

SUN ART

Retail Group Limited

Stock code: 6808

Offline Experience Centers
Online Fulfillment Centers

Financial Results Announcement
15 Months ended 31 March 2021





Speakers



Operating Environment



Expansion Status



Business Review



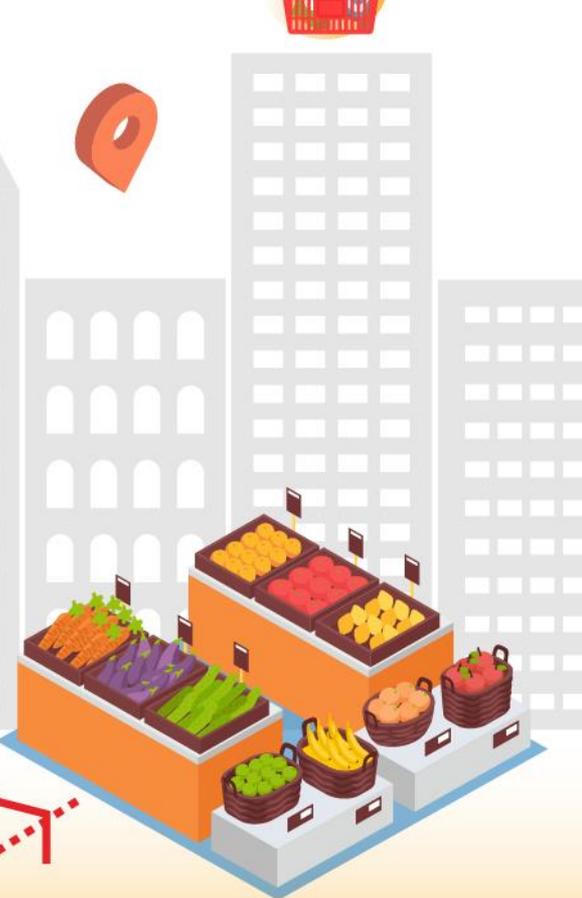
Financial Review



Business Strategy



Q&A



Speakers



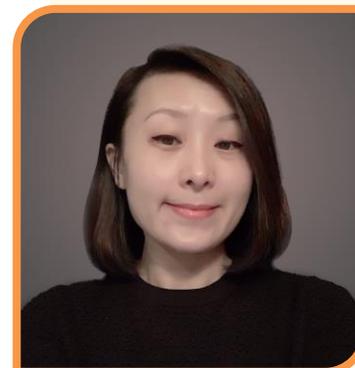
Kevin Lin

**Chief Executive Officer
and
