

[For Immediate Release]



Saw growth in both revenue and profit
Accelerate deployment of multi-formats and omni-channels
Increase investment in new formats and channels
Expect to return to a high-speed-growth revenue in the future

Financial Highlights

(In RMB million, unless stated otherwise) (Unaudited)	For the twelve months ended 31 December		
	2020	2019	Growth Rate
Revenue	95,486	95,357	+0.1%
Gross Profit	24,343	25,731	-5.4%
Profit from Operations	4,664	4,890	-4.6%
Profit for the Period	3,046	3,045	+0.0%
Profit Attributable to Equity Shareholders of the Company	2,872	2,834	+1.3%
Earnings per Share - Basic and Diluted	RMB 0.30	RMB 0.30	

Business Highlights

- Alibaba Group takes a controlling share in the Group. Mr. LIN Xiaohai has been appointed as an executive Director of the Group and CEO of RT-Mart.
- The financial year end date of the Group is changed from 31 December to 31 March.
- By 31 December 2020, the Group had 484 hypermarket complexes, six superstores and 24 mini stores. It is the first year of the Group's multi-formats and omni-channels development.
- The online daily order per store ("DOPS") was more than 1,000.
- Accelerate the deployment of community group buying business, and leverage the Group's current advantages to create a differentiated community group buying business model.
- Affected by the pandemic, the Group's performance of the first half 2020 was above expectation. But due to various uncontrollable factors such as re-occurrence of the pandemic and fierce competition caused by the brutal growth of community group buying, the revenue in the second half of the year did not perform as well as expected.

(31 January 2021 - Hong Kong) **Sun Art Retail Group Limited** ("Sun Art" or the "Group" , HKEX stock code: 6808), today announced its 2020 interim results for the twelve months ended 31 December. During the period under review, the Group's revenue was RMB95,486 million,

increasing by 0.1%. The Same Store Sales Growth (“SSSG”), calculated based on sales of goods excluding electronic appliances, was 1.0%.

As of December 31 2020, due to the decline in gallery rental income posted by the pandemic, changes in channel mix and product mixture, gross profit dropped by RMB1,388 million year-on-year to RMB24,343 million. Profit from operations dropped by RMB226 million to RMB4,664 million, a decrease of 4.6%. Although depressed by gallery rental income decrease and more intensified peer competition, the Group’s profit for the period can still increase to RMB3,046 million.

Mr. Peter HUANG, Chief Executive Officer of the Group commented, *“The unusual 2020 finally came to an end. During the first half of 2020, retailers accelerated to increase their investments in online businesses one after another because of the pandemic. Fortunately, we have been committed to the digital transformation into new retail since 2018. In the second half of the year, as the market gradually opened up and consumption returned to normal, brick-and-mortar supermarkets faced increased competition. For Sun Art, we cannot escape from it either. Although the performance of the Group in the second half did not meet expectations due to many unexpected and uncontrollable factors, we can also see that facing the brutal growth of new retail competitors and various uncertainties in the post-epidemic period, the Group still shows strong resilience and coping ability compared with its peers. We believe that while the money-burning model can develop the quantity of the customer, it can never develop the stickiness of the customer. This also allows the Group to clarify our future development strategies and stick to correct path with full confidence.”*

B2C business grows rapidly due to the pandemic

The outbreak of COVID-19 accelerated the formation of consumers’ online shopping mindset, represented by the continued increase in the Group’ s B2C Daily Order per Store (“DOPS”). Since May 2020, the Group’s online DOPS exceeded 1,000. In the second half of 2020, the Group’s average DOPS in first-tier cities was more than 2,000 and for lower-tier cities, it was close to 1,000. The Group set a new DOPS record exceeding 2,900 for the first time on "double 11" day. For the full year of 2020, the Group’s B2C performance increased by more than 80% and the total B2C order density increased by more than 60% compared with the same period last year.

For the B2C ticket size in the second half of 2020, despite the significant decrease compared with that in the first half, it still increased by 5.7% over the same period last year, reaching net amount after tax RMB66. The fresh products and dairy products contributed more than 53% of the revenue, the Fast Moving Consumer Goods (‘FMCG’) accounted for more than 45% and non-food products was about 2%.

As the date of this press release, the number of registered B2C users was over 69 million, among which the active users exceeded 16.5 million.

