Sun Art Retail Group Ltd.

(Incorporated in Hong Kong with limited liability)

Stock Code: 6808

Advancing Phygital Development Across China

DIRECTORS

Executive Directors

Ludovic, Frédéric, Pierre HOLINIER
(Chief Executive Officer)

Non-Executive Directors

ZHANG Yong *(Chairman)*
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Xavier, Marie, Alain DELOM de MEZERAC
Wilhelm, Louis HUBNER
CHEN Jun

Independent Non-Executive Directors

Karen Yifen CHANG
Desmond MURRAY
HE Yi

AUDIT COMMITTEE

Desmond MURRAY *(Chairman)*
Xavier, Marie, Alain DELOM de MEZERAC
Karen Yifen CHANG
HE Yi
Wilhelm, Louis HUBNER
(appointed on 2 March 2018)

REMUNERATION COMMITTEE

Karen Yifen CHANG *(Chairman)*
CHEN Jun
Wilhelm, Louis HUBNER
Desmond MURRAY
HE Yi

NOMINATION COMMITTEE

HE Yi *(Chairman)*
CHEN Jun
Wilhelm, Louis HUBNER
Karen Yifen CHANG
Desmond MURRAY

COMPANY SECRETARY

CHAN Wai Ling, FCIS, FCS(PE)

AUTHORISED REPRESENTATIVES

Ludovic, Frédéric, Pierre HOLINIER
CHAN Wai Ling

REGISTERED OFFICE IN HONG KONG

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PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" OR "CHINA")

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LEGAL ADVISOR

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HONG KONG SHARE REGISTRAR

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AUDITORS

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

COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

HIGHLIGHTS OF INTERIM RESULTS

	For the six months ended 30 June		
	2018	2017	**Change**
	RMB million	*RMB million*	
	Unaudited		
Revenue	**54,060**	54,080	(0.0%)
Gross Profit	**12,922**	12,582	2.7%
Profit from Operations	**2,699**	2,925	(7.7%)
Profit for the Period	**1,914**	1,898	0.8%
Profit Attributable to Equity Shareholders of the Company	**1,758**	1,757	0.1%
Earnings Per Share ("EPS")			
– Basic and diluted (1)	**RMB0.18**	RMB0.18	

Note:

(1) The calculation of basic and diluted EPS for the six months ended 30 June 2018 and 2017 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the periods.

BUSINESS REVIEW

Operating Environment

In the first half year of 2018, China's gross domestic product ("**GDP**") grew by 6.8% to approximately RMB41,896.1 billion. The overall consumer price index ("**CPI**") was up by 2% compared to the first half of 2017, of which the food CPI was up by 1.2%, while non-food CPI observed an increase of 2.2%.

According to the National Bureau of Statistic of China, total retail sales of consumer goods in China reached RMB18,001.8 billion for the six months ended 30 June 2018, representing a growth of 9.4% year on year. National online sales reached RMB4,081.0 billion, a growth of 30.1% compared to the corresponding period last year. Online physical products sales for the six months ended 30 June 2018 amounted to RMB3,127.7 billion, representing an increase of 29.8% and accounted for 17.4% of total retail sales.

About Taoxianda

As a key initiative in collaboration with Alibaba Group Holding Limited ("**Alibaba Group**"), the Taoxianda service was launched in two stores in March this year and was gradually expanded to 165 stores as at the end of June 2018, serving customers in 93 cities within 17 provinces and municipalities nationwide. Taoxianda is a fresh food service that offers an integrated online and offline solution to retailers to digitize their operations and raise efficiency.

The upgraded stores now provides a series of features aimed at improving customers' shopping experience. Customer orders will be delivered in an hour, within a three-kilometer radius from a designated store to the customer's doorstep. Taoxianda has digitally transformed the traditional hypermarket format and the project has delivered initial positive results.

About B2B

Since January 2017, RT-Mart has commenced its "Business to Business" ("**B2B**") operations and it has soon rolled out to all RT-Mart stores. At the end of June 2018, the revenue generated from B2B reached RMB2.5 billion, which has exceeded the full year revenue of this business in 2017. It is expected that B2B sales will double this year when compared to that of last year. During the period under review, B2B business contributed more than 4% of total sales of goods. Currently, B2B clients are mostly mom-and-pop grocery shops, canteens and restaurants, wholesalers and the entertainment area. The number of registered members is about 400,000. It offers 18,000 SKUs, of which FMCG and fresh products accounted for 78% and 19% of sales, respectively.

The Auchan banner kicked off its B2B business in January this year. The B2B business was launched in four stores in February 2018, and gradually rolled out to other stores in June 2018. As of the end of June 2018, the Auchan banner has deployed over 30 stores with B2B business. For illustrative purposes, sales contribution of B2B business of these four pilot stores accounted for 2.6% of their total sales for the six months ended 30 June 2018. The highest one accounted for more than 4%. It is expected that the deployment of B2B business under the Auchan banner will be completed by the end of July this year.

About Supply Chain Sharing

Joint procurement with He Ma ("盒馬鮮生") – private label fresh products from Shanghai He Ma Network Technology Co., Ltd. (an indirect wholly-owned subsidiary of Alibaba Group, "**He Ma**"), namely "Daily Fresh" ("日日鮮") and DIFRESCO ("帝皇鮮") were introduced in all our stores across Eastern China, covering vegetable, meat and seafood.

In addition, more SKUs are being prepared for future joint procurement including seafood, meat and bakery goods as well as ready-to-eat and ready-to-cook items.

Tmall Corner ("天貓下凡") – By the end of June 2018, hundreds of SKUs of Tmall, the online supermarket operated by Alibaba Group, have been introduced and displayed in Tmall Corner in all our stores across Eastern China. Tmall Corner features a selection of popular products from Tmall merchants. The business will be rolled out to our stores outside Eastern China in the second half of this year.

Taobao Xinxuan ("淘寶心選") – On 28 June 2018, the first "Taobao Xinxuan" corner opened in RT-Mart Shanghai store. The 200-square-meter sales area features affordable lifestyle and daily necessities ranging from small household items, home fragrance, stationery to affordable clothing. Taobao Xinxuan will further expand the product offering and selection by the Group that will in particular meet the needs of younger customers.

Smart-Mommy-and-Me ("天貓智能母嬰區") – At the "Smart-Mommy-and-Me Area", customers can have a wide selection of infant products. In addition, customers can shop via the interactive kiosk to look for more choices. The first pilot was launched in a RT-Mart store in Shanghai, with plans to roll out the similar corners to more stores in Eastern China by the end of 2018.

"Auchan Minute" Unmanned Convenience Box

The unmanned convenience box is a component of our multi-format ecosystem, leveraging our store's supply chain and targeting consumption on the go.

