SUN ART
Retail Group Limited

Sun Art Retail Group Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 6808

Annual Report 2012

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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)*
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Philippe David BAROUKH
Xavier Marie Alain DELOM de MEZERAC

Independent Non-Executive Directors

Karen Yifen CHANG
Desmond MURRAY
HE Yi

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
Desmond MURRAY
HE Yi

NOMINATION COMMITTEE

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

COMPANY SECRETARY

HO Siu Pik, FCIS, FCS (PE)

AUTHORISED REPRESENTATIVES

Bruno Robert MERCIER
HO Siu Pik

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COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

	For the year ended 31 December		
	2012	2011	**Change**
	RMB million	*RMB million*	
Turnover	**77,851**	68,084	14.3%
Gross Profit	**16,150**	13,857	16.5%
Profit from Operations	**3,518**	2,906	21.1%
Profit for the Year	**2,533**	1,985	27.6%
Profit Attributable to Equity Shareholders of the Company	**2,409**	1,600[1]	50.6%
Earnings Per Share ("EPS") – Basic and diluted [2]	**RMB0.25**	RMB0.20	25.0%

	As at 31 December		
	2012	2011	Change
	RMB million	*RMB million*	
Total Assets	**44,585**	41,346	7.8%
Total Liabilities	**27,227**	25,829	5.4%
Net Assets	**17,358**	15,517	11.9%
Gearing Ratio [3]	**0.61**	0.62	
Current Ratio [4]	**0.79**	0.84	

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 basic and diluted EPS is based on the weighted average number of ordinary shares in issue during the year (2012: 9,539,704,700 shares and 2011: 7,805,626,406 shares including the new shares issued for the reorganisation, in initial public offering ("**IPO**") and upon 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives me great pleasure to report to you the substantial progress made in 2012 by Sun Art Retail Group Limited, posting again solid results in the second year after our IPO.

We have, during a year of slowing GDP growth, been able to continue to improve our profitability while opening 43 new stores, gaining market share in a context where investment in our industry has been rather subdued compared to previous years.

We believe our continuous emphasis on customer needs, which are changing by the day, and investment in employee training, explains this performance and will continue to help us to ensure a high level of customer satisfaction, translating into sustained levels of turnover, margins and profit for the Company.

In 2013, our Board, beyond monitoring financials, integrating principal risks and ensuring compliance, will provide further strategic guidance to our management team to continue to grow at a sustained rate, and face multi-faceted competitive challenges in China's retail market.

Cheng Chuan-Tai
Chairman of the Board

15 March 2013

Dear Shareholders,

2012 was a challenging year for the Chinese entire retail industry, with a slowing of GDP growth for most of the year. Nonetheless, I am happy to report Sun Art Retail Group did manage to achieve strong results from our operations in China.

Our sales revenue grew 14.1% to RMB75,936 million in 2012. The key drivers of our growth were the same store sales growth at 3.3% and the successful opening of 43 stores during the year (another 3 stores opened during the first two months of 2013). According to Euromonitor "Retailing in China" report, our leading position on the market continued to improve with our market share increasing 0.5 percentage points to 13.6%.

Our rental income increased 24.0% reflecting the pulling power of the customer traffic of our two brands RT-Mart and Auchan. More and more reputed local and international brands are asking to open shops in our commercial centres in 2012. We had the pleasure to welcome UNIQLO and Starbucks, on top of the existing roster of brands.

In order to open those stores we invested a total of RMB3,377 million, as well as RMB1,631 million to renovate older stores in order to keep the momentum of same store sales growth. Our total investment therefore increased 20.4% over 2011.

Our profitability continued to improve, with a profit after tax reaching RMB2,533 million, an increase of 27.6% over 2011. As a consequence, and in line with indications provided before IPO, the Board has recommended the payment of a dividend of HKD1,145 million, translating into HKD0.12 per share.

This profitability was driven by a strong increase in operating profit, which grew 21.1%, with an increase in profit margin of 0.2 percentage points from 4.3% to 4.5%.

In order to continue to improve our cost position, we will continue to strive to improve our operational effectiveness: the RT-Mart banner South and North East logistics centres are now fully operational, and have started to deliver some products to the recently opened Auchan banner stores in these regions. The Auchan banner East China logistics centre should start operating in March 2013. Besides a number of initiatives have been taken at store level to improve our productivity.

We also made great progress in the commercial development of own brands and sold more than 100 million items under the "Big Thumb", "RT-Mart" and "Auchan" brands in 2012. We anticipate the growth of these products to grow at more than 30% as existing items are rolled in new regions and new products are being created.

We expect that these various initiatives will help us to continue to enjoy good same store sales growth. We will also continue to open stores at a sustained rate, since we have on hand a portfolio of 157 firm commitments (lease contracts or land/building purchase contracts) for future store openings in the next three years.

We also want to continue to ensure we are recognized as a valued partner by our suppliers, governments and society in general. In 2012 our banners made strides in their sustainable development initiatives. Auchan was the first retail enterprise in China to obtain carbon credits and LEED certification for its Wuxi store. The Lianshui, Sujiatun and Sanlin store under RT-Mart won the title of being three of the "One Hundred Exemplary Low-carbon Emission Shops Nationwide" issued by the China Chain Store & Franchise Association, joining Zhabei, Dafeng and Tiansha store, for a total of six RT-Mart stores having won the title.

Looking forward, 2013 remains a challenging year, given that uncertainties over the state of the global economy have not been dispelled yet. However, we believe that through our sustained investments in employee training we should be able to provide a consistent quality customer experience nationwide and continuously improve our competitive position in China's growing retailing market.

Bruno Robert Mercier
Chief Executive Officer
Executive Director

15 March 2013

FINANCIAL REVIEW

Turnover

Our turnover is derived from sales of goods and rental income. Turnover from sales of goods is primarily derived at our hypermarkets, where merchandise, mainly food, groceries and home appliances are laid out for sale. Turnover from sales of goods 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 years indicated:

	Year ended 31 December		
	2012 (RMB million)	2011 *(RMB million)*	**Change**
Sales of goods	**75,936**	66,540	14.1%
Rental income	**1,915**	1,544	24.0%
Total turnover	**77,851**	68,084	14.3%

For the year ended 31 December 2012, our turnover from sales of goods was RMB75,936 million, an increase of RMB9,396 million, or 14.1%, from RMB66,540 million for the year ended 31 December 2011. The increase was primarily attributable to the continuous business expansion of the Group with the opening of new stores[(1)] and the same store sales growth[(2)] (the "**SSSG**").

For the year ended 31 December 2012, the Group opened 43 stores located in various areas of China. The new stores contributed to the increase in sales of goods.

For the year ended 31 December 2012, the SSSG was 3.3%. Stores opened in 2011 gradually became mature and attracted customers through various promotion activities.

For the year ended 31 December 2012, our turnover from rental income was RMB1,915 million, an increase of RMB371 million, or 24.0%, from RMB1,544 million for the year ended 31 December 2011. This increase was primarily attributable to an increase in leasable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

Notes:

(1) New stores: stores opened during the year ended 31 December 2012.

(2) Same store sales growth: the growth rate of sales of the stores opened before 31 December 2011. It is calculated by comparing the sales derived from those stores during their operating periods in 2011 with sales during the corresponding periods in 2012.

Gross Profit

For the year ended 31 December 2012, our gross profit was RMB16,150 million, an increase of RMB2,293 million, or 16.5%, from RMB13,857 million for the year ended 31 December 2011. Our gross profit margin remained stable with a slight increase of 0.3 percentage points during the year ended 31 December 2012. The increase in our gross profit margin was due to a greater increase in turnover of 14.3% as compared to increase in cost of sales of 13.8%, reflecting (i) better management on product category mix to bring a higher profit margin and (ii) economies of scale due to our expanding business operation.

Other Revenue

The other revenue consists of income from the disposal of packaging materials, interest income, service income, government grants and other miscellaneous revenue.

For the year ended 31 December 2012, the other revenue was RMB564 million, an increase of RMB150 million, or 36.2%, from RMB414 million for year ended 31 December 2011. This increase was primarily attributable to the increase in interest income from the investment to principal guaranteed financial products with a higher return rate than bank deposits. For the year ended 31 December 2012, the Group received compensation of RMB30 million in respect of a lease dispute, which also contributed to the increase in other revenue.

Store Operating Costs

Store operating costs represent the costs attributable 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 amortisation and depreciation of land use rights and property, plant and equipment at our stores.

For the year ended 31 December 2012, the store operating costs were RMB11,400 million, an increase of RMB1,884 million, or 19.8%, from RMB9,516 million for the year ended 31 December 2011.

This increase was primarily attributable to the increase in the number of stores in accordance with the on-going expansion of our hypermarket network. The expansion of our hypermarket network required the recruitment of new staff which led to an increase in personnel expenses. Also, new stores, operated on leased or self-owned sites, resulted in an increase in rental expenses and amortisation and depreciation of land use rights, property, plant and equipment at our stores.

Administrative Expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, amortisation and depreciation of land use rights, property, plant and equipment and other expenses for our administrative departments. For the year ended 31 December 2012, our administrative expenses were RMB1,796 million, a decrease of RMB53 million, or 2.9%, from RMB1,849 million for the year ended 31 December 2011. The Group recognised the listing expenses of approximately RMB46 million in the year ended 31 December 2011 while there was no such cost for 2012. This contributed to the decrease in administrative expenses in the year ended 31 December 2012. In addition, there was a decrease in certain tax charges due to changes in regulation and changes in the taxes on certain rebates.

Profit from Operations

For the year ended 31 December 2012, our profit from operations was RMB3,518 million, an increase of RMB612 million, or 21.1%, from RMB2,906 million for the year ended 31 December 2011. Our operating margin was 4.5%, an increase of 0.2 percentage points from 4.3% for the year ended 31 December 2011, which demonstrated the ability of the Group to leverage on the expanding business scale and exploit the fixed costs base to improve profitability.

Finance Costs

Finance costs primarily consist of interest expenses on borrowings. For the year ended 31 December 2012, our finance costs were RMB12 million, a decrease of RMB78 million, or 86.7%, from RMB90 million for the year ended 31 December 2011. This decrease was primarily attributed to a decrease in the balance of borrowings with the repayment of the bank borrowings made in the second half of 2011.

Income Tax

For the year ended 31 December 2012, our income tax expense was RMB973 million, an increase of RMB142 million, or 17.1%, from RMB831 million for the year ended 31 December 2011. Our effective income tax rate was 27.8% for the year ended 31 December 2012 compared to 29.5% for the year ended 31 December 2011, since more new stores turned profitable and started the utilisation of taxes losses for which no deferred tax asset was recognised in prior years.

Profit for the Year

For the year ended 31 December 2012, our profit for the year was RMB2,533 million, with an increase of RMB548 million, or 27.6%, from RMB1,985 million for the year ended 31 December 2011. Our net profit margin was 3.3% for the year ended 31 December 2012, increasing from 2.9% for the year ended 31 December 2011. The increase was primarily attributable to an increase in the operating margin by 0.2 percentage points, a decrease in finance costs and the lower effective income tax rate for the year ended 31 December 2012.

Profit Attributable to Equity Shareholders of the Company

For the year ended 31 December 2012, our profit attributable to equity shareholders of the Company was RMB2,409 million, an increase of RMB809 million, or 50.6%, from RMB1,600 million for the year ended 31 December 2011.

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 2012, cash flow generated from operating activities was RMB5,583 million, a decrease of RMB181 million, or 3.1%, from RMB5,764 million for the year ended 31 December 2011.

As of 31 December 2012, our net current liabilities increased to RMB5,582 million from RMB4,107 million as of 31 December 2011. This increase was primarily attributed to: (i) a decrease in the current assets of RMB96 million, with a reduced level of inventories and of trade and other receivables as at 31 December 2012, partially offset by the rise in the combined balance of cash and cash equivalents and available-for-sale financial assets; and (ii) an increase in trade payables and other payables of RMB1,145 million, reflecting an increase in advance receipts from customers of RMB1,258 million from prepaid cards. This results from the on-going expansion of prepaid card sales, partially offset by the decrease in the balance of trade payables.

For the year ended 31 December 2012, the inventory turnover days and trade payable turnover days were 61 days and 87 days respectively, while the inventory turnover days and trade payable days were 59 days and 91 days for the year ended 31 December 2011 respectively.

Available-for-sale financial assets represented the investments made by the Group in short-term financial products issued by commercial banks in the PRC. These investments are principal guaranteed, with maturity dates from 3 to 9 months. The expected but not guaranteed return rates vary between 2.7% and 5.5% per annum.

