SUN ART
Retail Group Limited

Sun Art Retail Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 6808

Interim Report 2011

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Bruno Robert Mercier *(Chief Executive Officer)*
Huang Ming-Tuan

Non-Executive Directors

Cheng Chuan-Tai *(Chairman)*
Christophe Maurice Paule Marie Joseph Dubrulle
Philippe David Baroukh
Xavier Marie Alain Delom de Mezerac

Independent Non-Executive Directors

Karen Yifen Chang
He Yi
Desmond Murray

AUDIT COMMITTEE

Desmond Murray *(Chairman)*
Cheng Chuan-Tai
Xavier Marie Alain Delom De Mezerac
Karen Yifen Chang
He Yi

REMUNERATION COMMITTEE

Cheng Chuan-Tai *(Chairman)*
Philippe David Baroukh
Karen Yifen Chang
He Yi
Desmond Murray

NOMINATION COMMITTEE

Philippe David Baroukh *(Chairman)*
Cheng Chuan-Tai
Karen Yifen Chang
He Yi
Desmond Murray

COMPANY SECRETARY

Ho Siu Pik, FCIS, FCS (PE)

AUTHORISED REPRESENTATIVES

Bruno Robert Mercier
Ho Siu Pik

REGISTERED OFFICE IN HONG KONG

Level 28, Three Pacific Place
1 Queen's Road East, Hong Kong

PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

6th Floor, No. 165 Long Kou Road
Yangpu District, 200090, Shanghai, China

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

Société Générale
Level 38, Three Pacific Place
1 Queen's Road East
Admiralty
Hong Kong

Mega International Commercial Bank
2nd Floor, No.123, Section 2
East Chongxiao Road
Taipei
Taiwan

ICBC Yangpu Branch
No. 1698, Kongjiang Road
Yangpu District, 200093
Shanghai
China

COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

HIGHLIGHTS OF INTERIM RESULTS

	For the six months ended 30 June		
	2011	2010	**Change**
	RMB million	*RMB million*	
	Unaudited		
Turnover	**34,459**	27,760	24.1%
Gross profit	**6,844**	5,274	29.8%
Profit from operations	**1,658**	1,340	23.7%
Profit for the period	**1,118**	856	30.6%
Profit attributable to			
Equity shareholders of the Company(1)	**784**	554	41.5%
Earnings per share			
– Basic and diluted(2)	**RMB0.13**	RMB0.10	30.0%

Notes:

(1) Following the completion of the reorganisation on 13 May 2011, Sun Art Retail Group Limited (the "Company") has acquired the non-controlling interests in Auchan (China) Hong Kong Limited ("ACHK") & Concord Champion International Limited ("CCIL"), which became wholly owned subsidiaries of the Company.

(2) The calculation of earnings per share is based on the weighted average number of shares in issue during the period, after adjusting for the share subdivision on 27 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OPERATING ENVIRONMENT

In the first half of 2011, China's GDP recorded a 9.6% year-on-year growth, and total retail sales of consumer goods amounted to RMB8,583.3 billion, representing a year-on-year growth of 16.8%. During the first half of the year, the Consumer Price Index (CPI) increased by 5.4% over the same period of the previous year. In the first half of the year, the per capita disposable income of China's urban residents reached RMB11,041 per annum, representing an increase of 7.6% in real terms if eliminating the price factor. Having run through a rapid growth period as the economy recovered after the financial crisis, China's economy entered into a transition period. The growth momentum remained strong, though the overall growth rate have slowed down. The contribution share of final consumption to GDP was 47.5%, representing a significant increase as compared with the same period of 2010, and evidencing that demand, as a driving force to endogenous economic growth, remained stable.

2011 is the first year of the 12th Five-year Plan period. As envisaged in the 12th Five-year Plan, China's urbanization rate will reach 51.5%, the average income of residents will rise more than 7% annually and the average nominal growth rate for the total retail sales of consumer goods will rise 15% annually. In view of the impact of raising the minimum wage and the minimum threshold for personal income tax which has been implemented during the year, these measures will increase residents' income across the nation and create favourable conditions for the development of the consumer market in China. In the medium to long run, higher wages, region revitalization measures and other incentive policies will probably further boost the potential growth of residents' spending and the consumer market.

EXPANSION OF RETAIL NETWORK

In the first half of 2011, the Company, together with its subsidiaries (the "Group"), opened 14 hypermarket complexes under "RT-Mart" banner, of which 5 were located in Eastern China, 5 in Northern China, 2 in North-Eastern China, 1 in Central China and 1 in Southern China. Of the 14 new hypermarket complexes, 5 were operated in self-owned properties and 9 were operated in leased properties.

During the period under review, the Group expanded its retail network to cover more cities, including first-tier cities, second-tier cities, third-tier cities and fourth-tier cities. Of the 14 new hypermarket complexes classified by city level, 1 was located in the first-tier city (Shanghai municipality), 2 in second-tier cities (provincial capitals), and 8 in the third-tier cities (prefecture-level cities) and 3 in fourth-tier cities (county level cities). The expansion of the retail network into second-tier cities and below was in accordance with the process of China's urbanization, which allowed the Group to make good use of the growth potential of cities in different regions of China.

Among the newly-opened hypermarket complexes during the period, 10 were located in new markets, such as Changchun City in Jilin Province, Taian City in Shandong Province and Jinjiang City in Fujian Province. While constantly developing new markets, the Group also opened new stores in its established markets, such as Shanghai City and Wuhu City, to further deepen its market penetration.

As of 30 June 2011, the Group had a total of 198 hypermarket complexes in China, covering 21 provinces, autonomous regions and municipalities. The number of such stores in the major regions of China and their gross floor areas ("GFA") are as follows:

Region	Number of hypermarket complexes (As of 30 June 2011)		Total GFA of hypermarket Complexes (sq.m.) (As of 30 June 2011)	
	Auchan	RT-Mart	Auchan	RT-Mart
Eastern China	34	78	1,349,959	1,975,268
Northern China	4	25	124,990	593,385
North-Eastern China	–	19	–	554,060
Central China	3	10	117,940	277,299
Southern China	–	25	–	638,994
Total	41	157	1,592,889	4,039,006

STORE OPTIMIZATION

To constantly enhance our competitiveness and maintain our leading position in the market, the Group reviewed operation of our stores on an on-going basis. Store optimization involves improvement in building quality and layout design of stores.

During the period under review, the "RT-Mart" banner of the Group carried out renovation and improvement works on two stores, namely Yingkou Store in North-Eastern China and Chunshen Store in Shanghai, by expanding the store area and improving the access for shoppers to enhance the comfort and convenience of shopping. Our "Auchan" banner also completed the renovation of the Beijing Kexing Store and the expansion of the top-level parking spaces of the Chengdu Gaoxin Store during the period. As they are well received by customers, the renovated stores have been attracting increased number of customer and achieving a significant rise in transaction volume at the same time.