As of the end of June 2018, the Auchan banner has rolled out 270 "Auchan Minute". Each box is deployed within a five-kilometer radius of designated stores. Each box offers 300 to 400 SKUs, mainly covering beverage, snacks and dairy. Compared to hypermarket complexes, the boxes have better gross profit margin reflecting the purchase price of a hypermarket and having selling price of convenience stores. As of the date of this report, one-fourth of the boxes has achieved or nearly achieved breakeven. It is expected to roll out 500 boxes by the end of this year.

About He Xiao Ma

Shanghai He Xiao Ma Technology Co., Ltd. ("**He Xiao Ma**") is a joint venture invested by the Concord Investment (China) Co., Ltd ("**CIC**") and Alibaba Group, to open stores mainly in lower tier markets. He Xiao Ma will deploy franchising arrangements to expand its coverage and offers fresh and FMCG products leveraging the extensive online and offline expertise of Alibaba Group and CIC. The first pilot store has been opened in early June 2018.

Strategic Collaboration with Suning

On 30 June 2018, CIC and Suning.com Co., Ltd. ("**Suning**") reached a strategic agreement where the parties will carry out a deep ongoing cooperation in the electronic appliance section of RT-Mart stores. 287 stores under RT-Mart banner are expected to complete the renovation before "8.18 Suning Festival", and the renovation of the remaining stores under the RT-Mart banner will be completed by the end of September. The collaboration with Suning includes the integration of supply chain, system and data services. With electronic appliances being a fast moving and highly competitive category, the Group can leverage Suning's expertise in the section, to rejuvenate our electronic appliance business.

Expansion Status

During the six months ended 30 June 2018 under review, the Group opened 11 new hypermarket complexes, all of which were under the RT-Mart banner and no stores was opened under the Auchan banner. Among the new stores, five were located in Eastern China, two were located in Northern China, three were located in Central China and one was located in Southern China.

As of 30 June 2018, the Group had a total of 472 hypermarket complexes in China with a total gross floor area ("**GFA**") of approximately 12.70 million square meters. Approximately 70.0% of the GFA was operated as leased space, 29.7% of the GFA was in self-owned properties and 0.3% of the GFA was in contracted stores. Please refer to note 1 below for definitions of regional zones.

As of 30 June 2018, 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.

As of 30 June 2018, through the execution of lease contracts or acquisition of land plots, the Group had identified and secured 56 sites to open hypermarket complexes, of which 48 were under construction. In addition, the Group plans to open one He Ma concept supermarket in the second half of this year.

As of 30 June 2018, the number of stores and their GFA in each major region of China are set out below:

Region	Number of hypermarket complexes (As of 30 June 2018)				Total GFA of hypermarket complexes (sq.m.) (As of 30 June 2018)			
	Auchan	RT-mart	Total	Percentage	Auchan	RT-mart	Total	Percentage
Eastern China	51	139	190	40%	2,067,785	3,357,136	5,424,921	43%
Northern China	5	44	49	10%	151,064	1,089,868	1,240,932	10%
Northeastern China	1	49	50	11%	32,033	1,361,428	1,393,461	11%
Southern China	5	80	85	18%	124,523	1,956,204	2,080,727	16%
Central China	10	65	75	16%	293,766	1,618,641	1,912,407	15%
Western China	5	18	23	5%	223,839	426,148	649,987	5%
Total	77	395	472	100%	2,893,010	9,809,425	12,702,435	100%

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)
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, 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

Human Resources

As of 30 June 2018, the Group had 144,249 employees. The average number of employee of each store is still declining compared to the corresponding period last year, but there is less scope for further savings. New projects will increase the productivity of employees instead of downsizing the number of employees going forward.

As of the date of this report, already about 18 provinces and municipalities which have announced an increase in the minimum wage in 2018, with an average increase of about 11%, covering four-fifths of stores of the Group.

Outlook

In the future, our bricks-and-mortar stores will work on the integration of both online and offline channels. The Group will endeavour to accelerate the deployment of multi-formats and to increase footfall with more offline coverage. Our customers have choice to shop either online or offline, switching freely in accordance with their shopping needs.

In the future, our customers will be a diversified group with a wide demographic spread. Meanwhile the catchment area of each bricks-and-mortar store will extend from preliminarily fixed three-kilometer radius to ten kilometers or even thirty kilometers.

In the future, we will understand our customers better and better. Through digital and intelligent technology, we aim to provide products that our customers want, and deliver a faster, easier and more convenient shopping experience for customers online and offline.

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 E-commerce platforms where merchandise, mainly food, groceries, home appliances, textile and general goods, are presented 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 periods indicated:

	Six months ended 30 June		
	2018 *(RMB million)*	2017 *(RMB million)*	**Change**
Sales of goods	**52,163**	52,294	(0.3%)
Rental income	**1,897**	1,786	6.2%
Total Revenue	**54,060**	54,080	(0.0%)

For the six months ended 30 June 2018, revenue from sales of goods was RMB52,163 million, representing a decrease of RMB131 million, or 0.3%, from RMB52,294 million for the corresponding period in 2017.

During the period from 1 July 2017 to 30 June 2018, the Group continued to expand in various areas of China and opened 27 new stores with 16 in the second half of 2017 and 11 in the first half of 2018, respectively. The new stores brought additional sales of goods in 2018 first half.

For the six months ended 30 June 2018, the Same Store Sales Growth ("**SSSG**")(1) was -1.56% compared to -0.90% for the corresponding period in 2017. The competition in retail industry remained fierce in 2018 first half and the development of multi-channel shopping environment provides customers diversified shopping methods, which impacted the business of traditional hypermarkets to some extent. After the strategic alliance with Alibaba group, various business cooperations have been launched. By introducing the items which are popular online in our hypermarkets, the Group improved the choices to better satisfy our customers. Meanwhile, with the deployment of the Taoxianda projects and the additional traffic obtained from Taobao APP, the Group was able to serve more customers through its Online to Offline ("**O2O**") business within the catchment area of the hypermarkets. We expect that these integrations of both parties' advantages will enable us to expand our market share and improve our sales.

Notes:

(1) Same store sales growth: the growth rate of sales of the stores opened before 30 June 2017. It is calculated by comparing the sales derived from those stores during their operating periods in first half of 2017 with sales during the corresponding periods in 2018.

For the six months ended 30 June 2018, revenue from rental income was RMB1,897 million, representing an increase of RMB111 million, or 6.2%, from RMB1,786 million for the corresponding period in 2017. 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.

