SUN ART RETAIL GROUP LIMITED
高鑫零售有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 06808)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the "**Board**") of directors (the "**Directors**") of Sun Art Retail Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012 as below.

HIGHLIGHTS OF INTERIM RESULTS

	For the six months ended 30 June		
	2013	2012	**Change**
	RMB million		
	Unaudited		
Turnover	**44,515**	39,416	12.9%
Gross Profit	**9,231**	8,066	14.4%
Profit from Operations	**2,298**	2,037	12.8%
Profit for the Period	**1,670**	1,445	15.6%
Profit Attributable to Equity Shareholders of the Company	**1,576**	1,373	14.8%
Earnings Per Share ("**EPS**")			
– Basic and diluted[(1)]	**RMB0.17**	RMB0.14	

The financial information set out below in this announcement represents an extract from the interim financial statements, which are unaudited but have been reviewed by the Group's independent auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 and by the Company's audit committee (the "**Audit Committee**"). KPMG's unmodified review report is included in the interim report (the "**Interim Report**") to be sent to shareholders.

Note:

(1) The calculation of basic and diluted EPS for the six months ended 30 June 2013 and 2012 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the periods.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013 – Unaudited

		Six months ended 30 June	
		2013	2012
	Note	***RMB million***	*RMB million*
Turnover	*3*	**44,515**	39,416
Cost of sales		**(35,284)**	(31,350)
Gross profit		**9,231**	8,066
Other revenue	*4*	**346**	286
Store operating costs		**(6,259)**	(5,346)
Administrative expenses		**(1,020)**	(969)
Profit from operations		**2,298**	2,037
Finance costs	*5(a)*	**(7)**	(6)
Profit before taxation	*5*	**2,291**	2,031
Income tax	*6*	**(621)**	(586)
Profit for the period		**1,670**	1,445
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Changes in fair value recognised during the period		**33**	84
Reclassification adjustments for amounts transferred to profit or loss:			
– gains on disposal		**(33)**	(84)
Total comprehensive income for the period		**1,670**	1,445
Profit attributable to:			
Equity shareholders of the Company		**1,576**	1,373
Non-controlling interests		**94**	72
Profit for the period		**1,670**	1,445
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,576**	1,373
Non-controlling interests		**94**	72
Total comprehensive income for the period		**1,670**	1,445
Earnings per share			
Basic and diluted	*7*	**RMB0.17**	RMB0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 – Unaudited

	Note	**At 30 June 2013** *RMB million*	At 31 December 2012 *RMB million*
Non-current assets			
Fixed assets:	*8*		
– Investment properties		**2,339**	2,335
– Other property, plant and equipment		**16,777**	16,028
– Land use rights		**4,639**	4,038
		23,755	22,401
Intangible assets		**10**	9
Goodwill		**99**	99
Interest in a joint venture		**2**	–
Trade and other receivables	*9*	**441**	372
Deferred tax assets		**234**	208
		24,541	23,089
Current assets			
Inventories		**6,149**	10,141
Trade and other receivables	*9*	**3,524**	3,528
Investments and time deposits	*10*	**1,358**	2,070
Cash and cash equivalents	*11*	**7,243**	5,757
		18,274	21,496
Current liabilities			
Trade and other payables	*12*	**23,847**	26,307
Bank loans		**395**	402
Income tax payables		**272**	369
		24,514	27,078
Net current liabilities		**(6,240)**	(5,582)
Total assets less current liabilities		**18,301**	17,507

	Note	At **30 June** **2013** ***RMB million***	At 31 December 2012 *RMB million*
Non-current liabilities			
Other financial liabilities		**89**	85
Deferred tax liabilities		**96**	64
		185	149
Net assets		**18,116**	17,358
Capital and reserves			
Share capital		**2,721**	2,721
Reserves		**14,773**	14,109
Total equity attributable to equity shareholders of the Company		**17,494**	16,830
Non-controlling interests		**622**	528
Total equity		**18,116**	17,358

NOTES:

*(Expressed in Renminbi ("**RMB**") unless otherwise stated)*

1. BASIS OF PREPARATION

The Company was incorporated in Hong Kong on 13 December 2000 with limited liability. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 July 2011. The interim financial statements comprise the Company and its subsidiaries. The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.

The interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and the notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company and approved for issue by the Board on 14 August 2013. The interim financial statements have also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the year ended 31 December 2012 that is included in the interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 March 2013.

2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of financial statements, Presentation of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit of loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements. The adoption does not have an impact on the Group's financial position and financial result.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in these interim financial statements as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial statements. The Group has provided those disclosures in note 10. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3. TURNOVER AND SEGMENT REPORTING

The principal activity of the Group is the operation of hypermarkets in the People's Republic of China ("**PRC**" or "**China**").

