SUN ART RETAIL GROUP LIMITED
高鑫零售有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 06808)

FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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 audited consolidated results of the Group for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") as below.

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December		
	2014	2013	**Change**
	RMB million		
Turnover	**91,855**	86,195	6.6%
Gross Profit	**20,998**	18,613	12.8%
Profit from Operations	**4,233**	4,147	2.1%
Profit for the Year	**3,042**	2,942	3.4%
Profit Attributable to Equity Shareholders of the Company	**2,908**	2,775	4.8%
Earnings Per Share ("**EPS**") – Basic and diluted (1)	**RMB0.30**	RMB0.29	

	As at 31 December		
	2014	2013	**Change**
	RMB million		
Total Assets	**52,443**	49,910	5.1%
Total Liabilities	**31,909**	30,529	4.5%
Net Assets	**20,534**	19,381	5.9%
Gearing Ratio (2)	**0.61**	0.61	
Current Ratio (3)	**0.67**	0.73	

Notes:

(1) The calculation of basic and diluted EPS for the year 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.

(2) Gearing Ratio = Total Liabilities/Total Assets

(3) Current Ratio = Current Assets/Current Liabilities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB million	2013 RMB million
Turnover	*5*	**91,855**	86,195
Cost of sales		**(70,857)**	(67,582)
Gross profit		**20,998**	18,613
Other revenue	*6*	**669**	648
Store operating costs		**(15,097)**	(13,148)
Administrative expenses		**(2,337)**	(1,966)
Profit from operations		**4,233**	4,147
Finance costs	*7(a)*	**(15)**	(13)
Profit before taxation	*7*	**4,218**	4,134
Income tax	*8(a)*	**(1,176)**	(1,192)
Profit for the year		**3,042**	2,942
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets:			
Changes in fair value recognised during the year		**–**	34
Reclassification adjustments for amounts transferred to profit and loss:			
– gains on disposal		**–**	(34)
Total comprehensive income for the year		**3,042**	2,942
Profit attributable to:			
Equity shareholders of the Company		**2,908**	2,775
Non-controlling interests		**134**	167
Profit for the year		**3,042**	2,942
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,908**	2,775
Non-controlling interests		**134**	167
Total comprehensive income for the year		**3,042**	2,942
Earnings per share			
Basic and diluted	*9*	**RMB0.30**	RMB0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

		At 31 December	
		2014	2013
	Note	***RMB million***	*RMB million*
Non-current assets			
Fixed assets:			
– Investment properties		**3,529**	2,642
– Other property, plant and equipment		**21,314**	19,318
– Land use rights		**5,219**	4,993
		30,062	26,953
Intangible assets		**34**	9
Goodwill		**99**	99
Interest in a joint venture		**2**	3
Unquoted available-for-sale equity security		**4**	–
Trade and other receivables	*12*	**494**	510
Deferred tax assets		**305**	213
		31,000	27,787
Current assets			
Inventories	*11*	**11,161**	11,268
Trade and other receivables	*12*	**3,902**	3,411
Investments and time deposits	*13*	**131**	1,173
Cash and cash equivalents	*14*	**6,249**	6,271
		21,443	22,123
Current liabilities			
Trade and other payables	*15*	**30,424**	29,611
Bank loans and overdrafts	*16*	**898**	391
Income tax payables		**512**	364
		31,834	30,366
Net current liabilities		**(10,391)**	(8,243)
Total assets less current liabilities		**20,609**	19,544

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

		At 31 December	
		2014	2013
	Note	***RMB million***	*RMB million*
Non-current liabilities			
Other financial liabilities		**50**	50
Deferred tax liabilities		**25**	113
		75	163
Net assets		**20,534**	19,381
Capital and reserves			
Share capital: nominal value		**–**	2,721
Other statutory capital reserves		**–**	7,299
Share capital and other statutory capital reserves		**10,020**	10,020
Other reserves		**9,653**	8,728
Total equity attributable to equity shareholders of the Company		**19,673**	18,748
Non-controlling interests		**861**	633
Total equity		**20,534**	19,381

NOTES:

1. STATEMENT OF COMPLIANCE

The Group's financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in a joint venture.

The financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest million (unless otherwise stated). RMB is also the functional currency of the Company and the Company's operating subsidiaries, as the Group's hypermarkets are all located in the People's Republic of China ("**PRC**").

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets that are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's financial statements as the Group has no impaired non-financial assets.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's financial report as the Group has no derivatives.

HK (IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's financial statements as the guidance is consistent with the group's existing accounting policies.

