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SUN ART RETAIL GROUP LIMITED

高鑫零售有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 06808)

PROFIT WARNING

This announcement is made by Sun Art Retail Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited 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 of directors (the “**Board**”) of the Company hereby informs the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 March 2024, it is expected that the Group will record a net loss of approximately RMB1.6 billion to RMB1.7 billion (unaudited) (calculated in accordance with Hong Kong Financial Reporting Standards) for the year ended 31 March 2024, as compared to the Group's net profit of RMB78 million for the year ended 31 March 2023.

The expected net loss is primarily attributable to impairment losses to be recorded for the year ended 31 March 2024 due to the impairment of right-of-use assets and fixed assets from stores with negative cash flows, those that are either closed or marked for closure, as well as the impairment of goodwill.

Excluding the impact of impairment losses, the anticipated net loss for the year ended 31 March 2024 is projected to be between RMB0.6 billion and RMB0.7 billion (unaudited), primarily attributable to the decline in expected revenue due to a combination of factors including the adjustments to business operations and the fading of customers’ stockpiling mentality which leads to a decrease in the average value per transaction.

The Group anticipates that cash flow is sufficient to provide ample capital reserves for future business development and to respond to market competition. Considering the factors including the Group’s expected working capital requirements, capital expenditure and future expansion plans having no significant impact on liquidity, and also the Group's actual and expected financial performance together with other factors, the Group anticipates that cash flow remains sufficient. Following the review of audited consolidated management accounts of the Group for the year ended 31 March 2024, and subject to factors including profits available for distribution, retained earnings and distributable reserves of the Company and each of the members of the Group, a final dividend may be considered

and proposed by the Board. As of the date of this announcement, the Board has not yet considered or proposed any final dividend. An announcement will be made by the Company concerning the relevant decision at appropriate time.

The Group will continue to focus on its core business, closing down long-term loss-making stores, and may consider disposing of non-performing assets in order to reduce losses and the costs of store closures, while strategically expanding in areas of strength, including the Yangtze River Delta, Pearl River Delta and Shandong Peninsula.

The information contained in this announcement is only based on a preliminary assessment and estimates made by the Board based on the information currently available to it, including the unaudited consolidated management accounts for the year ended 31 March 2024, which have not been audited nor reviewed by the Company's auditors, and have not been confirmed by the audit committee of the Company. As such, the data may differ from figures to be disclosed in the audited consolidated financial statements to be published by the Company for the year ended 31 March 2024. Shareholders and potential investors are advised to refer to the details in the announcement of the Company for the annual results for the year ended 31 March 2024, which will be published within the time frame stipulated under the Listing Rules.

Shareholders and potential investors are advised to exercise caution in dealing in securities in the Company.

By Order of the Board
Sun Art Retail Group Limited
HUANG Ming-Tuan
Chairman of the Board

Hong Kong, 12 April 2024

As at the date of this announcement, the directors of the Company are:

Executive Director:

SHEN Hui (*Chief Executive Officer*)

Non-executive Directors:

HUANG Ming-Tuan (*Chairman*)

HAN Liu

LIU Peng

Independent Non-executive Directors:

Karen Yifen CHANG

Charles Sheung Wai CHAN

Dieter YIH