SUN ART
Retail Group Limited

Stock code: 6808

Financial Results Announcement
For the six months ended 30 September 2023

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Financial Highlights

A comprehensive impact of strategic adjustment of supply chain business, implementation of differentiated commodity power strategy, and normalization of marketing investment.

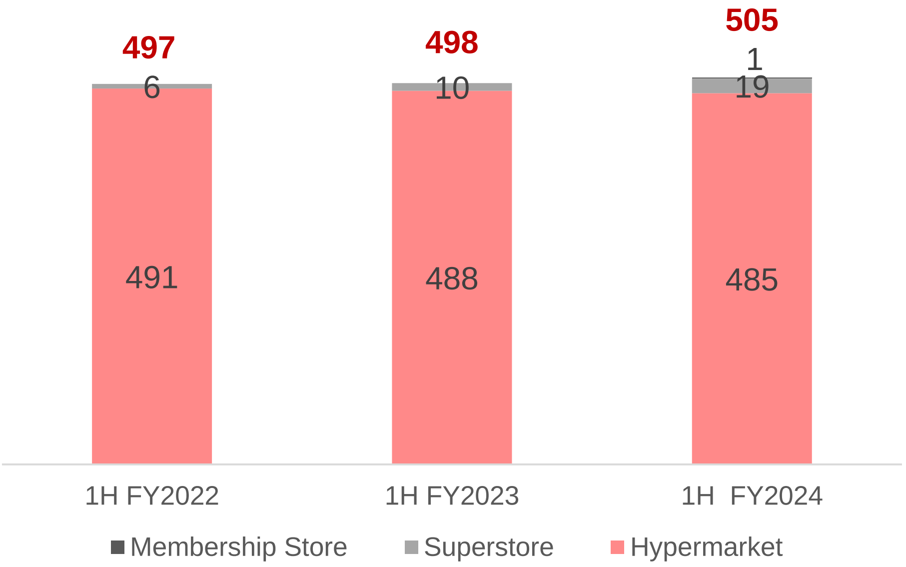
	For the six months ended 30 September		
RMB in million	**2021**	**2022**	**2023**
Number of Stores	497	498	505
Revenue [1]	41,534	40,611	35,768
Same Store Sales Growth[2]	-11.3%	-2.3%	-5.9%
Gross Profit	10,933	10,112	8,889
Gross Profit Margin	26.3%	24.9%	24.9%
EBIT	560	500	19
EBIT Margin	1.3%	1.2%	0.1%
Profit for the period	112	-87	-378
Net Profit Margin	0.3%	-0.2%	-1.1%
Profit attributable to equity shareholders	*117*	*-69*	*-359*
Earnings per share - Basic and diluted (RMB) [3]	0.01	-0.01	-0.04

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) Same Store Sales Growth: for stores that have been open for more than twelve full months as of September 30, 2023. It is calculated by comparing the sales derived from those stores during their operating periods in the twelve months ended 30 September 2023 with sales during the corresponding periods ended 30 September 2022.Same Store Sales Growth is calculated based on sales excluding supply chain business (supply chain business includes Taocaicai and Tmall inventory sharing business).
(3) 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.