4. HYPERMARKETS OPERATED UNDER CONTRACTED STORE ARRANGEMENTS

The Group operates certain hypermarkets through contracted store arrangements ("**Contracted Stores**") 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. As the Group bears the risks and rewards of the store's operation, the revenue, operating expenses and results relating to the operation of the Contracted Stores are included in the Group's consolidated statement of profit or loss and other comprehensive income on a line-by-line basis and the net profit or loss relating to the operation of the stores attributable to the Group is recorded as an amount due from or to the Contracted Store Owner, as applicable. Sales of inventories by the Group to the Contracted Stores are eliminated and the Contracted Stores' inventories as of the reporting period end are incorporated in the Group's consolidated statement of financial position. Prepaid cards bought by customers which may be used to purchase goods in other stores of the Group are recorded as "advance receipts from customers" within "trade and other payables" in the Group's consolidated statement of financial position, and a corresponding receivable from the Contracted Store is recognised.

5. TURNOVER AND SEGMENT REPORTING

The principal activity of the Group is the operation of hypermarkets in the PRC.

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:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Sales of goods	**89,136**	83,958
Rental income	**2,719**	2,237
	91,855	86,195

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

6. OTHER REVENUE

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Service income	**121**	98
Disposal of packaging materials	**93**	79
Interest income	**306**	334
Government grants	**149**	119
Compensation received in respect of lease contracts dispute	**–**	18
	669	648

Government grants represent subsidies received from local authorities.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**9**	7
– wholly repayable after five years	**6**	6
	15	13

(b) Staff costs

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Salaries, wages and other benefits	**6,183**	5,285
Contributions to defined contribution retirement plans	**725**	605
Contributions to Employee Trust Benefit Schemes *(i)*	**396**	350
Share-based payments	**8**	16
	7,312	6,256

(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

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Cost of inventories	**70,677**	67,438
Depreciation		
– assets leased out under operating leases		
– investment properties	**168**	155
– other property, plant and equipment	**265**	225
– assets held for own use	**2,011**	1,706
	2,444	2,086
Amortisation		
– land use rights	**156**	132
– intangible assets	**6**	3
	162	135
Operating lease charges		
(i) contingent rents		
– assets leased for own use	**506**	471
– assets sublet to others	**161**	131
(ii) minimum lease payments		
– assets leased for own use	**1,443**	1,223
– assets sublet to others	**206**	194
(iii) fees to Contracted Store Owners	**24**	26
Total	**2,340**	2,045
Loss on disposal of property, plant and equipment	**36**	12
Net foreign exchange loss/(gain)	**25**	(4)
Auditors' remuneration		
– audit services	**30**	28
– non-audit services	**–**	1
Donations	**16**	40
Rental income from investment properties		
– gross (including property management fee)	**(1,037)**	(860)
– direct operating expenses	**68**	52
Net rental income from investment properties	**(969)**	(808)

8. INCOME TAX

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

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the year	**3**	5
Current tax – PRC Income Tax		
Provision for the year	**1,342**	1,131
Under-provision in respect of prior years	**11**	12
	1,356	1,148
Deferred tax		
(Reversal)/provision of temporary differences	**(180)**	44
	1,176	1,192

(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 (2013: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) All PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2014 (2013: 25%) under the Enterprise Income Tax law ("**EIT law**") which was enacted on 16 March 2007.

(iii) 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 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 31 December 2014, deferred tax liabilities of RMB15 million (2013: RMB102 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 31 December 2014 were calculated at the withholding tax rate of 5% (2013: 5%).

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Profit before taxation	**4,218**	4,134
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**1,055**	1,034
Non-deductible expenses, less non-assessable income	**(19)**	10
PRC dividend withholding tax	**59**	49
Current year losses for which no deferred tax asset was recognised	**115**	113
Temporary difference for which no deferred tax was recognised	**29**	11
Utilisation of previously unrecognised tax losses	**(74)**	(37)
Under-provision in respect of prior years	**11**	12
Actual tax expenses	**1,176**	1,192

(c) Income tax payables in the consolidated statement of financial position represent:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Balance at beginning of the year	**364**	369
Under-provision in respect of prior years	**11**	12
Provision for current income tax for the year	**1,345**	1,136
Payment during the year	**(1,208)**	(1,153)
Income tax payables at the end of the year	**512**	364

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,908 million (2013: RMB2,775 million) and the weighted average of 9,539,704,700 ordinary shares (2013: 9,539,704,700) in issue during the year:

Weighted average number of ordinary shares

	Year ended 31 December	
	2014	2013
Issued ordinary shares at 1 January and 31 December	**9,539,704,700**	9,539,704,700

There were no dilutive potential ordinary shares throughout the years and therefore diluted earnings per share is equivalent to basic earnings per share.

10. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2014	2013
	RMB million	*RMB million*
Final dividend proposed after the end of the reporting period of HKD0.16 (equivalent to RMB0.13) per ordinary share (2013: HKD0.28 (equivalent to RMB0.22) per ordinary share)	**1,234**	2,107
	1,234	2,107

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial years approved during the year:

A final dividend of HKD0.28 (equivalent to RMB0.22) per ordinary share in respect of the year ended 31 December 2013 was approved on 14 May 2014, and the payment was made on 9 June 2014 for an amount equivalent to RMB2,124 million.

11. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Trading merchandise	**11,161**	11,268

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Carrying amount of inventories sold	**70,620**	67,428
Write down of inventories	**57**	10
	70,677	67,438

All inventories are expected to be sold within one year.

12. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Non-current		
Rental prepayments	**494**	510
Current		
Trade receivables	**159**	174
Amounts due from Contracted Stores	**60**	67
Amounts due from Contracted Store Owners	**55**	55
Other debtors	**718**	621
Value-added tax receivables	**563**	547
Prepayments:		
– rentals	**1,311**	1,045
– fixed assets and intangible assets	**1,036**	902
Sub-total current	**3,902**	3,411
Trade and other receivables	**4,396**	3,921

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. The aging of receivables is determined based on invoice date.

The amounts due from Contracted Stores as at 31 December 2014 include the 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, offset by advance payments made by Contracted Stores in respect of purchase of goods.

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. These amounts are repayable on demand.

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.

13. INVESTMENTS AND TIME DEPOSITS

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Loans and receivables	**30**	1,029
Time deposits	**101**	144
	131	1,173

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

14. CASH AND CASH EQUIVALENTS

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Deposits with banks within 3 months of maturity	**323**	99
Cash at bank and on hand	**3,202**	4,349
Other financial assets	**2,724**	1,823
Cash and cash equivalents in the consolidated statement of financial position	**6,249**	6,271

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

15. TRADE AND OTHER PAYABLES

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Current		
Trade payables	**16,192**	15,951
Advance receipts from customers	**7,774**	8,080
Amounts due to related parties	**124**	82
Construction costs payable	**2,776**	2,363
Dividends payable to non-controlling interests	**75**	153
Accruals and other payables	**3,483**	2,982
Trade and other payables	**30,424**	29,611

An ageing analysis of trade payables is as follows:

	At 31 December	
	2014	2013
	RMB million	RMB million
Due within 6 months	**16,003**	15,816
Due after 6 months but within 12 months	**189**	135
	16,192	15,951

16. BANK LOANS AND OVERDRAFTS

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Secured bank overdrafts	**499**	–
Unsecured bank loans repayable within 1 year	**399**	391
	898	391

As at 31 December 2014, the Group had bank overdrafts facilities with interest free amounted to RMB500 million (2013: nil), which were secured by investments in short-term financial products with the same amount (2013: nil).

Bank loans were unsecured and carried interest at 1.55% per annum as at 31 December 2014 (2013: 1.55% to 1.70%).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Our turnover is derived from the sales of goods and rental income. Turnover from the sales of goods is primarily derived from our hypermarkets and our E-business website where merchandise, mainly food, groceries, home appliances, textile and general goods are for sale. Turnover from the 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 the sales of goods and rental income for the years indicated:

	Year ended 31 December		
	2014	2013	**Change**
	(RMB million)		
Sales of goods	**89,136**	83,958	6.2%
Rental income	**2,719**	2,237	21.5%
Total turnover	**91,855**	86,195	6.6%

For the year ended 31 December 2014, our turnover from the sales of goods was RMB89,136 million, an increase of RMB5,178 million, or 6.2%, from RMB83,958 million for the year ended 31 December 2013. The increase was primarily attributable to the continuous business expansion of the Group with the opening of new stores(1).

For the year ended 31 December 2014, the Group continued to expand in various areas of the PRC and opened 49 stores, which contributed to the increase in sales of goods.

For the year ended 31 December 2014, the same store sales growth (the "**SSSG**")(2) was -1.6%, versus 2.0% for the year ended 31 December 2013. The decrease in SSSG was mainly due to the slower growth of the overall consumer market, the more diversified consuming channel available to customers, and the lack of a new stimulus for spending, particularly after the expiration of government subsidies granted to energy-saving home appliances in June 2013.

For the year ended 31 December 2014, our turnover from rental income was RMB2,719 million, an increase of RMB482 million, or 21.5%, from RMB2,237 million for the year ended 31 December 2013. 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.

Notes:

(1) New stores: Stores opened during the year ended 31 December 2014.

