

[For Immediate Release]



Multi-format and omni-channel development

Continuous structural changes in the Group's profit

Deep cooperation with Alibaba Group to form cross-era capabilities

Financial Highlights

For comparison purpose, major indicators of the financial results for the fifteen months ended 31 March 2021 ("Reporting Period") and 31 March 2020 (unaudited) ("Previous Period") are summarized in the tables below:

(In RMB million, unless stated otherwise)	For the fifteen months ended 31 March 2021		
	2021	2020 (Unaudited)	Growth Rate
Revenue	124,334	126,883	-2.0%
Gross Profit	31,087	32,970	-5.7%
Profit from Operations	5,757	7,043	-18.3%
Profit for the Period	3,771	4,522	-16.6%
Profit Attributable to Equity Shareholders of the Company	3,572	4,223	-15.4%

Business Highlights

- Mr. LIN Xiaohai has been appointed as CEO of the Group.
- As of 31 March 2021, the Group had 490 hypermarket complexes, 6 superstores and 32 mini stores.
- Become the core supply chain service provider of Alibaba Group's community group buying ("CGB") business.
- Keep rapid growth of online business and become a large-scale e-commerce player of fresh products.
- Accelerate the collaboration with Tmall Supermarket Inventory Sharing.
- Continue the remodeling of hypermarkets, enhance product power, and build hypermarkets into important customer experience centers.
- Accelerate the upgrading of store warehouses and warehouse-based stores, provide offerings for different store formats and channels, so as to form online fulfillment centers.
- Speed up the deployment of small and medium-sized store formats, and accelerate the construction and deployment of fresh products processing capability. Develop the ground network together with hypermarkets to form cross-era capabilities combining an online network of Alibaba Group system.

(10 May 2021 - Hong Kong) **Sun Art Retail Group Limited** (“Sun Art” or the “Group”, HKEX stock code: 6808), today announced its financial results for the fifteen months ended 31 March 2021. During the Reporting Period under review, the Group’s revenue was RMB124,334 million, a decrease of 2.0% compared to Previous Period. The Same Store Sales Growth (“SSSG”) under Reporting Period, calculated based on sales of goods excluding electronic appliances, was a decrease of 1.8% compared to Previous Period.

As of March 31 2021, gross profit amounted to RMB31,087 million, decreased by RMB1,883 million compared to Previous Period. Profit from operations amounted to RMB5,757 million, decreased by RMB1,286 million. Profit for the period amounted to RMB3,771 million, decreased by RMB751 million.

During the pandemic period of the first quarter (“Q1”) of 2020, customers were affected by the home quarantine policy. Other businesses were suffered, however, retail stores recorded high-digit revenue growth. In particular, the online and offline ticket size increased sharply, contributing to the high revenue and profit growth of hypermarkets. After the pandemic, revenue and profit return to normal. At the same time, consumption habits changed and peer competition became intensified. The new drive of revenue growth will derive from the implementation of multi-format and omni-channel development strategy accompanied by rolling out of new businesses.

Basic earnings per share amounted to RMB0.37. The Board has recommended the payment of a final dividend of HK\$0.13 per ordinary share, subject to the approval by the shareholders at the annual general assembly.

Mr. Peter HUANG, Chairman of the Group commented, *“Since the establishment of RT-Mart in the late 1990s, it has witnessed several major changes in the retail industry over the past 20 years. During this period, we’ve experienced the rapid growth of hypermarkets, the rise of e-commerce, the digital transformation in new retail, the changes in consumption mindset due to the pandemic and the recent boom of community group buying. Sun Art always adheres to reform and innovation, and embraces new opportunities and challenges bravely. 2020 is a year of great challenges for all retailers as the pandemic brought about significant changes in online and offline businesses and customers’ consumption habits. In the midst of changes, Sun Art keeps changing, breaking through and innovating based on the previous foundation of digital transformation and accumulated multi-channel capabilities. Although the shopping scenarios are more diversified, I believe that the essence of retail remains unchanged. We endeavor to provide high-quality products and services to meet the needs of diversified customers. The new retail business has a long way to go. Today, I’m here to announce that with the approval of the board of directors of Sun Art, Mr. Lin Xiaohai has been appointed as CEO of the Group. With nearly 25 years of retail and internet industry experience, Mr. Lin Xiaohai formed a new generation of management team and set the strategy of multi-formats and omni-channel development. He is motivated, strategic and courageous to embrace challenges. We have faith in him and hope that he will make every effort to lead the Group to reach a new peak and create prosperity.”*

Mr. Kevin LIN, Chief Executive Officer of the Group commented, *“After more than 20 years, we have laid a solid foundation in the supply chain and store network. The existing stores are our valuable assets which we believe our competitors find difficult to match. It is because of these infrastructures that we have more chances of success than our peers. As Peter said, to understand and meet the needs of customers is our top priority. We should return to the initial intention, adhere to the originality, and continue to innovate. This is not only the inheritance of business philosophy, but also the mutual encouragement between the Group’s staff and myself. Four years ago, Peter persuaded shareholders to introduce Alibaba Group as a strategic shareholder. In October 2020, Alibaba Group became the controlling shareholder of the Group. As Mr. Daniel Zhang said, ‘RT-Mart is different because of Alibaba Group and Alibaba Group is different because of RT-Mart’. In the future, we will introduce more resources from Alibaba Group and leverage the Group’s advantage to develop cross-era capabilities.”*

Keep continuous effort in hypermarkets remodeling to become customers’ offline experience centers and logistics fulfillment centers of online business

The Group has started its hypermarket remodeling initiative since 2019. As of 31 March 2021, 38 hypermarkets were remodelled. In the future, the number of stores being remodelled is expected to be around 40 to 50 per year.

