

[For Immediate Release]



Create customer value of health and pleasure

Become offline experience centers and online fulfilment centers  
for target customers

## Financial Highlights

For comparison purpose, major indicators of the financial results for the twelve months ended 31 March 2023 are summarized in the tables below:

For the twelve months ended 31 March

(In RMB million, unless stated otherwise)	2023	2022	Variation
Revenue	83,662	88,134	-4,472
Gross Profit	20,581	21,473	-892
Operating Profit	1,177	18	1,159
(Loss)/Profit for the Year	78	-826	904
(Loss)/Profit Attributable to Equity Shareholders of the Company	109	-739	848

## Business Highlights

- ◆ Developed fresh product supply chain capabilities by establishing 14 standard fresh produce processing centers ("FPPCs") to cover a majority of stores. Nearly 50% of FPPC stores' revenue was derived from far and near-fields direct sourcing products.
- ◆ Developed research and development ("R&D") capabilities to differentiate products and established the private label ("PL") team. The newly differentiated products achieved TOP sales among products of the same category.
- ◆ Established omni-channel digital operation capabilities, enabled member operation and improved user-reaching efficiency.
- ◆ On the basis of rapid modular replication for remodeling 2.0 and sustainable revenue growth from omni-channel online, the Group kicked off the exploration of remodeling 3.0 with the focus in improving store efficiency.
- ◆ Established the fully organized business unit for the M club. The first M club store made its debut in Yangzhou and the number of paid members before opening was better than expected.

(16 May 2023 – Hong Kong) **Sun Art Retail Group Limited** ("Sun Art" or the "Group", HKEX stock code: 6808), today announced its 2023 annual results for the twelve months ended 31 March.

## Macro Environment and Industry

In 2022, the total retail sales of consumer goods experienced significant fluctuations, a decrease of 0.2% over the past year. Since January 2023, offline consumption scenarios have recovered in an orderly manner. The market confidence and consumption have generally rejuvenated. Under the pressure of omni-channel competition, the retail industry is actively waiting for the relay of consumption momentum.

## Revenue

As of March 31 2023, the Group recorded the revenue of RMB83,662 million. In 2022, temporary shut down or shortened business hours of stores in many areas caused the rental income to shrink to RMB3,127 million, a decrease of 11.6% over the same period.

During the reporting period, the same store sales growth rate (“SSSG”) was -4.0%, mainly due to the revenue decrease caused by a decline in offline traffic. By leveraging full advantages of multi-channel operation online, the ticket size achieved a double-digit growth, driven by customers' stock-up mentality and product upgrading, which further drove the online revenue to achieve a double-digit growth.

## Gross Profit and Margin

As of 31 March 2023, the gross profit recorded RMB20,581 million, a decrease of RMB892 million over the same period. The decrease in gross profit was mainly due to the decline in rental income of RMB412 million over the same period, as well as a decrease in sales profit caused by a decline in sales.

During the reporting period, the gross margin was 24.6%, an increase of 0.2 percentage points over the same period. Gross margin improvement was mainly derived from the increased sales gross margin. In addition to the reduced marketing investment and the omni-channel digital membership operation, the improvement of product power and the development of fresh product supply chain capabilities, also drove the overall improvement of gross profit.

## Operating Profit

As of 31 March 2023, the Group recorded the operating profit of RMB1,177 million, an increase of RMB1,159 million over the same period. During the reporting period, the Group recorded the provision for impairment losses totaling at approximately RMB384 million. After adding the provision, the operating profit recorded approximately RMB1,561 million, a decrease of RMB332 million compared to RMB1,893 million of the operating profit after adding the provision in the previous fiscal year, mainly due to a decrease in annual rental income.

## Dividend

As of 31 March 2023, the Group's net cash recorded RMB19,449 million. The basic earnings per share was RMB0.01. The Board of Directors proposed to declare a final dividend of HK\$0.045 per ordinary share. The final dividend is subject to the approval of the Group's shareholders at the forthcoming annual general meeting.