(2) Same store sales growth: It is calculated by comparing the sales derived in the stores, which were opened over 12 full months as of 31 December 2014, from their opening month to the end of year 2013 with the same period in year 2014.

Gross Profit

For the year ended 31 December 2014, our gross profit was RMB20,998 million, an increase of RMB2,385 million, or 12.8%, from RMB18,613 million for the year ended 31 December 2013. Our gross profit margin for the year ended 31 December 2014 was 22.9%, an increase of 1.3 percentage points from 21.6% for the year ended 31 December 2013. The increase in our gross profit margin was as a result of a greater increase in turnover of 6.6% as compared to the increase in cost of sales of 4.8%, reflecting: (i) better management on product category mix to bring a higher profit margin and (ii) economies of scale due to our continuously expanding business operations.

Other Revenue

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

For the year ended 31 December 2014, other revenue was RMB669 million, an increase of RMB21 million, or 3.2%, from RMB648 million for year ended 31 December 2013. This increase was primarily attributable to an increase in service income of RMB23 million. Service income was mainly generated from car-parking service, the temporary leasing of space for various promotional activities etc. The increase in service income was in accordance with the expanding business scale of the Group.

Store Operating Costs

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

For the year ended 31 December 2014, the store operating costs were RMB15,097 million, an increase of RMB1,949 million, or 14.8%, from RMB13,148 million for the year ended 31 December 2013.

This increase was primarily attributable to the increase in the number of stores in accordance with the ongoing expansion of our hypermarket network. The expansion of the 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 our stores.

The amount of store operating costs for the year ended 31 December 2014 represented 16.4% of turnover, an increase of 1.1 percentage points, from 15.3% for the year ended 31 December 2013. The increase was as a result of a greater increase in store operating costs of 14.8% as compared to the increase in turnover of 6.6%.

Administrative Expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, amortization and depreciation of land use rights, property, plant and equipment and other expenses for our administrative departments. For the year ended 31 December 2014, our administrative expenses were RMB2,337 million, an increase of RMB371 million, or 18.9%, from RMB1,966 million for the year ended 31 December 2013. 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 ratio of administrative expenses for the year ended 31 December 2014 represented 2.5% of turnover, an increase of 0.2 percentage point, from 2.3% for the year ended 31 December 2013. The increase was as a result of a greater increase in administrative expenses of 18.9% as compared to the increase in turnover of 6.6%.

Profit from Operations

For the year ended 31 December 2014, our profit from operations was RMB4,233 million, an increase of RMB86 million, or 2.1%, from RMB4,147 million for the year ended 31 December 2013. Our operating margin was 4.6%, a decrease of 0.2 percentage point from 4.8% for the year ended 31 December 2013. Despite the slow-down in the overall consumer market growth, the Group continued the expansion of hypermarkets complexes into new areas, together with the development of E-business. These activities resulted in a greater increase in expenses of 15.4% than the increase in gross profit of 12.8%, which led to a decrease in the operating margin.

Finance Costs

Finance costs primarily consist of interest expenses on borrowings. For the year ended 31 December 2014, our finance costs were RMB15 million, which remained stable from RMB13 million for the year ended 31 December 2013.

Income Tax

For the year ended 31 December 2014, our income tax expenses were RMB1,176 million, a decrease of RMB16 million, or 1.3%, from RMB1,192 million for the year ended 31 December 2013. Our effective income tax rate was 27.9% for the year ended 31 December 2014 compared to 28.8% for the year ended 31 December 2013. The decrease in effective tax rate was attributable to the utilisation of previously unrecognised tax losses generated by certain legal entities, which were established in prior years, since those legal entities started to generate profits to cover these accumulated losses.

Profit for the Year

For the year ended 31 December 2014, our profit for the year was RMB3,042 million, with an increase of RMB100 million, or 3.4%, from RMB2,942 million for the year ended 31 December 2013. Our net profit margin was 3.3% for the year ended 31 December 2014, decreasing by 0.1 percentage point from 3.4% for the year ended 31 December 2013. The decrease was primarily attributable to the decrease in operating margin by 0.2 percentage point partially offset by the lower effective income tax rate for the year ended 31 December 2014. The increase of profit for the year 2014 over the year 2013 would be around 8.9%, if we excluded the losses incurred by www.feiniu.com.

Profit Attributable to Equity Shareholders of the Company

For the year ended 31 December 2014, our profit attributable to equity shareholders of the Company was RMB2,908 million, an increase of RMB133 million, or 4.8%, from RMB2,775 million for the year ended 31 December 2013.

