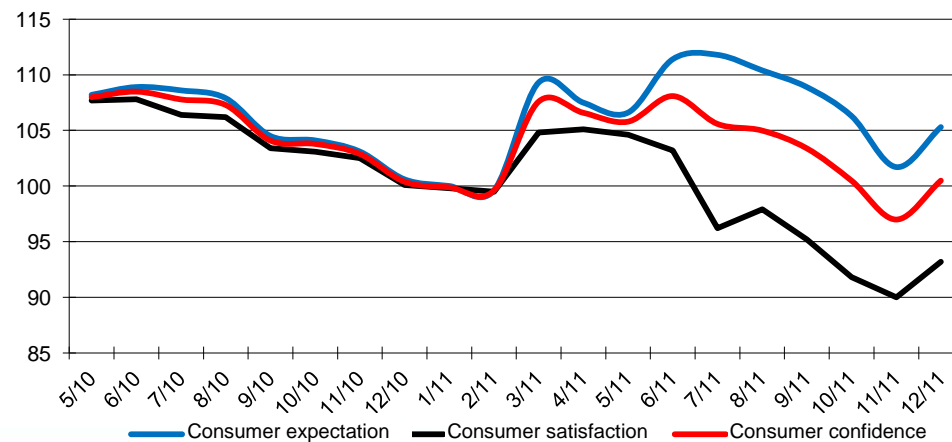
## Consumer Price Index



## Rate of urbanization in China



## Consumer Confidence Index



# Sun Art Retail –

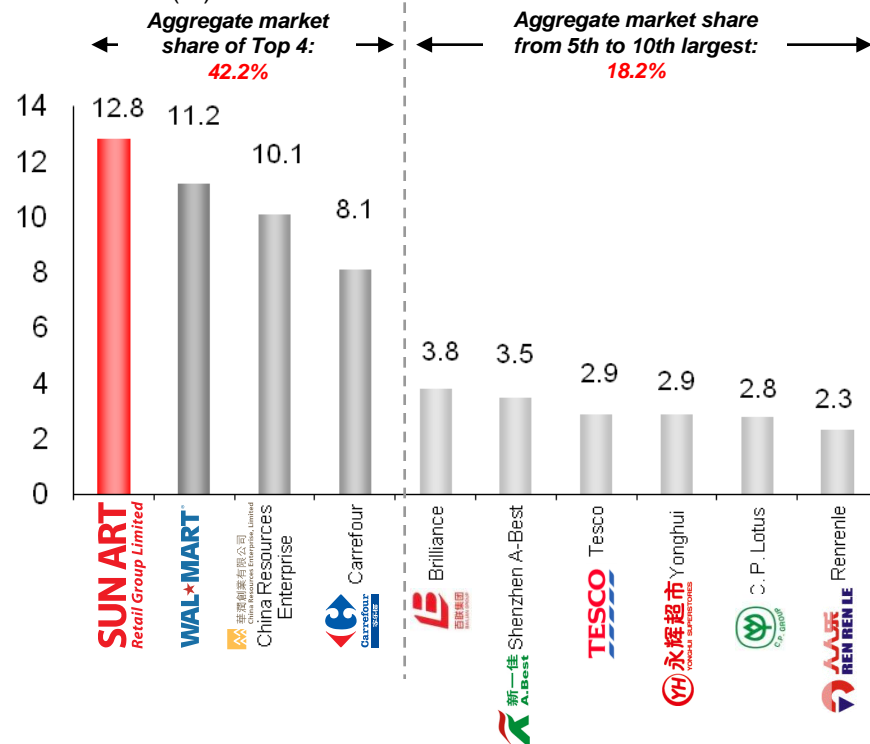
The No. 1 player in the attractive hypermarket industry



China's hypermarket segment has been growing at 18.5% CAGR in 2005-2010  
...and will still grow at 15.4% CAGR from 2010-2015

## 2011 Sun Art is ahead of international and local leaders

Market share (%)