Investing Activities

For the year ended 31 December 2012, cash flow used in investing activities was RMB6,862 million, an increase of RMB1,599 million, or 30.4%, from RMB5,263 million for the year ended 31 December 2011.

The cash flow used in investing activities mainly reflected (i) a net investment in short-term financial products for RMB1,965 million; and (ii) capital expenditure for RMB5,362 million, including: (a) new stores and projects for RMB3,668 million; (b) the upgrading and remodelling of our existing hypermarkets for RMB1,631 million; and (c) the upgrading of existing distribution centres for RMB63 million.

Financing Activities

For the year ended 31 December 2012, cash flow used in financing activities was RMB481 million, as compared to cash generated from financing activities of RMB3,730 million for the year ended 31 December 2011. The change was primarily attributable to the fact that the Group received net proceeds from IPO ("**Net Proceeds**") of RMB7,625 million during the year ended 31 December 2011 while there was no such proceeds for 2012. The fluctuation was also due to: (i) a decrease in dividend distribution for the year ended 31 December 2012 of RMB1,055 million; and (ii) net borrowing from banks of RMB204 million, while there was a net repayment of bank loans of RMB2,157 million for 2011.

The Group expects to finance future capital expenditures through a combination of cash flow generated from operating activities and bank loans.

Dividends

The Board proposed a final dividend of HK$0.12 (equivalent to RMB0.10) per ordinary share (the "**Final Dividend**") for the year ended 31 December 2012, amounting to approximately HK$1,145 million (equivalent to RMB926 million). 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 15 May 2013.

For details of the Final Dividend, please refer to the section headed "Final Dividends" in the Report of Directors on page 22.

BUSINESS REVIEW

Macroeconomic Environment

In 2012, China succeeded in steering its economy to a "soft landing". The gross domestic product ("**GDP**") grew by 7.8% to approximately RMB51,932.2 billion. The growth in the consumer price index slowed down to 2.6%. The economic slowdown and lower consumer price index posed challenges to the top line growth of retail businesses, and the growth in total annual retail sales of consumer goods (according to National Bureau of Statistics) decreased by 2.8 percentage points to 14.3%, still a high level.

As a result of some of China's economy transition reforms, final consumption expenditures contributed 51.8% to the country's GDP in 2012 and became the prominent driver of growth. Meanwhile, the service sector's share of the country's GDP in 2012 increased by 1.2 percentage points, while the country's urbanization rate grew by 1.3 percentage points up to 52.6%. The per capita disposable income of urban residents reached RMB24,565, representing a nominal increase of 12.6% over the previous year. Adjusted for inflation, the per capita disposable income actually grew by 1.2 percentage points to 9.6%.

Expansion of Retail Network

In 2012, the Group continued to open new stores at a steady pace. During the year under review, it opened 43 hypermarket complexes, of which 9 were under the Auchan banner and 34 were under the RT-Mart banner. Of the new stores, 12 were located in Eastern China, 3 in Northern China, 10 in Central China, 4 in North-Eastern China, 10 in Southern China and 4 in Western China. Please refer to note 1 for definitions of regional divisions.

As of 31 December 2012, of the Group's stores, 11% were located in first-tier cities, 19% in second-tier cities, 44% in third-tier cities, 20% in fourth-tier cities and 6% in fifth-tier cities. Please refer to note 2 for definitions of tiers.

During the year under review, the Group continued to proactively seek opportunities to open new stores. As of 31 December 2012, through execution of lease contracts or acquisition of land parcels, the Group had identified and secured 157 sites to open hypermarket complexes, of which 101 were under construction, ensuring sufficient sites for the Group's expansion in the next three years and laying a solid ground for the Group's development in the medium term. Of the contracted sites, 3% were located in first-tier cities, 16% in second-tier cities, 50% in third-tier cities, 24% in fourth-tier cities and 7% in fifth-tier cities.

As of 31 December 2012, the Group had a total of 273 hypermarket complexes in China, with a total gross floor area ("**GFA**") of approximately 7.64 million square meters, of which approximately 66% were operated on leased spaces and 34% were in self-owned properties. The number of such stores and their GFA in each major region of China are set forth below:

Region	Number of hypermarket complexes (As of 31 December 2012)			Total GFA of hypermarket complexes (sq.m.) (As of 31 December 2012)		
	Auchan	RT-Mart	Total	Auchan	RT-Mart	Total
Eastern China	39	87	126	1,574,484.4	2,194,678.0	3,769,162.4
Northern China	6	28	34	196,443.8	680,582.0	877,025.8
Northeastern China	1	24	25	23,906.0	667,220.0	691,126.0
Southern China	1	41	42	15,968.0	1,018,231.0	1,034,199.0
Central China	4	30	34	138,095.8	763,425.0	901,520.8
Western China	3	9	12	150,447.5	220,427.0	370,874.5
Total	54	219	273	2,099,345.5	5,544,563.0	7,643,908.5

(1) According to the national guidance of economic regional planning, the Group uses the following regional divisions:

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

(2) City tiers were defined as follows:

First-tier cities:	Municipalities under the direct jurisdiction of the central government and Guangzhou
Second-tier cities:	Provincial capitals and sub-provincial cities
Third-tier cities:	Prefecture-level cities
Fourth-tier cities:	County-level cities
Fifth-tier cities:	Townships and towns

Store Improvement

During the year under review, the Group continued to improve the shopping environment of its stores and enhance customers' shopping convenience by expanding the area of some of its hypermarket complexes and car parks, including those of Auchan Changyang, Chengdu Jinniu, Nanjing Hanzhongmen, Suzhou Xingtang as well as RT-Mart Xiaoshan and Taicang Stores.

The Group's two banners upgraded the fresh food, cooked food, bakery areas in some stores according to its annual schedule to offer a greater selection of made-on-site merchandise at the fresh food areas and to accentuate the freshness of its fresh products on display. The RT-Mart banner upgraded the apparel retail area to display apparel goods to the standards of brand name specialist retailers.

The Group also upgraded the retail galleries of some stores, carried out renovations, expanded their area and adjusted the tenants mix. As a result, the retail galleries are becoming more diverse and offering better services thereby differentiating from competitors.

Optimization of Procurement and Merchandise Mix

The Group always attaches great importance to good strategic relationships with its suppliers. According to the "2012 Supplier Satisfaction Survey" issued by Shanghai Business Information Center, RT-Mart and Auchan ranked No. 1 and No. 4 respectively in the "2012 hypermarket retail format overall satisfaction index". Meanwhile, RT-Mart ranked No. 1 in indexes in execution capability, replenishment and distribution, and management of merchandise mix.

During the year under review, the Group's two banners aligned their contractual conditions, thereby facilitating the progress of their common negotiation with suppliers. Consequently around 32% of the total Group turnover was negotiated in common during the year.

The Group puts customers' demands in the first place and endeavours to satisfy their wants and needs. It closely monitors the latest consumption trends, the needs of different consumer groups and keeps enriching the choice of merchandise to meet evolving demand. For instance, it offers a rich array of seasonal agricultural products, local specialties, packed fruits and vegetables and cooked foods. It also has introduced more health and functional products as well as products for children and elderly.

The Group strives to offer high quality fresh products which are good value for money. During the year under review, the Group responded to the government's policy of benefiting people by setting up "bargain corners" in its shops to sell vegetables for RMB1 per piece. The move was well received by customers. The Group's fresh products procurement base has been expanding through various measures including "connection between farms and hypermarkets" and direct procurement of goods at their places of production. This has ensured a stable supply of quality fresh products. Meanwhile, intensive training was provided to fresh product employees, such as "cooking school" and "bakers' training" to strengthen their professional skills.

Own brands are essential to the Group's capability to meet consumers' varying demands and provide differentiated products, and thus are key to enhance the Group's competitiveness. During the year, the Group's own brand team introduced over 700 new products under the Group's own brands to satisfy customers' needs. It also made improvements to their packaging and design.

Optimization of Supply Chain Management

During the year under review, RT-Mart's two logistics centres, which were opened respectively in Southern China and Northeastern China in 2011, have been operating smoothly for a year and the staff's professionalism has increased. Meanwhile, the systems at the logistics centres were customized and improved to enable the introduction of more fast-moving merchandises and high volume items. In addition, the usage rate and loading capacity of the Group's trucks were improved through better routes, scheduling and communication with stores. The overall inventory level and operating costs were reduced as the operations became smoother. The Group's distribution center in eastern China enlarged its fleet of self-owned trucks during the year to cope with rapid growth. The distribution center in Eastern China also won the title of "Best Logistics Advanced Unit and Container Non-delivery Exemplary Unit in Jiangsu Province in 2012". The Auchan banner also set up a distribution center in Eastern China, which is scheduled to commence operations in 2013.

Our IT systems contributed to improving our operational efficiency and cost cutting through ongoing optimization. During the year under review, certain Auchan stores' third-party cashier systems were replaced by the Group's own developed systems. This will effectively reduce their investment in the cashier systems and operating costs. Meanwhile, the launch of an indirect procurement system, together with the common negotiation of equipment and consumables will enable the Group to control its procurement more effectively and reduce costs.

Operating Efficiency Enhancement

During the year under review, many of the Group's stores raised the efficiency of energy consumption by installing automatic lighting control systems, air-conditioners with automatic energy saving systems as well as freezers and refrigerators with energy saving and adjustment systems.

During the year under review, Auchan adopted the "LOHAS" management program, which aims at enhancing operating efficiency. In the program, the Group collected the staff's opinions to identify and remedy weaknesses which may affect operating efficiency. A trial run of the program was conducted in one store, with the cashier department and mass consumer products division singled out for study, and significant progress has been achieved. For instance, the proportion of merchandise with unreadable barcodes at the cashier department dropped significantly and working hours reduced. In the future, the program will be rolled in all stores.

RT-Mart reviewed and improved 160 operational procedures (including management of merchandise entry, sales and inventory, equipment and consumables, damage prevention and maintenance and repair as well as the operation of retail galleries) in order to meet the objectives of lean management and operational efficiency enhancement.

Optimization of Human Resources Management and Training

As at 31 December 2012, the Group had 118,335 employees. To promote our rapid growth, the Group implemented an effective human resource optimization strategy. Dependable staff have been developed at stores and their productivity has been improved through the upgrading of human resources systems and staff on-job training.

Auchan rolled out its first "Staff Engagement Survey", through which data and information regarding staff's satisfaction with the Company and their engagement was obtained. Based on the survey findings as well as through meetings with employees, communication with staff about wages and benefits, job opportunities and corporate brand recognition was strengthened. Auchan was accredited with the "Best Performance Compensation Management Model in 2012" and "China's Best HR Exemplary Enterprise in 2012" by "www.51job.com" during the year.

A professional fresh products training school was established by RT-Mart and opened, which improved the efficiency of the technicians who have been trained and allowed the development of new fresh products favored by customers. The employees of both banners attended trainings and hundreds of proficient fresh products masters were deployed in stores. In addition, a standard version of teaching materials have been developed and were used in programs such as "Three-Star Staff Training" and "Fire Safety Training". After becoming the first corporate training institution to be entitled to government subsidies in Shanghai in 2011, RT-Mart's training base in the city has trained a number of staff, who have passed the State's salespersons qualification examinations.

Environment and Social Responsibilities

The Group works to comply with the state's regulations on environmental protection, energy conservation and the retail industry requirements in terms of hypermarkets' design, construction and business operations. The Group has been gradually establishing and improving internal procedures for garbage classification and processing and for recording, classifying and processing hazardous waste. Meanwhile, the Group took initiatives to renovate its stores to save energy and reduce emissions of exhaust gas and waste water.

The Group has formulated specifications and procedures for product quality control, which include audit system for the introduction of new suppliers merchandise. Specifically, staff of the procurement and quality inspection departments check the validity of the new suppliers' permits and licenses for production and operation and the safety of their production processes at source. They conduct site visits, on-site inspection of assessment of the production environment, evaluate raw material quality, water sources and hazard control. Only qualified vendors are accepted.

The Group aspires to be a good neighbor in the community and a good citizen. It actively participates in social activities and is committed to social responsibility. To enrich the cultural life of the community, the Group opened plazas at its stores to host a variety of cultural and recreational activities jointly with local communities. On top of providing care for the underprivileged such as the elderly, the disabled, and orphans, the Group also supported and actively participated in various charitable events hosted by local governments or social organizations.

