SUN ART
Retail Group Limited

Sun Art Retail Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 6808

Annual Report 2011

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Bruno Robert MERCIER *(Chief Executive Officer)*
HUANG Ming-Tuan

Non-Executive Directors

CHENG Chuan-Tai *(Chairman)*
Christophe Maurice Paule Marie Joseph DUBRULLE
Philippe David BAROUKH
Xavier Marie Alain DELOM de MEZERAC

Independent Non-Executive Directors

Karen Yifen CHANG
HE Yi
Desmond MURRAY

AUDIT COMMITTEE

Desmond MURRAY *(Chairman)*
CHENG Chuan-Tai
Xavier Marie Alain DELOM de MEZERAC
Karen Yifen CHANG
HE Yi

REMUNERATION COMMITTEE

Karen Yifen CHANG *(Chairman)*
CHENG Chuan-Tai
Philippe David BAROUKH
HE Yi
Desmond MURRAY

NOMINATION COMMITTEE

HE Yi *(Chairman)*
Philippe David BAROUKH
CHENG Chuan-Tai
Karen Yifen CHANG
Desmond MURRAY

COMPANY SECRETARY

HO Siu Pik, FCIS, FCS (PE)

AUTHORISED REPRESENTATIVES

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HO Siu Pik

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STOCK CODE

6808

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2011	2010	**Change**
	RMB million	*RMB million*	
Turnover	**68,084**	56,168	21.2%
Gross Profit	**13,857**	10,968	26.3%
Profit from Operations	**2,906**	2,474	17.5%
Profit for the Year	**1,985**	1,614	23.0%
Profit Attributable to Equity Shareholders of the Company[1]	**1,600**	1,031	55.2%
Earnings Per Share ("EPS") – Basic and diluted[2]	**RMB0.20**	RMB0.19	5.3%

	As at 31 December		
	2011	2010	**Change**
	RMB million	*RMB million*	
Total Assets	**41,346**	29,853	38.5%
Total Liabilities	**25,829**	23,033	12.1%
Net Assets	**15,517**	6,820	127.5%
Gearing Ratio[3]	**0.62**	0.77	
Current Ratio[4]	**0.84**	0.63	

Note:

(1) Following the completion of the reorganisation on 13 May 2011 ("**Reorganisation**"), Sun Art Retail Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") has acquired the non-controlling interests in Auchan (China) Hong Kong Ltd. ("**ACHK**") & Concord Champion International Ltd. ("**CCIL**"), which became wholly owned subsidiaries of the Company.

(2) The calculation of EPS is based on the weighted average number of shares in issue during the year, including the new shares issued for the Reorganisation, in Initial Public Offering ("**IPO**") and the exercise of Over-allotment option, after adjusting for the share subdivision on 27 June 2011.

(3) Gearing Ratio = Total Liabilities/Total Assets

(4) Current Ratio = Current Assets/Current Liabilities

(5) The Group's property interests, included above in total assets at cost were valued at RMB18,057 million as at 15 May 2011 in the IPO prospectus dated 4 July 2011 ("**Prospectus**"). Had the Group's property interests been included in the financial statements at such valuation amount throughout the year ended 31 December 2011, an additional depreciation and amortization charge of RMB318 million would have been charged against the profit for the year ended 31 December 2011.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives me a great pleasure to write my first statement as Chairman of Sun Art Retail Group Ltd, and to share with you our first Annual Report as a listed company.

Our successful IPO on 27 July 2011 has established for us a sound footing to pursue our vision: "Sell more and more quality products to more and more customers at lower and lower prices". We believe our vision to be particularly fitting in a context where the Chinese government has established the increase of internal demand and the control of inflation as priorities.

Our employees share this vision and the Group values: "Trust, Progress, Sharing". We believe that by creating a team which is as close as a family, honest, dedicated, innovative, healthy and cheerful, they will ensure a high level of customer satisfaction, translating into high levels of performance for the Group.

Our Board, which reflects the diversity and the history of our two banners and combines strong retail experience and understanding of China's operating environment, is committed, through its governance processes, to provide guidance to our management team to continue to grow at a sustained rate, to further improve its operational effectiveness and to deliver better financial performance.

Cheng Chuan-Tai
Chairman of the Board

2 March 2012

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

2011 was an exciting year for Sun Art Retail Group, and one in which I am happy to present strong results from our operations in China.

Before I report on the results, I would like to discuss briefly the success of our Hong Kong IPO on 27 July 2011, raising HKD9,258 million to sustain and accelerate our growth in China. This IPO has been recognized by Finance Asia, Asia Money and IFR Asia as one of, if not the most, successful IPOs of 2011 in Hong Kong and more broadly in East Asia.

Our sales of goods grew 21.1% to RMB66,540 million in 2011. The key drivers of our growth were our strong same store sales growth at 8.8%, and the successful opening of 46 stores during the year (another 2 stores opened just before Chinese New Year of 2012). According to Euromonitor "Grocery Retailers in China" report, our leading position in the hypermarket industry continued to improve with our market share in 2011 increasing 0.8 points to 12.8% from 2010.

In order to open those stores we invested a total of RMB4,251 million in 2011, as well as RMB1,047 million to renovate older stores in order to keep the momentum of same store sales growth. Our total investment increased 51.6% over 2010.

Our rental income from third party lessees increased 24.1% to RMB1,544 million reflecting the attractiveness of our commercial centers and the recognition of our two banners, RT Mart and Auchan by Chinese consumers.

Our profitability continued to improve, with a profit after tax reaching RMB1,985 million, an increase of 23.0% over 2010. The Board has recommended the payment of a dividend of HKD954 million, translating into HKD0.10 per share in line with indications provided before the IPO.

From this very solid base, we intend to continue to roll out our strategy in the coming years, maintaining the high level of same store sales growth and continuing to open stores at a sustained rate, without compromising on the quality of these stores, as we want to ensure an enjoyable, hassle free and consistent shopping experience for our customers nationwide. In this matter I am pleased to report that the Group has in hand a portfolio of 153 firm commitments (lease contracts or land/building purchase contracts) for future store openings in the next three years.

Looking forward, the pressure of increasing costs is likely to continue, given in particular the emphasis by the government on the continued increase of minimum salaries, which has a ripple through effect. However, seen in the context of a broader policy to increase internal demand, which translates eventually in retail sales, we see these increases as being rather positive for our industry.

We will continue to strive to improve our operational effectiveness: two logistics centers were opened in Shenyang and Guangzhou in 2011, which will help improve our operations and support our future development in North and South China.

CHIEF EXECUTIVE OFFICER'S STATEMENT

We also want to continue to ensure we are recognized as a valued partner by our suppliers, governments and society in general. In 2011, our RT Mart banner and Auchan banner were ranked respectively as No. 1 and No. 3 in the suppliers' survey conducted by Shanghai Business Information Center. Our Auchan banner was ranked No.2 in the "2011 Supermarket Ranking Guide" report conducted by the NGO Greenpeace.

Given the uncertainties over the state of the global economy which could affect our market directly or indirectly, 2012 will certainly be a challenging year. However, we believe we can rely on our highly motivated employees to continue to better serve customers and provide them with quality products at the best prices, therefore ensuring we continuously improve our competitive position in China's growing retailing market.

Bruno Robert Mercier
Chief Executive Officer
Executive Director

2 March 2012

FINANCIAL REVIEW

Turnover

Our turnover is derived from sales of goods and rental income. Turnover from sales of goods, primarily derived at our hypermarkets, is net of value added tax and other applicable sales taxes after deducting any trade discounts. Turnover from rental income is derived from renting gallery space in hypermarket complexes to operators of businesses that we believe are complementary to our stores.

The following table sets forth a breakdown of our turnover from sales of goods and rental income for the periods indicated:

	Year ended 31 December		
	2011	2010	**Change**
	RMB million	*RMB million*	
Sales of goods	**66,540**	54,924	21.1%
Rental income	**1,544**	1,244	24.1%
Total turnover	**68,084**	56,168	21.2%

For the year ended 31 December 2011, our turnover from sales of goods was RMB66,540 million, an increase of RMB11,616 million, or 21.1%, from RMB54,924 million for the year ended 31 December 2010. The increase was primarily attributable to Comparable Store[1] sales growth and new stores opened in 2011.

Turnover from sales of goods in Comparable Stores increased approximately 8.8%, which is ahead of inflation. This increase was mainly due to the continuous management on improvement of the store shopping environment and product mix to cater for customer preference.

The opening of 46 new stores during the year of 2011 also contributed to the rise in turnover from sales of goods.

For the year ended 31 December 2011, our turnover from rental income was RMB1,544 million, an increase of RMB300 million, or 24.1%, from RMB1,244 million for the year ended 31 December 2010. This increase was primarily attributable to an increase in rental income from existing stores as a result of better management of tenant mix and an increase in leasable area from new stores.

Gross Profit

For the year ended 31 December 2011, our gross profit was RMB13,857 million, an increase of RMB2,889 million, or 26.3%, from RMB10,968 million for the year ended 31 December 2010. Our gross profit margin ratio increased to 20.4% for the year ended 31 December 2011 from 19.5% for the year ended 31 December 2010. The increase in our gross profit margin ratio was a result of a greater increase in turnover of 21.2% as compared to the increase in cost of sales of 20.0%, reflecting (i) better management of product category mix to bring a higher gross profit margin and (ii) economies of scale due to our continuously expanded business operation.

Note:

(1) Comparable Store: Stores opened before 31 December 2009, with operation covering two full years ended 31 December 2010 and 2011.

Store Operating Costs

Store operating costs represent the costs related to the operations of our stores and primarily consist of personnel expenses, rental expenses, expenses for utilities, maintenance, advertising, shuttle bus services and cleaning, together with depreciation and amortization of property, plant and equipment and land use rights, for our stores.

For the year ended 31 December 2011, the store operating costs were RMB9,516 million, an increase of RMB2,227 million, or 30.6%, from RMB7,289 million for the year ended 31 December 2010. This increase was primarily attributable to (i) an increase in personnel expenses, (ii) an increase in rental expenses and depreciation and amortisation of property and equipment and land use rights, at our stores, (iii) the effect of the additional surcharges and taxes due to the Urban Maintenance and Construction Tax and Education Levy effective from 1 December 2010, and (iv) the increase in other costs due to the increase in number of stores. The increase in personnel expenses was primarily due to an increase in the number of staff to accommodate our new store openings and an increase in the wages of staff at our stores in response to the 12th 5-year plan of China's National People's Congress which resulted in an overall increase in wages in the industry generally. The increase in rental expenses and depreciation and amortisation of property, plant and equipment and land use rights, was attributable to the 46 new stores opened in 2011 to further expand the business network.

Administrative Expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, depreciation and amortisation of property, plant and equipment and other expenses for our administrative departments. For the year ended 31 December 2011, our administrative expenses were RMB1,849 million, an increase of RMB370 million, or 25.0%, from RMB1,479 million for the year ended 31 December 2010. The increase was primarily attributable to the rise in personnel expenses in response to the 12th 5-year plan of China's National People's Congress which resulted in an overall increase in salary level of the industry. Meanwhile, the increase in the number of administrative staff to provide supportive services for our expanded network of hypermarket complex also contributed to the increase in personnel expenses.

Profit from Operations

For the year ended 31 December 2011, our profit from operations was RMB2,906 million, an increase of RMB432 million, or 17.5%, from RMB2,474 million for the year ended 31 December 2010. Our operating margin was 4.3%, slightly decreasing from 4.4% for the year ended 31 December 2010. The decrease in operating margin is primarily due to (i) the percentage of personnel expenses to turnover increased by 0.7%; (ii) the percentage of taxes and surcharges to turnover increased by 0.3%; and (iii) compensated by the increase in the gross profit margin of 0.9%.

Finance Costs

Finance costs primarily consist of interest expenses on borrowings. For the year ended 31 December 2011, our finance costs were RMB90 million, an increase of RMB7 million, or 8.4%, from RMB83 million for the year ended 31 December 2010. This increase was primarily attributed to an increase in the weighted average loan balance during the year ended 31 December 2011 to meet the cash requirement for expansion of hypermarket network before the proceeds from IPO were received.

Income Tax

For the year ended 31 December 2011, our income tax expense was RMB831 million, an increase of RMB54 million, or 6.9%, from RMB777 million for the year ended 31 December 2010. Our effective income tax rate was 29.5% for the year ended 31 December 2011 compared to 32.5% for the year ended 31 December 2010, since more stores opened before 2011 turned profitable and started the utilization of prior year unrecognized tax losses.

Profit for the Year

For the year ended 31 December 2011, our profit was RMB1,985 million, with an increase of RMB371 million, or 23.0%, from RMB1,614 million for the year ended 31 December 2010. Our net profit margin was 2.9% for the year ended 31 December 2011, the same as that for the year ended 31 December 2010. The stable net profit margin reflected that the Group was able to leverage on the economy of scales brought by its expanded hypermarket network and growth in sales.

Profit Attributable to Equity Shareholders of the Company

For the year ended 31 December 2011, our profit attributable to equity shareholders of the Company was RMB1,600 million, an increase of RMB569 million, or 55.2%, from RMB1,031 million for the year ended 31 December 2010.

On 13 May 2011, the shareholders approved the Company to issue new shares as consideration for acquiring the previous non-controlling interests in ACHK and CCIL, such that the Company became the sole shareholder of ACHK, the holding company of Auchan hypermarkets in China, and CCIL, the holding company of RT Mart hypermarkets in China.

Liquidity and Financial Resources

For the year ended 31 December 2011, cash flow generated from operating activities was RMB5,764 million, with an increase of RMB866 million, or 17.7%, from RMB4,898 million for the year ended 31 December 2010.

As at 31 December 2011, our net current liabilities decreased to RMB4,107 million from RMB8,493 million as of 31 December 2010. This decrease was primarily attributed to: (i) an increase in the current assets of RMB7,390 million, with the rise in inventory level as at 31 December 2011 to prepare for Chinese New Year in January 2012, together with the rise in the balance of cash and cash equivalents; (ii) a decrease in loans and borrowings of RMB2,202 million, due to repayment of bank loans in 2011 second half year; and (iii) partially offset by an increase in trade and other payables of RMB5,112 million, reflecting an increase in trade payables of RMB2,974 million for the increase in inventories and an increase in advance receipts from customers of RMB1,903 million for unused deposits on prepaid card resulting from the increased sales of prepaid card in December 2011,the month before Chinese New Year which was earlier in 2012 and was a peak season of prepaid card sales.

For the year ended 31 December 2011, the inventory turnover days and trade payable turnover days were 59 days and 91 days, respectively, and were approximately 51 days and 86 days for the year ended 31 December 2010, respectively. The inventory turnover days and trade payable turnover days increased for the year due to higher inventory and trade payable level as at 31 December 2011 to prepare for Chinese New Year in January 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Investing Activities

For the year ended 31 December 2011, cash flow used in investing activities was RMB5,263 million, with an increase of RMB1,520 million, or 40.6%, from RMB3,743 million for the year ended 31 December 2010.

The cash flow used in investing activities mainly reflected the capital expenditure related to: (i) RMB4,251 million for new stores and projects including the purchase of fixed assets for existing Contracted Stores(1) from the Contracted Store owners for RMB141 million; (ii) RMB1,047 million for the upgrading and remodeling of our existing hypermarkets; and (iii) RMB481 million for the establishment of new distribution centers and the upgrading of the existing distribution centers.

Financing Activities

For the year ended 31 December 2011, cash inflow from financing activities was RMB3,730 million, as compared to cash outflow for financing activities of RMB604 million for the year ended 31 December 2010, mainly resulting from: (i) net proceeds from IPO ("**Net Proceeds**") of RMB7,625 million; (ii) dividend distribution of RMB1,837 million for the profit of previous years including RMB1,128 million for a special distribution declared on 10 June 2011 ("**Special Distribution**"); and (iii) a net decrease in bank borrowings of RMB2,157 million.

Dividends

The Board proposed a final dividend of HK$0.10 (equivalent to RMB0.08) per ordinary share ("**Final Dividend**") for the year ended 31 December 2011, amounting to approximately HK$953,970,470 (equivalent to RMB774,528,625). The payment of the Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting ("**AGM**") to be held on 16 May 2012. For details of Final Dividends, please refer to the section headed "Final Dividend" in the Report of Directors on page 22.

Special Distribution

We have declared a Special Distribution on 10 June 2011 to our shareholders as at 10 June 2011 in an amount of US$174 million (approximately RMB1,128 million), which is equal to 69.9% of our profit for the year ended 31 December 2010. The actual payment of the Special Distribution to our shareholders was made in July 2011 before listing with cash generated from operating activities.

Use of Proceeds from Initial Public Offering

On 27 July 2011 ("**Listing Date**"), the Company's shares were listed on the Hong Kong Stock Exchange Limited ("**Stock Exchange**") and the Company raised net proceeds of HK$9,258 million (equivalent to RMB7,625 million).

Note:

(1) Contracted Stores: Stores operated through contracted store arrangements. For details of Contracted Store and the arrangements please refer to the Note 1(f) of the Consolidated Financial Statements on page 59.

As at 31 December 2011, the Group had utilized RMB4,780 million of the net proceeds as follows:

- RMB1,414 million for new hypermarkets openings;
- RMB2,398 million for repayment of the Group's secured and unsecured bank loans;
- RMB754 million for the upgrading and remodeling our existing hypermarkets; and
- RMB214 million for the establishment of new distribution centers and the upgrade of the existing distribution centers.

Such utilization of the Net Proceeds was in accordance with the proposed allocations set out in the section headed "Use of Proceeds" in the Prospectus. The unutilized portion of the Net Proceeds is currently held in cash and cash equivalents and it is intended that it will also be applied in a manner consistent with the proposed allocations in the Prospectus.

BUSINESS REVIEW

Expansion of Retail Network

In 2011, the Group opened 46 hypermarket complexes, of which 42 were under the "RT-Mart" banner of the Group ("**RT-Mart Banner**") and 4 were under the "Auchan" banner of the Group ("**Auchan Banner**"). Of the new stores, 14 were located in Eastern China, 7 in Northern China, 10 in Central China, 4 in North-Eastern China, 8 in Southern China and 3 in Western China, while 9 were operated in self-owned properties and 37 were operated in leased properties. In addition, the Group purchased 4 properties of previous leasing stores or Contracted Stores under the RT-Mart Banner. During 2011, the Group expanded into 3 new provinces and autonomous regions: Henan Province, Yunnan Province and Inner Mongolia Autonomous Region (North). By the end of 2011, the Group's hypermarket complexes have covered 24 provinces, autonomous regions and municipalities. Please see note (1) for details of regional divisions.

As of 31 December 2011, of the Group's stores, 13% were located in first-tier cities, 17% in second-tier cities, 44% in third-tier cities, 20% in fourth-tier cities and 6% in fifth-tier cities. Please see note (2) for details of cities tiers definition.

While expanding its stores steadily, the Group also proactively sought potential opportunities to open new stores. As of 31 December 2011, through execution of lease contracts or acquisition of land parcels, the Group had identified and secured 153 sites to open hypermarket complexes, of which 80 were under construction, building a solid foundation for the development in the next 3 years. Of the identified sites, 4% were located in first-tier cities, 20% were located in second-tier cities, 76% were located in third to fifth-tier cities. The Group will actively seize opportunities brought by China's urbanization, to serve more urban residents.

