SUN ART RETAIL GROUP LIMITED
高鑫零售有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 06808)

FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Sun Art Retail Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") as below.

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December		
	2016	2015	**Change**
	RMB million		
Revenue	**100,441**	96,414	4.2%
Gross Profit	**23,981**	22,463	6.8%
Profit from Operations	**3,936**	3,575	10.1%
Profit for the Year	**2,629**	2,464	6.7%
Profit Attributable to Equity Shareholders of the Company	**2,571**	2,443	5.2%
Earnings Per Share ("**EPS**")			
– Basic and diluted [(1)]	**RMB0.27**	RMB0.26	

	As at 31 December		
	2016	2015	**Change**
	RMB million		
Total Assets	**60,341**	55,509	8.7%
Total Liabilities	**37,532**	33,882	10.8%
Net Assets	**22,809**	21,627	5.5%
Net Financial Position [(2)]	**8,110**	5,978	35.7%
Current Ratio [(3)]	**0.72**	0.67	

Notes:

(1) The calculation of basic and diluted EPS for the years ended 31 December 2016 and 2015 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

(2) The balance of net financial position is calculated as the sum of cash and cash equivalents and time deposits minus bank loans.

(3) Current Ratio = Current Assets/Current Liabilities

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		Year ended 31 December	
		2016	2015
	Note	***RMB million***	*RMB million*
Revenue	*5*	**100,441**	96,414
Cost of sales		**(76,460)**	(73,951)
Gross profit		**23,981**	22,463
Other income	*6*	**873**	747
Operating costs		**(18,042)**	(17,002)
Administrative expenses		**(2,876)**	(2,633)
Profit from operations		**3,936**	3,575
Finance costs	*7(a)*	**(23)**	(20)
Share of results of an associate and a joint venture		**(4)**	(3)
Profit before taxation	*7*	**3,909**	3,552
Income tax	*8(a)*	**(1,280)**	(1,088)
Profit for the year		**2,629**	2,464
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Changes in fair value of long-term other financial liabilities		**58**	19
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside the People's Republic of China		**–**	2
Total comprehensive income for the year		**2,687**	2,485
Profit attributable to:			
Equity shareholders of the Company		**2,571**	2,443
Non-controlling interests		**58**	21
Profit for the year		**2,629**	2,464
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,629**	2,463
Non-controlling interests		**58**	22
Total comprehensive income for the year		**2,687**	2,485
Earnings per share			
Basic and diluted	*9*	**RMB0.27**	RMB0.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		At 31 December	
		2016	2015
	Note	***RMB million***	*RMB million*
Non-current assets			
Investment properties		**3,615**	3,516
Other property, plant and equipment		**22,820**	22,902
Land use rights		**5,740**	5,278
		32,175	31,696
Intangible assets		**77**	64
Goodwill		**181**	181
Equity-accounted investees		**15**	19
Unquoted available-for-sale equity security		**4**	4
Trade and other receivables	*12*	**397**	527
Deferred tax assets		**395**	374
		33,244	32,865
Current assets			
Inventories	*11*	**15,409**	12,646
Trade and other receivables	*12*	**3,552**	3,380
Time deposits	*13*	**36**	36
Cash and cash equivalents	*14*	**8,100**	6,582
		27,097	22,644
Current liabilities			
Trade and other payables	*15*	**36,807**	32,626
Bank loans	*16*	**23**	638
Income tax payables		**638**	491
		37,468	33,755
Net current liabilities		**(10,371)**	(11,111)
Total assets less current liabilities		**22,873**	21,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		At 31 December	
		2016	2015
	Note	***RMB million***	*RMB million*
Non-current liabilities			
Bank loans	*16*	**3**	2
Other financial liabilities		**50**	114
Deferred tax liabilities		**11**	11
		64	127
Net assets		**22,809**	21,627
Capital and reserves			
Share capital		**10,020**	10,020
Reserves		**11,765**	10,726
Total equity attributable to equity shareholders of the Company		**21,785**	20,746
Non-controlling interests		**1,024**	881
Total equity		**22,809**	21,627

NOTES:

1. STATEMENT OF COMPLIANCE

The Group's consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, 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 Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). A summary of the significant accounting policies adopted by 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 3 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 consolidated financial statements.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in an associate and a joint venture.

The consolidated 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 and E-commerce platforms are all operated in the People's Republic of China ("**PRC**"). The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting 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.

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.

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's results and financial position.

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

4. 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 profit or loss and other 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 Contracted 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.

5. REVENUE AND SEGMENT REPORTING

The principal activity of the Group is the operation of hypermarkets and E-commerce platforms in the PRC.

The Group is organised, for management purpose, into business units based on the banner under which the hypermarkets and E-commerce platforms are operated. As all of the Group's hypermarkets and E-commerce platforms are operated 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 and E-commerce platforms in the PRC.