The Group demonstrated its efforts in environmental protection and sustainable development. Auchan participated in the "Million Tree Project" for the second time, planting another 2,000 trees in the "Auchan Public Forest" in Inner Mongolia. In June, Auchan's stores launched promotional activities for 230 kinds of green products, educating consumers about their benefits. Joining forces with the "Albatross" organization, the green coach program was launched at all Auchan stores. Staff volunteers travelled to local schools or communities to train school students about sustainable development.

In 2012 Auchan's Wuxi store became the first retail company in China to obtain carbon credits and LEED (Leadership in Energy and Environmental Design) certification. The Lianshui store, Sujiatun store and Sanlin store under RT-Mart won the title of being one of the "One hundred exemplary low-carbon emission shops nationwide" by the China Chain Store & Franchise Association, joining RT-Mart's Zhabei, Dafeng and Tianshan store for a total of six RT-Mart stores to have won the title.

RT-Mart organized the "Charity Bazaar" activity on 22 June 2012. All the revenue from the sales of certain products nationwide on that day were donated to the "Forestation Program in Niba Mountain" to improve the conditions of the trails for pandas in Sichuan. From November to December, "Charity 100, RT-Mart Yiliang Caring Love Program" was launched with "Donation Stations" being set up in 52 stores in China. College volunteers called on RT-Mart's customers for donations for the primary school students at the earthquake-stricken area in Yiliang. About RMB1,825,000 worth of donations were raised from the program.

Outlook

After the 18th National People's Congress of the Chinese Communist Party, the government's plans for urbanization and household income growth should continue to fuel the long-term growth of China's domestic consumption and is positive for retailers.

The Group believes that this will provide opportunities for growth in the country's hypermarket sector. To cope with challenges resulting from intensifying competition, temporarily weak consumption and changes in consumer's purchase patterns, the Group will adopt the following measures: (1) continue to maintain growth by taking advantage of the opportunities offered by continued urbanization. It will apply strict criteria in sites selection to ensure new sites quality. (2) keep improving the logistics, distribution and IT systems to raise the efficiency of the supply chain. The Group will continue to enhance its staff's professionalism and productivity with training programs. In addition, it will step up its effort in the procurement of products at their place of origin to reduce the number of intermediaries and related costs. (3) closely monitor the trends of consumer demand and constantly adapt the merchandise mix to satisfy the consumers' changing wants and needs. It will also observe food safety regulations and exercise strict quality control when developing its own brands.

With the above measures, the competitive advantages of both Auchan and RT-Mart will be given full play. The Group has geared up for the challenges ahead and will reinforce its leading position in the market and bring better returns to its shareholders in 2013.

Executive Directors

Mr Bruno Robert MERCIER, aged 53, 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 ("**RT-Mart Int'l**"), 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 subsidiaries of the Group, including ACHK, ACI, CCIL and RT-Mart Holdings Limited ("**RT-Mart Holdings**") 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 57, 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 directors of our Board, Ruentex Industries Limited ("**Ruentex Industries**") and Sinopac Global Investment Ltd. Mr Huang is also a director 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 Int'l.

Non-Executive Directors

Mr CHENG Chuan-Tai (鄭銓泰), aged 58, is the Chairman and a non-executive director of the Company. Mr Cheng received a Master degree of Business Administration from 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 Int'l since 2001, where he is responsible for supervising and supporting its management team in the operations of hypermarkets in Taiwan.

Mr Benoit, Claude, Francois, Marie, Joseph LECLERCQ, aged 41, was appointed as a non-executive director of the Company on 12 September 2012. He has been a managing director of Crehol China Consultancy Co., Ltd. ("**Crehol China**") since 2011. Crehol China is an investment company of the Mulliez Family in PRC. The Mulliez Family comprises Mr Gerard Mulliez, who is the founder of Groupe Auchan and other members of the family in France, who hold interests in various companies under Groupe Auchan, one of the two ultimate controlling shareholders of the Company. Through various companies under Groupe Auchan, the Mulliez Family conducts or pursues various business interests in hypermarket operations, supermarket operations, real estate development, banking and e-commerce.

Mr Leclercq has been the president of Jungle & MTL Holdings, a company incorporated in the U.S.A. since 1993. Mr Leclercq is also a co-owner of (i) MTL, a weaving decoration production factory in the U.S.A.; (ii) Breteuil, a company which is a fabric furnishing agent in the U.S.A.; (iii) IPM US, a design company and converter in decoration in the U.S.A.; and (iv) Bayart Tissage, a design company and converter in decoration in France. Moreover, Mr Leclercq has been a chief executive officer in charge of coaching at Donghia, a company engaged in high end upholstery in the U.S.A. since 2005.

Mr Leclercq received a Bachelor of Arts major in international marketing and finance from Middlesex University in London in 1992 and a CESEM degree from Reims Management School in 1992.

Mr Leclercq does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company except that he is one of the family members of the Mulliez Family.

Mr Philippe David BAROUKH, aged 55, 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 since 1986, where he worked in various operational and management positions including 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 Retail Holdings Limited ("**A-RT**") and ACHK and the chief executive officer of Auchanhyper S.A. Both Auchanhyper S.A. and A-RT are the controlling shareholders of the Company.

Mr Xavier Marie Alain DELOM de MEZERAC, aged 57, is a non-executive director of the Company. Mr Mezerac received a degree from ESSEC Business School (Diplome de L'ESSEC, E'cole Supérieure des Sciences Economiques et Commerciales) in 1978. Mr Mezerac has been a director of the Company since 8 February 2001. From 1985 to 1993, Mr Mezerac 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 Mezerac was with Euro Disney S.A.S. as its chief financial officer. From 1997 to 1999, Mr Mezerac was with Alcatel Alsthom S.A. as its deputy chief financial officer. Since 1999, Mr Mezerac 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 Auchanhyper S.A. and A-RT and a director of certain of the subsidiaries of the Group, including ACHK, RT-Mart Holdings and CCIL.

Independent Non-Executive Directors

Ms Karen Yifen CHANG (張挹芬), aged 49, is an independent non-executive director of the Company and has been a director of the Company since 27 June 2011. Ms Chang is the chief executive officer of Natural Beauty Bio-Technology Limited ("**Natural Beauty**"), a leading skincare and spa chain in Greater China listed on the Main Board of the Stock Exchange, since January 2013. Ms Chang is primarily responsible for overseeing the overall strategies, planning and day-to-day operations and management of Natural Beauty. She is also a director of various subsidiaries under the Natural Beauty group. Prior to joining Natural Beauty in 2013, Ms Chang was the chief executive officer and executive director of Pou Sheng International (Holdings) Limited, a sportswear retailer in the PRC listed on the Main Board, from 2007 to April 2012. In addition, she 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.

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.

Mr Desmond MURRAY, aged 58, was appointed as an independent non-executive director of the Company on 27 July 2011. 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. 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 Hong Kong 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.

Mr HE Yi (何毅), aged 59, is an independent non-executive director of the Company. Mr He studied management and strategy from HEC International Business School (Ecole des Hautes Etudes 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 Generale 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 office 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 officer 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.

Senior Management

Mr Jean-Patrick PAUFICHET, aged 60, 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 (Diplome de L'ESSEC, E'cole Superieure des Sciences Economiques et Commerciales) in 1977.

Mr HSU Sheng-Yu (徐盛育), aged 57, 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 Shanghai RT-Mart, a subsidiary of the Group.

Mr Olivier SOULE-DE-BAS, aged 48, 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 Int'l. 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 56, 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 49, 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 China Molybdenum Company Limited (stock code: 3993), SITC International Holdings Company Limited (stock code: 1308) and Yashili International Holdings Limited (stock code: 1230), and the company secretary of China Polymetallic Mining Limited (stock code: 2133). Ms Ho was the joint company secretary of Sands China Ltd. (stock code: 1928) from 14 October 2009 to 13 April 2011.

Note:

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

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 2012.

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 75.

Financial Statements

The results of the Group for the year ended 31 December 2012 are set out in the Consolidated Statement of Comprehensive Income on page 51.

The financial condition of the Group as at 31 December 2012 is set out in the Consolidated Statement of Financial Position on pages 52 to 53.

The cash flows of the Group for the year ended 31 December 2012 are set out in the Consolidated Cash Flow Statement on pages 56 to 57.

Final Dividends

At the Board meeting held on 15 March 2013, the Directors proposed that the Final Dividend representing a total distribution of HK$1,145 million to be paid on or about 15 July 2013 to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 23 May 2013 (Thursday). The proposed final dividend is subject to approval by the shareholders of the Company at the AGM.

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 2012 are set out in the Consolidated Statement of Changes in Equity on page 55 and note 22(a) to the consolidated financial statements.

As at 31 December 2012, the Company's reserves available for distribution to shareholders in accordance with the Company's articles of association ("**Articles of Association**") amounted to RMB1,015 million.

Fixed Assets

Details of the movements in the fixed assets of the Group during the year ended 31 December 2012 are set out in note 10 to the consolidated financial statements.

Bank Loans

Details of the Group's bank loans as at 31 December 2012 are set out in note 19 to the consolidated financial statements.

Charitable Donations

Charitable and other donations made by the Group during the year ended 31 December 2012 amounted to RMB5 million.

Share Capital

Details of the movements in share capital of the Company during the year ended 31 December 2012 are set out in Note 22(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 practicable date prior to the printing of this annual report, the Company has maintained the amount of public float as approved by the Hong Kong Stock Exchange Limited (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

(a) For determining the entitlement to attend and vote at the 2013 AGM

The Company's register of members will be closed from 13 May 2013 (Monday) to 15 May 2013 (Wednesday), both dates inclusive, during which period no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the AGM, 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 no later than 4:30 p.m. on 10 May 2013 (Friday).

(b) For determining the entitlement to the proposed final dividend

The proposed Final Dividend is subject to the approval of shareholders at the 2013 AGM. For determining the entitlement to the proposed Final Dividend for the year ended 31 December 2012, the record date is fixed on 23 May 2013 (Thursday). 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 no later than 4:30 p.m. on 23 May 2013 (Thursday).

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 2012.

Directors

The Directors during the year ended 31 December 2012 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 (resigned on 12 September 2012), Philippe David BAROUKH, Xavier Marie Alain DELOM de MEZERAC and Benoit, Claude, Francois, Marie, Joseph LECLERCQ (appointed on 12 September 2012) as his alternates, save for Benoit, Claude, Francois, Marie, Joseph LECLERCQ all appointed on 13 May 2011)

HUANG Ming-Tuan (Appointed on 28 April 2011)
(CHENG Chuan-Tai as his alternate, appointed on 13 May 2011)

Non-executive directors:

CHENG Chuan-Tai *(Chairman)* (Appointed on 28 April 2011)
(HUANG Ming-Tuan as his alternate, appointed on 13 May 2011)

Benoit, Claude, Francois, Marie, Joseph LECLERCQ (Appointed on 12 September 2012),
(Bruno Robert MERCIER, Philippe David BAROUKH and Xavier Marie Alain DELOM de MEZERAC as his alternates, all appointed on 12 September 2012)

Philippe David BAROUKH (Appointed on 10 December 2010)
(Bruno Robert MERCIER, Christophe Maurice Paule Marie Joseph DUBRULLE (resigned on 12 September 2012), Xavier Marie Alain DELOM de MEZERAC and Benoit, Claude, Francois, Marie, Joseph LECLERCQ (appointed on 12 September 2012) as his alternates, save for Benoit, Claude, Francois, Marie, Joseph LECLERCQ 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 (resigned on 12 September 2012), Philippe David BAROUKH and Benoit, Claude, Francois, Marie, Joseph LECLERCQ (appointed on 12 September 2012) as his alternates, save for Benoit, Claude, Francois, Marie, Joseph LECLERCQ 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 2012

Christophe Maurice Paule Marie Joseph DUBRULLE (Appointed on 8 February 2001 and resigned on 12 September 2012) (Bruno Robert MERCIER, Philippe David BAROUKH, and Xavier Marie Alain DELOM de MEZERAC as his alternates, all appointed on 13 May 2011 and resigned on 12 September 2012)

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 Articles of Association, Mr Bruno Robert MERCIER, Mr Benoit, Claude, Francois, Marie, Joseph LECLERCQ, Mr Philippe David BAROUKH and Mr Xavier Marie Alain DELOM de MEZERAC 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.