Gross Profit

For the six months ended 30 June 2018, gross profit was RMB12,922 million, representing an increase of RMB340 million, or 2.7%, from RMB12,582 million for the corresponding period in 2017. The gross profit margin for the six months ended 30 June 2018 was 23.9%, representing an increase of 0.6 percentage points from 23.3% for the corresponding period in 2017. The increase in the gross profit margin reflected the ability of the Group to continuously leverage on economies of scale to improve the gross profit margin.

Other Income

Other income consists of income from the release to income of aged unutilised balances on prepaid cards, service income, income from disposal of packaging materials, interest income, government grants and other miscellaneous income.

For the six months ended 30 June 2018, other income was RMB949 million, representing a decrease of RMB71 million, or 7.0%, from RMB1,020 million for the corresponding period in 2017. The decrease was primarily attributable to the decrease of RMB281 million in income from the release of aged unutilised balances on prepaid cards; and partially offset by an increase in disposal of packaging materials of RMB65 million which was mainly resulted from the higher selling price of cardboard box; and an increase in interest income of RMB58 million which was related to increased investment in financial products during the six months ended 30 June 2018.

Operating Costs

Operating costs represent the costs attributable to the operations of the stores and O2O businesses. 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 the depreciation of property, plant and equipment.

For the six months ended 30 June 2018, operating costs were RMB9,720 million, representing an increase of RMB460 million, or 5.0%, from RMB9,260 million for the corresponding period in 2017.

The increase was primarily attributable to the increase in the number of stores in accordance with the on-going expansion of the hypermarket network and the development of O2O businesses which required the recruitment of new staff. Meanwhile, the Group followed government guidance in relation to the increase in the minimum wage for staff. These developments led to the 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.

Expressed as a percentage, the amount of operating costs for the period ended 30 June 2018 as of the revenue in the first half of 2018 was 18.0%, representing an increase of 0.9 percentage points, from 17.1% of the corresponding period in 2017. This increase was a result of a greater increase in operating cost of 5.0% as compared to the flat revenue.

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 six months ended 30 June 2018, administrative expenses were RMB1,452 million, representing an increase of RMB35 million, or 2.5%, from RMB1,417 million for the corresponding period in 2017. 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 O2O business.

Expressed as a percentage, the amount of administrative expenses for the period ended 30 June 2018 as of the revenue for the first half of 2018 was 2.7%, representing an increase of 0.1 percentage point, from 2.6% of the corresponding period in 2017. This increase was a result of a greater increase in administrative expense of 2.5% as compared to the flat revenue.

Profit from Operations

For the six months ended 30 June 2018, the profit from operations was RMB2,699 million, representing a decrease of RMB226 million, or 7.7%, from RMB2,925 million for the corresponding period in 2017. The operating margin was 5.0% for the six months ended 30 June 2018, representing a decrease of 0.4 percentage points, from 5.4% of the corresponding period in 2017. Had the income from ultimately unutilised prepaid cards been excluded from both periods (RMB179 million for first half of 2018 and RMB460 million for first half of 2017), the increase in profit from operations would have been 2.2%, and the operating margin would have remained at the similar level with that in the corresponding period of 2017, which demonstrates that the Group is able to maintain profitability while investing in new businesses.

Finance Costs

Finance costs primarily consist of the interest expenses on borrowings. For the six months ended 30 June 2018, the finance costs were RMB5 million, which remained the same as that in the corresponding period in 2017.

Income Tax

For the six months ended 30 June 2018, income tax expense was RMB776 million, representing a decrease of RMB245 million, or 24.0%, from RMB1,021 million for the corresponding period in 2017. The effective income tax rate was 28.8% for the six months ended 30 June 2018, representing a decrease of 6.2 percentage points, compared to 35.0% for the corresponding period in 2017. The decrease in effective tax rate mainly resulted from the provision of withholding tax for the 2016 and 2017 final dividend appropriation in the 2017 first half year in relation to the interpretations received from the Hong Kong Inland Revenue Department regarding the issuance of Certificate of Resident Status for certain intermediate companies in Hong Kong.

Profit for the Period

For the six months ended 30 June 2018, profit for the period was RMB1,914 million, representing an increase of RMB16 million, or 0.8%, from RMB1,898 million for the corresponding period in 2017. Net profit margin for the period ended 30 June 2018 was 3.5%, which remained the same as that in the corresponding period in 2017.

Profit Attributable to Equity Shareholders of the Company

For the six months ended 30 June 2018, the profit attributable to equity shareholders of the Company was RMB1,758 million, representing an increase of RMB1 million, or 0.1%, from RMB1,757 million for the corresponding period in 2017.

Profit Attributable to Non-Controlling Interests

For the six months ended 30 June 2018, the profit attributable to non-controlling interests was RMB156 million, representing an increase of RMB15 million, or 10.6%, from RMB141 million for the corresponding period in 2017. The profit attributable to non-controlling interests represented (i) interests in Auchan (China) Investment Co., Ltd ("**ACI**") and CIC from the Auchan Scheme(*) and RT-Mart Scheme(*); (ii) the interest held by independent third parties in two of the subsidiaries, People's RT-Mart Limited Jinan and Fields Hong Kong Limited ("**Fields HK**"); and (iii) the interest held by Oney Bank S.A. in Oney Accord Business Consulting (Shanghai) Co., Ltd ("**Oney Accord**").

Liquidity and Financial Resources

For the six months ended 30 June 2018, cash flow generated from operating activities was RMB4,021 million, representing an increase of RMB22 million, or 0.6%, from RMB3,999 million for the corresponding period in 2017.

As of 30 June 2018, the net current liabilities decreased to RMB6,463 million from RMB7,991 million as of 31 December 2017. This decrease was primarily attributed to (i) a decrease in the current assets of RMB2,850 million, related to the reduced stock level as at 30 June 2018, partially offset by the increase in cash and cash equivalents; and (ii) a decrease in current liabilities of RMB4,378 million mainly from the decreased balance of trade and other payable and contract liabilities of RMB4,189 million. The decrease in current liabilities was greater than the decrease in current assets, which resulted in a decrease in the net current liabilities.

For the six months ended 30 June 2018, the inventory turnover days and trade payable turnover days were 53 days and 76 days, respectively, compared to 53 days and 78 days for the corresponding period of 2017.

Investments represented the financial assets made by the Group in financial products issued by commercial banks and time deposits with maturity periods over three months from the date of issue.

* The Group has established an Employee Trust Benefit Scheme of CIC and its subsidiaries (the "**RT-Mart Scheme**") and an Employee Trust Benefit Scheme of ACI and its subsidiaries (the "**Auchan Scheme**"). For further details, please refer to Note 5(b) of "Notes to the unaudited interim financial report" on page 34 to 35 of the interim report.

Investing Activities

For the six months ended 30 June 2018, cash flow used in investing activities was RMB836 million, representing a decrease of RMB562 million, or 40.2%, from RMB1,398 million for the six months ended 30 June 2017.