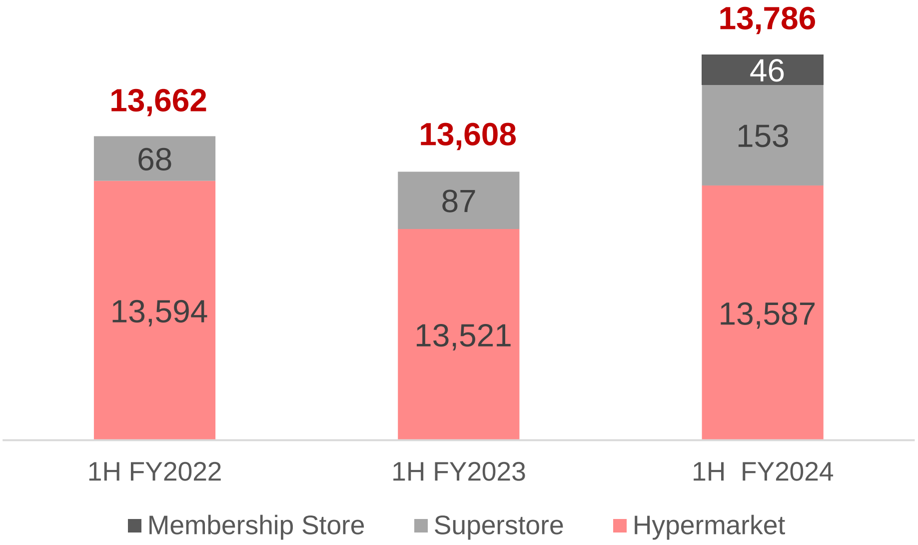
Store Expansion

Focusing on sustainable store expansion of multi-format in the regions with brand advantage.

No. of stores



GFA (000'sqm)