The Group is organised, for management purpose, into business units based on the banner under which the hypermarkets are operated. As all of the Group's hypermarkets are located in the PRC, have similar economic characteristics, and are similar in respect of products and services provided and customer type, the Group has one reportable operating segment which is the operation of hypermarkets in the PRC.

Turnover represents the sales value of goods supplied to customers and rental income from leasing areas in the hypermarket buildings. The amount of each significant category of revenue recognised in turnover is as follows:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Sales of goods	**43,420**	38,469
Rental income	**1,095**	947
	44,515	39,416

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenues.

4. OTHER REVENUE

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Service income	**50**	39
Disposal of packaging materials	**41**	43
Interest income	**165**	133
Government grants	**72**	41
Compensation received in respect of lease contracts disputes	**18**	30
	346	286

Government grants represent subsidies received from local authorities.

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**4**	2
– wholly repayable after five years	**3**	4
	7	6

(b) Staff costs

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Salaries, wages and other benefits	**2,612**	2,232
Contributions to defined contribution retirement plans	**279**	233
Contributions to Employee Trust Benefit Schemes (i)	**140**	132
Share-based payments	**10**	5
	3,041	2,602

(i) Contributions to Employee Trust Benefit Schemes

The Group has established an Employee Trust Benefit Scheme for employees of its subsidiary, Concord Investment (China) Co., Ltd. ("**CIC**") and its subsidiaries ("**the RT-Mart Scheme**") and an Employee Trust Benefit Scheme for employees of its subsidiary, Auchan (China) Hong Kong Limited ("**ACHK**") and its subsidiaries ("**the Auchan Scheme**"). Under each scheme, an annual profit sharing contribution, calculated based on the consolidated results of CIC for the RT-Mart Scheme, and on the consolidated results of ACHK for the Auchan Scheme, and the number of eligible employees, is payable to a trust, the beneficial interests in which are allocated to participating eligible employees in accordance with the relevant Employee Trust Benefit Scheme rules. The trusts are administered by independent trustees and invest the amounts received in either cash and cash equivalents ("**cash-like assets**") or equity of CIC in the case of the RT-Mart Scheme, or cash-like assets or equity of ACHK's subsidiary, Auchan (China) Investment Co., Ltd. ("**ACI**") in the case of the Auchan Scheme, respectively. The annual profit sharing contributions are accrued in the year in which the associated services are rendered by the eligible employees.

In addition to the annual profit sharing contributions made by the Group, subject to certain conditions, eligible employees are entitled to acquire additional beneficial interests in the relevant Employee Trust Benefit Scheme trust using their own funds.

Any excess of the capital injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired is credited to capital reserve within equity of the Group.

(c) Other items

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Cost of inventories	**35,217**	31,291
Depreciation	**1,009**	874
Amortisation	**64**	49
Operating lease charges	**1,008**	883
Loss on disposal of property, plant and equipment	**6**	4

6. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the period	**1**	–
Current tax – PRC income tax		
Provision for the period	**590**	563
Under/(over)-provision in respect of prior years	**24**	(9)
	615	554
Deferred tax		
Reversal/(origination) of temporary differences, net	**6**	32
	621	586

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Company and its subsidiaries incorporated in Hong Kong (2012: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(iii) All PRC subsidiaries are subject to income tax at 25% for the six months ended 30 June 2013 (2012: 25%) under the Enterprise Income Tax law ("**EIT law**") which was enacted on 16 March 2007.

(iv) The EIT law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5% on dividends received.

On 12 July 2012, Announcement [2012] No. 30 ("**Announcement 30**") dated 29 June 2012 was released by the State Administration of Taxation ("**SAT**"). Announcement 30 explicitly states that a company that is a tax resident of a Double Taxation Agreement ("**DTA**") partner state and is listed in that jurisdiction ("**Listed Parent**") will automatically satisfy the beneficial ownership criteria in respect of PRC dividends received. Furthermore, subsidiaries that are wholly owned by the Listed Parent, directly and/or indirectly, and are tax residents of the same DTA partner state, may also be automatically regarded as the beneficial owners of any PRC dividends they receive. Accordingly, dividends receivable by RT-Mart Holdings Limited ("**RT-Mart Holdings**") and ACHK should be subject to 5% withholding tax rate.

