Sun Art Retail Group Ltd.

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

2019
Annual Report

LEADER IN THE NEW RETAIL ACROSS CHINA

Multi format and Omni-channel • Digital Transformation • Restructuring Hypermarkets • Deepen Integration

CONTENTS

DIRECTORS

Executive Director

HUANG Ming-Tuan *(Chief Executive Officer)*

Non-Executive Directors

ZHANG Yong *(Chairman)*
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Xavier, Marie, Alain DELOM de MEZERAC
Edgard, Michel, Marie BONTE
CHEN Jun
Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER

Independent Non-Executive Directors

Karen Yifen CHANG
Desmond MURRAY
HE Yi
Dieter YIH

AUDIT COMMITTEE

Desmond MURRAY *(Chairman)*
Xavier, Marie, Alain DELOM de MEZERAC
Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER
Karen Yifen CHANG
HE Yi
Dieter YIH

REMUNERATION COMMITTEE

Karen Yifen CHANG *(Chairman)*
Edgard, Michel, Marie BONTE
CHEN Jun
Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER
Desmond MURRAY
HE Yi
Dieter YIH

NOMINATION COMMITTEE

HE Yi *(Chairman)*
Edgard, Michel, Marie BONTE
CHEN Jun
Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER
Karen Yifen CHANG
Desmond MURRAY
Dieter YIH

COMPANY SECRETARY

CHO Wing Han, FCIS, FCS

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CHO Wing Han

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COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

	For the year ended 31 December		
	2019	2018	Change
		(Restated) (1)	
	RMB million	*RMB million*	
Gross Sales Proceeds[2]	**101,868**	101,315	0.5%
Revenue	**95,357**	99,359	(4.0)%
Gross Profit	**25,731**	25,119	2.4%
Profit from Operations	**4,890**	4,698	4.1%
Profit for the Year	**3,045**	2,700	12.8%
Profit Attributable to Equity Shareholders of the Company	**2,834**	2,478	14.4%
Earnings Per Share ("EPS") – Basic and diluted[3]	**RMB0.30**	RMB0.26	

	As at 31 December		
	2019	2018	Change
		(Restated) (1)	
	RMB million	*RMB million*	
Total Assets	**71,186**	69,875	1.9%
Total Liabilities	**45,828**	46,226	(0.9)%
Net Assets	**25,358**	23,649	7.2%
Net Cash Position[4]	**13,267**	13,483	(1.6)%
Gearing Ratio[5]	**0.52**	0.57	

Notes:

(1) The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

(2) Gross Sales Proceeds consist of gross proceeds from product sales including consignment sales and rental income, excluding value-added tax. For further information, please refer to the analysis of revenue on Page 8.

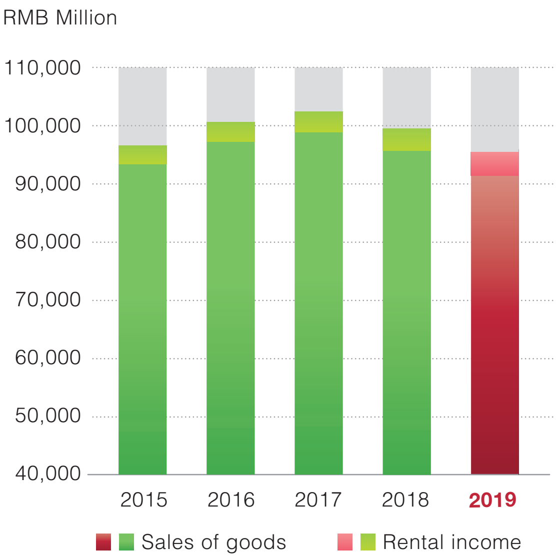
(3) The calculation of basic and diluted EPS for the year ended 31 December 2019 and 2018 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during each year.

(4) The balance of net cash position is calculated as the sum of cash and cash equivalents and short-term investments and time deposits minus bank loans.

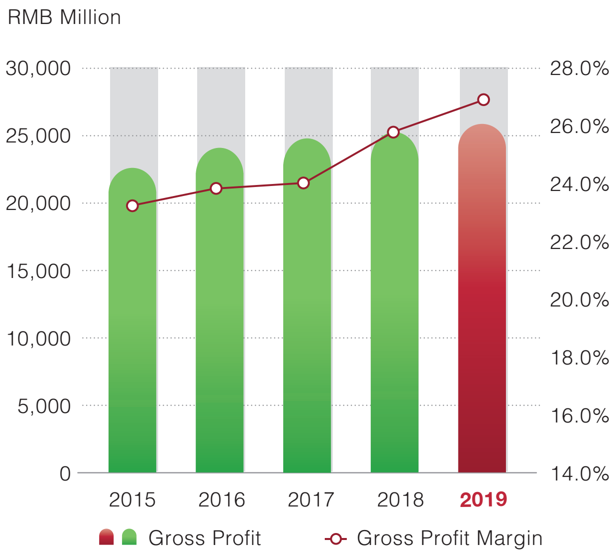
(5) Gearing Ratio = Net Cash Position/Total Equity

FINANCIAL HIGHLIGHTS

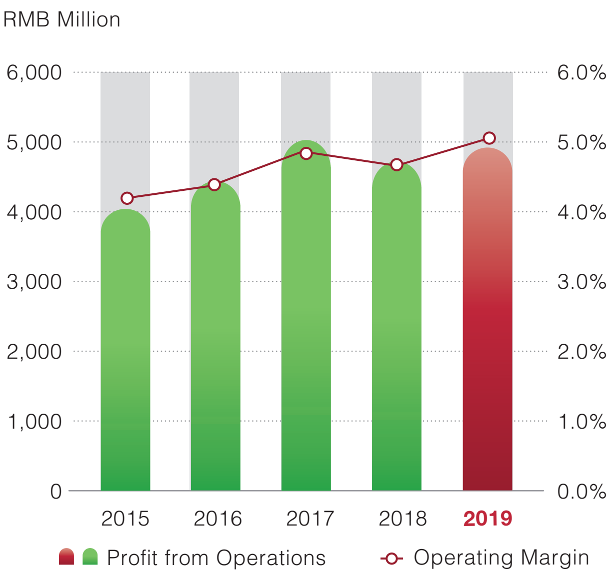
Revenue



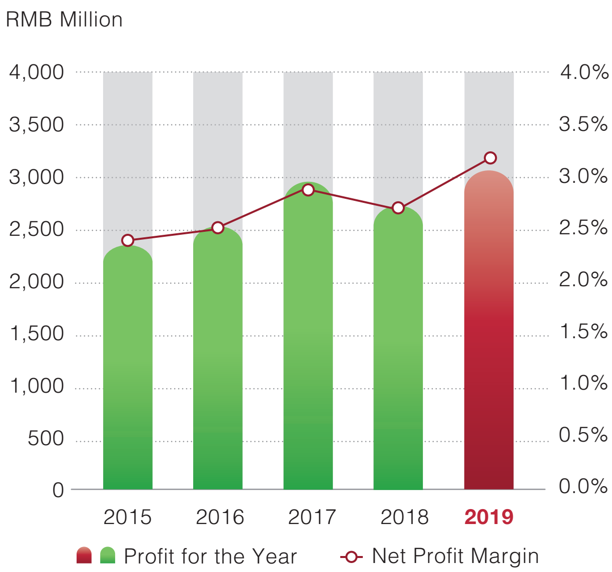
Gross Profit & Margin



Operating Margin



Net Profit and Margin



Dear Shareholders,

Thank you for your continued trust and support in Sun Art Retail.

2019 was a fruitful year for Sun Art Retail. Under the leadership of CEO Peter Huang, we delivered meaningful progress across the board as the two brands RT-Mart and Auchan were merged under a single operational and managerial umbrella.

We have successfully integrated business operations as part of our overarching strategy to preserve two distinct brands and implement digital transformation. We are enjoying the benefits of a solid foundation established over the past few years, and seeing more and more of the incremental value delivered namely by Alibaba's technology. We are operating with a comprehensive single view of the overall business and leveraging synergies with partners across the Alibaba ecosystem. We are continuing to raise the bar in all areas, from our customer service standards to our operational efficiency to our profit margins.

Our New Retail initiatives have also made substantive progress. Close to 500 stores across China have realized full omnichannel operations that is providing better products and services to customers both in and away from the store. Online orders continue to steadily climb and are having material contribution to Sun Art's results. To our delight, Sun Art fresh food e-commerce achieved profitability in 2019 ahead of schedule and solidified its leadership position in the industry.

The world is experiencing rapid and acute changes, with consumer behavior and lifestyles evolving every day. Like many other companies, we were confronted with the black swan event that is the COVID-19 at the advent of 2020. We are actively assessing and managing the impact, and proactively implementing necessary measures to conquer this challenging time together with our communities.

History has shown that crisis forces change and new opportunities. We see that more and more consumers are choosing and normalizing lifestyles via digital means. Brands and merchants are accelerating their digital transformation. We will continue to seek out constant in a time of turbulence. Alibaba, Auchan Retail and Sun Art Retail believe in the power of the digital economy, the power of innovation and the power of value creation. These serve as the North Star of our era. Sun Art Retail will work hard to lead the transformation of the retail industry in China and beyond in order to bring more joy to our customers and partners. We believe in the future, we believe in ourselves, and we will continue to persevere!

Daniel Zhang
Chairman of the Board

Dear Shareholders,

In 2019, retail industry has witnessed many changes. There are changes in the external environment as well as customer preferences. Combining Sun Art's team's profound industry expertise and Alibaba's internet expertise, through constant innovation and effort, we have succeeded in transforming and upgrading our legacy retail model.

2019 is also an important year for Sun Art Retail in terms of the transformation of New Retail and integration of the two banners. With our collective efforts, the integration of the two banners has brought good achievements.

In 2019, Sun Art executed four business strategies:

- Store digital transformation
- Restructuring of hypermarkets
- Development of multi-format and omni-channel
- Integration of the two banners

486 stores under Sun Art Retail accomplished digital transformation, of which 414 stores are under the RT-Mart banner and 72 stores are under the Auchan banner. The result have proved the viability of the "one-hour-delivery" services and B2B business models.

Regarding the strategy of restructuring hypermarkets, we always advocate that specialized categories should be managed by specialists. Thereby, we transferred the management of our home appliances offering to Suning. Sun Art Retail will concentrate on improving our expertise in fresh and foods and become experts of these fields.

The restructuring includes reconstructing our functions, our categories and our mindset, enabling our physical stores to rejuvenate and reinventing the reasons for customers to visit physical stores. In 2019, ten hypermarket were restructured.

In the development of multi-format and omni-channel, Frehippo and He Xiao Ma are still in development. We expect to accelerate the expansion and number of stores when the model is proved feasible.

In 2020, Sun Art will continue to deepen the execution of our four strategies of 2019:

- Development of multi-format and omni-channel
- Comprehensive digital upgrading and transformation
- Acceleration in restructuring hypermarkets
- Deepened integration of our two banners

Pursuant to the strategy of "Development of multi-format and omni-channel", we will concentrate on the initiatives regarding Inventory Sharing, Group Purchase and Supermarket.

Pursuant to the strategy of "Comprehensive digital upgrading and transformation", we will concentrate on the development of B2C and B2B. We will continue to expand and optimize, to improve efficiency and reduce fulfillment cost. In addition, we expect to facilitate our gallery tenants from offline to online.

Pursuant to the strategy of "Restructuring" initiative, we will accelerate the restructuring and plan to upgrade an additional 50 stores in 2020.

Pursuant to the strategy of "Integration of the two banners", by improving revenue and gross profit margin and managing the controllable and headquarter costs, we expect to further improve the benefits of integration.

I would like to express my gratitude to all shareholders for your support and trust to the Sun Art management team. Sun Art will endeavor to become a global benchmark of New Retail transformation.

HUANG Ming-Tuan
Executive Director
and
Chief Executive Officer

20 February 2020

FINANCIAL REVIEW

Revenue and Gross Sales Proceeds

Revenue is derived from sales of goods and rental income from tenants. Revenue from sales of goods is primarily derived from the hypermarkets and the online sales channels where merchandise, mainly food, groceries, textile and general goods, are made available for sale. Revenue from sales of goods is net of value added tax and other applicable sales taxes after deducting any trade discounts. Rental income from tenants 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		
	2019	2018	Change
	(RMB million)	*(RMB million)*	
Gross sales proceeds	**101,868**	101,315	0.5%
Revenue	**95,357**	99,359	(4.0)%
– *Revenue from sales of goods*	**91,279**	95,551	(4.5)%
– *Rental income from tenants*	**4,078**	3,808	7.1%

Gross sales proceeds, cash collected from sales generated at our hypermarkets, was RMB101,868 million for the year ended 31 December 2019, representing an increase of RMB553 million, or 0.5%, from RMB101,315 million for the year ended 31 December 2018.

For the year ended 31 December 2019, revenue from sales of goods was RMB91,279 million, representing a decrease of RMB4,272 million, or 4.5%, from RMB95,551 million for the year ended 31 December 2018. In our electronic appliance department, the business model has changed from self-operation to consignment with Suning from August 2018. Since then, only consignment fees received have been recognized in revenue instead of gross sales proceeds.

For the year ended 31 December 2019, the Same Store Sales Growth(1) ("**SSSG**") calculated on sales of goods excluding electronic appliances was -1.01%. From the beginning of 2019, our stores under both RT-Mart and Auchan banners have started to integrate their operating systems and supply chains. During the convergence process, Auchan stores had experienced changes in product mix, supplier structure and operating process. Currently, the convergence has been substantially completed and we expect the store performance to be back on track in 2020. The SSSG of stores under RT-Mart banner, calculated on sales of goods excluding electronic appliances, was positive.

Notes:

(1) Same store sales growth: For stores opened over 12 full months as of 31 December 2019, we calculated and compared the sales derived in those stores from their opening month to the end of year 2018 with the same period in year 2019.

Our store-based online to offline ("**O2O**") business model has proved to be robust after one-year's development and contributed to our sales growth in the food sector. While the non-food sector continued to face intensive competition from different channels.

For the year ended 31 December 2019, the Group continued to expand in various areas of China and opened seven new stores, bringing the total number of stores to 486 after accounting for 5 closed stores.

For the year ended 31 December 2019, revenue from rental income was RMB4,078 million, representing an increase of RMB270 million, or 7.1%, from RMB3,808 million for the year ended 31 December 2018. This increase was primarily attributable to an increase in rentable area from new stores and an increase in revenue from tenants in existing stores as a result of better management of tenant mix.

Gross Profit

For the year ended 31 December 2019, gross profit was RMB25,731 million, representing an increase of RMB612 million, or 2.4%, from RMB25,119 million for the year ended 31 December 2018. The gross profit margin, calculated on gross sales proceeds, for the year ended 31 December 2019 was 25.3%, representing an increase of 0.5 percentage point from 24.8% for the year ended 31 December 2018. The Group has been working continuously to optimise product mix in order to improve the gross profit margin. The consolidation of supply chain between the two banners had positive impact on gross profit margin.

Other Income

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

For the year ended 31 December 2019, other income was RMB1,489 million, representing a decrease of RMB254 million, or 14.6%, from RMB1,743 million for the year ended 31 December 2018. The decrease was primarily attributable to: (1) a decrease of RMB141 million in income from the release of aged unutilised balances on prepaid cards; and (2) a decrease in the disposal of packaging materials of RMB143 million which mainly resulted from the decreased sales price of cardboard boxes in 2019.

Operating Costs

Operating costs represent the costs attributable to the operations of the stores and O2O business. Operating costs primarily consist of personnel expenses, operating lease charges, expenses for utilities, maintenance, advertising, cost of order fulfillment and delivery together with the depreciation of property, plant and equipment.

For the year ended 31 December 2019, operating costs were RMB19,523 million, representing an increase of RMB206 million, or 1.1%, from RMB19,317 million (restated) for the year ended 31 December 2018.

The increase was primarily attributable to the development of the business including the on-going expansion of the hypermarket network and the development of the O2O business which required investment in personnel and other related projects. Meanwhile, the Group followed government guidance on the increase in the minimum wage for staff. These developments led to the increase in personnel expenses, operating lease charges and depreciation of property, plant and equipment and other operating expenses.

Expressed as a percentage, the amount of operating costs for the year ended 31 December 2019 as of the gross sales proceeds in the year of 2019 was 19.2%, representing an increase of 0.1 percentage points, from 19.1%, the restated percentage, for the year ended 31 December 2018.

Administrative Expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, depreciation of property, plant and equipment and other expenses for the administrative departments. For the year ended 31 December 2019, administrative expenses were RMB2,807 million, representing a decrease of RMB40 million, or 1.4%, from RMB2,847 million restated for the year ended 31 December 2018.

Expressed as a percentage, the amount of administrative expenses for the year ended 31 December 2019 as of the gross sales proceeds for the year of 2019 was 2.8%, which was the same as the restated percentage for the year ended 31 December 2018.

Profit from Operations

For the year ended 31 December 2019, the profit from operations was RMB4,890 million, representing an increase of RMB192 million, or 4.1%, from RMB4,698 million restated for the year of 2018. By adopting HKFRS 16, additional depreciation expenses, amounting to RMB1,237 million for the year ended 31 December 2019 and RMB1,280 million for the year ended 31 December 2018, were recognized on the right-of-use assets capitalised over the lease contract duration period, replacing the operating lease charges originally recognized, amounting to RMB1,739 million for the year ended 31 December 2019 and RMB1,735 million for the year ended 31 December 2018.

Had the impact of HKFRS 16 adoption been excluded for both years, the amount of profit from operations for the year ended 31 December 2019 would have been RMB4,365 million, an increase of RMB169 million, or 4.0%, from RMB4,196 million for the year ended 31 December 2018. Accordingly, the related operating margin, calculated on gross sales proceeds, would have been 4.3%, an increase of 0.2 percentage point, from 4.1% of the year ended 31 December 2018, which was mainly attributable to the improved gross profit margin.

Finance Costs

Finance costs primarily consist of the interest expenses on borrowings and lease liabilities. For the year ended 31 December 2019, the finance costs were RMB623 million, representing a decrease of RMB47 million, or 7.0%, from RMB670 million restated for the year ended 31 December 2018. By adopting HKFRS 16, additional interest expenses of RMB615 million for the year ended 31 December 2019, and RMB660 million for the year ended 31 December 2018 were recognized on the lease liabilities calculated at the present value of future payments over the lease contracts duration.

Had the impact of HKFRS 16 adoption been excluded for both years, the amount of financial costs for the year ended 31 December 2019 would have been RMB8 million, which was at the similar level as that for the year ended 31 December 2018.

Income Tax

For the year ended 31 December 2019, income tax expense was RMB1,207 million, representing a decrease of RMB113 million, or 8.6%, from RMB1,320 million restated for the year ended 31 December 2018. By adopting HKFRS 16, all additional deferred tax credit of RMB23 million for the year ended 31 December 2019, and RMB40 million for the year ended 31 December 2018 were recognized on the additional temporary differences subject to tax.

Had the impact of HKFRS 16 adoption been excluded for both years, the amount of income tax for the year ended 31 December 2019 would have been RMB1,230 million, a decrease of RMB130 million, or 9.6% from RMB1,360 million for the year ended 31 December 2018. The related effective tax rate would have been 28.3%, a decrease of 4.3 percentage points from 32.6% for the year ended 31 December 2018. The decrease in effective tax rate was attributable to the utilisation of previously unrecognised tax losses generated by certain legal entities, which were established in prior years since those legal entities started to generate profits to recover those losses.