As part of our store optimization, the renovation and upgrading of our retail galleries are also essential. In order to better meet customers' needs and improve the overall positioning of our stores, the Group adjusted the tenant mix of the retail galleries of certain stores during the period by the introduction of new brands that are better tailored to consumer taste and maintain their attraction to customers, increase customer traffic and improve rental income.

MERCHANDISE OPTIMIZATION

In order to achieve the "customer-oriented" objective and meet the changing demands of customers, the Group continued to promote the optimization of merchandise, including adjustments of merchandise mix and price, stringent control over product quality and innovation of merchandising.

The Group aims to provide a comprehensive range of high quality merchandise at competitive prices to our customers. The Group constantly adjusts its merchandise mix based on different demands of different consumers in different seasons and different stores and regions so as to better meet consumer's demands. To ensure that our merchandise are sold at competitive prices, the Group regularly carries out surveys on the retail prices of similar merchandise offered by our competitors in areas close by and takes the findings as the basis for price adjustment. Meanwhile, the Group also regularly conducts research on merchandise items and their price range, which will provide helpful information to our buying office and hypermarkets.

Quality is essential to the products, and top priority shall be given to the safety of food in the quality control of products. Never has the Company spared any efforts in product quality and food safety control. We have not only carried out strict quality control measures and set up a product quality monitoring team, but also engaged an external third party to conduct quality test on a regular and random basis according to international standards. In recent years, the frequent disclosure of food safety incidents has aroused great concern among consumers and the national regulatory agencies. During the period under review, several stores of the Group were selected to be inspected by the Appraisal Team of the National Food Safety Rectification of the State Council and our efforts made in ensuring food safety were recognized during these inspections.

On the backdrop of intense competition in the hypermarket sector, product innovation (especially fresh food products) is essential to our success. The Group constantly innovates its self-prepared food, such as Taiwan sausage, fried dough sticks, red bean cake, etc., which have now become featured products.

The Group also established supply bases of fresh product and a connection between farms and hypermarkets in response to the government's call to satisfy consumer demands for fresh and seasonal products, which not only guaranteed the quality of fresh food products but also ensured competitive prices. During the period under review, the Group continued to set up regional direct procurement bases of fresh and live product in various areas to provide fresh and live products including fresh vegetables, fruits and aquatic products for our local stores. The Group assisted farmers by providing them with well-designed training in respect of the methods on harvesting, storage, packaging and transportation, which not only enhanced their expertise, but also enabled them to reduce losses.

SERVICE OPTIMIZATION

Quality service is key to the success of hypermarkets. To this end, the Group has devoted itself to the development of service which better cater to customers' preference and constantly improve the standard of service to achieve customers' satisfaction and build up their loyalty. During the period under review, as the "friendly service" action plan was implemented continuously in our stores, the concept of customer-oriented service has become rooted in our corporate culture.

The Group consistently puts emphasis on the collection of feedback from customers as well as listening to their complaints and suggestions. We actively conduct customer surveys by way of "questionnaires" and "roundtable conference" to understand customer demand and opinions, and regularly produce a customer satisfaction report as a basis for us to make qualitative and quantitative analysis so as to increase customer satisfaction.

Along with the expansion of new stores, the number of members under the Group's "RT-Mart" customer membership programme was on the rise and hit the mark of more than 15,060,000 members as at 30 June 2011. The Group directly mails promotional leaflets to its members and conducts a variety of promotional campaigns such as "discounted prices for selected merchandise for members" and "member redemption" so that our members can enjoy low-priced and hot-selling merchandise exclusively, through which customer loyalty is enhanced, which in turn boosts customer traffic and sales.

OPERATING EFFICIENCY AND SUPPLY CHAIN MANAGEMENT OPTIMIZATION

It is one of the Group's important strategic objectives to constantly improve its operating efficiency. This strategy has been a success based on the constant improvement of our business flow, information system and logistic system.

Business flow optimization

The Group regards standardization and simplification as two fundamental principles to the improvement in its efficiency. Our business flow is subject to constant adjustment, modification and optimization in response to the changing operating environment. In this respect, the Company has a specialized team to conduct regular reviews and implement adjustments to its business flow.

The Group has established strict quality control procedures at all of our hypermarkets and distribution centres. During the period under review, in response to food-safety incidents in the general marketplace, the Group proactively improved quality inspection procedures, constantly updated its inspection measures and strengthened quality track so as to assure food safety with a view to protecting customer rights.

Information system optimization

The information system, functioning as a strategic tool to respond rapidly to the changing market environment and customer preference, must be practical, effective and subject to constant upgrades. The Group has established an integrated information technology system covering sales, procurement and inventory management systems, in-store systems, financial management and other administrative systems which provide for real time exchange of accurate information. During the period under review, the Group promoted the integration of information systems and the structural upgrades to enhance its operational efficiency. In order to effectively achieve the objectives of energy conservation, the IT department has commenced its own research and development of energy conservation and control systems, and a number of "Auchan" stores have begun to use such systems.

Logistics system optimization

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

HUMAN RESOURCE MANAGEMENT OPTIMIZATION

As at 30 June 2011, the Group had 95,835 employees.

The pooling and training of talents are critical to the success of an enterprise during the course of its rapid growth. To support the continuous expansion of stores, the Group has systemized staff trainings at various levels of outlets, regional management offices and headquarters, with an aim to improve staff productivity and service quality. During the period under review, both the “Auchan” and “RT-Mart” banners of the Group achieved progress in the systematic training of new employees, improving staff’s professional knowledge, promotion, and building up the pool of potential management personnel. Against a backdrop of rising labour costs, the Group proactively sought ways to enhance the efficiency of its human resource management through improvement in workflow, staff competence and flexible work arrangement.

CONTRIBUTION TO THE SOCIETY AND SOCIAL RESPONSIBILITIES

During the period under review, the Company adhered to its operation motto of “being a good corporate citizen” by maintaining a high standard of morality and value. The Company carried out its business operation and performed its tax responsibilities with good faith, protected its staff’s rights in employment and social security, maintained good quality control on merchandise and protected consumers’ various interests, offered care to underprivileged minority groups, proactively participated in social welfare activities, made good use of resources, conducted energy conservation and emission reduction, and seriously implemented the environmental protection work. The Group has been taking steps to realize its goals of “being an environmental friendly enterprise with a high sense of social responsibilities”.

During the period under review, the “RT-Mart” banner of the Group together with a supplier co-sponsored a national event entitled “save a bucket of water – smart ideas invitation”. This event aimed to spread the concept on water conservation and to transfuse the smart ideas on how to conserve resources to the consumers in China through our campaign. It also appealed to all of its employees and customers to donate more than 10,000 used books to children studying at over 100 hope primary schools across the nation. The “Auchan” banner of the Group launched a series of social activities, including the planting of 2,000 poplars in Kulunqi, Inner Mongolia and arranging 50 disabled persons to attend their internship at “Auchan” stores and recruiting some of them on the basis of merit, during the period of global celebration for “50th Anniversary of Auchan”.

