

# SUN ART

## Retail Group Limited

Stock code: 6808

### A Leader of Digital Transformation

### 2020 12-Month Interim Results Announcement





**Speakers**



**Operating Environment**



**Expansion Status**



**Business Review**



**Financial Review**



**Business Strategy**



**Q&A**



# Speakers



**Peter Huang**

Chairman  
and  
Chief Executive Officer



**Kevin Lin**

Executive Director  
and  
Chief Executive Officer  
of RT-Mart China



**Nelson Hsu**

Vice Chairman  
of RT-Mart China



**Desory Wan**

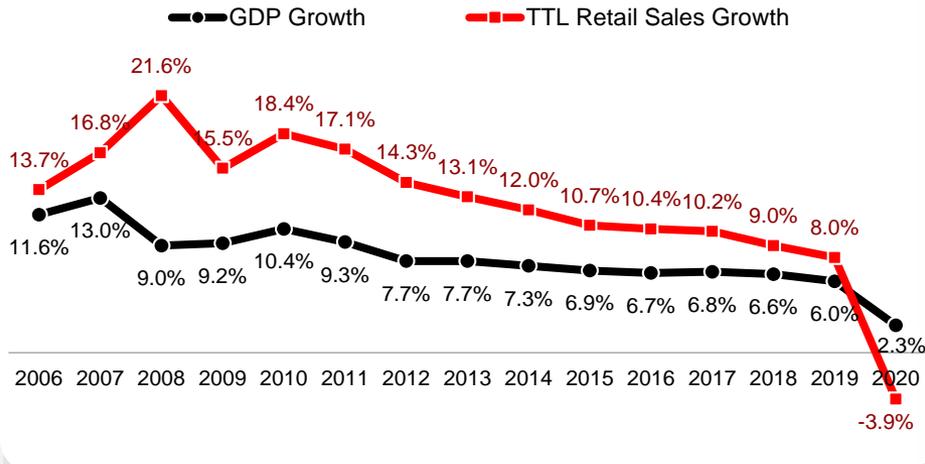
Chief Financial Officer  
and  
Chief Financial Officer  
of RT-Mart China