Executive Director**



Desory Wan

Chief Financial Officer



Xiaobei Gu

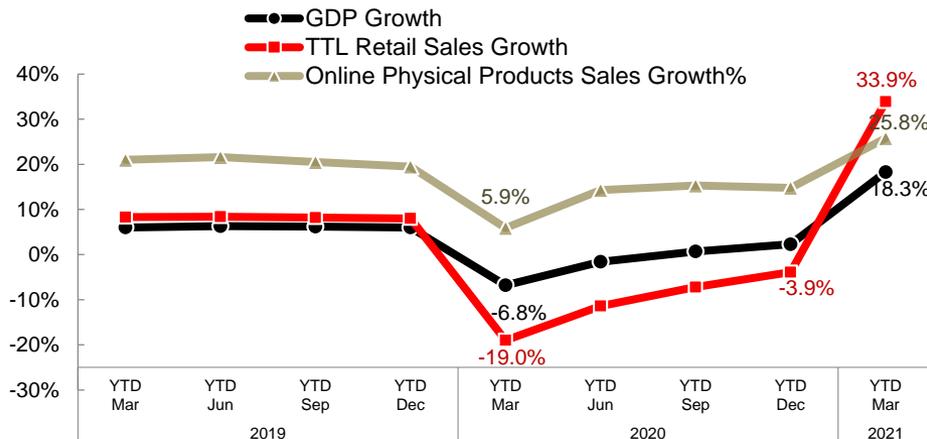
**Head of
Investor Relations**

OPERATING ENVIRONMENT

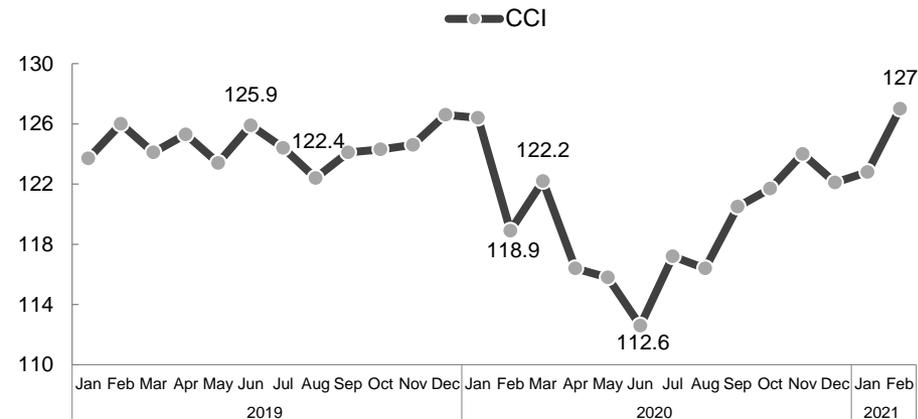


Operating Environment

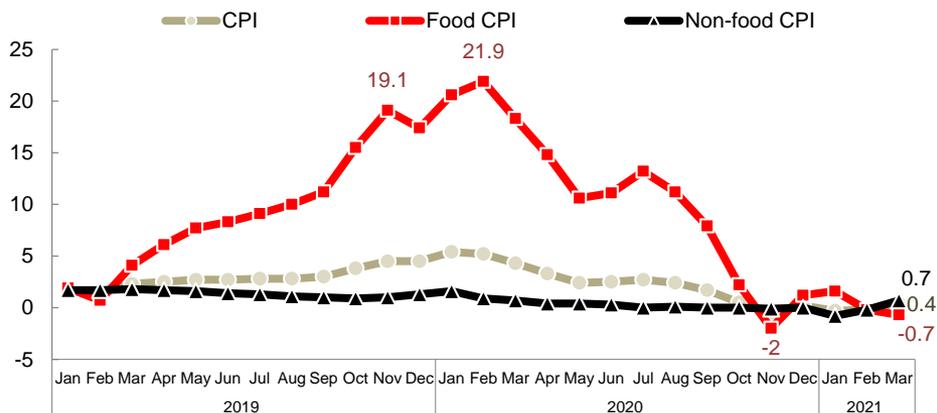
(1) Growth of GDP & Total Retail Sales of Consumer Goods



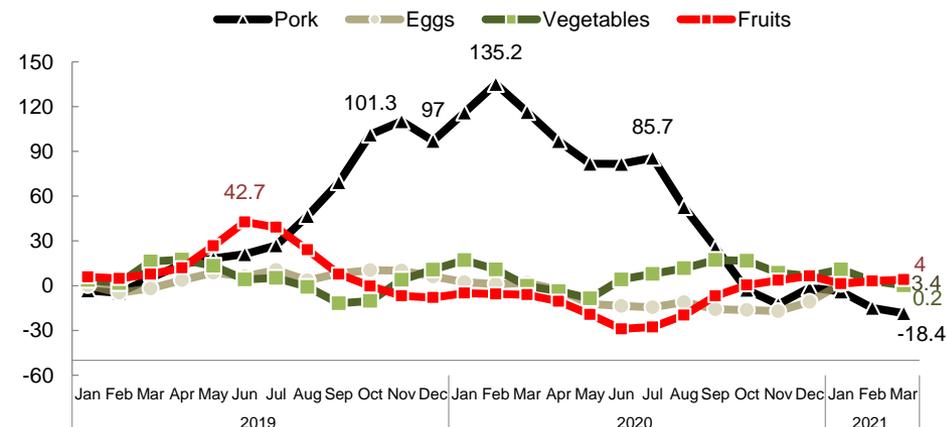
(2) Uptrend of Consumer Confidence Index (CCI) in 2021Q1