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

As at 30 June 2013, deferred tax liabilities of RMB85 million (31 December 2012: RMB53 million) have been recognised in respect of the withholding tax payable on the retained profits of the Group's PRC subsidiaries generated subsequent to 1 January 2008 which the Directors expect to distribute outside the PRC in the foreseeable future. The deferred tax liabilities as at 30 June 2013 and 31 December 2012 were calculated at the withholding tax rate of 5%.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,576 million (six months ended 30 June 2012: RMB1,373 million) and the weighted average of 9,539,704,700 ordinary shares (six months ended 30 June 2012: 9,539,704,700 ordinary shares) in issue during the interim period.

	Six months ended 30 June	
	2013	2012
Issued ordinary shares at 1 January and 30 June	**9,539,704,700**	9,539,704,700

There were no dilutive potential ordinary shares during the six months ended 30 June 2013 and 2012 and therefore diluted earnings per share is equivalent to basic earnings per share.

8 FIXED ASSETS

During the six months ended 30 June 2013, the Group incurred capital expenditure of RMB2,450 million (six months ended 30 June 2012: RMB1,582 million), primarily in respect of new store developments. Items of store and office equipment with a net book value of RMB24 million were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB12 million), resulting in a loss on disposal of RMB6 million (six months ended 30 June 2012: RMB4 million) (note 5(c)).

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 *RMB million*	At 31 December 2012 *RMB million*
Non-current		
Rental prepayments	**441**	372
Current		
Trade receivables	**480**	279
Amounts due from Contracted Stores	**–**	78
Amounts due from Contracted Store Owners	**43**	38
Amounts due from related parties	**69**	53
Other debtors	**591**	619
Value-added tax receivables	**649**	1,003
Prepayments:		
– rentals	**1,090**	1,079
– fixed assets	**602**	379
Sub-total	**3,524**	3,528
	3,965	3,900

The Group's trade receivables relate to credit card sales, the aging of which is within one month, and credit sales to corporate customers, the aging of which is within three months. Credit risk in respect of trade receivables is limited as the balances mainly arise from credit card sales. Credit terms are offered in rare cases to corporate customers with whom the Group has an established and ongoing relationship.

Contracted Stores are hypermarkets operated by the Group through arrangements under which the hypermarket owner ("**Contracted Store Owner**") provides the store, equipment and facilities for use by the Group to carry out the Group's hypermarket business and in return is entitled to an annual fee, calculated as either a fixed amount or a fixed percentage of the store's sales revenue, and any remaining profit or loss relating to the operation of the store is attributable to the Group.

The amounts due from Contracted Store Owners comprise advances made by the Group to certain Contracted Store Owners and the Contracted Stores' profit attributable to the Group.

Rental prepayments may be offset against future rentals due to landlords of hypermarket premises leased by the Group in accordance with the relevant lease agreements.

Except for prepayments made for fixed assets which will be transferred to the relevant asset category upon receipt of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year.

10. INVESTMENTS AND TIME DEPOSITS

	At 30 June 2013 *RMB million*	At 31 December 2012 *RMB million*
Loans and receivables	**1,308**	105
Available-for-sale financial assets	**50**	1,965
	1,358	2,070

Loans and receivables represent short-term financial products issued by and time deposits with banks, with principals guaranteed, fixed or determinable returns and with periods to maturity over 3 months from date of issue.

Available-for-sale financial assets represent short-term financial products issued by PRC commercial banks. The principal sum of these short-term financial products are guaranteed and are repayable, together with any associated returns, on the product maturity dates which range from 6 to 12 months from date of issue. These products have expected but not guaranteed returns.

Available-for-sale financial assets are the only financial instruments which are measured at fair value in the Group's consolidated financial statements. The fair value of available-for-sale financial assets is determined by reference to quoted prices from banks on similar financial products at the reporting date.

11. CASH AND CASH EQUIVALENTS

	At 30 June 2013 *RMB million*	At 31 December 2012 *RMB million*
Deposits with banks within 3 months of maturity	**132**	270
Cash at bank and on hand	**4,330**	4,900
Other financial assets	**2,781**	587
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	**7,243**	5,757

Other financial assets represent investments in short-term financial products issued by PRC commercial banks, with guaranteed principals, fixed or determinable returns and with periods to maturity less than 3 months from date of issue.

12. TRADE AND OTHER PAYABLES

	At 30 June 2013 *RMB million*	At 31 December 2012 *RMB million*
Current		
Trade payables	**12,002**	14,464
Advance receipts from customers	**7,268**	7,207
Amounts due to related parties	**95**	93
Construction costs payable	**1,639**	1,891
Amount due to Contracted Stores	**11**	–
Dividends payable	**30**	28
Accruals and other payables	**2,802**	2,624
	23,847	26,307

All trade and other payables are expected to be settled within one year.

Advance receipts from customers represents the unutilised balance of prepaid cards sold by the Group.