Revenue mainly 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 revenue is as follows:

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Sales of goods	**97,096**	93,270
Rental income	**3,345**	3,144
	100,441	96,414

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

6. OTHER INCOME

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Service income	**329**	238
Disposal of packaging materials	**122**	112
Interest income	**255**	271
Government grants	**167**	126
	873	747

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**17**	14
– wholly repayable after five years	**6**	6
	23	20

(b) Staff costs

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Salaries, wages and other benefits	**7,884**	7,181
Contributions to defined contribution retirement plans	**965**	864
Contributions to Employee Trust Benefit Schemes *(i)*	**431**	366
Share-based payments	**(8)**	2
	9,272	8,413

(i) 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 of the Group.

(c) Other items

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Cost of inventories	**76,360**	73,736
Depreciation		
– assets leased out under operating leases		
– investment properties	**210**	205
– other property, plant and equipment	**491**	345
– assets held for own use	**2,263**	2,223
	2,964	2,773
Amortisation		
– land use rights	**171**	163
– intangible assets	**31**	18
	202	181
Impairment losses		
– other property, plant and equipment *(i)*	**91**	–
Operating lease charges		
(i) contingent rents		
– assets leased for own use	**590**	593
– assets sublet to others	**186**	174
(ii) minimum lease payments		
– assets leased for own use	**1,703**	1,629
– assets sublet to others	**253**	238
(iii) fees to Contracted Store Owners	**14**	23
Total	**2,746**	2,657
Loss on disposal of property, plant and equipment	**34**	54
Net foreign exchange (gain)/loss	**(15)**	11
Auditors' remuneration		
– audit services	**32**	32
– non-audit services	**1**	1
Donations	**1**	1
Rental income from investment properties		
– gross (including property management fee)	**(1,213)**	(1,131)
– direct operating expenses	**43**	78
Net rental income from investment properties	**(1,170)**	(1,053)

(i) As at 31 December 2016, due to a reduction in profitability of certain stores, leasehold improvements of certain stores of the Group were stated net of impairment losses of RMB91 million (2015: nil), to write down the carrying amount of the leasehold improvements of the stores to their estimated recoverable amount of RMB83 million. The impairment loss was recognised in "Operating costs".

8. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	1
Over-provision in respect of prior year	**(1)**	–
Current tax – PRC income tax		
Provision for the year	**1,302**	1,175
Over-provision in respect of prior year	**–**	(5)
	1,301	1,171
Deferred tax		
Origination of temporary differences	**(21)**	(83)
	1,280	1,088

(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 (2015: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) All PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2016 (2015: 25%) under the Enterprise Income Tax law ("**EIT law**").

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

Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5% on dividends received.

On 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.

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.

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

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Profit before taxation	**3,909**	3,552
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**977**	888
Non-deductible expenses, less non-assessable income	**(16)**	(43)
PRC dividend withholding tax	**91**	71
Current year losses for which no deferred tax asset was recognised	**257**	242
Temporary differences for which no deferred tax asset was recognised	**35**	2
Utilisation of previously unrecognised tax losses	**(61)**	(74)
Recognition of previously unrecognised temporary differences	**(35)**	(16)
Reversal of previously recognised deferred tax assets	**33**	23
Over-provision in respect of prior years	**(1)**	(5)
Actual tax expenses	**1,280**	1,088

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

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Balance at beginning of the year	**491**	512
Over-provision in respect of prior years	**(1)**	(5)
Provision for current income tax for the year	**1,302**	1,176
Payment during the year	**(1,154)**	(1,192)
Income tax payables at the end of the year	**638**	491

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,571 million (2015: RMB2,443 million) and the weighted average of 9,539,704,700 ordinary shares (2015: 9,539,704,700) in issue during the year:

Weighted average number of ordinary shares

	Year ended 31 December	
	2016	2015
Issued ordinary shares at 1 January and 31 December	**9,539,704,700**	9,539,704,700

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

10. DIVIDENDS

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

	2016 *RMB million*	2015 *RMB million*
Final dividend proposed after the end of the reporting period of HKD0.23 (equivalent to RMB0.20) per ordinary share (2015: HKD0.19 (equivalent to RMB0.16) per ordinary share)	**1,908**	1,524
	1,908	1,524

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:

A final dividend of HKD0.19 (equivalent to RMB0.16) per ordinary share in respect of the year ended 31 December 2015 was approved on 13 May 2016, and the payment was made in June 2016 for an amount equivalent to RMB1,521 million.

11. INVENTORIES

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

	At 31 December	
	2016 *RMB million*	2015 *RMB million*
Trading merchandise	**15,409**	12,646

(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	
	2016 *RMB million*	2015 *RMB million*
Carrying amount of inventories sold	**76,417**	73,725
(Reversal of write down)/write down of inventories	**(57)**	11
	76,360	73,736

All inventories are expected to be sold within one year.

12. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2016	2015
	RMB million	*RMB million*
Non-current		
Rental prepayments	**397**	527
Current		
Trade receivables	**450**	195
Amounts due from Contracted Stores	**29**	41
Amounts due from Contracted Store Owners	**45**	57
Amounts due from related parties	**88**	115
Other debtors	**707**	723
Value-added tax recoverable	**1,019**	635
Prepayments:		
– rentals	**1,103**	1,249
– property, plant and equipment and intangible assets	**111**	365
Sub-total	**3,552**	3,380
Trade and other receivables	**3,949**	3,907

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 aging of trade receivables is determined based on invoice date.

The amounts due from Contracted Stores as at 31 December 2016 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. These amounts are repayable on demand.

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 property, plant and equipment and intangible assets which will be transferred to the relevant asset category upon receipt of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year.

13. TIME DEPOSITS

	At 31 December	
	2016	2015
	RMB million	*RMB million*
Time deposits	**36**	36

Time deposits have original maturity over three months.

14. CASH AND CASH EQUIVALENTS

	At 31 December	
	2016	2015
	RMB million	*RMB million*
Deposits with banks within 3 months of maturity	**106**	207
Cash at bank and on hand	**5,405**	4,358
Other financial assets	**2,589**	2,017
Cash and cash equivalents in the consolidated statement of financial position	**8,100**	6,582

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

15. TRADE AND OTHER PAYABLES

	At 31 December	
	2016	2015
	RMB million	*RMB million*
Current		
Trade payables	**20,817**	18,247
Advance receipts from customers	**9,702**	8,331
Amounts due to related parties	**121**	207
Construction costs payable	**1,799**	1,888
Dividends payable to non-controlling interests	**124**	181
Accruals and other payables	**4,244**	3,772
Trade and other payables	**36,807**	32,626

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

Advance receipts from customers primarily represent 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	
	2016	2015
	RMB million	*RMB million*
Due within 6 months	**20,413**	17,940
Due after 6 months but within 12 months	**404**	307
	20,817	18,247

16. BANK LOANS

	At 31 December	
	2016	2015
	RMB million	*RMB million*
Current		
Bank loans repayable within 1 year guaranteed by a related party	**3**	5
Unsecured bank loans repayable within 1 year	**20**	633
Sub-total	**23**	638
Non-current		
Bank loans guaranteed by a related party	**3**	2
Bank loans	**26**	640

Unsecured bank loans carried interest at annual rate of 3.92% per annum as at 31 December 2016 (2015: from 2.26% to 3.92% per annum). Bank loans guaranteed by a related party, Oney Bank S.A. ("**Oney Bank**", formerly known as "**Banque Accord S.A.**"), carried interest at 6.05% per annum (2015: from 6.05% to 6.30% per annum).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue is derived from sales of goods and rental income. Revenue from sales of goods is primarily derived from the hypermarkets and the E-commerce platforms where merchandise, mainly food, groceries, home appliances, textile and general goods are laid out for sale. Revenue from sales of goods is net of value added tax and other applicable sales taxes after deducting any trade discounts. Revenue from rental income is derived from renting gallery space in hypermarket complexes to operators of businesses that we believe are complementary to the stores.

The following table sets forth a breakdown of the revenue from sales of goods and rental income for the years indicated:

	Year ended 31 December		
	2016	2015	**Change**
	(RMB million)		
Sales of goods	**97,096**	93,270	4.1%
Rental income	**3,345**	3,144	6.4%
Total revenue	**100,441**	96,414	4.2%

For the year ended 31 December 2016, revenue from sales of goods was RMB97,096 million, an increase of RMB3,826 million, or 4.1%, from RMB93,270 million for the year ended 31 December 2015. The increase was primarily attributable to the continued business expansion of the Group with the opening of new stores [(1)].

For the year ended 31 December 2016, the Group continued to expand in various areas of China and opened 38 stores, which contributed to the increase in sales of goods.

For the year ended 31 December 2016, the same store sales growth (the "**SSSG**")[(2)] was -0.34%, versus -3.6% for the year ended 31 December 2015. The growth of consumer market was steady, although it was slower than previous periods. The competition in retail industry was still intensive in 2016. Nevertheless, SSSG improved, mainly reflecting the efforts made by the Group in promoting fresh products, differentiating the business and integrating the online and offline operations.

For the year ended 31 December 2016, revenue from rental income was RMB3,345 million, an increase of RMB201 million, or 6.4%, from RMB3,144 million for the year ended 31 December 2015. This increase was primarily attributable to an increase in rentable 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 2016.

(2) Same store sales growth: For stores with 12 full months' operation as of 31 December 2016, we calculated and compared the sales derived in those stores from their opening month to the end of year 2015 with the same period in year 2016.