(3) Consumer Price Index (CPI) in 2021Q1



(4) CPI Trends of Fresh Products



EXPANSION STATUS



Expansion Status

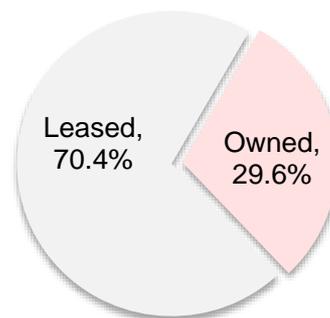
Covering 234 cities across 29 provinces, autonomous regions and municipalities. Secured 27 sites to open hypermarkets, of which 22 were under construction



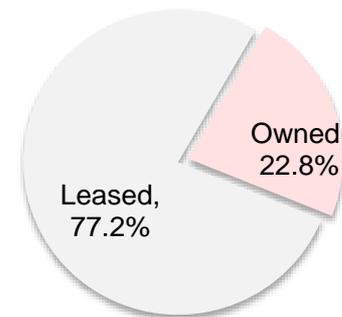
Region	No. of stores (as of 31 March 2021)				GFA (sqm) (as of 31 March 2021)			
	Hyper-market	Super-store	Mini Store	Total	Hyper-market	Superstore	Mini Store	Total
Eastern China	187	4	31	222	5,387,333	51,895	7,424	5,446,652
Northern China	52	1	0	53	1,308,825	10,283	0	1,319,108
N-Eastern China	52	1	0	53	1,446,005	5,850	0	1,451,855
Southern China	96	0	0	96	2,324,096	0	0	2,324,096
Central China	77	0	1	78	1,958,627	0	570	1,959,197
Western China	26	0	0	26	719,759	0	0	719,759
Total	490	6	32	528	13,144,645	68,028	7,994	13,220,667

- During the 15 months ended 31 March 2021, the Group has opened 10 hypermarkets, 3 superstores and 32 mini stores and 3 closures.
- As of 31 March 2021, the Group had 490 hypermarkets, 6 superstores and 32 mini stores.

GFA breakdown



Store no. breakdown



BUSINESS REVIEW



- **Restructuring categories :**

Areas of fresh products and imported goods were expanded. Multiple stores were designed with scenario-based display

- **Restructuring functions:**

- Store warehouses were remodeled to meet the needs of online and offline customers from B2B and B2C businesses.
- All stores have established fast-picking backyards.
- Approximately **360** stores have completed automation remodeling.
- To improve efficiency per square meter and productivity.

- For the fifteen months ended 31 March 2021 (“**Reporting Period**”), **38** hypermarkets were remodelled. In the future, the number of stores being remodelled is expected to be around **40** to **50** per year.

Business Review

The superstore model is feasible, multi formats and community group buying (“CGB”) businesses will develop in parallel

- **Superstore:**
 - **Three** new superstores and currently **six** in total.
 - The superstore model is basically mature and the store expansion will be accelerated.
- **Mini store:**
 - **32** new Mini stores.
 - The mini store model will continue to be improved.
- **Fresh products processing center:**
 - **One** center has been established and it began to serve regional multi-formats and CGB business.
- **Differentiating Feiniu CGB business and Cainiao CGB business:**
 - The number of existing pick-up stations is **more than 50,000**. The average ticket size was about **RMB65**.

- During **Reporting Period**, B2C revenue and total order volume increased by around **64%** and **60%** compared to **Previous Period**⁽¹⁾ respectively. The ticket size was **RMB70**, increased by **2.3%** compared to **Previous Period**.
- The ticket number increased steadily. In the first quarter of 2021, the daily order per store (“DOPS”) of one-hour-delivery business was nearly 1,100, an increase of more than 40% over the same period last year.
- The ratio of on-time-delivery within one hour was more than **99%**. The average lead time was about **45** minutes.