The cash flow used in investing activities mainly reflected the capital expenditure of RMB939 million in respect of the development of new stores and the remodelling of existing stores, as well as the settlement of capital expenditure incurred in 2017 of RMB237 million.

Financing Activities

For the six months ended 30 June 2018, cash flow used in financing activities was RMB1,274 million, with a decrease of RMB717 million, or 36.0%, from RMB1,991 for the six months ended 30 June 2017. This decrease was mainly attributable to the decrease in the dividend distribution of RMB727 million in 2018.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency 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 to 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 Directors, the Company has complied with all the code provisions as set out in the CG Code for the six months ended 30 June 2018, save and except for the deviation of code provision C.3.7(a) of the CG Code.

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 of the Group. 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding Directors' and relevant employees' dealings in the Company's securities (the "**Company Code**") 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 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 six months ended 30 June 2018.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

BOARD COMPOSITION

During the six months ended 30 June 2018 and as at the date of this interim report, the Directors were as follows:–

Executive Directors

Ludovic, Frédéric, Pierre HOLINIER *(Chief Executive Officer)* (Appointed on 11 July 2017)
(Xavier, Marie, Alain DELOM de MEZERAC, Benoit, Claude, Francois, Marie, Joseph LECLERCQ and Wilhelm, Louis HUBNER as his alternates, all were appointed on 11 July 2017)

Non-executive Directors

ZHANG Yong *(Chairman)* (Appointed on 30 January 2018)
(CHEN Jun as his alternate, appointed on 30 January 2018)

Benoit, Claude, Francois, Marie, Joseph LECLERCQ (Appointed on 12 September 2012)
(Xavier, Marie, Alain DELOM de MEZERAC, Wilhelm, Louis HUBNER and Ludovic, Frédéric, Pierre HOLINIER were appointed as his alternates on 12 September 2012, 11 December 2015 and 11 July 2017 respectively)

Xavier, Marie, Alain DELOM de MEZERAC (Appointed on 8 February 2001)
(Benoit, Claude, Francois, Marie, Joseph LECLERCQ, Wilhelm, Louis HUBNER and Ludovic, Frédéric, Pierre HOLINIER were appointed as his alternates on 12 September 2012, 11 December 2015 and 11 July 2017 respectively)

Wilhelm, Louis HUBNER (Appointed on 11 December 2015)
(Benoit, Claude, Francois, Marie, Joseph LECLERCQ, Xavier, Marie, Alain DELOM de MEZERAC and Ludovic, Frédéric, Pierre HOLINIER as his alternates, save for Ludovic, Frédéric, Pierre HOLINIER who was appointed on 11 July 2017, all were appointed on 11 December 2015)

CHEN Jun (Appointed on 30 January 2018)
(ZHANG Yong and XU Panhua as his alternates, appointed on 30 January 2018)

Independent Non-executive Directors

Karen Yifen CHANG (Appointed on 27 June 2011)
(Desmond MURRAY as her alternate, appointed on 2 March 2018)

Desmond MURRAY (Appointed on 27 June 2011)
(Karen Yifen CHANG as his alternate, appointed on 2 March 2018)

HE Yi (Appointed on 27 June 2011)
(Ludovic, Frédéric, Pierre HOLINIER as his alternate, appointed on 28 March 2018)

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

At the board meeting held on 8 August 2018, no dividend for the six months ended 30 June 2018 has been declared.

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 interim report, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, 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 (the "**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, pursuant to section 352 of the SFO, to be entered in the register, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, 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
Ludovic, Frédéric, Pierre HOLINIER	Auchan Holding S.A.[2]	Beneficial owner	736(L)[3]	0.0024%
Xavier, Marie, Alain DELOM de MEZERAC	Auchan Holding S.A.[2]	Beneficial owner	470(L)[4]	0.0016%
			736(L)[5]	0.0024%
	Oney Bank S.A.[6]	Beneficial owner	1,173(L)[7]	0.0809%
Wilhelm, Louis HUBNER	Auchan Holding S.A.[2]	Beneficial owner	975(L)[8]	0.0032%
			3,653(L)[9]	0.0121%
Desmond MURRAY	Company	Beneficial owner	55,000(L)	0.0006%

Notes:

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

(2) Auchan Holding S.A. (formerly "Groupe Auchan S.A.") is a company incorporated in France and comprises various companies controlled by Gerard Mulliez and the other members of 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. Auchan Holding S.A. is one of our two ultimate controlling shareholders. Auchan Holding S.A. has adopted various share incentive plans pursuant to which share-based awards are granted to eligible directors and employees of Auchan Holding S.A. and its subsidiaries. These share incentive plans include the following:

(i) Stock Option Plan (2018) relating to the grant of options to subscribe for shares in Auchan Holding S.A. with a vesting period from 29 August 2018 to 30 September 2018.

(ii) Stock Option Plan (2019) relating to the grant of options to subscribe for shares in Auchan Holding S.A. with a vesting period from 28 August 2019 to 30 September 2019.

Note: With effect from 9 May 2012, the only class of shares issued by Auchan Holding S.A. is ordinary shares, the restricted shares and Class S shares were converted to ordinary shares on 9 May 2012. The issued share capital of Auchan Holding S.A. is 30,194,690 shares as at 30 June 2018.

(3) This represents stock options in respect of 736 shares in Auchan Holding S.A. granted pursuant to the Auchan Holding S.A. Stock Option Plan (2019).

(4) This represents stock options in respect of 470 shares in Auchan Holding S.A. granted pursuant to the Auchan Holding S.A. Stock Option Plan (2018).

(5) This represents stock options in respect of 736 shares in Auchan Holding S.A. granted pursuant to the Auchan Holding S.A. Stock Option Plan (2019).

(6) Oney Bank S.A. (formerly "Banque Accord S.A.") is a company incorporated in France and a subsidiary of Auchan Holding S.A.. The major business of Oney Bank S.A. includes financial products and services as well as electronic banking provided to clients; and tailor-made solutions on payment and customer portfolio management provided to business partners. The issued share capital of Oney Bank S.A. as at 30 June 2018 is 1,449,749 shares.

(7) This represents 1,173 free shares in Oney Bank S.A. to be exercised on 25 August 2018.

(8) This represents 975 free shares in Auchan Holding S.A. to be exercised on 25 August 2018.

(9) This represents 3,653 free shares in Auchan Holding S.A. to be exercised on 25 August 2020.

Save as disclosed above, so far as known to any Directors, as at 30 June 2018, 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.