OUTLOOK

In the second half of 2011, uncertainties still linger in the macroeconomic environment. The government’s policies will focus on controlling inflation and adjusting the economic structure, but it is expected that the favorable environment, beneficial to the long-term development of the retail industry will not change.

In the second half of 2011, the Group will continue to proactively expand its retail network, open up new stores and develop potential presence. It will also seek to constantly improve the product mix and its pricing strategy. The Group will focus on further improving our operational efficiency, optimize the management of supply chains and provide staff with training and maintain good corporate culture in order to achieve good results and lay a solid foundation for sustainable development.

FINANCIAL REVIEW

TURNOVER

Our turnover is derived from sales of goods and rental income. Turnover from sales of goods, primarily derived at our hypermarkets, 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		
	2011	2010	**Change**
	(RMB million)	*(RMB million)*	
	Unaudited		
Sales of goods	**33,712**	27,173	24.1%
Rental income	**747**	587	27.3%
Total turnover	**34,459**	27,760	24.1%

For the six months ended 30 June 2011, our turnover from sales of goods was RMB33,712 million, an increase of RMB6,539 million, or 24.1%, from RMB27,173 million for the corresponding period in 2010. The increase was primarily attributable to comparable stores(1) sales growth and new stores(2) opened.

Turnover from sales of goods in comparable stores increased approximately 12.0%, which is ahead of inflation. This increase was mainly due to the better management of the store shopping environment and product mix to cater to customer preference.

Turnover from sales of goods in new stores also contributed to the rise in turnover. During the period from 1 January 2010 to 30 June 2011, we opened 42 new stores with 28 in 2010 and 14 in 2011, leading the increase in turnover from the sale of goods.

For the six months ended 30 June 2011, our turnover from rental income was RMB747 million, an increase of RMB160 million, or 27.3%, from RMB587 million for the corresponding period in 2010. 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.

Note: (1) Comparable Stores: Stores opened before 31 December 2009, with operation covering two full periods ended 30 June 2011 and 2010.

(2) New Stores: Stores opened during the period from 1 January 2010 to 30 June 2011.

GROSS PROFIT

For the six months ended 30 June 2011, our gross profit was RMB6,844 million, an increase of RMB1,570 million, or 29.8%, from RMB5,274 million for the corresponding period in 2010. Our gross profit margin increased to 19.9% for the six months ended 30 June 2011 from 19.0% for the corresponding period in 2010. The increase in our gross profit margin was a result of a greater increase in turnover of 24.1% as compared to the increase in cost of sales of 22.8%, reflecting (i) improvement in product category management bringing a higher profit margin and (ii) economies of scale due to our continuously expanded business operation.

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 depreciation and amortisation of Land Use Right, property, plant and equipment for our stores.

For the six months ended 30 June 2011, the store operating costs were RMB4,590 million, an increase of RMB1,137 million, or 32.9%, from RMB3,453 million for the corresponding period in 2010. This increase was primarily attributable to (i) an increase in personnel expenses, (ii) an increase in rental expenses and depreciation and amortisation of Land Use Right, property and equipment at our stores and (iii) the effect of the additional surcharges and taxes due to the Urban Maintenance and Construction Tax and Education Levy effective from 1 December 2010. The increase in personnel expenses was primarily due to an increase in staff to accommodate our new store openings and an increase in the wage level of the existing staff at our stores. The increase in rental expenses and depreciation and amortisation of Land Use Right, property, plant and equipment was attributable to the increase in the number of stores in accordance with the expansion of our hypermarket network.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of personnel expenses, travelling expenses, depreciation and amortisation of property, plant and equipment and other expenses for our administrative departments. For the six months ended 30 June 2011, our administrative expenses were RMB801 million, an increase of RMB176 million, or 28.2%, from RMB625 million for the corresponding period in 2010. The increase was primarily attributable to the rise in wages of our existing staff, and the increase in the number of administrative staff to provide supportive services for our expanded network of hypermarket complex also contributed to the increase in personnel expenses.

PROFIT FROM OPERATION

For the six months ended 30 June 2011, our profit from operations was RMB1,658 million, an increase of RMB318 million, or 23.7%, from RMB1,340 million for the corresponding period in 2010. Our operating margin kept stable at 4.8% as compared with the corresponding period in 2010, which demonstrated the ability of the Group to maintain the profitability in line with the expansion of business scale.

FINANCE COSTS

Finance costs primarily consist of interest expenses on borrowings. For the six months ended 30 June 2011, our finance costs were RMB42 million, a decrease of RMB5 million, or 10.6%, from RMB47 million for the corresponding period in 2010. This decrease was primarily attributed to a decrease in the overall effective interest rate on our borrowings due to a higher proportion of USD denominated loans, which have lower effective interest rates, compared to our RMB denominated loans.

INCOME TAX

For the six months ended 30 June 2011, our income tax expense was RMB498 million, an increase of RMB61 million, or 14.0%, from RMB437 million for the corresponding period in 2010. Our effective income tax rate was 30.8% for the six months ended 30 June 2011 compared to 33.8% for the corresponding period in 2010, since more new stores turned profitable and started the utilization of prior year unrecognized tax losses.

PROFIT FOR THE PERIOD

For the six months ended 30 June 2011, our profit for the period was RMB1,118 million, with an increase of RMB262 million, or 30.6%, from RMB856 million for the corresponding period in 2010. The increase was primarily attributable to the increase in turnover with stable operating margin and a decrease in finance costs and lower effective income tax rate for the period.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the six months ended 30 June 2011, our profit attributable to equity shareholders of the Company was RMB784 million, an increase of RMB230 million, or 41.5%, from RMB554 million for the corresponding period in 2010.

On 13 May 2011, the shareholders approved the Company to issue new shares as consideration for acquiring the previous non-controlling interests in ACHK and CCIL, such that the Company became the sole shareholder of ACHK, the holding company of Auchan Hypermarkets in China, and CCIL, the holding company of RT-Mart Hypermarkets in China.

CAPITAL EXPENDITURE

For the six months ended 30 June 2011, the Group incurred capital expenditure of RMB2,757 million, mainly in respect of the development of new stores and the remodeling of existing stores. The Group financed its capital expenditure through a combination of cash flow generated from operating activities and the bank facilities.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2011, cash flow generated from operating activities was RMB2,680 million, with an increase of RMB469 million, or 21.2%, from RMB2,211 million for the corresponding period in 2010.

As at 30 June 2011, our net current liabilities increased to RMB10,399 million from RMB8,493 million as of 31 December 2010. This increase was primarily attributed to: (i) a decrease in the current assets of RMB1,216 million, with the reduced stock level as at 30 June 2011, partially offset by the rise in the balance of cash and cash equivalents; (ii) an increase of bank loans and overdrafts of RMB1,855 million and, (iii) a decrease in trade payables of RMB1,990 million, partially offset by an increase in advance receipt from customers for deposits on prepaid cards and an increase in the dividend payable regarding the special dividend before the IPO.