Business Review

Accelerate talents cultivation in the future,
Enhance efficiency supported by human resources organization

- Smooth transition of senior management and core regional positions.
- Establish innovation department for superstore, mini store, CGB business and B2B business.
- Build up flexible store organizations. As of 31 March 2021, the average headcount per store reduced by approximately **10%** over the same period last year.
- Create IP image of RT-Mart and become a new member of IP family under Alibaba Group.

FINANCIAL REVIEW



Financial Highlights

For comparison purpose, major indicators of the financial results for the fifteen months ended 31 March 2021 and 31 March 2020 (unaudited) are summarized in the table below.

RMB in million	2021	2020	Change
Revenue ⁽¹⁾	124,334	126,883	-2.0%
Same Store Sales Growth ⁽²⁾⁽³⁾	-1.8%	-	
Gross Profit	31,087	32,970	-5.7%
Gross Profit Margin ⁽⁴⁾	25.0%	26.0%	- 1.0ppt
EBIT	5,757	7,043	-18.3%
EBIT Margin ⁽⁵⁾	4.6%	5.6%	- 1.0ppt
Profit for the period	3,771	4,522	-16.6%
Net Profit Margin ⁽⁶⁾	3.0%	3.6%	- 0.6ppt
<i>Profit attributable to equity shareholders</i>	<i>3,572</i>	<i>4,223</i>	<i>-15.4%</i>
Earnings per share -Basic and diluted (RMB) ⁽⁷⁾	0.37	-	

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 March 2020. It is calculated by comparing the sales derived from those stores during their operating periods in the fifteen months ended 31 March 2021 with sales during the corresponding periods ended 31 March 2020.

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

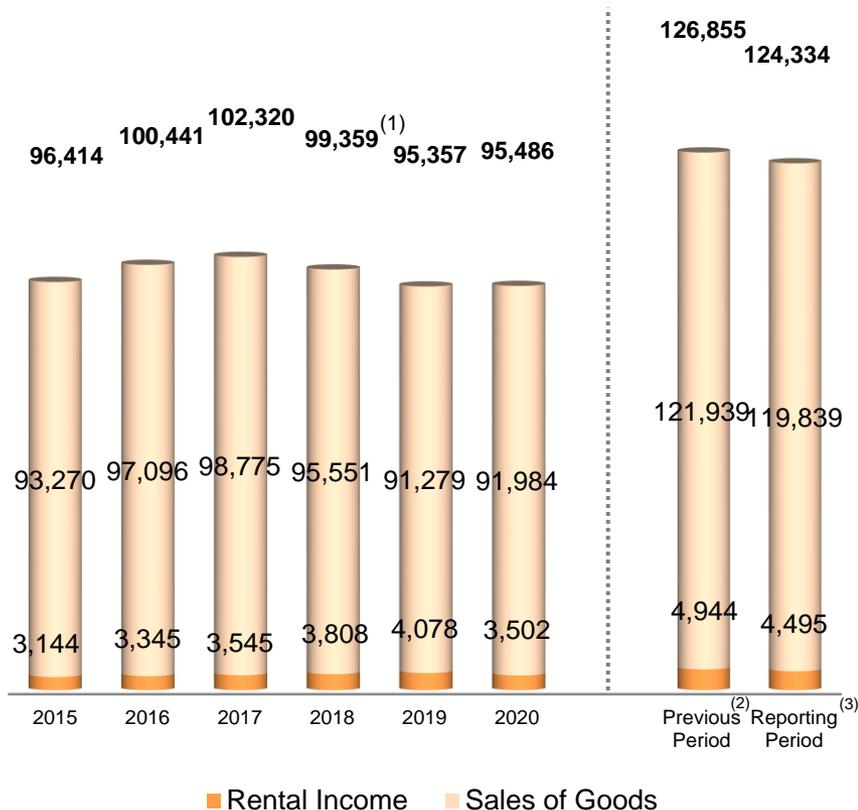
(4), (5), (6) calculated on revenue.

(7) The calculation of basic and diluted EPS is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the period.