As of 31 December 2011, the Group had a total of 230 hypermarket complexes in China. The total gross floor areas ("GFA") of these hypermarket complexes amounted to 6.5 million square meters, of which approximately 68% and 32% were operated in leased stores and in self-owned properties respectively. The number of such stores and their GFA in each major region of China are set forth as below:

MANAGEMENT DISCUSSION AND ANALYSIS

Region	Number of hypermarket complexes (As of 31 December 2011)			Total GFA of hypermarket complexes (sq.m.) (As of 31 December 2011)		
	Auchan	RT-Mart	Total	Auchan	RT-Mart	Total
Eastern China	35	79	114	1,451,679	1,977,939	3,429,618
Northern China	4	27	31	124,990	658,962	783,952
North-Eastern China	–	21	21	–	556,550	556,550
Southern China	–	32	32	–	818,898	818,898
Central China	3	21	24	96,219	537,304	633,523
Western China	3	5	8	115,196	131,594	246,790
Total	45	185	230	1,788,084	4,681,247	6,469,331

Note:

(1) According to the economic regional planning, the Group has adjusted the regional divisions as follows:

Eastern China: Shanghai City, Zhejiang Province, Jiangsu Province
Northern China: Beijing City, Tianjin City, Shandong Province, Hebei Province
North-Eastern China: Jilin Province, Liaoning Province, Heilongjiang Province, Inner Mongolia Autonomous Region (North)
Southern China: Guangdong Province, Guangxi Zhuang Autonomous Region, Fujian Province, Hainan Province
Central China: Anhui Province, Hunan Province, Hubei Province, Henan Province, Jiangxi Province
Western China: Yunnan Province, Sichuan Province, Gansu Province, Shaanxi Province

(2) The tiers of cities were divided as follows:

First-tier cities: Municipalities and Guangzhou
Second-tier cities: Capital cities, vice-provincial cities
Third-tier cities: Prefecture-level cities
Fourth-tier cities: County-level cities
Fifth-tier cities: Townships and towns

Store Optimization

During the year ended 31 December 2011, the Group strived to optimize its stores, to enhance the shopping experience of customers and to improve the service level of stores. Store optimization involves further improvement and redecoration of hypermarkets, renovation of retail galleries, as well as the introduction of new brands that are better tailored to the local customers' expectation. During the year under review, the RT-Mart Banner carried out renovation and improvement works on a number of hypermarkets and retail galleries. The two largest projects undertaken by the RT-Mart Banner were the upgrading of the Chunshen Store and Yingkou Store. For the Auchan Banner, the three largest projects were the upgrading of Jiading Store and Beijing Store, and the expansion of the car park of Chengdu Store. Store optimization involves not only macro alterations, but also detailed improvements, including items relating to the shopping experience of customers, such as refurbishment of floor tiles and toilets. Meanwhile, bakery bars and leisure bars are constantly upgraded to meet operational demands. Constant upgrading helps to ensure the continuous attractiveness of the stores of the Group and increase their revenues.

Supplier and Merchandise Optimization

The Group consistently emphasizes the importance of establishing strategic relationships with its suppliers. According to "2011 Supplier Satisfaction Survey" issued by Shanghai Business Information Center, the RT-Mart Banner and the Auchan Banner ranked No. 1 and No. 3 respectively in "2011 hypermarket retail format overall satisfaction" index, and ranked among the best in indexes like "credit", "marketing" and "process management". During the year ended 31 December 2011, the Auchan Banner convened its Second Supplier Conference, sharing corporate strategies and visions with its suppliers and building a good "retailer-supplier" communication platform.

The Group constantly reviews merchandise categories and develops differentiated merchandises. During the year of 2011, the Group actively promoted direct procurements from the producers, private brand merchandise, exclusively sold merchandise, branded, featured, quality merchandise from various places and imported merchandise etc., to continuously enrich its merchandise mix. In addition, we measured merchandise by sales result, and withdrew slow moving goods in time, to maintain the activeness of our offering. We also shared the resources of Auchan global procurements.

The Group always varies its merchandise mix to ensure it is oriented to customer needs and makes demand analysis with local focuses. The Group keeps an eye on new merchandise and customer shopping trends, for example expanding categories of computer, communication and consumer electronic ("3C") goods. In the year of 2011, the Group selected proper categories to develop store-in-store, such as wine rooms, baby land and candy castles etc. to meet the needs of specific customer bases. At the same time, we carried out a series of strategies of improvements based on customer demands such as improving package sizes and meat cuts, which further enlarged the Group's customer bases.

The Group consistently promoted the connection between farms and hypermarkets and direct purchase from producers and expanded the supply bases of fresh product. By the end of 2011, the Group had sourced several large scale vegetable producers in several areas, including Southern Jiangsu Province, Northern Jiangsu Province, Anhui Province, Zhejiang Province, Shandong Province and Hubei Province etc. Meanwhile, the Group promoted regional direct purchases of fruits. For instance, we procured various kinds of apples from several provinces such as Shandong and Shaanxi, and implemented direct processing, packaging and distribution. With the combination of connection between farms and hypermarkets and regional direct sales, delivery time of vegetables and fruits from farms to customers was reduced to ensure freshness and lower price compared with wet markets. Meanwhile, we have placed emphasis on the control of pesticide residues on vegetables and fruits to ensure the safety.

Service Optimization

The Group has devoted itself to the satisfaction of customers' demand. During the year of 2011, the Group continued to carry out "roundtable conference" and "mystery shopper" projects to collect customers' opinions. Unannounced visits to the stores were also conducted to check on the service, merchandise quality and public security. The survey results were shared and discussed at store managers' meetings to continuously improve the service level in all stores.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group further optimized direct mail ("DM") delivery, sending promotional messages via SMSs and e-mails, to meet younger customers' needs and to advise members of the latest product and service information, in order to enhance their loyalty. As of 31 December 2011, the RT-Mart Banner had 18.54 million members in total. During the year of 2011, the Auchan Banner further pushed its online shopping service in its Suzhou Store and Changyang Store in Shanghai to provide more shopping channels for the customers.

During the year under review, the Auchan Banner and the RT-Mart Banner launched and promoted a variety of platforms such as "Listening To Customers" and "Online Complaint" respectively. In addition to positive feedback from customers, the Group also focused on responding to the customers' demands and required the relevant stores to find solutions and reply to customers in a timely manner so as to improve customer satisfaction with goods and adapt to market changes more quickly.

Operating Efficiency and Supply Chain Management Optimization

Business flow optimization

During the year under review, the Group continuously strived to optimize working processes for all stores and headquarters based on the principle of simplicity with a focus on "public security, food safety, pricing strategy". For public security, the Group improved system and equipment for fire safety and crisis management. The Group enhanced controls over the early warning process. For food safety, the Group includes its own homemade products into third-party's scope of testing, built a recall system for the homemade products, and lifted the quality standards of fresh products. For pricing strategy, the Group ensured the proper implementation of pricing strategies with respect to procurement processes and store operations.

While continuously optimizing and updating existing processes, according to operational requirements, the Group also added processes for the equipment ordering, contract management, a paperless office, radio frequency ("RF") management applications for stores, and adjustment of market research system.

Information system optimization

The improvement of the Group's information systems was carried out with an objective to respond rapidly to the changing market environment and customers' demand to be user-oriented with an aim to lower cost and heighten efficiency. Information system optimization mainly involves continued optimization of hardware architecture for system security and performance; constant upgrade of the system software section to fully support new applications; launching more than one hundred newly developed pieces of software and continued optimization of existing systems to greatly improve their efficiency.

Logistics system optimization

In July and November 2011, the Group's two distribution centres for our RT-Mart Banner located in Southern China and North-Eastern China commenced their operation respectively. Covering the distribution of goods in the provinces of Guangdong, Guangxi, Fujian, Yunnan, Hainan and the three provinces in North-Eastern China, the new distribution centers significantly improved the distribution efficiency to the local stores in these provinces. Together with the operation of logistics centres in East China and North China, the national logistics network of the Group has been further developed, providing not only a strong distribution support for all stores in these regions, but also a contributor for the Group's future development.

During the year under review, the Auchan Banner continued to distribute goods of cosmetic and detergent categories from its distribution centre to its stores in Shanghai, effectively reduced the goods shortage at the stores. At the same time, the Auchan and RT-Mart Banners also started discussions regarding the utilization of the North-Eastern distribution centre of the RT-Mart Banner to distribute certain commodities for certain Auchan Banner stores.

Human Resource Management Optimization

As at 31 December 2011, the Group had 103,768 employees, an increase of 7.2% compared to 31 December 2010.

During the year under review, the Group actively carried out staff recruitment, training and retention to cope with its rapid store-expansion program. The Group actively promoted various levels and types of training, including training in new stores, in-service training of employees at all levels, training of store manager trainees and executives. The Group developed a series of training materials focusing on training objectives to improve the staff service levels in stores in a planned way. The reservation and training of staff have effectively guaranteed the rapid development of the stores, and also enhanced the retention of employees. During the year under review, by optimizing the training of newly recruited section managers, the Auchan Banner significantly reduced the turnover rate, which laid the foundation for a higher level of talented managers.

The Group regards its staff as the most valuable asset, and puts emphasis on staff care and benefits. During the year under review, the Auchan Banner established the Employer Employee Committee, which listened to its staff opinions on working environment and living conditions, through events such as roundtable conferences, and also set up a "Care Fund" to support its staff. During the year under review, the RT-Mart Banner won the "Shanghai Model Employee's Home" reward of Zhabei District, Shanghai city.

Corporate Social Responsibilities

The Group adheres to its expectation of "being a good corporate citizen" by maintaining a high standard of morality and value, and fulfilling its corporate social responsibility. The Group actively participated in social welfare activities by promoting public welfare programs from its headquarters to stores, organizing a variety of community goodwill activities, actively participating in activities of caring for the elderly and donating for the care of elderly and low income families. In respect of environmental protection, in addition to cooperation with various measures of the government energy saving sectors to actively develop various energy conservation and emission reduction systems, the Group also actively participated in a variety of environmental projects. During the year under review, the Auchan Banner joined the "Albatross Foundation". Nearly 200 employees from 38 stores became trainers for this project to conduct environmental and protection programs for children from the communities in which our stores were located. The RT-Mart Banner has been a member of the ALXA SEE Ecological Association for years which contributes to ecological protection and social progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

In 2012, in view of the uncertainties and instabilities in global economic recovery, China will continue to implement its economic policy based on "Progress with Stability", constantly promoting economic restructuring, managing inflation expectation, expanding domestic demand, ensuring and improving the well-being of the people, with the aim to maintain a stable and healthy development of the economy. We will actively seize opportunities brought by stable and healthy development of the economy, expanded domestic demand, accelerated urbanization and improved consumption structure. The Group aims to leverage on the series of measures implemented to stimulate consumption, such as consumption to the improvement of the quality of life for the people, in order to enlarge our market share and to become customers' favorite and trusted retailer.

In 2012, while proactively expanding quality stores as planned, the Group will also follow closely with the development trend of the urbanization in China, identify new sites for new hypermarkets with strict site selection criteria and penetrate further into the various tiers of cities. By doing so, the Group expects to constantly widen the gap with competitors to maintain our leading market position.

The Group will continue with its customer oriented corporate culture, to enhance its level of service, optimize merchandise mix, as well as optimize the environment and facilities in its hypermarkets, based on customers' needs so as to achieve better sales performance.

The Group will continuously strive to enhance efficiencies and increase productivity by improving supply chain management in response to increasing labor costs. According to the 12th Five-Year Plan outline, during the period, China's labour wage level is expected to achieve reasonable and rapid growth, the minimum wage will be raised annually by at least 13 percent on average rate. The Group will capitalize on the positive impacts triggered by wage level inflation such as the increase in consumption power and will continuously improve management standards through enhanced staff efficiency, flexible shift schedule, process optimization, as well as information and logistic systems improvements, in order to achieve optimal operating efficiency.

As a responsible enterprise, the Group will continue focusing on and assuming corporate social responsibilities by playing its role as a consumption endpoint, to promote scientific theories on green and low-carbon consumption. The Group will actively carry out energy-saving and emission reductions. We will also proactively hold community relations events, to become a good neighbor in the community and a trusted enterprise for consumers.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr Bruno Robert MERCIER, aged 52, is the Chief Executive Officer, an executive director of the Company and chairman of the subsidiaries of the Group operating under the "Auchan" banner. Mr Mercier received an Engineering Degree from The Higher National Agronomic School awarded by the Ministry of National Education and the French Polytechnic Institute of Toulouse in France in 1983, and a Master of Business Administration from INSEAD in 1988. He is responsible for the strategic direction and overall performance of the Group. Mr Mercier has been a director of the Company since 8 February 2001. He joined the Group in 1999 as a development director of our "Auchan" principal executive office in Shanghai, where he was responsible for the development and implementation of the business operations under our "Auchan" banner in the PRC. In 2002, Mr Mercier underwent training as a store manager in our "Auchan" hypermarket in Changyang, the PRC. Upon completion of his training, he was appointed as the managing director of our subsidiary, Auchan (China) Investment Co. Ltd ("ACI") in the same year, where he was responsible for the development and implementation of its business plans and budget. Since 2007, Mr Mercier has been the chairman of ACI and RT-Mart International Ltd, a company incorporated in Taiwan, and has been actively participating in the implementation of Groupe Auchan's vision in both companies. Mr Mercier is also a director of certain of the subsidiaries of the Group, including ACHK, ACI, CCIL and RT-Mart Holdings Limited as well as various other operating subsidiaries in the PRC under the "Auchan" banner.

Prior to joining the Group in 1999, Mr Mercier was with Groupe Auchan, one of the two ultimate controlling shareholders of the Group, where he worked in an "Auchan" hypermarket store in France in 1998, being trained in all functions and roles of store operations including store manager. Mr Mercier also has many years of experience gained from working in the retail and consulting industries from 1983 to 1998, notably with Groupe Pernod Ricard, a global wines and spirits producer, in its China and Thailand operations as well as with McKinsey & Company.

Mr HUANG Ming-Tuan (黃明端), aged 56, is an executive director of the Company and chairman of the subsidiaries of the Group operating under the "RT-Mart" banner. Mr Huang received a Master of Business Administration from the College of Management, National Taiwan University in 1984. He is responsible for the overall strategic planning and management of our business. Mr Huang has been a director of the Company since 28 April 2011. He joined the Group in 2001 and has since been the chief executive officer of RT-Mart Limited Shanghai ("Shanghai RT-Mart") where he is responsible for devising and implementing its overall strategies and the supervision of its business operations. Mr Huang has been involved in the business and operational strategies of the Company since 2001 as the legal representative of the then directors, Ruentex Industries Limited ("Ruentex Industries") and Sinopac Global Investment Ltd. ("Sinopac"). Mr Huang is also a director of certain of the subsidiaries of the Group, including Concord Investment (China) Limited ("CIC") and Shanghai RT-Mart.

Prior to joining the Group in 2001, Mr Huang was the general manager of Ruentex Industries from 1991 to 1997, where he was responsible for devising and implementing its overall strategies and the supervision of its business operations. From 1997 to 2001, Mr Huang was the vice chairman of RT-Mart International Ltd.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr CHENG Chuan-Tai (鄭銓泰), aged 57, is the Chairman of the Company and a non-executive director. Mr Cheng received a Master of Business Administration from the College of Management, National Taiwan University in 1981. Mr Cheng has been a director of the Company since 28 April 2011. From 1992 to 1997, Mr Cheng has been a general manager of Ruentex Construction & Development Co., Ltd, where he was in charge of overseeing its business operations. Mr Cheng has been involved in the business and operational strategies of the Company since 2001 as the legal representative of the then directors, Ruentex Development Co. Ltd. ("Ruentex Development") and Kofu International Limited ("Kofu"). Mr Cheng has also been the chairman of Trend Laser Technology Co., Ltd., a company which is in the business of micro-machining services since 2001. He has also been a member of the coaching committee of RT-Mart International Limited since 2001, where he is responsible for supervising and supporting its management team in the operations of hypermarkets in Taiwan.

Mr Christophe Maurice Paule Marie Joseph DUBRULLE, aged 67, is a non-executive director of the Company. Mr Dubrulle has been a director of the Company since 8 February 2001. From 1965 to 1982, Mr Dubrulle was with Groupe Auchan, one of the two ultimate controlling shareholders of the Group, whereby he worked in various operational and management positions including as regional manager for Paris and the Southern regions of France in 1974 and as sales manager for Paris and the Northern regions of France in 1980. From 1982 to 1993, Mr Dubrulle was the chief executive officer (directeur général) of Leroy Merlin. From 1993 to 1996, he was the chief executive officer (directeur général) of Groupe Auchan S.A. and from 1996 to 2010, he was the chairman of the board of directors (président du directoire) of Groupe Auchan S.A. Since 2010, Mr Dubrulle has been the chairman of the strategies and development committee (président du conseil de stratégies et développement) and the chairman of the board of directors of the Adeo Group (Groupe Adeo), the chairman of the board of directors (président du conseil d'administration) of EDrive S.A., the director of Groupe Auchan S.A. and a director of certain companies under Groupe Auchan in Taiwan. Mr Dubrulle is also a director of Auchanhyper SA and chairman of the board of directors of A-RT Retail Holdings Limited ("A-RT"). Both Auchanhyper SA and A-RT are the controlling shareholders of the Company.

Mr Philippe David BAROUKH, aged 54, is the Vice-Chairman and a non-executive director of the Company. Mr Baroukh received a degree from the Political Education Institute in Aix en Provence (Institut d'Etudes Politiques d'Aix-en-Provence) in 1982. Mr Baroukh has been a director of the Company since 10 December 2010. Mr Baroukh has been with Groupe Auchan, one of the two ultimate controlling shareholders of the Group, since 1986, where he worked in various operational and management positions including as head of product procurement centre (chef de produit centrale d'achat), head of fresh produce sector (chef de secteur produits), manager (directeur), regional manager (directeur régional) and sales manager (directeur des ventes). From 2002 to 2010, he was the chief executive officer (directeur général) of Auchan France S.A. Since 2010, Mr Baroukh has been the chief executive officer of Hypermarchés Auchan (directeur général Hypermarchés Auchan) and a member of the executive committee (membre du comité exécutif) of Groupe Auchan S.A. Mr. Baroukh is also a director of A-RT and ACHK and the chief executive officer of Auchanhyper SA. Both Auchanhyper SA and A-RT are the controlling shareholders of the Company.

Mr Xavier Marie Alain DELOM de MEZERAC, aged 56, is a non-executive director of the Company. Mr Mézerac received a degree from ESSEC Business School (Diplôme de L'ESSEC, E'cole Supérieure des Sciences Économiques et Commerciales) in 1978. Mr Mézerac has been a director of the Company since 8 February 2001. From 1985 to 1993, Mr Mézerac was with the Corning group (Corning), a global speciality glass and ceramics producer, in its United States, Mexico and France operations, where he worked in various financial and management positions including as financial manager for Corning's Europe operations. From 1994 to 1997, Mr. Mézerac was with Euro Disney S.A.S. as its chief financial officer. From 1997 to 1999, Mr. Mézerac was with Alcatel Alsthom S.A. as its deputy chief financial officer. Since 1999, Mr. Mézerac has been with Groupe Auchan where he is the chief financial officer and a member of the executive committee. He is also a director of Auchan Hyper S.A. and A-RT, both controlling shareholders of the Company, and a director of certain of the subsidiaries of the Group, including ACHK, RT-Mart Holdings Limited and CCIL.

