SUN ART
Retail Group Limited

Sun Art Retail Group Limited

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

Interim Report 2013

DIRECTORS

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

AUDIT COMMITTEE

Desmond MURRAY *(Chairman)*
CHENG Chuan-Tai
Xavier, Marie, Alain DELOM de MEZERAC
Karen Yifen CHANG
HE Yi

REMUNERATION COMMITTEE

Karen Yifen CHANG *(Chairman)*
CHENG Chuan-Tai
Philippe, David BAROUKH
Desmond MURRAY
HE Yi

NOMINATION COMMITTEE

HE Yi *(Chairman)*
CHENG Chuan-Tai
Philippe, David BAROUKH
Karen Yifen CHANG
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 (THE "PRC" OR "CHINA")

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

LEGAL ADVISOR

Herbert Smith Freehills
23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

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

AUDITORS

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

COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

* The registered office in Hong Kong will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 3 September, 2013.

HIGHLIGHTS OF INTERIM RESULTS

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

Note:

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

BUSINESS REVIEW

Operating Environment

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

Expansion of Retail Network

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

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

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

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

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

Notes:

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

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

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

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

Store Improvement

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

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

Optimization of Procurement and Merchandise Mix

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

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

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

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

Development of E-commerce Business

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

Optimization of Supply Chain Management

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

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

Optimization of Human Resources Management and Training

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

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

Strategies and Outlook

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

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

FINANCIAL REVIEW

Turnover

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

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

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

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

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

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

Notes:

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

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

For the six months ended 30 June 2013, turnover from rental income was RMB1,095 million, an increase of RMB148 million, or 15.6%, from RMB947 million for the corresponding period in 2012. This increase was primarily attributable to an increase in rentable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

Gross Profit

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

Other Revenue

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

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

Store Operating Costs

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

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

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

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

Administrative Expenses

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

Profit from Operations

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

Finance Costs

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

Income Tax

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

Profit for the Period

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

Profit Attributable to Equity Shareholders of the Company

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

Profit Attributable to Non-Controlling Interests

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

Capital Expenditure

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

Liquidity and Financial Resources

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

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

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

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

* The Group has established an Employee Trust Benefit Scheme for employees of its subsidiary, CIC and its subsidiaries ("**the RT-Mart Scheme**") and an Employee Trust Benefit Scheme for employees or its subsidiary, Auchan (China) Hong Kong Limited ("**ACHK**") and its subsidiaries ("**the Auchan Scheme**"). For further details, please refer to Note 5(b)(i) of "Notes to the Unaudited Interim Financial Report" on page 29 of the interim report.

ADDITIONAL INFORMATION

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIVIDENDS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the six months ended 30 June 2013 and up to the latest practicable date prior to the printing of this report, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code are as follows:

Name of Director/ chief executive	Name of Corporation	Nature of Interest	Total number of shares[1]	Approximate percentage shareholding of the relevant entity
Bruno Robert MERCIER	Groupe Auchan S.A.[2]	Beneficial owner	4,734[3]	0.0149%
HUANG Ming-Tuan	Company	Beneficial owner, interest of spouse and interest in a controlled corporation [4]	116,834,074 (L)[1]	1.2247%
CHENG Chuan-Tai	Company	Beneficial owner	6,000,000 (L)	0.0628%
Philippe, David BAROUKH	Groupe Auchan S.A.	Beneficial owner	1,127[5] 1,543[6] 6,783[7] 1,498[8]	0.0035% 0.0048% 0.0214% 0.0047%
Xavier, Marie, Alain DELOM de MEZERAC	Groupe Auchan S.A.	Beneficial owner	622 (L)[9] 894[10] 563[11] 4,070[12] 772[13]	0.0019% 0.0028% 0.0017% 0.0128% 0.0024%
Desmond MURRAY	Company	Beneficial owner	30,000 (L)	0.0003%

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 (2009-2013) 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 (2010-2014) 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 (2011-2015) relating to the grant of shares in Groupe Auchan S.A. with a four year vesting period;

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

(v) Stock Option Plan (2016) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 30 August 2016 to 30 September 2016.

(3) This represents 4,734 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Free Shares Plan (2010-2014).

(4) (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 81,753,964 Shares held by Unique Grand Trading Ltd..

(5) 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).

(6) This represents stock options in respect of 1,543 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2011-2015).

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

(8) This represents stock options in respect of 1,498 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2016).

(9) This comprises 622 shares in Groupe Auchan S.A..

(10) 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).

(11) 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).

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

(13) This represents stock options in respect of 772 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2011-2015).