Director's Interests in Contracts

Other than those transactions disclosed in Note 26(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 2012, 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 the 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	Groupe Auchan S.A.[2]	Beneficial owner	4,734[3]	0.0149%
HUANG MING-TUAN	Company	Beneficial owner, interest of spouse and interest in a controlled corporation [4]	116,834,074 (L)	1.2247%
CHENG CHUAN-TAI	Company	Beneficial owner	6,000,000 (L)	0.0628%
PHILIPPE DAVID BAROUKH	Groupe Auchan S.A.[2]	Beneficial owner	1,127[5] 1,543[6] 6,783[7] 1,498[8]	0.0035% 0.0048% 0.0214% 0.0047%
XAVIER MARIE ALAIN DELOM DE MEZERAC	Groupe Auchan S.A.[2]	Beneficial owner	622 (L)[9] 894[10] 563[11] 4,070[12] 772[13]	0.0019% 0.0028% 0.0017% 0.0128% 0.0024%

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 (2009-2013) 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 (2010-2014) 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 (2011-2015) relating to the grant of shares in Groupe Auchan S.A. with a four year vesting period;

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

(v) Stock Option Plan (2016) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 30 August 2016 to 30 September 2016.

Note: With effect from 9 May 2012, the only class of shares issued by Group Auchan S.A. is ordinary shares, the restricted shares and Class S shares were converted to ordinary shares on 9 May 2012.

(3) This represents 4,734 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Free Shares Plan (2010-2014).

(4) (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 81,753,964 Shares held by Unique Grand Trading Ltd.

(5) 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).

(6) 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).

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

(8) This represents stock options in respect of 1,498 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2016).

(9) This comprises 622 shares in Groupe Auchan S.A.

(10) 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).

(11) 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).

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

(13) 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).

Save as disclosed above, so far as known to any Directors, as at 31 December 2012, 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 recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors or chief executives 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 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 Note 4(b)(ii) to the consolidated financial statements.

Calculated based on the actual paid-in capital, as at 31 December 2012, 4.06% of ACI and 5.90% of CIC were held by the respective trusts under the Auchan scheme and the RT-Mart Scheme.

Substantial Shareholders' Interests and Short Position in 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 2012, 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 recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Nature of Interest	Number and class of shares [1]	Approximate percentage of shareholding
A-RT[2]	Beneficial owner	4,865,338,686 (L)	51.0009%
Auchan Hyper SA ("Auchan Hyper")[3]	Interest in a controlled corporation and beneficial owner	5,791,757,452 (L)[12]	60.7121%
Groupe Auchan S.A.[4]	Interest in a controlled corporation	5,791,757,452 (L)[12]	60.7121%
Au Marche S.A.S[5]	Interest in a controlled corporation	5,791,757,452 (L)[12]	60.7121%
Mulliez Family[6]	Interest in controlled corporations	5,791,757,452 (L)[12]	60.7121%
Kofu[7]	Beneficial owner	748,376,538 (L)[13]	7.8448%
CGC[8]	Beneficial owner	807,024,010 (L)[14]	8.4596%
Ruentex Industries[9]	Interest in a controlled corporation	807,024,010 (L)[14]	8.4596%
Ruentex Development [10]	Interest in controlled corporations	807,024,010 (L)[14]	8.4596%
Mr. Yin Chung Yao[11]	Interest in controlled corporations	748,376,538 (L)[13]	7.8448%

Notes:

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

(2) 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 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.

(4) 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.

(5) 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.

(6) Mulliez Family comprises the founder of Groupe Auchan (one of our two ultimate controlling shareholders, which is held by Groupe Auchan S.A.), Gerard 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..

(7) 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.

(8) 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.

(9) 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.

(10) CGC is 15.51% owned by Sinopac Global Investment Ltd. ("**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.

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

(12) Such 5,791,757,452 Shares belong to the same batch of shares.

(13) Such 748,376,538 Shares belong to the same batch of shares.

(14) Such 807,024,010 Shares belong to the same batch of shares.

Save as disclosed above, as at 31 December 2012, 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 would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of Part VX of the SFO.

As at 31 December 2012, the shareholding interests of seven of the operating subsidiaries in the PRC are partially held by independent third parties. Details of which are set out in Note 31 to the consolidated financial statements.

Highest Paid Individuals and the Remuneration of the Directors and Senior Management

All the five highest paid individuals of the Group during the year were the Directors and the senior management members of the Group. Details of the Directors' remuneration and the five individuals with highest emoluments are set out in notes 6 and 7 respectively of the consolidated financial statements in this annual report. The remuneration of the senior management whose profiles are included in the Profile of Directors and Senior Management section of this annual report fell within the following bands:

Remuneration band	**Number of Individuals 2012**
HKD5,500,001 – HKD6,000,000 (equivalent to RMB4,459,001 to RMB4,865,000)	**2**
HKD13,000,001 – HKD13,500,000 (equivalent to RMB10,540,001 to RMB10,946,000)	**1**
HKD13,500,001 – HKD14,000,000 (equivalent to RMB10,946,001 to RMB11,351,000)	**1**

Remuneration Policy

As at 31 December 2012, the Group employed a total of 118,335 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 2012, 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 Agreemen**t") 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 transactions contemplated under the Auchan Agency Agreement are continuing connected transactions.

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 the 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 international and other suppliers of merchandise. The services provided by Auchan Switzerland include (i) negotiating for the provision of the Group's expertise and assistance to such suppliers such as marketing studies, international commercial action plans and access to the Group's sales network; (ii) negotiating, on the Group's behalf, the settlement of disputes within China with such suppliers as and when the disputes arise; (iii) advising the Group on the suppliers' requirements for provision of such expertise and assistance; and (iv) collecting payments to be paid to the Group by the suppliers.

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 the services; and (ii) the 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.

On 27 December 2012, the Company published an announcement for the revision of annual caps for Auchan Agency Agreement in anticipation that the annual caps for the continuing connected transactions contemplated under the Auchan Agency Agreement for the two years ended 31 December 2012 and 2013 would be exceeded. The revised annual cap amounts of the fees payable to the Group by Auchan Switzerland (after deducting fees to Auchan Switzerland) for the two years ended 31 December 2012 and 2013 shall not exceed RMB80 million and RMB110 million respectively.

During the year of 2012, the fees received by the Group under the Auchan Agency Agreement was approximately RMB50 million, after deducting fees to Auchan Switzerland of RMB3 million.

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 2012, the total fees paid by the Group to Groupe Auchan was RMB28 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 106 of the annual report in accordance with the Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The independent non-executive Directors 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 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.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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 year ended 31 December 2012.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

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 has reviewed the accounting principles and policies adopted by the Group and also discussed auditing, internal controls and financial reporting matters, including the review of the consolidated financial statements for the year ended 31 December 2012 with the external auditors, KPMG and with management.

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 2012 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming 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 32 to the consolidated financial statements.

By order of the Board

Cheng Chuan-Tai
Chairman
15 March 2013

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;
- 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 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 expenditure 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.

Future fluctuations in foreign exchange rates and government control in currency conversion may materially and adversely affect the ability of the Company 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 2012.

CORPORATE GOVERNANCE

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

The Company has devised its own Corporate Governance and Compliance Manual which incorporates all the principles and practices as set out in the Corporate Governance Code (as in effect from time to time, 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.

In the opinion of the Board, the Company has complied with all the principles as set out in the CG Code for the year ended 31 December 2012 save and except for provisions A.6.7 and C.3.7(a), details of which will be set out below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Company Code by Directors and relevant employees on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board currently comprises nine Directors, consisting of two executive Directors, four non-executive Director and three independent non-executive Directors.

The composition of the Board is set out below:

Executive Directors:

Bruno Robert MERCIER, Chief Executive Officer
HUANG Ming-Tuan

Non-executive Directors:

CHENG Chuan-Tai, Chairman
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Philippe David BAROUKH
Xavier Marie Alain DELOM de MEZERAC

Independent non-executive Directors:

Karen Yifen CHANG
Desmond MURRAY
HE Yi

The biographical information of the Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 17 to 21 of the annual report for the year ended 31 December 2012.

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

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr CHENG Chuan-Tai and Mr Bruno Robert MERCIER respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended 31 December 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

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, and that every director, including those appointed for a specific term, shall be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company, at least once every three years.

Each of the non-executive Directors of the Company is appointed for a specific terms of three years and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2012, the Company organized a training session conducted by the lawyer for all directors on the statutory disclosure obligations for listed companies in Hong Kong. The Board is also encouraged to participate in continuous professional development in form of seminars arranged by professional institutions/professional firms and reading materials on relevant topics. A summary of continuous professional development received by Directors for the year ended 31 December 2012 according to the records provided by the Directors is as follows:

	Type of Continuous Professional Development		
Directors	**In-house trainings coordinated by the Company**	**Seminars and Trainings**	**Reading books and articles etc**
Executive Directors			
Bruno Robert MERCIER	√	√	√
HUANG Ming-Tuan	√	√	√
Non-executive Directors			
CHENG Chuan-Tai	√		√
Benoit, Claude, Francois, Marie, Joseph LECLERCQ	√		
Philippe David BAROUKH	√		√
Xavier Marie Alain DELOM de MEZERAC	√		√
Independent non-executive Directors			
Karen Yifen CHANG	√	√	
Desmond MURRAY	√	√	√
HE Yi	√		

BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Investment Committee and Operations 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 and the Stock Exchange's website and are available to shareholders upon request, except those for the Operations Committee and Investment Committee.

The majority of the members of the Audit Committee, Remuneration Committee and Nomination Committee are independent non-executive Directors and the list of the chairman and members of each of the Audit Committee, Remuneration Committee and Nomination Committee is set out under "Corporate Information" on page 2.

Audit Committee

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; (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 and (iv) the internal audit function.

Code provision C.3.7(a) provides that the terms of reference of the audit committee should require it to review arrangements employees of the issuer can use in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Company had not established any formal arrangement for employees to raise concern about possible improprieties in financial reporting, internal control or other matters. In practice, employees have direct access to our internal auditor via either an anonymous hotline or a mailbox. In addition, they have direct access by email to the executive Directors and the senior management. The Directors regularly receive and review monthly financial reports. The Directors, through the Audit Committee, meet quarterly with the Group's internal audit function, whose main responsibility is to review the internal control system of the Group. The Directors consider that the lack of such arrangements will not have a material effect on the functions of financial reporting, internal control or other related matters. The internal auditors, the Audit Committee and the Board will discuss the proper actions to deal with any issue reported from any employee about improprieties in financial reporting, internal control and other matters.

The Audit Committee held five meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2012 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, determining the remuneration policy and structure for all directors and senior management; assessing performance of executive Directors; approving the terms of executive Directors' service contracts and 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.

During the year ended 31 December 2012, the Remuneration Committee held three meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year ended 31 December 2012, the Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the AGM.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2012, the Board held 5 Board meetings.

The attendance records of each Director at the meetings of the Board and Board Committees and the general meeting of the Company held during the year ended 31 December 2012 are set out below:

	Attendance / Number of Meetings				
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**
Bruno Robert MERCIER	5/5	N/A	N/A	N/A	1/1
HUANG Ming-Tuan	5/5	N/A	N/A	N/A	1/1
CHENG Chuan-Tai	5/5	2/2	3/3	5/5	1/1
Benoit, Claude, Francois, Marie, Joseph LECLERCQ(1)	1/5	N/A	N/A	N/A	N/A
Philippe David BAROUKH	4/5	2/2	3/3	N/A	1/1
Xavier Marie Alain DELOM de MEZERAC	5/5	N/A	N/A	5/5	1/1
Karen Yifen CHANG	5/5	2/2	3/3	5/5	0/1
Desmond MURRAY	5/5	2/2	3/3	5/5	1/1
HE Yi	4/5	1/2	2/3	4/5	0/1
Christopher Maurice Paule DUBRULLE(2)	4/5	N/A	N/A	N/A	1/1

Notes:

(1) Mr Benoit, Claude, Francois, Marie, Joseph LECLERCQ was appointed as non-executive Director on 12 September 2012, the Company has held one board meeting after his appointment.

(2) Mr Christopher Maurice Paule DUBRULLE resigned as non-executive Director on 12 September 2012, the Company has held one board meeting after his resignation.

Code provision A.6.7 of the CG Code provides that the independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Due to other prior business engagements, two independent non-executive directors were not able to attend the annual general meeting of the Company held on 18 May 2012 but the Chairman of the Audit Committee did.

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 49 to 50.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2012 is shown on note 4(c) of the notes to the consolidated financial statements on page 78.

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.

COMPANY SECRETARY

Ms HO Siu Pik of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact persons at the Company are Mr Jean-Patrick PAUFICHET, Ms Edith Wang, Legal and Tax Director, and Mr Dave Bian, Legal Counsel, of the Company.

The biographical details of Ms Ho is set out in the section of "Profiles of Directors and Senior Management" on page 21 of this report. During the year ended 31 December 2012, Ms Ho undertook not less than 15 hours of relevant professional trainings.