# OPERATING ENVIRONMENT

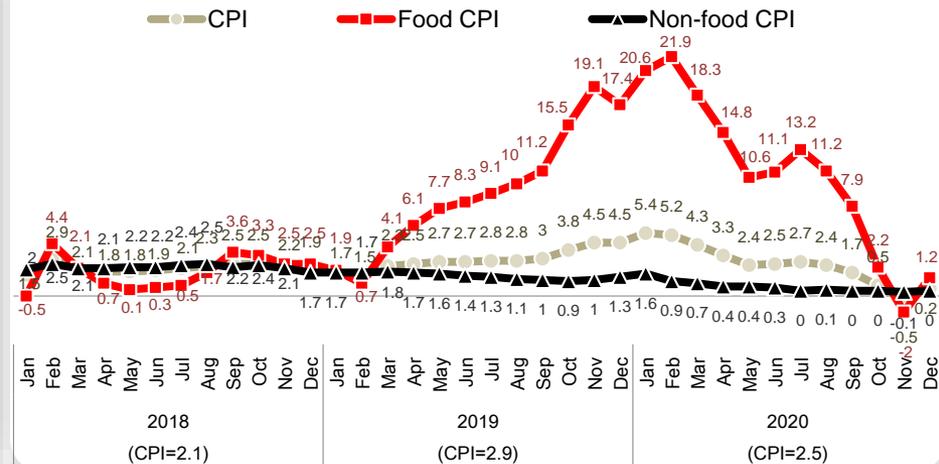


# Operating Environment

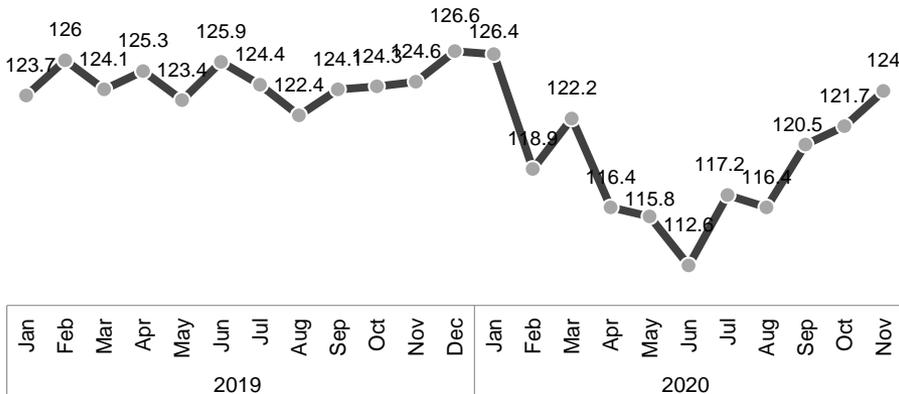
(1) Growth of GDP & Total Retail Sales of Consumer Goods



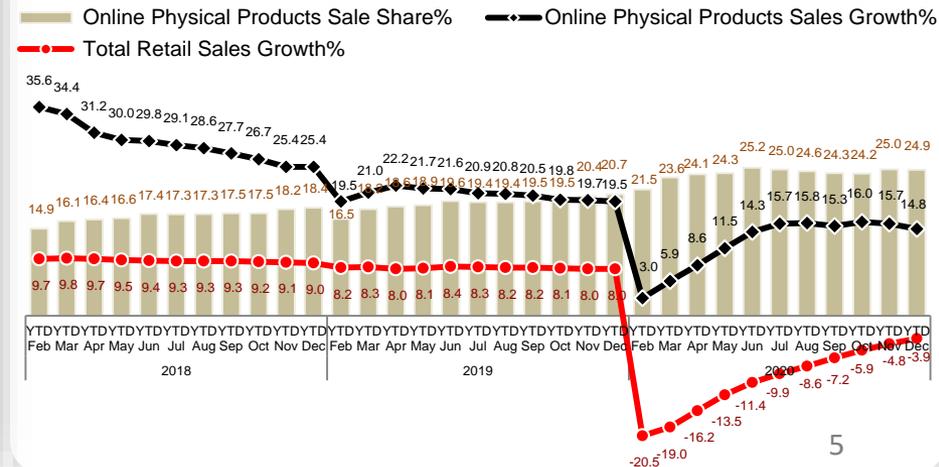
(2) 2020: CPI was up by 2.5% yoy (Food CPI up 10.6%, Non Food CPI up 0.4%)



(3) Uptrend of Consumer Confidence Index (CCI) in the second half of 2020



(4) Online physical products sales accounted for 24.9% of total retail sales in 2020, up by 14.8%



Source: Chart (1), (2), (3), (4) from the National Bureau of Statistics of China.

# EXPANSION STATUS



# Expansion Status

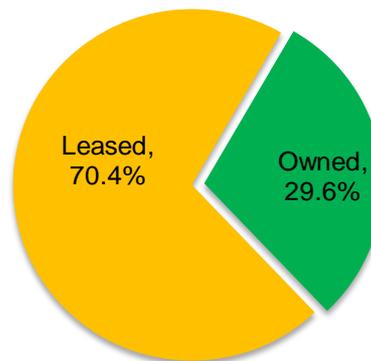


Region	No. of stores (as of 31 December 2020)				GFA (sqm) (as of 31 December 2020)			
	Hyper-market	Super-store	Mini Store	Total	Hyper-market	Super-store	Mini Store	Total
Eastern China	187	4	24	215	5,387,333	51,895	5,613	5,444,841
Northern China	51	1	0	52	1,286,329	10,283	0	1,296,612
N-Eastern China	52	1	0	53	1,446,005	5,850	0	1,451,855
Southern China	92	0	0	92	2,231,922	0	0	2,231,922
Central China	76	0	0	76	1,933,517	0	0	1,933,517
Western China	26	0	0	26	719,759	0	0	719,759
<b>Total</b>	<b>484</b>	<b>6</b>	<b>24</b>	<b>514</b>	<b>13,004,865</b>	<b>68,028</b>	<b>5,613</b>	<b>13,078,506</b>

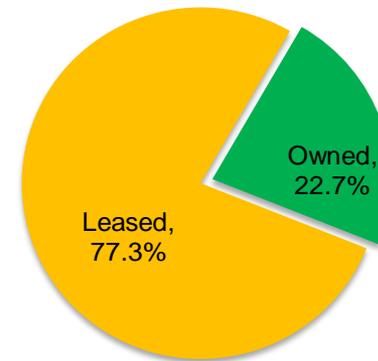
Covering 232 cities across 29 provinces, autonomous regions and municipalities. Secured 26 sites to open hypermarkets, of which 23 were under construction

- In 2020, the Group has opened 4 hypermarkets, 3 superstores and 24 mini stores and 3 closures.
- As of 31 December 2020, the Group had 484 hypermarkets, 6 superstores and 24 mini stores.