Profit Attributable to Non-Controlling Interests

For the year ended 31 December 2014, our profit attributable to non-controlling interest was RMB134 million, a decrease of RMB33 million, or 19.8%, from RMB167 million for the year ended 31 December 2013. 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 four of the subsidiaries, People's RT-Mart Limited Jinan, Feiniu E-commerce (Shanghai) Co., Ltd, Feiniu E-commerce Hong Kong Limited and Ruenguo Information Technology (Shanghai) Co., Ltd.

Liquidity and Financial Resources

For the year ended 31 December 2014, cash flow generated from operating activities was RMB5,622 million, a decrease of RMB1,372 million, or 19.6%, from RMB6,994 million for the year ended 31 December 2013. This decrease was mainly attributable to: (i) a decrease in cash generated from the prepaid card business which became less dynamic; and (ii) the impact of the calendar difference of Chinese New Year.

As at 31 December 2014, our net current liabilities increased to RMB10,391 million from RMB8,243 million as at 31 December 2013. This increase, which reflected the impact from the expansion in business operation, was primarily attributed to: (i) an increase in trade and other payables of RMB813 million; (ii) an increase in bank loans and overdrafts of RMB507 million; and (iii) a decrease in current assets of RMB680 million, mainly from the decrease in investments and time deposits of RMB1,042 million, and partially offset by an increase in trade and other receivables of RMB491 million.

For the year ended 31 December 2014, the inventory turnover days and trade payable turnover days were 58 days and 83 days, respectively, and were 58 days and 82 days for the year ended 31 December 2013, respectively.

Investments and time deposits represented the 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 periods over three months from the date of issue.

Investing Activities

For the year ended 31 December 2014, cash flow used in investing activities was RMB4,156 million, a decrease of RMB1,452 million, or 25.9%, from RMB5,608 million for the year ended 31 December 2013.

The cash flow used in investing activities mainly reflected: (i) net proceeds from investments and time deposits of RMB1,042 million; and (ii) the capital expenditure related to: (a) new stores and projects of RMB3,666 million; (b) the upgrading and remodeling of our existing hypermarkets of RMB1,799 million; and (c) the upgrading of the distribution centers of RMB285 million.

Financing Activities

For the year ended 31 December 2014, cash flow used in financing activities was RMB1,982 million, an increase of RMB1,119 million, or 129.7%, from RMB863 million for the year ended 31 December 2013, mainly attributable to: (i) an increase in dividend distribution of RMB1,363 million; and (ii) partially offset by an increase in the capital injection from non-controlling shareholders of RMB194 million.

Dividends

The Board approved a final dividend of HK$0.16 (equivalent to RMB0.13) per ordinary share (the "**Final Dividend**") for the year ended 31 December 2014, amounting to approximately HK$1,526 million (equivalent to RMB1,234 million).

The payment of the Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting ("**AGM**"). For details of the Final Dividend, please refer to the section headed "Final Dividend" in this announcement on page 29.

BUSINESS REVIEW

Operating Environment

During 2014, China's gross domestic product ("**GDP**") grew by 7.4% to approximately RMB63,646 billion. Inflation was subdued, with the consumer price index ("**CPI**") increasing by 2%. The urbanization rate increased 1.04 percentage points reaching 54.77%. Per capita disposable income was RMB20,167, a nominal growth of 10.1% and a growth of 8% in real terms after inflation.

During 2014, total retail sales of consumer goods in China reached RMB26,239 billion, a nominal growth of 12.0% and a growth of 10.9% in real terms year-on-year. National online retail sales for the whole year amounted to RMB2,789.8 billion, a growth of 49.7% over last year, as e-commerce became a new driver of consumption growth.

2014 was the beginning of China big economic reform and adjustment, the policy of control of "public spending" has affected sales of high-end alcohol, restaurants and prepaid card sales of many enterprises. Besides, the cancellation of preferential tax policies might have affected some enterprises' related income, even though, overall these policies should have helped improve consumption and adjust economy structure. From a macro environment development standpoint, economic growth, urbanization trends together with household's income growth should continue to trigger consumption demand.

Expansion of Retail Network

In 2014, the Group continued to open new stores at a steady pace. During the year, we opened 49 new hypermarket complexes, of which 9 were under the Auchan banner and 40 were under the RT-Mart banner. Of the new stores, 12 were located in Eastern China, 2 in Northern China, 11 in Central China, 7 in North-Eastern China, 16 in Southern China and 1 in Western China. Please refer to note 1 for the definitions of regional zones.

As of 31 December 2014, of the Group's stores, approximately 9% were located in first-tier cities, 17% in second-tier cities, 46% in third-tier cities, 21% in fourth-tier cities and 7% in fifth-tier cities. Please refer to note 2 for the definitions of tiers.