**Mr. Peter HUANG, Chairman of the Group commented,** *"The fiscal year 2023 was a year full of difficulties and challenges. Under the leadership of Mr. LIN Xiaohai, Chief Executive Officer, Sun Art adhered to implement the Group's established strategies, being bold in quick iteration and innovation, in particular, having won the favor and trust from customers in the supply guarantee period. In the past year, leverage on the remodeling version 2.0 of hypermarkets, Sun Art launched the remodeling version 3.0, aiming to improve 'product efficiency', 'labor efficiency' and 'square meter efficiency'. Fresh products, as a customer attractor and differentiated category, its supply chain infrastructure has taken shape. Through efficiency improvement of warehouses, full chains and stores, Sun Art has provided wide range of product offerings, stable quality and certain service experience to the customers. Sun Art has more than 20 years of retail service experience. With product differentiation capabilities and digital membership capabilities, Sun Art will provide customers with omni-channel shopping experience and become a trustworthy retailer."*

**Developed R&D capabilities to differentiate products and laid the foundation for future differentiated products based on quality-price ratio, health and happiness.**

In fiscal year 2023, the Group accelerated category expansion, product de-homogenization and established a fully organized PL team. In the fourth quarter of the fiscal year, the sales of

differentiated products ranked first among products in the same category.

In fiscal year 2024, the Group will prioritize product differentiation as its primary strategy. The Group will expand trending categories continuously, improve entire supply chain efficiency, and create competitiveness in quality and price for core categories. The Group will also strengthen R&D of PL products to enhance overall product differentiation, aiming to provide healthy and enjoyable shopping experience with high value for target customers.

**Became offline experience centers, and accelerated the remodeling version 2.0 nationwide.**

During the reporting period, the Group remodeled more than 80 stores. The hypermarket remodeling version 2.0 validated the value of RT-Mart's "shopping". The Group continued to optimize the tenant mix of galleries and reduced vacancy rates, with the proportion of traffic-generated tenants, such as restaurants and neighbourhood-like services, accounting for nearly 40% of the total number of tenants. The vacancy rate was kept within 5%.

In fiscal year 2024, the Group will focus on the offline demands of "three generation families" to create pleasant scenes, experiences and attentive services and replicate them more efficiently and quickly nationwide. The Group will accelerate the restructuring of its tenants mix and promote better synergies with hypermarkets in all aspects to become a community service center.

**Became online fulfilment centers, the sustainable growth of online channels became a core competitiveness.**

During the reporting period, the B2C revenue increased by approximately 15%, and remained the driver of revenue growth of the Group. The Daily Order per Store ("**DOPS**") of B2C was nearly 1,300 orders, and the ticket size was approximately RMB75 per order. The profitability of B2C business continued to be optimized.

The Group continued to develop its procurement capabilities for multi-channels and online operations. B2C business continued to grow and has become the Group's core competency. The revenue derived from its own mobile application, RT-Mart Fresh, has increased by nearly 40% compared to the same period last fiscal year. The Group's Taoxianda business, as the core supplier of near-fields fresh products for Taobao, continued to grow steadily. Eleme's revenue growth, driven by its ticket

size expansion, was up by nearly 20% compared with the same period last fiscal year, and its business model has been further improved.

During the reporting period, the Group improved its digital membership capabilities to achieve the member operation in all aspects. In the second half of the fiscal year, the Group's membership system integrated with that of Eleme and Taoxianda, and established content and channels through public platforms such as Douyin, Xiaohongshu, Weibo and Enterprise WeChat. The omni-channel digital membership operation will become an important competitive edge of the RT-Mart.

In fiscal year 2024, the Group will focus on young and middle-aged individuals with children by fully leveraging advantages of its fresh produce and proximity to enhance certainty and stability of its experiences and services. The B2C business will maintain sustainable growth and become a reliable online fulfillment center to meet customers' delivery-to-home needs anytime and anywhere.

**Continued to enhance the multi-format development. RT-Super showed positive growth trend. The first membership store focused on member value.**

During the reporting period, the Group had 12 RT-Super stores with five new openings during the fiscal year. RT-Super is the low-cost extension of the RT-Mart. During the reporting period, the business model of RT-Super was further developed and its gross cash flow performance of comparable stores continued to improve during the fiscal year. Looking forward, the Group will continue to invest in RT-Super's national roll-out, and focus on dominant regions. RT-Super will fully leverage the advantages of RT-Mart's supply chain and secure a competitive market position quickly to drive medium to long-term growth.