New opening of ***3*** *hypermarkets*

New opening of ***7*** *superstores*

New opening of ***1*** *membership store*

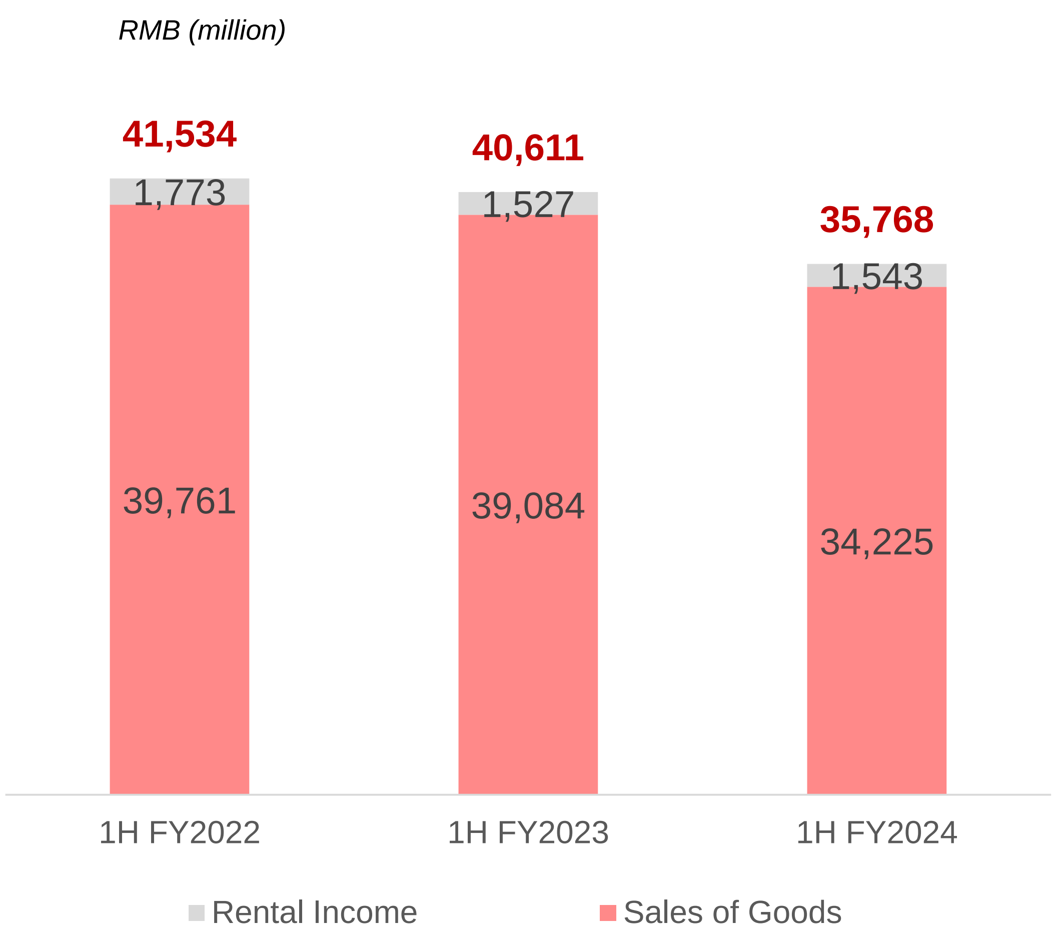
Secured ***3*** *hypermarket sites*

Secured ***18*** *superstore sites*

Covering ***221*** *cities*

Total Revenue

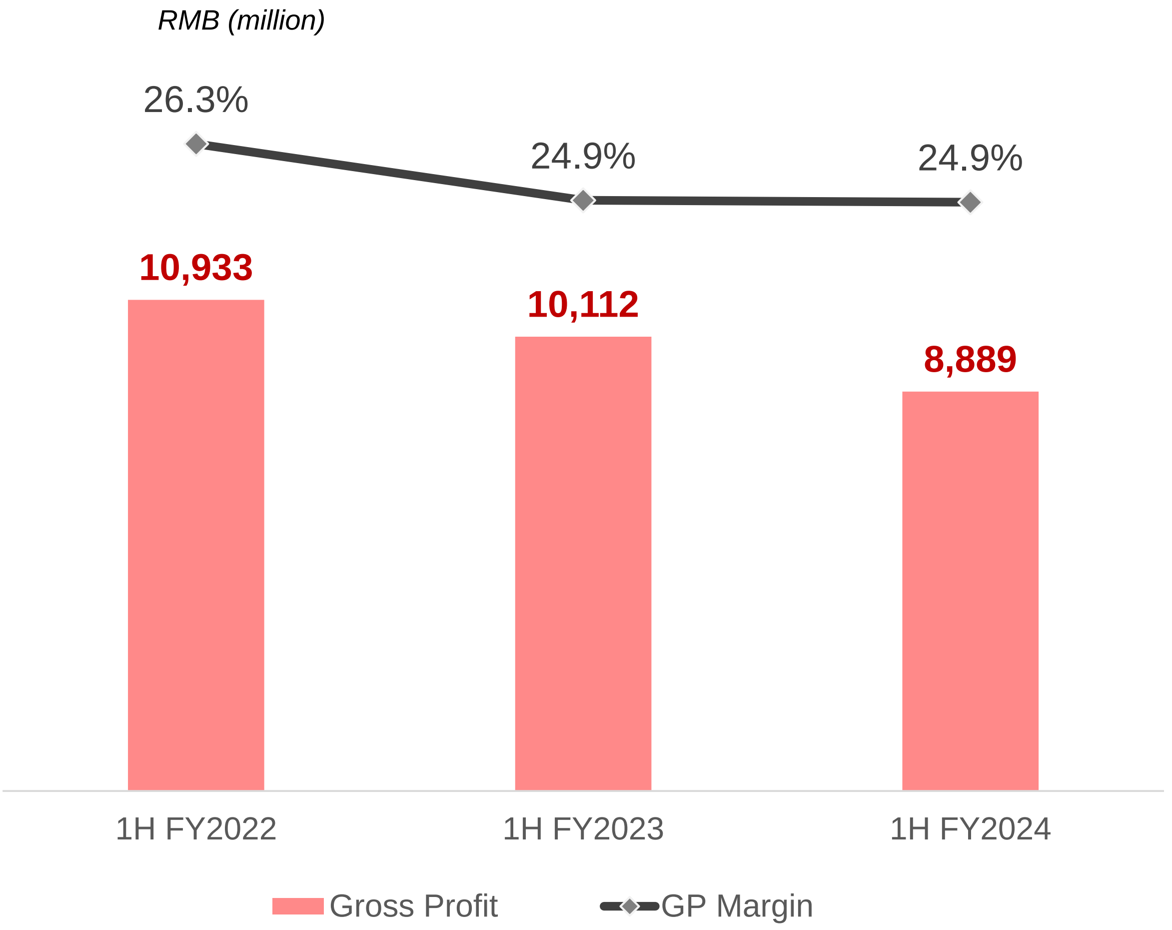
Revenue of the core business decreased by 5.6% year-on-year, traffic of all channels recovered and rental income rallied.