GFA breakdown



Store no. breakdown



**SUN ART**

Retail Group Limited | 2020 12-Month Interim Results

Note: GFA breakdown and store number breakdown only include hypermarkets and superstores.

# BUSINESS REVIEW



- The number of registered B2C users was over 69 million among which the active users exceeded 16.5 million.
- Since May 2020, the Group's online daily order per store ("**DOPS**") exceeded 1,000. The Group's average DOPS in first-tier cities was more than 2,000.
- The Group set a new DOPS record exceeding 2,900 for the first time on "double 11" day in 2020.
- For the B2C ticket size in the second half of 2020, despite the significant decrease compared with that in the first half, it still increased by 5.7% over the same period last year, reaching net amount after tax RMB66 per order.
- The average DOPS in the year of 2020 increased by more than 60% and the sales of B2C business increased by more than 80% over the same period last year.

### - Superstore -

- The Group opened three superstores and had three superstores renovated in 2020. As of 31 December 2020, the Group had six superstores.
- The superstore, with an operating area of approximately 3,000 to 5,000 square meters, is named as “RT-Super”.
- RT-Super provides around 15,000 stock keeping units (“SKU”). According to the differentiation of catchment areas and customer positioning, each RT-Super can feature different offerings suitable for customers.
- The Jiuzhou Store (“九州店”), the first renovated superstore, is already profitable. The business model of RT-Super is practically matured.
- In 2021, RT-Super will enhance the scale expansion by focusing on the second and third-tier cities, and build fresh superstores which are closer to young consumers through the construction of core categories.

### - The mini store model -

- The concept of the mini store is to create a “close-to-home” RT-Mart, aiming to satisfy customers' demand for daily meals.
- Fresh food and dairy products accounted for more than 70% of the revenue.
- The operating area of each mini store was about 200 to 500 square meters.
- The processing centers of fresh products can be built for mini stores in each city. Mini store also shares the FMCG product pool with hypermarket, and designs different display models and offerings to build a good foundation for accelerating expansion in the future.
- As of 31 December 2020, the Group opened 24 RT-Mini stores of which 20 were located in Nantong City, Jiangsu Province and four in Taizhou City, Jiangsu Province. The expansion of mini store is expected to speed up in 2021.

### - Community group buying -

- The business strategy of community group buying is to synchronize Feiniu group buying and Cainiao group buying.
- Community group buying strengthened its business synergy with Cainiao pick-up station with more than 100 stores located in over 36 cities. The number of active stations reached nearly 8,000.
- Stations for the Feiniu group buying were also launched in 125 cities, and more than 220 stores started the community group buying business.
- The Group actively calls on employees to become community group buying initiators. They are the Group's unique buying initiator resource and features with high stickiness in their nature.
- Community group buying not only leverages hypermarkets' supply chains and stores' advantages for its products, but also has dedicated procurement teams and ability to organize products.

- In the pilot stores, the non-food operating area was reduced but the warehouse area was increased significantly, aiming to create the “warehouse-based” model.
- After the renovation, the warehouse-based store will not only meet the needs of the store itself, but also support half-day delivery, community group buying and B2B business of the city.
- This renovation means each city has its own city warehouse.
- Product efficiency is significantly enhanced and logistics costs are greatly reduced, thus meeting the shopping needs of different customers at anytime and anywhere.