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 30 June 2018, the persons or corporations (other than Directors or chief executives of the Company) who had interests 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 Retail Holdings Limited ("**A-RT**")(2)	Beneficial owner	4,865,338,686(L)(11)	51.0009%
Auchan Retail International S.A. ("**Auchan Retail**")(3)	Interest in a controlled corporation	4,865,338,686(L)(11)	51.0009%
Auchan Holding S.A.(4)	Interest in a controlled corporation	4,865,338,686(L)(11)	51.0009%
Aumarché S.A.S(5)	Interest in a controlled corporation	4,865,338,686(L)(11)	51.0009%
Mulliez Family(6)	Interest in controlled corporations	4,865,338,686(L)(11)	51.0009%
Taobao China(7)	Beneficial owner	2,001,753,643(L)(12)	20.9834%
Taobao Holding Limited ("**Taobao Holding**")(8)	Interest in a controlled corporation	2,001,753,643(L)(12)	20.9834%
New Retail Strategic Opportunities Investments 1 Limited ("**New Retail**")(9)	Beneficial owner	480,369,231(L)(13)	5.0355%
New Retail Strategic Opportunities Fund, L.P.(9)	Interest in a controlled corporation	480,369,231(L)(13)	5.0355%
New Retail Strategic Opportunities Fund GP, L.P.(9)	Interest in a controlled corporation	480,369,231(L)(13)	5.0355%
New Retail Strategic Opportunities GP Limited(9)	Interest in a controlled corporation	480,369,231(L)(13)	5.0355%
Alibaba Investment Limited(9)	Interest in a controlled corporation	480,369,231(L)(13)	5.0355%
Alibaba Group(10)	Interest in a controlled corporation	2,482,122,874(L)	26.0189%

Notes:

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

(2) A-RT is directly owned by Auchan Retail as to 55.74% interest, therefore Auchan Retail is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.

The rest of shares of A-RT is owned by Taobao China as to 19.90%, Concord Greater China Limited ("**CGC**") as to 4.75%, Kofu International Limited ("**Kofu**") as to 4.41% and Monicole Exploitatie Maatschappij BV ("**Monicole BV**") as to 15.20%.

Monicole BV is a company incorporated in the Netherlands, which is directly wholly-owned by Auchan Retail.

Kofu is a company incorporated in the British Virgin Islands, which is indirectly wholly-owned by Mr. YIN Chung Yao, and had an interest of 2.4228% in the Company as of 31 December 2017, which was acquired by New Retail on January 29, 2018.

CGC is a company incorporated in the British Virgin Islands and a company under Ruentex (Ruentex Development Co., Ltd., Ruentex Industries Limited, CGC and Kofu collectively) and had an interest of 2.6127% in the Company as of 31 December 2017, which was acquired by New Retail on January 29, 2018.

Taobao China is a company incorporated in Hong Kong with limited liability, and is directly wholly-owned by Taobao Holding, which is in turn owned by Alibaba Group.

(3) Auchan Retail is a company incorporated in France which is wholly-owned by Auchan Holding S.A. A-RT is 55.74% directly owned by Auchan Retail, therefore Auchan Retail 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 Retail International S.A. is wholly-owned by Auchan Holding S.A., therefore Auchan Holding S.A. is deemed to be interested in all the shares in which Auchan Retail International S.A. is interested in by virtue of Part XV of the SFO.

(5) Auchan Holding S.A. is 65.73% owned by Aumarché S.A.S, therefore Aumarché S.A.S is deemed to be interested in all the shares in which Auchan Holding S.A. is interested in by virtue of Part XV of the SFO.

(6) Mulliez Family comprises the founder of Auchan Holding S.A., Gerard Mulliez, and other members of the Mulliez family in France. Aumarché S.A.S is wholly-owned by the Mulliez Family through certain intermediate holding companies. No member of the Mulliez Family is solely able to exert a dominant influence over other members in their voting rights in Aumarché 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 Aumarché S.A.S.

(7) Taobao China is a company incorporated in Hong Kong with limited liability, and is directly wholly-owned by Taobao Holding, which is in turn owned by Alibaba Group, and as at 30 June 2018 had a long interest of 20.98% in the Company.

(8) Taobao Holding is a company incorporated in Cayman Islands, which is wholly owned by Alibaba Group. Taobao China is wholly owned by Taobao Holding, therefore Taobao Holding is deemed to be interested in all the shares in which Taobao China is interested in by virtue of Part XV of the SFO.

(9) New Retail is an investment vehicle wholly-owned by New Retail Strategic Opportunities Fund, L.P.. New Retail Strategic Opportunities Fund, L.P. is controlled by New Retail Strategic Opportunities Fund GP, L.P. as general partner, and in turn controlled by its general partner, New Retail Strategic Opportunities GP Limited and ultimately controlled by Alibaba Investment Limited (a wholly-owned subsidiary of Alibaba Group).

(10) Alibaba Group is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange. Each of Taobao China and New Retail is ultimately controlled by Alibaba Group, therefore Alibaba Group is deemed to be interested in all the shares in which Taobao China and New Retail are interested in by virtue of Part XV of the SFO.

(11) Such 4,865,338,686 shares belong to the same batch of shares

(12) Such 2,001,753,643 shares belong to the same batch of shares.

(13) Such 480,369,231 shares belong to the same batch of shares.

Save as disclosed above, as at 30 June 2018, the Directors of the Company 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 XV of the SFO.

As at 30 June 2018, the shareholding interests of eight of the operating subsidiaries in the PRC are partially held by independent third parties. Those operating subsidiaries are Fields Hong Kong Limited, RT-Mart Limited Shanghai, Jinan RT-Mart, Changshu Bairuenfa Hypermarket Co., Ltd., Shanghai Auchan Hypermarket Co., Ltd., Hangzhou Auchan Hypermarket Co., Ltd., Changzhou Immochan Real Estate Co., Ltd., and Wuxi Immochan Real Estate Co, Ltd. In addition, the shareholding interest of Oney Accord is partially held by Oney Bank S.A., which is a connected person of the Company.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 29 June 2011 (the "**Deed of Non-competition**") entered into between A-RT, Auchan Retail, Monicole BV, CGC, Kofu (collectively, the "**Covenantors**") and the Company, each of the Covenantors has undertaken to the Company that it will not and will use its best endeavour to procure that none of its affiliates will, among other things, carry on or engage in any business, which directly or indirectly, competes or is likely to compete with the operation of hypermarket complexes under the banners of "Auchan" and "RT-Mart" in the PRC, which comprise hypermarkets and retail galleries of individual retail stores.