The amounts due to Contracted Stores as at 30 June 2013 included advance payment made by Contracted Stores in respect of purchase of goods, and offset by balance of prepaid cards sold by the Contracted Stores which may be used by customers to purchase goods in certain of the Group's other stores.

An ageing analysis of trade payables determined based on invoice date is as follows:

	At 30 June 2013 *RMB million*	At 31 December 2012 *RMB million*
Due within 6 months	**11,932**	14,102
Due after 6 months but within 12 months	**70**	362
	12,002	14,464

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Our turnover is derived from sales of goods and rental income. Turnover from sales of goods is primarily derived from our hypermarkets where merchandise, mainly food, groceries, home appliances, textile and general goods are laid out for sale. Turnover from sales of goods is net of value added tax and other applicable sales taxes after deducting any trade discounts. Turnover from rental income is derived from renting gallery space in hypermarket complexes to operators of businesses that we believe are complementary to our stores.

The following table sets forth a breakdown of our turnover from sales of goods and rental income for the periods indicated:

	Six Months ended 30 June		
	2013	2012	**Change**
	(RMB million) Unaudited		
Sales of goods	**43,420**	38,469	12.9%
Rental income	**1,095**	947	15.6%
Total turnover	**44,515**	39,416	12.9%

For the six months ended 30 June 2013, our turnover from sales of goods was RMB43,420 million, an increase of RMB4,951 million, or 12.9%, from RMB38,469 million for the corresponding period in 2012. The increase was primarily attributable to the continuous business expansion of the Group with the opening of new stores(1) and the same store sales growth(2) (the "**SSSG**").

During the period from 1 July 2012 to 30 June 2013, the Group continued to expand in various areas of China and opened 44 new stores with 33 in the second half of 2012 and 11 in the first half of 2013, respectively. The new stores contributed to the increase in sales of goods.

During the period ended 30 June 2013, SSSG was 4.0%, which is ahead of the customer price index ("**CPI**"). Meanwhile, stores that were opened over one year became mature and gradually developed their markets.

Notes:

(1) New stores: stores opened during the period from 1 July 2012 to 30 June 2013.

(2) Same store sales growth: the growth rate of sales of the stores opened before 30 June 2012. It is calculated by comparing the sales derived from those stores during their operating periods in first half of 2012 with sales during the corresponding periods in 2013.

For the six months ended 30 June 2013, turnover from rental income was RMB1,095 million, an increase of RMB148 million, or 15.6%, from RMB947 million for the corresponding period in 2012. 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.

Gross Profit

For the six months ended 30 June 2013, gross profit was RMB9,231 million, an increase of RMB1,165 million, or 14.4%, from RMB8,066 million for the corresponding period in 2012. The gross profit margin was 20.7% for the six months ended 30 June 2013, slightly increased from 20.5% for the corresponding period in 2012. The increase in our gross profit margin was a result of a greater increase in turnover of 12.9% as compared to the increase in cost of sales of 12.5%, reflecting the ability of the Group to leverage on the expansion of business scale to increase its profitability.

Other Revenue

Other revenue consists of income from disposal of packaging materials, interest income, service income, government grants and other miscellaneous revenue.

For the period ended 30 June 2013, other revenue was RMB346 million, an increase of RMB60 million, or 21.0%, from RMB286 million for the corresponding period in 2012. The increase was primarily attributable to: (i). an increase in interest income of RMB32 million, generating from the higher transaction volume of investment in principal guaranteed financial products during the period; and (ii). an increase in government grants of RMB31 million which was mainly due to an increase in subsidy income which was calculated based on tax payment.

Store Operating Costs

Store operating costs represent the costs attributable to the operations of our stores and primarily consist of personnel expenses, rental expenses, expenses for utilities, maintenance, advertising, shuttle bus services and cleaning, and amortisation and depreciation of land use rights, property, plant and equipment for our stores.

For the six months ended 30 June 2013, the store operating costs were RMB6,259 million, an increase of RMB913 million, or 17.1%, from RMB5,346 million for the corresponding period in 2012.

The increase was primarily attributable to the increase in the number of stores in accordance with the on-going expansion of our hypermarket network. The expansion of our hypermarket network required the recruitment of new staff which led to an increase in personnel expenses. Also, new stores, operated on leased or self-owned sites, resulted in an increase in rental expenses and amortisation and depreciation of land use rights, property, plant and equipment at these stores.

The amount of store operating costs for the period ended 30 June 2013 represented 14.1% of turnover, an increase of 0.5 percentage points, from 13.6% of the the corresponding period in 2012. The increase was mainly attributable to expenses incurred for the preparation of the new stores to be opened in second half of 2013, including personnel expenses, energy expenses and other miscellaneous expenses.