For the six months ended 30 June 2011, the inventory turnover days and trade payable turnover days were 40 days and 72 days, respectively, and were approximately 35 days and 69 days respectively for the corresponding period in 2010.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' Interests in Shares, Underlying Shares and Debentures

As the Company was not listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") as at 30 June 2011, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") and section 352 of the SFO was not applicable to the directors of the Company as at 30 June 2011.

As at 1 August 2011 (being the date on which the Over-allotment Option was fully exercised), the interests and short positions of our directors and chief executive officer of the Company in the shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 347 of the SFO or the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to us and the Stock Exchange or which will be required pursuant to section 352 of the SFO to be recorded in the register referred therein are set out as follows:

Interests and short positions in the shares and debentures of the Company and its associated corporations:

Name of Director/ Chief Executive Officer	Name of Corporation	Nature of Interest	Total number of shares[(1)]	Approximate percentage shareholding of the relevant entity
Bruno Robert Mercier	Company	Beneficial owner	10,000 (L)	0.000%
	Groupe Auchan S.A.[(2)]	Beneficial owner	2,488 (L)[(3)]	0.007%
			439[(4)]	0.001%
			3,310[(5)]	0.010%
Huang Ming-Tuan	Company	Beneficial owner, interest of spouse and interest in a controlled corporation[(6)]	116,684,074 (L)	1.223%
Cheng Chuan-Tai	Company	Beneficial owner	6,938,204 (L)	0.073%
Christophe Maurice Paule Marie Joseph Dubrulle	Groupe Auchan S.A.	Beneficial owner	48,335 (L)[(7)]	0.150%
Philippe David Baroukh	Groupe Auchan S.A.	Beneficial owner	1,555 (L)[(8)]	0.005%
			878[(9)]	0.003%
			1,127[(10)]	0.004%
			6,783[(11)]	0.020%
Xavier Marie Alain Delom de Mezerac	Groupe Auchan S.A.	Beneficial owner	1,273 (L)[(12)]	0.004%
			894[(13)]	0.003%
			563[(14)]	0.002%
			4,070[(15)]	0.010%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Groupe Auchan S.A. is a company incorporated in France and comprises various companies controlled by the Mulliez Family through which they conduct or pursue their various business interests in hypermarkets operations, supermarkets operations, real estate development, banking and e-commerce. Groupe Auchan S.A. is the holding company of Groupe Auchan, one of our two ultimate controlling shareholders. Groupe Auchan S.A. has adopted various share incentive plans pursuant to which share-based awards are granted to eligible directors and employees of Groupe Auchan S.A. and its subsidiaries. These share incentive plans include the following:

(i) Stock Option Plan (2008-2012) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a four year vesting period;

(ii) Stock Option Plan (2009-2013) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a four year vesting period;

(iii) Stock Option Plan (2010-2014) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a four year vesting period; and

(iv) Free Shares Plan (2010-2014) relating to the grant of restricted shares in Groupe Auchan S.A. with a four year vesting period.

(3) This comprises 2,488 class S shares of Groupe Auchan S.A.

(4) This represents stock options in respect of 439 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2008-2012).

(5) This represents 3,310 restricted shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Free Shares Plan (2010-2014).

(6) (i) Huang Ming-Tuan holds 15,559,258 Shares.

(ii) Lee Chih-Lan is the spouse of Huang Ming-Tuan and holds 1,551,238 Shares. Accordingly, Huang Ming Tuan is deemed to be interested in all of the Shares held by Lee Chih-Lan.

(iii) Huang Ming-Tuan is the legal and beneficial owner of the entire issued share capital of Victor Spring Ltd., a limited liability company incorporated in the British Virgin Islands. Accordingly, he is deemed to be interested in all of the 17,969,614 Shares held by Victor Spring Ltd.

(iv) Huang Ming-Tuan is the legal and beneficial owner of 50% of the share capital of Unique Grand Trading Ltd., a limited liability company incorporated in the British Virgin Islands, and Lee Chih-Lan, the spouse of Huang Ming-Tuan holds the remaining 50%. Accordingly, he is deemed to be interested in all of the 81,603,964 Shares held by Unique Grand Trading Ltd..

(7) This comprises 48,335 shares in Groupe Auchan S.A.

(8) This comprises 1,555 class S shares in Groupe Auchan S.A.

(9) This represents stock options in respect of 878 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2008-2012).

(10) This represents stock options in respect of 1,127 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2010-2014).

(11) This represents 6,783 restricted shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Free Shares Plan (2010-2014).

(12) This comprises 340 shares in Groupe Auchan S.A. and 933 class S shares of Groupe Auchan S.A.

(13) This represents stock options in respect of 894 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2009-2013).

(14) This represents stock options in respect of 563 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2010-2014).

(15) This represents 4,070 restricted shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Free Shares Plan (2010-2014).

Save as disclosed above, as at 1 August 2011, none of the directors or chief executive of the Company and their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register kept under Section 352 of the SFO

Substantial Shareholders' Interests and Short Position in Shares and Underlying Shares of the Company

The Company was not listed on the Stock Exchange as at 30 June 2011. Accordingly, no disclosure of interest or short positions in any shares or underlying shares of the Company was required to be made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2011.

As at 1 August 2011 (being the date on which the Over-allotment Option was fully exercised), so far as the directors were aware, the following persons have interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests and short position in the shares and underlying shares of the Group

Name	Nature of Interest	Number and class of shares[1]	Approximate percentage of interest in our Company as at 1 August 2011
A-RT Retail Holdings Limited ("A-RT")	Beneficial owner	4,865,338,686 (L)	51.00%
Auchan Hyper SA ("Auchan Hyper")[2]	Interest in a controlled corporation and beneficial owner	5,791,757,452 (L)	60.71%
Groupe Auchan S.A.[3]	Interest in a controlled corporation	5,791,757,452 (L)	60.71%
Au Marche S.A.S[4]	Interest in a controlled corporation	5,791,757,452 (L)	60.71%
Mulliez Family[5]	Interest in controlled corporations	5,791,757,452 (L)	60.71%
Kofu International Limited ("Kofu")[6]	Beneficial owner	748,376,538 (L)	7.84%
Concord Greater China Limited ("CGC")[7]	Beneficial owner	807,024,010 (L)	8.46%
Ruentex Industries Limited ("Ruentex Industries")[8]	Interest in a controlled corporation	807,024,010 (L)	8.46%
Ruentex Development Co., Ltd. ("Ruentex Development")[9]	Interest in controlled corporations	807,024,010 (L)	8.46%
Mr. Yin Chung Yao[10]	Interest in controlled corporations	748,376,538 (L)	7.84%

Notes:

(1) The letter "L" denotes long position in the Shares.