To the best knowledge of the Directors, there is no breach of the Deed of Non-competition by the Covenantors during the six months ended 30 June 2018.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 27 June 2011 with written terms of reference in compliance with the CG Code. 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. Xavier, Marie, Alain Delom de Mezerac, Mr. Wilhelm, Louis Hubner, Ms. Karen Yifen Chang, Mr. He Yi and Mr. Desmond Murray, an independent non-executive Director, being the Chairman of the Audit Committee. The Audit Committee has reviewed and discussed the unaudited consolidated financial statements for the six months ended 30 June 2018 and has met with the external auditors, KPMG, who have reviewed the interim financial statements in accordance with Hong Kong Standard on Review Engagement 2410.

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. Chen Jun, Mr. Wilhelm, Louis Hubner, Ms. Karen Yifen Chang, Mr. Desmond Murray and Mr. He Yi, an independent non-executive Director, being the Chairman of the Nomination Committee.

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. Chen Jun, Mr. Wilhelm, Louis Hubner, Mr. He Yi, Mr. Desmond Murray and Ms. Karen Yifen Chang, an independent non-executive Director, being the Chairman of the Remuneration Committee.

OTHER CHANGES IN DIRECTOR'S INFORMATION

Other changes in Director's information of the Company subsequent to the publication of the 2017 Annual Report are set out below:–

- Mr. Ludovic, Frédéric, Pierre HOLINIER resigned as the Chairman of Auchan Luxembourg with effect from 26 February 2016.

Save for those disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review Report to the Board of Directors of
Sun Art Retail Group Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 42 which comprises the consolidated statement of financial position of Sun Art Retail Group Limited as at 30 June 2018 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

8 August 2018

		Six months ended 30 June	
		2018	2017
	Note	***RMB million***	*RMB million*
Revenue	*3*	**54,060**	54,080
Cost of sales		**(41,138)**	(41,498)
Gross profit		**12,922**	12,582
Other income	*4*	**949**	1,020
Operating costs		**(9,720)**	(9,260)
Administrative expenses		**(1,452)**	(1,417)
Profit from operations		**2,699**	2,925
Finance costs	*5(a)*	**(5)**	(5)
Share of results of an associate and joint ventures		**(4)**	(1)
Profit before taxation	*5*	**2,690**	2,919
Income tax	*6*	**(776)**	(1,021)
Profit for the period		**1,914**	1,898
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**1,914**	1,898

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – Unaudited

		Six months ended 30 June	
		2018	2017
	Note	***RMB million***	*RMB million*
Profit attributable to:			
Equity shareholders of the Company		**1,758**	1,757
Non-controlling interests		**156**	141
Profit for the period		**1,914**	1,898
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,758**	1,757
Non-controlling interests		**156**	141
Total comprehensive income for the period		**1,914**	1,898
Earnings per share			
Basic and diluted	*7*	**RMB0.18**	RMB0.18

The notes on pages 29 to 42 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

	Note	At 30 June 2018 RMB million	At 31 December 2017 RMB million (Note)
Non-current assets			
Investment properties	8	**3,404**	3,503
Other property, plant and equipment	8	**20,993**	21,556
Land use rights	8	**5,673**	5,759
		30,070	30,818
Intangible assets		**45**	51
Goodwill		**126**	126
Equity-accounted investees		**21**	25
Trade and other receivables	9	**188**	240
Deferred tax assets		**488**	455
		30,938	31,715
Current assets			
Inventories		**9,478**	14,201
Trade and other receivables	9	**3,387**	3,326
Investments	10	**34**	133
Cash and cash equivalents	11	**12,273**	10,362
		25,172	28,022
Current liabilities			
Trade and other payables	12	**22,588**	35,446
Contract liabilities	2(c)	**8,669**	–
Bank loans	13	**2**	2
Income tax payables		**376**	565
		31,635	36,013
Net current liabilities		**(6,463)**	(7,991)
Total assets less current liabilities		**24,475**	23,724

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – Unaudited

	Note	**At 30 June 2018 RMB million**	At 31 December 2017 RMB million (Note)
Non-current liabilities			
Bank loans	13	**–**	1
Other financial liabilities		**50**	50
Deferred tax liabilities		**200**	124
		250	175
Net assets		**24,225**	23,549
Capital and reserves			
Share capital	14	**10,020**	10,020
Reserves		**12,815**	12,295
Total equity attributable to equity shareholders of the Company		**22,835**	22,315
Non-controlling interests		**1,390**	1,234
Total equity		**24,225**	23,549

Approved and authorised for issue by the Board of Directors on 8 August 2018.

Ludovic, Frédéric, Pierre HOLINIER
Chief Executive Officer & Executive Director

Xavier, Marie, Alain DELOM de MEZERAC
Non-Executive Director

The notes on pages 29 to 42 form part of this interim financial report.

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparable information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – Unaudited

	Note	Attributable to equity shareholders of the Company							
		Share capital *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*
Balance at 1 January 2017		10,020	2,171	45	1,212	8,337	21,785	1,024	22,809
Changes in equity for the six months ended 30 June 2017:									
Profit for the period		–	–	–	–	1,757	1,757	141	1,898
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	1,757	1,757	141	1,898
Acquisition of non-controlling interests		–	(118)	–	–	–	(118)	63	(55)
Share-based payments		–	(2)	–	–	–	(2)	–	(2)
Dividend declared in respect of the previous year	14(b)	–	–	–	–	(1,948)	(1,948)	–	(1,948)
Balance at 30 June 2017		10,020	2,051	45	1,212	8,146	21,474	1,228	22,702
Balance at 1 July 2017		10,020	2,051	45	1,212	8,146	21,474	1,228	22,702
Changes in equity for the six months ended 31 December 2017:									
Profit for the period		–	–	–	–	1,036	1,036	86	1,122
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	1,036	1,036	86	1,122
Cash injection from Employee Trust Benefit Schemes		–	23	–	–	–	23	6	29
Acquisition of non-controlling interests		–	(218)	–	–	–	(218)	25	(193)
Profit appropriation to statutory reserve		–	–	–	66	(66)	–	–	–
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	(111)	(111)
Balance at 31 December 2017		10,020	1,856	45	1,278	9,116	22,315	1,234	23,549
Balance at 1 January 2018		**10,020**	**1,856**	**45**	**1,278**	**9,116**	**22,315**	**1,234**	**23,549**
Changes in equity for the six months ended 30 June 2018:									
Profit for the period		**–**	**–**	**–**	**–**	**1,758**	**1,758**	**156**	**1,914**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**–**	**1,758**	**1,758**	**156**	**1,914**
Dividend declared in respect of the previous year	14(b)	**–**	**–**	**–**	**–**	**(1,238)**	**(1,238)**	**–**	**(1,238)**
Balance at 30 June 2018		**10,020**	**1,856**	**45**	**1,278**	**9,636**	**22,835**	**1,390**	**24,225**

The notes on pages 29 to 42 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 – Unaudited