Administrative Expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, amortisation and depreciation of land use rights, property, plant and equipment and other expenses for our administrative departments. For the six months ended 30 June 2013, our administrative expenses were RMB1,020 million, an increase of RMB51 million, or 5.3%, from RMB969 million for the corresponding period in 2012. The increase was primarily attributable to an increase in the number of administrative staff to provide support services for our expanded network of hypermarket complexes. The increase in administrative expenses was slower than the increase in turnover, which resulted in a decrease in the ratio of administrative expenses to turnover from 2.5% for 2012 first half to 2.3% for 2013 first half.

Profit from Operations

For the six months ended 30 June 2013, profit from operations was RMB2,298 million, an increase of RMB261 million, or 12.8%, from RMB2,037 million for the corresponding period in 2012. The operating margin was 5.2% for the six months ended 30 June 2013, the same as that for the corresponding period in 2012, which demonstrated the ability of the Group to maintain the profitability along with the expansion of business scale.

Finance Costs

Finance costs primarily consist of interest expenses on borrowings. For the six months ended 30 June 2013, our finance costs were RMB7 million, a slight increase of RMB1 million, from RMB6 million for the corresponding period in 2012.

Income Tax

For the six months ended 30 June 2013, our income tax expense was RMB621 million, an increase of RMB35 million, or 6.0%, from RMB586 million for the corresponding period in 2012. Our effective income tax rate was 27.1% for the six months ended 30 June 2013 compared to 28.9% for the corresponding period in 2012, since more new stores turned profitable and started the utilization of tax losses for which no deferred tax asset was recognised in prior years.

Profit for the Period

For the six months ended 30 June 2013, our profit for the period was RMB1,670 million, with an increase of RMB225 million, or 15.6%, from RMB1,445 million for the corresponding period in 2012. Net profit margin for the period ended 30 June 2013 was 3.8%, increased by 0.1 percentage points from 3.7% for the corresponding period in 2012. The increase was primarily attributable to the stable operating margin and lower effective income tax rate for the period.

Profit Attributable to Equity Shareholders of the Company

For the six months ended 30 June 2013, profit attributable to equity shareholders of the Company was RMB1,576 million, an increase of RMB203 million, or 14.8%, from RMB1,373 million for the corresponding period in 2012.

Profit Attributable to Non-Controlling Interests

For the six months ended 30 June 2013, profit attributable to non-controlling interests was RMB94 million, an increase of RMB22 million, or 30.6%, from RMB72 million for the corresponding period in 2012. The profit attributable to non-controlling interests was attributable to: (i) interests in ACI and CIC from the Auchan Scheme and RT-Mart Scheme and (ii) the interest held by an independent third party in one of the subsidiaries, People's RT-Mart Limited Jinan.

Capital Expenditure

For the six months ended 30 June 2013, the Group incurred capital expenditure of RMB2,450 million, mainly in respect of the development of new stores and the remodelling of existing stores. The Group financed its capital expenditure through cash flow generated from operating activities.

Liquidity and Financial Resources

For the six months ended 30 June 2013, cash flow generated from operating activities was RMB4,443 million, an increase of RMB1,562 million, or 54.2%, from RMB2,881 million for the corresponding period in 2012.

As of 30 June 2013, our net current liabilities increased to RMB6,240 million from RMB5,582 million as of 31 December 2012. This increase was primarily attributed to: (i) a decrease in the current assets of RMB3,222 million, caused by a reduction in stock level as at 30 June 2013, a decrease in the balance of short-term investments in principal guaranteed financial products, partially offset by a rise in the balance of cash and cash equivalents and; (ii) a decrease in trade and other payables of RMB2,460 million.

For the six months ended 30 June 2013, the inventory turnover days and trade payable turnover days were 42 days and 68 days, respectively, and were approximately 48 days and 76 days for the corresponding period of 2012, respectively.

Investments and time deposits represented investments made by the Group in financial products issued by the banks and time deposits with the banks. These investments are principal guaranteed with maturity period over 3 months from date of issue.

BUSINESS REVIEW

Operating Environment

During the first half of 2013, China's economy maintained steady growth with gross domestic product ("**GDP**") growing by 7.6% to approximately RMB24,800.9 billion. Price levels remained stable for the first half of the year, with the CPI increasing by 2.4% over the same period of last year. Total retail sales of consumer goods reached RMB11,076.4 billion, an increase of 12.7% over same period of 2012; the growth rate dropped by 1.7 percentage points as compared with the same period last year. According to the "Consumer Market Development Report 2013" published by the Ministry of Commerce, the growth in retail sales of consumer goods in 2013 is likely to be lower than that in previous years in the absence of new consumption stimulus policies throughout the year and given the reduction in government and extravagant consumption. Notwithstanding the above, the resulting pattern of consumption will be healthier and its growth should continue in a more sustainable way.