Profit for the Year

For the year ended 31 December 2019, profit for the year was RMB3,045 million, representing an increase of RMB345 million, or 12.8%, from RMB2,700 million restated for the year ended 31 December 2018.

In summary, the adoption of HKFRS 16 under full retrospective method resulted in a profit decrease of RMB67 million for the year ended 31 December 2019 and RMB118 million for the year ended 31 December 2018.

Had the impact of HKFRS 16 been excluded for both years, the amount of profit for the year ended 31 December 2019 would have been RMB3,112 million, representing an increase of RMB294 million, or 10.4%, from RMB2,818 million for the year ended 31 December 2018. The related net profit margin, calculated on gross sales proceeds, for the year ended 31 December 2019 would have been 3.1%, increasing by 0.3 percentage point, from 2.8% of the year ended 31 December 2018.

Profit Attributable to Equity Shareholders of the Company

For the year ended 31 December 2019, the profit attributable to equity shareholders of the Company was RMB2,834 million, representing an increase of RMB356 million, or 14.4%, from RMB2,478 million restated for the year ended 31 December 2018.

Profit Attributable to Non-Controlling Interests

For the year ended 31 December 2019, the profit attributable to non-controlling interests was RMB211 million, representing a decrease of RMB11 million, or 5.0%, from RMB222 million restated for the year ended 31 December 2018. The profit attributable to non-controlling interests consisted of: (i) interests in Auchan (China) Investment Co., Ltd. ("**ACI**") and Concord Investment (China) Co., Ltd. ("**CIC**") from the Auchan Scheme* and the 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**"); (iii) the interest held by Oney Bank S.A. ("**Oney Bank**") in Oney Accord Business Consulting (Shanghai) Co., Ltd. ("**Oney Accord**"); and (iv) the interest held by Alibaba (China) Network Technology Co., Ltd. in Shanghai Runhe Internet Technology Co., Ltd.

Liquidity and Financial Resources

For the year ended 31 December 2019, cash flow generated from operating activities was RMB4,605 million, representing a decrease of RMB3,548 million among which RMB769 million was related to restricted deposits, or 43.5%, from RMB8,153 million restated for the year ended 31 December 2018.

By adopting HKFRS 16, regular settlements under store lease contracts were treated as the payment of lease liabilities under financing activities, which led to the decrease of cash outflows from operating activities by RMB1,701 million for the year ended 31 December 2019 and RMB1,736 million for the year ended 31 December 2018.

For the year ended 31 December 2019, the inventory turnover days and trade payable turnover days were 85 days and 97 days, respectively, compared to 71 days and 94 days for the year ended 31 December 2018.

As of 31 December 2019, net current liabilities decreased to RMB3,290 million from RMB6,546 million restated as of 31 December 2018. This decrease was primarily attributed to (i) an increase in the current assets of RMB4,121 million, related to the increased stock level as at 31 December 2019, and the increase in restricted deposits; and (ii) an increase in current liabilities of RMB865 million mainly from the increased balance of prepaid cards of RMB1,254 million. The increase in current assets was greater than the increase in current liabilities, which resulted in a decrease to net current liabilities.

* The Group has established an Employee Trust Benefit Scheme of CIC and its subsidiaries ("**RT-Mart Scheme**") and an Employee Trust Benefit Scheme of ACI and its subsidiaries ("**Auchan Scheme**"). For further details please refer to Note 4(b) of "Notes to the Consolidated Financial Statements" on page 132 of the annual report.

Investing activities

For the year ended 31 December 2019, cash flow used in investing activities was RMB1,808 million, representing a decrease of RMB301 million, or 14.3%, from RMB2,109 million restated for the year ended 31 December 2018.

The cash flow used in investing activities mainly reflected the capital expenditure of RMB1,871 million in respect of the development of new stores and the remodelling of existing stores.

Financing activities

For the year ended 31 December 2019, cash flow used in financing activities was RMB3,015 million, with an increase of RMB78 million, or 2.7%, from RMB2,937 million restated for the year ended 31 December 2018.

By adopting HKFRS 16, the regular settlement under store lease contracts was defined as "capital element of lease rents paid" and "interest element of lease rents paid" under cash used in financing activities. The amounts settled for the year ended 31 December 2019 and for the year ended 31 December 2018 were RMB1,701 million and RMB1,736 million, respectively.

Had the impact of HKFRS 16 adoption been excluded for both years, the cash used in financing activities for the year ended 31 December 2019 would have been RMB1,314 million, an increase of RMB113 million, or 9.4%, from RMB1,201 million for the year ended 31 December 2018. The level of cash flows under financing activities remained stable.

Dividends

The Board proposed a final dividend of HKD0.15 (equivalent to RMB0.14) per ordinary share (the "**Final Dividend**") for the year ended 31 December 2019, amounting to approximately HKD1,431 million (equivalent to RMB1,290 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 annual report on page 27.

BUSINESS REVIEW

Operating Environment

During 2019, China's gross domestic product ("**GDP**") growth slowed down from 6.6% in 2018 to 6.1%, amounting to approximately RMB99,086.5 billion, primarily driven by the deleveraging of the economy. The overall consumer price index ("**CPI**") was up by 2.9% compared to 2018, of which the food CPI was up by 9.2%, driven mainly by a sharp increase in pork CPI of 42.5% (especially from August 2019), bringing an increase in the meat CPI of 29.1% (of which beef CPI increased by 12.1% and lamb CPI increased by 11.9%). The Non-food CPI observed a minimal increase of 1.4%.

Total retail sales of consumer goods in China reached RMB41,164.9 billion, representing a growth of 8.0% year on year. Although the growth speed is slowing down, it still enjoys high single-digit growth. Sales of catering services achieved RMB4,672.1 billion, a growth of 9.4% compared to 2018. National online retail sales reached RMB10,632.4 billion, an increase of 16.5%. Online physical goods retail sales for the year 2019 amounted to RMB8,532.9 billion, representing an increase of 19.5%, slowed down but accounting for more than 20% of total retail sales.

Online Business Follow a Steady Growth

In 2019, the gross sales proceeds of Group's O2O business (online to offline business) was nearly 90% higher than that of last year. We expect that the proportion of online sales will continue to increase in the future.

B2C Business

At present, customers can choose one-hour-delivery-to-home service through our own mobile applications ("**RT-Mart Fresh**" and "**Auchan Daojia**"), and through the platform entrances of our partners such as Taoxianda, Eleme or Tmall supermarket. These can serve customers within 5-kilometer radius of the stores.

After a year of development, the current number of B2C users has exceeded 33 million, and the number of active users is more than 10 million. Daily Order per Store ("**DOPS**") and ticket size continue to grow steadily. Taking "double 11" day as an example, the total order volume was doubled compared to last year, exceeding our expectation, and our on-time delivery rate was above 99.5%.

The one-hour-delivery-to-home service has met the needs of younger customers' consumption habits and had been driven by changes in customer's lifestyle.

The success of our one-hour-delivery-to-home business derives from our national supply chain and store network, our "two-in-one" model i.e. integrated by store and warehouse, superior store management capacity, delivery fulfilment capacity and ongoing improvement of customers' experience.

B2B Business

Our B2B business is another way to leverage the strength of our supply chain and store network.

In 2019, B2B business revenue increased by approximately 50% compared to the corresponding period of 2018. We expect that the revenue of our B2B business will be further expanded in 2020.

At present, we had the excess of 530,000 existing users in our B2B business. Active users are close to 240,000 and the ticket size is more than RMB1,000. The main clients are wholesalers, retailers and corporates, along with catering businesses, canteens, entertainment and accommodation businesses.

In the future, our B2B team will further develop the operating model to satisfy the requirements of different types of customers. We will continue to engage with potential clients, improve the penetration within our service radius and deepen the collaboration with our existing clients.

Restructuring of Hypermarket Showed Remarkable Results

In 2019, we restructured ten stores, including five in Shanghai, one in Suzhou, one in Jinan, one in Shenyang, one in Wuhan and one in Guangzhou. Judging from the earliest pilot stores, significant improvement in SSSG has been observed. This was especially true for the SSSG of fresh products division, with an average of double-digit growth.

In 2020, we will accelerate the restructuring initiative and upgrade 50 existing stores.

Restructuring the hypermarket includes reconstructing our functions, our categories and our mindset. In addition to featuring a more vibrant shopping environment and more professional displays, the restructuring focuses on differentiated selection and combination of offerings. We endeavor to become experts in the field of fresh and foods and to create a hypermarket with the New Retail concept that delivers professional, fashionable goods that represent value for money.

We aim to encourage more young customers to experience our stores. The information regarding online customer profiles enables us to better understand the needs of young customers. This helps us to optimize our offerings, and reinvents reasons for customers to visit physical stores.

Tmall Supermarket Inventory Sharing is Ready

Based on LBS (location based services) technology, the "Tmall Supermarket Inventory Sharing" ("**Inventory Sharing**") initiative enables stores to serve customers within a radius of 5-20 kilometers.

Customers within 5 kilometers can be served by a one-hour delivery service, and customers within 5-20 kilometers can be served by a "half-day delivery" service. Facing the pressure from peer competition while offline customer footfall is being diluted, our "half-day delivery" service gives us an opportunity to expand our business radius and create incremental revenue for the Group.

By the end of September 2019, all Sun Art stores had launched a one-hour-delivery-to-home service from the "Inventory Sharing" initiative.

Since October 2019, 178 stores have rolled out our "half-day delivery" service. Due to the larger service radius of our "half-day delivery" service, a total of 280 selected stores are planned to provide this service. We expect this initiative will be rolled out to all selected stores before the end of May 2020.

At present, our half-day-delivery service can provide approximately 20,000 Stock Keeping Units ("**SKUs**"), mainly Fast Moving Consumer Goods ("**FMCG**") and daily necessity products. In the future, we expect to gradually expand our half-day-delivery service to fresh products.

Further deepen the integration to become Future Growth Momentum for both Revenue and Profit

This year we have integrated headquarters, supply chain, assortment and distribution centers of the two banners RT-Mart and Auchan. In terms of store operation and management under the Auchan banner, we have completed the I.T. system switch, store layout amendment and realized changes to organizational structure.

After a year of integration, headquarters costs under the Auchan banner have been reduced significantly, and the gross profit margin has been rising month by month. The benefits of integration has been greatly improved.

In 2020, we will further deepen the integration, improve revenue and gross profit, and reduce controllable expenses of stores. We believe that the performance of the Auchan stores will be further improved in the future.

Expansion Status

During 2019, the Group opened seven new hypermarket complexes, all of which were under the RT-Mart banner. Among the new stores, three were located in Eastern China, two were located in Central China and two were located in Southern China. For the year ended 31 December 2019, the Group closed five loss-making stores, of which one was located in Eastern China, one was located in Northern China, two were located in Central China and one was located in Southern China.

As of 31 December 2019, the Group had a total of 486 hypermarket complexes in China with a total gross floor area ("**GFA**") of approximately 13 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 on page 18 for definitions of regional zones.

As of 31 December 2019, approximately 7.8% of the Group's stores were located in first-tier cities, 16.5% in second-tier cities, 46.3% in third-tier cities, 21.6% in fourth-tier cities and 7.8% in fifth-tier cities. Please refer to note 2 on page 18 for definitions of tiers.

As of 31 December 2019, through the execution of lease contracts or acquisition of land plots, the Group had identified and secured 43 sites to open hypermarket complexes, of which 37 were under construction. Given that more and more new stores are going to be opened in lower tier cities, in order to ensure the quality of the stores, the Group has upgraded its site selection standards.

As of 31 December 2019, the number of stores and their GFA in each major region of China are set out below:

Region	Number of hypermarket complexes (As of 31 December 2019)				Total GFA of hypermarket complexes (sq.m.) (As of 31 December 2019)			
	Auchan	**RT-Mart**	**Total**	**Percentage**	**Auchan**	**RT-Mart**	**Total**	**Percentage**
Eastern China	50	142	192	39%	2,046,857	3,422,510	5,469,367	42%
Northern China	4	46	50	10%	119,860	1,137,050	1,256,910	10%
Northeastern China	1	51	52	11%	32,033	1,413,972	1,446,005	11%
Southern China	4	86	90	19%	99,537	2,088,985	2,188,522	17%
Central China	8	68	76	16%	250,401	1,683,116	1,933,517	15%
Western China	5	21	26	5%	223,839	495,920	719,759	5%
Total	**72**	**414**	**486**	**100%**	**2,772,527**	**10,241,553**	**13,014,080**	**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 31 December 2019, the Group had 146,683 employees.

As one of the core competitiveness of the Group, human resources will continue to strengthen the training and development of the employees and to provide them more promotion opportunities, hence to reserve sufficient talents for the future development of the Group.

Outlook

Having gone through initial years of development, Sun Art has transformed itself from a mere participant to the leader in the New Retail sector.

Thanks to the close collaboration with Alibaba, the bottleneck of physical stores has been removed, and a profitable O2O business model started to take shape. At the same time, by leveraging Alibaba's resources and technology, we are empowered to constantly explore new sales models, such as "Tmall Supermarket Inventory Sharing", "Group Purchase" and Supermarkets. By constantly diversifying the shopping scenarios and enhancing customer's shopping experience, we are driving our customers to adopt seamlessly into our retail ecosystem.

By leveraging off our digital tools, we have become more capable in serving online customers. This becomes the foundation of our long-term competitiveness.

At the same time, the physical stores have transformed from legacy hypermarkets to our "two-in-one model" of integrated store and warehouse. Our current system allows one unified supply chain to meet the needs of different sales channels, and all channels to share one unified inventory system. This not only enhances the efficiency of the supply chain, but also realizes the diversification of sales channels.

We hope 2020 to be the harvest year of our online business. We will center on multi-format and omni-channel development, comprehensive digital upgrading and transformation, acceleration in restructuring hypermarkets, and deepened integration of our two banners.

The prospects of 2020, however, have been affected by the disruption to life by the COVID-19 virus. The spread of COVID-19 virus has had a major impact on both market and the Group's operating environment in China. The Group's hypermarkets under both banners fall under the consumer necessity industry, and their operations have not been substantially impacted by the spread of the epidemic as of the date of this report. However, as a result of cooperating with the government's measures implemented against the spread of the epidemic, some of our tenants renting our gallery space in hypermarket complexes have been required to temporarily suspend their operations. While some of these tenants have been permitted to reopen their businesses recently, we are continuing to discuss with relevant government departments the timing of the reopening of the other such businesses.

Management is closely monitoring the development of the COVID-19 situation. We expect to discuss with relevant parties the reopening of those businesses temporarily suspended in our galleries to minimize the loss of rental income. It is too early to say at this stage how 2020 will turn out but we will do all we can to support our customers and partners in this difficult time. Every effort is being made to mitigate the negative impact to the bottom line. We may also make further announcement when appropriate.

Executive Director

Mr. HUANG Ming-Tuan (黃明端), aged 64, is the Chief Executive Officer of the Company since 17 May 2019 and has been appointed as an Executive Director of the Company on 11 December 2019. Mr. Huang was already the chairman of the Group's subsidiaries operating under the "RT-Mart" banner in China. Mr. Huang received a Master of Business Administration from the College of Management, National Taiwan University in 1984. He is responsible for the overall strategic planning and management of the Group. Mr. Huang was a Director of the Company during the period from 28 April 2011 to 30 January 2018. He joined the Group in 2001 and has been the chief executive officer of RT-Mart Limited Shanghai where he is responsible for devising and implementing its overall strategies and the supervision of its business operations. Mr. Huang has been involved in the business and operational strategies of its business operations, and he has also been involved in the business and operational strategies of the Company. Mr. Huang is also a director of certain subsidiaries of the Group.

Prior to joining the Group in 2001, Mr. Huang was the general manager of Ruentex Industries Limited from 1991 to 1997, where he was responsible for devising and implementing its overall strategies and the supervision of its business operations. From 1997 to 2000, Mr. Huang was the general manager of RT-Mart International Ltd. ("**RT-Mart Int'l**").

Non-Executive Director

Mr. ZHANG Yong (張勇), aged 48, is the Chairman and a Non-Executive Director of the Company since 30 January 2018. Mr. Zhang has been appointed as the chief executive officer of Alibaba Group, a company incorporated in the Cayman Islands with its American depositary shares listed on the New York Stock Exchange (stock code: BABA) since May 2015, and he currently also serves on the board of directors of Alibaba Group. Prior to his current position, Mr. Zhang has held several other senior positions within Alibaba Group, including the chief financial officer of Taobao marketplace after joining in August 2007. He was appointed as the chief operating officer of Taobao marketplace and general manager of Tmall.com (then the Taobao Mall) in April 2008, and then as the president of Tmall.com in June 2011 before his appointment as the chief operating officer of Alibaba Group in September 2013. Before joining Alibaba Group, Mr. Zhang served as a senior manager at PricewaterhouseCoopers' audit and business advisory division in Shanghai from 2002 to 2005, and later the chief financial officer of Shanda Interactive Entertainment Limited (an online game developer and operator then listed on NASDAQ) from August 2005 to August 2007. Mr. Zhang has served as a director of Weibo Corporation (a company listed on NASDAQ, stock code: WB) since May 2014. He was also a non-executive director of Haier Electronics Group Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 1169) from 25 March 2014 to 21 June 2017; a non-executive director of Alibaba Health Information Technology Limited (formerly known as CITIC 21CN COMPANY LIMITED, a company listed on the Stock Exchange, stock code: 241) from 30 April 2014 to 7 September 2015; and a non-executive director of Intime Retail (Group) Company Limited (a company then listed on the Stock Exchange and delisted on 19 May 2017) from 7 July 2014 to 19 May 2017.

Mr. Zhang received a bachelor's degree in finance from Shanghai University of Finance and Economics. Mr. Zhang is also a member of the Chinese Institute of Certified Public Accountants.

Non-Executive Director

Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ, aged 49, is a Non-Executive Director of the Company since 12 September 2012. Between 2011 and 2015, he was located in Shanghai to focus on the family investment activity in China. Since September 2015, Mr. Leclercq is the chairman of Creadev, the Mulliez Family investment company (www.creadev.com). The Mulliez Family comprises Mr. Gerard Mulliez, who is the founder of Auchan Holding S.A. and other members of this family in France, who hold interests in various companies such as Auchan Holding S.A. Through various companies under Auchan Holding S.A., the Mulliez Family conducts various business interests in food retail activities, real estate development and banking.

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

Mr. Leclercq has been appointed as director of A-RT Retail Holdings Limited ("**A-RT**") and RT-Mart Int'l since September 2012 and June 2014 respectively. With effect from 31 October 2018, he has resigned as the director of RT-Mart Int'l. He has also been appointed as a director of Auchan Holding S.A. and Auchan Retail International S.A. since 5 March 2015, the ultimate controlling shareholders. With effect from 2 December 2015 and 7 March 2016, Mr. Leclercq resigned as director of Auchan Holding S.A. and Auchan Retail International S.A. respectively. Mr. Leclercq has been appointed as the director of Auchan Retail International S.A. on 25 March 2019. With effect from 17 December 2019, Mr. Leclercq resigned as a director of Auchan Retail International S.A.