		Six months ended 30 June	
		2018	2017
	Note	***RMB million***	*RMB million*
Operating activities			
Cash generated from operations		**4,943**	4,941
Income tax paid		**(922)**	(942)
Net cash generated from operating activities		**4,021**	3,999
Investing activities			
Payment for the purchase of investment properties, other property, plant and equipment, land use rights and intangible assets		**(1,181)**	(1,512)
Payment for acquisition of non-controlling interests and investment in a joint venture		**–**	(20)
Other cash flows arising from investing activities		**345**	134
Net cash used in investing activities		**(836)**	(1,398)
Financing activities			
Dividends paid		**(1,238)**	(1,965)
Other cash flows arising from financing activities		**(36)**	(26)
Net cash used in financing activities		**(1,274)**	(1,991)
Net increase in cash and cash equivalents		**1,911**	610
Cash and cash equivalents at 1 January		**10,362**	8,100
Effect of foreign exchange rate changes		**–**	2
Cash and cash equivalents at 30 June	*11*	**12,273**	8,712

The notes on pages 29 to 42 form part of this interim financial report.

1 BASIS OF PREPARATION

Sun Art Retail Group Limited (the "**Company**") is a company incorporated in Hong Kong on 13 December 2000 with limited liability. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 July 2011. The interim financial report comprises the Company and its subsidiaries (together, "**the Group**"). The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 8 August 2018. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's Independent review report to the Board of Directors is included on page 22.

The financial information relating to the year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622), ("**Company Ordinance**"), is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- *HK (IFRIC) 22, Foreign currency transactions and advance consideration*
- *HKFRS 9, Financial instruments*
- *HKFRS 15, Revenue from contracts with customers*

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

HK (IFRIC) 22 does not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in this interim financial report.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises the cumulative effects of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening statement of financial position at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening statement of financial position at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

1 amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

2 FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

3 FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Because the significant financial assets of the Group subject to HKFRS 9 at 31 December 2017 were cash and cash equivalents, there is no material impact on the carrying amounts of the assets on adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts, if any.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates). As the Group's credit risk is limited by the nature of its retail sales model and the short maturity periods of the financial assets the Group invests in, this change in accounting policy does not have a significant impact.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

1 Information relating to comparative periods has not been restated. The information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

2 The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(i) Presentation of contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustment at 1 January 2018, as a result of the adoption of HKFRS 15:

"Advance receipts from customers" amounting to RMB8,514 million as at 1 January 2018, which were mainly related to sales of prepaid cards and previously included in trade and other payables are now shown as a separate line item as "contract liabilities" on the face of the consolidated statement of financial position and the estimated related VAT payable of RMB999 million is classified under accruals and other payables.

(ii) Other impacts

The Group's assessment is that the impact of HKFRS 15 in other areas including customer rights of return, principle vs agent arrangements, customer financing and other income from aged unutilised prepaid cards is not significant as either the respective volume of transactions are not material or the new standard has not led to a change in accounting treatment.

3 REVENUE AND SEGMENT REPORTING

The principal activity of the Group is the operation of hypermarkets and E-commerce platforms in the People's Republic of China ("**PRC**").

The Group is organised, for management purposes, 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 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 and E-commerce platforms in the PRC.

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

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Sale of goods	**52,163**	52,294
Rental income	**1,897**	1,786
	54,060	54,080

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

4 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Income from aged unutilised prepaid cards	**179**	460
Service income	**236**	180
Disposal of packaging materials	**152**	87
Interest income	**239**	181
Government grants	**143**	108
Compensation received	**–**	4
	949	1,020

Government grants represent subsidies received from local authorities.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**3**	3
– wholly repayable after five years	**2**	2
	5	5

(b) Staff costs:

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Salaries, wages and other benefits	**4,469**	4,113
Contributions to defined contribution retirement plans	**548**	501
Contributions to Employee Trust Benefit Schemes (i)	**190**	153
Share-based payments	**3**	1
	5,210	4,768

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs: (continued)

(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:

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Cost of inventories	**41,112**	41,479
Depreciation	**1,482**	1,503
Amortisation	**107**	112
Impairment losses – other property, plant and equipment	**100**	40
Operating lease charges	**1,488**	1,446
Loss on disposal of property, plant and equipment	**3**	63

6 INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the period (i)	**–**	–
Under-provision in respect of prior years	**–**	–
Current tax – PRC income tax		
Provision for the period	**740**	823
(Over)/under-provision in respect of prior years	**(7)**	9
	733	832
Deferred tax		
Origination of temporary differences, net	**43**	189
	776	1,021

(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 (2017: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) Most PRC subsidiaries are subject to income tax at 25% for the six months ended 30 June 2018 (2017: 25%) under the Enterprise Income Tax law ("**EIT law**") which was enacted on 16 March 2007.

Pursuant to the related regulations in respect of the Notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2011] No. 58) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, five PRC subsidiaries of the Group are entitled to a preferential income tax rate of 15% during the six months ended 30 June 2018 and 2017.

(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.

6 INCOME TAX (CONTINUED)

(iii) (continued)

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.

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.

During the period ended 30 June 2017, the Group provided RMB109 million in relation to the expected funds transfer to finance the 2017 final dividend distribution, plus RMB90 million additional withholding tax in relation to the 2016 final dividends distribution by applying 10% as the withholding tax rate, following the issuance of an interpretation of the Hong Kong Inland Revenue Department regarding Certificates of Resident Status for companies in Hong Kong. A Certificate of Resident Status for companies in Hong Kong was obtained in January 2018 for certain companies of the Group, which enabled the Group to be entitled to a reduced withholding tax rate of 5% on dividends received by those companies for the respective years, so RMB134 million of the provisions made as at 30 June 2017 were subsequently reversed.

As at 30 June 2018, deferred tax liabilities of RMB31 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 30 June 2018 have been calculated at the withholding tax rate of 5% for the intermediate companies which have received a Certificate of Resident Status in Hong Kong.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,758 million (six months ended 30 June 2017: RMB1,757 million) and the weighted average of 9,539,704,700 ordinary shares (six months ended 30 June 2017: 9,539,704,700 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017 and therefore diluted earnings per share is equivalent to basic earnings per share.

8 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

(a) Acquisitions and disposals

During the six months ended 30 June 2018, the Group incurred capital expenditure of RMB939 million (six months ended 30 June 2017: RMB704 million), primarily in respect of new store developments and store remodelling. Items of store and office equipment with a net book value of RMB9 million were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB65 million), resulting in a loss on disposal of RMB3 million (six months ended 30 June 2017: RMB63 million) (note 5(c)).

(b) Impairment losses

As at 30 June 2018, impairment losses were made against the carrying amount of leasehold improvements and equipment in three stores of the Group in Central China, Western China and North China. The impairment losses of RMB100 million (six months ended 30 June 2017: RMB40 million) were recognised in "Operating costs".