# FINANCIAL REVIEW



# Financial Highlights

For the twelve months ended 31 December (RMB in million)	2020	2019	Change
<b>Revenue</b> <sup>(1)</sup>	95,486	95,357	0.1%
<b>Same Store Sales Growth</b> <sup>(2)(3)</sup>	1.0%	-1.0%	
<b>Gross Profit</b>	24,343	25,731	-5.4%
<b>Gross Profit Margin</b> <sup>(4)</sup>	25.5%	27.0%	- 1.5ppt
<b>EBIT</b>	4,664	4,890	-4.6%
<b>EBIT Margin</b> <sup>(5)</sup>	4.9%	5.1%	- 0.2ppt
<b>Profit for the period</b>	3,046	3,045	0.0%
<b>Net profit margin</b> <sup>(6)</sup>	3.2%	3.2%	-
<b>Profit attributable to equity shareholders</b>	2,872	2,834	1.3%
<b>Earnings per share -Basic and diluted (RMB)</b> <sup>(7)</sup>	0.30	0.30	

Note: The Group has initially applied HKFRS 16 at 1 January 2019.

(1) In our electronic appliance department, the business model was changed from self-operation to consignment from August 2018. Since then, only consignment fees received have been recognized in revenue instead of gross sales.

(2) SSSG: the growth rate of sales of the stores opened before 31 December 2019. It is calculated by comparing the sales derived from those stores during their operating periods in 2020 with sales during the corresponding periods in 2019.

(3) The Same Store Sales Growth, calculated based on sales of goods excluding electronic appliance.

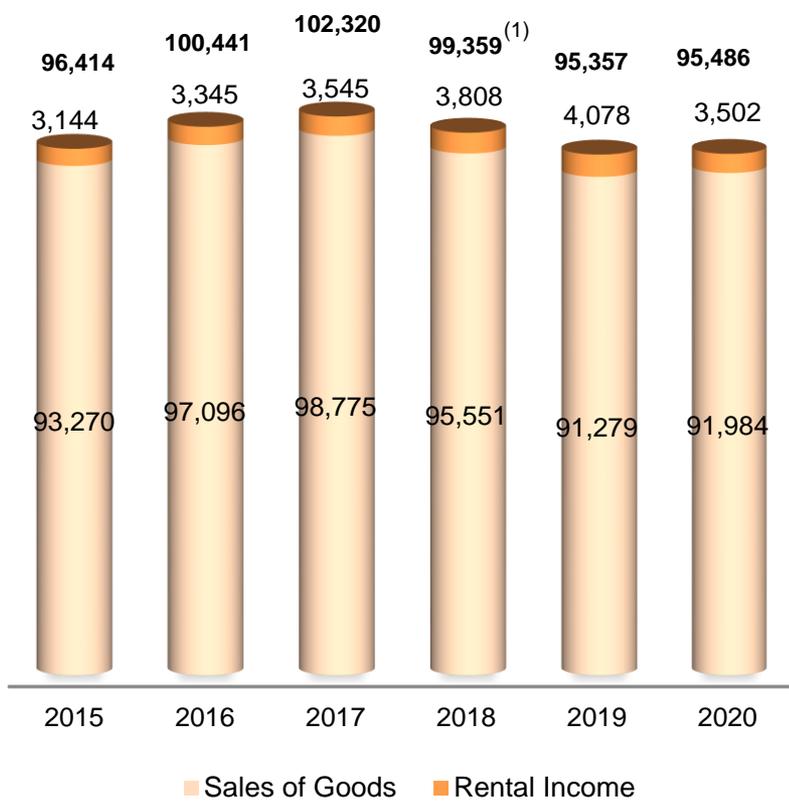
(4), (5), (6) calculated on revenue.

(7) The calculation of basic and diluted EPS for the twelve months ended 31 December 2020 and 2019 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