During the year, the Group continued to proactively and prudently seek for potential opportunities to open new stores. As of 31 December 2014, through execution of lease contracts or acquisition of land parcels, the Group had identified and secured 162 sites to open hypermarket complexes, of which 116 were under construction, ensuring sufficient land reserves for the Group's expansion in the next three years and laying a solid ground for the Group's development in the medium term. Of the contracted sites, 3% were located in first-tier cities, 18% in second-tier cities, 48% in third-tier cities, 24% in fourth-tier cities and 7% in fifth-tier cities.

As of 31 December 2014, the Group had a total of 372 hypermarket complexes across the country, with a total gross floor area ("**GFA**") of approximately 10,277,525 square meters, of which approximately 67% were operated in leased spaces and 33% were in self-owned properties. Details of the number of such stores and their GFA in each major region of China are set forth below:

Region	**Number of hypermarket complexes (As of 31 December 2014)**			**Total GFA of hypermarket complexes (sq.m.) (As of 31 December 2014)**		
	Auchan	**RT-Mart**	**Total**	**Auchan**	**RT-Mart**	**Total**
Eastern China	43	110	153	1,834,683	2,724,740	4,559,423
Northern China	7	35	42	216,811	843,714	1,060,525
Northeastern 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
Total	**68**	**304**	**372**	**2,641,038**	**7,636,487**	**10,277,525**

(1) The Group adopts the following regional zoning according to the national regional economic planning guidelines:

Eastern China:	Shanghai City, Zhejiang Province, Jiangsu Province
Northern China:	Beijing City, Tianjin City, Shandong Province, Hebei Province, Shanxi Province, Inner Mongolia Autonomous Region (West)
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 City, Qinghai Province

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

First-tier cities:	Municipalities under the direct jurisdiction of the central government and Guangzhou city
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

The group continued to improve or enlarge the shopping centers, thus providing better shopping experience, or increasing the number of gallery tenants. For instance, "Egg House" and "Children's Amusement Park" have added more elements to attract customers and stimulate consumption.

The Ningbo "Sun Art Plaza" shopping center owned and operated by the Group was completed and opened during the year. Similar to the Auchan Suzhou shopping center, the total GFA of Sun Art Plaza, being 170,000 sq.m., is higher than the average store of the Group. Currently, more tenants have joined the gallery. Our galleries compliment our well-run hypermarkets by offering food, fashion and family area. This attracts increased customer footfall, leading to higher rents for gallery space.

In our shopping centers, the basic traffic flow of the hypermarket has increased the attraction of the Group's stores to branded tenants. Sound combination of the hypermarket and gallery tenants builds differentiation for the stores of the Group and enhances growth.

During the year under review, the Group continued to push energy saving renovation of its stores, for example, installing LED light sources and renovating the automatic control of old air-conditioners and lighting. 11 stores of the Group were awarded as "Model stores for energy conservation" by China Chain Store & Franchise Association.

Optimization of Procurement and Merchandise Mix

During the year under review, the Group continued to improve its merchandise mix to increase its competitiveness. The Group kept an eye on top e-commerce selling items and duly introduced them in stores and tracked their sales. In respect of direct procurement of fresh products, apart from increasing the direct sourcing from production areas of items such as fruit, the Group also further boosted the direct procurement of green vegetables from local markets. The Group launched more self-produced products catering to the new needs of customers, such as Sushi Bars, to meet customers' new expectations of "light diet", thereby bringing a new source of sales growth.

The Group consolidated supplier resources and tried the model of store-in-stores, for example the Daphne shoe store, displaying merchandise in brand cells to enhance the overall store image and increase the merchandise mix. The Group also increased the frequency of market surveys on products prices, improved the mechanism of market survey for e-commerce and provided lowest price guarantees for some items. The Group continued to enrich promotion activities such as holding "wine festivals", in which we invited customers to participate in wine-tasting to share wine knowledge and we introduced the directly procured wines to customers in a better way. Those activities brought good sales growth.

In 2014, the Group continued to achieve progress in common negotiation by our two banners, Auchan and RT-Mart. 43.8% of our buying turnover were negotiated through common negotiation. At the same time, the Group boosted one-off spot common procurement in large volumes to reduce purchase prices, and these commonly procured merchandise had good results when on promotion.

In addition, during the year, 33 items exclusive to the two banners were developed by suppliers. Exclusive merchandise is the merchandise with new specifications or merchandise mix developed based on customer demand and is only sold within the Group's stores and it provides better choices and lower prices to the customers.