Expansion of Retail Network

During the period under review, the Group opened 11 new hypermarket complexes under the RT-Mart banner. 3 were located in Eastern China, 3 in Northern China, 1 in North-Eastern China, 1 in Southern China, 2 in Central China and 1 in Western China. As of 30 June 2013, the Group had a total of 284 hypermarket complexes in China, with a total gross floor area ("**GFA**") of approximately 7.89 million square meters, of which approximately 65.2% were operated on leased spaces, 34.2% were in self-owned properties and 0.6% were Contracted Stores. Please refer to note 1 for definitions of regional divisions.

As of 30 June 2013, of the Group's stores, approximately 10.9% were located in first-tier cities, 18.7% in second-tier cities, 43.7% in third-tier cities, 20.0% in fourth-tier cities and 6.7% in fifth-tier cities. Please refer to note 2 for the definitions of the city tiers.

During the period under review, the Group continued to proactively seek opportunities for opening new stores. As of 30 June 2013, through the execution of lease contracts or acquisition of land plots, the Group had identified and secured 158 sites to open hypermarket complexes, of which 117 were under construction, ensuring sufficient sites for the Group's expansion in the three years till 2015 and laying a solid ground for the Group's development in the medium term.

As of 30 June 2013, the number of stores in various major regions of China and the respective GFA are set forth below:

Region	Number of hypermarket complexes (As of 30 June 2013)			Total GFA of hypermarket complexes (sq. m.) (As of 30 June 2013)		
	Auchan	**RT-Mart**	**Total**	**Auchan**	**RT-Mart**	**Total**
Eastern China	39	90	129	1,574,484.4	2,254,847.0	3,829,331.4
Northern China	6	31	37	196,443.8	747,662.0	944,105.8
Northeastern China	1	25	26	23,906.0	697,347.0	721,253.0
Southern China	1	42	43	15,968.0	1,037,944.0	1,053,912.0
Central China	4	32	36	138,095.8	805,063.0	943,158.8
Western China	3	10	13	150,447.5	249,173.0	399,620.5
Total	54	230	284	2,099,345.5	5,792,036.0	7,891,381.5

Notes:

(1) Pursuant to the government's economic regional planning, the Group re-classified the breakdown by region as follows:

Eastern China:	Shanghai, Zhejiang Province, Jiangsu Province
Northern China:	Beijing, Tianjin, Shandong Province, Hebei Province, Shanxi Province
Northeastern China:	Jilin Province, Liaoning Province, Heilongjiang Province, Inner Mongolia Autonomous Region (North)
Southern China:	Guangdong Province, Guangxi Zhuang Autonomous Region, Fujian Province, Hainan Province, Yunnan Province, Guizhou Province
Central China:	Anhui Province, Hunan Province, Hubei Province, Henan Province, Jiangxi Province
Western China:	Sichuan Province, Gansu Province, Shaanxi Province, Chongqing

(2) City tiers were classified according to the following standards:

First-tier cities:	Municipalities under the direct jurisdiction of the central government and Guangzhou
Second-tier cities:	Provincial capitals and sub-provincial cities
Third-tier cities:	Prefecture-level cities
Fourth-tier cities:	County-level cities
Fifth-tier cities:	Townships and towns

Store Improvement

During the period under review, the Group continued to upgrade the areas for cooked food, bakery and apparel in some stores as planned, with the purpose of improving operational efficiency and merchandise display in these areas. The Group also upgraded the automatic control of air-conditioning and refrigeration systems parameters at some stores as scheduled, with an aim of achieving energy-saving and emission reduction targets.

By focusing on enhancing the shopping experience of customers and improving the tenant mix in the galleries, the Group also continued to improve the attractiveness of its galleries. In addition, the Group co-organised more charitable and promotional activities, jointly with tenants which help to increase customer flow.

Optimization of Procurement and Merchandise Mix

During the period under review, the Group continued to optimize its merchandise mix in order to better fulfil customer requirements. More attention was given to product safety by introducing products with higher safety standards. Introduction of new fashionable and personalized products was accelerated. With more attention to local customers' needs, more premium local brands were introduced. Middle to high-end merchandise choice was enriched so as to meet up-trading in consumption.

The Group continued to promote and expand merchandise directly sourced in order to reduce procurement costs. Through expanding the direct sourcing of vegetables, fruits and dried vegetables and fruits, our pricing became more competitive, price fluctuations were effectively avoided and supplies were stabilized. The launch of the "RMB1 for vegetables", "RMB3 for fruits" and "RMB5 for pork" received praise from customers, and established a low pricing image for our stores. At the same time, the direct sourcing of seasonal and festive merchandise, such as the Zongzi for Dragon Boat Festival and Qingtuan for Qingming Festival brought remarkable growth in sales.