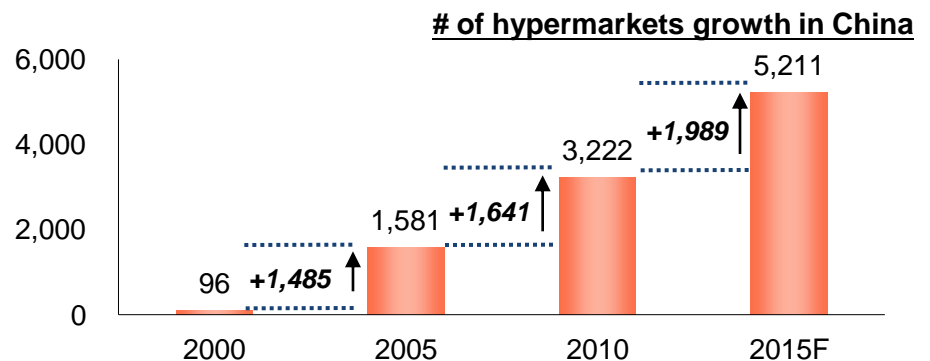


#1 market position in 2011 with 12.8% total market share

Source: Euromonitor

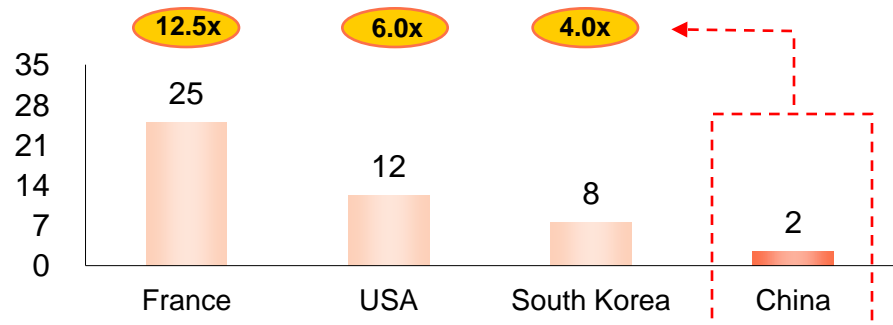
## Sustainable rapid expansion of hypermarket industry

# of stores



## Huge market potential

### Penetration rate - Hypermarkets per million population







# Financial Review

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Freshness 新鮮      舒適 Comfort      優質產品 Quality  
分享 Sharing      進步 Progress      便宜 Economical

# Financial highlight



As of 31 December (RMB million)	2011	2010	Change
Turnover	68,084	56,168	21.2%
Gross profit	13,857	10,968	26.3%
Gross profit margin	20.4%	19.5%	0.9 ppt
Same store sales growth	8.8%	11.4%	-2.6 ppt
Profit from operations (EBIT)	2,906	2,474	17.5%
Operating Profit margin	4.3%	4.4%	-0.1 ppt
Profit for the year	1,985	1,614	23.0%
Net profit margin	2.9%	2.9%	N/A
Profit attributable to equity shareholders of the Company <sup>(1)</sup>	1,600	1,031	55.2%
Earnings per share — Basic and diluted (RMB) <sup>(2)</sup>	0.20	0.19	5.3%

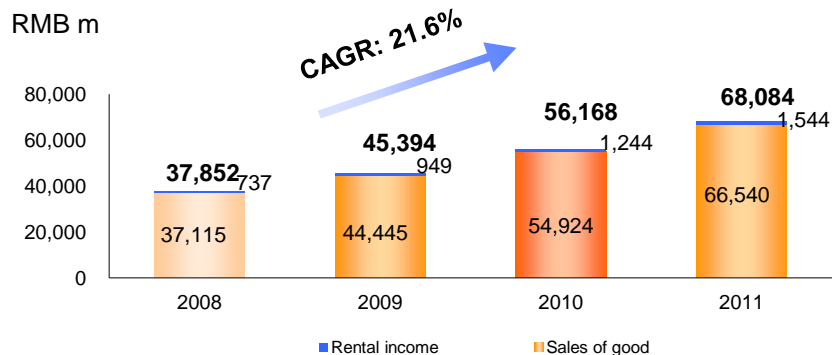
(1) Following the completion of the reorganization on 13 May 2011, the Company has acquired the non-controlling interests in Auchan (China) Hong Kong Ltd. and Concord Champion International Ltd., which became wholly owned subsidiaries of the Company.

(2) The Calculation of EPS is based on the weighted average number of shares in issue during the year, including the new shares issued for the Reorganization, in IPO and the exercise of Over-allotment, after adjusting for the share subdivision on 27 June 2011.