Mr. Leclercq has been appointed as directors of Feiniu E-Commerce (Shanghai) Co., Ltd. on 8 August 2013, Feiniu E-Commerce Hong Kong Limited on 3 February 2015, and Fields Hong Kong Limited ("**Fields HK**") on 2 April 2015 respectively, subsidiaries of the Company. With effect from 5 November 2015, Mr. Leclercq resigned as a director of Fields HK.

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

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

Non-Executive Director

Mr. Xavier, Marie, Alain DELOM de MEZERAC, aged 64, is a Non-Executive Director of the Company since 8 February 2001. Mr. Delom de Mezerac received a degree from ESSEC Business School (Diplome de L'ESSEC, Ecole Superieure des Sciences economiques et Commerciales) in 1978. From 1985 to 1993, Mr. Delom de Mezerac was with the Corning group (Corning), a global specialty glass and ceramics producer, in its United States, Mexico and France operations, where he worked in various financial and management positions including as financial manager for Corning's Europe operations. From 1994 to 1997, Mr. Delom de Mezerac was with Euro Disney S.A.S. as its chief financial officer. From 1997 to 1999, Mr. Delom de Mezerac was with Alcatel Alsthom S.A. as its deputy chief financial officer. From 1999 to 2015, Mr. Delom de Mezerac was with Auchan Holding S.A. as its chief financial officer and a member of the executive committee. From 2014 until October 2019, he was the chairman of the Board of Oney Bank S.A., which is the consumer finance subsidiary of Auchan Holding S.A. Meanwhile, he has become permanent representative of Auchan Holding S.A., director of Oney Bank S.A. since 22 October 2019. Since December 2015, he has been the general secretary and a member of the "**Directoire**" of Auchan Holding S.A. Mr. Delom de Mezerac has also been appointed as permanent representative of Auchan Holding S.A., president of Soparalinea S.A.S. since July 2018. Furthermore, he has also been appointed as a director of Auchan (China) Hong Kong Ltd since May 2019 and a director of A-RT Retail Holdings Limited, which is one of the controlling shareholders of the Company, as well as certain of the subsidiaries of the Group, including RT-Mart Holdings Limited and Concord Champion International Ltd.

Non-Executive Director

Mr. Edgard, Michel, Marie BONTE, aged 46, is a Non-Executive Director of the Company since 17 May 2019. He has been appointed as chief executive officer of Auchan Retail International S.A. He is also the general manager of Auchan Holding S.A. since 13 February 2020, a company founded by Mr. Gerard Mulliez. Mr. Bonte was also appointed as director of A-RT Retail Holdings Ltd., the controlling shareholder of the Company since 11 December 2018.

His mandates also cover some other countries like Russia where he has held a mandate as chairman of the Board in Auchan Russie SARL since November 2019, as well as France where he has been appointed as chairman in the company Organisation Intra-Groupe des Achats SAS, a centralised organisation for international purchases, since October of that year.

Since leaving high school in France, Mr. Bonte has accumulated extensive experience working in businesses including trading and retail. From February 2011 until the year 2019, Mr. Bonte has been the chairman of Kiabi, a French ready-to-wear retail group created in 1978 and one of the leaders in this sector. Taking effect on 12 December 2009, he was also appointed as chairman of Volumiq Software SAS, a French company active in engineering sector.

Non-Executive Director

Mr. CHEN Jun (陳俊), aged 46, is a Non-Executive Director of the Company since 30 January 2018. Mr. Chen currently serves as a senior vice president of Alibaba Group, and is also a managing director of Alibaba strategic investment division and the investment head and chief investment officer of Alibaba new retail fund. He has more than 20 years of experience in strategy management, strategic market development, and business and financial advisory services. He has been in charge of strategic investments by Alibaba Group in various types of companies, including high-growth private companies and public companies listed in the PRC and overseas. The portfolio companies he manages are in a wide spectrum of industries such as retail, logistics, travel, healthcare, sports, and software and solutions. Before joining Alibaba Group in 2011, Mr. Chen worked for SAP, a Fortune 500 high-tech software company from 1999 to 2011, taking roles including strategic adviser in the office of CEO and industry director. From 1995 to 1998, he worked as an auditor for Arthur Andersen Consulting Co. Ltd. Mr. Chen was a non-executive director of Alibaba Health Information Technology Limited (formerly known as CITIC 21CN COMPANY LIMITED, a company listed on the Stock Exchange, stock code: 241) from 30 April 2014 to 7 September 2015 and he is currently also a director of Best Inc. (a company listed on the New York Stock Exchange, stock code: BSTI), and a director of Singapore Post Limited (a company listed on the Singapore Stock Exchange, stock code: S08.SI). Mr. Chen received an EMBA degree from INSEAD.

Non-Executive Director

Mrs. Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER, aged 47, is a Non-Executive Director of the Company since 17 May 2019. She has been appointed as the finance, performance and assets chief officer of Auchan Retail International S.A. (together with its subsidiaries, "**Auchan Group**") since November 2015 and she currently also serves as a director of various companies within the Auchan Group including Auchan France, Auchan Spain, Auchan Poland, Auchan Portugal, Auchan Romania, Auchan Russia and Auchan Senegal. She has been appointed as the permanent representative of Auchan Retail International S.A. and director of Auchan Retail International Technology since March 2019. Since July 2019, she has held a mandate as a director of Feiniu E-Commerce Hong Kong Limited.

Prior to her current positions, Mrs. Bouvier has held several other senior positions within the Auchan Group, including the chief financial officer of Auchan Portugal from July 2013 to November 2015 and accounting, consolidation and financial systems manager from June 2008 to June 2013. Before joining the Auchan Group, Mrs. Bouvier served as an auditor of at KPMG's audit division in Paris of France from September 1995 to June 1999, and later a consolidation manager of Group Leroy Merlin from June 1999 to February 2004. Mrs. Bouvier has served as an accounting, consolidation and financial system manager of Group Adeo from February 2004 to May 2008. Mrs. Bouvier has obtained a bachelor's degree in corporate finance from EDHEC Business School in France in 1995.

Independent Non-Executive Director

Ms. Karen Yifen CHANG (張挹芬), aged 55, is an Independent Non-Executive Director of the Company and has been a director of the Company since 27 June 2011. Ms. Chang served as the chief executive officer of Jack Wolfskin Trading (Shanghai) Co., Ltd., a leading international outdoor brand, since August 2017 after being the non-executive director for 2 years. As a veteran from retail and consumer industry, she was chief executive officer for Natural Beauty Bio-Technology Limited (stock code: 157), the chief financial officer, the chief executive officer and executive director of Pou Sheng International (Holdings) Limited (stock code: 3813) from October 2007 to December 2015. In addition, Ms. Chang has many years of management consultancy and investment banking experiences from working with KPMG in Washington DC and Los Angeles in the United States as well as Jardine Fleming, Merrill Lynch and Credit Suisse in Shanghai and Hong Kong from 1992 to 2006.

Ms. Chang received a Bachelor degree in Arts in English Literature from Fu-Jen Catholic University in Taiwan in 1986 and a Master of Business Administration degree from the George Washington University in Washington D.C. in the United States in 1988.

Independent Non-Executive Director

Mr. Desmond MURRAY, aged 64, is an Independent Non-Executive Director of the Company since 27 June 2011. Mr. Murray graduated with a Bachelor of Commerce from the University College Dublin in 1976 and is a qualified accountant and a member of the Hong Kong Institute of Certified Public Accountants. He was an audit partner in PricewaterhouseCoopers Hong Kong from 1987 to 2000. Since withdrawing from practice with PricewaterhouseCoopers, Mr. Murray has taken on a number of non-executive directorships. These include a major retailer in Ireland and Clear Media Limited ("**CML**", stock code: 100), a company listed on the Main Board of the Stock Exchange. With effect from 1 July 2016, Mr. Murray has relinquished his position as chairman of the remuneration committee of CML. With effect from 9 August 2016, Mr. Murray has resigned as an independent non-executive director, as chairman of the audit committee, and as a member of each of the audit committee, the remuneration committee and the nomination committee of CML.

Mr. Murray was a non-executive director of iShares plc, iShares II plc, iShares III plc, iShares IV plc and iShares V plc, companies all listed on the Main Board of the London Stock Exchange until 31 March 2013. He was also a non-executive director of Black Rock Fixed Income Dublin Funds plc, Black Rock Institutional Pooled Funds plc and Institutional Cash Series plc, companies all listed on the Dublin Stock Exchange until 31 March 2013. Mr. Murray also acts as a business consultant to a number of smaller businesses. While working with PricewaterhouseCoopers, Mr. Murray advised boards and audit committees of companies listed in Hong Kong, both as an audit partner and as an adviser in relation to both internal audit and corporate governance. He was Honorary Consul for Ireland in Hong Kong from 1996 to 1999.

Independent Non-Executive Director

Mr. HE Yi (何毅), aged 66, is an Independent Non-Executive Director of the Company since 27 June 2011. Mr. He studied management and strategy from HEC International Business School (école des Hautes Etudes Commerciales) from 1989 to 1991. From 2010 to 2017, Mr. He was a director of Essilor International (Compagnie Generale d'Optique), listed on the Euronext Paris stock exchange. From 1978 to 1989, he was a representative of the People's Republic of China Embassy in France, Paris where he was successively in charge of consular affairs, cultural affairs, protocol, relations with media and cooperation in administrative matters between the PRC and France. From 1991 to 1996, he joined the Danone Group's Shanghai subsidiary as a general manager. Mr. He joined the Essilor Group as the chief executive officer of Shanghai Essilor Optical Co., Ltd. in 1996 and has been the chairman of Essilor (China) Holding Company, a director of Essilor International since 2010 and the chairman of Essilor Hong Kong Limited since 2018.

Independent Non-Executive Director

Mr. Dieter YIH (葉禮德) alias YIH Lai Tak, Dieter, aged 56, is an Independent Non-Executive Director of the Company since 11 December 2019. Mr. Yih received his Bachelor of Laws degree from King's College London and he is a Fellow of King's College London. Mr. Yih is admitted to practice law in Hong Kong, England & Wales, Singapore and Australia. He is a partner of the Hong Kong law firm Kwok Yih & Chan, where his practice focuses on corporate finance, capital markets, securities and regulatory compliance.

Mr. Yih was the president of the Law Society of Hong Kong between 2012 and 2013, and holds various public offices and community appointments in Hong Kong. He is currently a Justice of the Peace appointed by the Hong Kong Government, a member of the Listing Committee of the Hong Kong Stock Exchange, chairman of the Financial Dispute Resolution Centre, deputy chairman of council of the Education University of Hong Kong, a member of the Education Commission, a member of the Steering Committee of the Quality Education Fund, a member of the HKICPA Regulatory Oversight Board, a member of the Standing Committee on Judicial Salaries and Conditions of Service, a member of the Standing Committee on Legal Education and Training, and a member of the Banking Review Tribunal. He is also a member of the Guangdong Province of the Chinese People's Political Consultative Conference.

Senior Management

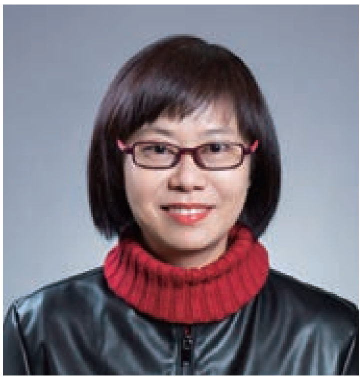
Mr. FAN Yigang (范益剛), aged 49, is the Chief Financial Officer of the Group. He graduated from Fudan University (Shanghai) in International Economics and Finance and from the University of Maryland USA (MBA Finance). He started his career in 1993 at HSBC Shanghai and Coopers & Lybrand. Then he moved to New York USA for Kraft Foods International in 1998 as FP&A and finance manager for 7 years. He went back to China in 2005 for Pepsico then worked at B&Q where he became SVP Strategy and Business Performance. From 2010 until 2018, he was CFO of SCA North Asia (Swedish hygiene company), Capstone Investment (start-up hedge fund), Genimous (private equity firm investing in e-commerce) and Sanpower Retail Group, sequentially.

Senior Management

Mr. CHIANG Yeong-Fang (蔣永芳), aged 63, is the Chief Executive Officer of the Group of subsidiaries operating under the "RT-Mart" banner in China, where his responsibilities include the management of hypermarket complexes as well as the formulation of strategies for our business operations under the "RT-Mart" banner. Prior to joining the Group in 2001, Mr. Chiang has been with Ruentex, previous controlling shareholders of the Group. From 2000 to 2001, Mr. Chiang was the vice-general manager of Ruentex Industries, where he was responsible for general operational matters of the group of companies under Ruentex Industries, including procurement, operational efficiency management of the group's factories, human resource and administration. From 1979 to 2000, Mr. Chiang was a career army officer with the army of the Republic of China. Mr. Chiang is also a director of Shanghai RT-Mart, one of the subsidiaries of the Group.

Senior Management

Mr. HSU Sheng-Yu (徐盛育), aged 64, is the Chief Financial Officer of the Group of subsidiaries operating under the "RT-Mart" banner in China. He is responsible for the financial, controlling and legal matters of our operations under our "RT-Mart" banner. Prior to joining the Group in 1999, Mr. Hsu has been with Ruentex, previous controlling shareholders of the Group. From 1983 to 1999, Mr. Hsu held various positions in Ruentex's operations in Taiwan, including the position of finance manager, vice general manager, general manager and chairman in Ruentex Industries, Xingye Construction Co., Ltd., Ruentex Construction and Engineer Co., Ltd. and Runhong Engineering Co., Ltd. respectively.



Company Secretary

Ms. CHO Wing Han (曹詠嫻), FCIS, FCS, is a senior manager of Corporate Services of Tricor Services Limited and has over 20 years of experience in the corporate secretarial field. Ms. Cho has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Cho was a former company secretary of various Hong Kong listed companies. Ms. Cho is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

The board (the "**Board**") of directors (the "**Directors**") of the Company are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal Activities

The principal activities of the Group are the operation of hypermarkets and online sales channels in the PRC. An analysis of the Group's revenue by category is set out in note 2 to the consolidated financial statements on page 130.

Financial Statements

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 89.

The financial position of the Group as at 31 December 2019 is set out in the Consolidated Statement of Financial Position of the Group on pages 90 to 91. The financial position of the Company as at 31 December 2019 is set out in note 25 to the consolidated financial statement on page 171.

The cash flows of the Group for the year ended 31 December 2019 are set out in the Consolidated Cash Flow Statement on pages 94 to 95.

Final Dividend

At the Board meeting held on 20 February 2020 (Thursday), the Directors proposed that a final dividend ("**Final Dividend**") of HKD0.15 (equivalent to RMB0.14) per ordinary share for the year ended 31 December 2019, amounting to approximately HKD1,431 million (equivalent to RMB1,290 million) be paid no later than 10 July 2020 (Friday) 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 19 May 2020 (Tuesday). The proposed Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting ("**AGM**") to be held on 12 May 2020 (Tuesday).

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

Reserves

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2019 are set out in the Consolidated Statement of Changes in Equity on pages 92 to 93 and note 20(a) to the consolidated financial statements.

As at 31 December 2019, the Company's reserves available for distribution to the shareholders amounted to RMB1,398 million in accordance with the Company's new articles of association ("**Articles of Association**") adopted on 14 May 2015 and as amended on 17 May 2019.

Fixed Assets

Details of the movements in the fixed assets of the Group during the year ended 31 December 2019 are set out in note 10 to the consolidated financial statements.

The Group also manages retail galleries in our hypermarket buildings, in which we lease spaces to third parties. The portion of the properties containing the retail galleries of the Group which are owned or leased are classified as investment properties. The Group has applied the cost model for investment properties.

As at 31 December 2019, there are 113 and 197 retail galleries classified as investment properties respectively in owned and leased hypermarkets. All of the galleries were of similar nature and all located in the PRC. There were a large number of individual properties and none of the properties was material on an individual basis.

An independent professional valuer has been engaged to value the properties owned by the Group or leased by the Group which were recognized as right-of-use assets. As at 31 December 2019, the total fair value of such properties was RMB57,164 million, among which, the fair value of investment property was RMB22,775 million.

Details of the fair value of the investment properties as at 31 December 2019 and 2018 and the valuation technique are set out in notes 10(iv) and 10(v) to the consolidated financial statements respectively.

Donations

Donations made by the Group during the year ended 31 December 2019 was nil.

Share Capital

Details of the movements in share capital of the Company during the year ended 31 December 2019 are set out in note 20(c) to the consolidated financial statements.

Sufficiency of Public Float

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

Closure of Register of Members and Record Date

(a) For determining the entitlement to attend and vote at the 2020 AGM

The Company's register of members will be closed from 7 May 2020 (Thursday) to 12 May 2020 (Tuesday), 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 2020 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 6 May 2020 (Wednesday).

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

The proposed Final Dividend is subject to the approval of the shareholders at the 2020 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 19 May 2020 (Tuesday). 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 19 May 2020 (Tuesday).

Purchase, Sale or Redemption of Shares of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

Directors

The Directors during the year ended 31 December 2019 and as of the date of this annual report were as follows:

Executive Director:

HUANG Ming-Tuan *(Chief Executive Officer)* (Appointed on 11 December 2019)

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 was appointed as his alternate on 12 September 2012; Edgard, Michel, Marie BONTE and Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER were appointed as his alternates on 17 May 2019)

Xavier, Marie, Alain DELOM de MEZERAC (Appointed on 8 February 2001)
(Benoit, Claude, Francois, Marie, Joseph LECLERCQ was appointed as his alternate on 12 September 2012; Edgard, Michel, Marie BONTE and Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER were appointed as his alternates on 17 May 2019)

Edgard, Michel, Marie BONTE (Appointed on 17 May 2019)
(Xavier, Marie, Alain DELOM de MEZERAC, Benoit, Claude, Francois, Marie, Joseph LECLERCQ and Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER as his alternates, appointed on 17 May 2019)

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

Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER (Appointed on 17 May 2019)
(Benoit, Claude, Francois, Marie, Joseph LECLERCQ, Xavier, Marie, Alain DELOM de MEZERAC and Edgard, Michel, Marie BONTE as her alternates, appointed on 17 May 2019)

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)
(Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER was appointed as his alternate on 17 May 2019 and ceased as his alternate on 7 August 2019)

Dieter YIH (Appointed on 11 December 2019)

Biographies of the Directors as at the date of this annual report are set forth in the section headed "Profiles of Directors and Senior Management" of this annual report on pages 20 to 26.

In accordance with the Articles of Association, Mr. HUANG Ming-Tuan, Mr. Xavier, Marie, Alain DELOM de MEZERAC, Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ, Mrs. Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER, Mr. HE Yi and Mr. Dieter YIH will retire as Executive Director, Non-Executive Directors and Independent Non-Executive Directors. Each of the retiring Directors will offer themselves for re-election at the 2020 AGM.

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

Directors of Subsidiaries

For the year ended 31 December 2019 or during the period from 1 January 2020 up to the date of this Report, the names of all directors who have served on the boards of the subsidiaries of the Company are available on the Company's website (http://www.sunartretail.com/en/about/cg/listofdirectorsofsubsidiaries.pdf).

