

[For Immediate Release]



## Sun Art Retail Group Limited Announces Interim Results Ended 30 September 2023

(14 November 2023 - 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 2023.

Mr. Peter HUANG, Chairman of the Group commented, “During the first half of the fiscal year, oversupply intensified the competition, and weakening demand triggered a new round of price competition. Sun Art is thus facing unprecedented challenges. However, Sun Art still firmly adheres to developing and improving own capabilities, while maintaining a stable and healthy financial status. The Group has also opened its first M-club store, a new business format. Sun Art is proactively undergoing a transformation bringing in new possibilities, while focusing on customers’ needs and creating customer value remains unchanged.”

Mr. Kevin LIN, Chief Executive Officer of the Group commented, “In the first half of the fiscal year, customers had more choices under the circumstance of omni-channel competition. Sun Art Retail has continued to facilitate the process of product differentiation, and accelerated store remodeling, scene and layout revamping to enhance offline experiences. Online multi-format business has been steadily developing and the first membership store has opened successfully. Sun Art Retail will continue to firmly adhere to the foundation of quality-to-price ratio and the customer value of health and pleasure to meet customers’ needs.”

### Financial Highlights

#### **Interim results for the six months ended 30 September 2023:**

- The **revenue** of the Group amounted to RMB35,768 million, a decrease of 11.9% over the same period. Excluding supply chain business <sup>Note1</sup>, the Group's core business decreased by 5.6% over the same period. The Group continued to adjust and optimize the tenant mix of galleries, and the vacancy rate continued to decline. During the reporting period, the rental income stopped falling and stabilized, reaching RMB1,543 million, an increase of 1.0% over the same period.

---

Note1: Supply chain business includes Taocaicai and Tmall inventory sharing business.

- The **same store sales**<sup>Note2</sup> growth rate ("SSSG") was -5.9%. The SSSG narrowed from -8.5% in the first quarter of the fiscal year to -3.5% in the second quarter of the fiscal year. During the reporting period, traffic online and offline achieved positive year-on-year growth, while the SSSG decline was attributable to a year-on-year decrease in ticket size, mainly due to a decrease in average pieces purchased per order caused by the fading of customers' stock up mentality.
- The **gross profit** was RMB8,889 million, a decrease of RMB1,223 million over the same period. The gross margin was 24.9%, which was consistent with the same period last fiscal year. In addition to the scaling down of supply chain business and a shrinking of guaranteed supply business, the decrease in sales gross profit was mainly affected by the low base in marketing investments under stock up mentality last year and high base of ticket size last year, as well as maintaining price competitiveness and destocking in the process of streamlining products.
- The **expenses** was RMB9,616 million, a decrease of RMB798 million over the same period. Benefiting from the continuous optimization of the store manpower management model driven by digital transformation, the personnel expenses decreased by RMB405 million over the same period. The decrease in expenses partially compensated the insufficiency of gross profit caused by a decline in sales.
- The **operating profit** was RMB19 million, a decrease of RMB481 million over the same period.
- Inventories were optimized and **inventory turnover days** remained stable. The **net cash** was approximately RMB20,893 million.

## Business and Strategy Progress

In 2022, the Group restructured its private label ("PL") team and redefined the positioning of PL products, that is, adhering to the concept of safety, healthy, pleasure, and high quality-to-price ratio with the focus on upgrading quality and meeting core customers' needs. The first PL product was launched in October 2022. Currently, PL products mainly cover groceries, snacks and beverages, daily necessities, pet products and 3R (ready-to-cook, ready-to-eat, and ready-to-heat) products. As of 30 September 2023, the Group has developed more than 100 PL products and the sales penetration rate was almost 10% of the overall sales of the sub-categories involved. The Group will vigorously develop PL products and accelerate to improve the proportion of differentiated products.

The hypermarket remodeling version 2.0 began with the perspective of target customers. It focused on products and services featured with healthy and happy shopping scenes, so as to create value-added services with perception, mindset and word-of-mouth for customers. As of 30 September 2023,

---

Note2: Same store sales does not include sales from supply chain business.

the Group has completed the remodeling of 8 whole stores, and more than 50 partial remodeling projects. The Group has actively adjusted the tenant mix of galleries by focusing on catering and services, and the rate of gallery vacancy area has decreased to approximately 4%.

The Group has continued to improve customer satisfaction and on-time fulfillment rates. The fulfillment cost has continued to improve and the online average daily order per store (“DOPS”) has continued to increase. The Group will extend its service time and expand its scope of service while increasing user growth of own APP. The Group will also deepen cooperation with Taoxianda and Ele.me, and explore new online channels.

The Group opened the first membership store in Yangzhou in April 2023. Converted from an existing store, the membership store covers approximately 45,000 square meters, with an operating area of approximately 12,000 square meters and 800 parking spaces. As of 30 September 2023, the number of paid members of Yangzhou M-Club has exceeded 50,000 and the total number of members was close to 100,000. The number of products in M-Club was about 3,000, with over 10% being PL products. M-Club also provides one-hour delivery service within three-kilometer radius from the store. In the second half of the fiscal year, two property stores located in Nanjing and Changzhou will be converted into membership stores and open for business. In the future, the Group will actively look for appropriate sites and accelerate store expansion.

– End –

## **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 and membership stores under RT-Mart, RT-Super and M-Club. As of 30 September 2023, Sun Art had a total of 485 hypermarkets, 19 superstores and one membership store in China with a total gross floor area (“GFA”) of approximately 13.79 million square meters, covering 211 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 fresh product processing center capabilities and digital capabilities of store warehouses, and to become a leader in digital transformation and a benchmarking enterprise for New Retail.

Enquiries:

Strategic Financial Relations Limited

Veron Ng +852 2864 4831

Corinne Ho +852 2114 4911

[sprg\\_sunart@sprg.com.hk](mailto:sprg_sunart@sprg.com.hk)