# Financial Highlights

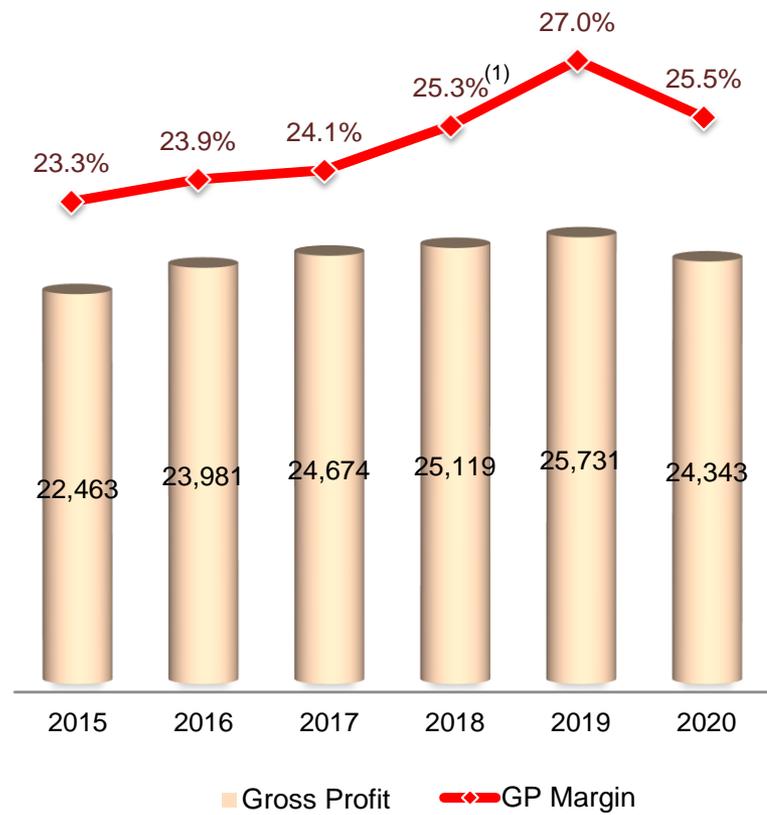
## Revenue

RMB (million)



## Gross Profit

RMB (million)



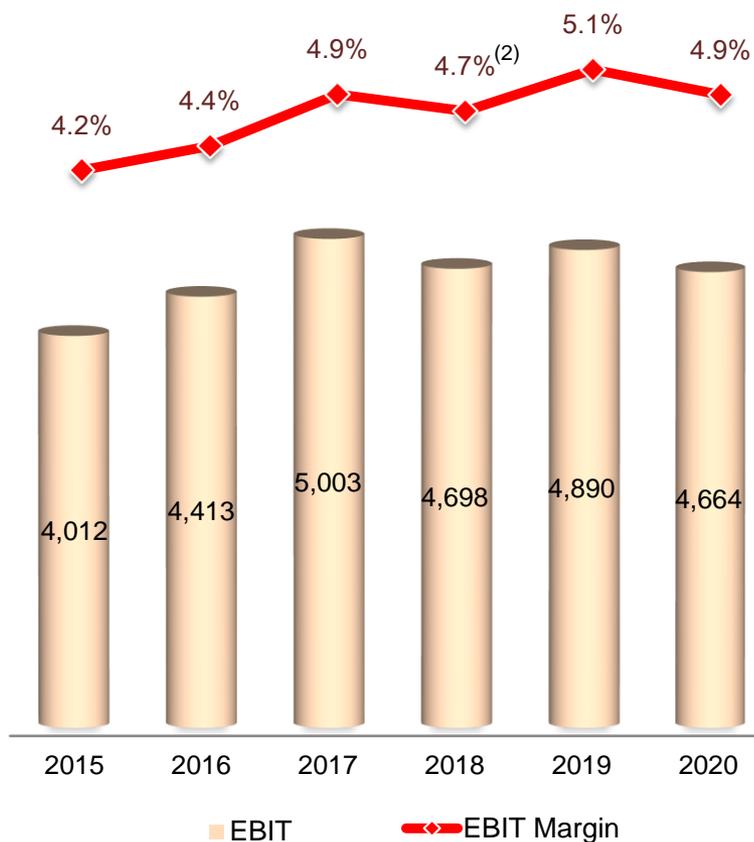
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# Financial Highlights