Gross Profit

For the year ended 31 December 2016, gross profit was RMB23,981 million, an increase of RMB1,518 million, or 6.8%, from RMB22,463 million for the year ended 31 December 2015. The gross profit margin for the year ended 31 December 2016 was 23.9%, an increase of 0.6 percentage points from 23.3% for the year ended 31 December 2015. The increase in the gross profit margin was a result of a greater increase in revenue of 4.2% as compared to the increase in cost of sales of 3.4%, reflecting: (i) better inventory management to bring a higher profit margin and (ii) economies of scale due to the continued expanding business operation.

Other Income

Other income primarily consists of income from the disposal of packaging materials, interest income, service income and government grants.

For the year ended 31 December 2016, other income was RMB873 million, an increase of RMB126 million, or 16.9%, from RMB747 million for year ended 31 December 2015. This increase was primarily attributable to (i) an increase in service income, primarily generated from the income from parking in hypermarket complexes and the commission from financial services provided in issuing co-branded credit cards; (ii) an increase in government grants; and (iii) partially offset by a decrease in interest income due to the decrease in the investment in financial products during the year as well as the lower interest rate in the market.

Operating Costs

Operating costs represent the costs related to the operations of the stores and E-commerce platforms. Operating costs primarily consist of personnel expenses, operating lease charges, expenses for utilities, maintenance, advertising, shuttle bus services and cleaning, together with the amortisation of land use rights and depreciation of property, plant and equipment for the stores and E-commerce platforms.

For the year ended 31 December 2016, the operating costs were RMB18,042 million, an increase of RMB1,040 million, or 6.1%, from RMB17,002 million for the year ended 31 December 2015.

This increase was primarily attributable to the increase in the number of stores in accordance with the ongoing expansion of the hypermarket complexes network and the development of E-commerce platforms to a larger scale. These developments required the recruitment of new staff. Meanwhile, the Group followed government guidance in relation to the increase in the minimum wage of staff. These developments led to an increase in personnel expenses. Also, new stores, operated on leased or self-owned sites, resulted in an increase in operating lease charges, amortisation of land use rights and depreciation of property, plant and equipment at the stores.

The amount of operating costs for the year ended 31 December 2016 represented 18.0% of revenue, an increase of 0.4 percentage points, from 17.6% for the year ended 31 December 2015. The increase was as a result of a greater increase in operating costs of 6.1% as compared to the increase in revenue of 4.2%.

Administrative Expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, amortisation of land use rights, depreciation of property, plant and equipment and other expenses for the administrative departments. For the year ended 31 December 2016, the administrative expenses were RMB2,876 million, an increase of RMB243 million, or 9.2%, from RMB2,633 million for the year ended 31 December 2015. The increase was primarily attributable to an increase in the number of administrative staff to provide support services for the expanded network of hypermarket complexes and E-commerce platforms. The ratio of administrative expenses for the year ended 31 December 2016 represented 2.9% of revenue, an increase of 0.2 percentage points, from 2.7% for the year ended 31 December 2015. The increase was as a result of a greater increase in administrative expenses of 9.2% as compared to the increase in revenue of 4.2%.

Profit from Operations

For the year ended 31 December 2016, profit from operations was RMB3,936 million, an increase of RMB361 million, or 10.1%, from RMB3,575 million for the year ended 31 December 2015. The operating margin for the year ended 31 December 2016 was 3.9%, an increase of 0.2 percentage points from 3.7% for the year ended 31 December 2015. The operating margin increased through the improvement in gross profit margin to cover the expense increase, which showed that the Group was able to manage its profitability while developing its business.

Finance Costs

Finance costs primarily consist of interest expenses on borrowings. For the year ended 31 December 2016, the finance costs were RMB23 million, an increase of RMB3 million, or 15.0% from RMB20 million for the year ended 31 December 2015. The increase is mainly related to the higher average balance of bank borrowing during the year of 2016 as compared to the year of 2015.

Income Tax

For the year ended 31 December 2016, income tax expense was RMB1,280 million, an increase of RMB192 million, or 17.6%, from RMB1,088 million for the year ended 31 December 2015. The effective income tax rate was 32.7% for the year ended 31 December 2016, compared to 30.6% for the year ended 31 December 2015. The increase in effective tax rate was mainly attributable to the losses generated by certain new legal entities and the E-commerce entities for which the accumulated losses have not been utilised and no deferred tax was recognised.

Profit for the Year

For the year ended 31 December 2016, profit for the year was RMB2,629 million, an increase of RMB165 million, or 6.7%, from RMB2,464 million for the year ended 31 December 2015. The net profit margin was 2.6% for the year ended 31 December 2016, which remained the same as of the year ended 31 December 2015. The increase of profit for the year of 2016 compared to the year of 2015 would have been around 8.7%, had the losses occurred by the E-commerce entities and Oney Accord Business Consulting (Shanghai) Co., Ltd ("**Oney Accord**") been excluded from both years.