Save as disclosed above, so far as known to any Director, as at 30 June 2013, none of the Directors or chief executives of the Company or any of 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 defined in Part XV of the SFO, which were required to be recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors or chief executives to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 30 June 2013, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company or its associated corporation(s) which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Nature of Interest	Number and class of shares [(1)]	Approximate percentage of shareholding
A-RT[(2)]	Beneficial owner	4,865,338,686 (L)[(1)]	51.0009%
Auchan Hyper SA ("**Auchan Hyper**")[(3)]	Interest in a controlled corporation and beneficial owner	5,791,757,452 (L)[(12)]	60.7121%
Groupe Auchan S.A.[(4)]	Interest in a controlled corporation	5,791,757,452 (L)[(12)]	60.7121%
Au Marche S.A.S[(5)]	Interest in a controlled corporation	5,791,757,452 (L)[(12)]	60.7121%
Mulliez Family[(6)]	Interest in controlled corporations	5,791,757,452 (L)[(12)]	60.7121%
Kofu International Limited ("**Kofu**")[(7)]	Beneficial owner	748,376,538 (L)[(13)]	7.8448%
Concord Greater China Limited ("**CGC**")[(8)]	Beneficial owner	807,024,010 (L)[(14)]	8.4596%
Ruentex Industries Limited ("**Ruentex Industries**")[(9)]	Interest in a controlled corporation	807,024,010 (L)[(14)]	8.4596%
Ruentex Development Co., Ltd. ("**Ruentex Development**")[(10)]	Interest in controlled corporations	807,024,010 (L)[(14)]	8.4596%
Mr. Yin Chung Yao[(11)]	Interest in controlled corporations	748,376,538 (L)[(13)]	7.8448%

Notes:

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

(2) 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 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.

(4) 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.

(5) 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.

(6) Mulliez Family comprises the founder of Groupe Auchan (one of our two ultimate controlling shareholders, which is held by Groupe Auchan S.A.), Gerard 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..

(7) 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.

(8) 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.

(9) 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.

(10) 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 1.88% 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.

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

(12) Such 5,791,757,452 Shares belong to the same batch of shares.

(13) Such 748,376,538 Shares belong to the same batch of shares.

(14) Such 807,024,010 Shares belong to the same batch of shares.

Save as disclosed above, as at 30 June 2013, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of Part VX of the SFO.

As at 30 June 2013, the shareholding interests of nine of the 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 and 27.54% held by Hangzhou Shangtang Daguan Economic Cooperative Committee (杭州上塘鎮大關村經濟合作社);

- Nanjing Jishang 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. (江蘇恒順杰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 (無錫新區經濟發展集團總公司) and Wuxi New District Nanzhan Property Business Co., Ltd. (無錫新區南站資產經營公司);

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

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

- Changshu Bairuenfa Hypermarket Co., Ltd. (常熟百潤發有限公司), which is 51% held by our subsidiary Changshu RT-Mart Hypermarket Co., Ltd. (常熟大潤發超市有限公司) and 49% held by Jiangsu Qinhu Group Co., Ltd. (江蘇琴湖集團有限公司).

CORPORATE GOVERNANCE

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

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

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

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

DISCLOSURE COMMITTEE

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

OTHER CHANGES IN DIRECTOR'S INFORMATION

Other changes in Director's information of the Company subsequent to the publication of the 2012 Annual Report are set out below:

- Desmond Murray, an independent non-executive Director of the Company, has resigned as a non-executive Director of the below companies with effect from 31 March 2013:

  iShares PLC(1)
  iShares II PLC(1)
  iShares III PLC(1)
  iShares IV PLC(1)
  iShares V PLC(1)
  Black Rock Fixed Income Dublin Funds PLC(2)
  Black Rock Institutional Pooled Funds PLC(2)
  Institutional Cash Series PLC(2)

  Notes:

  (1) Listed on the main board of the London Stock Exchange.

  (2) Listed on the Dublin Stock Exchange.

Save for those disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Main Board Listing Rules.

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 21 to 36 which comprises the consolidated statement of financial position of Sun Art Retail Group Limited as at 30 June 2013 and the related consolidated statement of profit or loss and other 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 2013 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

14 August 2013

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

The notes on pages 26 to 36 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 2013 – Unaudited