Independent Non-executive Directors

Ms Karen Yifen CHANG (張挹芬), aged 48, is an independent non-executive director of the Company. Ms Chang received a Bachelor degree in Arts in English Literature from Fu-Jen Catholic University in Taiwan in 1986 and a Master of Business Administration degree from the George Washington University in Washington D.C. in the United States in 1988. Ms Chang has been a director of the Company since 27 June 2011 and is also currently the chief executive officer and executive director of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a sportswear retailer in the PRC, which is a subsidiary of Yue Yuen Industrial Holdings Limited ("Yue Yuen"). Pou Sheng and Yue Yuen are listed on the Main Board of the Stock Exchange. Ms Chang is primarily responsible for overseeing the overall strategies, planning and day-to-day operations and management of the Pou Sheng group. She is also a director of various subsidiaries under the Pou Sheng group. Prior to joining Pou Sheng in 2007, Ms Chang has many years of financial management and investment banking experience gained from working with KPMG in Washington DC and Los Angeles in the United States as well as Jardine Fleming, Merrill Lynch and Credit Suisse in Shanghai and Hong Kong from 1992 to 2006. She has also worked for Semiconductor Manufacturer International Corporation from 2003 to 2004 as Assistant Vice President of Finance.

Mr HE Yi (何毅), aged 58, is an independent non-executive director of the Company. Mr He studied management and strategy from HEC International Business School (École des Hautes Études Commerciales) from 1989 to 1991. Mr He has been a director of the Company since 27 June 2011 and is also currently a director of Essilor International (Compagnie Générale d'Optique), listed on the NYSE-Euronext stock exchange. From 1978 to 1989, he was a representative of the People's Republic of China Embassy in France, Paris where he was successively in charge of consular affairs, cultural affairs, protocol, relations with media and cooperation in administrative matters between the PRC and France. From 1991 to 1996, he joined the Danone Group's Shanghai subsidiary as a general manager. Mr He joined the Essilor Group as the chief executive office of Shanghai Essilor Optical Co., Ltd. in 1996 and has been the chairman of Essilor (China) Holding Company and a director of Essilor International since 2010.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr Desmond MURRAY, aged 57, is an independent non-executive director of the Company. Mr Murray graduated with a Bachelor of Commerce from the University College Dublin in 1976 and is a qualified accountant and a member of the Hong Kong Institute of Certified Public Accountants. Mr Murray has been a director of the Company since 27 June 2011. He was an audit partner in PricewaterhouseCoopers Hong Kong from 1987 to 2000. Since withdrawing from practice with PricewaterhouseCoopers, Mr Murray has taken on a number of non-executive directorships. These include two major retailers in Ireland and Clear Media Limited, a company listed on the Main Board of the Stock Exchange, for which he is also chairman of its audit committee. Mr Murray is also a non-executive director of iShares plc, iShares II plc, iShares III plc, iShares IV plc and iShares V plc, companies all listed on the Main Board of the London Stock Exchange. He also acts as a business consultant to a number of smaller businesses. While working with PricewaterhouseCoopers, Mr Murray advised boards and audit committees of companies listed in Hong Kong, both as an audit partner and as an adviser in relation to both internal audit and corporate governance. He was Honorary Consul for Ireland in Hong Kong from 1996 to 1999.

Senior Management

Mr Jean-Patrick PAUFICHET, aged 59, is the Chief Financial Officer of the Company and the group of subsidiaries operating under the "Auchan" banner in China. He is responsible for the financial, controlling and legal matters of the operations under the "Auchan" banner" of the Group. Prior to joining the Group in 2004, Mr Paufichet has been with Groupe Auchan, one of the two ultimate controlling shareholders of the Group. From 1978 to 2004, Mr Paufichet has held various positions in Groupe Auchan's operations worldwide, including the position of chief financial officer of Groupe Auchan's operations in the United States and Poland, store manager of certain "Auchan" hypermarkets in Italy and France and group controller for Groupe Auchan's operations in France and Italy. Mr Paufichet is also a director of certain of the subsidiaries of the Group including ACHK and ACI as well as various other operating subsidiaries in the PRC under the "Auchan" banner. Mr Paufichet received a degree from ESSEC Business School (Diplôme de L'ESSEC, E'cole Supérieure des Sciences Économiques et Commerciales) in 1977.

Mr HSU Sheng-Yu (徐盛育), aged 56, is the chief financial officer of the group of subsidiaries operating under the "RT-Mart" banner of the Group in China. He is responsible for the financial, controlling and legal matters of our operations under our "RT-Mart" banner. Prior to joining the Group in 1999, Mr Hsu has been with Ruentex[(1)], one of the two ultimate controlling shareholders of the Group. From 1983 to 1999, Mr Hsu held various positions in Ruentex's operations in Taiwan, including the position of finance manager, vice general manager, general manager and chairman in Ruentex Industries, Xinye Construction Co., Ltd (興業建設股份有限公司), Ruentex Construction and Engineer Co., Ltd (潤泰營造股份有限公司) and Runhong Engineering Co., Ltd (潤弘工程股份有限公司) respectively. Mr Hsu is also a director of a subsidiary of the Group, Shanghai RT-Mart.

Note:

(1) Ruentex Development, Ruentex Industries, Concord Greater China Limited and Kofu collectively, one of the two ultimate controlling shareholders of the Group.

Mr Olivier SOULE-DE-BAS, aged 47, is the chief executive officer of ACI. He is responsible for the strategic direction and overall performance of ACI. Prior to joining the Group in 2007, Mr Soule-De-Bas has been with Groupe Auchan, one of the two ultimate controlling shareholders of the Group. From 1986 to 1997, Mr Soule-De-Bas held various positions in Groupe Auchan's operations in France, including the position of section manager, financial controller and division manager. From 1997 to 2005, Mr Soule-De-Bas was based in China and was involved in the initial stages of the establishment of our "Auchan" hypermarkets in China where he worked as a financial controller. He also worked as a store manager and a general manager respectively during this period. From 2005 to 2007, Mr Soule-De-Bas was based in Taiwan where he was the chief financial officer of RT-Mart International Limited. Mr Soule-De-Bas received a degree of Higher Accounting and Financial Education from the Education Ministry in Bordeaux in France in 1990 (DESCF).

Mr CHIANG Yeong-Fang (蔣永芳), aged 55, is the chief executive officer of the group of subsidiaries operating under the "RT-Mart" banner in China, where his responsibilities include the management of hypermarkets complexes as well as the formulation of strategies for our business operations under the "RT-Mart" banner. Prior to joining the Group in 2001, Mr Chiang has been with Ruentex, one of the two ultimate controlling shareholders of the Group. From 2000 to 2001, Mr Chiang was the vice-general manager of Ruentex Industries, where he was responsible for general operational matters of the group of companies under Ruentex Industries, including procurement, operational efficiency management of the group's factories, human resource and administration. From 1979 to 2000, Mr Chiang was a career army officer with the army of the Republic of China. Mr Chiang is also a director of Shanghai RT-Mart, one of the subsidiaries of the Group.

Company Secretary

Ms HO Siu Pik (何小碧), FCIS, FCS (PE), aged 48, is the company secretary of the Company. Ms Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms Ho has over 20 years of experience in the company secretarial area. Ms Ho is currently the joint company secretary of SITC International Holdings Company Limited (stock code: 1308) and the company secretary of China Polymetallic Mining Limited (stock code:2133) and China Molybdenum Company Limited (stock code: 3993), and was the joint company secretary of Sands China Ltd. (stock code: 1928) from 14 October 2009 to 13 April 2011.

REPORT OF DIRECTORS

The directors of the Company (the "**Directors**") are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Corporate Reorganisation and Initial Public Offering

The Company was incorporated in Hong Kong under the Hong Kong Companies Ordinance on 13 December 2000. Pursuant to a reorganisation to rationalize the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange, the Company became the sole holding company of the companies now comprising the Group. Details of reorganisation are set out in the Prospectus. The Company's shares have been listed on the Stock Exchange since the Listing Date.

Principal Activity

The principal activity of the Group is the operation of hypermarkets in the PRC, under two banners of 'Auchan' and 'RT-Mart'. An analysis of the Group's turnover by category of revenue is set out in note 2 to the consolidated financial statements on page 72.

Financial Statements

The results of the Group for the year ended 31 December 2011 are set out in the Consolidated Statement of Comprehensive Income on page 49.

The financial condition of the Group as at 31 December 2011 is set out in the Consolidated Statement of Financial Position on pages 50 to 51.

The cash flows of the Group for the year ended 31 December 2011 are set out in the Consolidated Cash Flow Statement on pages 54 to 55.

Final Dividend

At the Board meeting held on 2 March 2012, it was proposed that a final dividend of HK$0.10 (equivalent to RMB0.08) per ordinary share representing a total distribution of HK$953,970,470 be paid on or before 15 July 2012 to the shareholders of the Company whose names appear on the Company's register of members at the close of business on 22 May 2012. The proposed final dividend is subject to approval by the shareholders at the AGM of the Company to be held on 16 May 2012.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

Reserves

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2011 are set out in the Consolidated Statement of Changes in Equity on page 53 and note 21(a) to the consolidated financial statements.

As at 31 December 2011, the Company's reserves available for distribution to shareholders in accordance with the Company's articles of association ("**Articles of Association**") amounted to RMB836 million.

Fixed Assets

Details of the movements in the fixed assets of the Group during the year ended 31 December 2011 are set out in note 10 to the consolidated financial statements.

Bank loans, overdrafts and other borrowings

Details of the Group's bank loans and other borrowings as at 31 December 2011 are set out in note 18 to the consolidated financial statements.

Charitable donations

Charitable and other donations made by the Group during the year ended 31 December 2011 amounted to RMB2 million.

Share Capital

Details of the movements in share capital of the Company during the financial year are set out in Note 21(c) to the consolidated financial statements.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practical date prior to the printing of this annual report, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

Closure of Register of Members

The register of members of the Company will be closed from Friday, 11 May 2012 to Wednesday, 16 May 2012, both days inclusive, during which period no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the forthcoming AGM of the Company to be held on Wednesday,16 May 2012, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 May 2012.

The proposed Final Dividend is subject to shareholders' approval at the AGM. For determining the entitlement to the proposed Final Dividend for the year ended 31 December 2011, the record date is fixed on Tuesday, 22 May 2012. Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 May 2012 (Tuesday).

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

REPORT OF DIRECTORS

Directors

The directors during the financial year and as of the date of this annual report were as follows:

Directors as at the date of this annual report

Executive directors:

Bruno Robert MERCIER *(Chief Executive Officer)* (Appointed on 8 February 2001)
(Christophe Maurice Paule Marie Joseph DUBRULLE, Philippe David BAROUKH, Jean Marie Vianney Bertrand Chantal MULLIEZ (resigned on 27 June 2011) and Xavier Marie Alain DELOM de MEZERAC as his alternates, all appointed on 13 May 2011)

HUANG Ming-Tuan (Appointed on 28 April 2011)
(CHENG Chuan-Tai, CHEN Chi Chuan, TSENG Ta Mon and HSU Sheng Yu as his alternates, all appointed on 13 May 2011 and, save for CHENG Chuan-Tai, all resigned on 27 June 2011)

Non-executive directors:

CHENG Chuan-Tai *(Chairman)* (Appointed on 28 April 2011)
(HUANG Ming-Tuan, CHEN Chi Chuan, TSENG Ta Mon, and HSU Sheng Yu as his alternates, all appointed on 13 May 2011 and, save for HUANG Ming-Tuan, all resigned on 27 June 2011)

Christophe Maurice Paule Marie Joseph DUBRULLE (Appointed on 8 February 2001)
(Bruno Robert MERCIER, Philippe David BAROUKH, Jean Marie Vianney Bertrand Chantal MULLIEZ (resigned on 27 June 2011) and Xavier Marie Alain DELOM de MEZERAC as his alternates, all appointed on 13 May 2011)

Philippe David BAROUKH (Appointed on 10 December 2010)
(Bruno Robert MERCIER, Christophe Maurice Paule Marie Joseph DUBRULLE, Jean Marie Vianney Bertrand Chantal MULLIEZ (resigned on 27 June 2011) and Xavier Marie Alain DELOM de MEZERAC as his alternates, all appointed on 13 May 2011)

Xavier Marie Alain DELOM de MEZERAC (Appointed on 8 February 2001)
(Bruno Robert MERCIER, Christophe Maurice Paule Marie Joseph DUBRULLE, Jean Marie Vianney Bertrand Chantal MULLIEZ (resigned on 27 June 2011) and Philippe David BAROUKH as his alternates, all appointed on 13 May 2011)

Independent non-executive directors:

Karen Yifen CHANG (Appointed on 27 June 2011)
Desmond MURRAY (Appointed on 27 June 2011)
HE Yi (Appointed on 27 June 2011)

Directors resigned during the financial year ended 31 December 2011

Concord Greater China Limited (Appointed on 13 December 2000 and resigned on 28 April 2011)
Kofu International Limited (Appointed on 13 December 2000 and resigned on 28 April 2011)
Ruentex Development Co., Ltd. (Appointed on 8 February 2001 and resigned on 28 April 2011)
Ruentex Industries Limited (Appointed on 8 February 2001 and resigned on 28 April 2011)
SinoPac Global Investment Ltd. (Appointed on 8 February 2001 and resigned on 28 April 2011)

CHEN Chi Chuan (Appointed on 28 April 2011 and resigned on 27 June 2011)
(CHENG Chuan-Tai, TSENG Ta Mon, HUANG Ming-Tuan and HSU Sheng Yu as his alternates, all appointed on 13 May 2011 and resigned on 27 June 2011)

HSU Sheng Yu (Appointed on 28 April 2011 and resigned on 27 June 2011)
(CHEN Chi Chuan, CHENG Chuan-Tai, TSENG Ta Mon and HUANG Ming-Tuan as his alternates, all appointed on 13 May 2011 and resigned on 27 June 2011)

TSENG Ta Mon (Appointed on 28 April 2011 and resigned on 27 June 2011)
(CHEN Chi Chuan, CHENG Chuan-Tai, HUANG Ming-Tuan and HSU Sheng Yu as his alternates, all appointed on 13 May 2011 and resigned on 27 June 2011)

Jean Marie Vianney Bertrand Chantal MULLIEZ
(Appointed on 8 February 2001 and resigned on 27 June 2011)
(Bruno Robert MERCIER, Philippe David BAROUKH, Xavier Marie Alain DELOM de MEZERAC and Christophe Maurice Paule DUBRULLE as his alternates, all appointed on 13 May 2011 and resigned on 27 June 2011)

Biographies of the Directors as at the date of this annual report are set forth in the section headed "Profiles of Directors and Senior Management" of this report.

In accordance with the Company's Articles of Association, Mr HUANG Ming-Tuan, Mr CHENG Chuan-Tai and Mr Christophe Maurice Paule Marie Joseph DUBRULLE, will retire as Directors and, being eligible, have offered themselves to be re-elected and re-appointed at the forthcoming AGM.

The Company has received annual confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the Listing Rules.

Directors Service Contracts

Each of the independent non-executive Directors of the Company is appointed for a specific term of three years and shall be subject to retirement by rotation at least once every three years.

The Company will enter into a service agreement with each of executive and non-executive Directors with a term within three years from the relevant effective date.

There was no service contract entered by the Company and any Directors which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF DIRECTORS

Director's Interests in Contracts

Other than those transactions disclosed in Note 25(c) to the consolidated financial statements and in the section headed "Connected Transactions" below, there was no other significant contract to which the Company or any member of the Group was a party and in which the Directors possessed direct or indirect substantial interests, subsisted during or at the end of the year.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interest or short position of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be notified to the Company and the Stock Exchange, pursuant to section 352 of the SFO, to be entered in the register, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), are as follows:

Name of director/ chief executive	Name of Corporation	Nature of Interest	Total number of shares(1)	Approximate percentage shareholding of the relevant entity
Bruno Robert MERCIER	Company	Beneficial owner	50,000	0.0005%
	Groupe Auchan S.A.(2)	Beneficial owner	439(3) 3,310(4)	0.0014% 0.0105%
HUANG Ming-Tuan	Company	Beneficial owner, interest of spouse and interest in a controlled corporation (5)	116,684,074 (L)	1.2231%
CHENG Chuan-Tai	Company	Beneficial owner	6,938,204 (L)	0.0727%
Christophe Maurice Paule Marie Joseph DUBRULLE	Groupe Auchan S.A.(2)	Beneficial owner	48,807 (L)(6)	0.1543%

Name of director/ chief executive	Name of Corporation	Nature of Interest	Total number of shares[1]	Approximate percentage shareholding of the relevant entity
Philippe David BAROUKH	Groupe Auchan S.A.[2]	Beneficial owner	878[7]	0.0028%
			1,127[8]	0.0036%
			1,543[9]	0.0049%
			6,783[10]	0.0214%
Xavier Marie Alain DELOM de MEZERAC	Groupe Auchan S.A.[2]	Beneficial owner	962[11]	0.0030%
			894[12]	0.0028%
			563[13]	0.0018%
			772[14]	0.0024%
			4,070[15]	0.0129%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Groupe Auchan S.A. is a company incorporated in France and comprises various companies controlled by the Mulliez Family through which they conduct or pursue their various business interests in hypermarkets operations, supermarkets operations, real estate development, banking and e-commerce. Groupe Auchan S.A. is the holding company of Groupe Auchan, one of our two ultimate controlling shareholders. Groupe Auchan S.A. has adopted various share incentive plans pursuant to which share-based awards are granted to eligible directors and employees of Groupe Auchan S.A. and its subsidiaries. These share incentive plans include the following:

(i) Stock Option Plan (2008-2012) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a four year vesting period;

(ii) Stock Option Plan (2009-2013) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a four year vesting period;

(iii) Stock Option Plan (2010-2014) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a four year vesting period;

(iv) Stock Option Plan (2011-2015) relating to the grant of restricted shares in Groupe Auchan S.A. with a four year vesting period; and

(v) Free Shares Plan (2010-2014) relating to the grant of restricted shares in Groupe Auchan S.A. with a four year vesting period.

(3) This represents stock options in respect of 439 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2008-2012).

(4) This represents 3,310 restricted shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Free Shares Plan (2010-2014).

REPORT OF DIRECTORS

(5) (i) Huang Ming-Tuan holds 15,559,258 shares.

(ii) Lee Chih-Lan is the spouse of Huang Ming-Tuan and holds 1,551,238 shares. Accordingly, Huang Ming-Tuan is deemed to be interested in all of the Shares held by Lee Chih-Lan.

(iii) Huang Ming-Tuan is the legal and beneficial owner of the entire issued share capital of Victor Spring Ltd., a limited liability company incorporated in the British Virgin Islands. Accordingly, he is deemed to be interested in all of the 17,969,614 shares held by Victor Spring Ltd.

(iv) Huang Ming-Tuan is the legal and beneficial owner of 50% of the share capital of Unique Grand Trading Ltd., a limited liability company incorporated in the British Virgin Islands, and Lee Chih-Lan, the spouse of Huang Ming-Tuan holds the remaining 50%. Accordingly, he is deemed to be interested in all of the 81,603,964 shares held by Unique Grand Trading Ltd.