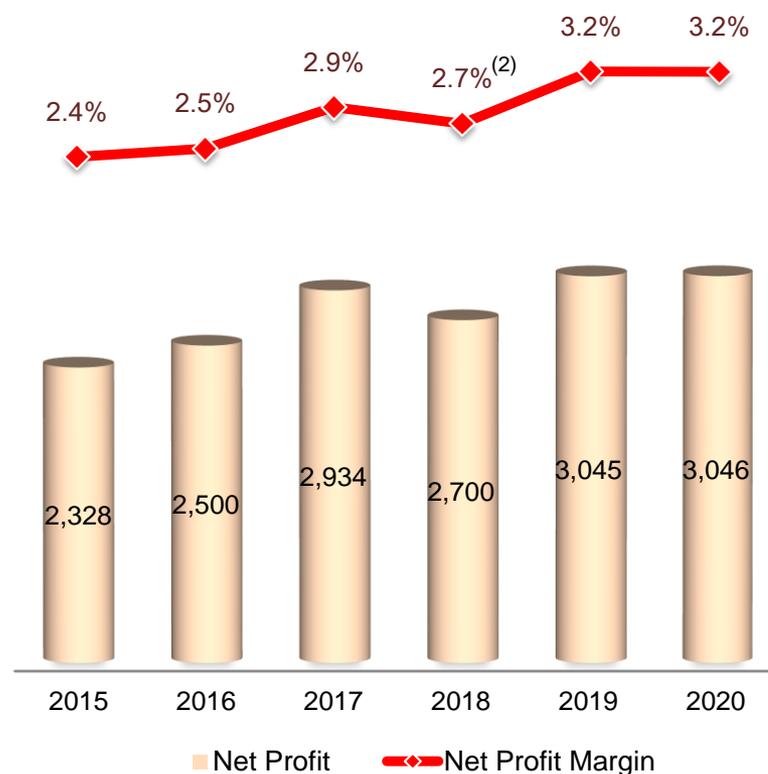
## Operating Profit

RMB (million)



## Net Profit <sup>(1)</sup> and Margin

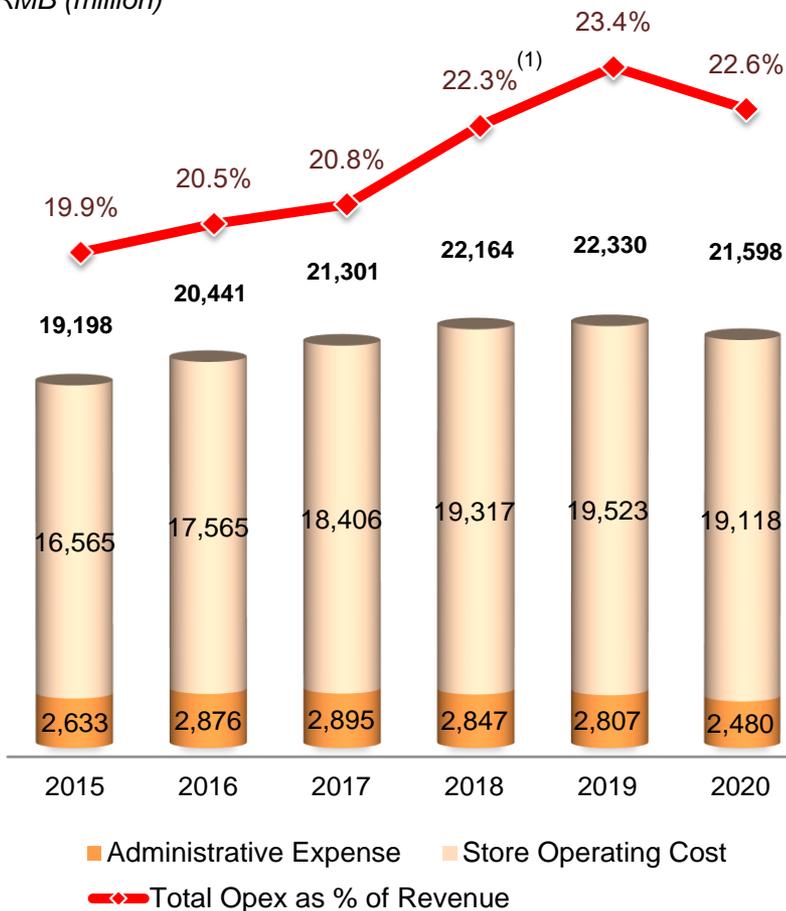
RMB (million)