(2) Auchan Hyper is a company incorporated in France which is wholly-owned by Groupe Auchan S.A.. A-RT is 36.70%-owned by Auchan Hyper, therefore Auchan Hyper is deemed to be interested in all the Shares in which A-RT is interested in by virtue of Part XV of the SFO.

(3) Auchan Hyper is wholly-owned by Groupe Auchan S.A., therefore Groupe Auchan S.A. is deemed to be interested in all the Shares in which Auchan Hyper is interested in by virtue of Part XV of the SFO.

(4) Groupe Auchan S.A. is 61.88% owned by Au Marche S.A.S, therefore Au Marche S.A.S is deemed to be interested in all the Shares in which Groupe Auchan S.A. is interested in by virtue of Part XV of the SFO.

(5) Mulliez Family comprises the founder of Groupe Auchan (one of our two ultimate controlling shareholders, which is held by Groupe Auchan S.A.), Gérard Mulliez, and other members of the Mulliez family in France, who hold interests in various companies under Groupe Auchan S.A.. Au Marche S.A.S is wholly-owned by the Mulliez Family through certain intermediate holding companies. No one member of the Mulliez Family is able to exert a dominant influence over other members in their voting rights in Au Marche S.A.S. The Mulliez Family is collectively represented by a member of the family, who plays an administrative role and is similarly unable to exert a dominant influence over other members of the Mulliez Family and does not control Au Marche S.A.S.

(6) Kofu is a company incorporated in the British Virgin Islands, which is indirectly wholly-owned by Mr Yin Chung Yao, and has a direct beneficial interest of 7.84% in the Company.

(7) CGC is a company incorporated in the British Virgin Islands and a company under Ruentex (Ruentex Development, Ruentex Industries, CGC and Kofu collectively) and has a direct beneficial interest of 8.46% in the Company.

(8) CGC is 42.25%-owned by Ruentex Industries, therefore Ruentex Industries is deemed to be interested in all the Shares in which CGC is interested in by virtue of Part XV of the SFO.

(9) CGC is 15.51%-owned by Sinopac Global Investment Ltd. ("Sinopac") (a company indirectly owned as to 49.06% by Ruentex Industries and 49.06% by Ruentex Development and directly owned as to 1.886% by Kofu), and Sinopac is 49.06%-owned by Ruentex Development. Therefore Ruentex Development is deemed to be interested in all the Shares in CGC in which Sinopac is interested in by virtue of Part XV of the SFO. CGC is 25.46%-owned by Ruentex Development. Therefore Ruentex Development is deemed to be interested in all the Shares in which CGC is interested in by virtue of Part XV of the SFO.

(10) Kofu is wholly owned by Mr. Yin Chung Yao, through certain controlled corporations.

Save as disclosed above, no other party, other than the directors or chief executive of the Company, had notified the Company that he had any interest or short position in the shares or underlying shares of the Company as recorded in the register kept under Section 336 of the SFO as at 1 August 2011.

As at the date of this interim report, the shareholding interests of nine of our operating subsidiaries in the PRC are partially held by Independent Third Parties as follows:

- Shanghai Auchan Hypermarket Co., Ltd (上海歐尚超市有限公司), which is 73% held by our subsidiary ACI, 17% held by Shanghai Wujiaochang (Group) Co., Ltd (上海五角場集團有限公司) and 10% held by Shanghai Food (Group) Co., Ltd. (上海食品集團有限公司);

- Hangzhou Auchan Hypermarket Co., Ltd (杭州歐尚超市有限公司), which is 72.46% held by our subsidiary ACI, 11.02% held by Hangzhou Shangtang Daguan Economic Cooperative Committee (杭州上塘鎮大關村經濟合作社) and 16.52% held by Hangzhou Gongshuqu District Commercial Co., Ltd. (杭州市拱墅區商業總公司);

- Nanjing Jinshang Property Co., Ltd (南京金尚置業有限公司), which is 69.23% held by our subsidiary ACHK and 30.77% held by Jiangsu Jiaotong Jianshe Group Co., Ltd (江蘇交通建設集團有限公司);

- Nanjing Dongyuan Property Management Co., Ltd (南京東源物業管理有限公司), which is 50% held by our subsidiary ACI and 50% held by Jiangsu Hengshunjieyuan Investment Development Co., Ltd (江蘇恒順傑源投資發展有限公司);

- Changzhou Immochan Real Estate Co., Ltd (常州頤莫尚置業有限公司), which is 76.88% held by our subsidiary ACI and 23.12% held by Changzhou Weixing Real Estate Co., Ltd. (常州市衛星實業公司);

- Wuxi Immochan Real Estate Co., Ltd (無錫新尚置業有限公司), which is 68.4% held by our subsidiary ACHK and 31.6% held by Wuxi New District Economic Development Corporation (無錫市新區經濟發展集團總公司) and Wuxi New District Nanzhan Property Business Co., Ltd. (無錫市郊區南站資產經營公司) collectively;

- Shanghai RT-Mart which is 91.3333% held by our subsidiary CIC and 8.6667% held by Shanghai Zhaibei District State-owned Assets Investment Company (上海市閘北區國有資產投資公司);

- Jinan RT-Mart which is 90% held by our subsidiary CIC and 10% held by Jinan People's Complex Co., Ltd (濟南人民商場股份有限公司); and

- Suzhou Ruenhua Property Co., Ltd (蘇州潤華置業有限公司), which is 80% held by our subsidiary Shanghai RT-Mart and 20% held by Zheng Wen Yong (鄭文湧).

Corporate Governance

As the Company's shares had yet to be listed on the Stock Exchange as at 30 June 2011, the Company has not adopted the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2011. The Company has adopted its own Corporate Governance and Compliance Manual based on the principles and code provisions of the CG Code and has complied with it throughout the period from the date of listing on 27 July 2011 up to the date of publishment of this report.

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 of Directors (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 interim report for the six months ended 30 June 2011.

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 Mr. Cheng Chuan-Tai, a non-executive Director.

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. Philippe David Baroukh, a non-executive Director.

Directors' Securities Transactions

The Company has adopted its own policies for securities transactions ("the Company's Code") by directors and relevant employees, who are likely in possession of unpublished price sensitive information of the Company, on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

As at 30 June 2011, though the Company's shares had yet to be listed on the Stock Exchange, the Directors were not aware of any issues of directors and relevant employees not in compliance with the Company's Code.

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

As the Company's shares had yet to be listed on the Stock Exchange as at 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

Dividends

At the board meeting held on 30 August 2011, no dividend for the six months ended 30 June 2011 has been declared.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the Listing Rules and up to the date of publishment of this report.