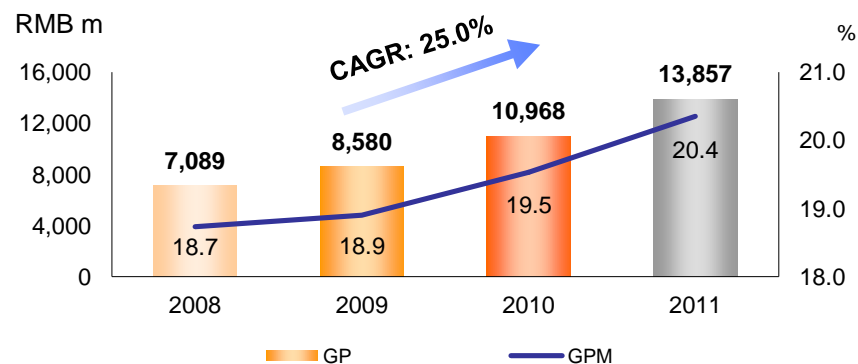
# Financial highlight



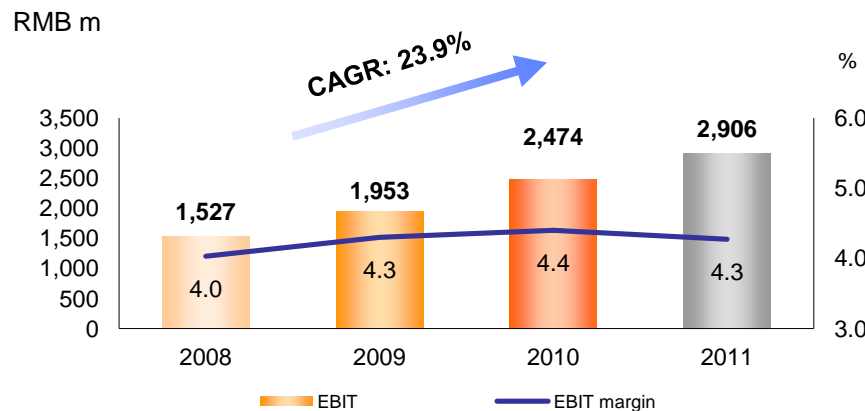
## Turnover



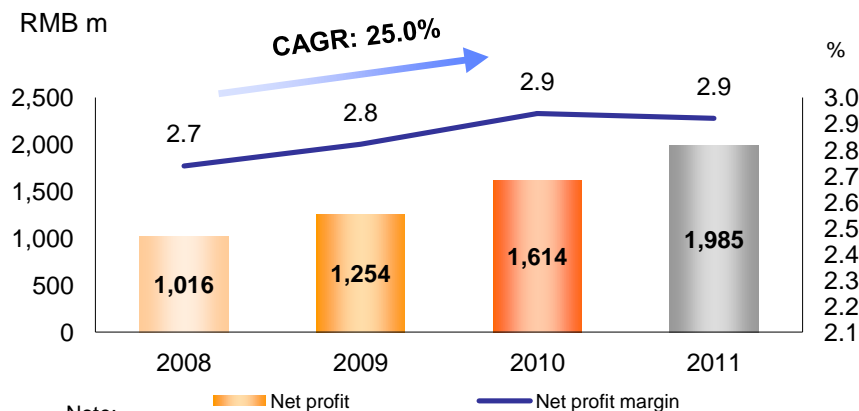
## Gross profit and margin



## EBIT and margin



## Net profit and margin<sup>(1)</sup>



Note:

