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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 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 six months ended 30 September 2023, it is expected to record a net loss of approximately RMB0.37 billion to RMB0.38 billion (calculated in accordance with Hong Kong Financial Reporting Standards) for the six months ended 30 September 2023, as compared to the Group’s net loss of RMB0.087 billion for the six months ended 30 September 2022.

The expected loss is primarily attributable to a decline in profit due to a combination of a number of factors, namely the scaling down of supply chain business ^(Note 1) and a shrinking of guaranteed supply business ^(Note 2) during the six months ended 30 September 2023, a below-expectation performance, and a decrease in profit from sales due to increased promotional discounts as compared to the same period last year. The gap in performance mainly originates from, among others, the high base of ticket size achieved in the first quarter of the fiscal year 2022. And the gap in performance for core businesses in the second quarter of the fiscal year 2023 had narrowed significantly.

Despite numerous uncertainties in the market environment and the macro-economic factors, the Group will adhere to the strategy including the continuance of the process of product differentiation capabilities, the acceleration of store remodeling to enhance offline experiences, the steady extension of the development of online multi-format business and the enhancement of store digitalisation; as well as to ensure a stable and healthy financial position. According to our past experience, the Group in general experiences high season in the fourth quarter, and will seize this favourable season of the year to strive for better performance through optimised operation and product strategies.

Note 1: Supply chain business refers to Tmall Shared Inventory (天貓共享庫存) and TAOCAICAI (淘菜菜). The Group strategically scale down its supply chain business from fiscal year 2023 in order to better focus on business with targeted customers.

Note 2: In current fiscal year, the demand for guaranteed supply business shrank following a return to normalcy.

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 six months ended 30 September 2023, 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 six months ended 30 September 2023. Shareholders and potential investors are advised to refer to the details in the announcement of the Group for the interim results for the six months ended 30 September 2023, 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, 1 November 2023

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