# Financial Highlights

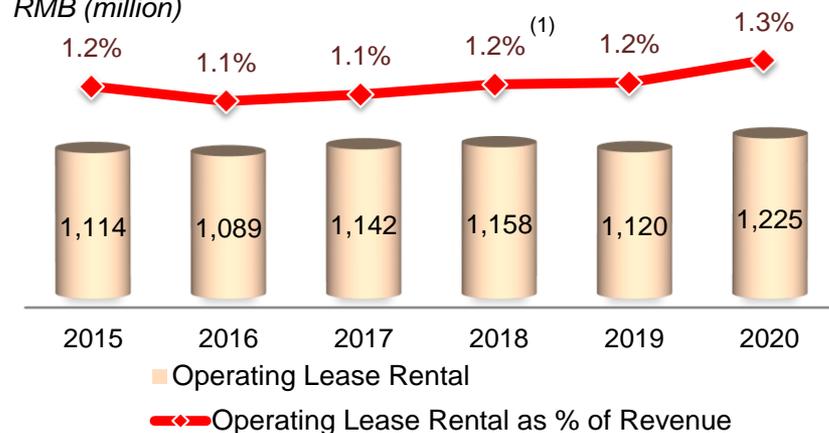
## Expenses

RMB (million)



## Operating Lease Charges

RMB (million)



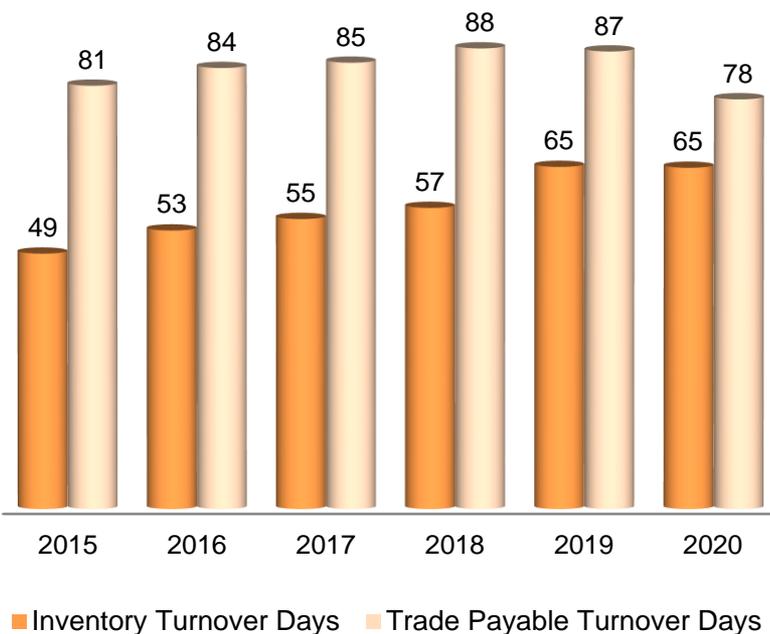
## Staff Cost

RMB (million)



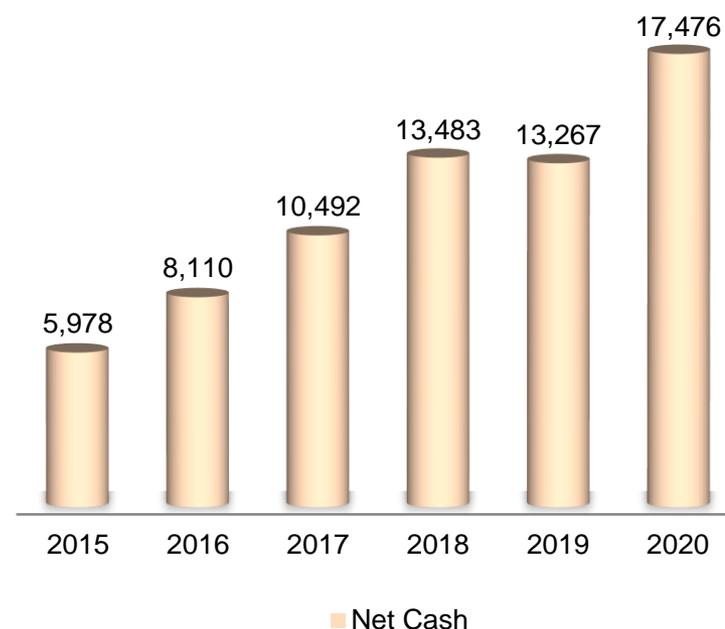
# Balance Sheet

## Working Capital Days (1)



## Net Financial Position (2)

RMB (million)