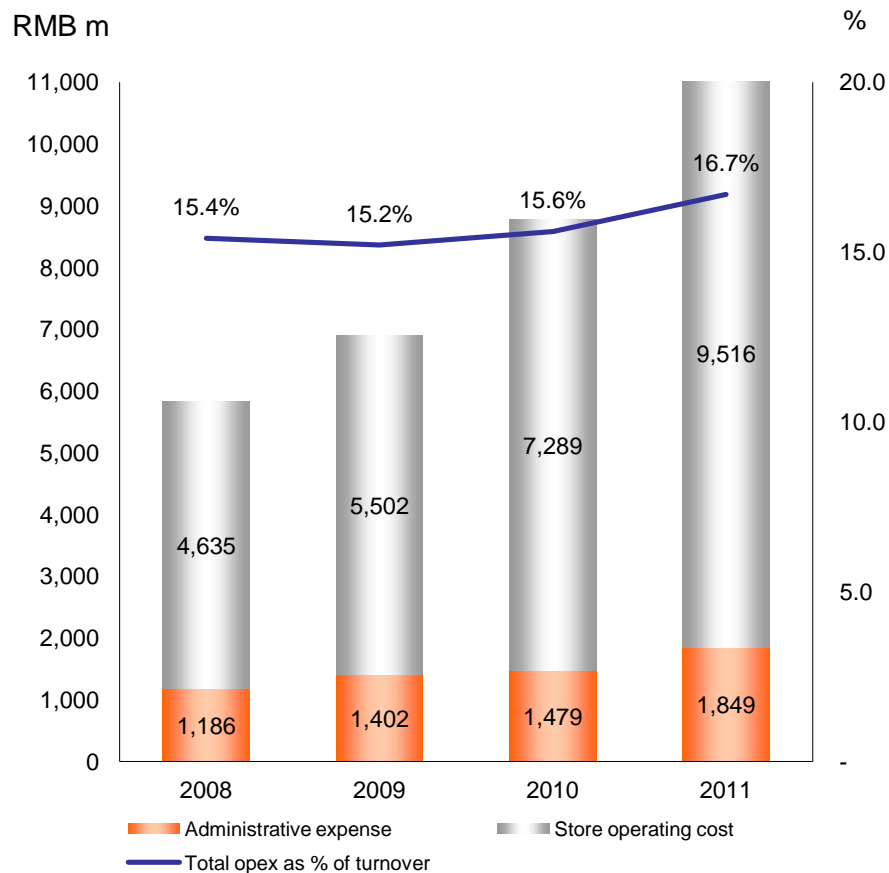
(1) Showing profit for the year, i.e. including the non-controlling interests