During the year under review, the Group strengthened development of own brands. The food series developed jointly with the Disney brand were favored by customers once launched due to the new layout, with better than expected sales results. Meanwhile, our own brand team developed entire ranges of Store Keep Units ("**SKUs**") under different brand names: mainly Auchan and RT-Mart in food but also EKOLIA in appliances and Cosmia in skincare. These brands have a clear position as well as a price advantage and superior quality.

Development of E-commerce Business

www.feiniu.com was officially launched in 2014. www.feiniu.com endeavored to improve customer shopping experience through continuously developing and improving webpage functions and optimizing the shopping process, enhancing professionalism of customer services, and integrating its own logistics with third party logistics providers to improve distribution efficiency and quality. Mobile Apps were launched to offer a variety of shopping channels. Leveraging on the Group's strong procurement scale, www.feiniu.com continued to increase its products range. As at the end of the year, there were 145,658 items on www.feiniu.com. In order to increase recognition and number of members, www.feiniu.com launched various promotional activities, such as subway advertising. As at the end of the year, www.feiniu.com had 1,395,010 registered members, of which 407,607 were active members.

In light of the Group's extensive network of stores, www.feiniu.com explored online to offline ("**O2O**") opportunities. www.feiniu.com started the delivery of fresh products in Shanghai from the Zhabei store. It took advantage of the Group's well-established procurement channels to buy vegetables from direct procurement bases and to import fruits directly from overseas in large quantities. The fresh warehouse is located in one store, so that we can ensure the freshness of the products being delivered thanks to the high inventory turnover of the fresh products in store.

Optimization of Supply Chain Management

In June 2014, Auchan launched a Customer Relationship Management ("**CRM**") mobile application and established a membership system. Through such membership system, the Group can carry out analysis of the consumption patterns of members and promote tailored customer services, electronic stamps and coupons so as to achieve precise marketing. RT-Mart also further pushed the membership system development. In respect of new stores, the Group continued to conduct customer visits prior to the openings of the stores. In respect of old stores, the Group commenced recruiting new members through the expansion of targeted trading catchment areas, the optimization of shuttle bus routes and the enhancement of Direct Mail ("**DM**") efficiency. As at 31 December 2014, RT-Mart had 21,392,639 customer members in total.

During the year, the Group further strengthened control on merchandise quality through automatic inspection of shelf life of merchandise through the cashier system for its Auchan banner. At the same time, the Group boosted its merchandise traceability system. Currently, traceability of pork, beef and mutton has been achieved in stores nationwide and traceability of more merchandise varieties has been achieved in certain areas.

Auchan continued to integrate more suppliers into its distribution center for the Eastern China region, including those of Fast Moving Customer Goods ("**FMCG**") and Dried Vegetables and Fruits ("**DVF**"). During the year, the Auchan Shenyang store initiated procurement and deliveries of FMCG through the Northeastern China distribution center of RT-Mart, which started to lower the out-of-stock rate and enriched the merchandise mix.

The Central China distribution center of the RT-Mart banner, which is located in Chibi, Hubei commenced operations in October 2014. Currently, the distribution center is mainly responsible for serving over 30 stores in provinces such as Shaanxi, Gansu and Ningxia etc. The RT-Mart banner also started preparing regional distribution centers: the Eastern China regional distribution center in Nanjing to serve Anhui, Nanjing and north of Jiangsu provinces, and the Southern China regional distribution center in Xiamen to serve Fujian and east of Guangdong provinces. Both regional distribution centers will commence operations in 2015.

Optimization of Human Resources Management

As at 31 December 2014, the Group had 144,530 employees, including the employees of www.feiniu.com. The average number of staff per store decreased 5% by proactively promoting efficiency enhancement, process optimization and flexible scheduling.

During the year under review, the Group boosted staff training and continued to adopt innovative training approaches, such as developing management skills of staff through "seminars" and designing training courses by the integration of new concepts in e-commerce and O2O. This enables middle level management to be better in dealing with competition. Meanwhile, the Group attached importance to improving the professionalism of its staff at each level. The Auchan banner established new training for entry level staff, laying an upward channel for their career development within the Group.

The two banners of the Group are dedicated to creating a harmonious corporate environment and pay attention to the feedback from staff. During the year, Auchan conducted a staff engagement survey and formulated action plans based on the survey results to improve the incentive systems. The RT-Mart banner was awarded the "Shanghai Model Employee's Home" by Shanghai Labor and Social Security Bureau. The Auchan banner has been awarded the 100 Best HRM Companies by zhaopin.com for four consecutive years.