SHAREHOLDERS' 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.

Convening Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Directors on requisition of shareholder(s) holding not less than one-twentieth of the paid up capital of the Company or by such shareholder(s) who made the requisition (the "**Requisitionist(s)**") (as the case may be) pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) (the "**Companies Ordinance**"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in section 113 of the Companies Ordinance for convening an extraordinary general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 115A of the Companies Ordinance, shareholders representing not less than one-fortieth of the total voting rights of all shareholders; or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than $2,000, may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in Section 115A of the Companies Ordinance for putting forward a proposal at a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 6th Floor, 165 Longkou Road, Yangpu District, Shanghai, China 200090
For the attention of Ms LI Ting, Investor Relations Manager

Email: ting.li@sunartretail.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, other than the registered office address in Hong Kong, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

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 endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The Chairman of the Board, the Chairmen of Audit Committee, Remuneration Committee and Nomination Committee, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at http://www.sunartretail.com, which contains corporate information, updates on the Company's financial information, interim and annual reports, announcements and circulars issued by the Company, corporate governance practices as well as the recent developments of the Company.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website.

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 51 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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.

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 2012 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

15 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

		Year ended 31 December	
		2012	2011
	Note	***RMB million***	*RMB million*
Turnover	*2*	**77,851**	68,084
Cost of sales		**(61,701)**	(54,227)
Gross profit		**16,150**	13,857
Other revenue	*3*	**564**	414
Store operating costs		**(11,400)**	(9,516)
Administrative expenses		**(1,796)**	(1,849)
Profit from operations		**3,518**	2,906
Finance costs	*4(a)*	**(12)**	(90)
Profit before taxation	*4*	**3,506**	2,816
Income tax	*5(a)*	**(973)**	(831)
Profit for the year		**2,533**	1,985
Other comprehensive income for the year			
Exchange differences on translation of financial statements of entities outside the People's Republic of China		**–**	54
Available-for-sale financial assets:			
Changes in fair value recognised during the year		**188**	–
Reclassification adjustments for amounts transferred to profit and loss:			
– gains on disposal		**(188)**	–
Total comprehensive income for the year		**2,533**	2,039
Profit attributable to:			
Equity shareholders of the Company		**2,409**	1,600
Non-controlling interests		**124**	385
Profit for the year		**2,533**	1,985
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,409**	1,643
Non-controlling interests		**124**	396
Total comprehensive income for the year		**2,533**	2,039
Earnings per share			
Basic and diluted	*9*	**RMB0.25**	RMB0.20

The accompanying notes set out on pages 58 to 119 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 22(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	At 31 December 2012 RMB million	2011 RMB million
Non-current assets			
Fixed assets:	10		
– Investment properties		**2,335**	1,921
– Other property, plant and equipment		**16,028**	14,102
– Land use rights		**4,038**	2,992
		22,401	19,015
Intangible assets	11	**9**	10
Goodwill	12	**99**	99
Trade and other receivables	14	**372**	433
Deferred tax assets	21	**208**	197
		23,089	19,754
Current assets			
Inventories	13	**10,141**	10,259
Trade and other receivables	14	**3,528**	3,749
Available-for-sale financial assets	15	**1,965**	–
Time deposits	16	**105**	67
Cash and cash equivalents	17	**5,757**	7,517
		21,496	21,592
Current liabilities			
Trade and other payables	18	**26,307**	25,162
Bank loans	19	**402**	199
Income tax payables	5(c)	**369**	338
		27,078	25,699
Net current liabilities		**(5,582)**	(4,107)
Total assets less current liabilities		**17,507**	15,647

The accompanying notes set out on pages 58 to 119 form part of these financial statements.

	Note	At 31 December 2012 RMB million	2011 RMB million
Non-current liabilities			
Other financial liabilities	*20*	**85**	85
Deferred tax liabilities	*21*	**64**	45
		149	130
Net assets		**17,358**	15,517
Capital and reserves			
Share capital	*22(c)*	**2,721**	2,721
Reserves	*22(d)*	**14,109**	12,418
Total equity attributable to equity shareholders of the Company		**16,830**	15,139
Non-controlling interests		**528**	378
Total equity		**17,358**	15,517

Approved and authorised for issue by the board of directors on 15 March 2013.

Bruno Robert Mercier
Chief Executive Officer
& Executive Director

Huang Ming-Tuan
Executive Director

The accompanying notes set out on pages 58 to 119 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At 31 December 2012

	Note	2012 RMB million	2011 RMB million
		At 31 December	
Non-current assets			
Investments in subsidiaries	*31*	**15,321**	15,321
Trade and other receivables	*14*	**7,614**	7,586
		22,935	22,907
Current assets			
Trade and other receivables	*14*	**966**	812
Cash and cash equivalents	*17*	**26**	22
		992	834
Current liabilities			
Trade and other payables	*18*	**7**	6
Net current assets		**985**	828
Net assets		**23,920**	23,735
Capital and reserves			
Share capital	*22(a)*	**2,721**	2,721
Reserves	*22(a)*	**21,199**	21,014
Total equity		**23,920**	23,735

Approved and authorised for issue by the board of directors on 15 March 2013.

Bruno Robert Mercier
Chief Executive Officer
& Executive Director

Huang Ming-Tuan
Executive Director

The accompanying notes set out on pages 58 to 119 form part of these financial statements.

	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 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	*22(b)(ii)*	–	–	–	–	–	(1,128)	(1,128)	–	(1,128)
Acquisition of non-controlling interests	*22(c)(i)*	682	–	1,793	–	–	–	2,475	(2,475)	–
Issuance of shares by initial public offering	*22(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 and 1 January 2012		2,721	7,299	2,050	44	485	2,540	15,139	378	15,517
Changes in equity for 2012:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2,409**	**2,409**	**124**	**2,533**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**2,409**	**2,409**	**124**	**2,533**
Share-based payments		**–**	**–**	**6**	**–**	**–**	**–**	**6**	**–**	**6**
Dividend declared in respect of the previous year	*22(b)(ii)*	**–**	**–**	**–**	**–**	**–**	**(776)**	**(776)**	**–**	**(776)**
Cash injection from Employee Trust Benefit Schemes	*4(b)*	**–**	**–**	**52**	**–**	**–**	**–**	**52**	**57**	**109**
Profit appropriation		**–**	**–**	**–**	**–**	**110**	**(110)**	**–**	**–**	**–**
Dividends declared and payable to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**	**(31)**
Balance at 31 December 2012		**2,721**	**7,299**	**2,108**	**44**	**595**	**4,063**	**16,830**	**528**	**17,358**

The accompanying notes set out on pages 58 to 119 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
Operating activities		
Profit before taxation	**3,506**	2,816
Adjustments for:		
Depreciation	**1,822**	1,453
Amortisation	**130**	77
Finance costs	**12**	90
Interest income	**(270)**	(92)
Loss on disposal of property, plant and equipment	**23**	28
Share-based payments	**6**	–
	5,229	4,372
Changes in working capital:		
Decrease/(increase) in inventories	**118**	(2,876)
Decrease/(increase) in trade and other receivables	**251**	(658)
Increase in trade and other payables	**919**	5,717
Cash generated from operations	**6,517**	6,555
Income tax paid	**(934)**	(791)
Net cash generated from operating activities	**5,583**	5,764

The accompanying notes set out on pages 58 to 119 form part of these financial statements.

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB million	2011 RMB million
Investing activities			
Payment for purchase of fixed assets		**(5,131)**	(5,358)
Increase in time deposits with maturity over three months		**(38)**	(17)
Proceeds from sale of property, plant and equipment		**3**	22
Payment for purchase of intangible assets		**(1)**	(2)
Interest received		**270**	92
Payment for purchase of available-for-sale financial assets		**(14,467)**	–
Proceeds from disposal of available-for-sale financial assets		**12,502**	–
Net cash used in investing activities		**(6,862)**	(5,263)
Financing activities			
Proceeds from initial public offering, net of issuance expenses		**–**	7,625
Cash injection from non-controlling interests		**109**	191
Proceeds from bank loans		**403**	3,179
Repayment of bank loans		**(199)**	(5,336)
Interest paid		**(12)**	(90)
Repayment of other financial liabilities		**–**	(2)
Dividends paid to shareholders of the Company		**(777)**	(1,546)
Dividends paid to non-controlling shareholders		**(5)**	(291)
Net cash (used in)/generated from financing activities		**(481)**	3,730
Net (decrease)/increase in cash and cash equivalents		**(1,760)**	4,231
Cash and cash equivalents at 1 January		**7,517**	3,281
Effect of foreign exchange rate changes		**–**	5
Cash and cash equivalents at 31 December	*17*	**5,757**	7,517

The accompanying notes set out on pages 58 to 119 form part of these 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 2012 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, when preparing the financial statements for the year ended 31 December 2011, the directors considered it appropriate to regard RMB as the Company's functional currency for the foreseeable future. This change was accounted for prospectively from 27 July 2011.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets that are measured at fair value.

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 29.

(c) Change in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

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).

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 properties

Areas within hypermarket buildings owned by the Group which are held to earn rental income and/or for capital appreciation are classified as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(l)). Depreciation is calculated to write off the cost of investment properties, less their 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 properties 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 differences 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 financial assets

Trade and other receivables and available-for-sale financial assets 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– 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.

– For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit and loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on the assets previously recognised in profit and loss.

  Impairment losses in respect of available-for-sale financial assets are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(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 properties;
- other property, plant and equipment;
- land use rights;
- investments in subsidiaries;
- 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).

- 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– 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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Available-for-sale financial assets

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value at the end of each reporting period and changes therein, other than impairment losses (see note 1(l)) are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired (see note 1(l)), the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(p) 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.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. 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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

(a) Cash-settled share-based payments

The fair value of share appreciation rights granted to employees, which are to be settled in cash and based on the price of the equity instruments of entities within the Group, 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 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.

(b) Share-based payments among group entities

The fair value of stock options and shares granted by the Group's joint controlling shareholder to certain employees of the Group in respect of their services to the Group, which are to be settled in cash by the joint controlling shareholder, is recognised as an employee cost, with a corresponding increase in capital reserve within equity of the Group, over the period that the employees become unconditionally entitled to the stock options and shares. The amount recognised as an expense is adjusted to reflect the number of stock options and shares for which the related service and non-market performance conditions are expected to be met at the vesting date.

(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

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) 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies (continued)

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (continued)

(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.

(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	
	2012	2011
	RMB million	*RMB million*
Sales of goods	**75,936**	66,540
Rental income	**1,915**	1,544
	77,851	68,084

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	
	2012	2011
	RMB million	*RMB million*
Service income	**100**	112
Disposal of packaging materials	**82**	84
Interest income on bank deposits	**82**	92
Interest income on available-for-sale financial assets	**188**	–
Government grants	**82**	126
Compensation received in respect of a lease contract dispute	**30**	–
	564	414

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	
	2012	2011
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**4**	82
– wholly repayable after five years	**8**	8
	12	90

(b) Staff costs

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
Salaries, wages and other benefits	**4,636**	3,820
Contributions to defined contribution retirement plans (i)	**508**	382
Contributions to Employee Trust Benefit Schemes (ii)	**263**	210
Share-based payments (iii)	**51**	–
	5,458	4,412

(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.

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

(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 and cash equivalents ("cash-like assets") or equity of CIC in the case of the RT-Mart Scheme, or cash-like assets 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) Share-based payments

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 the fair value of HKD3.08 per right as at 31 December 2012, determined using the Monte Carlo Method, RMB0.1 million has been recognised as a staff cost expense in the Group's statement of comprehensive income for the year ended 31 December 2012.

ACHK granted certain rights to a number of senior management of ACHK whereby, provided they meet certain vesting criteria, the individuals will be entitled to a future cash payment, calculated based on the increase in the fair value of ACHK. Based on the fair value of ACHK valued by an independent valuer and estimated by the directors, RMB45 million has been recognised as a staff cost expense in the Group's statement of comprehensive income for the year ended 31 December 2012.

In addition to the above, share-based payments includes RMB6 million in respect of stock options and shares in the Group's joint controlling shareholder, Groupe Auchan S.A., granted by Groupe Auchan S.A. to certain employees of the Group in respect of their service to the Group. Details of share options and shares are set out in the Report of Directors.