(6) This comprises 48,807 shares in Groupe Auchan S.A.

(7) This represents stock options in respect of 878 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2008-2012).

(8) This represents stock options in respect of 1,127 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2010-2014).

(9) This represents stock options in respect of 1,543 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2011-2015).

(10) This represents 6,783 restricted shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Free Shares Plan (2010-2014).

(11) This comprises 962 shares in Groupe Auchan S.A.

(12) This represents stock options in respect of 894 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2009-2013).

(13) This represents stock options in respect of 563 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2010-2014).

(14) This represents stock options in respect of 772 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2011-2015).

(15) This represents 4,070 restricted shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Free Shares Plan (2010-2014).

Save as disclosed above, so far as known to any Directors, as at 31 December 2011, none of the directors or chief executives of the Company or any of their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as defined in Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or these required to be recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debt Securities

At no time during the year was the Company or any of its holding companies or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interest in Competing Business

During the year, none of the Directors of the Group had any interests in a business which competes, either directly, or indirectly, with the business of the Company or the Group.

Share Option Scheme

There is no share option scheme operated by the Company.

Employee Trust Benefit Schemes

The Group has in place an employee trust benefit scheme ("ETBS") for the employees of the Group, including the directors and senior management, under each of the "Auchan" and "RT-Mart" banners of the Group. The ETBS of the Auchan banner ("Auchan Scheme") and the ETBS of the RT-Mart banner ("RT-Mart Scheme") are each implemented by way of a trust arrangement. The Auchan Scheme allows the employees of the Auchan Banner to share the success of ACI, a key operating subsidiary under the Auchan Banner while the RT-Mart Scheme allows the employees of the RT-Mart Banner to share the success of CIC, a key operating subsidiary under the RT-Mart Banner.

Details of the ETBS are set out in the Section headed "Employees" of the Business part of the Prospectus.

As at 31 December 2011, 3.15% of ACI and 5.63% of CIC is held by the respective trusts under the Auchan scheme and the RT-Mart Scheme, calculated based on the actual paid-in capital.

Substantial Shareholders' Interests and Short Position in the Shares and Underlying Shares of the Company

So far as is known to any Director or chief executive of the Company, as at 31 December 2011, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company or its associated corporation(s) which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

REPORT OF DIRECTORS

Name of substantial shareholder	Nature of Interest	Number and class of shares (1)	Approximate percentage of shareholding
A-RT	Beneficial owner	4,865,338,686 (L)	51.0009%
Auchan Hyper SA (“Auchan Hyper”)(2)	Interest in a controlled corporation and beneficial owner	5,791,757,452 (L)	60.7121%
Groupe Auchan S.A.(3)	Interest in a controlled corporation	5,791,757,452 (L)	60.7121%
Au Marche S.A.S(4)	Interest in a controlled corporation	5,791,757,452 (L)	60.7121%
Mulliez Family(5)	Interest in controlled corporations	5,791,757,452 (L)	60.7121%
Kofu(6)	Beneficial owner	748,376,538 (L)	7.8449%
Concord Greater China Limited (“CGC”)(7)	Beneficial owner	807,024,010 (L)	8.4596%
Ruentex Industries”(8)	Interest in a controlled corporation	807,024,010 (L)	8.4596%
Ruentex Development(9)	Interest in controlled corporations	807,024,010 (L)	8.4596%
Mr. YIN Chung Yao(10)	Interest in controlled corporations	748,376,538 (L)	7.8449%

Notes:

(1) The letter “L” denotes long position in the shares.

(2) Auchan Hyper is a company incorporated in France which is wholly-owned by Groupe Auchan S.A.. A-RT is 36.70% owned by Auchan Hyper, therefore Auchan Hyper is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.

(3) Auchan Hyper is wholly-owned by Groupe Auchan S.A., therefore Groupe Auchan S.A. is deemed to be interested in all the shares in which Auchan Hyper is interested in by virtue of Part XV of the SFO.

(4) Groupe Auchan S.A. is 61.88% owned by Au Marche S.A.S, therefore Au Marche S.A.S is deemed to be interested in all the shares in which Groupe Auchan S.A. is interested in by virtue of Part XV of the SFO.

(5) Mulliez Family comprises the founder of Groupe Auchan (one of the two ultimate controlling shareholders of the Group, which is held by Groupe Auchan S.A.), Gérard Mulliez, and other members of the Mulliez family in France, who hold interests in various companies under Groupe Auchan S.A.. Au Marche S.A.S is wholly-owned by the Mulliez Family through certain intermediate holding companies. No one member of the Mulliez Family is able to exert a dominant influence over other members in their voting rights in Au Marche S.A.S.. The Mulliez Family is collectively represented by a member of the family, who plays an administrative role and is similarly unable to exert a dominant influence over other members of the Mulliez Family and does not control Au Marche S.A.S..

(6) Kofu is a company incorporated in the British Virgin Islands, which is indirectly wholly-owned by Mr Yin Chung Yao, and has a direct beneficial interest of 7.84% in the Company.

(7) CGC is a company incorporated in the British Virgin Islands and a company under Ruentex (Ruentex Development, Ruentex Industries, CGC and Kofu collectively) and has a direct beneficial interest of 8.46% in the Company.

(8) CGC is 42.25% owned by Ruentex Industries, therefore Ruentex Industries is deemed to be interested in all the shares in which CGC is interested in by virtue of Part XV of the SFO.

(9) CGC is 15.51% owned by Sinopac (a company indirectly owned as to 49.06% by Ruentex Industries and 49.06% by Ruentex Development and directly owned as to 1.886% by Kofu), and Sinopac is 49.06% owned by Ruentex Development. Therefore Ruentex Development is deemed to be interested in all the shares in CGC in which Sinopac is interested in by virtue of Part XV of the SFO. CGC is 25.46% owned by Ruentex Development. Therefore Ruentex Development is deemed to be interested in all the Shares in which CGC is interested in by virtue of Part XV of the SFO.

(10) Kofu is wholly owned by Mr. Yin Chung Yao, through certain controlled corporations.

Save as disclosed above, as at 31 December 2011, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which were required to be disclosed to the Company under the provision of Division 2 and 3 of part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at 31 December 2011, the shareholding interests of seven of the operating subsidiaries in the People's Republic of China are partially held by independent third parties. Details of which are set out in Note 30 to the consolidated financial statements.

Highest Paid Individuals

All the five highest paid individuals of the Group during the year were senior management members of the Group. Details of their remuneration are set out in note 7 to the consolidated financial statements on page 80.

Remuneration Policy

As at 31 December 2011, the Group employed a total of 103,768 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, time commitment, responsibilities and the prevailing salary levels in the market.

Retirement/Pension Schemes

Details of the retirement benefit schemes of the Group are set out in note 4(b) to the consolidated financial statements.

Connected Transactions

During the year ended 31 December 2011, the Group had the following non-exempt continuing connected transactions.

International agency agreement with Auchan International S.A.

Pursuant to an international agency agreement (the "Auchan Agency Agreement") commencing on 1 January 2003, the Swiss Branch of Auchan International S.A. ("Auchan Switzerland") agreed to provide the Group with certain services and assistance as an international service provider. As Auchan Switzerland is a subsidiary of our Ultimate Controlling Shareholder, Groupe Auchan, the Auchan Agency Agreement is a continuing connected transaction.

Under the terms of the Auchan Agency Agreement, the Group agreed to grant Auchan Switzerland, as agent, exclusive rights to provide the Group with the services of an international negotiator in relation to our international services agreements we have with international suppliers of merchandise and other small and medium suppliers of merchandise which may include international and PRC local suppliers. However, the Group does not provide services to any PRC local suppliers through agency agreements provided by Auchan Switzerland. The Group engaged Auchan Switzerland as an agent to provide such services as it is administratively more efficient for the Group to deal with one party rather than multiple suppliers and this ensures greater consistency in negotiations with the international, and other small and medium, suppliers of merchandise. The services provided by Auchan Switzerland include (i) negotiating the provision of the Group's expertise and assistance to such suppliers such as marketing studies, international commercial action plans and access to our sales network; (ii) negotiating on the Group's behalf, the settlement of disputes within China with such suppliers as and when they arise; (iii) advising us on the suppliers' requirements for provision of such expertise and assistance; and (iv) collecting the payments to be paid to the Group by the suppliers on its behalf.

The annual fees payable to Auchan Switzerland for such services is determined with reference to (i) all costs and expenses incurred by Auchan Switzerland in providing us with their services, and (ii) a Swiss fee required by Switzerland tax authorities. Pursuant to the terms of the Auchan Agency Agreement, Auchan Switzerland is entitled to deduct the fees payable to them from the payments collected on behalf of the Group.

The annual cap amounts of the fees payable to the Group by Auchan Switzerland (after deducting fees to Auchan Switzerland) for the three years ended 31 December 2011, 2012 and 2013 shall not exceed RMB40 million, RMB52 million and RMB68 million respectively. During the year of 2011, the fees received by the Group under the Auchan Agency Agreement was approximately RMB40 million, after deducting fees to Auchan Switzerland of RMB2,820,000.

License for use of the "Auchan" trademarks

Pursuant to a master trademark license agreement dated 13 December 2001 (the "Auchan Trademark Agreement") entered into between Groupe Auchan and ACHK, Groupe Auchan granted to ACHK a non-exclusive and non-transferable license of its Auchan trademarks for use in connection with our Auchan banner businesses in the PRC. Such licensing arrangements granted by Groupe Auchan for the use of "Auchan" trademarks is a group policy adopted by Groupe Auchan, which is adopted worldwide in its other hypermarket operations. The Auchan trademarks include the Latin and Chinese Auchan characters "Auchan" and "歐尚", as well as the Auchan logo. Under the terms of the Auchan Trademark Agreement, the license was granted for an initial period of 3 years for free, that is, until 13 December 2004, and thereafter at a fee of 0.3% of total annual turnover (VAT included) for a period not exceeding ten years. Pursuant to an amendment to the Auchan Trademark Agreement, both parties agreed that from 1 January 2007, the trademark license fee shall be 0.2% of total income (VAT excluded) for a period not exceeding ten years. Under the terms of the Auchan Trademark Agreement, the current term of the license expires on 14 May 2015, after which it is automatically renewed every ten years.

Pursuant to Rule 14A.35(2) of the Listing Rules, we have set annual caps for the maximum amount of fees payable to Groupe Auchan of RMB38 million, RMB46 million and RMB59 million for the three years ending 31 December 2011, 2012 and 2013 respectively. During the year of 2011, the total fees paid by the Group to Groupe Auchan was RMB22 million.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 103 of the annual report in accordance with the Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REPORT OF DIRECTORS

The independent non-executive directors of the Company have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or, if there are not sufficient comparable transactions, on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Directors' Securities Transactions

The Company has devised its own code of conduct regarding directors' dealing in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code and the Model Code throughout the period from the date of listing of the Company on 27 July 2011 to 31 December 2011.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in this annual report.

Audit Committee

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2011.

Major Customers and Suppliers

The nature of the Group's activities are such that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is significantly less than 10% of the total and the Directors do not consider any one customer or supplier to be influential to the Group.

Auditors

The consolidated financial statements for the year ended 31 December 2011 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming AGM of the Company.

Events after the Reporting Period

Details of significant events occurring after the balance sheet date are set out in note 31 to the consolidated financial statements.

By order of the Board

Cheng Chuan-Tai
Chairman

2 March 2012

RISK FACTORS

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could result in the Group's businesses, financial condition, results of operations or growth prospects differing materially from expected or historical results. These factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

RISK ASSOCIATED WITH THE GROUP BUSINESS

Our growth prospects may be limited if we encounter difficulties executing our expansion strategy.

As part of our business strategy, we plan to expand the network of our hypermarkets through organic growth. Our ability to expand depends on, among other things:

- our ability to identify suitable sites for new hypermarkets and successfully negotiate purchase or lease agreements for these sites on terms acceptable to us;
- the availability of financing for our expansion, investments or other strategic transactions;
- our ability to attract, train and retain management talents in sufficient numbers for our expanded operations;
- our ability to obtain all the requisite governmental approvals, licences and permits in a timely manner;
- our ability to adapt and grow our operational and management systems, including our information technology systems, to support an expanded hypermarket network;
- our ability to effectively control and manage our costs in our expanded network, in particular, purchase costs, and expenses related to rent, logistics, human resources and marketing; and
- the timely completion of our new hypermarkets under development.

If we fail to achieve any of the above, we may not be able to achieve our planned expansion objectives. Our ability to manage our future growth will also depend on our ability to continue to successfully implement and improve our operational, financial and management systems in the evolving competitive markets. Our business growth could strain our managerial, operational and financial resources. Failure to effectively execute our expansion strategy may result in limited growth and reduced profitability.

We may not be able to find suitable locations for new hypermarkets on commercially acceptable terms, if at all.

Our performance depends, to a significant extent, on the location of our hypermarkets. When selecting a site for a hypermarket, we take into account various factors, including:

- population density, customer traffic and vehicle traffic;
- customer accessibility;
- potential growth of local population;
- development potential and future development trends;

RISK FACTORS

- estimated spending power of the population and local economy;
- profitability and payback period, estimated on the basis of the expected sales potential;
- marketing or strategic benefits;
- proximity and performance of competitors in the surrounding area; and
- site characteristics and suitability with the specifications of our building plans.

We secure locations either through ownership or through long-term leases, as determined on a case-by-case basis. Going forward, we will need to secure more locations to open more hypermarkets. The supply of locations for new hypermarkets is scarce and, as a result, competition to secure these locations is intense. Our ability to purchase or lease suitable properties on terms acceptable to us is critical to the success of our expansion strategy. In the event that we encounter difficulties in securing suitable locations in regions that we plan to expand into, our growth prospects will be adversely affected.

Our new hypermarkets may not achieve our expected level of profitability within our desired time frame, or at all.

As part of our growth strategy, we plan to further enhance our leading position in China by increasing our market penetration and expanding our retail network. Opening new hypermarkets requires significant capital outlay up front, including the price of acquisition or rental of the premises, the cost of building, renovating and decorating the premises, and the cost of hiring and training employees. However, the new hypermarkets that we open may not achieve our expected level of profitability for a prolonged period of time, or at all. Whether or not the operation of our new hypermarkets will be successful depends on a number of factors, including:

- our ability to properly position our new hypermarkets to successfully establish a foothold in new markets and to execute our business strategy in the local market;
- our ability to successfully integrate the new hypermarkets with our existing operations and achieve related synergies;
- our ability to introduce an optimal mix of merchandise which successfully meets local consumer preferences at attractive prices;
- our ability to negotiate and obtain favourable terms from our suppliers;
- the effectiveness of our marketing campaigns;
- our ability to hire, train and retain skilled personnel;
- the competition that we face from incumbent and new players in the region; and
- any government development plans around our planned sites, such as construction, which could have an impact on the external traffic flow to our hypermarkets and the timely implementation of such changes.

Some of these factors are not entirely within our control. If our new hypermarkets do not break even or achieve our expected level of profitability within our expected timeframe, or at all, our expansion plans and our results of operations, financial condition and profitability may be materially and adversely affected.

We may fail to anticipate and provide the appropriate mix of merchandise to satisfy customer tastes and demands.

We maintain a comprehensive selection of merchandise targeting a broad range of customers. The success of our business depends on our ability to maintain a comprehensive product selection and, at the same time, anticipate and respond in a timely manner to changing customer demands and preferences. Some of the products we offer, such as home electronics and electrical appliances, may be characterised by frequent introductions of new models and technology. Consumer demands and fashion trends in the PRC are changing at a rapid pace and customer acceptance of new products is affected by a number of factors, including prevailing economic conditions, disposable income, global lifestyle trends, price, functionality, technology, appearance and many other factors. The success of our operations depends on our continued ability to select products from suppliers that satisfy customer demand. If we fail to accurately foresee or quickly adjust to general trends in consumer demands and preferences, our business, financial condition and results of operations may be materially and adversely affected.

Real or perceived quality or health issues with the products offered at our hypermarket complexes could have a material and adverse effect on our results of operations.

Concerns regarding the safety of products offered at our hypermarket complexes or the safety and quality of our supply chain could cause shoppers to avoid purchasing certain products from us, or to seek alternative sources, even if the basis for the concern is outside of our control. Adverse publicity about these concerns, whether or not ultimately based on fact, and whether or not involving products sold at our hypermarket complexes, could discourage consumers from buying our products and have a material and adverse effect on our turnover and results of operations.

RISKS RELATING TO THE INDUSTRY IN THE PRC

The outbreak of any severe infectious disease in the PRC may materially and adversely affect our results of operations.

The outbreak of any severe infectious disease in the PRC could have a material adverse effect on the overall business sentiment and environment in the PRC. This in turn may have a material and adverse impact on domestic consumption and, possibly, the overall GDP growth of the PRC. In April 2009, a H1N1 influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. In addition, certain areas of China have been subject to epidemics, such as severe acute respiratory syndrome (SARS) or swine or avian influenza. As all of our turnover is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC as a result of the outbreak of any severe communicable disease may materially and adversely affect our financial condition, results of operations and future growth. In addition, if the outbreak of any severe communicable disease occurs in the future and any of our employees or our customers in our hypermarkets are suspected of having contracted any severe communicable disease or any of our hypermarkets are identified as a possible source of spreading any severe communicable disease, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees or customers. We may also be required to

RISK FACTORS

disinfect our affected hypermarkets and therefore suffer a temporary suspension of our retail operations. Any quarantine or suspension of our retail operations will affect our results of operations. Furthermore, the outbreak of any severe communicable disease may result in food safety concerns, which could have an adverse impact on our turnover. Such an outbreak would likely restrict the level of economic activity in affected areas, which would also materially and adversely affect our business operations.

Consumer spending patterns in China can be influenced by the state of China's economy.

Consumer spending patterns in China are influenced by the state of China's economy, which in turn affects our sales volume, turnover, profitability and our growth. We believe that Chinese consumers tend to increase their expenditures when the Chinese economy is experiencing strong growth and when they have more disposable income available for personal consumption. Conversely, a recession in the Chinese economy, or uncertainties regarding future economic prospects may result in a reduction in consumer spending at our hypermarkets. As a result, the state of the economy in China has had a significant impact on our historical, and will continue to have a significant impact on our future, performance, results of operations and profitability. Although in recent years, the PRC economy has maintained rapid growth, and increases in GDP and per capita disposable income have strengthened consumers' purchasing power, we cannot assure you that such growth will not slow down or will continue in the future. In addition, the impact on the PRC economy of inflation and the unequal impact of inflation on different categories of products, such as food products, may affect consumer spending patterns and materially and adversely affect our business, financial condition and results of operations. A slowdown or downturn in the economies of the United States, the countries comprising the European Union and certain Asian nations, with which China has important trade relationships, could materially and adversely affect the economic growth of China. Any economic downturn in the PRC and its effect on consumer spending patterns may materially and adversely affect our business, financial condition and results of operations and our future prospects.

RISKS ASSOCIATED WITH THE PRC

Future fluctuations in foreign exchange rates and government control in currency conversion may materially and adversely affect our Company's ability to remit dividends.