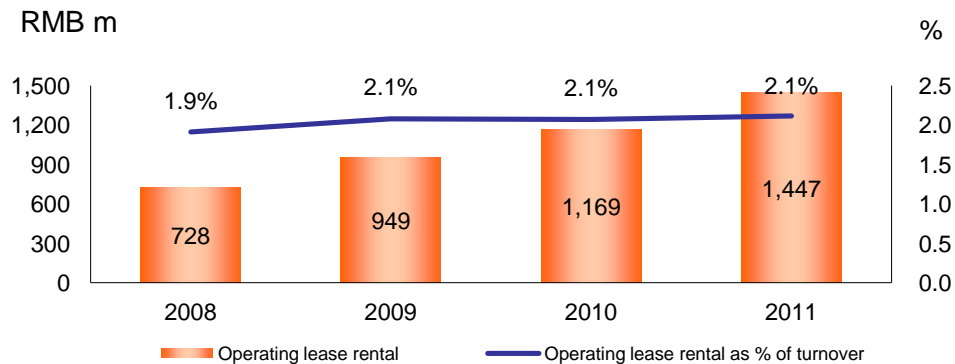
# Operating expense



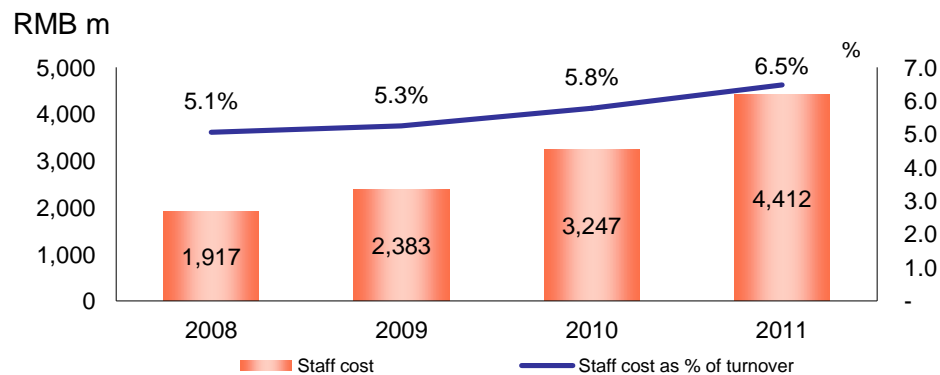
## Total operating cost



## Operating lease rental



## Staff cost

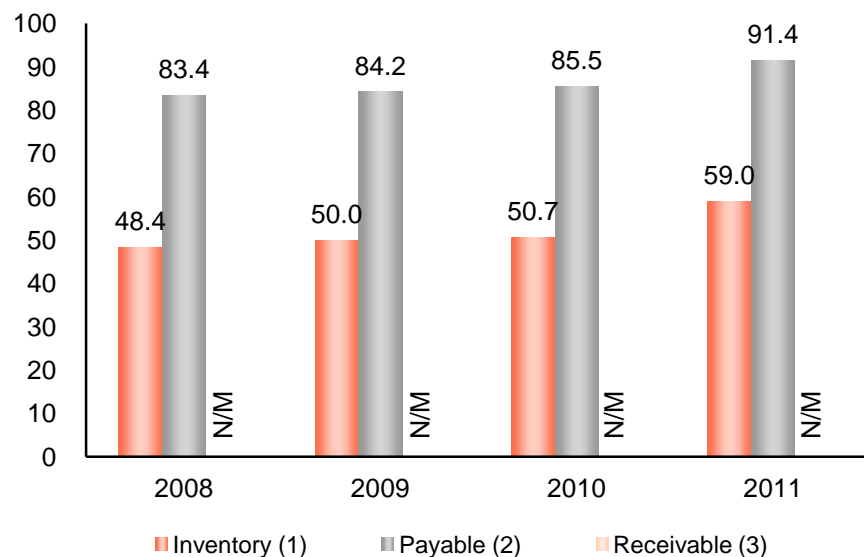


# Balance sheet



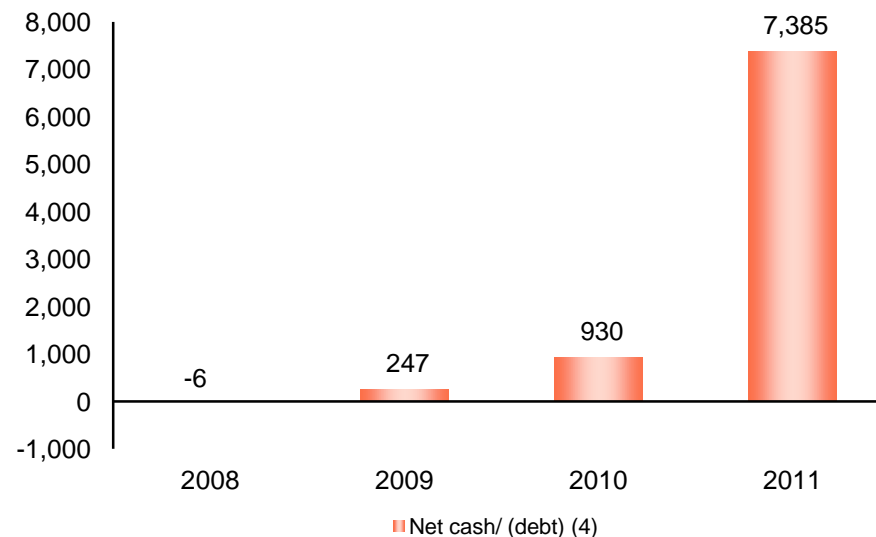
## Stable working capital days

Days



## Net cash position

RMB m



Note:

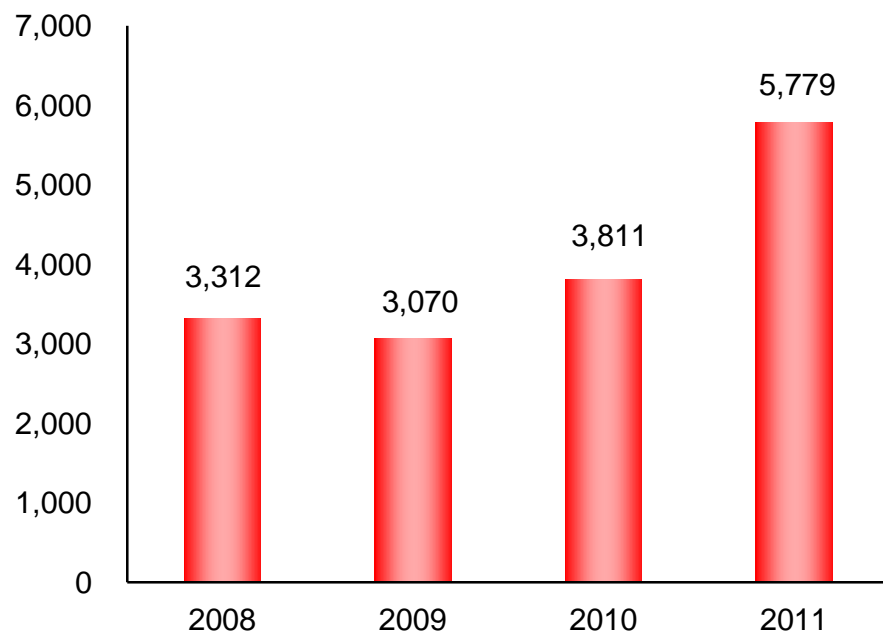
- (1) Turnover days of inventory is calculated as the average inventory for the year, divided by cost of inventories charged to P/L for the year, and multiplied by 360 days
- (2) Turnover days of accounts payable is derived by dividing the average of opening and closing balances of trade payables, for the relevant period by cost of inventories charged to P/L and multiplying by 360 days
- (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 360 days
- (4) Calculated as the sum of cash & cash equivalents, restricted and pledged bank deposits, minus bank loans and ODs