Incubate new business

- The superstore model is basically matured -

As of 31 December 2020, the Group opened six RT-Supers. The current store operating area of RT-Supers is approximately 3,000 to 5,000 square meters, providing around 15,000 stock keeping units ("SKU"). The fresh products and dairy products contributed about 57% of the Group's revenue, the FMCG accounted for around 38% and non-food products was about 5%.

According to the differentiation of catchment areas and customer positioning, each RT-Super can feature different offerings suitable for customers in the catchment areas. By leveraging the Group's strong supply chain, sufficient products, as well as more streamlined store teams, RT-Super can achieve a relatively reasonable gross profit margin and cost ratio. The business model of RT-Super is not far from matured.

In 2021, RT-Super will enhance the scale expansion by focusing on the second and third-tier cities, and build fresh superstores which are closer to young consumers through the construction of core categories.

- Continue to optimize and improve the mini store model -

As of 31 December 2020, the Group opened 24 mini stores, of which 20 were located in Nantong City, Jiangsu Province and four in Taizhou City, Jiangsu Province. The operating area of each mini store was about 200 to 500 square meters. Fresh food and dairy products accounted for about 75% of the Group's revenue, representing a rather high proportion. 60% of the store's revenue derived from fruits and vegetables, seafood products, and meat.

In view of the high proportion of fresh products, mini store continues to improve direct sourcing from original production areas to offer booming items by season and local specialties, which aims to create offerings with a full range of categories and affordable prices. In addition, mini store shares the FMCG product pool with hypermarket, and designs different display models and offerings according to store operating area and customer positioning for the purpose of building a good foundation for accelerating expansion in the future.

– Good start and bright future for community group buying –

Community group buying made a good start in 2020.

As of 31 December 2020, the Group's community group buying business strengthened its business synergy with Cainiao pick-up station with more than 100 stores located in over 36 cities. The number of active stations reached nearly 8,000. The stations developed by the Group were also launched in 125 cities, and more than 220 stores started the community group buying business. At the same time, the Group also actively calls on employees to become community group buying initiators. They are the Group's unique buying initiator resource and features with high stickiness in their nature.

Community group buying not only has its own exclusive booming items but also shares the supply chain and product pool with hypermarket. The sales of non-standard fresh products accounted for around 33.5% of the revenue, and FMCG contributed about 64.7%.

Pilot "warehouse-based" store model, give support to omni-channel through "one warehouse for one city"

Considering the online impact on sales of non-food products in physical stores, the Group initiated a renovation project to transform some stores into the "warehouse-based" model.

The non-food operating area was reduced but the warehouse area was increased significantly in the pilot stores. After the renovation, the pilot store will not only meet the needs of the store itself, but also support half-day delivery, community group buying and B2B business of the city.

This renovation means each city has its own city warehouse. Logistics costs are greatly reduced. Product efficiency is significantly improved and customers' shopping experience can also be greatly upgraded.

Mr. Peter HUANG concluded: “ For Sun Art, 2020 was a year of transformation as well as a year of polishing the Group's business models for multi-formats and omni-channels development. 2020 was also a milestone year. The future is an era of Internet and new retail. As Alibaba Group becomes the controlling shareholder of Sun Art, it will definitely bring in new vitality and impetus to the Group, and lead the Group to reach a new peak and create prosperity. Looking to the future, 2021 will be a year of investment and the first year of launching new business models. Although the investment cost to new business will affect our profitability in the short term, this impact is anticipated, limited, and worthwhile. We believe that today's investment is for better and faster growth in the future The Group expects that the revenue will return to a high-speed growth trajectory within two years.”

– End –

About Sun Art Retail Group Limited

Sun Art Retail is a leading retailer with hypermarket and fast-growing e-commerce businesses in China. Sun Art Retail operates its business with hypermarkets, superstores and mini stores under RT-Mart, RT-Super and RT-Mini. As of 31 December 2020, Sun Art Retail had a total of 484 hypermarkets, six superstores and 24 mini stores in China with a total gross floor area (“GFA”) of approximately 13.07 million square meters, covering 232 cities across 29 provinces, autonomous regions and municipalities.

On 19 October 2020, Taobao China Holding Limited (“Taobao China”) announced the completion of acquiring 70.94% of A-RT Retail Holdings Limited (“A-RT”)’s issued share capital. A-RT holds approximately 51.00% 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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