RT-Mini's headquarter was further streamlined with focus on the Nantong region. During the reporting period, the Group had 84 mini stores with 21 new openings and 40 closures. In the future, RT-Mini will utilize RT-Mart's supply chain resources and gradually develop into a channel for RT-Mart to cover surrounding communities and counties.

During this fiscal year, the Group completed the organizational construction of its membership store, M Club, with its first store located in Yangzhou. The Group will continue to invest in M Club. By remodeling existing hypermarkets and leveraging the “big box” advantages of RT-Mart and the resources of the Group's owned properties, M Club will use a brand new supply chain system to develop differentiated products power to create value for members.

### The large-scale development of fresh product supply chain capabilities.

During this fiscal year, the Group had a total of 14 standard FPPCs, covering a majority of stores nationwide. Among the stores, 100% of the stores and more than half of the stores realized self-operation in vegetables and fruits respectively. Revenue from direct sourcing was about 50%. The operating costs of FPPCs have significantly decreased, effectively reducing the wastage of vegetables and fruits and improving price competitiveness.

The Group will deepen the construction and accelerate the investment in the nationwide roll-out of the fresh product supply chain, and establish full chain solutions for core categories. The aim is to build up customers' mindset for stable quality and competitive prices of fresh products.

In fiscal year 2024, the Group will further strengthen the development of digital capabilities. Through the application of technology, process optimization and organizational innovation, the digital capabilities will be used to drive the improvement of product efficiency, labor efficiency and area efficiency, as well as the optimization of the Group's overall organizational efficiency.

**Mr. Kevin LIN, Chief Executive Officer of the Group concluded,** *“In fiscal year 2024, competition will become more intense, and the business model of hypermarkets will face greater challenges. Sun Art will focus more on offline target customers, creating shopping experience featuring the customer value of health and pleasure, and becoming an offline experience center, to enable our target customers to love life and shopping in RT-Mart. Online one-hour-delivery service has become a standard feature for all retailers, and we will continuously improve the quality and service certainty and stability, becoming an online fulfillment center to meet the deliver-to-home needs of online users anytime and anywhere. We will continue to invest in exploring and developing multiple formats, including M Club's business model, the expansion of RT-Super, and the exploration of RT-Mini, in order to create a second growth curve for Sun Art. At the same*

*time, Sun Art will continue to extend clean energy utilization, facilitate energy conservation and emission reduction, as well as to adhere to the business philosophy of green operation, responsible procurement and people-oriented, and create value for the sustainable development of the environment and society.”*

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## **About Sun Art Retail Group Limited**

Sun Art is a leading retailer with hypermarket and omni-channel e-commerce businesses in China. Sun Art operates its business with hypermarkets, superstores, mini stores and M club store under RT-Mart, RT-Super and RT-Mini. As of 31 March 2023, Sun Art had a total of 486 hypermarkets, 12 superstores and 84 mini stores in China with a total gross floor area (“GFA”) of approximately 13.81 million square meters, covering 212 cities across 29 provinces, autonomous regions and municipalities. The Group has always been committed to high quality-to-price ratio and the customer value of health and pleasure by providing high-quality shopping experience for customers with fresh and inexpensive commodities, comfortable and convenient environment, as well as lump-sum buying. The Group aims to become a good neighbor of communities and a trustworthy shopping representative of customers.

As of 31 March 2021, Taobao China Holding Limited (“Taobao China”) directly or indirectly holds 78.70% of the issued share capital of Sun Art Retail Group Limited (the “Group”) and therefore has become the ultimate controlling shareholder of the Group. The two parties will integrate online and offline professional capabilities to jointly explore new retail development opportunities in China's retail industry.

Sun Art will focus on the four strategies of ‘product differentiation capabilities, offline experience centers, online logistics fulfillment centers, and multi-format and omni-channel development’, as well as the development of FPPC capabilities and digitalized capabilities, and to become a leader in digital transformation and a benchmarking enterprise for New Retail.

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