# Investment return



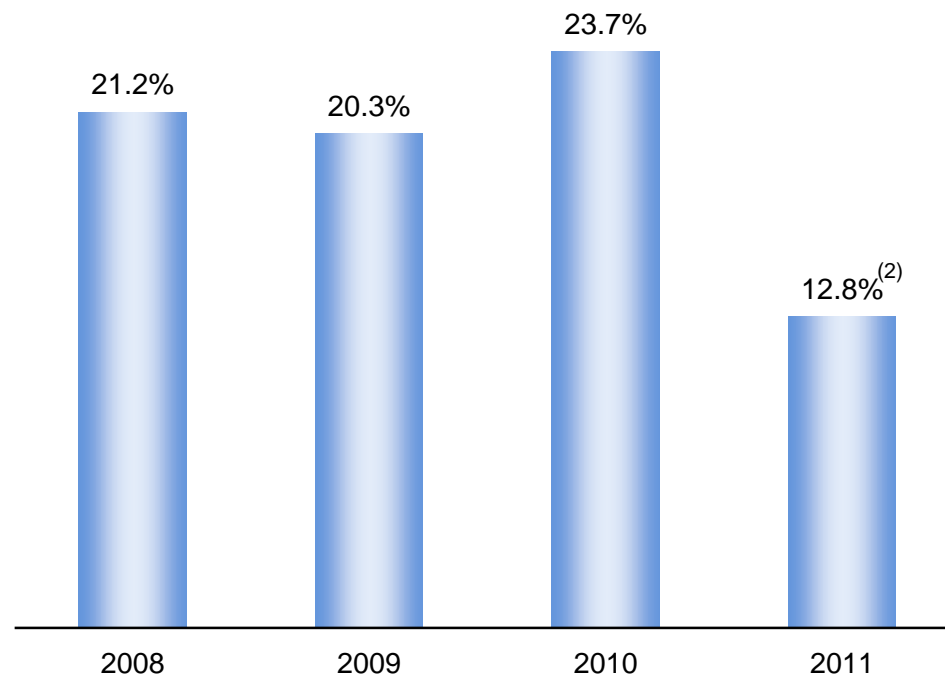
## CAPEX

RMB m



■ CAPEX

## ROE<sup>(1)</sup>



■ 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%





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# Proactive plan to expand store network

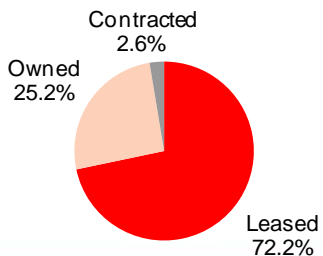


**46** new hypermarket complexes were opened in 2011

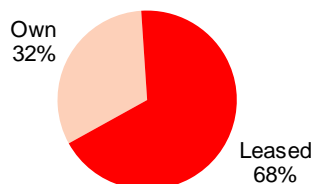
Region	No. of hypermarket complexes (31 December 2011)			GFA of hypermarket complexes (sqm) (31 December 2011)		
			Total			Total
Eastern China	35	79	114	1,451,679	1,977,939	3,429,618
Northern China	4	27	31	124,990	658,962	783,952
North-Eastern China	–	21	21	–	556,550	556,550
Southern China	–	32	32	–	818,898	818,898
Central China	3	21	24	96,219	537,304	633,523
Western China	3	5	8	115,196	131,594	246,790
<b>Total</b>	<b>45</b>	<b>185</b>	<b>230</b>	<b>1,788,084</b>	<b>4,681,247</b>	<b>6,469,331</b>



Store no. breakdown (31 December 2011)



GFA breakdown (31 December 2011)