- Focus on the construction of core categories -

The remodeling of hypermarkets will attach more importance to the upgrading of core categories and focus on the categories that cannot be replaced online. The Group will endeavour to increase the penetration rate of core categories and further strengthen its commodity operation capability. By leveraging the scenario-based display, the Group will carry out the design of stores which is more scenario-based and experiential-oriented to create reasons for customers’ in-store shopping.

- Remodeling of galleries -

The Group will redefine the functions of galleries by introducing more catering, service and entertainment merchants so as to complement its hypermarkets and become community activity centers for customers. It is expected that galleries can attract customers to hypermarkets rather than acquire traffic from them as was the case previously.

- Improve the efficiency of store warehouses and establish the functions of warehouse-based stores -

With the continuous development of online business, offline stores are not only customer experience centers but also logistics fulfillment centers. The Group has high-quality assets of nearly 500 stores, and will make full use of the stores’ abundant products to enhance the functions of store warehouses, with the purpose of reducing fulfillment costs and supporting the development of B2C business. At the same time, the Group will establish the functions of warehouse-based stores and support B2B and CGB businesses in order to form the sustainable business model.

By taking full advantage of commodity supply chain and the store network in more than 230 cities, the Group will provide customers with better products, prices and service experience.

Accelerate the development of multi-format and omni-channel

The Group's superstore model is basically mature. The Group will accelerate the store expansion in different cities and business districts flexibly.

The rollout of mini stores derives from customers' increasing demand for convenience and reduced living circle. Relying on the existing scale of hypermarkets and core strengths of organization capability, the Group will invest in the construction of warehouses for fresh products to serve the multi-format and omni-channel business development within the coverage area. The purpose is to develop fresh products processing capability via economies of scale and support RT Mini's regional expansion.

In the future, superstores and mini stores will be two core drivers of the Group's revenue growth. Through small, medium and large store formats, the Group also expects to form the ground network in cities and city groups and combine this with Alibaba Group's online network so as to serve more customers with high-quality goods and prices.

Deeper cooperation with Alibaba Group, RT-Mart becomes different because of Alibaba Group, Alibaba Group becomes different because of RT-Mart

- Continue to invest in online business to achieve user growth -

In the first quarter ("Q1") 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 ticket size was RMB68 per order, representing an increase about 6% over the same period in 2019.

Faced with fierce peer competition, the Group will increase its investment in the B2C business, carry out deeper cooperation with platforms such as Taoxianda and Ele.me, and focus on user growth and user experience to become a first-tier E-commerce player of fresh products.

- Enhance product power, give full play to the Group's supply chain capability and become important core supply of Alibaba Group -

The Group launched the Tmall Supermarket Inventory Sharing ("**Tmall Inventory Sharing**") initiative in 2019. After two years' operation, it has experienced rapid development. Being the core supplier of Tmall Inventory Sharing, the Group will take full advantage of stores, products and supply chain to provide it with dedicated offerings and accelerate the development via in-depth cooperation.

The Group will also be an important core supplier of Alibaba Group's CGB business. This business cooperation will become an important driver of the Group's revenue growth. By giving full play to the Group's advantage of supply chain and the ground network, the cooperation also contributes to expanding the Group's procurement scale and developing the core competence of supply chain to serve the Group's omni-channel business.

The Group will continue to cooperate with Cainiao Pick-up Station as the core channel service provider of the Group's CGB business. By taking full advantage of the channel network and unique buying initiators resources, the Group will reach more consumers with a differentiated CGB model.

In fiscal year 2022, by taking advantage of procurement scale and business channels, the Group will enhance product power and supply chain capability, and form cross-era capabilities with combination of Alibaba Group's online operation capability and user volume.

Mr. Kevin LIN concluded, *“Now customers’ buying habits have become at anytime and anywhere, online and offline, deliver to home or shop in stores. The general trend in the physical retail industry is to be online, miniaturized, convenient and community-based. We expect that 2022 fiscal year will see the most new launches of business initiatives. At the same time, facing increasingly fierce competition, we will be more proactive. 2022 fiscal year will also be a year with the most investment than ever. We will focus on the investments in user experience, new business formats and fresh products processing capability so as to position ourself for long-term revenue growth in the future. The cooperation with Alibaba Group's CGB is a good opportunity for us to expand procurement scale, improve category operation capability and core competitiveness of supply chain. Furthermore, it is the first step towards in-depth cooperation between the two large systems. In the future, Sun Art stores will become customers’ offline experience centers and logistics fulfillment centers of online business. The B2C business will be developed as the world's leading e-commerce player of fresh products. Sun Art has completely surpassed the scope of the traditional hypermarket and has developed towards a more diversified direction. It will become a benchmark for new retail.”*

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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. As of 31 March 2021, Sun Art had a total of 490 hypermarkets, 6 superstores and 32 mini stores in China with a total gross floor area ("GFA") of approximately 13.22 million square meters, covering 234 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 cheap 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's main development strategy is 'to synchronize hypermarkets, superstores and mini stores, integrate online and offline business, develop multi-formats and omni-channels', and to become a leader in digital transformation and a benchmarking enterprise for New Retail.

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