SUN ART RETAIL GROUP LIMITED
高鑫零售有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 06808)

POSITIVE PROFIT ALERT

This announcement is made by SUN ART RETAIL GROUP LIMITED 高鑫零售有限公司 (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the "**Board**") of directors (the "**Directors**") wishes to inform the shareholders of the Company and potential investors that, based on a preliminary review of the unaudited consolidated management accounts of the Group for the six month period ended 30 June 2017, the Group is expected to record a significant increase in net profit for the six months ended 30 June 2017 as compared to the corresponding period in the previous year.

Based on the information currently available, the aforesaid increase in net profit is mainly attributable to, among others, other income arising from the recognition by the Company of the unutilized balances on prepaid cards issued and sold by the Group (the "**Prepaid Cards**") on or before 30 June 2012 (the "**Mid-2012 Unutilized Balance**"). As set out in the Annual Report 2016 of the Company for the year ended 31 December 2016 dated 15 March 2017, the Company had approximately RMB9,702 million of "advance receipts from customers" under "trade and other payables" as at 31 December 2016, which was primarily attributable to the balances of Prepaid Cards issued by the Group. This includes unused balances on Prepaid Cards issued a number of years ago which have remained unused.

The Board periodically conducts analysis of the unutilized balance of the Prepaid Cards, the value of which for each individual year had not been significant in the past. However, as the number of the Company's long-aging Prepaid Cards has continued to increase over time, the total unutilized balance on such Prepaid Cards which has remained unused for long periods of time has also gradually accumulated and began contributing to a larger percentage of the total balance of all Prepaid Cards in issue (the "**Total Balance**"). Given that the Company's preliminary analysis showed that the estimated Mid-2012 Unutilized Balance amounted to over 15% of the Total Balance as at 31 December 2016, the Board considered it necessary and appropriate to confirm their understanding of the likelihood of the Mid-2012 Unutilized Balance being used before deciding whether to recognize and record any such amounts as other income. In this regard, the Company engaged an actuarial firm in 2017 to assess the portion of the Mid-2012 Unutilized Balance unlikely to be used. This amounted to approximately RMB460 million. Accordingly, the

Board has determined that it is appropriate to recognize the amount of RMB460 million as other income which, after a deduction of 25% tax liability, will contribute an amount of approximately RMB345 million to the Company's consolidated net profit for the six months ended 30 June 2017. The Board will continue to monitor the unutilized balance for Prepaid Cards issued and sold since 1 July 2012 and may recognize further amounts in the future as and when deemed appropriate.

In addition, in relation to the recent Hong Kong Inland Revenue Interpretation regarding the issuance of certificates of residency for companies in Hong Kong, which allows them to benefit from the reduced 5% withholding tax rate on distributions made from China to these companies in Hong Kong, the Company has identified a need to provide an extra RMB90 million of deferred tax in relation to the transfer of funds to finance the 2016 dividend distribution which will partly offset the above additional net profit of RMB345 million.

As the Company is still in the course of preparing its results for the six month period ended 30 June 2017, the information contained in this positive profit alert announcement is only a preliminary assessment by the Board based on the information currently available and the unaudited consolidated management accounts of the Group, which have not been reviewed by the Company's auditors or the Company's audit committee. Detailed results for the Group for the six month period ended 30 June 2017 will be published in due course pursuant to the requirements of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Sun Art Retail Group Limited
CHENG Chuan-Tai
Chairman of the Board

Hong Kong, 11 July 2017

As at the date of this announcement, the Directors are:

Executive Directors:
Mr. Ludovic Frédéric Pierre HOLINIER *(Chief Executive Officer)*
Mr. HUANG Ming-Tuan

Non-executive Directors:
Mr. CHENG Chuan-Tai *(Chairman)*
Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Mr. Xavier, Marie, Alain DELOM de MEZERAC
Mr. Wilhelm, Louis HUBNER

Independent Non-executive Directors:
Ms. Karen Yifen CHANG
Mr. Desmond MURRAY
Mr. HE Yi