A substantial proportion of our turnover and expenditure are denominated in Renminbi, which is currently not a freely convertible currency. We will require foreign currencies for dividend payment (if any) to our Shareholders. In addition, the price at which we purchase merchandise and products from our suppliers may be affected to the extent our suppliers' merchandise and products are imported or otherwise subject to foreign currency fluctuations. We will therefore be exposed to foreign currency fluctuations. Should there be significant changes in the exchange rates of US dollars or Hong Kong dollars against Renminbi, our Company's ability to make dividend payments in foreign currencies may be materially and adversely affected. In addition, any significant change in the exchange rates of the Renminbi against the US dollar or the Hong Kong dollar could materially and adversely affect the value of our Company's dividends, which would be funded by Renminbi but paid in Hong Kong dollars.

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2011.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has devised its own code of corporate governance which incorporates all the policies, principles and practices as set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

The Company reviews regularly its organizational structure to ensure operations are corresponding with the good corporate governance practices as set out in the CG Code and aligned with the latest developments.

Throughout the period under review from the Listing Date to 31 December 2011, the Company complied with all the code provisions as set out in the CG Code, except for the deviation below in relation to code provision A.4.1:–

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election.

As at the Listing Date, the non-executive directors of the Company were not appointed for specific terms, but are subject to retirement by rotation in accordance with the Articles of Association. Since the non-executive directors are subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice in this aspect is no less exacting than that in the CG Code. The Company will also enter into service contracts with the non-executive directors with a term within three years from the relevant effective date.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and senior management arising out the corporate activities.

REPORT OF CORPORATE GOVERNANCE

Board Composition

Our Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

The Company has at least one-third of its membership comprising independent non-executive Directors.

The Board of the Company comprises the following Directors:

Executive Directors:

Bruno Robert MERCIER *(Chief Executive Officer)*
HUANG Ming-Tuan

Non-executive Directors:

CHENG Chuan-Tai *(Chairman)*
Christophe Maurice Paule Marie Joseph DUBRULLE
Philippe David BAROUKH
Xavier Marie Alain DELOM de MEZERAC

Independent non-executive Directors:

Karen Yifen CHANG
Desmond MURRAY
HE Yi

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

None of the members of the Board is related to one another.

Throughout the period from the Listing Date to 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

All Directors, including the non-executive Directors and independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The non-executive Directors (excluding independent non-executive Directors) of the Company were not appointed for specific terms, but are subject to retirement by rotation in accordance with the Articles of Association. Since the non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice in this aspect is no less exacting than that in the CG Code.

Each of the independent non-executive Directors is engaged on a service contract for a term of three years. The appointment may be terminated in accordance with the provisions of the Articles of Association or the provisions of any law or regulations.

In accordance with the Articles of Association, one-third of the directors, or, if the number of directors is not three or a multiple of three, then the number of directors nearest to but not greater than one-third of the total number of directors, shall retire from office by rotation. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who become directors on the same day, the directors to retire shall be (unless otherwise agreed amongst themselves) in the order by which such directors were appointed on the day of their last election (which means that those who were appointed first shall retire first). Any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

In accordance with the Articles of Association, Mr HUANG Ming-Tuan, Mr CHENG Chuan-Tai, and Mr Christophe Maurice Paule Marie Joseph DUBRULLE shall retire by rotation and being eligible, offer themselves for re-election at the AGM.

The Company's circular dated 16 April 2012 contains detailed information of the Directors standing for re-election.

NOMINATION COMMITTEE

The Nomination Committee comprises five members, namely Mr Philippe David BAROUKH, Mr CHENG Chuan-Tai, Ms Karen Yifen CHANG, Mr HE Yi and Mr Desmond MURRAY, the majority of them are independent non-executive Directors. It is currently chaired by Mr HE Yi, an independent non-executive Director.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors. An independent counsel and other independent professional advisers may be engaged to carry out the recruitment and selection process where necessary.

REPORT OF CORPORATE GOVERNANCE

The Nomination Committee met once during the period from the Listing Date to 31 December 2011 and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company and the attendance records are set out under "Directors' Attendance Records" on page 43.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed director receives formal, comprehensive and tailored induction organized by the Vice President, Legal on the first occasion of his/her appointment to ensure proper understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules, relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management including the Chief Executive Officer and Chief Financial Officer attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

An assigned officer or the company secretary are responsible for taking and keeping minutes of all Board meetings and committee meetings respectively. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2011, four regular Board meetings were held. The attendance records of each Director at the meetings of the Board, Nomination Committee, Remuneration Committee and Audit Committee during the said period are set out below:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Bruno Robert MERCIER	4/4	N/A	N/A	N/A
HUANG Ming-Tuan	4/4	N/A	N/A	N/A
CHENG Chuan-Tai	4/4	1/1	2/2	3/3
Christophe Maurice Paule Joseph DUBRULLE	4/4	N/A	N/A	N/A
Philippe David BAROUKH	3/4	1/1	2/2	N/A
Xavier Marie Alain DELOM de MEZERAC	4/4	N/A	N/A	3/3
* Karen Yifen CHANG	2/4	1/1	1/2	2/3
* HE Yi	2/4	1/1	2/2	2/3
* Desmond MURRAY	3/4	1/1	2/2	3/3

* appointed on 27 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding directors' dealing in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company Code and the Model Code throughout the period from the Listing Date to 31 December 2011.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including approving and monitoring all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

REPORT OF CORPORATE GOVERNANCE

The Board has established five committees, namely, the Nomination Committee, Remuneration Committee, Audit Committee, Operations Committee and Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website, except those for the Operations Committee and Investment Committee, and are available to shareholders upon request.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2011 are set out on page 78 in note 6 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee comprises five non-executive Directors, namely Mr CHENG Chuan-Tai, Mr Philippe David BAROUKH, Ms Karen Yifen CHANG, Mr HE Yi and Mr Desmond MURRAY, three of them are independent non-executive Directors. It is currently chaired by Ms Karen Yifen CHANG, an independent non-executive Director.

The roles and functions of the Remuneration Committee are set out in its terms of reference. Its primary duties are to make recommendations on and approving the remuneration policy and the structure and remuneration packages of the executive directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration. The Remuneration Committee is also responsible for recommending the remuneration packages and payments (including compensation for termination of office) to the Board which will be determined by reference to the performance, time commitment, responsibilities of the individual and the prevailing salary levels in the market.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors for the year ended 31 December 2011.

The Remuneration Committee held two meetings from the Listing Date to 31 December 2011 and the attendance records are set out under "Directors' Attendance Records" on page 43.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Controls

The Board has processes in place to ensure the Company has an adequate system of internal control. This includes the Audit Committee receiving reports from Company's internal audit department on the results of their work.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

Audit Committee

The Audit Committee currently consists of five non-executive Directors, three of whom are independent non-executive Directors including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise. The members currently are Mr CHENG Chuan-Tai, Mr Xavier Marie Alain DELOM de MEZERAC, Ms Karen Yifen CHANG, Mr HE Yi and Mr Desmond MURRAY. It is currently chaired by Mr Desmond MURRAY, an independent non-executive Director.

The roles and functions of the Audit Committee are set out in its terms of reference. The primary duties of the Audit Committee are to assist the Board in overseeing and reviewing (i) the effectiveness of the Company's internal control, risk management system and regulatory compliance of the Group; (ii) the balance, transparency and integrity of the Company's financial statements and application of financial reporting principle; and (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

During the period from the Listing Date to 31 December 2011, the Audit Committee reviewed the Group's interim and Annual Results and interim and annual report for the period ended 30 June 2011 and for the year ended 31 December 2011, and oversaw the Group's risk management systems and the internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee held three meetings from the Listing Date to 31 December 2011 and the attendance records are set out under "Directors' Attendance Records" on page 43.

External Auditors

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 47 and 48.

REPORT OF CORPORATE GOVERNANCE

During the year ended 31 December 2011, the remuneration paid to the Company's external auditors, KPMG, is shown on note 4(c) of the "Notes to the Consolidated Financial Statements" on page 75.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

The AGM will be held on 16 May 2012. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

The Company continues to enhance communication and relationship with its investors. Investors may write directly to the Company at its registered office or via email to ting.li@sunartretail.com for any enquiries.

To promote effective communication, the Company maintains a website at http://www.sunartretail.com, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Independent auditor's report to the shareholders of Sun Art Retail Group Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sun Art Retail Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 49 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

2 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	Year ended 31 December **2011** **RMB million**	2010 RMB million
Turnover	2	**68,084**	56,168
Cost of sales		**(54,227)**	(45,200)
Gross profit		**13,857**	10,968
Other revenue	3	**414**	274
Store operating costs		**(9,516)**	(7,289)
Administrative expenses		**(1,849)**	(1,479)
Profit from operations		**2,906**	2,474
Finance costs	4(a)	**(90)**	(83)
Profit before taxation	4	**2,816**	2,391
Income tax	5(a)	**(831)**	(777)
Profit for the year		**1,985**	1,614
Other comprehensive income for the year			
Exchange differences on translation of financial statements of entities outside the People's Republic of China		**54**	67
Total comprehensive income for the year		**2,039**	1,681
Profit attributable to:			
Equity shareholders of the Company		**1,600**	1,031
Non-controlling interests		**385**	583
Profit for the year		**1,985**	1,614
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,643**	1,071
Non-controlling interests		**396**	610
Total comprehensive income for the year		**2,039**	1,681
Earnings per share			
Basic and diluted	9	**RMB0.20**	RMB0.19

The accompanying notes set out on pages 56 to 115 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 21(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

		At 31 December	
		2011	2010
	Note	***RMB million***	*RMB million*
Non-current assets			
Fixed assets:	*10*		
– Investment property		**1,921**	1,678
– Other property, plant and equipment		**14,102**	10,554
– Land use rights		**2,992**	2,582
		19,015	14,814
Intangible assets	*11*	**10**	10
Goodwill	*12*	**99**	99
Trade and other receivables	*14*	**433**	560
Deferred tax assets	*20*	**197**	168
		19,754	15,651
Current assets			
Inventories	*13*	**10,259**	7,383
Trade and other receivables	*14*	**3,749**	3,307
Time and pledged bank deposits	*15*	**67**	50
Cash and cash equivalents	*16*	**7,517**	3,462
		21,592	14,202
Current liabilities			
Trade and other payables	*17*	**25,162**	20,050
Bank loans and overdrafts	*18*	**199**	2,401
Income tax payables	*5(c)*	**338**	244
		25,699	22,695
Net current assets/(liabilities)		**(4,107)**	(8,493)
Total assets less current liabilities		**15,647**	7,158

The accompanying notes set out on pages 56 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

		At 31 December	
		2011	2010
	Note	***RMB million***	*RMB million*
Non-current liabilities			
Bank loans	*18*	**–**	181
Other financial liabilities	*19*	**85**	87
Deferred tax liabilities	*20*	**45**	70
		130	338
Net assets		**15,517**	6,820
Capital and reserves			
Share capital	*21(c)*	**2,721**	1,713
Reserves	*21(d)*	**12,418**	2,690
Total equity attributable to equity shareholders of the Company		**15,139**	4,403
Non-controlling interests		**378**	2,417
Total equity		**15,517**	6,820

Approved and authorised for issue by the board of directors on 2 March 2012.

Bruno Robert MERCIER
Chief Executive Officer
& Executive Director

HUANG Ming-Tuan
Executive Director

The accompanying notes set out on pages 56 to 115 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At 31 December 2011

	Note	At 31 December 2011 RMB million	2010 RMB million
Non-current assets			
Investments in subsidiaries	*30*	**15,321**	1,457
Trade and other receivables	*14*	**7,586**	–
		22,907	1,457
Current assets			
Trade and other receivables	*14*	**812**	470
Cash and cash equivalents	*16*	**22**	18
		834	488
Current liabilities			
Trade and other payables	*17*	**6**	426
Net current assets		**828**	62
Net assets		**23,735**	1,519
Capital and reserves			
Share capital	*21(a)*	**2,721**	1,713
Reserves	*21(a)*	**21,014**	(194)
Total equity		**23,735**	1,519

Approved and authorised for issue by the board of directors on 2 March 2012.

Bruno Robert MERCIER
Chief Executive Officer
& Executive Director

HUANG Ming-Tuan
Executive Director

The accompanying notes set out on pages 56 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	Exchange reserve RMB million	Statutory reserve RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
		Attributable to equity shareholders of the Company								
Balance at 1 January 2010		1,713	–	74	(39)	211	2,046	4,005	2,187	6,192
Changes in equity for 2010:										
Profit for the year		–	–	–	–	–	1,031	1,031	583	1,614
Other comprehensive income		–	–	–	40	–	–	40	27	67
Total comprehensive income		–	–	–	40	–	1,031	1,071	610	1,681
Dividend declared in respect of the previous year	21(b)(ii)	–	–	–	–	–	(735)	(735)	–	(735)
Cash injection from Employee Trust Benefit Schemes	4(b)	–	–	62	–	–	–	62	65	127
Profit appropriation		–	–	–	–	180	(180)	–	–	–
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	–	(445)	(445)
Balance at 31 December 2010 and 1 January 2011		1,713	–	136	1	391	2,162	4,403	2,417	6,820
Changes in equity for 2011:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**1,600**	**1,600**	**385**	**1,985**
Other comprehensive income		**–**	**–**	**–**	**43**	**–**	**–**	**43**	**11**	**54**
Total comprehensive income		**–**	**–**	**–**	**43**	**–**	**1,600**	**1,643**	**396**	**2,039**
Dividend declared in respect of the previous year	21(b)(ii)	**–**	**–**	**–**	**–**	**–**	**(1,128)**	**(1,128)**	**–**	**(1,128)**
Acquisition of non-controlling interests	21(c)(i)	**682**	**–**	**1,793**	**–**	**–**	**–**	**2,475**	**(2,475)**	**–**
Issuance of shares by initial public offering	21(c)(iii)	**326**	**7,299**	**–**	**–**	**–**	**–**	**7,625**	**–**	**7,625**
Cash injection from Employee Trust Benefit Schemes	4(b)	**–**	**–**	**121**	**–**	**–**	**–**	**121**	**70**	**191**
Profit appropriation		**–**	**–**	**–**	**–**	**94**	**(94)**	**–**	**–**	**–**
Dividends declared and payable to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30)**	**(30)**
Balance at 31 December 2011		**2,721**	**7,299**	**2,050**	**44**	**485**	**2,540**	**15,139**	**378**	**15,517**

The accompanying notes set out on pages 56 to 115 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Operating activities		
Profit before taxation	**2,816**	2,391
Adjustments for:		
Depreciation	**1,453**	1,116
Amortisation	**77**	69
Finance costs	**90**	83
Interest income	**(92)**	(50)
Loss on disposal of property, plant and equipment	**28**	5
	4,372	3,614
Changes in working capital:		
Increase in inventories	**(2,876)**	(2,237)
Change in bank deposits pledged for purchase of inventory	**–**	81
Increase in trade and other receivables	**(658)**	(427)
Increase in trade and other payables	**5,717**	4,551
Cash generated from operations	**6,555**	5,582
Income tax paid	**(791)**	(684)
Net cash generated from operating activities	**5,764**	4,898

The accompanying notes set out on pages 56 to 115 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

		Year ended 31 December	
		2011	2010
	Note	***RMB million***	*RMB million*
Investing activities			
Payment for purchase of fixed assets		**(5,358)**	(3,807)
Change in time deposits and bank deposit pledged for fixed assets purchase		**(17)**	7
Proceeds from sale of property, plant and equipment		**22**	8
Payment for purchase of intangible assets		**(2)**	(1)
Interest received		**92**	50
Net cash used in investing activities		**(5,263)**	(3,743)
Financing activities			
Proceeds from initial public offering, net of issuance expenses		**7,625**	–
Cash injection from non-controlling interests		**191**	127
Proceeds from bank loans		**3,179**	1,795
Repayment of bank loans		**(5,336)**	(1,990)
Interest paid		**(90)**	(83)
Change in bank deposits pledged for bank loans		**–**	42
Repayment of other financial liabilities		**(2)**	–
Dividends paid to shareholders of the Company		**(1,546)**	(315)
Dividends paid to non-controlling shareholders		**(291)**	(180)
Net cash generated from/(used in) financing activities		**3,730**	(604)
Net increase in cash and cash equivalents		**4,231**	551
Cash and cash equivalents at 1 January		**3,281**	2,685
Effect of foreign exchange rate changes		**5**	45
Cash and cash equivalents at 31 December	*16*	**7,517**	3,281

The accompanying notes set out on pages 56 to 115 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Group and the Group's interest in a jointly controlled entity.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest million (unless otherwise stated). RMB is also the functional currency of the Company and the Company's operating subsidiaries, as the Group's hypermarkets are all located in the People's Republic of China ("PRC"). Prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 27 July 2011, the functional currency of the Company was United States Dollars ("USD"). However, as the listing proceeds were partially used to repay the USD denominated bank loans of the Group and most of the Company's future income is expected to be derived from its subsidiaries located in the PRC, the directors now consider it appropriate to regard RMB as the Company's functional currency for the foreseeable future. This change has been accounted for prospectively from 27 July 2011.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 28.

(c) Change in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures.* These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

The results and assets and liabilities of jointly controlled entities are accounted for in the consolidated financial statements using the proportionate consolidation method. The Group's share of the income, expenses, assets and liabilities of jointly controlled entities, other than transactions and balances between the Group and jointly controlled entities, are combined with the Group's similar items in the consolidated financial statements on a line-by-line basis. Transactions and balances between the Group and the jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities.

(f) Hypermarkets operated under Contracted Store arrangements

The Group operates certain hypermarkets through Contracted Store arrangements ("Contracted Stores") under which the hypermarket owner ("Contracted Store Owner") provides the store, equipment and facilities for use by the Group to carry out the Group's hypermarket business and in return is entitled to an annual fee, calculated as either a fixed amount or a fixed percentage of the store's sales revenue, and any remaining profit or loss relating to the operation of the store is attributable to the Group. As the Group bears the risks and rewards of the store's operation, the revenue, operating expenses and results relating to the operation of the Contracted Stores are included in the Group's consolidated statement of comprehensive income on a line-by-line basis and the net profit or loss relating to the operation of the stores attributable to the Group is recorded as an amount due from or to the Contracted Store Owner, as applicable. Sales of inventories by the Group to the Contracted Stores are eliminated and the stores' inventories as of the reporting period end are incorporated in the Group's consolidated statement of financial position. Prepaid cards bought by customers which may be used to purchase goods in other stores of the Group are recorded as "advance receipts from customers" within "trade and other payables" in the Group's consolidated statement of financial position, and a corresponding receivable from the Contracted Store is recognised.

(g) Goodwill

Goodwill arises upon the acquisition of subsidiaries. All business combinations are accounted for by applying the purchase method. Goodwill represents the excess of the fair value of the consideration transferred over the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment property

Areas within hypermarket buildings owned by the Group which are held to earn rental income and/or for capital appreciation are classified as investment property. Investment property is stated at cost less accumulated depreciation and impairment losses (see note 1(l)). Depreciation is calculated to write off the cost of investment property, less its estimated realisable value, if any, using the straight line method over the estimated useful life of 10-30 years. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Areas within hypermarket buildings leased by the Group which are sublet to earn rental income are classified as other property, plant and equipment (see note 1(i)).