Financial Highlights

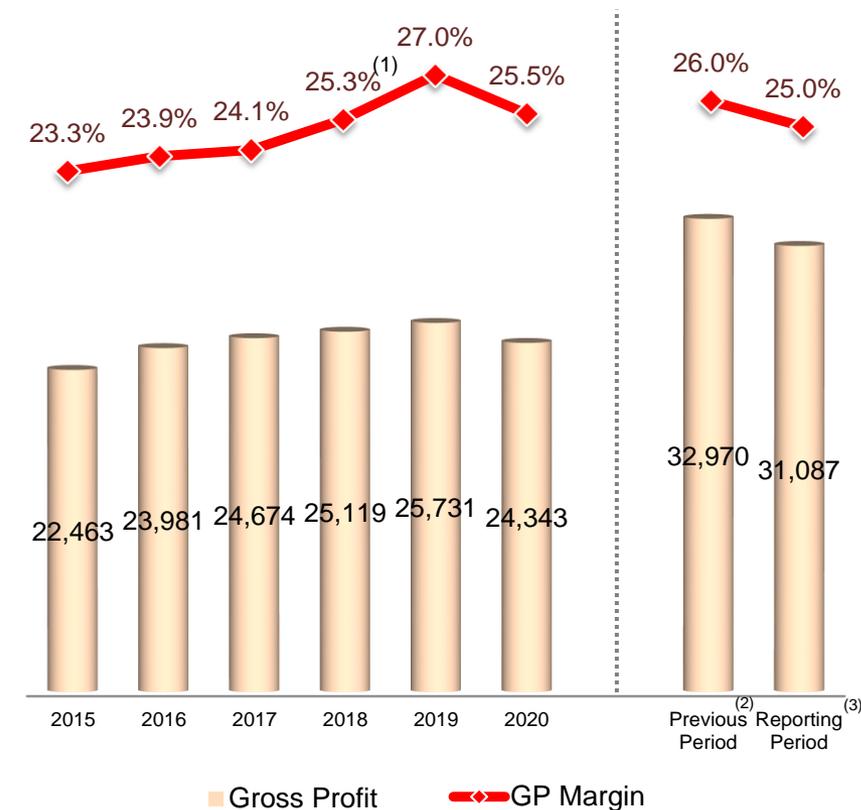
Revenue

RMB (million)



Gross Profit

RMB (million)



Note:

(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.

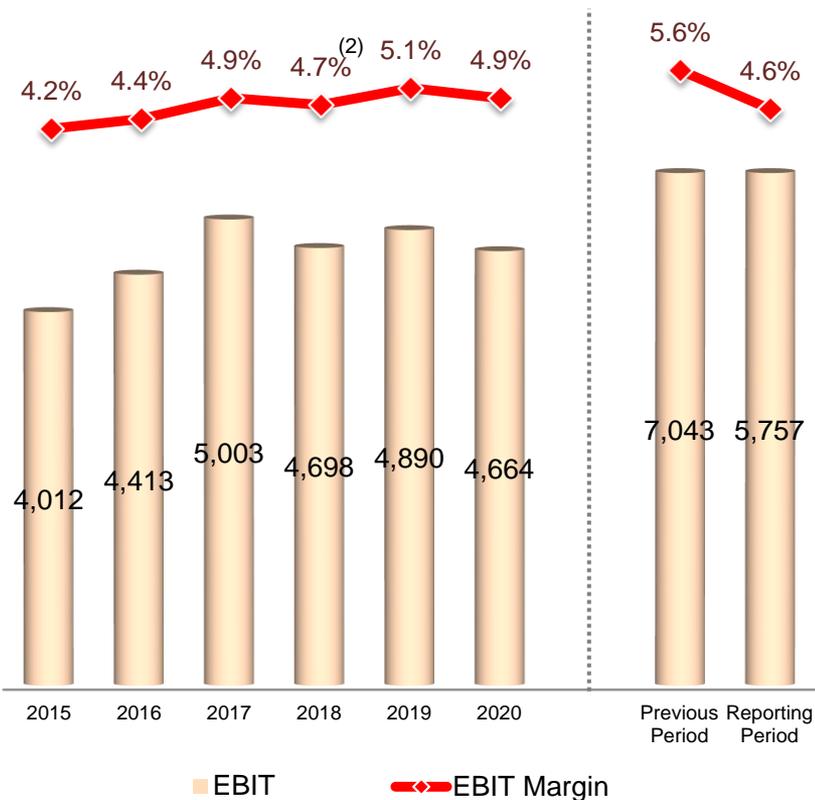
(2) Previous Period: the 15 months ended 31 March 2020, hereinafter the same.

