

[For Immediate Release]



Create incentives for target customers' in-store shopping and become offline experience centers
Leverage the near-fields advantages of store warehouses and become online fulfilment centers

Financial Highlights

For the six months ended 30 September

(In RMB million, unless stated otherwise) (Unaudited)	2022	2021	Growth Rate
Revenue	40,611	41,534	-2.2%
Gross Profit	10,112	10,933	-7.5%
Operating Profit	500	560	-10.7%
(Loss)/Profit for the Period	-87	112	-177.7%
(Loss)/Profit Attributable to Equity Shareholders of the Company	-69	117	-159.0%

Business Highlights

- The hypermarket remodeling version 2.0 proved to be a success, and accelerated its duplication of modular remodeling to other stores.
- The product upgrading showed initial effects, and the ticket size has achieved a double-digit growth year to date.
- The online one-hour delivery business continued to grow at double digits with a sustainable profit model.
- Accelerated the infrastructure construction of fresh product processing centers, facilitated the development of processing center network and supply chain network.
- The community order centralized processing capability developed during the pandemic in Shanghai has been implemented in the stores nationwide to mitigate the negative impact in stores due to lockdown amid the pandemic.

(15 November 2022 – Hong Kong) **Sun Art Retail Group Limited** (“Sun Art” or the “Group”, HKEX stock code: 6808), today announced its interim results for the six months ended 30 September, 2022.

Revenue

During the reporting period, the Group's revenue reached RMB40,611 million, representing a year-on-year decrease of 2.2%. The same store sales growth rate (“SSSG”), which is calculated by sales of goods excluding household appliances, was -0.2%. Due to the pandemic, the lockdown of communities around stores and ad hoc shutdown of stores caused more than 3% negative impact on SSSG.

Gross Profit

As of 30 September 2022, the gross profit recorded RMB10,112 million, a decrease of RMB821 million over the same period. Ad hoc shutdown of galleries due to the pandemic, resulted in a decrease in rental income, and the Group's rent concession policy to support tenants has had a certain impact on rental income.

Operating Profit and Profit

As of 30 September 2022, the Group recorded the operating profit of RMB500 million, a decrease of RMB60 million over the same period.

As of 30 September 2022, the Group recorded the profit loss of RMB87 million, a decrease of RMB199 million over the same period. Without taking into account the impact of store impairment losses after tax accrued at approximately RMB107 million, the profit recorded approximately RMB20 million during the reporting period.

Net Cash

The net cash recorded at RMB20.332 billion, indicating the Group's sufficient net cash able to provide adequate capital reserves for future business development, and also solid support in face of fierce competition.

Mr. Peter HUANG, Chairman of the Group commented, *“Although the first half of the fiscal year was impacted by the pandemic, Sun Art Retail, led by CEO Mr. Lin Xiaohai, actively responded and insisted on stabilizing prices and ensuring supplies, which not only gained trust and reputation from customers, but also gained the capabilities to respond to the pandemic and minimized the impact of the pandemic on business. In the first half of the fiscal year, the Group focused on target customers and deepened our efforts in products, which has significantly improved ticket size and customer satisfaction. In the second half of the fiscal year, the Group will continue to focus on the implementation of strategies. We believe, by leveraging the established fresh product supply chain capability across the country, digitalized membership capability, and the operating capability of products, near-fields and far-fields, Sun Art will further strengthen our own capabilities and enhance our competitiveness.”*

Offline Experience Centers

The Group actively promoted the store remodeling version 2.0. Based on the customer value of “shopping, experience, services and social”, the Group accelerated the implementation of product strategy, optimized procurement logic, improved product expression, and created diversified scenarios to create a more pleasant shopping experience in stores.

In the first half of the fiscal year, the remodeling version 2.0 was gradually rolled out to four stores in Eastern China, following the success in the first pilot store. The offline revenue of all these stores after revamping has achieved a double-digit growth.

The Group focused on the optimization of galleries' tenants mix and introduced more tenants who are capable of bringing people flow to the galleries. The gallery and the store collectively aimed to create incentives for in-store shopping, to become a good assistant in daily life and a good neighbor in community. During the reporting period, the gallery vacancy rate maintained at a low single-digit percentage with the proportion of catering and service tenants increased, accounting for more than one-third of the total tenants.

Online Fulfillment Centers

Based on differentiated target customers from various channels, the Group provided differentiated product operation and marketing, as well as online refined operation to improve customers' experience. The increase in online ticket size drove the online business to achieve a double-digit growth and maintained a sustainable economic model. During the pandemic in Shanghai in April and May, the online order centralized processing capability has been strengthened and the same model has been implemented in the stores located in other regions. As such, the negative impact in stores due to lockdown amid the pandemic has been mitigated.

The one-hour delivery business continued to grow, providing differentiated operation and independent offering arrangements for customers, cities and business areas from various channels. The omni-channel membership systems were integrated to lay a good foundation for digital operation of customers and further improve the operation efficiency of different customer profiles.

The Multi-format and Omni-channel Development

As a "low-cost extension of RT-Mart", the Group will open new RT-Super stores cautiously. The Group will continue to develop the business model of RT-Mini, focusing on community stores in Nantong City.

Fresh Product Supply Chain Development

In the first half of the fiscal year, the Group established eight organized, well-equipped and systematic fresh product processing centers to improve product quality and diversity, as well as the standardization of fresh products. During the reporting period, more than 200 stores have already switched the supply chains and maintained a steady development of fresh product supply chain in this process.

Sustainable Development

The Group endeavored to the long-term construction of Environmental, Social and Governance ("ESG") and to become a benchmark for green operation in the retail industry. The Group has set a clear long-term goal of achieving carbon neutrality for its own operations by 2030. In the future, the Group will focus more on providing safe, healthy and high-quality products, actively promote the development of sustainable green supply chain, emphasize the concept of "people-oriented", and actively engage in pandemic control and disaster relief as well as various charity activities, so as to contribute to the society with actions.

Mr. Kevin LIN, Chief Executive Officer of the Group concluded, *“The Group will adhere to promote the three strategies and one capability and its implementation. The low-cost modular remodeling of hypermarkets will be accelerated to continuously facilitate product upgrading and differentiation. The Group will also speed up the membership digitization process and continue to build the differentiated procurement capabilities for omni-channel customers, so as to optimize operational efficiency and maintain a healthy and stable development of online business. By leveraging RT-Mart's supply chain and organizing capabilities, RT-Super will expand at low costs. The Group will improve RT-Mini's standardization of products and stores, and develop its business model. The Group will accelerate the construction of fresh product processing centers to realize business model iteration of fresh products.”*

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About Sun Art Retail Group Limited

Sun Art is a leading retailer with hypermarket and fast-growing e-commerce businesses in China. Sun Art operates its business with hypermarkets, superstores and mini stores under RT-Mart, RT-Super and RT-Mini. As of 30 September 2022, Sun Art had a total of 488 hypermarkets, 10 superstores and 99 mini stores in China with a total gross floor area (“GFA”) of approximately 13.61 million square meters, covering 239 cities across 29 provinces, autonomous regions and municipalities. The Group has always been committed to 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 consumers.

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 three strategies of ‘offline experience centers, online logistics fulfillment centers, and multi-format and omni-channel development’, as well as the capability-building of fresh product processing centers, and to become a leader in digital transformation and a benchmarking enterprise for New Retail.

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