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
Cost of inventories	**61,579**	54,127
Depreciation		
– assets leased out under operating leases		
– investment properties	**129**	115
– other property, plant and equipment	**183**	167
– assets held for own use	**1,510**	1,171
	1,822	1,453
Amortisation		
– land use rights	**128**	75
– intangible assets	**2**	2
	130	77
Operating lease charges		
(i) contingent rents		
– assets leased for own use	**402**	308
– assets sublet to others	**107**	78
(ii) minimum lease payments		
– assets leased for own use	**1,076**	866
– assets sublet to others	**148**	122
(iii) fees to Contracted Store Owners	**43**	73
Total	**1,776**	1,447
Loss on disposal of property, plant and equipment	**23**	28
Net foreign exchange (gain)/loss	**(14)**	18
Listing expenses	**–**	46
Auditors' remuneration		
– audit services	**19**	19
– IPO related services	**–**	10
Donations	**5**	2
Rental income from investment properties		
– gross	**(632)**	(501)
– direct operating expenses	**41**	34
Net	**(591)**	(467)

5 INCOME TAX

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

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the year	**2**	–
Current tax – PRC income tax		
Provision for the year	**972**	871
(Over)/under-provision in respect of prior years	**(9)**	14
	965	885
Deferred tax		
Reversal/(origination) of temporary differences *(note 21)*	**8**	(54)
	973	831

(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 (2011:16.5%). 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) All PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2012 (2011: 25% except one subsidiary at 24%) under the Enterprise Income Tax law ("EIT law") which was enacted on 16 March 2007.

(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.

5 INCOME TAX (CONTINUED)

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

(iv) (continued)

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 2012, deferred tax liabilities of RMB53 million (2011: RMB34 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 2012 were calculated at the withholding tax rate of 5% (2011: 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.

On 12 July 2012, Announcement [2012] No. 30 (Announcement 30) dated 29 June 2012 was released by the State Administration of Taxation (SAT). Announcement 30 explicitly states that a company that is a tax resident of a Double Taxation Agreement (DTA) partner state and is listed in that jurisdiction (Listed Parent) will automatically satisfy the beneficial ownership criteria in respect of PRC dividends received. Furthermore, subsidiaries that are wholly owned by the Listed Parent, directly and/or indirectly, and are tax residents of the same DTA partner state, may also be automatically regarded as the beneficial owners of any PRC dividends they receive. Accordingly, dividends receivable by RT-Mart Holdings Limited and ACHK should be subject to 5% withholding tax rate.

On 15 July 2012, ACI obtained the notification from Shanghai Yangpu National Tax Bureau confirming it is eligible for the reduced withholding tax rate on dividends of 5% for the year ended 31 December 2012.

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

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
Profit before taxation	**3,506**	2,816
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**877**	704
Non-deductible expenses, less non-assessable income	**34**	67
PRC dividend withholding tax	**42**	28
Current year losses for which no deferred tax asset was recognised	**60**	53
Utilisation of previously unrecognised tax losses	**(31)**	(35)
(Over)/under-provision in respect of prior years	**(9)**	14
Actual tax expenses	**973**	831

5 INCOME TAX (CONTINUED)

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

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
Balance at beginning of the year	**338**	244
(Over)/under-provision in respect of prior years	**(9)**	14
Provision for current income tax for the year	**974**	871
Payment during the year	**(934)**	(791)
Income tax payables at the end of the year	**369**	338

6 DIRECTORS' REMUNERATION

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

	Directors' fees	Salaries, allowances and benefits in kind	Contributions to retirement schemes	Discretionary bonus	Share-based payments (*note 7*)	2012 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Bruno Robert Mercier	–	1,592	196	175	6,312	8,275
Huang Ming-Tuan	–	3,794	471	9,304	–	13,569
Non-executive directors						
Cheng Chuan-Tai	–	–	–	–	–	–
Benoit Claude Francois Marie Joseph Leclercq	–	–	–	–	–	–
Philippe David Baroukh	–	–	–	–	–	–
Xavier Marie Alain Delom De Mezerac	–	–	–	–	–	–
Christophe Maurice Paule Marie Joseph Dubrulle	–	–	–	–	–	–
Independent non-executive directors						
Karen Yifen Chang	236	–	–	–	–	236
He Yi	236	–	–	–	–	236
Desmond Murray	267	–	–	–	–	267
Total	739	5,386	667	9,479	6,312	22,583

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*	Share-based payments *(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

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, 2 (2011: two) of whom are directors of the Company, are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**13,154**	10,665
Contributions to retirement schemes	**1,520**	1,437
Discretionary bonus	**18,745**	1,710
Share-based payments	**14,797**	3,888
	48,216	17,700

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:

	2012 Number of individuals	2011 Number of individuals
HKD3,000,001 – HKD3,500,000 (equivalent to RMB2,432,001 to RMB2,837,000)	**–**	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
HKD5,500,001 – HKD6,000,000 (equivalent to RMB4,459,001 to RMB4,865,000)	**1**	–
HKD10,000,001 – HKD10,500,000 (equivalent to RMB8,108,001 to RMB8,513,000)	**1**	–
HKD13,000,001 – HKD13,500,000 (equivalent to RMB10,540,001 to RMB10,946,000)	**1**	–
HKD13,500,001 – HKD14,000,000 (equivalent to RMB10,946,001 to RMB11,351,000)	**1**	–
HKD16,500,001 – HKD17,000,000 (equivalent to RMB13,378,001 to RMB13,784,000)	**1**	–
	5	5

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB955 million for the year ended 31 December 2012 (2011: a profit of RMB707 million), which has been dealt with in the financial statements of the Company.

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**955**	707
Dividends from subsidiaries attributable to the profit of the previous financial year, approved and paid during the year	**–**	1,135
Company's profit for the year *(note 22(a))*	**955**	1,842

Details of dividends paid and payable to equity shareholders of the Company are set out in note 22(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 RMB2,409 million (2011: RMB1,600 million) and the weighted average of 9,539,704,700 ordinary shares (2011: 7,805,626,406, after adjusting for the share subdivision on 27 June 2011, details of which are set out in note 22(c)(ii)) in issue during the year:

Weighted average number of ordinary shares

	Year ended 31 December	
	2012	2011
Issued ordinary shares at 1 January	**9,539,704,700**	211,485,200
Effect of shares issued on 13 May 2011 *(note 22(c)(i))*	**–**	66,920,951
	9,539,704,700	278,406,151
Effect of share subdivision *(note 22 (c)(ii))*	**–**	6,960,153,775
Effect of shares issued on initial public offering *(note 22(c)(iii))*	**–**	567,066,480
Weighted average number of ordinary shares for the year	**9,539,704,700**	7,805,626,406

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

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 properties RMB million	Land use rights RMB million	Total fixed assets RMB million
Cost:										
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
At 1 January 2012	**6,414**	**2,357**	**7,847**	**1,578**	**173**	**573**	**18,942**	**2,347**	**3,386**	**24,675**
Additions	**485**	**–**	**165**	**207**	**44**	**3,051**	**3,952**	**236**	**1,174**	**5,362**
Transfer from construction in progress	**360**	**611**	**1,913**	**–**	**–**	**(3,191)**	**(307)**	**307**	**–**	**–**
Disposals	**–**	**(98)**	**(118)**	**(103)**	**(6)**	**–**	**(325)**	**–**	**–**	**(325)**
At 31 December 2012	**7,259**	**2,870**	**9,807**	**1,682**	**211**	**433**	**22,262**	**2,890**	**4,560**	**29,712**
Accumulated depreciation:										
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)
At 1 January 2012	**(1,106)**	**(899)**	**(2,097)**	**(684)**	**(54)**	**–**	**(4,840)**	**(426)**	**(394)**	**(5,660)**
Charge for the year	**(283)**	**(209)**	**(854)**	**(307)**	**(40)**	**–**	**(1,693)**	**(129)**	**(128)**	**(1,950)**
Disposals	**–**	**96**	**107**	**91**	**5**	**–**	**299**	**–**	**–**	**299**
At 31 December 2012	**(1,389)**	**(1,012)**	**(2,844)**	**(900)**	**(89)**	**–**	**(6,234)**	**(555)**	**(522)**	**(7,311)**
Net book value:										
At 31 December 2012	**5,870**	**1,858**	**6,963**	**782**	**122**	**433**	**16,028**	**2,335**	**4,038**	**22,401**
At 31 December 2011	5,308	1,458	5,750	894	119	573	14,102	1,921	2,992	19,015

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 2012, the Group had not obtained land use rights certificates for certain land use rights with an aggregate carrying amount of RMB900 million (2011: RMB226 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 2012 and 2011.

(iii) As at 31 December 2012, the Group had not obtained property ownership certificates for certain buildings with an aggregate carrying amount of RMB2,114 million (2011: RMB2,447 million). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2012 and 2011.

(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 2012 to be RMB5,880 million, using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment properties (2011: RMB4,585 million). The investment properties were not valued by an independent valuer as at 31 December 2012 and 2011.

(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	
	2012	2011
	RMB million	*RMB million*
Within 1 year	**1,426**	1,274
After 1 year but within 5 years	**811**	625
After 5 years	**281**	175
	2,518	2,074

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	
	2012	2011
	RMB million	*RMB million*
Software cost:		
At 1 January	**20**	18
Additions	**1**	2
	21	20
Accumulated amortisation		
At 1 January	**(10)**	(8)
Amortisation for the year	**(2)**	(2)
	(12)	(10)
Net book value		
At 1 January	**10**	10
At 31 December	**9**	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 2012 and 2011.

13 INVENTORIES

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

	At 31 December	
	2012	2011
	RMB million	*RMB million*
Trading merchandise	**10,141**	10,259

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	
	2012	2011
	RMB million	*RMB million*
Carrying amount of inventories sold	**61,563**	54,061
Write down of inventories	**16**	66
	61,579	54,127

All inventories are expected to be sold within one year.

14 TRADE AND OTHER RECEIVABLES

	The Group At 31 December	
	2012	2011
	RMB million	*RMB million*
Non-current		
Rental prepayments	**372**	433
Current		
Trade receivables	**279**	256
Amounts due from Contracted Stores	**78**	311
Amounts due from Contracted Store Owners	**38**	334
Other debtors	**672**	673
Value-added tax receivables	**1,003**	937
Prepayments:		
– rentals	**1,079**	828
– fixed assets	**379**	410
Sub-total	**3,528**	3,749
Trade and other receivables	**3,900**	4,182

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. The age of receivables is determined based on invoice date.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

The amounts due from Contracted Stores as at 31 December 2012 include the 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, offset by advance payments made by Contracted Stores in respect of purchase of goods.

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 prepayments made for fixed assets which will be transferred to the relevant asset category upon receipt of the assets and the balances due from Contracted Store Owners, 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 23(a).

	The Company At 31 December	
	2012	2011
	RMB million	*RMB million*
Non-current		
Loans to subsidiaries	**7,586**	7,586
Interest receivable from subsidiaries	**28**	–
Sub-total	**7,614**	7,586
Current		
Dividends receivable from subsidiaries	**966**	803
Others	**–**	9
Sub-total	**966**	812
Trade and other receivables	**8,580**	8,398

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

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December	
	2012	2011
	RMB million	*RMB million*
Available-for-sale financial assets	**1,965**	–

These represent short-term financial products issued by PRC commercial banks. The principal sum of these short-term financial products are guaranteed and are repayable, together with any associated returns, on the maturity dates which range from 3 to 9 months from date of issue. These products have expected but not guaranteed returns ranging from 2.70% to 5.50% per annum.

16 TIME DEPOSITS

Bank deposits as at 31 December 2012 of RMB105 million (2011: RMB67 million) have maturity of over 3 months.

17 CASH AND CASH EQUIVALENTS

	The Group At 31 December	
	2012	2011
	RMB million	*RMB million*
Deposits with banks within 3 months of maturity	**270**	1,521
Cash at bank and on hand	**4,900**	5,996
Other financial assets	**587**	–
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**5,757**	7,517

Other financial assets represent investments in short-term financial products issued by PRC commercial banks, with guaranteed principals and fixed returns ranging from 1.48% to 5.00% per annum and with periods to maturity less than three months from date of issue.

	The Company At 31 December	
	2012	2011
	RMB million	*RMB million*
Cash at bank and on hand	**26**	22

18 TRADE AND OTHER PAYABLES

	The Group At 31 December	
	2012	2011
	RMB million	*RMB million*
Current		
Trade payables	**14,464**	15,034
Advance receipts from customers	**7,207**	5,949
Amounts due to related parties *(note 26)*	**93**	44
Construction costs payable	**1,891**	1,691
Dividends payable to non-controlling interests	**28**	2
Accruals and other payables	**2,624**	2,442
Trade and other payables	**26,307**	25,162

	The Company At 31 December	
	2012	2011
	RMB million	*RMB million*
Amounts due to related parties	**6**	–
Accruals and other payables	**1**	6
Trade and other payables	**7**	6

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 determined based on invoice date is as follows:

	At 31 December	
	2012	2011
	RMB million	*RMB million*
Due within 6 months	**14,102**	14,696
Due after 6 months but within 12 months	**362**	338
	14,464	15,034

19 BANK LOANS

Bank loans were unsecured and carried interest at 1.55% to 2.10% per annum as at 31 December 2012 (2011: 6.10%).