Profit Attributable to Equity Shareholders of the Company

For the year ended 31 December 2016, profit attributable to equity shareholders of the Company was RMB2,571 million, an increase of RMB128 million, or 5.2%, from RMB2,443 million for the year ended 31 December 2015.

Profit Attributable to Non-Controlling Interests

For the year ended 31 December 2016, profit attributable to non-controlling interest was RMB58 million, an increase of RMB37 million, or 176.2%, from RMB21 million for the year ended 31 December 2015. The profit attributable to non-controlling interests was attributable to: (i) interests in ACI and CIC from the Auchan Scheme and RT-Mart Scheme; (ii) the interest held by an independent third party in three of the subsidiaries, People's RT-Mart Limited Jinan and Feiniu E-commerce Hong Kong Limited ("**Feiniu HK**") and Fields Hong Kong Limited ("**Fields HK**"); and (iii) the interest held by Oney Bank in Oney Accord.

Liquidity and Financial Resources

For the year ended 31 December 2016, cash flow generated from operating activities was RMB6,952 million, an increase of RMB652 million, or 10.3%, from RMB6,300 million for the year ended 31 December 2015. In addition to the cash flow generated from the improvement from the operating result, the working capital variation also contributed to the increase in operating cash flow from: (i) an increase in cash generated from the prepaid card; and (ii) the impact of calendar difference of Chinese New Year.

As at 31 December 2016, the net current liabilities decreased to RMB10,371 million from RMB11,111 million as of 31 December 2015. This decrease, which reflected the impact in business from the calendar difference of Chinese New Year and the expansion in business operations, was primarily attributed to: (i) an increase in trade payables and other payables of RMB4,181 million; (ii) partially offset by an increase in current assets of RMB4,453 million, mainly from the increased stock level to prepare for the peak sales season for Chinese New Year, which is earlier in the calendar of this year.

For the year ended 31 December 2016, the inventory turnover days and trade payable turnover days were approximately 67 days and 93 days, respectively, and were approximately 59 days and 85 days for the year ended 31 December 2015, respectively.

Investing Activities

For the year ended 31 December 2016, cash flow used in investing activities was RMB3,363 million, a decrease of RMB1,220 million, or 26.6%, from RMB4,583 million for the year ended 31 December 2015.

The cash flow used in investing activities mainly reflected the capital expenditure related to: (a) new stores and projects of RMB2,582 million; (b) the upgrading and remodeling of the existing hypermarket complexes for RMB943 million; (c) the investment to distribution centers for RMB72 million; and (d) the maintenance of E-commence platforms and office for RMB147 million.

Financing Activities

For the year ended 31 December 2016, cash flow used in financing activities was RMB2,090 million, an increase of RMB1,171 million, or 127.4%, from RMB919 million for the year ended 31 December 2015. The increase was mainly attributable to (i) the increase in dividend distribution of RMB472 million and (ii) a net decrease in bank borrowings of RMB614 million for the year ended 31 December 2016, while for the year ended 31 December 2015, there was a net increase in bank borrowings of RMB217 million.

Dividends

The Board proposed a final dividend of HKD0.23 (equivalent to RMB0.20) per ordinary share (the "**Final Dividend**") for the year ended 31 December 2016, amounting to approximately HKD2,194 million (equivalent to RMB1,908 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**"). For details of the Final Dividend, please refer to the section headed "Final Dividend" in this announcement on page 26.

BUSINESS REVIEW

Operating Environment

During 2016, China's gross domestic product ("**GDP**") grew by 6.7% to approximately RMB74,412.7 billion. The overall CPI was up by 2.0% compared to 2015, the food CPI increased by 4.6%, non-food CPI was up by 1.4%. Total retail sales of consumer goods in China reached RMB33,232 billion, a growth of 10.4% year on year. National online sales reached RMB5,156 billion, an increase of 26.2% compared to last year. Online physical products sales of year 2016 amounted to RMB4,194 billion, an increase of 25.6% and accounted for 12.6% of total retail sales. According to the China Nation Commercial Information Center, the sales growth of the 50 key retailers dropped by 0.5% year on year.

Prudent Expansion, Resource Integration, Exploration of New Formats, Innovation and Diversification

During the year under review, the Group opened 38 new hypermarket complexes, of which five were under the Auchan banner and 33 were under the RT-Mart banner. Among the new stores, 13 were located in Eastern China, four were located in Northern China, six were located in North-eastern China, seven were located in Central China, two were located in Western China and six were located in Southern China. The Group closed one store under the RT-Mart banner in Shandong province in October 2016.