(i) Other property, plant and equipment

(i) Owned assets

Buildings held for own use which are situated on land held under land use rights and other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 1(x)). Construction in progress is transferred to investment property or the relevant categories of other property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities. Purchased software that is integral to the functionality of related equipment is capitalised as part of that equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Other property, plant and equipment (continued)

(ii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

• Buildings	10-30 years
• Leasehold improvements	5-20 years
• Store equipment	4-10 years
• Office equipment	3-5 years
• Motor vehicles	5-8 years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. No depreciation is provided on construction in progress.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Depreciation methods, useful lives and residual values are reviewed annually.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 1(l)).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, as follows:

• Software	3 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land use rights is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If any such evidence exists for trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(i) Impairment of trade and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– investment property;

– other property, plant and equipment;

– land use rights;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises the purchase cost of goods after deducting discounts and payments from suppliers, except where such payments represent a reimbursement of identifiable expenditure incurred by the Group or relate to services provided by the Group which provide identifiable benefits to the suppliers separate from the Group's purchase of the supplier's goods. Supplier payments include cash or its equivalent in form (e.g. credits applied to future purchases). Net realisable value is the estimated selling price in the ordinary course of business.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(u)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Pledged bank deposits

Pledged bank deposits represent amounts held by banks as security for issuance of bills payable, letters of guarantee and bank loans. Upon maturity of the bills payable, letters of guarantee and bank loans the cash becomes available for use by the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans, contributions to the Group's Employee Trust Benefit Schemes, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share appreciation rights granted to employees, which are to be settled in cash, is recognised as an employee cost and liability. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the payments, the total estimated fair value of the share appreciation rights is spread over the vesting period, taking into account the probability that the rights will vest. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee costs in profit or loss.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to a business combination, or to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(u)(ii) below, if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. If it is probable that discounts will be granted, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Service income

Service income is recognised in profit or loss when the services are delivered.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(vi) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent or ultimate joint controlling shareholders.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 TURNOVER AND SEGMENT REPORTING

The principal activity of the Group is the operation of hypermarkets in the PRC.

The Group is organised, for management purpose, into business units based on the banner under which the hypermarkets are operated. As all of the Group's hypermarkets are located in the PRC, have similar economic characteristics, and are similar in respect of products and services provided and customer type, the Group has one reportable operating segment which is the operation of hypermarkets in the PRC.

Turnover represents the sales value of goods supplied to customers and rental income from leasing areas in the hypermarket buildings. The amount of each significant category of revenue recognised in turnover is as follows:

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Sales of goods	**66,540**	54,924
Rental income	**1,544**	1,244
	68,084	56,168

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenues.

3 OTHER REVENUE

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Service income	**112**	82
Disposal of packaging materials	**84**	64
Interest income	**92**	50
Government grants	**126**	78
	414	274

Government grants represent subsidies received from local authorities.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**82**	75
– wholly repayable after five years	**8**	8
	90	83

(b) Staff costs

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Salaries, wages and other benefits	**3,820**	2,806
Contributions to defined contribution retirement plans (i)	**382**	253
Contributions to Employee Trust Benefit Schemes (ii)	**210**	188
	4,412	3,247

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

(i) Contributions to defined contribution retirement plans

The Group participates in pension schemes organised by the PRC government whereby the Group is required to pay annual contributions based on the statutory percentage of the average salary level in the cities where the Group's employees are employed. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

(ii) Contributions to Employee Trust Benefit Schemes

The Group has established an Employee Trust Benefit Scheme for employees of its subsidiary, Concord Investment (China) Co., Ltd. ("CIC") and its subsidiaries ("the RT-Mart Scheme") and an Employee Trust Benefit Scheme for employees of its subsidiary, Auchan (China) Hong Kong Limited ("ACHK") and its subsidiaries ("the Auchan Scheme"). Under each scheme, an annual profit sharing contribution, calculated based on the consolidated results of CIC for the RT-Mart Scheme, and on the consolidated results of ACHK for the Auchan Scheme, and the number of eligible employees, is payable to a trust, the beneficial interests in which are allocated to participating eligible employees in accordance with the relevant Employee Trust Benefit Scheme rules. The trusts are administered by independent trustees and invest the amounts received in either cash or equity of CIC in the case of the RT-Mart Scheme, or cash or equity of ACHK's subsidiary, Auchan (China) Investment Co., Ltd. ("ACI") in the case of the Auchan Scheme, respectively. The annual profit sharing contributions are accrued in the year in which the associated services are rendered by the eligible employees.

In addition to the annual profit sharing contributions made by the Group, subject to certain conditions, eligible employees are entitled to acquire additional beneficial interests in the relevant Employee Trust Benefit Scheme trust using their own funds.

Any excess of the capital injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired is credited to capital reserve within equity.

(iii) Cash settled share-based payment arrangements

On 7 December 2011, the Company granted a total of 296,790 share appreciation rights to a director and a member of key management whereby, provided they meet certain vesting criteria, the individuals will be entitled to a future cash payment, calculated based on the increase (capped at 3.5 times) in the Company's share price after a six year period from its opening share price on 6 December 2011 of HKD10.52. Based on a calculation of the fair value of HKD2.56 per right as at 31 December 2011, prepared under the Monte Carlo Method, RMB9,000 has been recognised as a staff cost expense in the Group's statement of comprehensive income for the year ended 31 December 2011.

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Cost of inventories	**54,127**	45,127
Depreciation		
– assets leased out under operating leases		
– investment property	**115**	94
– other property, plant and equipment	**167**	127
– other assets	**1,171**	895
	1,453	1,116
Amortisation		
– land use rights	**75**	68
– intangible assets	**2**	1
	77	69
Operating lease charges		
(i) contingent rents		
– assets leased for own use	**308**	236
– assets sublet to others	**78**	58
(ii) minimum lease payments		
– assets leased for own use	**866**	674
– assets sublet to others	**122**	101
(iii) fees to Contracted Store Owners	**73**	100
Total	**1,447**	1,169
Loss on disposal of property, plant and equipment	**28**	5
Net foreign exchange loss/(gain)	**18**	(17)
Listing expenses	**46**	–
Auditors' remuneration		
– audit services	**19**	24
– IPO related services	**10**	–
Donations	**2**	9
Rental income from investment properties		
– gross	**(501)**	(380)
– direct operating expenses	**34**	23
Net	**(467)**	(357)

5 INCOME TAX

(a) Income tax in the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – PRC income tax		
Provision for the year	**871**	747
Under-provision in respect of prior years	**14**	6
	885	753
Deferred tax		
(Origination)/reversal of temporary differences *(note 20)*	**(54)**	24
	831	777

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Company and its subsidiaries incorporated in Hong Kong (2010:16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(iii) On 16 March 2007, the PRC government enacted the new Enterprise Income Tax law ("EIT law"), which unified the income tax rate to 25% for all companies incorporated in the PRC. Accordingly, except for one subsidiary which is entitled to a transitional preferential rate of 24% for 2011 (2010: 22%), all PRC subsidiaries of the Group are subject to income tax at 25% for the year ended 31 December 2011 (2010: 25%).

(iv) The EIT law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5% on dividends received. On 27 October 2009, the State Administration of Taxation issued Guoshuihan [2009] No. 601 ("Circular 601") which clarified that a "beneficial owner" under a tax treaty is determined not purely by its place of legal registration but also by other factors which depend on the specific facts and circumstances and significant judgment may be involved.

5 INCOME TAX (CONTINUED)

(a) Income tax in the consolidated statement of comprehensive income represents (continued):

(iv) Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

As at 31 December 2011, deferred tax liabilities of RMB34 million (2010: RMB58 million) have been recognised in respect of the withholding tax payable on the retained profits of the Group's PRC subsidiaries generated subsequent to 1 January 2008 which the directors expect to distribute outside the PRC in the foreseeable future. The deferred tax liabilities as at 31 December 2011 were calculated at the withholding tax rate of 5% (2010: 5%). On 1 May 2010, CIC received an advance ruling from its tax authority in-charge confirming that the reduced withholding tax rate of 5% would be applied on its dividends to RT-Mart Holdings Limited. The valid period of the ruling is from 1 May 2010 to 30 April 2013.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Profit before taxation	**2,816**	2,391
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**704**	598
Tax concessions	**–**	(1)
Non-deductible expenses	**67**	51
PRC dividend withholding tax	**28**	84
Current year losses for which no deferred tax asset was recognised	**53**	65
Utilisation of previously unrecognised tax losses	**(35)**	(26)
Under-provision in respect of prior years	**14**	6
Actual tax expenses	**831**	777

(c) Income tax payables in the consolidated statement of financial position represent:

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Balance at beginning of the year	**244**	175
Under-provision in respect of prior years	**14**	6
Provision for current income tax for the year	**871**	747
Payment during the year	**(791)**	(684)
Income tax payables at the end of the year	**338**	244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Contributions to retirement schemes *RMB'000*	Discretionary bonus *RMB'000*	Share-based payment *(note 7)* *RMB'000*	2011 Total *RMB'000*
Executive directors						
Bruno Robert MERCIER	–	1,462	207	400	1,712	3,781
HUANG Ming-Tuan	–	2,028	332	269	–	2,629
Non-executive directors						
CHENG Chuan-Tai	–	–	–	–	–	–
Christophe Maurice Paule Marie Joseph DUBRULLE	–	–	–	–	–	–
Philippe David BAROUKH	–	–	–	–	–	–
Xavier Marie Alain DELOM de MEZERAC	–	–	–	–	–	–
Vianney MULLIEZ	–	–	–	–	–	–
TSENG Ta Mon	–	–	–	–	–	–
CHEN Chi Chuan	–	–	–	–	–	–
HSU Sheng Yu	–	–	–	–	–	–
Concord Greater China Limited	–	–	–	–	–	–
Kofu International Limited	–	–	–	–	–	–
Ruentex Development Co., Limited	–	–	–	–	–	–
Ruentex Industries Limited	–	–	–	–	–	–
Sinopac Global Investment Limited	–	–	–	–	–	–
Independent non-executive directors						
Karen Yifen CHANG	120	–	–	–	–	120
HE Yi	120	–	–	–	–	120
Desmond MURRAY	143	–	–	–	–	143
Total	383	3,490	539	669	1,712	6,793

6 DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Contributions to retirement schemes *RMB'000*	Discretionary bonus *RMB'000*	2010 Total *RMB'000*
Executive directors					
Bruno Robert MERCIER	–	1,244	155	151	1,550
Non-executive directors					
Christian CLERC-BATUT	–	–	–	–	–
Christophe Maurice Paule Marie Joseph DUBRULLE	–	–	–	–	–
Philippe David BAROUKH	–	–	–	–	–
Vianney MULLIEZ	–	–	–	–	–
Xavier Marie Alain DELOM de MEZERAC	–	–	–	–	–
Concord Greater China Limited	–	–	–	–	–
Kofu International Limited	–	–	–	–	–
Ruentex Development Co., Limited	–	–	–	–	–
Ruentex Industries Limited	–	–	–	–	–
Sinopac Global Investment Limited	–	–	–	–	–
Total	–	1,244	155	151	1,550

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five highest paid individuals of the Group during the year, two (2010: none) of whom are directors of the Company, are as follows:

	Year ended 31 December	
	2011	2010
	RMB '000	*RMB '000*
Salaries, allowances and benefits in kind	**10,665**	9,770
Contributions to retirement schemes	**1,437**	675
Discretionary bonus	**1,710**	1,073
Share-based payments	**3,888**	–
	17,700	11,518

Share-based payments represent the estimated value of share appreciation rights granted (note 4(b)(iii)) and the estimated value of stock options and shares in Groupe Auchan S.A. granted, details of which are disclosed under the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Report of Directors.

The emoluments of the 5 individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
HKD2,000,001 – HKD2,500,000 (equivalent to RMB1,621,001 to RMB2,027,000)	**–**	1
HKD2,500,001 – HKD3,000,000 (equivalent to RMB2,027,001 to RMB2,432,000)	**–**	2
HKD3,000,001 – HKD3,500,000 (equivalent to RMB2,432,001 to RMB2,837,000)	**1**	1
HKD3,500,001 – HKD4,000,000 (equivalent to RMB2,837,001 to RMB3,243,000)	**–**	1
HKD4,000,001 – HKD4,500,000 (equivalent to RMB3,243,001 to RMB3,648,000)	**2**	–
HKD4,500,001 – HKD5,000,000 (equivalent to RMB3,648,001 to RMB4,053,000)	**1**	–
HKD5,000,001 – HKD5,500,000 (equivalent to RMB4,053,001 to RMB4,459,000)	**1**	–
	5	5

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB707 million for the year ended 31 December 2011 (2010: a loss of RMB7 million), which has been dealt with in the financial statements of the Company.

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**707**	(7)
Dividends from subsidiaries attributable to the profit of the previous financial year, approved and paid during the year	**1,135**	803
Company's profit for the year *(note 21(a))*	**1,842**	796

Details of dividends paid and payable to equity shareholders of the Company are set out in note 21 (b).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,600 million (2010: RMB1,031 million) and the weighted average of 7,805,626,406 ordinary shares (2010: 5,498,615,200) in issue during the year, after adjusting for the share subdivision on 27 June 2011, details of which are set out in note 21(c)(ii):

Weighted average number of ordinary shares

	Year ended 31 December	
	2011	2010
Issued ordinary shares at 1 January	**211,485,200**	211,485,200
Effect of shares issued on 13 May 2011 *(note 21(c)(i))*	**66,920,951**	–
	278,406,151	211,485,200
Effect of share subdivision *(note 21 (c)(ii))*	**6,960,153,775**	5,287,130,000
Effect of shares issued on initial public offering *(note 21(c)(iii))*	**567,066,480**	–
Weighted average number of ordinary shares for the year	**7,805,626,406**	5,498,615,200

There were no dilutive potential ordinary shares throughout the years and therefore diluted earnings per share is equivalent to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FIXED ASSETS

	Buildings RMB million	Leasehold improvements RMB million	Store equipment RMB million	Office equipment RMB million	Motor vehicles RMB million	Construction in progress RMB million	Sub-total RMB million	Investment property RMB million	Land use rights RMB million	Total fixed assets RMB million
Cost:										
At 1 January 2010	3,634	1,697	4,560	1,009	79	402	11,381	1,653	2,494	15,528
Additions	87	93	764	289	7	2,046	3,286	118	407	3,811
Transfer from construction in progress	650	213	392	92	24	(1,589)	(218)	218	–	–
Disposals	(1)	(13)	(48)	(9)	(6)	–	(77)	–	–	(77)
At 31 December 2010	4,370	1,990	5,668	1,381	104	859	14,372	1,989	2,901	19,262
At 1 January 2011	**4,370**	**1,990**	**5,668**	**1,381**	**104**	**859**	**14,372**	**1,989**	**2,901**	**19,262**
Additions	**380**	**58**	**1,604**	**177**	**13**	**2,800**	**5,032**	**262**	**485**	**5,779**
Transfer from construction in progress	**1,679**	**396**	**678**	**174**	**63**	**(3,086)**	**(96)**	**96**	**–**	**–**
Disposals	**(15)**	**(87)**	**(103)**	**(154)**	**(7)**	**–**	**(366)**	**–**	**–**	**(366)**
At 31 December 2011	**6,414**	**2,357**	**7,847**	**1,578**	**173**	**573**	**18,942**	**2,347**	**3,386**	**24,675**
Accumulated depreciation:										
At 1 January 2010	(729)	(537)	(1,218)	(355)	(21)	–	(2,860)	(217)	(251)	(3,328)
Charge for the year	(176)	(200)	(436)	(194)	(16)	–	(1,022)	(94)	(68)	(1,184)
Disposals	–	12	42	7	3	–	64	–	–	64
At 31 December 2010	(905)	(725)	(1,612)	(542)	(34)	–	(3,818)	(311)	(319)	(4,448)
At 1 January 2011	**(905)**	**(725)**	**(1,612)**	**(542)**	**(34)**	**–**	**(3,818)**	**(311)**	**(319)**	**(4,448)**
Charge for the year	**(209)**	**(252)**	**(574)**	**(277)**	**(26)**	**–**	**(1,338)**	**(115)**	**(75)**	**(1,528)**
Disposals	**8**	**78**	**89**	**135**	**6**	**–**	**316**	**–**	**–**	**316**
At 31 December 2011	**(1,106)**	**(899)**	**(2,097)**	**(684)**	**(54)**	**–**	**(4,840)**	**(426)**	**(394)**	**(5,660)**
Net book value:										
At 31 December 2011	**5,308**	**1,458**	**5,750**	**894**	**119**	**573**	**14,102**	**1,921**	**2,992**	**19,015**
At 31 December 2010	3,465	1,265	4,056	839	70	859	10,554	1,678	2,582	14,814

10 FIXED ASSETS (CONTINUED)

(i) All the Group's fixed assets are located in the PRC.

(ii) Land use rights represent the fees and related expenses in obtaining land use rights for periods ranging from 40 to 70 years. As at 31 December 2011, the Group had not obtained land use rights certificates for certain land use rights with an aggregate carrying amount of RMB226 million (2010: RMB181 million). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these land use rights as at 31 December 2011 and 2010.

(iii) As at 31 December 2011, the Group had not obtained property ownership certificates for certain buildings with an aggregate carrying amount of RMB2,447 million (2010: RMB963 million). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2011 and 2010.

(iv) As set out in note 1(h), the Group has applied the cost model for its investment properties. The directors have estimated the fair value of the investment properties as at 31 December 2011 to be RMB4,585 million, using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment properties (2010: RMB4,001 million). The investment properties were not valued by an independent valuer as at 31 December 2011 and 2010.

(v) The Group leases out investment properties and certain other property, plant and equipment within the hypermarket buildings under operating leases which typically run for an initial period of 1 to 3 years. The Group's total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Within 1 year	**1,274**	1,047
After 1 year but within 5 years	**625**	560
After 5 years	**175**	183
	2,074	1,790

In addition to the minimum amounts disclosed above, certain lessees have commitments to pay additional rent to the Group if their sales revenue exceeds predetermined levels. Contingent rental receivables are not included in the above.

11 INTANGIBLE ASSETS

	At 31 December	
	2011	2010
	RMB million	*RMB million*
Software cost:		
At 1 January	**18**	17
Additions	**2**	1
	20	18
Accumulated amortisation		
At 1 January	**(8)**	(7)
Amortisation for the year	**(2)**	(1)
	(10)	(8)
Net book value		
At 1 January	**10**	10
At 31 December	**10**	10

The amortisation charge is recognised in administrative expenses in the consolidated statement of comprehensive income.

12 GOODWILL

Goodwill arose on the acquisition of subsidiaries and there is no individual cash-generating unit to which the goodwill allocated is significant to the financial statements. No impairment of goodwill was recognised for the years ended 31 December 2011 and 2010.

13 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 31 December	
	2011	2010
	RMB million	*RMB million*
Trading merchandise	**10,259**	7,383

13 INVENTORIES (CONTINUED)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Carrying amount of inventories sold	**54,061**	45,116
Write down of inventories	**66**	11
	54,127	45,127

All inventories are expected to be sold within one year.