(3) Reporting Period: the 15 months ended 31 March 2021, hereinafter the same.

Financial Highlights

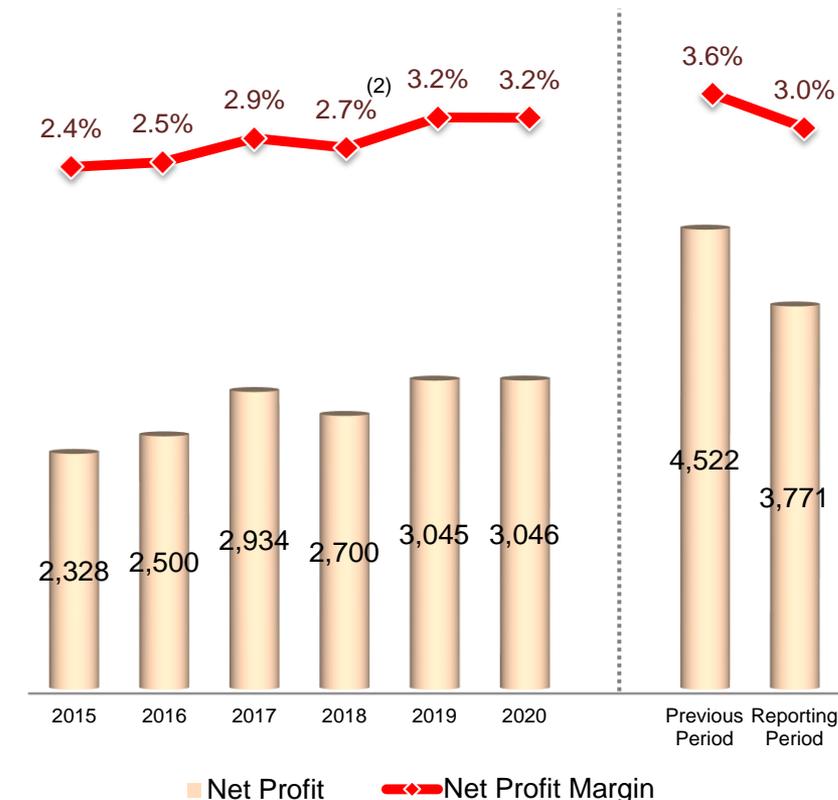
Operating Profit

RMB (million)