20 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 RMB8 million for the year ended 31 December 2012 are included in finance costs in the consolidated statement of comprehensive income (2011: RMB9 million).

21 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 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
At 1 January 2012	**11**	**(10)**	**91**	**(34)**	**94**	**152**
(Charged)/credited to profit or loss	**(5)**	**–**	**8**	*** (19)**	**8**	**(8)**
At 31 December 2012	**6**	**(10)**	**99**	**(53)**	**102**	**144**

* The amount includes the provision of withholding tax on profits of the PRC subsidiaries for the year amounting to RMB42 million (2011: RMB28 million) less the reversal of deferred tax liabilities on withholding tax in respect of dividends paid during the year amounting to RMB23 million (2011: RMB52 million).

21 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

	At 31 December	
	2012	2011
	RMB million	*RMB million*
Net deferred tax assets	**208**	197
Net deferred tax liabilities	**(64)**	(45)
	144	152

(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 RMB960 million as at 31 December 2012 (2011: RMB878 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	
	2012	2011
	RMB million	*RMB million*
2012	**–**	67
2013	**127**	147
2014	**225**	241
2015	**189**	211
2016	**178**	212
2017	**241**	–
	960	878

(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 2012, such undistributed profits amounted to RMB2,144 million (2011: RMB1,059 million).

22 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 2011	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
Changes in equity for 2012:						
Profit for the year	**–**	**–**	**–**	**–**	**955**	**955**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**955**	**955**
Share-based payments	**–**	**–**	**6**	**–**	**–**	**6**
Dividends declared	**–**	**–**	**–**	**–**	**(776)**	**(776)**
Balance at 31 December 2012	**2,721**	**7,299**	**13,310**	**(425)**	**1,015**	**23,920**

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2012	2011
	RMB million	*RMB million*
Final dividend proposed after the end of the reporting period of HKD0.12 (equivalent to RMB0.10) per ordinary share (2011: HKD0.10 (equivalent to RMB0.08) per ordinary share)	**926**	**775**
	926	**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.

A final dividend of HKD0.10 (equivalent to RMB0.08) per ordinary share amounting to RMB776 million in respect of the year ended 31 December 2011 was approved on 16 May 2012 and paid on 8 June 2012.

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	Note	2012 No. of shares	2012 RMB million	2011 No. of shares	2011 RMB million
Authorised:	*(i)/(ii)*				
Ordinary shares HKD0.3 each		**20,000,000,000**	**5,331**	20,000,000,000	5,331
Ordinary shares, issued and fully paid:					
At 1 January		**9,539,704,700**	**2,721**	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**	9,539,704,700	2,721

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.

22 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 Group

The capital reserve includes (1) RMB1,793 million arising from the issue of ordinary shares to acquire the non-controlling interests in ACHK and CCIL (see note 22(c)(i) above), (2) RMB309 million arising from the excess of the cash injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired (see note 4(b)(ii)), and (3) share-based payments of RMB6 million in relation to stock options and shares granted by Groupe Auchan S.A. to certain employees of the Group (see note 4(b)(iii)).

The Company

The capital reserve mainly represents the excess of the fair value of the ordinary shares issued of RMB13,986 million over their RMB682 million nominal amount in respect of the Reorganisation on 13 May 2011 (see note 22(c)(i)).

(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).

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(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.

(e) Distributability of reserves

As at 31 December 2012, 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 RMB1,015 million (2011: RMB836 million). After the end of the reporting period the directors proposed a final dividend of HKD0.12 (equivalent to RMB0.10) per ordinary share, amounting to RMB926 million (note 22(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 cash and cash equivalents, time deposits and available-for-sale financial assets.

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

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital risk management (continued)

The debt-to-equity ratios were as follows:

	At 31 December	
	2012	2011
	RMB million	*RMB million*
Loans and borrowings *(note 19)*	**402**	199
Other financial liabilities *(note 20)*	**85**	85
	487	284
Less: Time deposits	**(105)**	(67)
Cash and cash equivalents	**(5,757)**	(7,517)
Available-for-sale financial assets	**(1,965)**	–
Net asset	**(7,340)**	(7,300)
Total equity	**17,358**	15,517
Asset-to-equity ratio	**42%**	47%

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

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalents, time deposits, available-for-sale financial assets 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.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(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.

Available-for-sale financial assets are arranged with financial institutions, which have credit rating of at least BBB from international independent rating institutions. Pursuant to the agreements with the financial institutions, there is limited credit risk on the principal amounts, as these are guaranteed by the financial institutions.

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

(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.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(b) Liquidity risk (continued)

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 RMB5,582 million as at 31 December 2012 (2011: RMB4,107 million). The Group generated net cash from operating activities amounting to RMB5,583 million for the year ended 31 December 2012 (2011: RMB5,764 million), and had RMB2,065 million of unutilised loan facilities available as at 31 December 2012 (2011: RMB3,025 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 2012 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	**410**	**–**	**–**	**410**	**402**
Trade and other payables	**26,307**	**–**	**–**	**26,307**	**26,307**
Other financial liabilities	**–**	**–**	**85**	**85**	**85**
At 31 December 2012	**26,717**	**–**	**85**	**26,802**	**26,794**

	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

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(c) Interest rate risk

(i) Interest rate profile

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

The Group's cash at bank, time deposits, available-for-sale financial assets, interest-bearing borrowings and interest rates as at 31 December 2012 and 2011 are set out as follows:

	2012		2011	
	Effective interest rate	**Carrying amount** ***RMB million***	Effective interest rate	Carrying amount *RMB million*
Variable rate instruments:				
Cash at bank	**0%~1.15%**	**4,407**	0%~1.31%	7,100
Other financial assets	**1.48%~5.00%**	**587**	–	–
Available-for-sale financial assets	**0%~5.50%**	**1,965**	–	–
Loans and borrowings	**1.55%~2.10%**	**(402)**	–	–
		6,557		7,100
Fixed rate instruments:				
Time deposits within three months of maturity	**0.50%~3.23%**	**270**	0.50%~2.85%	1,521
Time deposits over three months of maturity	**0.50%~2.80%**	**105**	0.65%~2.25%	67
Loans and borrowings	**–**	**–**	6.10%	199
		375		1,787

(ii) Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates prevailing at the reporting dates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB49 million for the year ended 31 December 2012 (2011: RMB53 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 2012 and 2011.

23 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 2012 and 2011, 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.

The fair value of available-for-sale financial assets is determined by reference to their quoted market prices at the balance sheet date without any deduction for transaction costs.

24 COMMITMENTS

(a) Capital commitments

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

	The Group At 31 December	
	2012 ***RMB million***	2011 *RMB million*
Contracted for	**2,202**	859
Authorised but not contracted for	**5,989**	2,864
	8,191	3,723

24 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	
	2012	2011
	RMB million	*RMB million*
Within 1 year	**1,533**	1,126
After 1 year but within 5 years	**4,719**	3,554
After 5 years	**9,957**	8,472
	16,209	13,152

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.

25 CONTINGENCIES

(a) Legal claims

As at 31 December 2012, 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 RMB93 million (2011: RMB49 million). As at 31 December 2012, the legal actions were ongoing, with most of the actions not yet set for trial dates. Provision of RMB12 million (2011: RMB11 million) has been made within Trade and other payables as at 31 December 2012, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

26 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 At 31 December	
	2012	2011
	RMB million	*RMB million*
Short-term employee benefits	**74**	39
Post-employment benefits	**3**	2
Share-based payments	**16**	4
	93	45

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

(b) Identity of related parties

During the years ended 31 December 2012 and 2011, 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.
Auchan International (Shanghai) International Trading Company 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 Shareholders of the Company
Hwabao Trust Co., Ltd.	Trustee of RT-Mart and Auchan Scheme trusts

26 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 At 31 December	
	2012	2011
	RMB million	*RMB million*
Agency fees receivable *(i)*	**50**	40
Trademark fee payable *(ii)*	**28**	22
IT services fee payable *(iii)*	**4**	3
Expenses payable *(iv)*	**67**	59
Contributions to Employee Trust Benefit Schemes trusts *(note 4(b))*	**263**	210
Sale of merchandise *(v)*	**–**	12
Purchase of goods *(vi)*	**18**	–
Purchase of property, plant and equipment *(vii)*	**39**	141

(i) 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..

(ii) 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.

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

(iv) 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.

(v) Sales of merchandise to C & Chain Limited Shanghai were made at the Group's original purchase cost. The transactions were terminated in June 2011.

(vi) This represents purchase of merchandise from Auchan International (Shanghai) International Trading Company Limited.

(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.

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.

26 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Related party balances

	The Group At 31 December	
	2012	2011
	RMB million	*RMB million*
Amounts due from subsidiaries of Groupe Auchan S.A.	**53**	37
Amounts due from Kunshan Ruenfu and its subsidiaries	**12**	286
Amounts due to Groupe Auchan S.A. and its subsidiaries	**93**	44

The above balances are all trade in nature.

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of agency fee receivables and trademark fee payable above constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the section “Connected Transactions” in the Report of Directors.

27 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, prior to 25 December 2012, the Group owned 80% of its issued share capital.

On 25 December 2012, Shanghai RT-MART completed its acquisition of the remaining 20% equity interest in SZ Ruenhua for a total cash consideration of RMB11.9 million. After the completion of the acquisition, SZ Ruenhua became a wholly owned subsidiary of Shanghai RT-MART, and SZ Ruenhua’s assets, liabilities, income and expenses were directly consolidated in the financial statements after the completion of the acquisition.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2012, 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.

29 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.

(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.

30 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 2012 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 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
• Annual Improvements to HKFRSs – 2009-2011 Cycle	1 January 2013
• Amendments to HKFRS 10, *Consolidated financial statements*, HKFRS 11, *Joint arrangements* and HKFRS 12, *Disclosure of interests in other entities – Transition guidance*	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.

31 INTEREST IN SUBSIDIARIES

	The Company At 31 December	
	2012	2011
	RMB million	*RMB million*
Unlisted shares	**15,321**	15,321

The principal activity of the Company is investment holding.

31 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 2012	2011	Principal activities	Registered capital/issued and fully paid up capital (million)	
CCIL	(i)	**100%**	100%	Investment holding	USD	112
ACHK	(i)	**100%**	100%	Investment holding	USD	216
Shanghai Art Management and Service Co., Ltd.		**100%**	100%	Consulting Service	USD	0.1

Held directly or indirectly by CCIL:

Name of companies	Note	Effective interest of ownership attributable to the Group 2012	2011	Principal activities	Registered capital/issued and fully paid up capital (million)	
RT-Mart Holdings Limited	(i)	**100%**	100%	Investment holding	USD	112
Shanghai RT-MART	(ii)	**94.10%**	94.37%	Retailing	USD	30
Jiangsu Bairuen Logistics Co., Ltd.	(iii)	**94.10%**	94.37%	Retailing,	RMB	1
Jiaxing Xiuzhou Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	RMB	15
People's RT-MART Limited Jinan	(ii)	**90.08%**	90.33%	Retailing	USD	21
Shanghai Rose Consulting Co., Ltd.		**94.10%**	94.37%	Consulting	USD	0.4
Nantong Tongruenfa Hypermarket Co., Ltd	(iii)	**94.10%**	94.37%	Retailing	RMB	5
Qingdao Ruentex Enterprises Co., Ltd.		**94.10%**	94.37%	Retailing	RMB	200
Wuhan RT-MART Jianghan Hypermarket Development Co., Ltd.		**94.10%**	94.37%	Retailing	USD	8
Shenyang Ruentex Commercial Co., Ltd	.	**94.10%**	94.37%	Retailing	USD	9
Haerbin RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	8
Kunshan Ruenhua Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	RMB	165
Shenyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	7
Shanghai Jiji Commercial and Trading Co., Ltd.	(iii)	**94.10%**	94.37%	Property development, leasing and retailing	RMB	10
Suzhou Ruenrui Commercial Co., Ltd.	(iii)	**94.10%**	94.37%	Retailing	RMB	9
Foshan Shunde RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	7
Suzhou Concord Warehousing Co.,Ltd.		**94.10%**	94.37%	Warehousing	USD	31
CIC		**94.10%**	94.37%	Investment holding and retailing	USD	229
Changshu RT-MART Hypermarket Co., Ltd.		**94.10%**	94.37%	Retailing	USD	7
Shanghai Minhang RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3