14 TRADE AND OTHER RECEIVABLES

	The Group At 31 December	
	2011	2010
	RMB million	*RMB million*
Non-current		
Rental prepayments	**433**	560
Current		
Trade receivables	**256**	131
Amounts due from Contracted Stores	**311**	437
Amounts due from Contracted Store Owners	**334**	441
Other debtors	**673**	543
Value-added tax receivables	**937**	441
Prepayments:		
– rentals	**828**	561
– fixed assets	**410**	753
Sub-total current	**3,749**	3,307
Trade and other receivables	**4,182**	3,867

The Group's trade receivables relate to credit card sales, the aging of which is within one month, and credit sales to corporate customers, the aging of which is within three months.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

The amounts due from Contracted Stores as at 31 December 2011 include RMB395 million (2010: RMB663 million) in respect of the unutilised balance of prepaid cards sold by the Contracted Stores which may be used by customers to purchase goods in certain of the Group's other stores. Such balances are also included in "Advance receipts from customers" within "Trade and other payables" (note 17). The remaining balances relate to trading balances arising from the sale of inventories by the Group to the Contracted Stores.

The amounts due from Contracted Store Owners comprise advances made by the Group to certain Contracted Store Owners and the Contracted Stores' profit attributable to the Group (see note 1(f)). These amounts are not expected to be recovered within one year.

Rental prepayments may be offset against future rentals due to landlords of hypermarket premises leased by the Group in accordance with the relevant lease agreements.

Except for the balances due from Contracted Store Owners and prepayments made for fixed assets, which will be transferred to the relevant asset category upon receipt of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year. Details of the Group's credit policy are set out in note 22 (a).

	The Company At 31 December	
	2011	2010
	RMB million	*RMB million*
Non-current		
Loans to subsidiaries	**7,586**	–
Current		
Dividends receivable from subsidiaries	**803**	470
Interest receivable from subsidiaries	**9**	–
Sub-total current	**812**	470
Trade and other receivables	**8,398**	470

The loans to subsidiaries are unsecured, bear interest at a fixed rate of 0.25% per annum and are repayable in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 TIME AND PLEDGED BANK DEPOSITS

Bank deposits as at 31 December 2011 of RMB67 million (2010: Nil) have maturity of over 3 months. As at 31 December 2010, bank deposits of RMB50 million were pledged for letters of guarantee.

16 CASH AND CASH EQUIVALENTS

	The Group At 31 December	
	2011	2010
	RMB million	*RMB million*
Deposits with banks within 3 months of maturity	**1,521**	480
Cash at bank and on hand	**5,996**	2,982
Cash and cash equivalents in the consolidated statement of financial position	**7,517**	3,462
Bank overdrafts *(note 18)*	**–**	(181)
Cash and cash equivalents in the consolidated cash flow statement	**7,517**	3,281

	The Company At 31 December	
	2011	2010
	RMB million	*RMB million*
Cash at bank and on hand	**22**	18

17 TRADE AND OTHER PAYABLES

	The Group At 31 December	
	2011	2010
	RMB million	*RMB million*
Current		
Trade payables	**15,034**	12,060
Advance receipts from customers	**5,949**	4,046
Amounts due to related parties *(note 25)*	**44**	37
Construction costs payable	**1,691**	1,613
Dividends payable	**2**	685
Accruals and other payables	**2,442**	1,609
Trade and other payables	**25,162**	20,050

	The Company At 31 December	
	2011	2010
	RMB million	*RMB million*
Dividends payable	**–**	420
Accruals and other payables	**6**	6
Trade and other payables	**6**	426

All trade and other payables are expected to be settled within one year.

Advance receipts from customers represents the unutilised balance of prepaid cards sold by the Group.

An ageing analysis of trade payables is as follows:

	At 31 December	
	2011	2010
	RMB million	*RMB million*
Due within 6 months	**14,696**	11,706
Due after 6 months but within 12 months	**338**	354
	15,034	12,060

18 BANK LOANS AND OVERDRAFTS

	The Group At 31 December	
	2011	2010
	RMB million	*RMB million*
Current		
Unsecured bank overdrafts	**–**	181
Bank loans repayable within 1 year or on demand		
– Secured	**–**	81
– Unsecured	**199**	2,139
Sub-total current	**199**	2,401
Non-current		
Bank loans repayable after 1 year but within 2 years		
– Secured	**–**	93
– Unsecured	**–**	20
Bank loans repayable after 2 years but within 5 years		
– Secured	**–**	63
– Unsecured	**–**	5
Sub-total non-current	**–**	181
Total bank loans and overdrafts	**199**	2,582

Unsecured bank loans carried interest at a rate of 6.10% per annum as at 31 December 2011 (2010: 1.08% to 5.76%). Unsecured bank loans with carrying amount of RMB1,679 million as at 31 December 2010 were guaranteed by related parties.

Secured bank loans carried interest at annual rates ranging from 4.78% to 5.18% as at 31 December 2010.

19 OTHER FINANCIAL LIABILITIES

Other financial liabilities represent capital contributed in cash by the third-party shareholders of certain subsidiaries of the Group which are cooperative joint ventures in the PRC. In accordance with the respective agreements, these shareholders do not have any entitlement to the profit or loss of the subsidiaries, other than a prescribed annual return. The total annual prescribed returns of RMB9 million for the year ended 31 December 2011 are included in finance costs in the consolidated statement of comprehensive income (2010: RMB10 million).

20 DEFERRED TAX ASSETS AND LIABILITIES

(a) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements are as follows:

	Tax losses	Fair value adjustment in relation to business combinations	Depreciation charges in excess of depreciation allowances	PRC dividend withholding tax	Accruals and other timing differences	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2010	27	(10)	92	(22)	35	122
(Charged)/credited to profit or loss	(19)	–	(3)	* (36)	34	(24)
At 31 December 2010	8	(10)	89	(58)	69	98
At 1 January 2011	**8**	**(10)**	**89**	**(58)**	**69**	**98**
(Charged)/credited to profit or loss	**3**	**–**	**2**	***24**	**25**	**54**
At 31 December 2011	**11**	**(10)**	**91**	**(34)**	**94**	**152**

* The amount includes the provision of withholding tax on profits of the PRC subsidiaries for the year amounting to RMB28 million (2010: RMB84 million) less the reversal of deferred tax liabilities on withholding tax in respect of dividends paid during the year amounting to RMB52 million (2010: RMB48 million).

20 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Reconciliation to the consolidated statement of financial position:

	At 31 December	
	2011	2010
	RMB million	*RMB million*
Net deferred tax assets	**197**	168
Net deferred tax liabilities	**(45)**	(70)
	152	98

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB878 million as at 31 December 2011 (2010: RMB826 million), as it is not probable that future taxable profits against which these losses can be utilised will be available in the subsidiaries concerned.

The unused tax losses can be carried forward up to five years from the year in which the losses originated, and will expire in the following years:

	At 31 December	
	2011	2010
	RMB million	*RMB million*
2011	**–**	21
2012	**67**	67
2013	**147**	179
2014	**241**	300
2015	**211**	259
2016	**212**	–
	878	826

(d) Deferred tax liabilities not recognised

No deferred tax liabilities were provided on post-2007 undistributed profits of the Group's PRC subsidiaries for which the Group has no plan to distribute them outside the PRC in the foreseeable future. As at 31 December 2011, such undistributed profits amounted to RMB1,059 million (2010: RMB222 million).

21 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the years are set out as follows:

The Company:

	Share capital *RMB million*	Share premium *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
Balance at 1 January 2010	1,713	–	–	(270)	61	1,504
Changes in equity for 2010:						
Profit for the year	–	–	–	–	796	796
Other comprehensive income	–	–	–	(46)	–	(46)
Total comprehensive income	–	–	–	(46)	796	750
Dividends declared	–	–	–	–	(735)	(735)
Balance at 31 December 2010	1,713	–	–	(316)	122	1,519
Changes in equity for 2011:						
Profit for the year	**–**	**–**	**–**	**–**	**1,842**	**1,842**
Other comprehensive income	**–**	**–**	**–**	**(109)**	**–**	**(109)**
Total comprehensive income	**–**	**–**	**–**	**(109)**	**1,842**	**1,733**
Acquisition of non-controlling interests	**682**	**–**	**13,304**	**–**	**–**	**13,986**
Issuance of shares by initial public offering	**326**	**7,299**	**–**	**–**	**–**	**7,625**
Dividends declared	**–**	**–**	**–**	**–**	**(1,128)**	**(1,128)**
Balance at 31 December 2011	**2,721**	**7,299**	**13,304**	**(425)**	**836**	**23,735**

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2011
	RMB million
Final dividend proposed after the end of the reporting period of HKD0.10 (equivalent to RMB0.08) per ordinary share	**775**
	775

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years, approved during the year:

On 10 June 2011, the Company's directors approved to distribute a dividend of USD174 million (equivalent to RMB1,128 million) to the Company's shareholders at that date.

On 16 April 2010 and 10 December 2010, the Company's directors approved to distribute a dividend of USD45 million (equivalent to RMB306 million) and USD71 million (equivalent to RMB429 million) to the Company's shareholders at that date, respectively.

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	Note	2011 No. of shares	2011 RMB million	2010 No. of shares	2010 RMB million
Authorised:	*(i)/(ii)*				
Ordinary shares USD1 each		–	–	211,485,200	1,713
Ordinary shares HKD0.3 each		20,000,000,000	5,331	–	–
Ordinary shares, issued and fully paid:					
At 1 January		211,485,200	1,713	211,485,200	1,713
Issued to acquire non-controlling interests	*(i)*	104,833,250	682	–	–
Share subdivision	*(ii)*	7,907,961,250	–	–	–
Issued upon Initial Public Offering and exercise of over-allotment option	*(iii)*	1,315,425,000	326	–	–
At 31 December		9,539,704,700	2,721	211,485,200	1,713

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) On 13 May 2011, the shareholders approved to increase the Company's authorised and issued share capital to US$316,318,450 by the issue of an additional 104,833,250 shares of US$1 each, as consideration for acquiring the non-controlling interests in ACHK and Concord Champion International Limited ("CCIL"), which became wholly owned subsidiaries of the Company. As the Company has taken advantage of section 48C of the Hong Kong Companies Ordinance, the excess of the fair value of the ordinary shares issued of RMB13,986 million over their RMB682 million nominal amount, less the excess of the fair value of the shares issued over the carrying value of the acquired non-controlling interests in ACHK and CCIL as at 13 May 2011 of RMB2,475 million, has been credited to the capital reserve within consolidated equity.

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) On 27 June 2011, the Company's shareholders approved that the currency of the Company's share capital be changed from USD to HKD at an exchange rate of USD1.00 to HKD7.80, that each issued and unissued ordinary share with a nominal value of HKD7.80 each be subdivided into 26 shares with a nominal value of HKD0.30 each, and that the authorised share capital of the Company be increased to HKD6,000 million comprising 20,000,000,000 shares of HKD0.30 each.

(iii) On 27 July 2011, 1,143,848,000 ordinary shares of par value HKD0.30 each were issued at a price of HKD7.20 per share under the Hong Kong Public Offering and International Offering. On the same date, the underwriters of the International Offering exercised the Over-allotment Option to require the Company to allot and issue 171,577,000 shares of par value HKD0.30 each at HKD7.20 per share. These shares were issued on 1 August 2011.

Net proceeds from the above share issues amounted to RMB7,625 million (after offsetting issuance costs of RMB208 million), out of which RMB326 million and RMB7,299 million were recorded in share capital and share premium respectively.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) Capital reserve

The capital reserve includes RMB1,793 million arising from the issue of ordinary shares to acquire the non-controlling interests in ACHK and CCIL (see note 21(c)(i) above). The remaining balance comprises the excess of the consideration received from non-controlling interests over the carrying amount of the relevant subsidiaries' net assets acquired by the non-controlling interests.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(iv) Statutory reserve

The statutory reserve represents statutory reserves which are appropriated by the Group's PRC subsidiaries ("PRC Companies"). According to the relevant laws and regulations for foreign investment enterprises and the articles of association for the said PRC Companies, profits of the PRC Companies, as determined in accordance with the accounting rules and regulations in the PRC, are available for distribution in the form of cash dividends to investors after the PRC Companies have (1) satisfied all tax liabilities; (2) offset losses in previous years; and (3) made appropriation to the statutory reserve funds, including general reserve fund and enterprise expansion fund.

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Distributability of reserves

As at 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance was RMB836 million (2010: RMB122 million). After the end of the reporting period the directors proposed a final dividend of HKD0.10 (equivalent to RMB0.08) per ordinary share, amounting to RMB775 million (note 21(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital risk management

The Group defines capital as its total equity. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-equity ratio. This ratio is calculated as debt divided by total equity. The Group defines debt as loans, borrowings and other financial liabilities, less time and pledged bank deposits and cash and cash equivalents.

There were no changes in the Group's approach to capital management during the year.

The debt-to-equity ratios were as follows:

	At 31 December	
	2011	2010
	RMB million	*RMB million*
Loans and borrowings *(note 18)*	**199**	2,582
Other financial liabilities *(note 19)*	**85**	87
	284	2,669
Less: Cash and cash equivalents	**(7,517)**	(3,462)
Time and pledged bank deposits	**(67)**	(50)
Net asset	**(7,300)**	(843)
Total equity	**15,517**	6,820
Asset-to-equity ratio	**47%**	12%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalents, time and pledged bank deposits and trade and other receivables. Financial liabilities of the Group include loans and borrowings and trade and other payables.

The Company's board of directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

(a) Credit risk

The Group's cash and bank deposits are held with banks located in the PRC and Hong Kong which management believes are of high credit quality. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables. Management monitors the exposures to credit risk on an ongoing basis.

Credit risk in respect of trade receivables is limited as the balances mainly arise from credit card sales. Credit terms are offered in rare cases to corporate customers with whom the Group has an established and ongoing relationship.

Rental prepayments are placed with various landlords in the PRC and may be offset against future rental charges during the lease periods.

As at 31 December 2011, the Group has net receivables due from the Contracted Store Owners amounting to RMB334 million (2010: RMB441 million) (note 14), of which RMB286 million relate to Contracted Stores owned by a related party (2010: RMB353 million). As set out in note 14, the Group also has trading balances with the Contracted Stores. Pursuant to the agreements between the Group and the Contracted Store Owners, the Group manages and operates the Contracted Stores, and has unrestricted access to the financial information of the stores. The directors have conducted a review of the profitability and cash flows of the Contracted Stores and consider the receivables from both the Contracted Stores and the Contracted Store Owners to be fully recoverable.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 24(b), the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group had net current liabilities of RMB4,107 million as at 31 December 2011 (2010: RMB8,493 million). The Group generated net cash from operating activities amounting to RMB5,764 million for the year ended 31 December 2011 (2010: RMB4,898 million), and had RMB3,025 million of unutilised loan facilities available as at 31 December 2011 (2010: RMB3,794 million). In view of the profitability, operating cash flows and availability of loan facilities of the Group, the directors consider the Group will have adequate liquid funds for its working capital and capital expenditure requirements for the foreseeable future.

The following are the contractual maturities of the Group's financial liabilities at each reporting date, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	At 31 December 2011 — Contractual undiscounted cash flow				
	Within 1 year or on demand *RMB million*	**More than 1 year but less than 5 years** *RMB million*	**More than 5 years** *RMB million*	**Total** *RMB million*	**Financial statement carrying amount** *RMB million*
Loans and borrowings	**201**	**–**	**–**	**201**	**199**
Trade and other payables	**25,162**	**–**	**–**	**25,162**	**25,162**
Other financial liabilities	**–**	**–**	**85**	**85**	**85**
At 31 December 2011	**25,363**	**–**	**85**	**25,448**	**25,446**

	At 31 December 2010 — Contractual undiscounted cash flow				
	Within 1 year or on demand *RMB million*	More than 1 year but less than 5 years *RMB million*	More than 5 years *RMB million*	Total *RMB million*	Financial statement carrying amount *RMB million*
Loans and borrowings	2,424	192	–	2,616	2,582
Trade and other payables	20,050	–	–	20,050	20,050
Other financial liabilities	–	–	87	87	87
At 31 December 2010	22,474	192	87	22,753	22,719

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, time and pledged bank deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk.

Cash at bank is with variable interest rates ranging from 0.50%-2.85% per annum as at 31 December 2011 (2010: 0.36%-2.25%).

The Group's interest-bearing borrowings and interest rates are set out as follows:

	Interest rate	At 31 December	
		2011	2010
		RMB million	*RMB million*
Fixed rate borrowings	6.10% (2010:3%-5.76%)	**199**	541
Variable rate borrowings	1.08%-5.76%	**–**	2,041
		199	2,582

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A general increase/decrease of 100 basis points in interest rates prevailing at the reporting dates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB nil for the year ended 31 December 2011 (2010: RMB15 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at each reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2011 and 2010.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(d) Foreign currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demand and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010, except for the amounts due from/to related parties which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

23 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding and not provided for in the financial statements were as follows:

	The Group At 31 December	
	2011	2010
	RMB million	*RMB million*
Contracted for	**859**	1,652
Authorised but not contracted for	**2,864**	1,369
	3,723	3,021

23 COMMITMENTS (CONTINUED)

(b) Operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group At 31 December	
	2011	2010
	RMB million	*RMB million*
Within 1 year	**1,126**	642
After 1 year but within 5 years	**3,554**	3,020
After 5 years	**8,472**	5,105
	13,152	8,767

The Group leases certain land and buildings under operating leases. The leases typically run for an initial period of fifteen to twenty years, with an option to renew the lease after that date. The Group has the option to cancel the leases on payment of a penalty at various stages of the initial lease periods depending on the terms of the specific leases concerned.

In addition to the minimum rental payments disclosed above, for some of the hypermarkets leased, the Group has commitments to pay additional rent of a proportion of turnover if the turnover generated exceeds the predetermined levels. Contingent rental payables are not included in the above as it is not possible to estimate the amounts which may be payable.

24 CONTINGENCIES

(a) Legal claims

As at 31 December 2011, legal actions have commenced against the Group by certain customers and certain suppliers in respect of disputes on purchase agreements. The total amount claimed is RMB49 million. As at 31 December 2011, the legal actions were ongoing, with most of the actions not yet set for trial dates. Provision of RMB11 million has been made within Trade and other payables as at 31 December 2011, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

(b) Financial guarantees issued

As at 31 December 2010, the Group had issued guarantees to banks to secure facilities of RMB45 million granted to third party landlords. Such guarantees were released during 2011.

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	The Group Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Short-term employee benefits	**39**	23
Post-employment benefits	**2**	1
Share-based payments	**4**	–
	45	24

Total remuneration is included in "staff costs" (see note 4(b)).

(b) Identity of related parties

During the years ended 31 December 2011 and 2010, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Ruentex Development Co., Ltd., Ruentex Industries Ltd., Concord Greater China Limited and Kofu International Limited (collectively "Ruentex")	Ultimate joint controlling shareholder
Groupe Auchan S.A.	Ultimate joint controlling shareholder
Auchanhyper SA	Subsidiary of Groupe Auchan S.A.
Auchan International S.A.	Subsidiary of Groupe Auchan S.A.
Auchan France Croix	Subsidiary of Groupe Auchan S.A.
Auchan Global Service	Subsidiary of Groupe Auchan S.A.
Auchan International Technology	Subsidiary of Groupe Auchan S.A.
RT-Mart International Limited	Subsidiary of Groupe Auchan S.A.
C & Chain Limited Shanghai	Subsidiary of Ruentex
Kunshan Ruenfu Commercial and Trading Co., Ltd. ("Kunshan Ruenfu") and its subsidiaries	Controlled by close family member of a key management personnel
Mr. Samuel Yin	Substantial Shareholder of Ruentex Development Co., Ltd. and Ruentex Industries Limited, two entities under Ruentex, one of the two ultimate controlling shareholder of the Company
Hwabao Trust Co., Ltd.	Trustee of RT-Mart and Auchan Scheme trusts

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions

In addition to the related party information disclosed elsewhere in the notes to the financial statements, the Group entered into the following material related party transactions during the year.