Business Review

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year under review and the material factors underlying its results and financial position are provided in the Chairman's Statement, Chief Executive Officer's Statement, Financial Review, Business Review respectively from pages 5 to 19 of this annual report.

Description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Risk Factors section on pages 61 to 65.

Particulars of important events affecting the Company that have occurred since the end of the financial year 2019, if any, can also be found in the above mentioned sections and the notes to the consolidated financial statements.

The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement and Chief Executive Officer's Statement from pages 5 to 7 of this annual report.

An account of the Company's relationships with its key stakeholders including its employees, customers and suppliers is included in the Report of Directors section, on pages 38 and 59 of this annual report, respectively.

In addition, more details regarding the Group's performance by reference to environmental and social related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are provided in the "Report of Directors" section, on page 60 in the annual report.

Permitted Indemnity

Pursuant to the Company's Articles of Association, subject to the statues, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. Subject to the applicable laws and the Company's Articles of Association, the Company has taken out insurance against the liability and costs associated with legal actions against the Directors arising out of corporate activities.

Directors Service Contracts

Each of the Independent Non-Executive Directors of the Company is appointed for a specific term of three years and shall be subject to retirement provisions stipulated in the Company's Articles of Association.

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

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

Directors' Interests in Transactions, Arrangements or Contracts

Other than those transactions disclosed in note 24 to the consolidated financial statements and in the section headed "Connected Transactions" below, there was no transaction, arrangement or contract of significance to which the Company or any of its holding company or fellow subsidiaries or any member of the Group was a party and in which the Directors possessed direct or indirect material interests, subsisted during or at the end of the year.

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

As at 31 December 2019, 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 Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 to the Listing Rules (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
HUANG Ming-Tuan[(2)]	Company	Interest of spouse[(3)]	77,590,702(L)	0.81%
Xavier, Marie, Alain DELOM de MEZERAC	Oney Bank S.A.[(4)]	Beneficial owner	1,078(L)[(5)]	0.0736%
Edgard, Michel, Marie BONTE[(6)]	Auchan Retail International S.A.[(7)] (“**Auchan Retail**”)	Beneficial owner	1(L)[(8)]	0.0000%
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) Mr. Huang Ming-Tuan has been appointed as the Chief Executive Officer on 17 May 2019.

(3) Ms. LEE Chih-Lan is the spouse of Mr. HUANG Ming-Tuan. Ms. LEE Chih-Lan holds 76,039,464 shares through Unique Grand Trading Limited and 1,551,238 shares under her name. Accordingly, Mr. HUANG Ming-Tuan is deemed to be interested in all of the shares held by Ms. LEE Chih-Lan.

(4) 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 31 December 2019 is 1,465,331 shares.

(5) This represents 938 free shares and 140 free shares in Oney Bank S.A. exercised on 25 August 2018 and 24 January 2019 respectively.

(6) Mr. Edgard, Michel, Marie BONTE has been appointed as Non-executive Director on 17 May 2019.

(7) Auchan Retail is a company incorporated in France which is more than 99.99% owned by Auchan Holding S.A.. A-RT Retail Holdings Limited (“**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.

(8) This represents 1 ordinary share in Auchan Retail allotted on 10 October 2018.

Directors' Rights to Acquire Shares or Debt Securities

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

Directors' Interest in Competing Business

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

Share Option Scheme

There is no share option scheme operated by the Company.

Employee Trust Benefit Schemes ("ETBS")

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

Details of the ETBS are set out in the note 4(b) to the consolidated financial statements.

Calculated based on the actual paid-in capital, as at 31 December 2019, 0.225% of ACI and 7.17091% of CIC were held by the respective trusts under the Auchan Scheme and the RT-Mart Scheme.

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2019, 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[(2)]	Beneficial owner	4,865,338,686(L)[(11)]	51.0009%
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%
Au Marché 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 Holding Limited[(7)] ("**Taobao China**")	Beneficial owner	2,001,753,643(L)[(12)]	20.9834%
Taobao Holding Limited[(8)] ("**Taobao Holding**")	Interest in a controlled corporation	2,001,753,643(L)[(12)]	20.9834%
New Retail Strategic Opportunities Investments 1 Limited[(9)] ("**New Retail**")	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%

Name of substantial shareholder	Nature of interest	Number and class of shares [(1)]	Approximate percentage of shareholding
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.

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).

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 more than 99.99% 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 is more than 99.99% owned by Auchan Holding S.A., therefore Auchan Holding S.A. is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.

(5) Auchan Holding S.A. is 65.73% owned by Au Marché S.A.S., therefore Au Marché 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. Au Marché 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 Au Marché S.A.S.. The Mulliez Family is collectively represented by a member of the family, who plays an administrative role and is similarly unable to exert a dominant influence over other members of the Mulliez Family and does not control Au Marché 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 31 December 2019 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 31 December 2019, 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 31 December 2019, the shareholding interests of nine of the operating subsidiaries in the PRC are partially held by independent third parties. Those operating subsidiaries are Fields HK, 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., Wuxi Immochan Real Estate Co, Ltd. and Shanghai Runhe Internet Technology Co., Ltd.. And the shareholding interest of Oney Accord is partially held by Oney Bank S.A., which is a connected person of the Company.

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

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in notes 6 and 7 respectively of the consolidated financial statements in this annual report.

For the year ended 31 December 2019, the remuneration of the senior management whose profiles are included in the "Profiles of Directors and Senior Management" section of this annual report, except the Company Secretary who is an external service provider, fell within the following bands:

Remuneration Bands	Number of Individuals
HKD1 – HKD500,000	1
HKD6,500,001 – HKD7,000,000	1
HKD13,000,001 – HKD13,500,000	1

Remuneration Policy

As at 31 December 2019, the Group employed a total of 146,683 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, time commitment, responsibilities and the prevailing salary levels in the market.

Retirement/Pension Schemes

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following connected transactions and continuing connected transactions during the year ended 31 December 2019:

Connected Transactions

1. Disposal of the entire equity interest in Hainan Hema to Shanghai Runhe

On 31 May 2019, CIC entered into an equity transfer agreement ("**Equity Transfer Agreement**") with Shanghai Runhe Internet Technology Co., Ltd. ("**Shanghai Runhe**"), pursuant to which Shanghai Runhe agreed to purchase and the CIC agreed to sell the entire equity interest in Hainan Hema Network Technology Co. Ltd. ("**Hainan Hema**") at a consideration of US$5,000,000. Shanghai Runhe is indirectly owned as to 49% by Alibaba Group Holdings Limited ("**Alibaba**") and directly owned 51% by CIC, respectively.

Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Shanghai Runhe is indirectly owned as to 49% by Alibaba and directly owned as to 51% by CIC, respectively, and is therefore a connected subsidiary of the Company.

Following the disposal of the equity interest as described above, Alibaba through its ownership in Shanghai Runhe, a connected subsidiary of the company, will control 49% of the equity interest Hainan Hema, and Hainan Hema will therefore become an associate of Taobao China and a connected person of the Company.

For further details of the disposal of the equity interest in Hainan Hema, please refer to the announcement of the Company dated 31 May 2019.

2. Capital Increase of Shanghai Runhe

On 17 September 2018, Alibaba (China) Network Technology Co., Ltd. ("**Alibaba Technology**") and CIC entered into a joint venture agreement ("**Joint Venture Agreement**") pursuant to which the parties have agreed to establish Shanghai Runhe to be owned as to 51% by CIC and the remaining 49% by Alibaba Technology. At the time when the Joint Venture Agreement was entered into, the transactions contemplated under the Joint Venture Agreement were fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.76(1) of the Listing Rules.

On 27 December 2019, Alibaba Technology and Hema (China) Co., Ltd. ("**Hema** (**China**)") entered into an equity interest transfer agreement whereby Alibaba Technology transferred its 49% equity interest that it held in Shanghai Runhe to Hema (China). Immediately after the equity interest transfer, Shanghai Runhe was owned as to 51% and 49% by CIC and Hema (China) respectively.

On the same day, CIC entered into a capital increase agreement ("**Capital Increase Agreement**") with Hema (China), pursuant to which CIC and Hema (China) have agreed to increase the registered share capital of Shanghai Runhe from RMB100,000,000 to RMB300,000,000 in proportion to their respective shareholdings, among which RMB102,000,000 and RMB98,000,000 shall be contributed by CIC and Hema (China) respectively, in addition to the current amounts contributed of RMB51,000,000 and RMB49,000,000 by CIC and Alibaba Technology (which such portion is currently held by Hema (China) as a result of the aforementioned equity interest transfer from Alibaba Technology to Hema (China).

Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Shanghai Runhe is indirectly owned as to 49% by Alibaba and directly owned as to 51% by CIC, respectively, and is therefore a connected subsidiary of the Company.

For further details of capital increase in Shanghai Runhe, please refer to the announcement of the Company dated 27 December 2019.

Non-exempt Continuing Connected Transactions

The following transactions of the Group constituted non-exempt continuing connected transactions of the Group for the year ended 31 December 2019.

1. Agency Agreement and Subcontracting Agreement with Patinvest

On 11 April 2019, the Company and Patinvest entered into an agency agreement ("**Patinvest Agency Agreement**"), pursuant to which Patinvest agreed to grant to the Company exclusive right to provide negotiation services in relation to certain international cooperation agreements to be entered into between the Company (on behalf of Patinvest) and selected international suppliers in Asia. The services provided by the Company included negotiating with selected international suppliers in Asia for the provision of joint and specific services, comprising, amongst others, exchange of market knowledge, facilitation of new product introductions and entry into new regions/markets, coordination of product promotional activities and product performance data sharing.

On 11 April 2019, the Company and Patinvest entered into a subcontracting agreement (the "**Patinvest Subcontracting Agreement**", and together with the Patinvest Agency Agreement, the "**Patinvest Agreements**"), pursuant to which Patinvest agreed to exclusively subcontract to the Company Patinvest's performance obligations in Asia under the international cooperation agreements entered into by Patinvest with third party suppliers. The services subcontracted included, amongst others, the exchange of market knowledge, facilitation of new product introductions and entry into new regions/markets, coordination of product promotional activities and sharing of product performance data with suppliers.

Each of the Patinvest Agreements had a term commencing from 11 April 2019 and ending on 31 December 2019. The fees to which the Company was entitled under the Patinvest Agency Agreement was 15% of the amount payable by selected international suppliers in Asia for the provision of services by the Company. The consideration payable to the Company for the Patinvest Subcontracting Agreement was 85% of the amount payable by the international suppliers for the services performed in Asia under the international cooperation agreements entered into between Patinvest and such suppliers. By entering into the Patinvest Agreements, Patinvest could leverage on the expertise and resources of the Company to strengthen the negotiations and bargaining power with selected international suppliers in Asia, and the Company could leverage on Patinvest's relationship with such international suppliers to expand its suppliers' network, and both parties could be in a better position to bargain for more favourable conditions during negotiation.

As Patinvest is a subsidiary of Auchan Holding and Auchan Holding is one of the controlling shareholders of the Company, Patinvest is a connected person of the Company.

For further details of the Patinvest Agreements, please refer to the announcement of the Company dated 12 April 2019.

The annual cap of the Patinvest Agreements for the year ended 31 December 2019 is EUR22,000,000, while the actual transaction amount for the year ended 31 December 2019 is approximately EUR12.1 million (equivalent to RMB93 million).

In view of the increasing business transactions with Alibaba Group, and for the purpose of better governing the conduct of the continuing connected transactions between the Group and Alibaba Group in the long run, the Company has categorized such transactions and entered into the Master Agreements according to the different types/nature of goods and services. The categories of transactions and agreements entered into thereunder between the parties are as follows:

2. *Purchase of goods and services by the Group from Alibaba Group*

Master Purchase Agreement

On 11 April 2019, the Company (on behalf of the Group) entered into a master purchase agreement ("**Master Purchase Agreement**") with Taobao China Holding Limited ("**Taobao China**") (on behalf of and together with companies which the majority issued share capital is beneficially owned and controlled by Taobao China (collectively together with Taobao China, the "**Taobao China Group**")), pursuant to which the Group agreed to purchase certain products and services from the Taobao China Group. The relevant products and services include but not are limited to home furnishing, personal care products, travel and accessories, electronics, mothercare products and other household products under the label named "Taobao Xinxuan", imported fast moving consumer goods, household products and computer, communication and consumer electrical appliances, packaged food, poultry products, processed meat, edible oil, grains, vegetables, fresh and preserved fruits, groceries, agricultural products, fruit products, meat and aquatic products and any other merchandise customarily sold in hypermarkets operated by the Group. Pursuant to the Master Purchase Agreement, separate underlying agreements will be entered into between relevant parties of the Group and the Taobao China Group setting out the precise terms and conditions of the purchase of the relevant products and services. The term of the Master Purchase Agreement commenced on 1 January 2019 and shall expire on 31 December 2021.

The purchase price for the relevant products and/or services payable by the Group, will be determined at the time of the particular purchase based on arm's-length negotiations with reference to (i) the purchase price charged for the same category of services and/or products offered by independent suppliers at the time of a particular transaction; (ii) the gross profit margin expected by the Group in respect of products and services of the same categories as the relevant products and/or services; and (iii) the price of products and services of the same categories as the relevant products and/or services generally offered on the market by independent third parties. Payments of the transactions will be settled in arrears, or such other manners as agreed by the parties in accordance with the agreed timing and manners as specified in the separate agreements to be entered into between members of the Group and Taobao China Group from time to time.

On 14 August 2019, the Company and Taobao China entered into a master purchase agreement addendum ("**Purchase Addendum**") as a supplemental agreement to the Master Purchase Agreement, pursuant to which the parties agreed to extend the definition of Taobao China Group to subsidiaries and affiliates of Alibaba ("**Extended Taobao China Group**").

For further details of the Master Purchase Agreement (as amended by the Purchase Addendum), please refer to the announcements of the Company dated 12 April 2019 and 14 August 2019.

Taobao China is a substantial shareholder of the Company. As Taobao China is an indirect wholly owned subsidiary of Alibaba, Alibaba is therefore also a connected person of the Company. Taobao China and other members of the Extended Taobao China Group are associates of Alibaba and therefore are connected persons of the Company.

Annual cap under the category of the "Purchase of goods and services by the Group from Alibaba Group"

The annual cap of the category of purchase of goods and services by the Group from Alibaba Group for the year ended 31 December 2019 is RMB2,145,000,000, while the actual transaction amount of the year ended 31 December 2019 is approximately RMB269.6 million.

3. *Sale of goods and services by the Group to Alibaba Group*

Master Supply Agreement

On 11 April 2019, the Company (on behalf of the Group) entered into a master supply agreement ("**Master Supply Agreement**") with Taobao China (on behalf of and together members of Taobao China Group) pursuant to which the Group agreed to supply certain products and services to the Taobao China Group. The relevant products and services include but are not limited to fresh food products, pre-packaged food products, grocery products, household products and any other merchandise customarily sold in the relevant retail outlets operated by ACI and CIC. Pursuant to the Master Supply Agreement, separate underlying agreements will be entered into between relevant parties of the Group and the Taobao China Group setting out the precise terms and conditions of the supply of the relevant products and services. The term of the Master Supply Agreement commenced on 1 January 2019 and shall expire on 31 December 2021.

The selling price for the relevant products and services will be determined at the time of the particular sale based on arm's length negotiations with reference to (i) the selling price charged for the same category of services and/or products offered to independent purchasers at the time of a particular transaction; (ii) the gross profit margin expected by the Group in respect of the relevant products and/or services of the same categories; and (iii) the price of products and services of the same categories as the relevant products and/or services generally offered on the market by independent third parties. Payments of the transactions will be settled in arrears, or such other manners as agreed by the parties in accordance with the agreed timing and manners as specified in the separate agreements to be entered into between members of the Group and Taobao China Group from time to time.

On 14 August 2019, the Company and Taobao China entered into the master supply agreement addendum ("**Supply Addendum**") as a supplemental agreement to the Master Supply Agreement, pursuant to which the parties agreed to extend the definition of Taobao China Group to subsidiaries and affiliates of Alibaba ("**Extended Taobao China Group**").

The Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Master Supply Agreement are aggregated with annual caps of other agreements under the category of "Sale of goods and services by the Group to Alibaba Group". Details are set out further below.

For further details of the Master Supply Agreement (as amended by the Supply Addendum), please refer to the announcements of the Company dated 12 April 2019, 14 August 2019, 20 August 2019 and the circular dated 10 September 2019.

Taobao China is a substantial shareholder of the Company. As Taobao China is an indirect wholly owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Taobao China and other members of the Extended Taobao China Group are associates of Alibaba and therefore are connected persons of the Company.

Northeast China Hema Supply Agreement

On 31 May 2019, Qingdao Ruentex Enterprises Co., Ltd., branch of Shenyang ("**Qingdao Ruentex**"), a subsidiary of the Company, entered into a supply agreement ("**Northeast China Hema Supply Agreement**") with Shanghai Runhe, pursuant to which Shanghai Runhe agreed to appoint Qingdao Ruentex as supplier to supply certain products to Shanghai Runhe and retail stores operated under the "Hema" or "Hema Fresh" banner. The relevant products include but not limited to food, groceries, confectionaries, beverages, wines, household products, baby care products, pet care products, electrical compliances and clothing. The term of the Northeast China Hema Supply Agreement commenced on 31 May 2019 and shall expire on 31 December 2021.

Qingdao Ruentex shall provide quotation of the selling prices for the relevant products and the quoted selling prices are final once they are agreed by Shanghai Runhe. The selling price for the relevant products of the particular sale is based on arm's length negotiations with reference to (i) the selling price charged for the same category of services and/or products offered to independent purchasers at the time of a particular transaction; (ii) the gross profit margin expected by the Group in respect of the relevant products of the same categories; and (iii) the price of products and services of the same categories as the relevant products generally offered on the market by independent third parties.

Taobao China is a substantial shareholder of the Company. As Taobao China is an indirect wholly owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Shanghai Runhe is indirectly owned as to 49% by Alibaba and directly owned as to 51% by CIC, respectively, and is therefore a connected subsidiary of the Company.

The Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Northeast China Hema Supply Agreement are aggregated with annual caps of other agreements under the category of "Sale of goods and services by the Group to Alibaba Group". Details are set out further below.

For further details of the Northeast China Hema Supply Agreement, please refer to the announcements of the Company dated 31 May 2019, 20 August 2019 and the circular dated 10 September 2019.

Hainan Hema Supply Agreement

On 31 May 2019, Guangdong Ruenhua Commercial Co., Ltd. ("**Guangdong Ruenhua**"), a subsidiary of the Company, entered into a supply agreement ("**Hainan Hema Supply Agreement**") with Hainan Hema, pursuant to which Hainan Hema agreed to appoint Guangdong Ruenhua as supplier to supply the relevant products to Hainan Hema and retail stores operated under the "Hema" or "Hema Fresh" banner. The relevant products include but not limited to food, groceries, confectionaries, beverages, wines, household products, baby care products, pet care products, electrical compliances and clothing. The term of the Hainan Hema Supply Agreement commenced on 31 May 2019 and shall expire on 31 December 2021.