31 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2012	2011	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Huainan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Beihai RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Taixing Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Qingdao Chunyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Jilin Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shanghai Fengxian RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Guangzhou Tianmei Ruenfu Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Hainan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Changde RT-MART Commercial Co., Ltd.	.	**94.10%**	94.37%	Retailing	USD	1
Zhuji RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Tangshan Ruenliang Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Taian Shenguotou Property Co., Ltd.		**94.10%**	94.37%	Retailing	RMB	40
Rugao RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shaoguan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Jingzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shenzhen RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Hangzhou Yongfeng RT-MART Hypermarket Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Shanghai Jiading RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Laiwu RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	5
Changzhou Changhong RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Hefei Qingxi RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Wujiang Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Nanchang Xihu RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Foshan Nanhai Ruenliang Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Tongzhou Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	7
Haerbin Ruenfu Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Qiqiha'er Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shanghai Zhabei Nanqu RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Pinghu RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	12
Lianyungang Ruenliang Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Fenghua RT-MART Commercial Co.,.Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shanghai Minhang Huacao RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	12

31 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	
		2012	2011		*(million)*	
Cixi RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	7
Qingdao Jimo Zhenhua RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Lanzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Tianjin Changhu RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Xi'an RT-MART Hypermarket Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Anqing RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Anshan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Tonglu RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	6
Huai'an Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	1
Suqian Ruenliang Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shenzhen Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	1
Jiangmen RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Zhaoqing RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Xiamen Ruenrui Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Changsha Ruenliang Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Fuyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Haiyan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Guangzhou Ruenping Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Changxing Ruenrui Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Jiande RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Zhangjiagang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Yunnan Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Changzhou Huaide RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Hefei Luyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shanghai Sijing RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Guangzhou Concord Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Jining RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Wuhu RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Huaibei RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Suzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	26/7
Xinghua Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Rongcheng RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Deyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2

31 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2012	2011	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Weihai Ruenhua Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Chaoyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Jilin RT-MART Hypermarket Co., Ltd.		**94.10%**	94.37%	Retailing	USD	1
Putian Ruende Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Weinan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Yancheng Jiaruenfa Investment Management Co., Ltd.	*(iii)*	**94.10%**	94.37%	Property development, leasing and retailing	RMB	10
Jurong RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Dafeng Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	16
Baoji RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Taizhou Huangyan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Suzhou Ruende Commercial Co., Ltd.	*(iii)*	**94.10%**	94.37%	Retailing	RMB	3
Zibo RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Beijing Ruenfu Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Dongguan Ruende Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Hefei Yaohai RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Heze Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Zibo Concord RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Foshan Nanhai Ruenrui Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shuyang Ruentex Commercial Co., Ltd.	*(iii)*	**94.10%**	94.37%	Retailing	RMB	15
Yantai RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Dongying Concord RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Daqing RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Jianhu RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	10
Wuhan Ruende Hypermarket Development Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Tongliao Ruentex Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Nanchang Chenghu RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Suzhou Xuguan Ruenhua Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Rizhao RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Meishan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	17
Laiyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	12
Shanghai Sanlin RT-MART Commercial and Trading Co., Ltd		**94.10%**	94.37%	Retailing	USD	2
Qingdao Concord RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Weifang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Binhai RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2

31 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	
		2012	2011		*(million)*	
Suzhou Baodai Ruentex Commercial Co., Ltd.	*(iii)*	**94.10%**	94.37%	Retailing	RMB	15
Xiangshan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Cixi Guanhaiwei RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Jinan Concord Warehousing Co., Ltd.	*(iii)*	**94.10%**	94.37%	Warehousing	RMB	15
Shenyang Sujiatun RT-MART Commercial Co., Ltd.	*(iii)*	**94.10%**	94.37%	Retailing	RMB	128
Yangjiang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Songyuan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Kaifeng Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shenyang RT-MART Warehousing Co., Ltd.		**94.10%**	94.37%	Warehousing	USD	11
Guangzhou Ruendefa Warehousing Co., Ltd.		**94.10%**	94.37%	Warehousing	USD	16
Chengdu Xingfu RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Yueyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	10
Zhangzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	16/8
Kunshan Qiandeng Ruenping Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	17
Huaihua RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Zhengzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Hefei Feicui RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Yancheng RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Nantong Ruenhua Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Changsha Ningxiang Ruenfu Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Binzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	12/4
Weifang Concord RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Nanchong Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Liuzhou Ruenping Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Lianshui Ruenhua Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Huludao RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Cangnan Longgang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Qingzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	7
Huangshan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Qingdao Jiaozhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Nanchong Ruenhua Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Jiashan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Jinjiang Ruende Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	6
Zhucheng RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Changzhou Zhujiang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2

31 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	
		2012	2011			*(million)*
Yichang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Xuzhou Ruenhua Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Dongtai RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Lianyungang Ruenyun Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Zhangjiagang Jingang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Zhengzhou Ruenrui Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	12
Taizhou Gaogang Ruenliang Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Yongkang Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	7
Dongguan Zhangmutou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Yancheng Xianfengdao RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Zaozhuang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shanghai Baoshan Luodian RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Yangzhou Ruenliang Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Xiaogan RT-MART Commercial Co., Ltd		**94.10%**	94.37%	Retailing	USD	2
Changchun Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Ganzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Zhenjiang Jingkou Ruenjing Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Yangzhou Ruenhan Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Hefei Baohe RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Fuzhou Jinrong RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Mianyang RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Suzhou Ruenping Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Haerbin Daowai RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Sichuan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	7/1
Dongguan Humen RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Changzhou Guanhe RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Kunshan Ruenliang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	12/2
Shanghai Jiading Anting RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Guangde RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Dingyuan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Wengdeng RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2

31 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2012	2011	Principal activities	Registered capital/issued and fully paid up capital	*(million)*
Nanling RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Jinghong RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Chizhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Wuxi Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Peixian RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Haicheng RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Huai'an Ruenliang Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Longyan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Foshan Gaoming Ruenping Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Jinhua RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3/0.5
Jinan Shizhong RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	RMB	5
Bengbu Ruenhua Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Qingdao Laoshan RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Liuzhou Ruenhan Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Jinan Tianqiao RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	RMB	5
Dongyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Donghai Ruenyun RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Zhenjiang Ruencheng RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	3
Yixing RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Guangzhou Ruenzeng Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shanghai Nicheng RT-MART Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Weihai Ruentex Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Jiangmen Ruenliang Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Jiujiang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Shenzhen Kangruenhua Commercial and Trading Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Foshan Ruenguo Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
An'xi RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Liyang RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/2
Anshun RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Yibing RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Chuzhou RT-MART Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2/0.4
Wujiang Ruenliang Commercial Co., Ltd.		**94.10%**	94.37%	Retailing	USD	2
Qingyuan RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4

31 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	
		2012	2011			*(million)*
Lishui RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
E'erduosi RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Huai'an Ruenhuai Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	7
Qinzhou RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Fancang RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Xuyi Ruenyun Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Foshan Nanzhuang RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Xuancheng RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Yangjiang Ruenliang Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2
Hangzhou Ruenfu RT-MART Hypermarket Co., Ltd.		**94.10%**	–	Retailing	USD	3/0.5
Xuzhou Ruenping Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2
Wujiang Ruenjiang Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Tongliang RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Quanzhou Luojiang RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2
Beihai Ruenfu Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Jiangmen Ruenjin Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Yanzhou RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Lechang RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2
Fuxin RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	6
Shenyang Ruenfu Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	6
Hongze RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Foshan Nanhai Ruenhan Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/-
Huai'an Economic and Technological Development Zone Ruenbao Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	3
Sheyang RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	3/0.8
Yulin Ruenping Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/-
Nantong Ruenliang Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/-
Wuzhou Ruenliang Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/-
Lishui RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/0.4
Xining RT-MART Commercial Co., Ltd.		**94.10%**	–	Retailing	USD	2/-
Changshu Bairuenfa Hypermarket Co., Ltd.	*(iii)*	**94.10%**	–	Property development, leasing and retailing	RMB	10
Nanjing Zhongshang Jinruenfa Longjiang Hypermarket Co., Ltd.	*(iii)*	**94.10%**	–	Retailing	RMB	5
Nanjing Zhongshang Jinruenfa Gulou Shopping Mall Co., Ltd.	*(iii)*	**94.10%**	–	Retailing	RMB	5
SZ Ruenhua	*(iii)*	**94.10%**	75.50%	Property development, leasing and retailing	RMB	49

31 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by ACHK:

Name of companies	Note	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2012	2011			*(million)*
Shanghai Auchan Hypermarkets Co., Ltd.	*(ii)*	**95.94%**	96.85%	Retailing	USD	18
Wuxi Immochan Real Estate Co., Ltd.	*(ii)*	**100%**	100%	Property development and leasing	RMB	66
Suzhou Industrial Park Immochan Real Estate Co., Ltd.		**95.94%**	96.85%	Property development and leasing	RMB	140
Suzhou Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	RMB	80
Hangzhou Auchan Hypermarkets Co., Ltd.	*(ii)*	**95.94%**	96.85%	Retailing	USD	23
Nanjing Immochan Real Estate Co., Ltd.		**95.94%**	96.85%	Property development and leasing	USD	8
Ningbo Immochan Real Estate Co., Ltd.		**95.94%**	96.85%	Property development and leasing	RMB	56
ACI		**95.94%**	96.85%	Consulting service and investment	USD	300/214
Tianjin Immochan Real Estate Co., Ltd.		**100%**	100%	Property development and leasing	USD	8
Chengdu Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	RMB	110
Beijing Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	RMB	50
Tianjin Auchan Hypermarkets Co., Ltd.		**100%**	100%	Retailing	RMB	50
Shanghai New Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	RMB	128
Beijing Immochan Consultation Co., Ltd.		**95.94%**	96.85%	Property development and leasing	RMB	96
Nanjing Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	RMB	50
Ningbo Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	RMB	60
Nanjing Jinshang Property Co., Ltd.	*(ii)*	**100%**	100%	Property development and leasing	RMB	130
Nanjing Ningshang Property Co., Ltd.		**95.94%**	96.85%	Property development and leasing	RMB	80
Shuangliu Zhongsen Real Estate Development Co., Ltd.	*(iii)*	**95.94%**	96.85%	Property development and leasing	RMB	30
Jiaxing Immochan Real Estate Co., Ltd.		**95.94%**	96.85%	Property development and leasing	USD	6
Zhoushan Immochan Real Estate Co., Ltd.		**95.94%**	96.85%	Property development and leasing	RMB	57
Changzhou Immochan Real Estate Co., Ltd.	*(ii)*	**95.94%**	96.85%	Property development and leasing	USD	22

31 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by ACHK: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2012	2011			*(million)*
Taizhou Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	10
Changzhou Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	RMB	122
Yangzhou Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	8
Anhui Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	12
Jiaxing Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	6
Zhenjiang Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	12
Wuxi Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	6
Huzhou Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	10
Shanghai Auchan Information and Technique Development Co., Ltd.		**95.94%**	96.85%	Research and development service	USD	1
Nantong Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	12
Nantong New Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	10/5
Yantai Auchan Hypermarkets Co., Ltd.		**95.94%**	96.85%	Retailing	USD	20/10

Note:

(i) RT-Mart Holdings Limited and ACHK are incorporated in Hong Kong. CCIL is incorporated in the Cayman Islands. 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 20).

(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.

32 SUBSEQUENT EVENTS

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 22(b).

FINANCIAL SUMMARY

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

	Year Ended 31 December				
	2012	2011	2010	2009	2008
			RMB million		
Turnover	**77,851**	68,084	56,168	45,394	37,852
Gross Profit	**16,150**	13,857	10,968	8,580	7,089
Profit from Operations	**3,518**	2,906	2,474	1,953	1,527
Profit for the Year	**2,533**	1,985	1,614	1,254	1,016
Profit attributable to:					
Equity shareholders of the Company	**2,409**	1,600	1,031	811	680
Non-Controlling Interests	**124**	385	583	443	336

	At 31 December				
	2012	2011	2010	2009	2008
			RMB million		
Total assets	**44,585**	41,346	29,853	23,668	20,514
Total liabilities	**27,227**	25,829	23,033	17,476	15,726
Equity attributable to:					
Equity shareholders of the Company	**16,830**	15,139	4,403	4,005	3,191
Non-Controlling Interests	**528**	378	2,417	2,187	1,597

The consolidated financial statements of the Group have been prepared in accordance with 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)