- Revenue of the Group amounted to RMB35,768 million, a year-on-year decrease of 11.9%. The Group's core business decreased by 5.6% year-on-year.
  - ◎ The growth rate of the core business narrowed from -7.9% in the first quarter to -3.5% in the second quarter.
  - ◎ Traffic of all channels increased.
  - ◎ The decline in CPI of vegetables, fruits, and pork and reduced stocking up mentality led to a decline in ticket size.
- The rental income stopped falling and stabilized, reaching RMB1,543 million, a year-on-year increase of 1.0%.
  - ◎ Continued to adjust and optimize the tenant mix of galleries.
  - ◎ The vacancy rate declined and remained low.

Gross Profit Margin

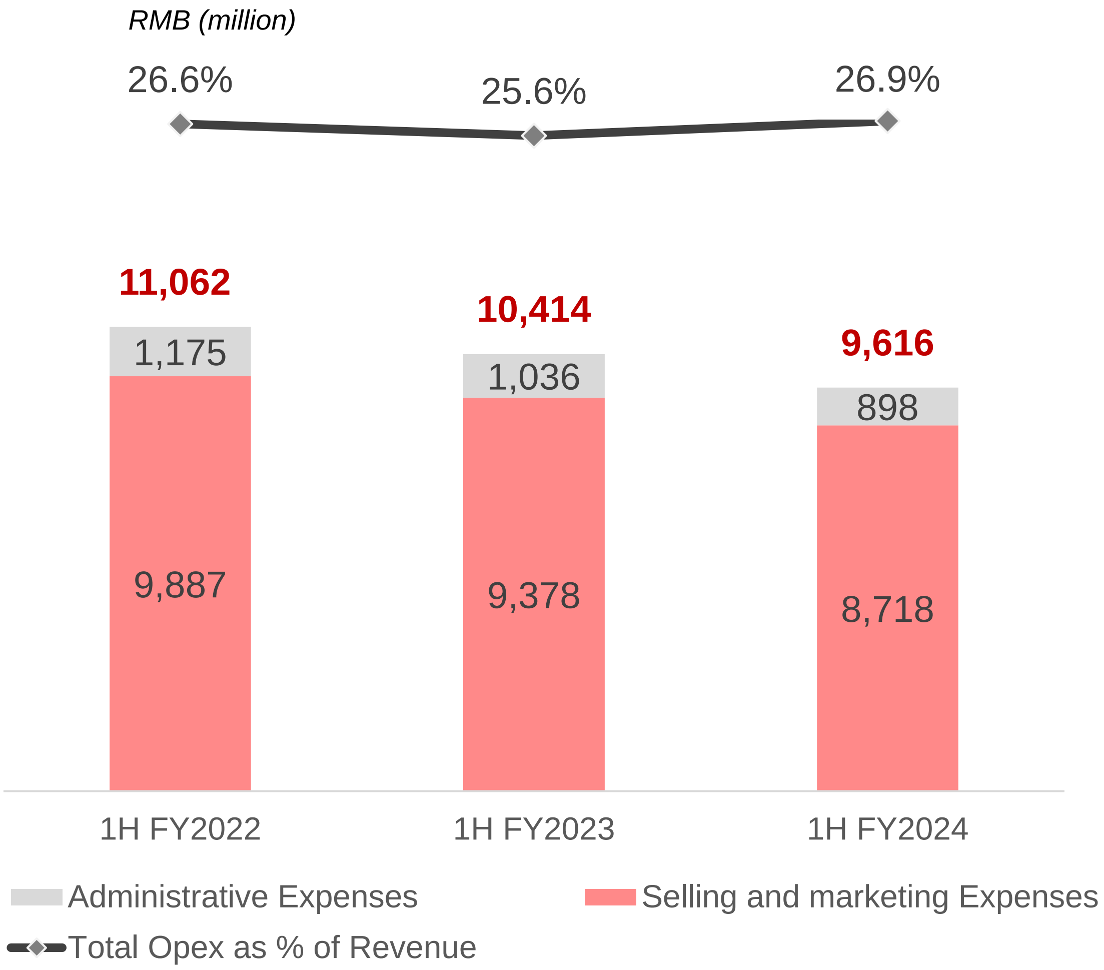
Focused on core business, adhered to the homogenization of products, created a “quality-to-price ratio” mentality. Continued to optimize inventory and gross profit margin remained consistent as compared to the same period last fiscal year.