Net Profit⁽¹⁾ and Margin

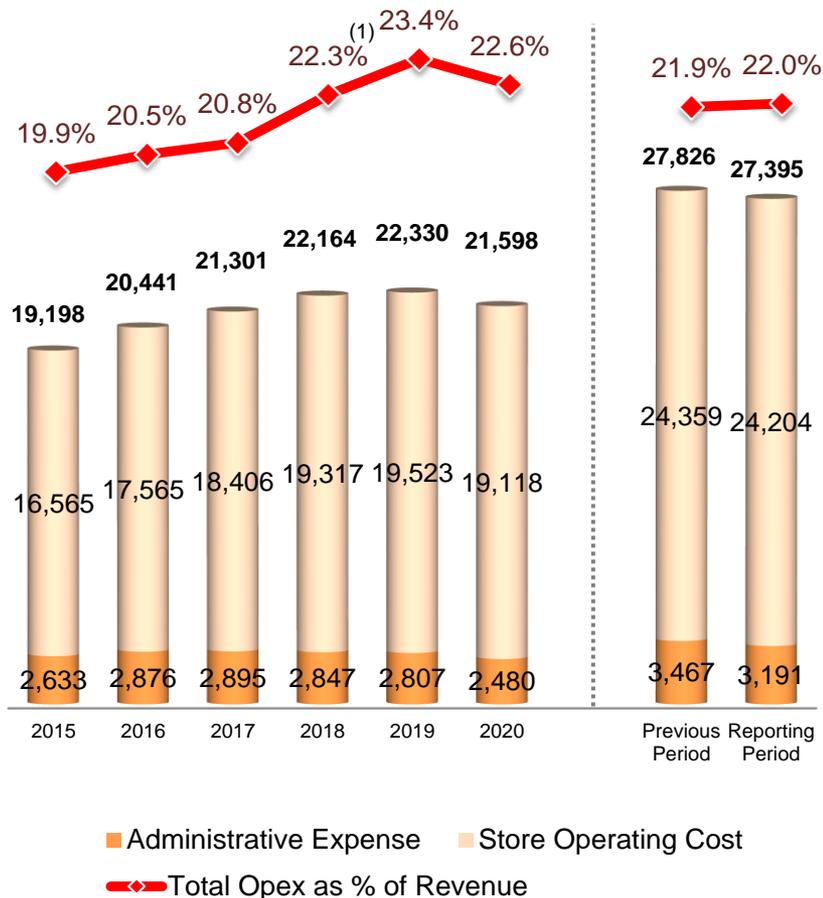
RMB (million)



Financial Highlights

Expenses

RMB (million)



Operating Lease Charges

RMB (million)



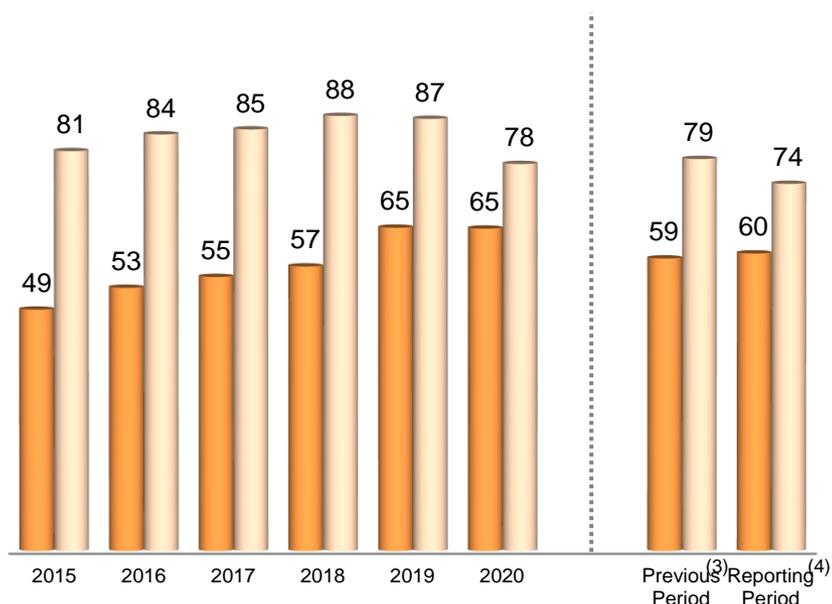
Staff Cost

RMB (million)



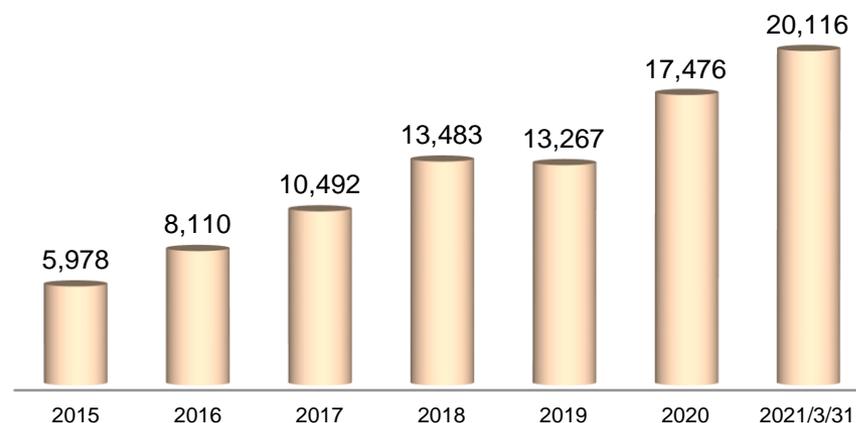
Balance Sheet

Working Capital Days⁽¹⁾



Net Financial Position⁽²⁾

RMB (million)



■ Inventory Turnover Days ■ Trade Payable Turnover Days

■ Net Cash

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, financial assets measured at FVPL and time deposits minus bank loans.