As of 31 December 2016, the Group had a total of 446 hypermarket complexes in China with a total gross floor area ("**GFA**") of approximately 12.032 million square meters. Approximately 68.8% of the GFA was operated in leased space, 31.0% of the GFA was in self-owned properties and 0.2% of the GFA was Contracted Stores. Please refer to note 1 below for definitions of regional zones.

As of 31 December 2016, approximately 8% of the Group's stores were located in first-tier cities, 17% in second-tier cities, 45% in third-tier cities, 22% in fourth-tier cities and 8% in fifth-tier cities. Please refer to note 2 below for definitions of tiers.

During the year under review, the Group continued to proactively seek opportunities, but with higher benchmarks of site selection, to open new stores. As of 31 December 2016, through the execution of lease contracts or acquisition of land plots, the Group has identified and secured 79 sites to open hypermarket complexes, of which 69 are under construction.

Since 1 July 2016, the former Yantai store under the Auchan banner was officially transferred to and taken over by the RT-Mart banner. The RT-Mart banner has more than 30 mortar stores in Shandong province and one regional distribution centre ("**DC**") warehouse, its procurement scale and logistic system have effectively improved the supplier chain of the transferred store. After the transfer, the store has improved its range of products and prices, with its sales and traffic increasing significantly with double-digit growth respectively. The inspiring result of the transferred store illustrated the workability and potential of such synergy between two banners. Therefore, the operation of two more stores located in Shenyang and Dalian under the Auchan banner has been managed by the RT-Mart banner since November and December 2016. The Group expects to enhance store productivity by integrating and sharing resources.

After one year of operation, our two small format stores "HiAuchan!" and "Lavia" also progressed strongly. In particular, "HiAuchan!", located in Shanghai with an area of 5,000 square meters had a satisfactory increase in sales. If this kind of business model succeeds, it is also an opportunity for the Group to return to open more stores in first-tier cities. The Group has planned to open additional units of this small format in the future. The Group will also explore new formats regularly. For example, through the cooperation with other companies, the Group expect to open two to three beauty shops with a focus on Korean products. Moreover, the Group will also open a new fresh online to offline ("**O2O**") concept community store, which will focus on supplying fresh products supplemented by daily necessities, together with catering service.

As of 31 December 2016, 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 2016)**				**Total GFA of hypermarket complexes (sq.m.) (As of 31 December 2016)**		
	Auchan	**RT-Mart**	**Total**	**Percentage**	**Auchan**	**RT-Mart**	**Total**
Eastern China	50	131	181	41%	2,049,520	3,172,257	5,221,777
Northern China	6	42	48	11%	177,594	1,028,881	1,206,475
North-eastern China	2	44	46	10%	55,660	1,215,729	1,271,389
Southern China	5	75	80	18%	124,523	1,837,678	1,962,201
Central China	10	61	71	16%	303,766	1,490,418	1,794,184
Western China	5	15	20	4%	223,839	352,678	576,517
Total	**78**	**368**	**446**	**100%**	**2,934,902**	**9,097,641**	**12,032,543**

Notes:

(1) The Group adopts the following regional zoning according to the national regional economic planning guidelines:

Eastern China:	Shanghai City, Zhejiang Province, Jiangsu Province
Northern China:	Beijing City, Tianjin City, Shandong Province, Hebei Province, Shanxi Province, Inner Mongolia Autonomous Region (West)
North-eastern China:	Jilin Province, Liaoning Province, Heilongjiang Province, Inner Mongolia Autonomous Region (North)
Southern China:	Guangdong Province, Guangxi Zhuang Autonomous Region, Fujian Province, Hainan Province, 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, Ningxia Hui Autonomous Region

(2) City tiers were classified according to the following standards:

First-tier cities:	Municipalities under the direct jurisdiction of the central government and Guangzhou City
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

Actively Promoting Fresh Products, Developing Our Own Brand and Exclusive Brand Products, Enhancing Differentiation of Business

As of 31 December 2016, the Group had a total of 120 stores participating in the vegetable direct sourcing project involving a full range of vegetable products. Another 220 stores also had part of their vegetable products involved in this project. The comparable sales growth in the vegetable sector increased by over 8% compared to last year, and the comparable traffic growth in the vegetable sector had a switch from negative to positive growth compared to last year. In the second half of 2016, the Group launched a fruit direct sourcing project, of which 10 stores in Eastern China have participated.

Moreover, the Group was involved in a central kitchen project to produce and provide semi-finished products for stores such as delicatessen, dim sum and bakeries in collaboration with selected high-standard factories. In 2016, certain stores in Eastern China were engaged in this project as pilot stores. The establishment of the central kitchen project is expected to improve the quality and stability of fresh products, and to accelerate the production of fresh product more quickly and more effectively.