- Gross profit was RMB8,889 million, a year-on-year decrease of RMB1,223 million.
  - ◎ A shrinking of supply chain business and guaranteed supply business.
  - ◎ Restored marketing investments to maintain price competitiveness.
  - ◎ Streamlined products and destock.

Expenses

Continued to build digital capabilities and reduce costs. Excluding the impact of supply chain business, expense rate of the core business remained relatively stable.

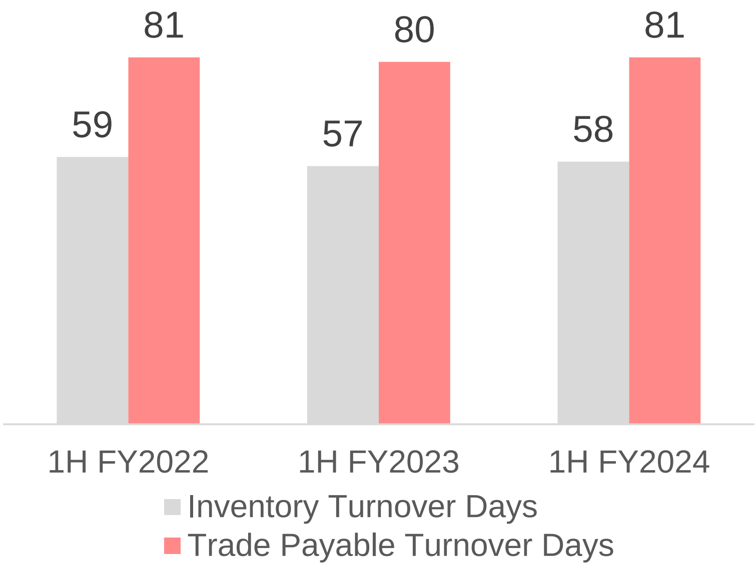


- Expenses amounted to RMB9,616 million, representing a year-on-year decrease of RMB798 million, or -7.7%.The decrease in expenses partially compensated the insufficiency of gross profit.
- Selling and marketing expenses were RMB8,718 million, a year-on-year decrease of RMB660 million, or -7.0%.
- Administrative expenses were RMB898 million, a year-on-year decrease of RMB138 million, or -13.3%.

Working Capital Days, CAPEX and Net Cash Position

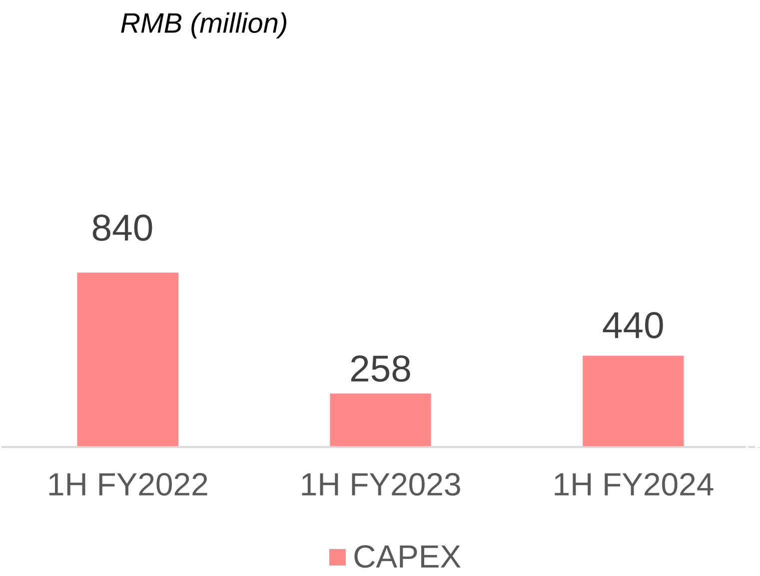
Working capital was stable with the average inventory per store continued to decline. With accelerate investment in store expansion and offline experience centers, net cash position still increased steadily.