The Group strengthened the development of new products under its own brand: in food products, agreements were reached with a number of major brand suppliers; in non-food products, we sought to have specialized vendors to manufacture our own brands. Full ranges of our own branded products were developed, such as a full range of single color towels which gained positive feedback from customers and achieved growth in sales. In order to enhance the attractiveness and quality of our own brand products, an own brand dedicated design team was established.

Given that internet shopping has become a more and more important channel for consumers to shop nowadays, the Group has continued to extend its price surveys to e-commerce platforms. Apart from ensuring the pricing competitiveness of its products, emphasis was also placed on merchandise differentiation. At the same time, we leveraged the operating advantage as of our physical stores to introduce more interactive marketing activities to our customers.

Development of E-commerce Business

During the period under review, the Group established Uitox E-commerce (Shanghai) Co. Limited ("**Uitox**"). Uitox will be one of the platforms used by the Group to develop our e-commerce business. Home deliveries to customers in Shanghai are expected to start in the fourth quarter of 2013.

Optimization of Supply Chain Management

During the period under review, the Group continued to improve its information systems in order to better support system processes and operation efficiencies. The Group enhanced the system for return of goods at the distribution centre, which enhanced the efficiency in sorting the products returned, streamlined the process flow and reduced the error rate. An integrated system for orders of internal equipment, supplies and payment began operations. This has enabled all stores nationwide to order, receive, inspect and pay for internal equipment and supplies on an integrated platform. Efficiency in the approval of such orders was enhanced significantly whilst such costs were subject to better control and were managed in more controlled manner.

In the first half of 2013, the Auchan banner's East China distribution centre completed the testing of software and started trial operation for the distribution to two stores. It is expected that the distribution centre will be fully operating in the second half of 2013. Construction work of the distribution centre under RT-Mart in central China at Chibi city, Hubei Province commenced and is expected to start operations in the second half of 2014.

Optimization of Human Resources Management and Training

As at 30 June 2013, the Group had 114,979 employees. During the period under review, the Group continued to enhance human resources management by improving shift arrangement, increasing the use of advanced equipment and process optimization, which has brought improvement in productivity, staff deployment efficiency and service efficiency.

The Group's two banners continued to promote the exchange and cooperation in human resource management. Joint training courses have been created for the two banners to learn from each other. As an example, employees of Auchan had participated in 10 sessions of "dim sum making" training courses provided by RT-Mart. In the second half of 2013, such joint training is planned to be conducted in bakery and butchery products.

Strategies and Outlook

Despite the slowdown of economic growth in China, long term trends of urbanization and increase in incomes will continue, creating the potential for sustainable growth in consumption.

The Group will continue to seize opportunities arising from urbanization, and will maintain a steady pace of new store openings so as to offer quality products and a pleasant shopping environment to more urban residents. The Group will endeavor to improve operational and staff efficiencies. We will also actively explore different business models for e-commerce so as to provide customers with convenient ways in shopping, and to develop future sources of profit for the Group.

OTHER INFORMATION

Additional Information

The following disclosure is made on a voluntarily basis and reference is made to the section headed "Our History and Reorganisation – The Reorganisation" in the prospectus of the Company dated 4 July 2011 (the "**Prospectus**").

As a result of a change in International Financial Reporting Standards adopted by the Auchan Group from 1 January 2014, Ruentex Group and Auchan Group have entered into a shareholders' agreement on 14 August 2013 (the "**New Shareholders' Agreement**") to amend the shareholders' agreement dated 12 December 2010 (the "**Existing Shareholders' Agreement**"), such that a majority of the directors of Concord Champion International Ltd. ("**CCIL**"), RT-Mart Holdings and CIC will be recommended by the Ruentex Group and appointed by the Auchan Group starting from 1 January 2014. It is the parties' intention that the existing management team of CCIL, RT-Mart Holdings and CIC will continue to remain unchanged and Mr. Huang Ming-Tuan will continue to be the chairman of CCIL, RT-Mart Holdings and CIC.

In addition, the parties have amended the existing put option held by the Ruentex Group (details of which are disclosed in the Prospectus), so that, if A-RT Retail Holdings Limited ("**A-RT**") removes the directors recommended by the Ruentex Group from the board of CCIL, RT-Mart Holdings and CIC, the Ruentex Group will be able to exercise such option in respect of all its A-RT shares.