Meanwhile, the Group is striving to build its own exclusive brands, and the performance of some exclusive brands has been very good. As of 31 December 2016, our brand "Actuel", specializing in general goods, home textile and tableware, achieved a growth of sales by 88%. Despite the influence of E-commerce, the sales of our small appliances brand "Qilive" and home apparel brand "Unic" still recorded a double-digit increase. Our luggage and travelling goods brand "Airport" and sportive brand "Cup's", have doubled their sales as compared to last year. Moreover, some newly added brands, such as our traditional Chinese cuisine brand "Hui Shang", imported mineral water brand "ALLEGRA", gardening brand "Garden star" and stationery brand "ekolia", will also be a source of growth in the future.

Equipment Co-sourcing Project and Advanced Maintenance System to Improve Quality and Save Costs

An equipment co-sourcing project between the Auchan and RT-Mart banners was launched at the end of January 2016. As of 31 December 2016, 24 co-sourcing initiatives were identified, 8 projects involving shelves, bakery equipment, wood pallets, tiles etc have already brought extra savings of over 8%.

The Group has effectively reduced the energy and maintenance cost through energy saving equipment and managing energy efficiency. Examples are the replacement of traditional bulbs, the replacement of LED lights, the automated remote control of equipment power switches and temperature adjustment, together with 3-level of maintenance management procedures (三級維護管理制度).

Joint Purchases and Tailor-made Products

Common procurement expanded from contract negotiation to joint-purchasing and tailor-made products. It aims at some of the best-selling merchandises and formulating large procurement amounts to manufacturers in order to obtain lower purchase prices to ensure price advantage but also "profitability". The Group will also customize exclusive products in accordance with customer demand to obtain better margin through differentiated sales.

Integration of Online and Offline Business, Exploration for Growth Engine

After three years of operations, Feiniu's business strategy has been changing, combining online and offline business by leveraging the advantage of mortar stores, using feiniu.com as a carrier, in order to effectively shorten the distance and time for delivering goods to customers. Meanwhile, the effective control of self-operated products number, greatly improved the efficiency of products and DC warehouse, thereby effectively reducing the cost per order. The professionalism of product knowledge and operation management of the procurement team and operation team of the Group, together with strong execution capability, perfect logistics and IT systems, is an important basis for the smooth and rapid development of O2O project and Business to Business ("**B2B**") projects. Given the increasing efficiency and lowering of cost, the loss of Feiniu is expected to decrease in year 2017.

As of 31 December 2016, the gross merchandise volume ("**GMV**") of Feiniu for the year 2016 achieved RMB2.1 billion, which has doubled compared to 2015. 29.1% of revenue was from O2O project. In 2016, 36 stores have participated in the O2O projects and O2O projects contributed to 6.4% of total sales of the participating stores. Over 230 mortar stores under the RT-Mart banner as well as 14 mortar stores under the Auchan banner began their cooperation with "Baidu Waimai", "Meituan" and "Eleme" since November 2016. In 2017, there will be more stores joining the O2O projects. Rapid delivery within 1 to 2 hours and fresh products will also become major attractions of the projects.

Fields (www.fieldschina.com) was launched in June 2010 starting with about 200 stock keeping units ("**SKUs**"), and in April 2015, the Group became its majority shareholder after signing an acquisition agreement. Presented as a high-end fresh E-commerce platform, Fields now runs nearly 4,000 SKUs, covering meat, fruits & vegetables, bakery, seafood, dairy, wines etc. As of 31 December 2016, the GMV of Fields was up by more than 50% compared to last year. Sales share of fresh products accounted for 70% with an outstanding retention and conversion rate as well as high ticket size.

With the upgrade of consumption by Chinese consumers, Fields now attracts more and more native customers with high-incomes whereas its previous customers were mainly expatriates. Given that, Fields is increasing the range of products to meet the needs of Chinese customers' tastes, and it is improving customer education for imported products.

Improving Employee Efficiency

As of 31 December 2016, the Group had 146,737 employees.

Given the pressure of the increase in minimum wage every year and the changes in consumer shopping behavior, the Group successfully managed to improve its operating productivity by giving employees multi-posts with multiple skills, upgrading technology, introducing equipments, simplifying processes and optimizing the use of systems, thereby effectively controlling cost increases.

Outlook

2016 was an unusual year for the retail market with the challenge still unfolding and opportunities are everywhere. Mortar stores expanded their business from offline to online, while E-commerce players also developed their business from online to offline. The Group started its online business in 2013. After more than three years of development, our online business is bringing more and more possibilities for the future development of the Group. This is made possible by relying on the advantages of mortar stores and core competence (such as a mature supplier chain, professional procurement, strong execution ability, excellent logistics and IT systems) as well as being an online carrier. Looking forward to the new year, the Group will continue to strengthen the O2O business model by internetizing（互聯網化）our mortar stores, and will also diversify the retail formats to satisfy our customer needs at anytime, anywhere with any purpose.