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 *RMB million*	At 31 December 2017 *RMB million*
Non-current		
Rental prepayments	**188**	240
Current		
Trade receivables	**577**	543
Amounts due from related parties (note 17)	**38**	78
Other debtors	**841**	775
Value-added tax receivables	**716**	915
Prepayments:		
– rentals	**1,172**	889
– property, plant and equipment and intangible assets	**43**	126
Sub-total current	**3,387**	3,326
Trade and other receivables	**3,575**	3,566

The Group's trade receivables relate to credit card sales, the ageing of which is within one month, and credit sales to corporate customers, the ageing of which is within three months. The ageing of trade receivables is determined based on invoice date.

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.

10 INVESTMENTS

	At 30 June 2018 *RMB million*	At 31 December 2017 *RMB million*
Time deposits	**34**	33
Other financial assets	**–**	100
Time deposits and other financial assets	**34**	133

Time deposits have original maturity over three months.

Other financial assets represent investments in short-term financial products issued by banks with guaranteed repayment of principals, fixed or determinable returns and having maturity periods over three months from date of issue.

11 CASH AND CASH EQUIVALENTS

	At 30 June 2018 *RMB million*	At 31 December 2017 *RMB million*
Deposits with banks within three months of maturity	**106**	126
Cash at bank and on hand	**5,836**	5,061
Other financial assets	**6,331**	5,175
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	**12,273**	10,362

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

12 TRADE AND OTHER PAYABLES

	At 30 June 2018 *RMB million*	At 31 December 2017 *RMB million*
Current		
Trade payables	**15,205**	19,468
Advance receipts from customers	**–**	9,513
Amounts due to related parties (note 17)	**180**	191
Construction costs payable	**1,126**	1,446
Dividends payable to non-controlling interest	**116**	116
Accruals and other payables	**5,961**	4,712
Trade and other payables	**22,588**	35,446

12 TRADE AND OTHER PAYABLES (CONTINUED)

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

As at 31 December 2017, advance receipts from customers mainly represented the unutilised balance of prepaid cards issued by the Group. As a result of the adoption of HKFRS 15, these balances are classified as contract liabilities and are shown as a separate line on the consolidated statement of financial position (note 2(c)).

An ageing analysis of trade payables determined based on invoice date is as follows:

	At 30 June 2018 RMB million	At 31 December 2017 RMB million
Due within six months	**14,722**	18,874
Due after six months but within 12 months	**483**	594
	15,205	19,468

13 BANK LOANS

	At 30 June 2018 RMB million	At 31 December 2017 RMB million
Current		
Bank loans repayable within 1 year guaranteed by a related party	**2**	2
Non-current		
Bank loans guaranteed by a related party	**–**	1
Bank loans	**2**	3

Bank loans guaranteed by a related party, Oney Bank S.A. carried interest at the rate from 5.80% to 6.05% per annum as at 30 June 2018 (31 December 2017: 5.80% – 6.05% per annum).

14 SHARE CAPITAL AND DIVIDENDS

(a) *Share capital*

	At 30 June 2018		At 31 December 2017	
	No. of shares	***RMB million***	*No. of shares*	*RMB million*
Ordinary shares, issued and fully paid:	**9,539,704,700**	**10,020**	9,539,704,700	10,020

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.

(b) *Dividends*

A final dividend of HKD0.23 (equivalent to RMB0.20) per ordinary share in respect of the year ended 31 December 2016 was approved on 10 May 2017, and payments were made on 15 June 2017.

A final dividend of HKD0.16 (equivalent to RMB0.13) per ordinary share in respect of the year ended 31 December 2017 was approved on 9 May 2018, and payments were made on 15 June 2018.

No interim dividend has been declared in respect of the six months ended 30 June 2018.

15 COMMITMENTS

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

	At 30 June 2018 ***RMB million***	At 31 December 2017 *RMB million*
Contracted for	**1,746**	2,423
Authorised but not contracted for	**2,261**	2,040
	4,007	4,463

16 CONTINGENCIES

As at 30 June 2018, legal actions have commenced against the Group by certain customers, suppliers and landlords in respect of disputes on purchase agreements and lease agreements. The total claims amounted to RMB403 million as at 30 June 2018 (31 December 2017: RMB352 million). As at 30 June 2018, the legal actions were ongoing, with most of the actions not yet set for trial dates. Provision of RMB44 million (31 December 2017: RMB29 million) has been made within Trade and other payables as at 30 June 2018, which the directors believe is adequate to cover the amounts probable to be payable in respect of these claims.

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) *Key management personnel remuneration*

	Six months ended 30 June	
	2018 ***RMB million***	2017 *RMB million*
Short-term employee benefits	**41**	46
Post-employment benefits	**2**	1
Share-based payments	**3**	1
	46	48

Total remuneration is included in "staff costs" (see note 5(b)).

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

In addition to the related party information disclosed elsewhere in the notes to the unaudited interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Agency fees receivable (i)	**20**	34
Trademark fee payable (ii)	**14**	16
IT services fee payable (iii)	**14**	4
Expenses payable (iv)	**54**	43
Contributions to Employee Trust Benefit Schemes	**190**	153
Purchase of goods (v)	**65**	2
Other expenses payable (vi)	**14**	–

(i) Agency fees receivable relate to amounts accrued from international suppliers by Patinvest, net of fees payable to Patinvest.

(ii) Trademark fee payable represents the fee charged by Auchan Retail for the grant of licenses to the Group to use the Auchan trademarks and domain names.

(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 Auchan Retail on behalf of the Group, which are reimbursed and expensed by the Group.

(v) This represents purchase of merchandise from Auchan International (Shanghai) International Trading Company Limited, Zhejiang Tmall Supply Management Co., Ltd. ("**Tmall Supply**"), Hangzhou Xinxuan E-commerce Co., Ltd., Hangzhou Yuanniu E-commerce Co., Ltd. ("**Yuanniu**"), and Shanghai Win-Chain Supply Chain Management Co., Ltd..

(vi) This represents expenses payable to Taobao (China) Software Co., Ltd..

(c) Related party balances

	At 30 June 2018	At 31 December 2017
	RMB million	*RMB million*
Amounts due from subsidiaries of Auchan Holding	**36**	16
Amounts due from Hwabao Trust Co., Ltd.	**–**	62
Amounts due from Shanghai Hema Network Technology Co., Ltd.	**2**	–
Amounts due to Auchan Holding and its subsidiaries	**164**	154
Amounts due to Hwabao Trust Co., Ltd.	**–**	33
Amounts due to Tmall supply	**15**	4
Amounts due to Yuanniu	**1**	–