Save as disclosed above, the Directors confirm that there have been no other material changes to the terms of the Existing Shareholders' Agreement that needs to be brought to the attention of the shareholders of the Company. Also, the Directors confirm that there is no change to the relationship between the controlling shareholders and business of the Company.

Corporate Governance

The Company is committed to improving its corporate governance, and enhancing its transparency to shareholders. The Company has devised its own Corporate Governance and Compliance Manual which incorporate all the principles as set out in the Corporate Governance Code (as effective from time to time, the "**CG Code**") contained in Appendix 14 of the Listing Rules.

In the opinion of the Board, the Company has complied with all the principles as set out in the CG Code for the six months ended 30 June 2013, save and except for code provision C.3.7 (a).

Code Provision C.3.7 (a) provides that the terms of reference of the Audit Committee should require it to review arrangements that employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should also ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Company had not established any formal arrangement for employees to raise concern about possible improprieties in financial reporting, internal control or other matters. In practice, employees have direct access to our internal auditor via either an anonymous hotline or a mailbox. In addition, they have direct access by email to the executive Directors and senior management. The Directors regularly receive and review monthly financial reports and through the Audit Committee, meet quarterly with the Group's internal audit function, whose main responsibility is to review the internal control system of the Group. The Directors consider that the lack of such arrangements will not have a material effect on the functions of financial reporting, internal control or other related matters. The internal auditors, the Audit Committee and the Board will discuss the proper actions to deal with any issue as received from any employee about improprieties in financial reporting, internal control and other matters.

Audit Committee

The Company established an Audit Committee on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to assist the Board in overseeing and reviewing (i) the effectiveness of the Company's internal control, risk management system and regulatory compliance of the Group; (ii) the balance, transparency and integrity of the Company's financial statements and application of financial reporting principle. The Audit Committee currently consists of five non-executive Directors, three of whom are independent. The members currently are Mr. Cheng Chuan-Tai, Mr. Xavier, Marie, Alain Delom de Mezerac, Ms. Karen Yifen Chang, Mr. He Yi and Mr. Desmond Murray. It is currently chaired by Mr. Desmond Murray, an independent non-executive Director. The Audit Committee has reviewed and discussed the unaudited consolidated financial statements for the six months ended 30 June 2013 and has met with the independent auditors, KPMG, who have reviewed the interim financial statements in accordance with Hong Kong Standard on Review Engagement 2410.

Nomination Committee

The Company established a nomination committee on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee are to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships. The nomination committee currently consists of five non-executive Directors, three of whom are independent. The members currently are Mr. Cheng Chuan-Tai, Mr. Philippe, David Baroukh, Ms. Karen Yifen Chang, Mr. He Yi and Mr. Desmond Murray. It is currently chaired by Mr. He Yi, an independent non-executive Director.

Remuneration Committee

The Company established a remuneration committee on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The remuneration committee currently consists of five non-executive Directors, three of whom are independent. The members currently are Mr. Cheng Chuan-Tai, Mr. Philippe, David Baroukh, Ms. Karen Yifen Chang, Mr. He Yi and Mr. Desmond Murray. It is currently chaired by Ms. Karen Yifen Chang, an independent non-executive Director.

Disclosure Committee

In the light of the implementation of the new statutory disclosure regime under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the consequential amendments to the Listing Rules from 1 January 2013, the Company established a disclosure committee on 14 May 2013 with written terms of reference duly approved by the Board. The primary duties of the disclosure committee are to assist the Company and its officers to take all reasonable measures from time to time to ensure that proper safeguards exist to prevent breach of disclosure requirements. The disclosure committee currently consists of six members, including Mr. Huang Ming-Tuan and Mr. Bruno Robert Mercier, both are executive Directors.

Directors' Securities Transactions

The Company has adopted its own policies for securities transactions (the "**Company's Code**") by Directors and relevant employees on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries, the Board confirmed that all the Directors have complied with the required standards as set out in the Model Code and the Company's Code throughout the period for the six months ended 30 June 2013.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Dividends

At the board meeting held on 14 August 2013, no dividend for the six months ended 30 June 2013 has been declared.

Publication of 2013 Interim Results and Interim Report of the Company

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.sunartretail.com). The Interim Report of the Company for the six months ended 30 June 2013 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available for review on the aforesaid websites in due course.

By Order of the Board
Sun Art Retail Group Limited
Bruno Robert MERCIER
Chief Executive Officer, Executive Director

Hong Kong, 14 August 2013

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Bruno Robert MERCIER
HUANG Ming-Tuan

Non-Executive Directors:
CHENG Chuan-Tai
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Philippe, David BAROUKH
Xavier, Marie, Alain DELOM de MEZERAC

Independent Non-executive Directors:
Karen Yifen CHANG
Desmond MURRAY
HE Yi