A total of **230** hypermarkets across China as at 31 December 2011  
 Secured **153** sites to open hypermarket complexes, of which  
**80** were under construction

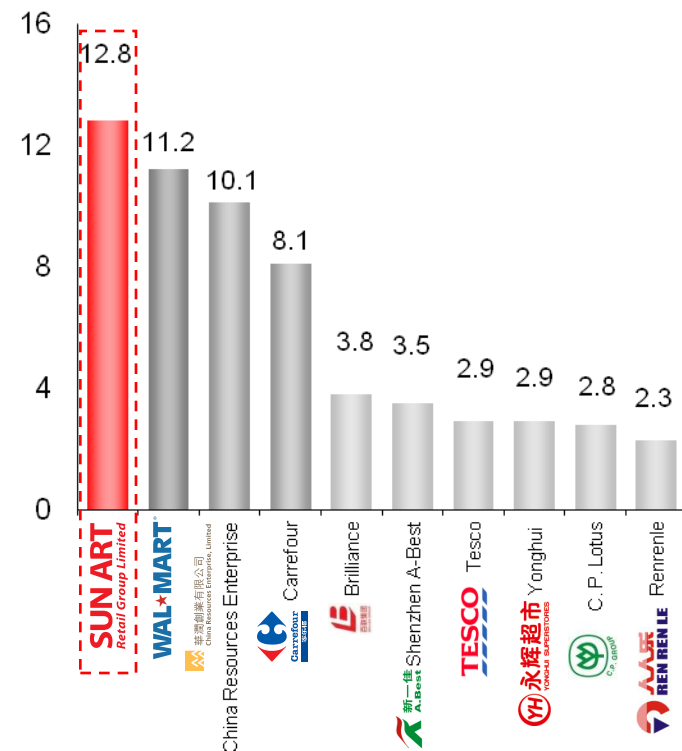


# The largest and fastest growing hypermarket operator in China



## 2011 Sun Art is ahead of international and local players

Market share (%)

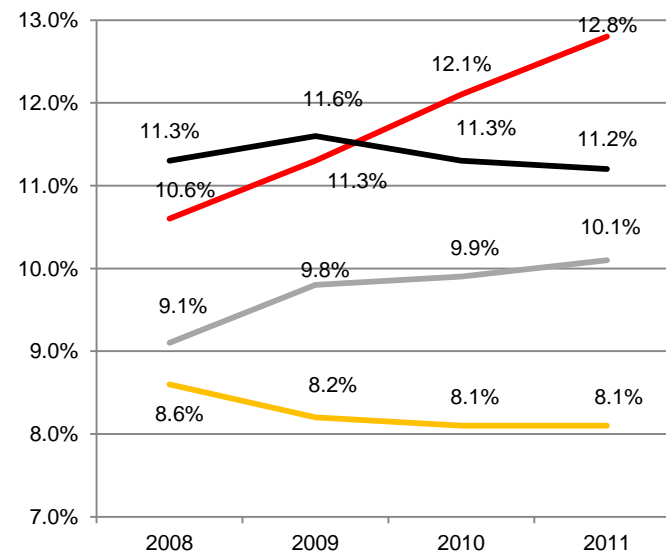
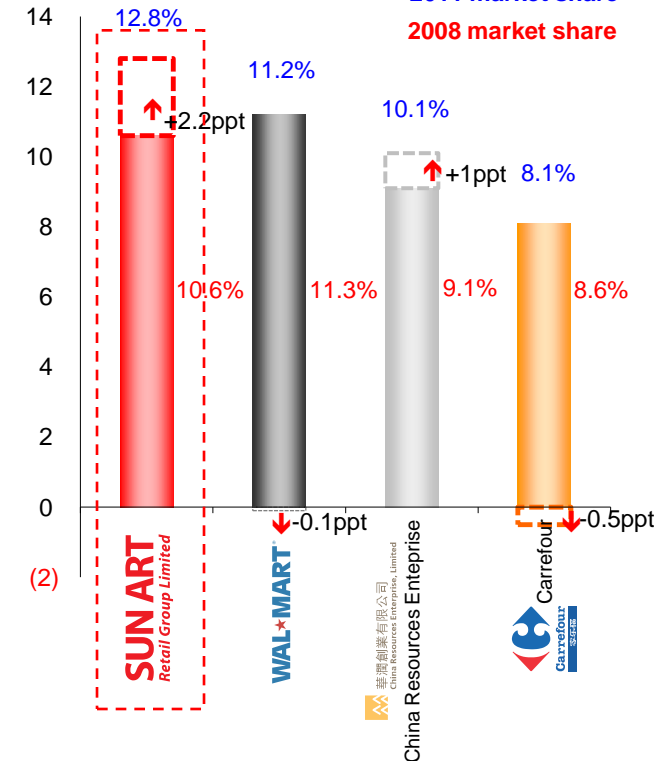