Note:

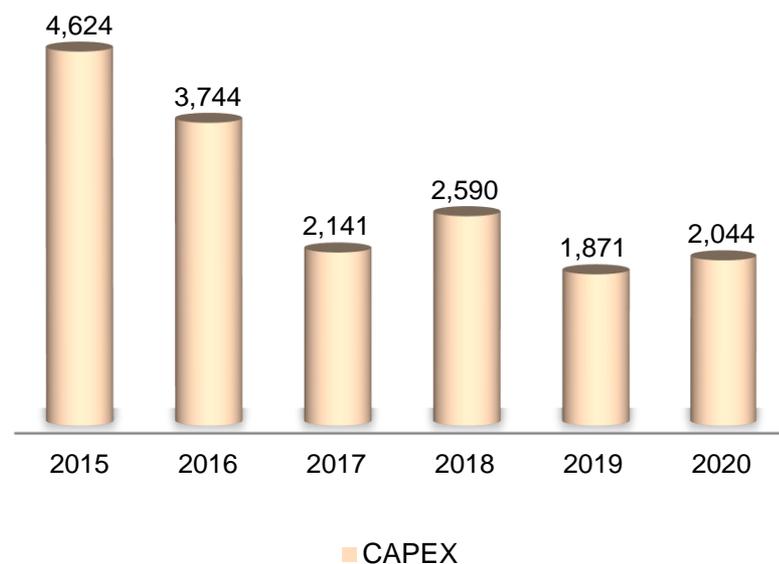
(1) The inventory turnover days and trade payable turnover days are calculated on average balances of inventory and trade payable, together with the cost of inventory during past 12 months. Data has been restated since 2015.

(2) The balance of net financial position is calculated as the sum of cash and cash equivalents, time deposits and financial assets measured at FVPL.

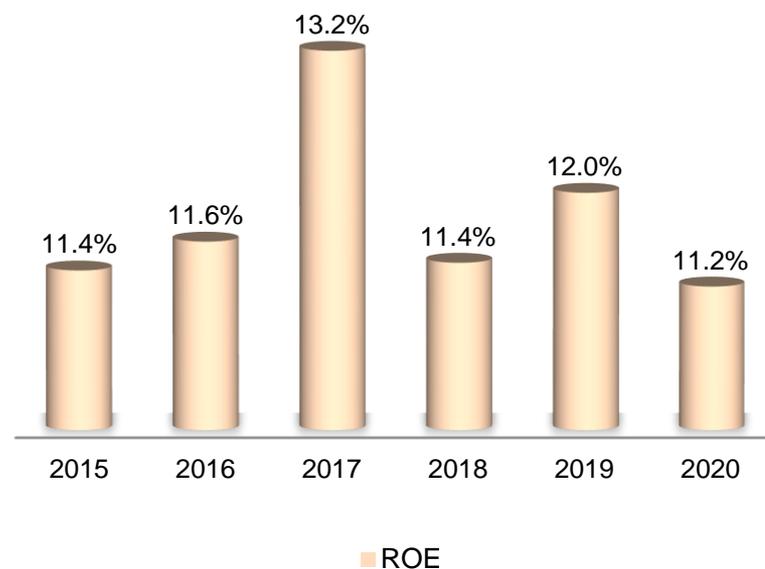
# Investment Return

## CAPEX

RMB (million)



## ROE<sup>(1) (2)</sup>



Note:

(1) ROE is calculated by dividing net profit for the year by total equity amounts as at the end of the year.

(2) The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, figures in the 4 years earlier than 2019 (i.e. since 2015) are restated retrospectively.

# BUSINESS STRATEGY



# Business Strategy



## Accelerate the multi-formats and omni-channels development

- Accelerate the expansion of RT-Super nationwide
- Expand mini stores regionally
- Synchronize Feiniu group buying and Cainiao group buying



## Remodeling of hypermarkets

- Focus on the core categories
- Upgrade the mixture of galleries
- Optimize stores and warehouses to structure warehouse-based stores

## Q & A