Guangdong Ruenhua shall provide quotation of the selling prices for the relevant product and the quoted selling prices are final once they are agreed by Hainan Hema. The selling price for the relevant products of the particular sale is based on arm's length negotiations with reference to (i) the selling price charged for the same category of services and/or products offered to independent purchasers at the time of a particular transaction; (ii) the gross profit margin expected by the Group in respect of the relevant products of the same categories; and (iii) the price of products and services of the same categories as the relevant products generally offered on the market by independent third parties.

Following the disposal of the equity interest in accordance with the Equity Transfer Agreement as described above, Alibaba through its ownership in Shanghai Runhe, a connected subsidiary of the company, will control 49% of the equity interest Hainan Hema, and Hainan Hema will therefore become an associate of Taobao China and a connected person of the Company.

The Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Hainan Hema Supply Agreement are aggregated with annual caps of other agreements under the category of "Sale of goods and services by the Group to Alibaba Group". Details are set out further below.

For further details of the Hainan Hema Supply Agreement, please refer to the announcements of the Company dated 31 May 2019, 20 August 2019 and the circular dated 10 September 2019.

Promotional Goods Supply Agreement

On 19 August 2019, CIC, ACI and Alipay (Hangzhou) Information Technology Co., Ltd. ("**Alipay**") entered into a promotional goods supply agreement ("**Promotional Goods Supply Agreement**"), pursuant to which CIC and ACI agreed to supply promotional goods in the form of tissue paper packs to customers upon presentation of e-coupons issued by Alipay. The term of the Promotional Goods Supply Agreement ended on 31 October 2019 after the promotional goods have been fully distributed.

Alipay shall pay to CIC and ACI a fixed price for each e-coupon, which price is determined after arm-length negotiation. Customers of Alipay may exchange each e-coupon for a specified number of tissue paper packs from any of the physical retail stores of the RT Mart and Auchan banners.

At the time of entry Promotional Goods Supply Agreement, Alipay was a subsidiary of Ant Financial Small and Micro Financial Services Group Co., Ltd. ("**Ant Financial**"), which, together with its subsidiaries, were deemed as connected persons of the Company by the Stock Exchange in August 2019 under Rule 14A.19 of the Listing Rules.

The Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Promotional Goods Supply Agreement are aggregated with annual caps of other agreements under the category of "Sale of goods and services by the Group to Alibaba Group". Details are set out further below.

For further details of the Promotional Goods Supply Agreement, please refer to the announcements of the Company dated 19 August 2019, 20 August 2019 and the circular dated 10 September 2019.

Annual cap under the category of the "Sale of goods and services by the Group to Alibaba Group"

As the transactions under the above agreements in the category of sale of goods and services by the Group to Alibaba Group are similar in nature, they are required to be aggregated pursuant to rule 14A.81 of the Listing Rules. As such, the annual cap of sale of goods and services by the Group to Alibaba Group for the year ended 31 December 2019 is RMB3,762,000,000, while the actual transaction amount of the year ended 31 December 2019 is approximately RMB373.1 million.

4. Consignment of goods from Alibaba Group to the Group

Master Zhejiang Tmall Consignment Agreement

On 11 April 2019, the Company and the Zhejiang Tmall Supply Chain Management Co., Ltd. ("**Zhejiang Tmall**") entered into a consignment agreement ("**Master Zhejiang Tmall Consignment Agreement**"), pursuant to which the Company agreed to, and shall procure members of the Group to, permit Zhejiang Tmall and its subsidiaries ("**Zhejiang Tmall Group**") to sell on a consignment basis through members of the Group at designated exhibition shelves at the hypermarkets operated by the Group to customers. The term of the Master Zhejiang Tmall Consignment Agreement commenced on 1 January 2019 and shall expire on 31 December 2021.

A commission fee will be paid to the Group by Zhejiang Tmall Group for each sale of consigned products successfully completed at the hypermarkets operated by the Group, such fees are to be calculated based on the price (tax inclusive) of each relevant products successfully sold (with no subsequent return and refund) to customers at the hypermarkets operated by the Group, multiplied by a consignment rate to be agreed between the Group and Zhejiang Tmall Group after arm's length negotiations between the Group and Zhejiang Tmall Group with reference to (i) the consignment rate of products of the same category as such products offered by independent third party consignees after having obtained at least two quotes from independent third parties, (ii) the continuing partnership with the Alibaba Group, and (iii) the commercial benefits of such partnership to the Group.

Taobao China is a substantial shareholder of the Company. Zhejiang Tmall is an indirect wholly-owned subsidiary of Taobao China, Zhejiang Tmall is therefore a connected person of the Company.

The Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Master Zhejiang Tmall Consignment Agreement are aggregated with annual caps of other agreements under the category of "Consignment of goods from Alibaba Group to the Group". Details are set out further below.

For further details of the Master Zhejiang Tmall Consignment Agreement, please refer to the announcement of the Company dated 12 April 2019.

Master Theland Consignment Agreement

On 11 April 2019, the Company and Theland New Cloud Shanghai Digimart Ltd. ("**Theland**") entered into a consignment agreement ("**Master Theland Consignment Agreement**"), pursuant to which the Company agreed to, and shall procure members of the Group to, permit Theland and its subsidiaries ("**Theland Group**") to sell on a consignment basis through members of the Group at designated exhibition shelves at the hypermarkets operated by the Group to customers. The term of the Master Theland Consignment Agreement commenced on 1 January 2019 and shall expire on 31 December 2021.

A commission fee will be paid to the Group by Theland Group for each sale of consigned products successfully completed at the hypermarkets operated by the Group, such fees are to be calculated based on the price (tax inclusive) of each relevant products successfully sold (with no subsequent return and refund) to customers at the hypermarkets operated by the Group, multiplied by a consignment rate to be agreed between the Group and Theland Group after arm's length negotiations between the Group and Theland Group with reference to (i) the consignment rate of products of the same category as such products offered by independent third party consignees after having obtained at least two quotes from independent third parties, (ii) the continuing partnership with the Alibaba Group, and (iii) the commercial benefits of such partnership to the Group.

Taobao China is a substantial shareholder of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Alibaba controls 40% equity interest of Theland. Theland is therefore an associate of Taobao China and a connected person of the Company.

The Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Master Theland Consignment Agreement are aggregated with annual caps of other agreements under the category of "Consignment of goods from Alibaba Group to the Group". Details are set out further below.

For further details of the Master Theland Consignment Agreement, please refer to the announcement of the Company dated 12 April 2019.

Win-Chain Consignment Agreement

On 11 April 2019, the Company and Shanghai Win-Chain Supply Chain Management Co., Ltd. ("**Win-Chain**") entered into a consignment agreement ("**Master Win-Chain Consignment Agreement**"), pursuant to which the Company agreed to, and shall procure members of the Group to, permit Win-Chain and its subsidiaries ("**Win-Chain Group**") to sell on a consignment basis through members of the Group at designated exhibition shelves at the hypermarkets operated by the Group to customers. The term of the Master Win-Chain Consignment Agreement commenced on 1 January 2019 and shall expire on 31 December 2021.

A commission fee will be paid to the Group by Win-Chain Group for each sale of consigned products successfully completed at the hypermarkets operated by the Group, such fees are to be calculated based on the price (tax inclusive) of each relevant products successfully sold (with no subsequent return and refund) to customers at the hypermarkets operated by the Group, multiplied by a consignment rate to be agreed between the Group and Win-Chain Group after arm's length negotiations between the Group and Win-Chain Group with reference to (i) the consignment rate of products of the same category as such products offered by independent third party consignees after having obtained at least two quotes from independent third parties, (ii) the continuing partnership with the Alibaba Group, and (iii) the commercial benefits of such partnership to the Group.

Taobao China is a substantial shareholder of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Alibaba controls more than 30% equity interest of Win-Chain. Win-Chain is therefore an associate of Taobao China and a connected person of the Company.

The Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Master Win-Chain Consignment Agreement are aggregated with annual caps of other agreements under the category of "Consignment of goods from Alibaba Group to the Group". Details are set out further below.

For further details of the Master Win-Chain Consignment Agreement, please refer to the announcement of the Company dated 12 April 2019.

Annual cap under the category of the "Consignment of goods from Alibaba Group to the Group"

As the transactions under the above agreements in the category of consignment of goods from Alibaba Group to the Group are similar in nature, they are required to be aggregated pursuant to rule 14A.81 of the Listing Rules. As such, the annual cap of consignment of goods from Alibaba Group to the Group for the year ended 31 December 2019 is RMB160,000,000, while the actual transaction amount of the year ended 31 December 2019 is approximately RMB54.4 million.

5. *Business Cooperation between the Group and Alibaba Group*

Original Business Cooperation Agreements and Implementation Agreements

On 7 December 2017, Hangzhou Alibaba Zetai Information Technology Company Limited ("**Alibaba Zetai**") (being an indirect wholly-owned subsidiary of Taobao China), the Company, ACI and CIC entered into a business cooperation agreement (the "**Business Cooperation Agreement**"), pursuant to which Alibaba Zetai has agreed to provide services including, among others, (a) granting access by the stores operated by ACI and CIC to its business model and online platform; (b) data sharing; (c) integration of systems and POS hardware; and (d) last-mile delivery services. The Business Cooperation Agreement has a term commencing from 7 December 2017 for a fixed term of three years.

On 19 March 2018, Taobao (China) Software Co., Ltd. ("**Taobao Software**") (being a direct wholly owned subsidiary of Taobao China) entered into two implementation agreements (the "**Implementation Agreements**") with ACI and CIC, respectively, for the implementation of the cooperation contemplated in the Business Cooperation Agreement. The Implementation Agreements have a term commencing from 19 March 2018 and ending on 18 March 2021 and are extendable by further agreement between the parties subject to the Company's Compliance with the Listing Rules.

Pursuant to the Implementation Agreements, ACI and CIC agreed to cooperate with Taobao Software to adopt the "Taobao Daojia" ("淘寶到家") model across the Auchan Stores and the RT-Mart Stores, including, amongst others: (a) the Auchan Stores and the RT-Mart Stores accessing the business model and the online Platform; (b) completing the integration of the corresponding software systems in the Auchan Stores and the RT-Mart Stores; (c) Taobao Software supplying to the Auchan Stores and the RT-Mart Stores necessary hardware including POS hardware and providing maintenance support; (d) delivery services provided by delivery agent(s) designated by Taobao Software to deliver products sold on the Platform; and (e) other areas of cooperation such as assistance in procurement or sourcing, participation in marketing and promotional activities and the usage of Alipay.

On 18 October 2019, each of CIC and ACI has separately entered into a quadripartite implementation agreement with Taobao China, Hangzhou Taoxianda Network Technology Co., Ltd. ("**Hangzhou Tao Xianda**") and Hangzhou Rajax Internet Technology Company Ltd. ("**Hangzhou Rajax**") (the "**RT-Mart Tao Xianda Quadripartite Implementation Agreement**" and the "**Auchan Tao Xianda Quadripartite Implementation Agreement**", together the "**Tao Xianda Quadripartite Implementation Agreements**") which supplements the RT-Mart Implementation Agreement and Auchan Implementation Agreement (as applicable) and govern the cooperation in respect of the delivery of goods under the "Taobao Daojia" ("淘寶到家") model across the hypermarkets and supermarkets operated by CIC and ACI.

Each of the Tao Xianda Quadripartite Implementation Agreements has a term commencing from 18 October 2019 and ending on 18 March 2021.

Pursuant to the Tao Xianda Quadripartite Implementation Agreements, the parties agree that, all the rights and obligations of Taobao Software under the RT-Mart Implementation Agreement and Auchan Implementation Agreement (save for delivery service arrangements) shall be transferred to Hangzhou Tao Xian Da.

The Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Quadripartite Implementation Agreements are aggregated with annual caps of other agreements under the category of "Business Cooperation between the Group and Alibaba Group". Details are set out further below.

The Tao Xianda Quadripartite Implementation Agreements expressly stipulate that, in relation to the delivery service arrangement under the "Taobao Daojia" ("淘寶到家") model, the logistics and delivery services shall be provided by Hangzhou Rajax. Hangzhou Tao Xian Da shall provide training and management of the logistics and delivery services to Hangzhou Rajax.

Taobao China is a substantial shareholder and a connected person of the Company. Accordingly, each of Taobao Software and Alibaba Zetai, as a subsidiary of Taobao China, is a connected person of the Company.

Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Each of Hangzhou Rajax, and Hangzhou Tao Xian Da is a subsidiary of Alibaba and is therefore an associate of Taobao China and a connected person of the Company.

For further details of the Business Cooperation Agreement, the Implementation Agreements, Tao Xianda Quadripartite Implementation Agreements, please refer to the announcements of the Company dated 8 December 2017, 19 March 2018 and 18 October 2019.

Hema Business Cooperation Agreement

On 15 January 2019, Shanghai Runhe entered into the Hainan Hema business cooperation agreement (the "**Hainan Hema Business Cooperation Agreement**") and Northeast China business cooperation agreement (the "**Northeast Hema Business Cooperation Agreement**", together with the Hainan Hema Business Cooperation Agreement are hereafter referred as the "**Hema Business Cooperation Agreements**") with Shanghai Hema Internet Technology Co., Ltd. ("**Shanghai Hema**") in respect of the relevant business cooperation between the parties within Hainan, Heilongjiang, Jilin and Liaoning provinces. Each of the Hainan Hema Business Cooperation Agreement and the Northeast Hema Business Cooperation Agreement has a term commencing from 28 December 2018 for a fixed term of three years and is extendable by further agreement between the parties subject to the Company's compliance with the Listing Rules.

The Hainan Hema Business Cooperation Agreement and the Northeast Hema Business Cooperation Agreement contain identical terms and each covers stores of different provinces. The Hainan Hema Business Cooperation Agreement covers retails stores operated by Shanghai Runhe to be connected to the "Hema Fresh" business model located in Hainan province in the PRC (the "**Hainan Hema Stores**"). The Northeast Hema Business Cooperation Agreement covers retails stores operated by Shanghai Runhe to be connected to the "Hema Fresh" business model located in Heilongjiang, Jilin and Liaoning provinces in the PRC (the "**Northeast Hema Stores**").

Pursuant to the Hema Business Cooperation Agreements, Shanghai Runhe agreed to cooperate with Shanghai Hema to adopt the "Hema Fresh" ("盒馬鮮生") model across the Hainan Hema Stores and Northeast Hema Stores, including, amongst others:

(a) the Hainan Hema Stores and Northeast Hema Stores accessing the "Hema Fresh" ("盒馬鮮生") business model and the Hema APP;

(b) completing the integration of the corresponding software systems in the Hainan Hema Stores and Northeast Hema Stores;

(c) Shanghai Hema supplying to the Hainan Hema Stores and Northeast Hema Stores necessary software maintenance support;

(d) delivery services provided by delivery agent(s) designated by Shanghai Hema to deliver products sold on the Hema mobile application ("**Hema APP**"); and

(e) other areas of cooperation such as assistance in procurement and sourcing, advice with respect to the decoration of the Hainan Hema Stores and Northeast Hema Stores, training for employees of the Hainan Hema Stores and Northeast Hema Stores, participation in marketing and promotional activities and the usage of Alipay.

Pursuant to the Hema Business Cooperation Agreements, Shanghai Runhe agreed to pay to Shanghai Hema a software technical service fee ("**Hainan Technical Service Fee**") for the use of the Hema APP (in the case of online transactions) and the use of software system resources provided by Shanghai Hema in the relevant Hainan Hema Stores and Northeast Hema Stores (in the case of offline transactions). A delivery fee is also payable by Shanghai Runhe for the delivery of each online order made to the Hainan Hema Stores and Northeast Hema Stores. The delivery service will be provided by a delivery agent designated by Shanghai Hema. In addition, Shanghai Runhe also agreed to pay a service fee to Shanghai Hema for each transaction successfully completed by the Hainan Hema Stores and the Northeast Hema Stores through Alipay (the "**Hainan Alipay Transaction Fee**").

Shanghai Runhe and Shanghai Hema have agreed to share the marketing expenses for certain joint marketing campaigns (if any) to be held during the term of the Hema Business Cooperation Agreement, which will be allocated between them on a fair and equitable basis.

As set out above, the Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Hema Business Cooperation Agreement are aggregated with annual caps of other agreements under the category of "Business Cooperation between the Group and Alibaba Group". Details are set out further below.

Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Accordingly, each of Taobao Software and Shanghai Hema, as an indirect wholly-owned subsidiary of Alibaba and therefore an associate of Taobao China, is a connected person of the Company.

For further details of the Hema Business Cooperation Agreements, please refer to the announcement of the Company dated 15 January 2019.

Ele Me Business Cooperation Agreement

On 11 April 2019, CIC entered into the Ele Me business cooperation agreement (the "**Ele Me Business Cooperation Agreement**") with Shanghai Rajax Information Technology Co., Ltd. ("**Shanghai Rajax**").

Pursuant to the Ele Me Business Cooperation Agreement, CIC agreed to cooperate with Shanghai Rajax to adopt the "Ele Me" ("餓了麼") model across the Stores under the Auchan and RT-Mart banners, including, among others:

(a) the Stores under the Auchan and RT-Mart banners accessing the business model and the online Ele Me Platform, allowing the operation of online stores under the two banners at the Ele Me Platform and providing takeaway meals to customers;

(b) Shanghai Rajax providing online service functions such as online ordering, delivery order management and online payment; and

(c) other areas of cooperation such as participation in marketing and promotional activities.

The Ele Me Business Cooperation Agreement has a term of one year which commenced from 1 January 2019 and ended on 31 December 2019.

CIC, through relevant Stores, agreed to pay to Shanghai Rajax a Platform Service Fee for the use of the Platform and software system resources. Shanghai Rajax will from time to time initiate joint marketing campaigns and promotions on the Ele Me Platform and CIC will participate pursuant to the Ele Me Business Cooperation Agreement. The costs for such joint marketing campaigns and promotions shall be borne as agreed by the parties.

As set out above, the Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Ele Me Business Cooperation Agreement are aggregated with annual caps of other agreements under the category of "Business Cooperation between the Group and Alibaba Group". Details are set out further below.

Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Shanghai Rajax is a consolidated entity of Alibaba and therefore an associate of Taobao China under Chapter 14A of the Listing Rules. The Ele Me Business Cooperation Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For further details of the Ele Me Business Cooperation Agreement, please refer to the announcement of the Company dated 12 April 2019.

Dalian Hema Delivery Business Cooperation Agreement

On 11 April 2019, Dalian Runhe Cloud Network Technology Co. Ltd. ("**Dalian Runhe**") entered into the Dalian Hema business cooperation agreement (the "**Dalian Hema Delivery Business Cooperation Agreement**") with Hangzhou Rajax Information Technology Co., Ltd. ("**Hangzhou Rajax**").

The Dalian Hema Delivery Business Cooperation Agreement has a term of one year commencing from 1 March 2019 and ending on 29 February 2020.

Pursuant to the Dalian Hema Delivery Business Cooperation Agreement, Hangzhou Rajax agreed to provide delivery services to the customers of Hema Fresh ("盒馬鮮生") stores operated by Dalian Runhe, who made orders using the Hema APP contemplated under the Hema Business Cooperation Agreements.

A service fee will be charged for each completed delivery order and additional service fee will be charged by Hangzhou Rajax if a second delivery or collection of delivered goods is required due to the default of Dalian Runhe or its customers.

As set out above, the Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Dalian Hema Delivery Business Cooperation Agreement are aggregated with annual caps of other agreements under the category of "Business Cooperation between the Group and Alibaba Group". Details are set out further below.

Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Hangzhou Rajax is a consolidated entity of Alibaba and therefore an associate of Taobao China.

For further details of the Dalian Hema Delivery Business Cooperation Agreement, please refer to the announcement of the Company dated 12 April 2019.

Shenyang Hema Delivery Business Cooperation Agreement

On 31 May 2019, Shenyang Runhe Internet Technology Co., Ltd. ("**Shenyang Runhe**") entered into the Shenyang Hema delivery business cooperation agreement (the "**Shenyang Hema Delivery Business Cooperation Agreement**") with Hangzhou Rajax.

The Shenyang Hema Delivery Cooperation Agreement has a term of nine month commencing from 31 May 2019 and ending on 29 February 2020.

Pursuant to the Shenyang Hema Delivery Business Cooperation Agreement, Hangzhou Rajax agreed to provide delivery services to the customers of Hema Fresh ("盒馬鮮生") stores operated by Shenyang Runhe, who made orders using the Hema mobile application contemplated under the Hema Business Cooperation Agreements.

A service fee will be charged for each completed delivery order and an additional service fee will be charged by Hangzhou Rajax if a second delivery or collection of delivered goods is required due to the default of Shenyang Runhe or its customers.

As set out above, the Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Shenyang Hema Delivery Cooperation Agreement are aggregated with annual caps of other agreements under the category of "Business Cooperation between the Group and Alibaba Group". Details are set out further below.

Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Hangzhou Rajax is a consolidated entity of Alibaba and therefore an associate of Taobao China and a connected person of the Company.

For further details of the Shenyang Hema Delivery Business Cooperation Agreement, please refer to the announcement of the Company dated 31 May 2019.

Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service)

On 18 October 2019, CIC entered into the Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service) (the "**Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service)**") with Rajax Network Technology (Shanghai) Co., Ltd. ("**Rajax Network Shanghai**") in respect of the business cooperation between CIC and Rajax Network Shanghai whereby Rajax Network Shanghai provides marketing services to the stores based on the Ele Me online software system.

The Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service) has a term which commenced from 18 October 2019 and ended on 31 December 2019 and has been extended to 31 December 2020 pursuant to its terms.

Pursuant to the Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service), ACI and CIC may conduct marketing activities on the Ele Me platforms and Rajax Network Shanghai agreed to provide the promotion services for marketing activities and promotion of the Group's business via the Ele Me platforms, subject to the terms and conditions set out therein.

A service fee (exclusive of tax) will be charged by Rajax Network Shanghai for each text message sent by Rajax Network Shanghai to potential customers for the promotion of the Group's business.

As set out above, the Company has announced the categorisation of continuing connected transactions with Alibaba and its associates in its announcement on 12 April 2019. The annual caps of the Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service) is aggregated with annual caps of other agreements under the category of "Business Cooperation between the Group and Alibaba Group". Details are set out further below.

Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Rajax Network Shanghai is a subsidiary of Alibaba and therefore an associate of Taobao China and a connected person of the Company.

For further details of the The Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service), please refer to the announcement of the Company dated 18 October 2019.

Annual cap under the category of the "Business cooperation between the Group and Alibaba Group"

As the transactions under the above agreements in the category of business cooperation between the Group and Alibaba Group are similar in nature, they are required to be aggregated pursuant to rule 14A.81 of the Listing Rules. As such, the annual cap of business cooperation between the Group and Alibaba Group for the year ended 31 December 2019 is RMB2,106,600,000, while the actual transaction amount of the year ended 31 December 2019 is approximately RMB1,148.8 million.

The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

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

b) on normal commercial terms or better; and

c) according to the agreement governing them, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 39 to 57 of this annual report in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor has reported to the Directors that (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors; (ii) for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap disclosed in the announcements made by the Company for the year ended 31 December 2019.

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 International S.A., 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 year ended 31 December 2019.

Securities Transactions by Directors

The Company has devised its own code of conduct regarding Directors' dealing in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company Code and the Model Code throughout the year ended 31 December 2019.

Corporate Governance

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in this annual report.

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and also discussed auditing, internal controls and financial reporting matters, including the review of the consolidated financial statements for the year ended 31 December 2019 with the external auditors, KPMG, and with management.

Major Customers and Suppliers

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

Auditors

The consolidated financial statements for the year ended 31 December 2019 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming 2020 AGM.

A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming 2020 AGM of the Company.

Compliance with the Relevant Laws and Regulations

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Environmental and Social Responsibilities

Environmental, Social and Governance ("**ESG**") factors are three key benchmarks to evaluate an enterprise. As a responsible corporate citizen, the Group believes that ESG initiatives are very important to bring success of our business and to create a long-term value for the Group. The ESG practices build a transparent, accountable and trusted enterprise to the society and to our consumers. We also believe that sustainability is a fundamental to our future.

Detail information on the ESG practices adopted by the Company is set out in the Environmental, Social and Governance Report which will be presented in a separate report and published on the websites of the Company and the HKEX no later than three months after the publication of this annual report.

Events after the Reporting Period

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

By order of the Board

HUANG Ming-Tuan
Executive Director
and
Chief Executive Officer

20 February 2020

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

RISK ASSOCIATED WITH THE GROUP BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE INDUSTRY IN THE PRC

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

The outbreak of any severe infectious disease in the PRC could have a material adverse effect on the overall business sentiment and environment in the PRC. This in turn may have a material and adverse impact on domestic consumption and, possibly, the overall GDP growth of the PRC. In April 2009, a H1N1 influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. In addition, certain areas of China have been subject to epidemics, such as severe acute respiratory syndrome (SARS) or swine or avian influenza or COVID-19 virus. As all of our turnover is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC as a result of the outbreak of any severe communicable disease may materially and adversely affect our financial condition, results of operations and future growth. In addition, if the outbreak of any severe communicable disease occurs in the future and any of our employees or our customers in our hypermarkets are suspected of having contracted any severe communicable disease or any of our hypermarkets are identified as a possible source of spreading any severe communicable disease, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees or customers. We may also be required to disinfect our affected hypermarkets and therefore suffer a temporary suspension of our retail operations. Any quarantine or suspension of our retail operations will affect our results of operations. Furthermore, the outbreak of any severe communicable disease may result in food safety concerns, which could have an adverse impact on our turnover. Such an outbreak would likely restrict the level of economic activity in affected areas, which would also materially and adversely affect our business operations.

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

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

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

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

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2019.

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 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 Directors, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2019, save and except for the deviations of code provisions A.3, A.4.2 and C.3.7(a) of the CG Code.

Code provision A.3 provides that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Following the resignation of Mr. Ludovic, Frédéric, Pierre HOLINIER, the Board did not have any Executive Director and deviated from paragraph A.3 of the CG Code. Details are set out in the interim report issued by the Company on 23 August 2019. On 11 December 2019, Mr. HUANG Ming-Tuan was appointed as an Executive Director of the Company. Reference is made to the announcement of the Company issued on 11 December 2019.

Code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. In accordance with the Articles of Association of the Company, directors appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mrs. Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER was appointed by the Directors on 17 May 2019 and shall be eligible for re-election at the next following annual general meeting to be held in 2020 according to the Articles of Association of the Company.

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 Director 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.

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 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 2019.

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/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eleven Directors, consisting of one Executive Director, six Non-Executive Directors and four Independent Non-Executive Directors.

The composition of the Board is set out below:

Executive Director

HUANG Ming-Tuan, *Chief Executive Officer*

Non-Executive Directors

ZHANG Yong, *Chairman*
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Xavier, Marie, Alain DELOM de MEZERAC
Edgard, Michel, Marie BONTE
CHEN Jun
Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER

Independent Non-Executive Directors

Karen Yifen CHANG
Desmond MURRAY
HE Yi
Dieter YIH

Notes:

(1) Mr. Ludovic, Frédéric, Pierre HOLINIER resigned as Executive Director on 17 May 2019 in order to pursue other personal and business commitments.

(2) Mr. Edgard, Michel, Marie BONTE was elected as Non-Executive Director while Mr. Wilhelm, Louis HUBNER has not offered himself for re-election and retired as Non-Executive Director on 17 May 2019 in order to pursue other personal and business commitments.

(3) Mrs. Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER was appointed as Non-Executive Director on 17 May 2019.

(4) Mr. HUANG Ming-Tuan was appointed as Executive Director and Mr. Dieter YIH was appointed as Independent Non-Executive Director respectively on 11 December 2019.

The biographical information of the Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 20 to 26 of the Annual Report for the year ended 31 December 2019.

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

Chairman and Chief Executive Officer

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

Independent Non-Executive Directors

During the year ended 31 December 2019, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors representing one-third of the Board with two of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-Executive Directors and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that Non-Executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Non-Executive Directors of the Company is appointed for a specific terms of three years and is subject to retirement provisions stipulated in the Articles of Association.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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

The Independent Non-Executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

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

During the year ended 31 December 2019, the Company organized training sessions for all directors. Such training sessions cover a wide range of relevant topics including directors' duties, continuing connected transaction, proposed change of environmental, social and governance reporting regime and updates on Listing Rules. In addition, relevant reading materials including legal and regulatory update have been provided to the directors for their reference and study.

BOARD COMMITTEES

The Board has established six committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Disclosure Committee, Investment Committee and Operations Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange and are available to shareholders upon request, except those for the Disclosure Committee, Investment Committee and Operations Committee.

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

Audit Committee

The roles and functions of the Audit Committee are set out in its terms of reference. The terms of reference of the Audit Committee are of no less exacting terms than those set out in 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 principles; and (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) agree with internal auditors for their annual plan of work and the results of this work.

During the year ended 31 December 2019, the Audit Committee held five meetings to review the annual and interim financial results and reports for the year ended 31 December 2018 and for the six months ended 30 June 2019 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works, and connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors once without the presence of the Executive Directors.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Director and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2019, the Remuneration Committee held four meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, appointments, service agreements and remuneration packages of the Executive Director, Non-Executive Directors and Independent Non-Executive Director, the remuneration package of the Chief Financial Officer and other related matters.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, considering and assessing the possible contribution to be brought by the individual to the diversity of the Board and making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the Independent Non-Executive Directors.

The Company has formulated a policy for nomination of directors with the following procedures:

1. The Nomination Committee shall consider suitability of an individual pursuant to the Listing Rules, the Board Nomination Policy and Board Diversity Policy, and the independence of an individual for the position of Independent Non-Executive Director.

2. The Nomination Committee shall make recommendation to the Board's for consideration.

3. The Board shall consider the individual recommended by the Nomination Committee pursuant to the Listing Rules (including the corporate governance code as Appendix 14 to the Listing Rules), the Board Nomination Policy and Board Diversity Policy.

4. For casual vacancy and addition of new directors, the Board shall confirm the appointment of the individual and the new director shall be subjected to re-election by shareholders of the Company at the next annual general meeting in accordance with the Articles of Association of the Company.

5. For re-appointment of retiring directors, the Board shall, based on the recommendation of Nomination Committee, recommend the retiring directors to stand for re-election at the annual general meeting. The appointment of retiring directors shall be subjected to the approval of shareholder at the annual general meeting.

6. The Board reserves the right to final decision on the matters in relation to the selection and appointment of directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year ended 31 December 2019, the Nomination Committee held four meetings to review the structure, size and composition of the Board and the independence of the Independent Non-Executive Directors and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

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

During the year ended 31 December 2019, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Company Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS

The attendance records of each Director at the meetings of the Board and Board Committees and the general meeting of the Company held during the year ended 31 December 2019 are set out below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**	**Extraordinary General Meeting**
Ludovic, Frédéric, Pierre HOLINIER *(resigned on 17 May 2019)*	3/4	N/A	N/A	N/A	1/1	N/A
HUANG Ming-Tuan *(appointed on 11 December 2019)*	N/A	N/A	N/A	N/A	N/A	N/A
ZHANG Yong	3/7	N/A	N/A	N/A	1/1	1/1
Benoit, Claude, Francois, Marie, Joseph LECLERCQ	4/7	N/A	N/A	N/A	1/1	0/1
Xavier, Marie, Alain DELOM de MEZERAC	6/7	5/5	N/A	N/A	1/1	1/1
Wilhelm, Louis HUBNER *(retired on 17 May 2019)*	0/3	0/2	0/1	0/2	0/1	N/A
Edgard, Michel, Marie BONTE *(elected on 17 May 2019)*	4/4	N/A	N/A	2/2	N/A	1/1
CHEN Jun	5/7	N/A	4/4	4/4	1/1	1/1
Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER *(appointed on 17 May 2019)*	4/4	3/3	N/A	N/A	N/A	1/1
Karen Yifen CHANG	6/7	3/5	3/4	4/4	1/1	0/1
Desmond MURRAY	7/7	5/5	4/4	4/4	1/1	1/1
HE Yi	7/7	3/5	4/4	4/4	1/1	1/1
Dieter YIH *(appointed on 11 December 2019)*	N/A	N/A	N/A	N/A	N/A	N/A

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-Executive Directors without the presence of other Directors during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 78 to 88.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, KPMG, in respect of audit services and non-audit services, mainly tax services, for the year ended 31 December 2019 is shown on note 4(c) of the "Notes to the Consolidated Financial Statements" on page 135.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledge its responsibility for the risk management and internal control systems of the Company and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk associated in failing to achieve certain business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management as well as overseeing the formation, implementation and monitoring of the risk management and internal control systems.

The Board, through the Audit Committee, has reviewed and confirmed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2019, including the adequacy of resources, staff qualification and experience, training programs and budget of the Company's accounting and reporting function.

The management of the Company monitors the assessment of the risk management and internal controls and has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

The internal audit department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit findings and considered that, for the year ended 31 December 2019, the risk management and internal control systems of the Company are effective and adequate.

The Company has developed its disclosure policy which provides a general guideline to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Employees are required to keep confidential and are not permitted to the unauthorized use of all information relating to our suppliers, clients, transactions and the use of confidential information for the benefit of themselves and any third party is restricted.

DIVIDEND POLICY

The Company has adopted a policy on payment of dividends. The Board has absolute discretion as to whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. The rate of dividend payout of the Company is not less than 30% of the annual distributable profit attributable to the Company's shareholders. The Board will re-evaluate the dividend policy in light of the Company's financial position and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of the Board and will be based upon the Company's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Board deems relevant. In addition, the declaration and payment of dividends may be limited by legal restrictions or financial instruments that the Company may enter into in the future.

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, external service provider, and Ms. CHO Wing Han, in replacement of Ms. CHAN Wai Ling, was appointed as the Company's company secretary with effect from 1 November 2019. Her primary contact persons at the Company are Mr. Chris FAN, the Chief Financial Controller, Mr. Germain SINPRASEUTH and Mrs. Helen HO, of the legal department of the Company.

The biographical details of Ms. Cho is set out in the section of "Profiles of Directors and Senior Management" on page 26 of this annual report. During the year ended 31 December 2019, Ms. Cho undertook not less than 15 hours of relevant professional trainings.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening General Meeting

General meetings may be convened by the Directors on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**").

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

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

Address:	2/F, No. 19 Jiang Chang Er Road, Jing'an District, 200436, Shanghai, China (For the attention of Ms. GU Xiaobei, Investor Relations Manager)
Email:	gu.xiaobei@auchan.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with the shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings and other general meetings.

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

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

During the year under review, the Company has revised its Articles of Association and adopted new Articles of Association in order to (i) improve corporate governance of the Company; (ii) strengthen the Company's ability to recruit talents to hold office in the management; (iii) enhance the administration or conduct of the business of the Company and (iv) promote the Company's sustainable and healthy development. Details of the amendments are set out in the circular dated 11 April 2019 to the shareholders. An up to date version of the Company's Articles of Association is also available on the websites of the Company and the Stock Exchange.

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

OPINION

We have audited the consolidated financial statements of Sun Art Retail Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 89 to 179, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><td>Supplier arrangements</td><td></td></tr>
<tr><td colspan="2">Refer to the accounting policies set out in note 1(o) and 1(x) to the consolidated financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has agreements with suppliers with several different types of arrangements.

The arrangements vary in nature and size and include trade or volume discounts and rebates that are earned when the goods are purchased, and reimbursement of costs incurred by the Group to sell the goods, such as costs incurred for marketing campaigns, warehousing and deliveries.

Volume based discounts and rebates are recognised as a deduction from the cost of purchase of merchandise when the performance obligations associated with them are met. These performance conditions generally require the Group to meet certain volume thresholds. Trade discounts and rebates that are earned after the related goods are sold are recognised as a deduction from the cost of sales.

Reimbursements from suppliers of selling costs incurred by the Group are offset against the respective costs incurred when the costs relate to a marketing campaign initiated by the supplier or carried out in collaboration with the supplier. Any surplus from the reimbursement over the expenses incurred is recognised as a reduction of the cost of sales.

Fees earned for services that are separate from the purchase of goods are recognised as other income when the services are delivered.

We identified the treatment of supplier arrangements as a key audit matter because of the complexity and volume of the arrangements and because judgement is required for some arrangements in determining the period over which the reduction in cost of sales should be recognised, requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data to apply the arrangements to.</td><td>Our audit procedures to assess the recognition of supplier arrangements included the following:

• understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in place within the process relating to supplier arrangements;

• assessing the accounting treatment in respect of the supplier arrangements by inspecting the terms and obligations set out in each type of standard agreement used with suppliers with reference to the requirements of the prevailing accounting standards;

• evaluating, on a sample basis, the inputs to the information technology applications which calculate volume based discounts and rebates by comparing the inputs with underlying documentation, including sales and purchase volume data and discount and rebate rates in the respective agreements, and performing recalculations of the volume based discounts and rebates to which the Group is entitled based on the above inputs;

• testing, on a sample basis, the recognition of trade discounts and rebates which are not directly relating to the volume of purchase, reimbursement of costs to sell the goods and service fees earned by inspecting underlying documentation, including supplier confirmations of the billings in respect of the fulfilment of the respective obligations;

• comparing, on a sample basis, the amount of discounts and rebates and reimbursements earned from suppliers for the year with that confirmed by the respective supplier through the "invoice-tracking system", which is an on-line platform accessible by both the suppliers and the Group and tax information systems, where available; and

• testing, on a sample basis, any material fees for services that are separate from the purchase of goods that are recognised in other income by inspecting underlying documentation and comparing the amount of the consideration to the fair value of the services provided.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><td>Valuation of inventories</td><td></td></tr>
<tr><td colspan="2">Refer to note 13 and the accounting policies set out in note 1(o) to the consolidated financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Inventories are carried at the lower of cost and net realisable value.

Management has put in place controls over the purchase of inventories and inventory returns. Management reviews the status of inventories on hand on a store-by-store basis to identify slow moving items by comparing the volume on hand with actual movements over the past year and may determine either to provide markdowns or to return certain items to suppliers at their original cost after deduction of unearned supplier income at the end of each reporting period.

The provision for inventories is calculated based on an inventory ageing analysis, actual sales and purchase data and the current inventory profile. Significant management judgement is required in determining the markdowns and the provision for inventories at the end of each reporting period.

No provision is provided for inventories where the respective purchase agreements indicate that they are returnable to suppliers at their original cost.

In addition, as inventories are counted by the Group on a cyclical basis, rather than in full at the end of the reporting period, a provision for shrinkage of inventories is assessed and recognised by management in the consolidated financial statements based on management's estimation.