OTHER INFORMATION

Corporate Governance

The Company 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 (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

The Company reviews regularly its organizational structure to ensure operations are in line 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 code provisions as set out in the CG Code for the year ended 31 December 2016, save and except for the deviation of code provisions A.6.7 and C.3.7(a) of the CG Code.

Code provision A.6.7 provides that the independent non-executive directors should attend general meetings of the company. Mr. Desmond Murray, an Independent Non-Executive Director of the Company, attended the annual general meeting of the Company held on 13 May 2016 (the "**2016 AGM**"). Ms. Karen Yifen Chang and Mr. He Yi, the Independent Non-Executive Directors of the Company, were unable to attend the 2016 AGM due to sickness and prior business engagement external to the Company respectively.

Code provision C.3.7(a) provides that under the terms of reference of the audit committee (the "**Audit Committee**"), the Audit Committee should review arrangements that can be used by the employees 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 the internal audit department via either a telephone line 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 audit department, the Audit Committee and the Board will discuss the proper actions to deal with any issue reported by any employee about improprieties in financial reporting, internal control and other matters.

Further information of the corporate governance practice of the Company will be set out in the Corporate Governance Report in the Annual Report of the Company for the year ended 31 December 2016.

Audit Committee

The Company established the Audit Committee on 27 June 2011 with written terms of reference in compliance with the CG Code (new terms of reference were adopted by the Board on 11 December 2015). The primary duties of the Audit Committee are to assist the Board in overseeing and reviewing (i) the effectiveness of the Company's risk management and internal control systems 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) agree with internal auditors for their annual plan of work and the results of this work. The Audit Committee currently consists of five Non-executive Directors, three of whom are independent. The members currently are Mr. Cheng Chuan-Tai, Mr. Xavier, Marie, Alain Delom de Mezerac, Ms. Karen Yifen Chang, Mr. He Yi and Mr. Desmond Murray. It is currently chaired by Mr. Desmond Murray, an Independent Non-executive Director. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and also discussed auditing, internal controls and financial reporting matters including the review of the consolidated results of the Group for the year ended 31 December 2016.

Nomination Committee

The Company established a nomination committee ("**Nomination Committee**") on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee currently consists of five Non-executive Directors, three of whom are independent. The members currently are Mr. Cheng Chuan-Tai, Mr. Wilhelm, Louis Hubner, Ms. Karen Yifen Chang, Mr. He Yi and Mr. Desmond Murray. It is currently chaired by Mr. He Yi, an Independent Non-executive Director.

Remuneration Committee

The Company established a remuneration committee ("**Remuneration Committee**") on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee currently consists of five Non-executive Directors, three of whom are independent. The members currently are Mr. Cheng Chuan-Tai, Mr. Wilhelm, Louis Hubner, Ms. Karen Yifen Chang, Mr. He Yi and Mr. Desmond Murray. It is currently chaired by Ms. Karen Yifen Chang, an Independent Non-executive Director.

Securities Transactions by Directors

The Company has adopted its own policies for securities transactions (the "**Company Code**") by the Directors and relevant employees on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2016.

Purchase, Sale and Redemption of the Company's Listed Securities

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Annual General Meeting ("AGM")

The 2017 AGM will be held on 10 May 2017 (Wednesday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Final Dividend

At the Board meeting held on 17 February 2017 (Friday), the Directors proposed that a final dividend ("**Final Dividend**") of HKD0.23 (equivalent to RMB0.20) per ordinary share for the year ended 31 December 2016, amounting to approximately HKD2,194 million (equivalent to RMB1,908 million) be paid no later than 12 July 2017 (Wednesday) 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 17 May 2017 (Wednesday). The proposed Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on 10 May 2017 (Wednesday).

Closure of Register of Members and Record Date

(a) For determining the entitlement to attend and vote at the 2017 AGM

The Company's register of members will be closed from 8 May 2017 (Monday) to 10 May 2017 (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 2017 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 5 May 2017 (Friday).

(b) For determining the entitlement to the proposed Final Dividend

The proposed Final Dividend is subject to the approval of the shareholders at the 2017 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 17 May 2017 (Wednesday). 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 17 May 2017 (Wednesday).

Publication of 2016 Final Results and Annual Report of the Company

The final results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sunartretail.com). The Annual Report of the Company for the year ended 31 December 2016 will be dispatched to the shareholders of the Company and make available for review on the aforesaid websites in due course.

By order of the Board
Sun Art Retail Group Limited
CHENG Chuan-Tai
Chairman

For purpose of this announcement, the exchange rate of HKD1 = RMB0.8841 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

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

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

Non-executive Directors:
CHENG Chuan-Tai *(Chairman)*
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Xavier, Marie, Alain DELOM de MEZERAC
Wilhelm, Louis HUBNER

Independent Non-executive Directors:
Karen Yifen CHANG
Desmond MURRAY
He Yi

Hong Kong, 17 February 2017