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SUN ART

Retail Group Limited

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 wishes to inform the shareholders (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 year ended 31 March 2022, it is expected to record a net loss of approximately RMB0.75 billion to RMB0.95 billion (calculated in accordance with Hong Kong Financial Reporting Standards) for the twelve months ended 31 March 2022, which represents a decrease of approximately RMB3.044 billion to RMB3.244 billion as compared to the Group’s net profit of RMB2.294 billion (unaudited) for the twelve months ended 31 March 2021.

The expected net loss is partly attributable to the provision totaling approximately RMB1.4 billion from, among others, the impairment loss of stores, the provision for litigation and the special bad debt accruals increased in the fiscal year.

The Group faced a fierce competition from all channels during the first half of the fiscal year and a repeated resurgence of the Covid-19 pandemic during the second half of the fiscal year. In particular, the recent widespread outbreak occurred in the area where majority of our stores are located, causing impact on the offline sale performance continuously. The Group’s revenue is expected to decline by approximately 5.3% year-on-year and result in a negative impact on profit. Overall, the Company’s operating performance for the fiscal year 2022 are envisaged to record a decline as compared to the relevant comparative figure for the twelve months ended 31 March 2021 and envisaged to record a drop in profits.

The Group expects to record a net cash of approximately RMB18.5 billion as of 31 March 2022, and will maintain sufficient cash flow to provide ample capital reserves for future business development and 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 twelve months ended 31 March 2022, 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 and proposed any final dividend. An announcement will be made by the Group concerning the relevant decision at appropriate time.

In light of market uncertainties and macro factors, the Group will, as usual, build its stores into "offline experience centers and logistic fulfillment centers of online business" and adhere to the strategy of "multi-formats and omni-channels development." Meanwhile, the Group will focus on building its own strength by enhancing product power and developing a fresh food supply chain.

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 twelve months ended 31 March 2022, which have not been audited nor reviewed by the Company's auditors, and has 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 2022. Shareholders and potential investors are advised to refer to the details in the announcement of the Group for the annual results for the year ended 31 March 2022, which will be published within the timeframe stipulated under the Listing Rules.

Our 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
LIN Xiaohai
Executive Director and Chief Executive Officer

Hong Kong, 18 April 2022

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

Executive Director:

LIN Xiaohai (*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