Review Report to the Board of Directors of
Sun Art Retail Group Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 38 which comprises the consolidated statement of financial position of Sun Art Retail Group Limited as of 30 June 2011 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 – Unaudited

		Six months ended 30 June	
	Note	**2011** **RMB million**	2010 *RMB million*
Turnover	*4*	**34,459**	27,760
Cost of sales		**(27,615)**	(22,486)
Gross profit		**6,844**	5,274
Other revenue	*5*	**205**	144
Store operating costs		**(4,590)**	(3,453)
Administrative expenses		**(801)**	(625)
Profit from operations		**1,658**	1,340
Finance costs	*6(a)*	**(42)**	(47)
Profit before taxation	*6*	**1,616**	1,293
Income tax	*7*	**(498)**	(437)
Profit for the period		**1,118**	856
Other comprehensive income for the period			
Exchange differences on translation of financial statements of entities outside the PRC		**54**	14
Total comprehensive income for the period		**1,172**	870
Profit attributable to:			
Equity shareholders of the Company		**784**	554
Non-controlling interests		**334**	302
Profit for the period		**1,118**	856
Total comprehensive income attributable to:			
Equity shareholders of the Company		**827**	563
Non-controlling interests		**345**	307
Total comprehensive income for the period		**1,172**	870
Earnings per share			
Basic and diluted	*8*	**RMB0.13**	RMB0.10

The notes on pages 25 to 38 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 – Unaudited

	Note	**At 30 June 2011** ***RMB million***	At 31 December 2010 *RMB million*
Non-current assets			
Fixed assets:	*9*		
– Investment property		**1,924**	1,678
– Other property, plant and equipment		**12,194**	10,554
– Land use rights		**2,704**	2,582
		16,822	14,814
Intangible assets		**9**	10
Goodwill		**99**	99
Trade and other receivables	*10*	**325**	560
Deferred tax assets		**161**	168
		17,416	15,651
Current assets			
Inventories		**4,911**	7,383
Trade and other receivables	*10*	**3,303**	3,307
Pledged bank deposits		**–**	50
Cash and cash equivalents	*11*	**4,772**	3,462
		12,986	14,202
Current liabilities			
Trade and other payables	*12*	**18,921**	20,050
Bank loans and overdrafts	*13*	**4,256**	2,401
Income tax payables		**208**	244
		23,385	22,695
Net current assets/(liabilities)		**(10,399)**	(8,493)
Total assets less current liabilities		**7,017**	7,158
Non-current liabilities			
Bank loans	*13*	**51**	181
Other financial liabilities		**87**	87
Deferred tax liabilities		**32**	70
		170	338
Net assets		**6,847**	6,820

The notes on pages 25 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2011 – Unaudited

	Note	**At 30 June 2011** *RMB million*	At 31 December 2010 *RMB million*
Capital and reserves			
Share capital	*14*	**2,395**	1,713
Reserves		**4,182**	2,690
Total equity attributable to equity shareholders of the Company		**6,577**	4,403
Non-controlling interests		**270**	2,417
Total equity		**6,847**	6,820

Approved and authorised for issue by the Board on 30 August 2011.

Bruno Robert Mercier
Chief Executive Officer
& Executive Director

Huang Ming-Tuan
Executive Director

The notes on pages 25 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 – Unaudited

		Attributable to equity shareholders of the Company							
	Note	Share capital *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Statutory reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
Balance at 1 January 2010		1,713	74	(39)	211	2,046	4,005	2,187	6,192
Changes in equity for the six months ended 30 June 2010:									
Profit for the period		–	–	–	–	554	554	302	856
Other comprehensive income		–	–	9	–	–	9	5	14
Total comprehensive income		–	–	9	–	554	563	307	870
Dividend declared in respect of the previous year	*14 (iii)*	–	–	–	–	(306)	(306)	–	(306)
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	(167)	(167)
Balance at 30 June 2010 and 1 July 2010		1,713	74	(30)	211	2,294	4,262	2,327	6,589
Changes in equity for the six months ended 31 December 2010:									
Profit for the period		–	–	–	–	477	477	281	758
Other comprehensive income		–	–	31	–	–	31	22	53
Total comprehensive income		–	–	31	–	477	508	303	811
Cash injection from Employee Trust Benefit Schemes	*6(b)*	–	62	–	–	–	62	65	127
Profit appropriation		–	–	–	180	(180)	–	–	–
Dividend declared in respect of the previous year		–	–	–	–	(429)	(429)	–	(429)
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	(278)	(278)
Balance at 31 December 2010 and 1 January 2011		**1,713**	**136**	**1**	**391**	**2,162**	**4,403**	**2,417**	**6,820**
Changes in equity for the six months ended 30 June 2011:									
Profit for the period		**–**	**–**	**–**	**–**	**784**	**784**	**334**	**1,118**
Other comprehensive income		**–**	**–**	**43**	**–**	**–**	**43**	**11**	**54**
Total comprehensive income		**–**	**–**	**43**	**–**	**784**	**827**	**345**	**1,172**
Cash injection from Employee Trust Benefit Schemes	*6 (b)*	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Acquisition of non-controlling interests	*14 (ii)*	**682**	**1,793**	**–**	**–**	**–**	**2,475**	**(2,475)**	**–**
Dividend declared in respect of the previous year	*14 (iii)*	**–**	**–**	**–**	**–**	**(1,128)**	**(1,128)**	**–**	**(1,128)**
Dividends declared and payable to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**(30)**	**(30)**
Balance at 30 June 2011		**2,395**	**1,929**	**44**	**391**	**1,818**	**6,577**	**270**	**6,847**

The notes on pages 25 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011 – Unaudited

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Cash generated from operations	**3,245**	2,663
Income tax paid	**(565)**	(452)
Net cash generated from operating activities	**2,680**	2,211
Net cash used in investing activities	**(2,457)**	(1,506)
Net cash generated from/(used in) financing activities	**1,263**	(603)
Net increase in cash and cash equivalents	**1,486**	102
Cash and cash equivalents at 1 January	**3,281**	2,685
Effect of foreign exchange rate changes	**5**	10
Cash and cash equivalents at 30 June	**4,772**	2,797

The notes on pages 25 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

Sun Art Retail Group Limited (the "Company") is a company 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 (together, "the Group") and the Group's interest in a jointly controlled entity. The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities 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 and methods of computation adopted in the preparation of the financial information included in Appendix I in the prospectus of the Company dated 4 July 2011 (the "Prospectus").

The preparation of 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 to the interim financial statements 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 2010 financial information of the Group included in the Prospectus. The condensed consolidated interim financial statements and 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 30 August 2011. 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. KPMG's independent review report to the Board is included on page 19.

The financial information relating to the year ended 31 December 2010 that is included in the interim financial statements as being previously reported information does not constitute the Group's financial statements for that financial year but is derived from the financial information included in Appendix I in the Prospectus.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, Extinguishing financial liabilities with equity instruments

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of the interim financial statements.