Working Capital Days[1]



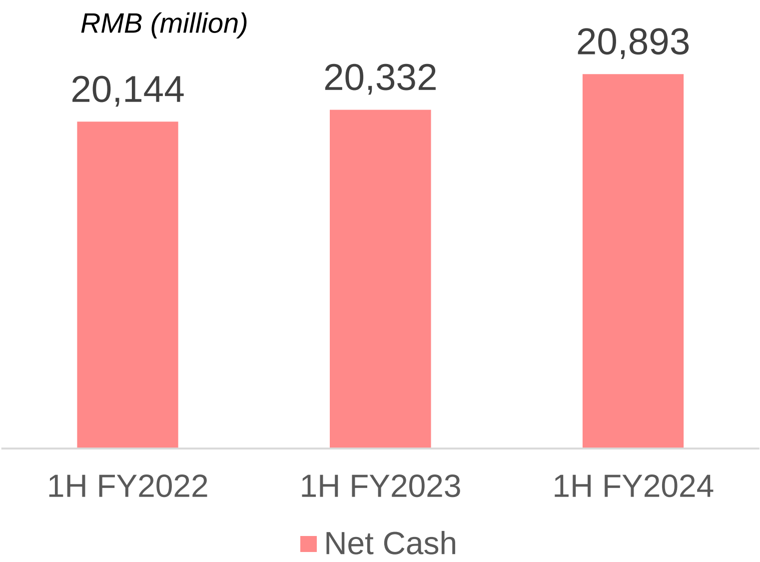
- Inventory turnover days and trade payable turnover days were 58 days and 81 days respectively. Working capital remained stable.

CAPEX



- CAPEX was RMB440 million. Continued to expand with multi-format and invested in offline experience centers.

Net Cash Position[2]



- Net cash position was RMB20,893 million, a year-on-year increase of 2.8%, cash flow remained healthy and steadily improved.

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

Rapidly Facilitating the Process of Product Differentiation

Created differentiated product power based on high quality-price ratio, featuring the user value of health and happiness.

Safe▪Healthy▪Energetic▪Interesting

呷无忌™
freshOla

Local Flavor▪Healthy

- SINCE 2015 -
荟尚
HUISHANG

Safety▪Selection▪Experience

润发有质

Accelerate Remodeling to Enhance Offline Services and Experiences

Continued to create pleasant scenes and optimize the tenant mix, aiming to become healthy-and-happy offline experience centers.

- Nearly 60% of stores have created new places focusing on product differentiation and experiences, and achieving offline traffic growth.
- The gallery has optimized tenant mix by increasing self-owned-traffic tenants, and featured neighborly experience and services. The vacancy rate has thus greatly reduced.

Steadily Develop Online Multi-channel

Leveraged near-fields advantages to improve the certainty and stability of experience and service, and become the reliable online fulfillment centers to meet customers’ needs anytime and anywhere.

- Improved the certainty of key point in user experience and established stable fulfillment capabilities, and increased retention rates.
- Online operational capabilities with spatial expansion, time extension, and diverse scenarios.
- Refined operation by city tiers and omni-channel, and optimized fulfillment cost per order.

Drive the Development of Multi-format

Opening the first membership store in Yangzhou, the number of paid members and sales performance met expectations. The Group will actively look for potential sites.