Through best-in-class operation and execution, Sun Art is gaining market share faster than any other competitors

Source: Euromonitor

## Fastest-growing hypermarket operator from 2008-2011

Market share (%)



Fastest market share increase from 2008 to 2011



# Business review



1

## Store Optimization

- Improved, re-decorated stores and expanded car park so as to enhance the comfortability and convenience of shopping experience
- Renovation of retail gallerias and introduction of new brands that are better tailored to local customers
- To meet operational demands, bakery bars and leisure bars etc. were constantly improved

2

## Supplier and merchandise optimization

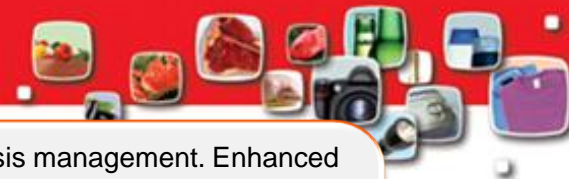
- Consistently emphasized the importance of establishing strategic relationships with suppliers.
- Constantly reviewed merchandise categories and developed differentiated merchandises. Actively promoted direct procurements from producers, private brand merchandise, exclusively sold merchandise, branded, featured, quality merchandise from various places and imported merchandise to continuously enrich merchandise mix. Measured merchandise by sales result, and withdrew slow moving goods in time to maintain the activeness of our offering
- Always varied merchandise mix to ensure it is oriented to customer needs and makes demand analysis with local focuses. Kept an eye on new merchandise and customer shopping trends. Selected proper categories to develop store-in-store. Improvements on package sizes based on customer demands
- Consistently promoted the connection between farms and hypermarkets and direct purchase from producers, and expanded the supply bases of fresh product. Delivery time of vegetables and fruits from farms to customers were reduced to ensure freshness and lower price compare to with market
- Control of pesticide residues on vegetables to ensure the safety

3

## Service Optimization

- Carried out “roundtable conference” and “mystery shopper” projects to collect customers opinions to check on the service, merchandise quality and public security
- Further optimized DM delivery to advise members of the latest product and service information to enhance customer loyalty
- Launched and promoted a variety of platforms to get feedback from customers to improve customer satisfaction with goods and adapt to market changes more quickly

# Business review



## 4 Business Flow Optimization

- For public security, improved system and equipment for fire safety and crisis management. Enhanced controls over early warning process.
- For food safety, included the homemade products into third-party's scope of testing, built a recall system for the homemade products, and lifted the quality standards of fresh products
- For pricing strategy, ensured the proper implementation of pricing strategies with respect to procurement processes and store operations
- Added new processes for the need of operations

## 5 Information System Optimization

- Continued optimization of the hardware architecture to enhance system security and performance
- Constant upgrade of the system software section to fully support new applications
- Launched newly developed software more than one hundred and optimization of existing systems to greatly improve their efficiencies

## 6 Logistics System Optimization

- Two distribution centres for "RT-Mart" located in Southern China area and North-Eastern China area commenced their operation, national logistics network of the Group has been further developed
- The "Auchan" banner continued to distribute goods of cosmetic and detergent categories from distribution centre to stores in Shanghai, effectively reduced the goods shortage at store

## 7 Human Resource Management Optimization

- Actively carried out staff recruitment, training and retention to cope with its rapid store-expansion program
- Actively promoted various levels and types of training, developed a series of training materials focusing on training objectives, to improve the service levels of the store workers a planned way
- Care for staff and put emphasis on staff care and benefits

## 8 Corporate Social Responsibility

- Actively participated in social welfare activities and organized a variety of community goodwill activities
- Proactively initiate social responsibility. Active development of various energy saving systems. Actively participated in a variety of environmental and protection programs





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# Business strategy



Proactively expand quality retail network to widen the gap between competitors and maintain market leadership



Constantly strive to optimize the product mix and pricing strategy



Focus on further improving operational efficiency, supply chain management



Continue to provide staff with training and maintain good corporate culture