Corporate Social Responsibility

Being a retailer close to consumers, the Group's stores actively participated in social and charity activities in their communities, striving to become good neighbors. The Group has been a member of the "Earth Hour" activity for five consecutive years. The Auchan banner has participated in the "Million Tree Project" charity activity organized by "Roots & Shoots Shanghai" for four consecutive years, with 9,000 trees in total planted and four Auchan charity forests established. The RT-Mart banner has participated in the "Shanxing 100" hosted by China Foundation for Poverty Alleviation activity for three consecutive years.

Outlook

Media reports issued following the China Central Economic Works Conference suggested that the Chinese government favored individual consumption choices. This increases the emphasis on product quality and innovation in supply channels. We expect the Chinese government to adopt policies which will boost consumers spending.

The Group will continue to maintain a stable pace in new store expansion by leveraging on the opportunities arising from urbanization and selecting the location of new stores in a more prudent manner to ensure their quality and profitability. At the same time, we will continue to optimize our processes, step-up our training efforts and improve our logistics and distribution and information technology systems to enhance the productivity of our staff and the effectiveness of our entire supply chain. We will continue to capture new consumption trends, improve our product mix, foster the development of our own brand merchandise, increase direct procurement and reduce procurement steps, and impose strict merchandise quality and safety control on all food products. We will put great efforts on developing our e-commerce business, enhancing the consumers shopping experience and becoming an omni channel retailer.

The Group's aim in the future is to continue to improve management capability, to provide a better working environment for its staff and to improve the quality of our merchandise and services for customers. This should bring higher returns to our shareholders in the long term.

OTHER INFORMATION

Corporate Governance

The Company is committed to maintaining high corporate governance standards to safeguard the interests of the shareholders and to enhance corporate value and accountability.

The Company has devised its own Corporate Governance and Compliance Manual which incorporates all the principles and practices as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

The Company reviews regularly its organizational structure to ensure operations are in line with the good corporate governance practices as set out in the CG Code and aligned with the latest developments.

In the opinion of the Board, the Company has complied with all the principles as set out in the CG Code for the year ended 31 December 2014, save and except for code provision C.3.7 (a).

Code provision C.3.7 (a) provides that under the terms of reference of the Audit Committee, the Audit Committee should review arrangements that can be used by the employees in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should 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 audit department via either a telephone line or a mailbox. In addition, they have direct access by email to the executive Directors and the senior management. The Directors regularly receive and review monthly financial reports. The Directors, 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 audit department, the Audit Committee and the Board will discuss the proper actions to deal with any issue reported by any employee about improprieties in financial reporting, internal control and other matters.

Further information of the corporate governance practice of the Company will be set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 2014.

Audit Committee

The Company established an audit committee ("**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 the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the consolidated results of the Group for the year ended 31 December 2014.

Nomination Committee

The Company established a nomination committee ("**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 ("**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 review and make recommendations to the Board on our Company's policy and structure for all remuneration of the 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.

Securities Transactions by Directors

The Company has adopted its own policies for securities transactions (the "**Company Code**") by the 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.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2014.

Purchase, Sale and Repurchase of The Company's Listed Securities

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Annual General Meeting ("AGM")

The 2015 AGM will be held on 14 May 2015 (Thursday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Final Dividend

At the Board meeting held on 27 February 2015 (Friday), the Directors proposed that a Final Dividend of HK$0.16 (equivalent to RMB0.13) per ordinary share for the year ended 31 December 2014, amounting to approximately HK$1,526 million (equivalent to RMB1,234 million) be paid on or about 15 July 2015 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 21 May 2015 (Thursday). The proposed Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on 14 May 2015 (Thursday).

Closure of Register of Members and Record Date

(a) For determining the entitlement to attend and vote at the 2015 AGM

The Company's register of members will be closed from 12 May 2015 (Tuesday) to 14 May 2015 (Thursday), both dates inclusive, during which period no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11 May 2015 (Monday).

(b) For determining the entitlement to the proposed Final Dividend

The proposed Final Dividend is subject to the approval of the shareholders at the 2015 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 21 May 2015 (Thursday). Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21 May 2015 (Thursday).

Publication of 2014 Final Results and Annual Report of the Company

The final results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sunartretail.com). The annual report of the Company for the year ended 31 December 2014 will be dispatched to the shareholders of the Company and make available for review on the aforesaid websites in due course.

By order of the Board
Sun Art Retail Group Limited
CHENG Chuan-Tai
Chairman

For the purpose of this announcement, the exchange rate of HK$1 = RMB0.8083 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

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

Executive Directors:
Bruno, Robert MERCIER *(Chief Executive Officer)*
HUANG Ming-Tuan

Non-executive Directors:
CHENG Chuan-Tai *(Chairman)*
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

Hong Kong, 27 February 2015