We identified the valuation of inventories as a key audit matter because determining an appropriate provision for inventories involves significant management judgement in assessing the markdowns necessary to sell slow moving inventories which cannot be returned to suppliers and the shrinkage rate for inventories.</td><td>Our audit procedures to assess the valuation of inventories included the following:

• understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls over inventory management, including the purchase of inventories, cycle counts of inventories and review of the status of inventories;

• assessing whether the provision for inventories at the reporting date was consistent with the Group's inventory provision policy by recalculating the provision for inventories based on the percentages and other parameters in the Group's inventory provision policy and considering the Group's inventory provision policy with reference to the requirements of the prevailing accounting standards;

• assessing, on a sample basis, whether items in the inventory ageing report prepared by the management were classified within the appropriate ageing bracket by comparing items in the report with the underlying purchase records;

• assessing the enforceability of inventory return arrangements agreed with suppliers, on a sample basis, by inspecting the terms set in the respective purchase agreements;

• performing a retrospective review on the Group's inventory provision policy by comparing the actual sales or return of inventories during the year with management's estimations at the end of the prior year; and

• attending cycle counts at the Group's stores and distribution centres throughout the year, on a sample basis, performing sample counts and evaluating the results of the cycle counts performed by management throughout the year to assess management's estimation of the shrinkage rate.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><td colspan="2">Potential impairment of property, plant and equipment including right-of-use assets of certain of the Group's stores</td></tr>
<tr><td colspan="2">Refer to notes 4(c) and 10 and the accounting policies as set out in note 1(n)(ii) to the consolidated financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The performance of certain of the Group's hypermarket stores has been decreasing.

There is a risk that the carrying value of property, plant and equipment including right-of-use assets of certain of the Group's stores may not be recoverable in full through the future cash flows to be generated from the trading operations of these stores or from disposal of the related assets.

Management reviews the performance of individual stores at the end of each reporting period to identify if any store meets certain negative performance criteria ("impairment indicators").

Where indicators of impairment are identified, the recoverable amount of property, plant and equipment including right-of-use assets in these stores is determined by management on a store-by-store basis at the greater of the value in use and the fair value less costs of disposal of these assets.

In determining the value in use of leased stores, a discounted cash flow forecast is prepared by management for each store where indicators of impairment are identified.</td><td>Our audit procedures to assess potential impairment of property, plant and equipment including right-of-use assets of certain of the Group's stores included the following:

• challenging the Group's impairment assessment model by assessing the impairment indicators identified by management and by considering whether the discounted cash flow forecasts on a store-by-store basis supported the carrying value of the relevant assets;

• using our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of its discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and the valuations performed by independent professional valuers;

• comparing the most significant inputs used in the discounted cash flow forecasts, including future revenue growth rates, future margins and future costs, with the historical performance of these stores, budgets approved by management, industry reports and agreements signed subsequent to the reporting date;

• comparing the most significant inputs used in the discounted cash flow forecasts prepared in the prior year with the current year's performance of the relevant stores to assess the accuracy of management's forecasting process and enquiring of management for any significant variations identified;

• assessing the discount rates used in the discounted cash flow forecasts by benchmarking against other similar retailers;

• obtaining sensitivity analyses of the significant inputs, including future revenue growth rates, future margins and the discount rates used in the cash flow forecasts prepared by management and considering the resulting impact on the impairment charge for the year and whether there were any indicators of management bias;</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><td colspan="2">Potential impairment of property, plant and equipment including right-of-use assets of certain of the Group's stores (continued)</td></tr>
<tr><td colspan="2">Refer to notes 4(c) and 10 and the accounting policies as set out in note 1(n)(ii) to the consolidated financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>For owned stores where an indicator of impairment is identified, a valuation of the related property is carried out by independent professional valuers to determine the fair value of the property, plant and equipment.

In preparing the discounted cash flow forecasts, key inputs, including future revenue growth rates, future margins and future costs of each stores are determined by management taking into consideration factors which include contributions from all retail streams, committed remodeling plans for the stores, changes in product mix and changes in expected customers numbers, all of which involve the exercise of significant management judgement.

We identified potential impairment of property, plant and equipment including right-of-use assets of certain of the Group's stores as a key audit matter because identifying impairment indicators and determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows and estimating the recoverable amounts of these assets, both of which are inherently uncertain and could be subject to management bias.</td><td>• discussing with the independent professional valuers engaged by management to carry out the valuations of owned properties to evaluate their experience, competence, capabilities and objectivity and to understand the methodologies adopted and key inputs used in the valuation of properties;

• comparing the most significant inputs used in the valuation of owned properties, including market rent and yield, with the rental agreements for the Group's other comparable leased stores and industry reports; and

• considering the disclosures in the consolidated financial statements in respect of impairment testing of property, plant and equipment including right-of-use assets relating to the stores, including the key assumptions and sensitivities to changes in such assumptions, with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Other income arising from recognition of unutilised balances on aged prepaid cards

Refer to notes 3 and 18 the accounting policies in note 1(x)(iii) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2019, the Group had approximately RMB9.9 billion of unutilised balances of prepaid cards issued by the Group classified within "contract liabilities". The Group's accounting policy is to recognise revenue from prepaid cards as and when the cards are used by customers to purchase goods or services. Most prepaid cards are used by customers within the Group's stores shortly after they have been purchased. The remaining balance of the prepaid cards may be used in a later period or remain unused indefinitely. The Group recognises income from prepaid cards which have been inactive for an extended period once it is possible to determine with a sufficiently high degree of probability that the likelihood of future utilisation is remote. The Group engages an independent actuarial firm each year to assist in employing statistical methods to analyse the patterns of usage of prepaid cards. Using this additional information about the utilisation patterns and trends of prepaid cards, management estimates the amount of the outstanding balances on aged prepaid cards which are unlikely ever to be utilised. As a result, the Group has recognised RMB192 million as other income in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2019 (2018: RMB333 million). We identified the recognition of other income arising from the recognition of unutilised balances on aged prepaid cards as a key audit matter because of the inherent forecasting uncertainty in estimating amounts which are unlikely to ever be utilised in the future and the exercise of significant judgement by management in determining the length of time that needs to elapse before the risk of reversal of other income for each group of prepaid cards where income has been recognised can be considered remote.	Our audit procedures to assess the recognition of other income arising from the recognition of unutilised balances on aged prepaid cards included the following: • assessing whether the Group's revenue recognition accounting policies were consistent with the requirements of the prevailing accounting standards; • assessing whether other income recognised up to the end of the reporting period was determined in a manner consistent with the Group's revenue recognition accounting policies by recalculating the other income recognised based on the parameters in the Group's revenue recognition accounting policies; • assessing the reasonableness of management's estimation of the amount of balances of aged prepaid cards which are unlikely to be utilised by comparing, on a sample basis, management's estimation of utilisation at the end of the prior year with the actual utilisation in the current year; • assessing, on a sample basis, whether the data in the prepaid card systems' issuance and utilisation records was consistent with the corresponding cash receipts and store sales recorded in the Group's financial systems by test checking the Group's reconciliations between the respective systems; • using our internal actuarial specialists to assist us in evaluating and assessing the experience, competence, capabilities and objectivity of the independent actuary engaged by management and the methodology used in the preparation of the estimates of future utilisation of prepaid cards; • testing that the issuance and utilisation data used by the actuary was consistent with the records in the Group's systems; and • assessing the relevant disclosures in the consolidated financial statements in relation to the contract liability and other income arising from the recognition of unutilised balances on prepaid cards with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><td colspan="2">Adoption of HKFRS 16 – Leases</td></tr>
<tr><td colspan="2">Refer to notes 10 and 17 the accounting policies in note 1(k) to the consolidated financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group operates in the retail sector, and has entered into various leases as lessee primarily in respect of stores, offices and warehouses. HKFRS 16, is first effective for the current financial period. The Group has elected to use the full retrospective transition approach and accordingly the Group's financial statements for the current year and each prior reporting period presented have been materially impacted by the adoption of this new standard. At 1 January 2019, the Group has recognised lease liabilities and right-of-use assets of approximately RMB9,870 million and RMB14,049 million, respectively.</td><td>Our audit procedures to identify leases and to measure lease liabilities and right-of-use assets at the start of the earliest period presented and throughout the subsequent periods included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in place to ensure the identification and recognition of leases in order to assess the completeness of the population of leases to be capitalised with reference to the selected transition approach and any practical expedients applied;

• evaluating the appropriateness of the transition approach and accounting policies adopted, including the application of practical expedients and recognition exemptions available under HKFRS 16, compared to the requirements of HKFRS 16;

• examining, on a sample basis, the list of leases compiled by management and inspecting the associated contracts and other relevant information to assess management's conclusion that these contracts meet the lease definition under HKFRS 16;</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Adoption of HKFRS 16 – Leases (continued)

Refer to notes 10 and 17 the accounting policies in note 1(k) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The measurement of lease liabilities and right-of-use assets requires management to make judgements in respect of the length of the lease terms where the leases contain extension or termination options, to determine appropriate discount rates, and to apportion contractual payments where the Group has separated non-lease components contained within the same contract as a lease. In the absence of the interest rate implicit in the lease, the calculation of the present value of the future lease payments also requires management to use significant estimates in determining an incremental borrowing rate for any given lease. We identified the identification and measurement of lease liabilities and right-of-use assets as a key audit matter because of the risks that existing leases subject to transition or leases entered into or modified during the period and consequential impacts relating to HKFRS 16 adoption are not completely identified, accounting policies, transition options and practical expedients are not appropriately applied, or disclosures applicable when the Group is a lessee are incomplete, inaccurate or not fairly presented. There are also risks that transition and year end date recognition and measurement adjustments related to discount rates, lease terms and other estimates are inappropriate as these judgements may be subject to management bias.	• screening the general ledger accounts of operating expenses, prepayments and accruals to identify those arrangements that might contain payments to obtain the right to use identified assets, selecting unusual items from those accounts and inspecting the associated contracts and other relevant information to assess management's conclusion that these contracts do not contain leases with reference to the definition of leases in HKFRS 16; • with the assistance of our internal valuation specialists, evaluating the methodology adopted by management for determining the discount rates with reference to the requirements of HKFRS 16 and assessing the reasonableness of the data and significant assumptions adopted by management to determine the discount rates based on the length of the lease terms, repayment patterns and our knowledge of the Group's available debt financing arrangements; • re-performing, on a sample basis, the calculation of the lease liabilities and right-of-use assets, testing the accuracy of the data used in the calculation compared to the lease and other relevant documentation, and assessing the reasonableness of management's significant judgements and assumptions adopted when determining the length of the lease term where the lease contains extension or termination options or was modified during the period compared to our understanding of the Group's business and industry practice; and • assessing the disclosures in the consolidated financial statements in respect of leases, including transition disclosures and disclosures in relation to significant accounting judgements and estimates, with reference to the requirements of HKFRS 16.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John Paul Chattock.

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

20 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB million	2018 Restated (Note) RMB million
Revenue	2	**95,357**	99,359
Cost of sales		**(69,626)**	(74,240)
Gross profit		**25,731**	25,119
Other income	3	**1,489**	1,743
Operating costs		**(19,523)**	(19,317)
Administrative expenses		**(2,807)**	(2,847)
Profit from operations		**4,890**	4,698
Finance costs	4(a)	**(623)**	(670)
Share of results of associates and joint ventures		**(15)**	(8)
Profit before taxation	4	**4,252**	4,020
Income tax	5(a)	**(1,207)**	(1,320)
Profit for the year		**3,045**	2,700
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**3,045**	2,700
Profit attributable to:			
Equity shareholders of the Company		**2,834**	2,478
Non-controlling interests		**211**	222
Profit for the year		**3,045**	2,700
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,834**	2,478
Non-controlling interests		**211**	222
Total comprehensive income for the year		**3,045**	2,700
Earnings per share			
Basic and diluted	9	**RMB0.30**	RMB0.26

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

The accompanying notes set out on pages 96 to 179 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 20(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**31 December 2019** **RMB million**	31 December 2018 *Restated (Note)* *RMB million*	1 January 2018 *Restated (Note)* *RMB million*
Non-current assets				
Investment properties	*10*	**6,699**	7,049	6,993
Other property, plant and equipment	*10*	**28,572**	31,104	32,941
		35,271	38,153	39,934
Intangible assets	*11*	**25**	39	51
Goodwill	*12*	**99**	99	126
Equity-accounted investees		**17**	41	25
Deferred tax assets	*19*	**1,052**	942	902
		36,464	39,274	41,038
Current assets				
Inventories	*13*	**17,724**	14,468	14,201
Trade and other receivables	*14*	**2,962**	2,649	2,998
Investments and time deposits		**16**	15	133
Restricted deposits	*18(b)*	**769**	–	–
Cash and cash equivalents	*15*	**13,251**	13,469	10,362
		34,722	30,601	27,694
Current liabilities				
Trade and other payables	*16*	**25,827**	26,442	26,640
Lease liabilities	*17*	**1,057**	1,048	997
Contract liabilities	*18(a)*	**10,669**	9,107	8,514
Bank loans		**–**	1	2
Income tax payables	*5(c)*	**459**	549	565
		38,012	37,147	36,718
Net current liabilities		**(3,290)**	(6,546)	(9,024)
Total assets less current liabilities		**33,174**	32,728	32,014

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

The accompanying notes set out on pages 96 to 179 form part of these financial statements.

	Note	**31 December 2019** **RMB million**	31 December 2018 *Restated* *(Note)* *RMB million*	1 January 2018 *Restated* *(Note)* *RMB million*
Non-current liabilities				
Lease liabilities	*17*	**7,511**	8,822	9,624
Bank loans		**–**	–	1
Other financial liabilities		**50**	50	50
Deferred tax liabilities	*19*	**255**	207	124
		7,816	9,079	9,799
Net assets		**25,358**	23,649	22,215
Capital and reserves				
Share capital	*20*	**10,020**	10,020	10,020
Reserves	*20*	**13,905**	12,267	11,027
Total equity attributable to equity shareholders of the Company		**23,925**	22,287	21,047
Non-controlling interests		**1,433**	1,362	1,168
Total equity		**25,358**	23,649	22,215

Approved and authorised for issue by the board of directors on 20 February 2020.

HUANG Ming-Tuan
Executive Director

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

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

The accompanying notes set out on pages 96 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB million	Capital reserve RMB million	Exchange reserve RMB million	Statutory reserve RMB million	Retained profits (Note) RMB million	Total (Note) RMB million	Non-controlling interests (Note) RMB million	Total equity (Note) RMB million
Balance at 1 January 2018 as previously reported		10,020	1,856	45	1,278	9,116	22,315	1,234	23,549
Impact of change in accounting policy		–	–	–	–	(1,268)	(1,268)	(66)	(1,334)
Restated balance at 1 January 2018		10,020	1,856	45	1,278	7,848	21,047	1,168	22,215
Changes in equity for 2018:									
Restated profit for the year		–	–	–	–	2,478	2,478	222	2,700
Other comprehensive income		–	–	–	–	–	–	–	–
Restated total comprehensive income		–	–	–	–	2,478	2,478	222	2,700
Dividend declared and paid in respect of previous years	20(b)(ii)	–	–	–	–	(1,238)	(1,238)	–	(1,238)
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	(77)	(77)
Profit appropriation to statutory reserve	20(d)(iii)	–	–	–	132	(132)	–	–	–
Cash injection from the non-controlling shareholder		–	–	–	–	–	–	49	49
Restated balance at 31 December 2018		10,020	1,856	45	1,410	8,956	22,287	1,362	23,649

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

		Attributable to equity shareholders of the Company						Non-	
		Share capital	Capital reserve	Exchange reserve	Statutory reserve	Retained profits (Note)	Total (Note)	controlling interests (Note)	Total equity (Note)
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Restated balance at 1 January 2019		**10,020**	**1,856**	**45**	**1,410**	**8,956**	**22,287**	**1,362**	**23,649**
Changes in equity for 2019:									
Profit for the year		–	–	–	–	2,834	2,834	211	3,045
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	2,834	2,834	211	3,045
Dividend declared and paid in respect of previous years	*20(b)(ii)*	–	–	–	–	(1,171)	(1,171)	–	(1,171)
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	(119)	(119)
Profit appropriation to statutory reserve	*20(d)(iii)*	–	–	–	58	(58)	–	–	–
Acquisition of non-controlling interests	*20(d)(i)*	–	(21)	–	–	–	(21)	(21)	(42)
Share-based payments	*4(b)*	–	(4)	–	–	–	(4)	–	(4)
Balance at 31 December 2019		**10,020**	**1,831**	**45**	**1,468**	**10,561**	**23,925**	**1,433**	**25,358**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

The accompanying notes set out on pages 96 to 179 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	Year ended 31 December	
		2019	2018
			Restated
			(Note)
		RMB million	*RMB million*
Operating activities			
Profit before taxation		**4,252**	4,020
Adjustments for:			
Income from aged unutilised prepaid cards		**(192)**	(333)
Depreciation		**4,382**	4,434
Amortisation of intangible assets		**22**	24
Impairment losses on property, plant and equipment including right-of-use assets and intangible assets		**198**	288
Impairment losses on goodwill		**–**	27
Impairment losses on investment in an associate		**12**	–
Finance costs		**623**	670
Interest income		**(462)**	(473)
Loss/(gain) on disposal of property, plant and equipment and intangible assets including disposal of right-of-use assets and lease liabilities		**30**	(43)
Share-based payments		**(4)**	–
Share of results of associates and joint ventures		**15**	8
Net foreign exchange gain		**(25)**	(4)
		8,851	8,618
Changes in working capital:			
Increase in inventories		**(3,256)**	(267)
(Increase)/decrease in trade and other receivables		**(370)**	267
Decrease in trade and other payables		**(246)**	(98)
Increase in contract liabilities		**1,754**	926
Increase in restricted deposits		**(769)**	–
Cash generated from operations		**5,964**	9,446
Income tax paid	*5(c)*	**(1,359)**	(1,293)
Net cash generated from operating activities		**4,605**	8,153

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

	Note	Year ended 31 December 2019 RMB million	2018 Restated (Note) RMB million
Investing activities			
Payment for purchase of investment properties and other property, plant and equipment		**(2,274)**	(2,679)
Payment for investment in a joint venture and an associate		**(3)**	(24)
Net changes in time deposits with maturity over three months		**(1)**	18
Proceeds from sale of property, plant and equipment		**16**	14
Payment for purchase of intangible assets		**(8)**	(11)
Interest received		**462**	473
Proceeds from maturity of investments		**–**	100
Net cash used in investing activities		**(1,808)**	(2,109)
Financing activities			
Payment for acquisition of non-controlling interests		**(42)**	–
Capital element of lease rentals paid		**(1,086)**	(1,076)
Interest element of lease rentals paid		**(615)**	(660)
Cash injection from non-controlling interests		**–**	49
Repayment of bank loans and other borrowings		**(1)**	(2)
Other borrowing cost paid		**(8)**	(10)
Dividends paid to shareholders of the Company		**(1,153)**	(1,238)
Dividends paid to non-controlling shareholders		**(110)**	–
Net cash used in financing activities		**(3,015)**	(2,937)
Net (decrease)/increase in cash and cash equivalents		**(218)**	3,107
Cash and cash equivalents at 1 January		**13,469**	10,362
Effect of foreign exchange rate changes		**–**	–
Cash and cash equivalents at 31 December	*15*	**13,251**	13,469

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

The accompanying notes set out on pages 96 to 179 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. *These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").* Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "**Group**") are disclosed 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. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interest in associates and joint ventures.