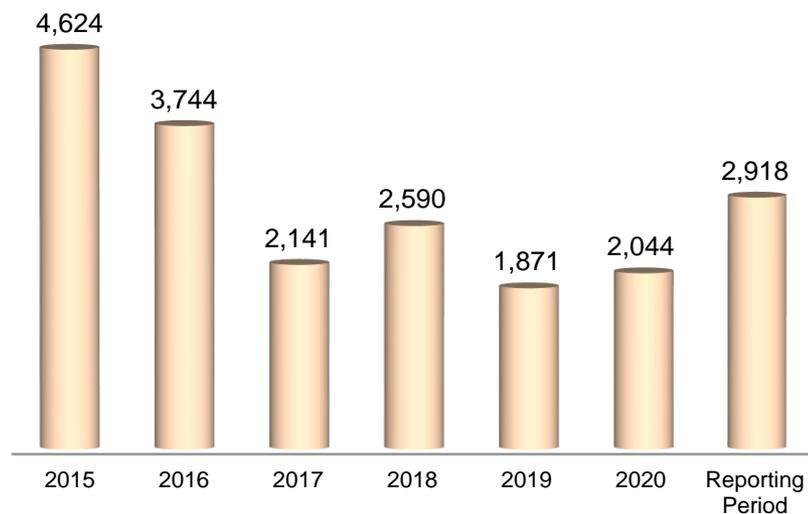
(3) For the 15 months ended 31 March 2020 ("Previous Period"), the inventory turnover days and trade payable turnover days are calculated on average balances of inventory and trade payable, together with the cost of inventory during past 15 months.

(4) For the 15 months ended 31 March 2021 ("Reporting Period"), 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 15 months.

Investment Return

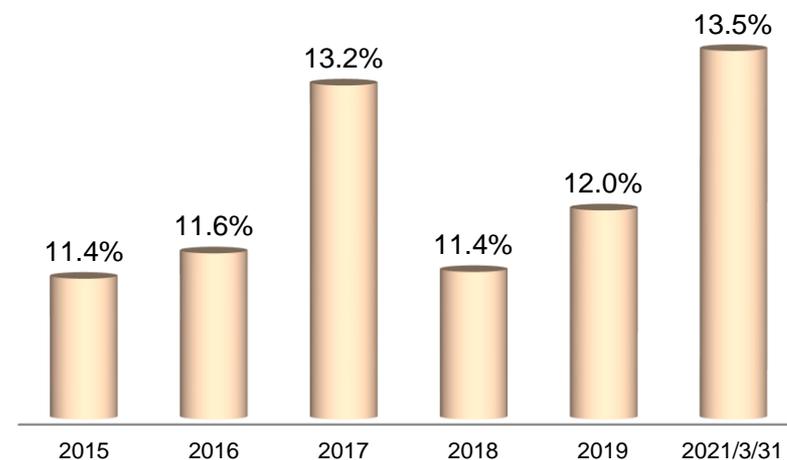
CAPEX

RMB (million)



■ CAPEX

ROE ^{(1) (2)}



■ ROE

Note:

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

(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

- Keep hypermarkets remodeling to become customers' offline experience centers.
- Improve store warehouses and build warehouse-based stores to form online logistics fulfillment centers.
- Accelerate the development of multi-format and omni-channel.
- Deeper the cooperation with Alibaba Group to form cross-era capabilities.

“RT-Mart is different because of Alibaba Group and Alibaba Group is different because of RT-Mart.”

Q & A