	The Group Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Recurring transactions:		
IT services fee payable *(i)*	**3**	3
Expenses payable *(ii)*	**59**	46
Agency fees receivable *(iii)*	**40**	27
Trademark fee payable *(iv)*	**22**	23
Fees to Contracted Store Owners *(v)*	**1**	2
Contributions to Employee Trust Benefit Schemes trusts *(note 4(b))*	**210**	188
Sale of merchandise *(vi)*	**12**	36
Purchase of property, plant and equipment *(vii)*	**141**	39

(i) IT services fee payable represents the fee charged by Auchan International Technology for IT support and services provided.

(ii) Expenses payable primarily relate to personnel and administrative costs paid by subsidiaries of Auchanhyper SA on behalf of the Group, which are reimbursed and expensed by the Group.

(iii) Agency fees receivable relate to amounts collected from international suppliers by Auchan International S.A. on behalf of the Group, net of fees payable to Auchan International S.A..

(iv) Trademark fee payable represents the fee charged by Groupe Auchan S.A. for the grant of licenses to the Group to use the Auchan trademarks.

(v) These represent fees payable to Kunshan Ruenfu, which owned certain Contracted Stores during the year.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions (continued)

(vi) Sales of merchandise to C & Chain Limited Shanghai were made at the Group's original purchase cost.

(vii) This represents purchase of property, plant and equipment from Kunshan Ruenfu and its subsidiaries in relation to stores which were Contracted Stores during the year but are now operated directly by the Group.

In addition to the above transactions:

(a) Groupe Auchan S.A. acted as guarantor of certain the Group's short-term bank loans amounting to RMB762 million as at 31 December 2010. Such guarantee was released in May 2011.

(b) Mr. Samuel Yin acted as guarantor of certain of the Group's short-term bank loans amounting to RMB917 million as at 31 December 2010. Such guarantees were released in January and February 2011.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(d) Related party balances

	The Group At 31 December	
	2011	2010
	RMB million	*RMB million*
Amounts due from subsidiaries of Groupe Auchan S.A.	**37**	26
Amount due from C & Chain Limited Shanghai	**–**	11
Amounts due from Kunshan Ruenfu and its subsidiaries	**286**	501
Amounts due to Groupe Auchan S.A. and its subsidiaries	**44**	37

The above balances are all trade in nature.

26 JOINTLY CONTROLLED ENTITY

The Group's subsidiary, RT-MART Limited Shanghai ("Shanghai RT-Mart") together with an independent third party established Suzhou Ruenhua Property Co., Ltd. ("SZ RuenHua") pursuant to a joint venture agreement whereby Shanghai RT-Mart and the third party share proportionately assets and liabilities of SZ RuenHua and the operating results generated from the assets and liabilities of their respective share. SZ RuenHua is incorporated in the PRC and the Group owns 80% of its issued share capital.

The income and expenses of SZ Ruenhua attributable to the Group relate to transactions with subsidiaries of the Group and have been eliminated on consolidation. Particulars of SZ Ruenhua's proportionate assets and liabilities included in the Group's financial statements are as follows:

	At 31 December	
	2011	2010
	RMB million	*RMB million*
Non-current assets	**211**	179
Current assets	**33**	38
Current liabilities	**(207)**	(181)
Net assets	**37**	36

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2011, the directors consider the immediate parent of the Group to be A-RT Retail Holdings Limited, which is incorporated in Hong Kong. The directors consider the Group is jointly controlled by Groupe Auchan S.A. and Ruentex ultimately.

28 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

28 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Depreciation

Investment properties and other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes.

(b) Provision for inventories

The Group reviews the carrying amounts of the inventories at each reporting period end date to determine whether the inventories are carried at the lower of cost and net realisable value. Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's net asset value.

(c) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the consolidated statement of comprehensive income in future years.

(d) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2011 and have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
• Amendments to HKFRS 7, *Financial instruments: Disclosure – Transfers of financial assets*	1 July 2011
• Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
• Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
• HKFRS 10, *Consolidated financial statements*	1 January 2013
• HKFRS 11, *Joint arrangements*	1 January 2013
• HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
• HKFRS 13, *Fair value measurement*	1 January 2013
• HKAS 27, *Separate financial statements*	1 January 2013
• HKAS 28, *Investment in associates and joint ventures*	1 January 2013
• Revised HKAS 19, *Employee benefits*	1 January 2013
• Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
• Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
• HKFRS 9, *Financial instruments*	1 January 2015
• Amendments to HKFRS 9, *Financial instruments* and HKFRS 7 *Financial Instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial position and results of operations.

30 INTEREST IN SUBSIDIARIES

	The Company At 31 December	
	2011	2010
	RMB million	*RMB million*
Unlisted shares	**15,321**	1,457

The principal activity of the Company is investment holding.

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Particulars of the Group's principal subsidiaries are as follows:

Held directly by the Company:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2011	2010			*(million)*
CCIL	*(i)*	**100%**	67.24%	Investment holding	USD	112
ACHK	*(i)*	**100%**	65.60%	Investment holding	USD	216
Shanghai Art Management and Service Co., Ltd.		**100%**	100.00%	Consulting Service	USD	0.1

Held directly or indirectly by CCIL:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2011	2010			*(million)*
Concord Champion Limited	*(i)*	**–**	67.24%	Investment holding	USD	–
Sinostar Limited	*(i)*	**–**	67.24%	Investment holding	USD	1
RT-MART Limited Shanghai	*(ii)*	**94.37%**	64.05%	Retailing	USD	30
Jiangsu Bairuen Logistics Co., Ltd.	*(iii)*	**94.37%**	64.05%	Retailing	RMB	1
Jiaxing Xiuzhou Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	RMB	15
People's RT-MART Limited Jinan	*(ii)*	**90.33%**	61.31%	Retailing	USD	21
Shanghai Rose Consulting Co., Ltd.		**94.37%**	64.05%	Consulting	USD	0.4
Nantong Tongruenfa Hypermarket Co., Ltd	*(iii)*	**94.37%**	–	Retailing	RMB	5
Qingdao Ruentex Enterprises Co., Ltd.		**94.37%**	64.05%	Retailing	RMB	200
Wuhan RT-MART Jianghan Hypermarket Development Co., Ltd.		**94.37%**	64.05%	Retailing	USD	8
Shenyang Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	9
Haerbin RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	8
Kunshan Ruenhua Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	RMB	165
Shenyang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	7
Shanghai Jiji Commercial and Trading Co., Ltd.	*(iii)*	**94.37%**	64.05%	Retailing	RMB	10
Suzhou Ruenrui Commercial Co., Ltd.	*(iii)*	**94.37%**	64.05%	Retailing	RMB	9
Foshan Shunde RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	7
Suzhou Concord Warehousing Co.,Ltd.		**94.37%**	64.05%	Warehousing	USD	31
Concord Investment (China) Co., Ltd.		**94.37%**	64.05%	Investment holding	USD	229
Changshu Concord Property Co., Ltd.		**94.37%**	64.05%	Property development and leasing	USD	7
Shanghai Minhang RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Huainan RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Beihai RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Taixing Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Qingdao Chunyang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2011	2010	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Jilin Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Shanghai Fengxian RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Guangzhou Tianmei Ruenfu Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Hainan RT-MART Commercial Co.,Ltd.		**94.37%**	64.05%	Retailing	USD	2
Changde RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	1
Zhuji RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Tangshan Ruenliang Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Taian Shenguotou Property Co., Ltd.		**94.37%**	64.05%	Retailing, property development and leasing	RMB	40
Rugao RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Shaoguan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Jingzhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Shenzhen RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Hangzhou Yongfeng RT-MART Hypermarket Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Shanghai Jiading RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Laiwu RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	5
Changzhou Changhong RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Hefei Qingxi RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Wujiang Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Nanchang Xihu RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Foshan Nanhai Ruenliang Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
RT-Mart Holdings Limited	*(i)*	**100%**	67.24%	Investment holding	USD	112
Tongzhou Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Haerbin Ruenfu Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Qiqiha'er Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Shanghai Zhabei Nanqu RT- MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Pinghu RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Lianyungang Ruenliang Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Fenghua RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Shanghai Minhang Huacao RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	12
Cixi RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	7
Qingdao Jimo Zhenhua RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Lanzhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Tianjin Changhu RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Xi'an RT-MART Hypermarket Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Anqing RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Anshan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Tonglu RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	6
Huai'an Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	1
Suqian Ruenliang Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Shenzhen Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	1

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	Note	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2011	2010		*(million)*	
Jiangmen RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Zhaoqing RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Xiamen Ruenrui Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Changsha Ruenliang Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Fuyang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Haiyan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Guangzhou Ruenping Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Changxing Ruenrui Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Jiande RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Zhangjiagang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Yunnan Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Changzhou Huaide RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Hefei Luyang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Shanghai Sijing RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Guangzhou Concord Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Jining RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Wuhu RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Huaibei RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Suzhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Xinghua Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Rongcheng RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Deyang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Weihai Ruenhua Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Chaoyang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Jilin RT-MART Hypermarket Co., Ltd.		**94.37%**	64.05%	Retailing	USD	1
Putian Ruende Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Weinan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Yancheng Jiaruenfa Investment Management Co., Ltd.	*(iii)*	**94.37%**	–	Property development and leasing	RMB	10
Jurong RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Dafeng Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	16
Baoji RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Taizhou Huangyan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Suzhou Ruende Commercial Co., Ltd.	*(iii)*	**94.37%**	64.05%	Retailing	RMB	3
Zibo RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Beijing Ruenfu Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Dongguan Ruende Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Hefei Yaohai RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Heze Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Zibo Concord RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Foshan Nanhai Ruenrui Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2011	2010	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Shuyang Ruentex Commercial Co., Ltd.	*(iii)*	**94.37%**	64.05%	Retailing	RMB	15
Yantai RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Dongying Concord RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Daqing RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Jianhu RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	10
Wuhan Ruende Hypermarket Development Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Tongliao Ruentex Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Nanchang Chenghu RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Suzhou Xuguan Ruenhua Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Rizhao RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Meishan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	7
Laiyang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	12
Shanghai Sanlin RT-MART Commercial and Trading Co., Ltd		**94.37%**	64.05%	Retailing	USD	2
Qingdao Concord RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Weifang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Binhai RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Suzhou Baodai Ruentex Commercial Co., Ltd.	*(iii)*	**94.37%**	64.05%	Retailing	RMB	15
Xiangshan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Cixi Guanhaiwei RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Jinan Concord Warehousing Co., Ltd.	*(iii)*	**94.37%**	64.05%	Warehousing	RMB	15
Shenyang Sujiatun RT-MART Commercial Co., Ltd.	*(iii)*	**94.37%**	–	Retailing	RMB	128
Yangjiang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Songyuan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Kaifeng Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Shenyang RT-MART Warehousing Co., Ltd.		**94.37%**	64.05%	Warehousing	USD	11
Guangzhou Ruendefa Warehousing Co., Ltd.		**94.37%**	64.05%	Warehousing	USD	16
Chengdu Xingfu RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Yueyang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	13/10
Zhangzhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	6
Kunshan Qiandeng Ruenping Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	7
Huaihua RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Zhengzhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Hefei Feicui RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Yancheng RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Nantong Ruenhua Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Changsha Ningxiang Ruenfu Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Binzhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2011	2010			*(million)*
Weifang Concord RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Nanchong Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Liuzhou Ruenping Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Lianshui Ruenhua Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Huludao RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Cangnan Longgang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3/1
Qingzhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Huangshan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/–
Qingdao Jiaozhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Nanchong Ruenhua Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Jiashan RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Jinjiang Ruende Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	6
Zhucheng RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Changzhou Zhujiang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Yichang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Xuzhou Ruenhua Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Dongtai RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Lianyungang Ruenyun Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Zhangjiagang Jingang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3/1
Zhengzhou Ruenrui Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Taizhou Gaogang Ruenliang Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Yongkang Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	7
Dongguan Zhangmutou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Yancheng Xianfengdao RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Zaozhuang RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Shanghai Baoshan Luodian RT-MART Commercial and Trading Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Yangzhou Ruenliang Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Xiaogan RT-MART Commercial Co., Ltd		**94.37%**	64.05%	Retailing	USD	2/0.4
Changchun Ruentex Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Ganzhou RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Zhenjiang Jingkou Ruenjing Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Yangzhou Ruenhan Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	3
Hefei Baohe RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2/0.4
Fuzhou Jinrong RT-MART Commercial Co., Ltd.		**94.37%**	64.05%	Retailing	USD	2
Mianyang RT-MART Commercial and Trading Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Suzhou Ruenping Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Haerbin Daowai RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Sichuan RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	7/1
Dongguan Humen RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Changzhou Guanhe RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Kunshan Ruenliang RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	12/2
Shanghai Jiading Anting RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2011	2010	Principal activities	Registered capital/issued and fully paid up capital (*million*)	
Guangde RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Dingyuan RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Wengdeng RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Nanling RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Jinghong RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Chizhou RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Wuxi Ruentex Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Peixian RT-MART Commercial and Trading Co., Ltd.		**94.37%**	–	Retailing	USD	2
Haicheng RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Huaian RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Longyan RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Foshan Gaoming Ruenping Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Jinhua RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	3/0.5
Jinan Shizhong RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	RMB	5
Bengbu Ruenhua Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Qingdao Laoshan RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Liuzhou Ruenhan Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Jinan Tianqiao RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	RMB	5
Dongyang RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Donghai Ruenyun RT-MART Commercial and Trading Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Zhenjiang Ruencheng RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	3
Yixing RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Guangzhou Ruenzeng Commercial and Trading Co., Ltd.		**94.37%**	–	Retailing	USD	2
Shanghai Nicheng RT-MART Commercial and Trading Co., Ltd.		**94.37%**	–	Retailing	USD	2/0.4
Weihai Ruentai Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Jiangmen Ruenliang Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Jiujiang RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Shenzhen Kangruenhua Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/-
Foshan Ruenguo Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
An'xi RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2
Liyang RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/-
Anshun RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/-
Yibing RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/-
Chuzhou RT-MART Commercial Co., Ltd.		**94.37%**	–	Retailing	USD	2/-

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by ACHK:

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2011	2010	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Shanghai Auchan Hypermarkets Co., Ltd.	*(ii)*	**96.85%**	64.46%	Retailing	USD	18
Wuxi Immochan Real Estate Co., Ltd.	*(ii)*	**100%**	65.60%	Property development and leasing	RMB	66
Suzhou Industrial Park Immochan Real Estate Co., Ltd.		**96.85%**	64.46%	Property development and leasing	RMB	140
Suzhou Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	RMB	80
Hangzhou Auchan Hypermarkets Co., Ltd.	*(ii)*	**96.85%**	64.46%	Retailing	USD	23
Nanjing Immochan Real Estate Co., Ltd.		**96.85%**	64.46%	Property development and leasing	USD	8
Ningbo Immochan Real Estate Co., Ltd.		**96.85%**	64.46%	Property development and leasing	RMB	56
Auchan (China) Investment Co., Ltd.		**96.85%**	64.46%	Consulting service and investment	USD	300/211
Tianjin Immochan Real Estate Co., Ltd.		**100%**	65.60%	Property development and leasing	USD	8
Chengdu Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	RMB	110
Beijing Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	RMB	50
Tianjin Auchan Hypermarkets Co., Ltd.		**100%**	65.60%	Retailing	RMB	50
Shanghai New Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	RMB	128
Beijing Immochan Consultation Co., Ltd.		**96.85%**	65.60%	Property development and leasing	RMB	96
Nanjing Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	RMB	50
Ningbo Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	RMB	60
Nanjing Jinshang Property Co., Ltd.	*(ii)*	**100%**	65.60%	Property development and leasing	RMB	130
Nanjing Ningshang Property Co., Ltd.		**96.85%**	64.46%	Property development and leasing	RMB	80
Shuangliu Zhongsen Real Estate Development Co., Ltd.	*(iii)*	**96.85%**	64.46%	Property development and leasing	RMB	30
Jiaxing Immochan Real Estate Co., Ltd.		**96.85%**	64.46%	Property development and leasing	USD	6
Zhoushan Immochan Real Estate Co., Ltd.		**96.85%**	64.46%	Property development and leasing	RMB	57
Changzhou Immochan Real Estate Co., Ltd.	*(ii)*	**96.85%**	64.46%	Property development and leasing	USD	22
Taizhou Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	USD	10
Changzhou Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	RMB	122
Yangzhou Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	USD	8
Anhui Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	USD	12
Jiaxing Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	USD	6
Zhenjiang Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	USD	12
Wuxi Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	USD	6
Huzhou Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	USD	10
Shanghai Auchan Information and Technique Development Co., Ltd.		**96.85%**	64.46%	Research and development service	USD	1
Nantong Auchan Hypermarkets Co., Ltd.		**96.85%**	64.46%	Retailing	USD	12/10
Nantong New Auchan Hypermarkets Co., Ltd.		**96.85%**	–	Retailing	USD	10/2
Yantai Auchan Hypermarkets Co., Ltd.		**96.85%**	–	Retailing	USD	20/10

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Note:

(i) RT-Mart Holdings Limited and ACHK are incorporated in Hong Kong. CCIL is incorporated in the Cayman Islands. Concord Champion Limited and Sinostar Limited were incorporated in the British Virgin Islands and were liquidated during 2011. All other subsidiaries are established and operated in the PRC.

(ii) These subsidiaries are co-operative joint ventures. With the exception of People's RT-MART Limited Jinan, the joint venture partners are only entitled to fixed returns and do not otherwise participate in the profit or loss of these subsidiaries pursuant to the joint venture agreements (note 19).

(iii) These subsidiaries are domestic enterprises.

CIC and ACI are sino-foreign equity joint ventures. Except for (ii) and (iii), all other subsidiaries of the Group which are established in the PRC are wholly foreign owned enterprises.

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

31 SUBSEQUENT EVENTS

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 21(b).

FINANCIAL SUMMARY

A summary of the published consolidated results and assets, liabilities, equity and non-controlling interests of the Group for the last four financial years is set out below:

	Year Ended 31 December			
	2011	2010	2009	2008
		RMB million		
Turnover	**68,084**	56,168	45,394	37,852
Gross Profit	**13,857**	10,968	8,580	7,089
Profit from Operations	**2,906**	2,474	1,953	1,527
Profit for the Year	**1,985**	1,614	1,254	1,016
Profit attributable to:				
Equity shareholders of the Company	**1,600**	1,031	811	680
Non-Controlling Interests	**385**	583	443	336

	At 31 December			
	2011	2010	2009	2008
		RMB million		
Total assets	**41,346**	29,853	23,668	20,514
Total liabilities	**25,829**	23,033	17,476	15,726
Equity attributable to:				
Equity shareholders of the Company	**15,139**	4,403	4,005	3,191
Non-Controlling Interests	**378**	2,417	2,187	1,597

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The above summary does not form a part of the consolidated financial statements.

Sun Art Retail Group Limited

(Incorporated in Hong Kong with limited liability)