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

3 SEGMENT REPORTING

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

4 TURNOVER

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	
	2011	2010
	RMB million	*RMB million*
Sale of goods	**33,712**	27,173
Rental income	**747**	587
	34,459	27,760

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Service income	**61**	37
Disposal of packaging materials	**42**	29
Interest income	**36**	23
Government grants	**66**	55
	205	144

Government grants represent subsidies received from local authorities.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**38**	43
– wholly repayable after five years	**4**	4
	42	47

(b) Staff costs

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Salaries, wages and other benefits	**1,786**	1,300
Contributions to defined contribution retirement plans	**169**	116
Contributions to Employee Trust Benefit Schemes (i)	**107**	89
	2,062	1,505

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs (continued)

(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 or equity of CIC in the case of the RT-Mart Scheme, or cash or equity of the Group'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.

(c) Other items

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Cost of inventories	**27,571**	22,452
Depreciation	**679**	553
Amortisation	**41**	33
Operating lease charges	**731**	561
Loss on disposal of property, plant and equipment	**21**	1

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Current tax-Hong Kong Profits Tax		
Provision for the period	**–**	–
Current tax-PRC income tax		
Provision for the period	**516**	432
Under-provision in respect of prior years	**13**	1
	529	433
Deferred tax		
Reversal of temporary differences	**(31)**	4
	498	437

(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.

(ii) With the exception of the Group's subsidiary, Suzhou Concord Warehousing Co., Ltd., which is entitled to preferential income tax rates of 22% and 24% for 2010 and 2011 respectively, all PRC subsidiaries are subject to income tax at 25% under the Enterprise Income Tax law which was enacted on 16 March 2007.

(iii) The Enterprise Income Tax law and its relevant regulations 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.

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 2011, deferred tax liabilities of RMB21 million (31 December 2010: RMB58 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 2011 and 31 December 2010 were calculated at the withholding tax rate of 5%. On 1 May 2010, CIC received an advance ruling from its tax authority in-charge confirming that the reduced withholding tax rate of 5% would be applied on its dividends to the Group's subsidiary, RT-Mart Holdings Limited. The valid period of the ruling is from 1 May 2010 to 30 April 2013.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB784 million (six months ended 30 June 2010: RMB554 million) and the weighted average of 6,236,502,272 ordinary shares (2010: 5,498,615,200 ordinary shares) in issue during the interim period, after adjusting for the share subdivision on 27 June 2011, details of which are set out in note 14(ii).

	Six months ended 30 June	
	2011	2010
Issued ordinary shares at 1 January	**211,485,200**	211,485,200
Weighted average effect of new shares issued *(note 14(ii))*	**28,380,272**	–
	239,865,472	211,485,200
Effect of share subdivision *(note 14(ii))*	**5,996,636,800**	5,287,130,000
Weighted average number of ordinary shares for the period	**6,236,502,272**	5,498,615,200

There were no dilutive potential ordinary shares during the six months ended 30 June 2011 and 2010 and therefore diluted earnings per share is equivalent to basic earnings per share.

9 FIXED ASSETS

During the six months ended 30 June 2011, the Group incurred capital expenditure of RMB2,757 million (six months ended 30 June 2010: RMB1,459 million), primarily in respect of new store developments. Items of store and office equipment with a net book value of RMB30 million were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB13 million), resulting in a loss on disposal of RMB21 million (six months ended 30 June 2010: RMB1 million) (note 6(c)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 ***RMB million***	At 31 December 2010 *RMB million*
Non-current		
Rental prepayments	**325**	560
Current		
Trade receivables	**104**	131
Amounts due from Contracted Stores		
– related parties *(note 17)*	**111**	148
– others	**123**	289
Amounts due from Contracted Store Owners		
– related parties *(note 17)*	**257**	353
– others	**102**	88
Other amounts due from related parties *(note 17)*	**28**	37
Other debtors	**489**	506
Value-added tax receivables	**841**	441
Prepayments:		
– IPO costs	**32**	–
– rentals	**858**	561
– fixed assets	**358**	753
Sub-total current	**3,303**	3,307
Trade and other receivables	**3,628**	3,867

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 Stores as at 30 June 2011 and 31 December 2010 include RMB428 million and RMB663 million, respectively, in respect of the unutilised 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. Such balances are also included in "Advance receipts from customers" within "Trade and other payables" (note 12). The remaining balances relate to trading balances arising from the sale of inventories by the Group to the Contracted Stores.

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 not expected to be recovered within one year.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

11 CASH AND CASH EQUIVALENTS

	At 30 June 2011 *RMB million*	At 31 December 2010 *RMB million*
Deposits with banks within 3 months of maturity	**341**	480
Cash at bank and on hand	**4,431**	2,982
Cash and cash equivalents in the consolidated statement of financial position	**4,772**	3,462
Bank overdrafts *(note 13)*	**–**	(181)
Cash and cash equivalents in the consolidated cash flow statement	**4,772**	3,281

12 TRADE AND OTHER PAYABLES

	At 30 June 2011 *RMB million*	At 31 December 2010 *RMB million*
Current		
Trade payables	**10,070**	12,060
Advance receipts from customers	**4,205**	4,046
Amounts due to related parties *(note 17)*	**91**	37
Construction costs payable	**1,423**	1,613
Dividends payable	**1,180**	685
Accruals and other payables	**1,952**	1,609
Trade and other payables	**18,921**	20,050

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.

An ageing analysis of trade payables is as follows:

	At 30 June 2011 *RMB million*	At 31 December 2010 *RMB million*
Due within 6 months	**9,828**	11,706
Due after 6 months but within 12 months	**242**	354
	10,070	12,060

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

13 BANK LOANS AND OVERDRAFTS

	At 30 June 2011 ***RMB million***	At 31 December 2010 *RMB million*
Current		
Unsecured bank overdrafts	**–**	181
Bank loans repayable within 1 year or on demand		
– Secured	**81**	81
– Unsecured	**4,175**	2,139
Sub-total current	**4,256**	2,401
Non-current		
Bank loans repayable after 1 year but within 2 years		
– Secured	**26**	93
– Unsecured	**25**	20
Bank loans repayable after 2 years but within 5 years		
– Secured	**–**	63
– Unsecured	**–**	5
Sub-total non-current	**51**	181
Total bank loans and overdrafts	**4,307**	2,582

The non-current bank loans are carried at amortised cost and are not expected to be settled within one year.

Unsecured bank loans carried interest at annual rates ranging from 1.07% to 6.65% as at 30 June 2011 (31 December 2010: 1.08% to 5.76%). Unsecured bank loans with carrying amount of RMB1,679 million were guaranteed by related parties as at 31 December 2010. Such guarantees have been released as at 30 June 2011 (note 17(b)).