	Note	**At 30 June 2013 RMB million**	At 31 December 2012 RMB million
Non-current assets			
Fixed assets:	8		
– Investment properties		**2,339**	2,335
– Other property, plant and equipment		**16,777**	16,028
– Land use rights		**4,639**	4,038
		23,755	22,401
Intangible assets		**10**	9
Goodwill		**99**	99
Interest in a joint venture		**2**	–
Trade and other receivables	9	**441**	372
Deferred tax assets		**234**	208
		24,541	23,089
Current assets			
Inventories		**6,149**	10,141
Trade and other receivables	9	**3,524**	3,528
Investments and time deposits	10	**1,358**	2,070
Cash and cash equivalents	11	**7,243**	5,757
		18,274	21,496
Current liabilities			
Trade and other payables	12	**23,847**	26,307
Bank loans	13	**395**	402
Income tax payables		**272**	369
		24,514	27,078
Net current liabilities		**(6,240)**	(5,582)
Total assets less current liabilities		**18,301**	17,507
Non-current liabilities			
Other financial liabilities		**89**	85
Deferred tax liabilities		**96**	64
		185	149
Net assets		**18,116**	17,358

The notes on pages 26 to 36 form part of this interim financial report.

At 30 June 2013 – Unaudited

	Note	**At 30 June 2013 *RMB million***	At 31 December 2012 *RMB million*
Capital and reserves			
Share capital	*14*	**2,721**	2,721
Reserves		**14,773**	14,109
Total equity attributable to equity shareholders of the Company		**17,494**	16,830
Non-controlling interests		**622**	528
Total equity		**18,116**	17,358

Approved and authorised for issue by the Board of Directors on 14 August 2013.

Bruno Robert MERCIER
Chief Executive Officer
& Executive Director

HUANG Ming-Tuan
Executive Director

The notes on pages 26 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 – Unaudited

		Attributable to equity shareholders of the Company								
	Note	Share capital *RMB million*	Share premium *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 2012		2,721	7,299	2,050	44	485	2,540	15,139	378	15,517
Changes in equity for the six months ended 30 June 2012:										
Profit for the period		–	–	–	–	–	1,373	1,373	72	1,445
Other comprehensive income		–	–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	1,373	1,373	72	1,445
Share-based payments		–	–	5	–	–	–	5	–	5
Dividend declared in respect of the previous year	*14(b)*	–	–	–	–	–	(776)	(776)	–	(776)
Balance at 30 June 2012 and 1 July 2012		2,721	7,299	2,055	44	485	3,137	15,741	450	16,191
Changes in equity for the six months ended 31 December 2012:										
Profit for the period		–	–	–	–	–	1,036	1,036	52	1,088
Other comprehensive income		–	–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	1,036	1,036	52	1,088
Share-based payments		–	–	1	–	–	–	1	–	1
Cash injection from Employee Trust Benefit Schemes	*5(b)(i)*	–	–	52	–	–	–	52	57	109
Profit appropriation		–	–	–	–	110	(110)	–	–	–
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	–	(31)	(31)
Balance at 31 December 2012 and 1 January 2013		**2,721**	**7,299**	**2,108**	**44**	**595**	**4,063**	**16,830**	**528**	**17,358**
Changes in equity for the six months ended 30 June 2013:										
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,576**	**1,576**	**94**	**1,670**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**1,576**	**1,576**	**94**	**1,670**
Share-based payments		**–**	**–**	**3**	**–**	**–**	**–**	**3**	**–**	**3**
Dividend declared in respect of the previous year	*14(b)*	**–**	**–**	**–**	**–**	**–**	**(915)**	**(915)**	**–**	**(915)**
Balance at 30 June 2013		**2,721**	**7,299**	**2,111**	**44**	**595**	**4,724**	**17,494**	**622**	**18,116**

The notes on pages 26 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013 – Unaudited

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Cash generated from operations	**5,155**	3,503
Income tax paid	**(712)**	(622)
Net cash generated from operating activities	**4,443**	2,881
Net cash used in investing activities	**(2,034)**	(3,878)
Net cash used in financing activities	**(923)**	(574)
Net increase/(decrease) in cash and cash equivalents	**1,486**	(1,571)
Cash and cash equivalents at 1 January	**5,757**	7,517
Cash and cash equivalents at 30 June	**7,243**	5,946

The notes on pages 26 to 36 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi (“RMB”) 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 on 27 July 2011. The interim financial report comprises the Company and its subsidiaries (together, “the **Group**”). The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial report 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 report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The interim financial report does 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 report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 14 August 2013. The interim financial report has 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 of Directors is included on page 20.

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

2 CHANGES IN ACCOUNTING POLICIES (continued)

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

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

HKFRS 10, Consolidated financial statements

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

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

HKFRS 11, Joint arrangements

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

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

HKFRS 12, Disclosure of interests in other entities

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

HKFRS 13, Fair value measurement

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

2 CHANGES IN ACCOUNTING POLICIES (continued)

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

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

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

3 TURNOVER AND SEGMENT REPORTING

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

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

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

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

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

4 OTHER REVENUE

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

Government grants represent subsidies received from local authorities.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

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

(b) Staff costs

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

(i) Contributions to Employee Trust Benefit Schemes

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

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

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

5 PROFIT BEFORE TAXATION (continued)

(c) Other items

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

6 INCOME TAX

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

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

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

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

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

(Expressed in Renminbi ("RMB") unless otherwise indicated)

6 INCOME TAX (continued)

(iv) The EIT 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.

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

7 EARNINGS PER SHARE

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

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

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

8 FIXED ASSETS

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

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2013 RMB million	At 31 December 2012 RMB million
Non-current		
Rental prepayments	**441**	372
Current		
Trade receivables	**480**	279
Amounts due from Contracted Stores	**–**	78
Amounts due from Contracted Store Owners	**43**	38
Amounts due from related parties *(note 17)*	**69**	53
Other debtors	**591**	619
Value-added tax receivables	**649**	1,003
Prepayments:		
– rentals	**1,090**	1,079
– fixed assets	**602**	379
Sub-total	**3,524**	3,528
	3,965	3,900

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

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

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

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

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

10 INVESTMENTS AND TIME DEPOSITS

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

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

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

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

11 CASH AND CASH EQUIVALENTS

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

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

12 TRADE AND OTHER PAYABLES

	At 30 June 2013 ***RMB million***	At 31 December 2012 *RMB million*
Current		
Trade payables	**12,002**	14,464
Advance receipts from customers	**7,268**	7,207
Amounts due to related parties *(note 17)*	**95**	93
Construction costs payable	**1,639**	1,891
Amounts due to Contracted Stores	**11**	–
Dividends payable	**30**	28
Accruals and other payables	**2,802**	2,624
	23,847	26,307

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

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

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

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

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

13 BANK LOANS

Bank loans were unsecured and carried interest at annual rates ranging from 1.55% to 1.88% as at 30 June 2013 (31 December 2012: from 1.55% to 2.10%).

14 SHARE CAPITAL AND DIVIDENDS

(a) *Authorised and issued share capital*

	At 30 June 2013		At 31 December 2012	
	No. of shares	***RMB million***	*No. of shares*	*RMB million*
Authorised:				
Ordinary shares				
Hong Kong dollars				
("**HKD**") 0.3 each	**20,000,000,000**	**5,331**	20,000,000,000	5,331
Ordinary shares, issued and fully paid:				
At 30 June/31 December	**9,539,704,700**	**2,721**	9,539,704,700	2,721

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.

(b) *Dividends*

A final dividend of HKD0.10 (equivalent to RMB0.08) per ordinary share amounted to RMB776 million in respect of the year ended 31 December 2011 was approved on 16 May 2012 and paid on 8 June 2012.

A final dividend of HKD0.12 (equivalent to RMB0.10) per ordinary share amounted to RMB915 million in respect of the year ended 31 December 2012 was approved on 15 May 2013 and paid on 11 June 2013.

No interim dividend has been declared in respect of the six months ended 30 June 2013.

15 CAPITAL COMMITMENTS

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

	At 30 June 2013 ***RMB million***	At 31 December 2012 *RMB million*
Contracted for	**2,451**	2,202
Authorised but not contracted for	**3,612**	5,989
	6,063	8,191

16 CONTINGENCIES

As at 30 June 2013, legal actions have commenced against the Group by certain customers and certain suppliers in respect of disputes on purchase agreements. The total amount claimed is RMB54 million (31 December 2012: RMB93 million). As at 30 June 2013, the legal actions were ongoing, with most of the actions not yet set for trial dates. Provision of RMB10 million (31 December 2012: RMB12 million) has been made within Trade and other payables as at 30 June 2013, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Short-term employee benefits	**36**	34
Post-employment benefits	**1**	2
Share-based payments	**4**	2
	41	38

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Related party transactions

In addition to the related party information disclosed elsewhere in the notes to the unaudited interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2013 and 2012.

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Agency fees receivable (i)	**26**	16
Trademark fee payable (ii)	**11**	15
IT services fee payable (iii)	**3**	2
Expenses payable (iv)	**35**	30
Contributions to Employee Trust Benefit Schemes	**140**	132
Purchase of goods (v)	**4**	11

(i) 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..

(ii) 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.

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

(iv) 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.

(v) This represents purchase of merchandise from Auchan International (Shanghai) International Trading Company Limited.

(c) Related party balances

	At 30 June 2013	At 31 December 2012
	RMB million	*RMB million*
Amounts due from subsidiaries of Groupe Auchan S.A.	**69**	53
Amounts due to Groupe Auchan S.A. and its subsidiaries	**95**	93