Secured bank loans carried interest at annual rate of 5.18% as at 30 June 2011 (31 December 2010: ranging from 4.78% to 5.18%). Secured bank loans are secured by the following assets of the Group:

	At 30 June 2011 ***RMB million***	At 31 December 2010 *RMB million*
Investment property	**149**	178
Other property, plant and equipment	**154**	188
Land use rights	**109**	308
	412	674

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

14 SHARE CAPITAL AND DIVIDENDS

(i) Authorised and issued share capital

	2011		2010	
	No. of shares	***RMB million***	*No. of shares*	*RMB million*
Authorised:				
Ordinary shares United States dollars ("USD") 1 each	**–**	**–**	211,485,200	1,713
Ordinary shares Hong Kong dollars ("HKD") 0.3 each	**20,000,000,000**	**5,331**	–	–
Ordinary shares, issued and fully paid:				
At 1 January	**211,485,200**	**1,713**	211,485,200	1,713
Issued and fully paid during the period	**104,833,250**	**682**	–	–
Share subdivision on 27 June 2011	**7,907,961,250**	**–**	–	–
At 30 June/31 December	**8,224,279,700**	**2,395**	211,485,200	1,713

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Increase and change in authorised and issued share capital

On 13 May 2011, the shareholders approved to increase the Company's authorised and issued share capital to US$316,318,450 by the issue of an additional 104,833,250 shares of US$1 each, as consideration for acquiring the non-controlling interests in ACHK and Concord Champion International Limited ("CCIL"), which became wholly owned subsidiaries of the Company. As the Company has taken advantage of section 48C of the Hong Kong Companies Ordinance, the excess of the fair value of the ordinary shares issued over their RMB682 million nominal amount, less the excess of the fair value of the shares issued over the carrying value of the acquired non-controlling interests in ACHK and CCIL as at 13 May 2011, has been credited to the capital reserve within consolidated equity.

On 27 June 2011, the Company's shareholders approved that the currency of the Company's share capital be changed from USD to HKD at an exchange rate of USD1.00 to HKD7.80, that each issued and unissued ordinary share with a nominal value of HKD7.80 each be subdivided into 26 shares with a nominal value of HKD0.30 each, and that the authorised share capital of the Company be increased to HKD6,000 million comprising 20,000,000,000 shares of HKD0.30 each.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

14 SHARE CAPITAL AND DIVIDENDS (continued)

(iii) Dividends

On 10 June 2011, the Company's directors approved to distribute a dividend of USD174 million (equivalent to RMB1,128 million) to the Company's shareholders at that date.

On 16 April 2010, the Company's directors approved to distribute a dividend of USD45 million (equivalent to RMB306 million) to the Company's shareholders at that date.

No interim dividend has been declared in respect of the six months ended 30 June 2011.

The directors consider that the dividends declared during the six months ended 30 June 2011 and 2010 are not indicative of the future dividend policy of the Group.

15 CAPITAL COMMITMENTS

Capital commitments outstanding and not provided for in the interim financial statements were as follows:

	At 30 June 2011 *RMB million*	At 31 December 2010 *RMB million*
Contracted for	**1,007**	1,652
Authorised but not contracted for	**3,643**	1,369
	4,650	3,021

16 CONTINGENCIES

(a) Legal claims

As at 30 June 2011, certain suppliers and customers have commenced legal actions against the Group in respect of disputes on purchase agreements. The total amount claimed is RMB56 million. As at 30 June 2011, the legal actions were ongoing, with most of the actions not yet set for trial dates. The directors do not believe that the amounts payable in respect of these claims, if any, will be material to the interim financial statements.

(b) Financial guarantees issued

As at 31 December 2010, the Group issued guarantees to banks to secure facilities of RMB45 million granted to third party landlords. Such guarantees were released in March 2011.

No provision was made by the Group as at 31 December 2010 as the directors did not consider it probable that a claim would be made against the Group under any of the guarantees.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Short-term employee benefits	**12**	12
Post-employment benefits	**–**	–
	12	12

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Related party transactions

In addition to the related party information disclosed elsewhere in the notes to the unaudited interim financial statements, the Group entered into the following material related party transactions with its ultimate joint controlling shareholders, Ruentex and Groupe Auchan S.A. and entities related to them, during the six months ended 30 June 2011 and 2010.

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Recurring transactions:		
IT services fee payable (i)	**1**	1
Expenses payable (ii)	**22**	23
Agency fees receivable (iii)	**18**	13
Trademark fee payable (iv)	**13**	11
Non-recurring transactions:		
Sale of merchandise (v)	**12**	17
Purchase of property, plant and equipment	**52**	39

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

(i) IT services fee payable represents the fee charged by Auchan International Technology for IT support and services provided.

(ii) Expenses payable primarily relate to administrative costs paid by subsidiaries of Auchanhyper SA on behalf of the Group, which are reimbursed and expensed by the Group.

(iii) Agency fees receivable relate to amounts collected from international suppliers by Auchan International S.A. on behalf of the Group, net of fees payable to Auchan International S.A..

(iv) Trademark fee payable represents the fee charged by Groupe Auchan S.A. for the grant of licenses to the Group to use the Auchan trademarks.

(v) Sales of merchandise to C & Chain Limited Shanghai were made at the Group's original purchase cost.

In addition to the above transactions, during the six months ended 30 June 2011 and 2010:

(a) Groupe Auchan S.A. acted as guarantor of certain of the Group's short-term bank loans which amounted to RMB762 million as at 31 December 2010. Such guarantee was released in May 2011.

(b) Mr. Samuel Yin acted as guarantor of certain of the Group's short-term bank loans which amounted to RMB917 million as at 31 December 2010. Such guarantees were released in January and February 2011.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business. The directors expect that those transactions listed above as "recurring" will continue after the listing of the Company's shares on the Main Board of the Stock Exchange.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) *Related party balances*

	At 30 June 2011 **RMB million**	At 31 December 2010 *RMB million*
Amounts due from subsidiaries of Groupe Auchan S.A.	**24**	26
Amounts due from C & Chain Limited Shanghai	**4**	11
Amounts due from Kunshan Ruenfu Commercial and Trading Co., Ltd. and its subsidiaries in respect of Contracted Stores	**368**	501
Amounts due to Groupe Auchan S.A.	**3**	2
Amounts due to subsidiaries of Groupe Auchan S.A.	**74**	35
Amounts due to Kunshan Ruenfu Commercial and Trading Co., Ltd.	**14**	–

18 SUBSEQUENT EVENTS

(a) *Initial Public Offering*

On 27 July 2011, 1,143,848,000 ordinary shares of par value HKD0.30 each were issued at a price of HKD7.20 per share under the Hong Kong Public Offering and the International Offering. The proceeds of HKD343 million (equivalent to RMB284 million) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD7,893 million (equivalent to RMB6,528 million), before issuing expenses, were credited to the share premium account.

(b) *Exercise of Over-allotment Option*

On 27 July 2011, the underwriters of the International Offering exercised the Over-allotment Option to require the Company to allot and issue 171,577,000 shares of par value HKD0.30 each at HKD7.20 per share. These shares were issued on 1 August 2011. The proceeds of HKD51 million (equivalent to RMB42 million) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD1,184 million (equivalent to RMB978 million), before issuing expenses, were credited to the share premium account.