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the full retrospective approach and has therefore applied the new standards retrospectively to the comparative information for each prior reporting period presented.

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

a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

b) Lessee accounting and transitional impact

The Group's leasing activities as a lessee primarily relate to leasing of land and buildings for use as hypermarket stores, for subleasing and for warehouses.

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment. The Group also tested right-of-use assets for impairment. For an explanation of how the Group applies lessee accounting, see note 1(k)(i).

The following tables summarise the impacts of the adoption of HKFRS 16 on the Group's consolidated financial statements.

(i) Impact on the financial result of the Group (increase/(decrease)):

After the retrospective recognition of right-of-use assets and lease liabilities for current year and each prior reporting period, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during 2018.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

b) Lessee accounting and transitional impact (continued)

(i) Impact on the financial result of the Group (increase/(decrease)) (continued):

	Year ended 31 December 2018			
	Previously reported (A)	Add back: operating leases expenses under HKAS 17 (B)	Deduct: HKFRS 16 depreciation and interest expenses (C)	Restated (D=A+B+C)
	RMB million	*RMB million*	*RMB million*	*RMB million*
Line items in the financial results impacted by the adoption of HKFRS 16:				
Operating costs	(19,815)	1,714	(1,216)	(19,317)
Administrative expenses	(2,851)	21	(17)	(2,847)
Profit from operations	**4,196**	**1,735**	**(1,233)**	**4,698**
Finance costs	(10)	–	(660)	(670)
Profit before taxation	**4,178**	**1,735**	**(1,893)**	**4,020**
Income tax	(1,360)	(6)	46	(1,320)
Profit for the year	**2,818**	**1,729**	**(1,847)**	**2,700**
Equity shareholders of the Company	2,588	1,639	(1,749)	2,478
Non-controlling interests	230	90	(98)	222
Earnings per share				
Basic and diluted	RMB0.27			RMB0.26

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

b) Lessee accounting and transitional impact (continued)

(ii) Impact on the consolidated statements of financial position (increase/(decrease)):

	At 1 January 2018		
	Previously reported *RMB million*	Adjustments *RMB million*	Restated *RMB million*
Non-current assets			
Investment properties	3,503	3,490	6,993
Other property, plant and equipment	21,556	11,385	32,941
Land use rights	5,759	(5,759)	–
	30,818	9,116	39,934
Intangible assets	51	–	51
Goodwill	126	–	126
Equity-accounted investees	25	–	25
Trade and other receivables	240	(240)	–
Deferred tax assets	455	447	902
	31,715	9,323	41,038
Current assets			
Inventories	14,201	–	14,201
Trade and other receivables	3,326	(328)	2,998
Investments and time deposits	133	–	133
Cash and cash equivalents	10,362	–	10,362
	28,022	(328)	27,694
Current liabilities			
Trade and other payables	26,932	(292)	26,640
Lease liabilities	–	997	997
Contract liabilities	8,514	–	8,514
Bank loans	2	–	2
Income tax payables	565	–	565
	36,013	705	36,718
Net current liabilities	(7,991)	(1,033)	(9,024)
Total assets less current liabilities	23,724	8,290	32,014

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

b) Lessee accounting and transitional impact (continued)

(ii) Impact on the consolidated statements of financial position (increase/(decrease)) (continued):

	At 1 January 2018		
	Previously reported *RMB million*	Adjustments *RMB million*	Restated *RMB million*
Non-current liabilities			
Lease liabilities	–	9,624	9,624
Bank loans	1	–	1
Other financial liabilities	50	–	50
Deferred tax liabilities	124	–	124
	175	9,624	9,799
Net assets	23,549	(1,334)	22,215
Capital and reserves			
Share capital	10,020	–	10,020
Reserves	12,295	(1,268)	11,027
Total equity attributable to equity shareholders of the Company	22,315	(1,268)	21,047
Non-controlling interests	1,234	(66)	1,168
Total equity	23,549	(1,334)	22,215

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

b) Lessee accounting and transitional impact (continued)

(ii) Impact on the consolidated statements of financial position (increase/(decrease)) (continued):

	At 31 December 2018		
	Previously reported *RMB million*	Adjustments *RMB million*	Restated *RMB million*
Non-current assets			
Investment properties	3,718	3,331	7,049
Other property, plant and equipment	20,386	10,718	31,104
Land use rights	5,843	(5,843)	–
	29,947	8,206	38,153
Intangible assets	39	–	39
Goodwill	99	–	99
Equity-accounted investees	41	–	41
Trade and other receivables	185	(185)	–
Deferred tax assets	455	487	942
	30,766	8,508	39,274
Current assets			
Inventories	14,468	–	14,468
Trade and other receivables	3,061	(412)	2,649
Time deposits	15	–	15
Cash and cash equivalents	13,469	–	13,469
	31,013	(412)	30,601
Current liabilities			
Trade and other payables	26,764	(322)	26,442
Lease liabilities	–	1,048	1,048
Contract liabilities	9,107	–	9,107
Bank loans	1	–	1
Income tax payables	549	–	549
	36,421	726	37,147
Net current liabilities	(5,408)	(1,138)	(6,546)
Total assets less current liabilities	25,358	7,370	32,728

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

b) Lessee accounting and transitional impact (continued)

(ii) Impact on the consolidated statements of financial position (increase/(decrease)) (continued):

	At 31 December 2018		
	Previously reported *RMB million*	Adjustments *RMB million*	Restated *RMB million*
Non-current liabilities			
Lease liabilities	–	8,822	8,822
Other financial liabilities	50	–	50
Deferred tax liabilities	207	–	207
	257	8,822	9,079
Net assets	25,101	(1,452)	23,649
Capital and reserves			
Share capital	10,020	–	10,020
Reserves	13,645	(1,378)	12,267
Total equity attributable to equity shareholders of the Company	23,665	(1,378)	22,287
Non-controlling interests	1,436	(74)	1,362
Total equity	25,101	(1,452)	23,649

(iii) Impact on the cash flows of the Group (increase/(decrease)):

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 15). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 15).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

b) Lessee accounting and transitional impact (continued)

(iii) Impact on the cash flows of the Group (increase/(decrease)) (continued):

The following tables summarise the impact of the adoption of HKFRS 16 on the Group's cash flows for the year ended 31 December 2018 (increase/(decrease)):

	Year ended 31 December 2018		
	Previously reported *RMB million*	Adjustments *RMB million*	Restated *RMB million*
Line items in the consolidated cash flow statement for year ended 31 December 2018 impacted by the adoption of HKFRS 16:			
Cash generated from operations	7,710	1,736	9,446
Net cash generated from operating activities	6,417	1,736	8,153
Capital element of lease rentals paid	–	(1,076)	(1,076)
Interest element of lease rentals paid	–	(660)	(660)
Net cash used in financing activities	(1,201)	(1,736)	(2,937)

c) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**Leasehold investment properties**").

d) Lessor accounting

The Group leases out certain areas within hypermarket buildings as investment properties referred to in note 1(c) as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (note 1(e)). The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (note 1(n)(ii)). Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(f)).

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

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management including participation in the financial and operating policy decision.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(n)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income are recognised in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 1(n)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(l)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 1(n)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

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

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

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include areas within hypermarket buildings leased by the Group which are sublet to earn rental income.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(ii)). Depreciation is calculated to write off the cost of investment properties, less their estimated residual value, if any, using the straight line method over the estimated useful life or lease term as follows:

• Buildings	10 – 30 years
• Right-of-use assets including land use rights	from the commencement date to the earlier of the end of the useful life or the end of the lease term

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Other property, plant and equipment

Buildings held for own use which are situated on land held under land use rights and other property, plant and equipment including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k)) are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 1(z)). Construction in progress is transferred to investment properties or the relevant categories of other property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities. No depreciation is provided on construction in progress. Purchased software that is integral to the functionality of related equipment is capitalised as part of that equipment.

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

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

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

• Buildings	10 – 30 years
• Leasehold improvements	5 – 20 years
• Store and other equipment	4 – 10 years
• Office equipment	3 – 5 years
• Motor vehicles	5 – 8 years
• Right-of-use assets including land use rights	from the commencement date to the earlier of the end of the useful life or the end of the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill)

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

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

- Software 2 – 5 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily store and office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The cost of acquiring land use rights is amortised on a straight-line basis over the period of the lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(x)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(k)(i), then the Group classifies the sub-lease as an operating lease.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 21(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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

– 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 (see note 1(x)(v)).

– fair value through other comprehensive income (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.

– fair value at profit or loss (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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Other investments in debt and equity securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(x)(vii).

(m) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(n) Credit losses and Impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- Financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);
- Contract assets as defined in HKFRS 15;
- Debt securities measured at FVOCI (recycling); and
- Lease receivables.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– Fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– Variable-rate financial assets: current effective interest rate; and

– Lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– Failure to make payments of principal or interest on their contractually due dates;

– An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– An actual or expected significant deterioration in the operating results of the debtor; and

– Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– Significant financial difficulties of the debtor;

– A breach of contract, such as a default or past due event;

– It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– The disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

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

– investment properties, including right-of-use assets;

– other property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and Impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and Impairment of assets (continued)

(iii) Interim financial reporting and impairment

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

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

(o) Inventories

Inventories are carried at the lower of cost and net realisable value.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(q)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(q)).

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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(x)).

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(p)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(n)(i)).

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(n)(i).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(z)).

(u) Employee benefits

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

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

(ii) Share-based payments

(a) Cash-settled share-based payments

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(ii) Share-based payments (continued)

(b) Share-based payments among group entities

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to a business combination, or to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

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

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

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

  - the same taxable entity; or

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

(w) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

For sales of goods to certain customers, the Group operates a customer loyalty program where points can be earned by customers which can be used to reduce the cost of future purchases. The Group allocates a portion of the consideration received to loyalty points based on the estimated relative stand-alone selling prices. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when loyalty points are redeemed or expire. The deferred revenue is included in contract liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

(iii) Other income arising from recognition of unutilised balances on aged prepaid cards

Other income arising from recognition of unutilised balances on aged prepaid cards is recognised according to the "remote recognition" method. Under this policy, the unutilised balance on the card will be recognised as other income once it is possible to determine with a sufficiently high degree of probability that the likelihood of future utilisation is remote.

(iv) Service income

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

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(n)(i)).

(vi) Government grants

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

(vii) Dividend income

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

(z) Borrowing costs

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Segment reporting

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

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

2 REVENUE AND SEGMENT REPORTING

The principal activity of the Group is the operation of hypermarkets and online sales channels in the People's Republic of China ("**PRC**").

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

Revenue mainly represents the revenue from customers and revenue from leasing areas in the hypermarket buildings. Disaggregation of revenue from contracts with customers by major products or services is as follows:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Revenue from contracts with customers within the scope of HKFRS 15 – sales of goods	**91,279**	95,551
Revenue from other sources		
gross rents from property leases		
– lease payments that are fixed or depend on an index or a rate	**3,790**	3,528
– variable lease payments that do not depend on an index or a rate	**288**	280
	95,357	99,359

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

3 OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Income from aged unutilised prepaid cards	**192**	333
Service income	**486**	427
Disposal of packaging materials	**167**	310
Interest income on financial assets measured at amortised cost	**462**	473
Government grants	**182**	200
	1,489	1,743

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Year ended 31 December	
	2019	2018
		(Note)
	RMB million	*RMB million*
Interest expense on bank loans and other financial liabilities	**8**	10
Interest on lease liabilities	**615**	660
	623	670

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

(b) Staff costs

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Salaries, wages and other benefits	**9,255**	8,893
Contributions to defined contribution retirement plans (i)	**1,062**	1,121
Contributions to Employee Trust Benefit Schemes (ii)	**372**	335
Share-based payments (iii)	**(20)**	1
	10,669	10,350

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

(i) Contributions to defined contribution retirement plans

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

(ii) Contributions to Employee Trust Benefit Schemes

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

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

(iii) Share-based payments

ACHK granted certain rights to a number of senior management of ACHK whereby, provided they meet certain vesting criteria, the individuals will be entitled to a future cash payment, calculated based on the increase in the fair value of ACHK. RMB16 million has been recognised as a credit to staff cost expense in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (RMB1 million staff cost expense for the year ended 31 December 2018).

In addition to the above, share-based payments includes RMB4 million credit (2018: nil) in respect of expired stock options and shares in the Group's controlling shareholder, Auchan Holding S.A. ("**Auchan Holding**"), granted by Auchan Holding to certain employees of the Group in respect of their service to the Group. Details of share options and shares are set out in the Report of Directors.

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Year ended 31 December	
	2019	2018
		(Note)
	RMB million	*RMB million*
Cost of inventories	**69,584**	74,175
Depreciation		
– owned property, plant and equipment	**2,944**	2,952
– right-of-use assets	**1,438**	1,482
	4,382	4,434
Amortisation cost of intangible assets	**22**	24
Impairment losses		
– other property, plant and equipment, including right-of-use assets	**197**	288
– intangible assets	**1**	–
– goodwill	**–**	27
– investment in an associate	**12**	–
	210	315
Lease payments not included in the measurement of lease liabilities relating to:		
– variable leases	**811**	851
– short-term leases and leases of low value assets	**390**	377
	1,201	1,228

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items (continued)

	Year ended 31 December	
	2019	2018
		(Note)
	RMB million	*RMB million*
Loss/(gain) on disposal of property, plant and equipment and intangible assets including disposal of right-of-use assets and lease liabilities	**30**	(43)
Net foreign exchange gain	**(25)**	(4)
Auditors' remuneration		
– audit services	**24**	25
– non-audit services	**1**	1
Donations	**–**	1
Rental income from property leases		
– gross rental income (including property management fee)	**(4,078)**	(3,808)
– direct operating expenses	**42**	65
Net rental income from property leases	**(4,036)**	(3,743)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

5 INCOME TAX

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

	Year ended 31 December	
	2019	2018
		(Note)
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the year	**2**	–
Current tax – PRC income tax		
Provision for the year	**1,273**	1,284
Over-provision in respect of prior years	**(6)**	(7)
	1,269	1,277
Deferred tax		
(Origination)/reversal of temporary differences *(note 19(a))*	**(62)**	43
	1,207	1,320

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

5 INCOME TAX (CONTINUED)

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

(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 (2018: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2019 (2018: 25%) under the Enterprise Income Tax law ("**EIT law**").

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 Customers and the State Administration of Taxation in the PRC, five PRC subsidiaries of the Group are entitled to a preferential income tax rate of 15% for the years ended 31 December 2019 and 2018.

Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, for the portion of annual taxable income which does not exceed RMB1 million, the annual taxable income shall be deducted to 25% and the income tax shall be calculated at the rate of 20%; for the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), the taxable income shall be deducted by 50% and the income tax shall be calculated at the rate of 20%. Approximately 15% of PRC subsidiaries of the Group enjoy this preferential income tax treatment for the year ended 31 December 2019.

(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.

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.

The Group has provided RMB62 million withholding tax in relation to the dividends declared by certain of its subsidiaries to outside of the Mainland of China for 2019 (2018: RMB63 million).

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 (Note 19(d)).

5 INCOME TAX (CONTINUED)

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

	Year ended 31 December	
	2019	2018
		(Note)
	RMB million	*RMB million*
Profit before taxation	**4,252**	4,020
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**1,063**	1,005
Non-deductible expenses, less non-assessable income	**28**	14
PRC dividend withholding tax	**62**	63
Current year losses for which no deferred tax asset was recognised	**224**	189
Temporary differences for which no deferred tax asset was recognised	**25**	54
Utilisation of previously unrecognised tax losses	**(61)**	(46)
Utilisation of previously unrecognised temporary differences	**(43)**	–
Recognition of previously unrecognised tax losses	**(59)**	–
Recognition of previously unrecognised temporary differences	**(25)**	(9)
Reversal of previously recognised deferred tax assets	**16**	64
Statutory tax concession	**(17)**	(7)
Over-provision in respect of prior years	**(6)**	(7)
Actual tax expenses	**1,207**	1,320

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

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

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Balance at beginning of the year	**549**	565
Over-provision in respect of prior years	**(6)**	(7)
Provision for current income tax for the year	**1,275**	1,284
Payment during the year	**(1,359)**	(1,293)
Income tax payables at the end of the year	**459**	549

6 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 December 2019					
	Directors' fees	Salaries, allowances and benefits in kind	Contributions to retirement schemes	Discretionary bonus	Share-based payments *(note 7)*	2019 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Ludovic, Frédéric, Pierre HOLINIER *(effective until 17 May 2019)*	–	1,285	401	186	–	1,872
HUANG Ming-Tuan *(effective from 11 December 2019)*	–	1,007	–	–	–	1,007
Non-executive directors						
ZHANG Yong	–	–	–	–	–	–
Benoit, Claude, Francois, Marie, Joseph LECLERCQ	–	–	–	–	–	–
Edgard, Michel, Marie, BONTE *(effective from 17 May 2019)*	–	–	–	–	–	–
Xavier, Marie, Alain DELOM de MEZERAC	–	–	–	–	–	–
Wilhelm, Louis HUBNER *(effective until 17 May 2019)*	–	–	–	–	–	–
CHEN Jun	–	–	–	–	–	–
Isabelle Claudine, Françoise BLONDÉ ép. BOUVIER *(effective from 17 May 2019)*	–	–	–	–	–	–
Independent non-executive directors						
Karen Yifen CHANG	303	–	–	–	–	303
HE Yi	303	–	–	–	–	303
Desmond MURRAY	374	–	–	–	–	374
Dieter YIH *(effective from 11 December 2019)*	17	–	–	–	–	17
Total	997	2,292	401	186	–	3,876

6 DIRECTORS' EMOLUMENTS (CONTINUED)

	For the year ended 31 December 2018					
	Directors' fees	Salaries, allowances and benefits in kind	Contributions to retirement schemes	Discretionary bonus	Share-based payments *(note 7)*	2018 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Ludovic, Frédéric, Pierre HOLINIER	–	2,438	655	189	–	3,282
HUANG Ming-Tuan *(effective until 30 January 2018)*	–	997	–	–	–	997
Non-executive directors						
ZHANG Yong *(effective from 30 January 2018)*	–	–	–	–	–	–
Benoit, Claude, Francois, Marie, Joseph LECLERCQ	–	–	–	–	–	–
Xavier, Marie, Alain DELOM de MEZERAC	–	–	–	–	–	–
Wilhelm, Louis HUBNER	–	–	–	–	–	–
CHEN Jun *(effective from 30 January 2018)*	–	–	–	–	–	–
Independent non-executive directors						
Karen Yifen CHANG	306	–	–	–	–	306
HE Yi	306	–	–	–	–	306
Desmond MURRAY	377	–	–	–	–	377
Total	989	3,435	655	189	–	5,268

Notes: No director of the Company agreed to waive any remuneration during the year.

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

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five highest paid individuals of the Group during the year, one (2018: one) of whom are directors of the Company, are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**41,785**	41,290
Contributions to retirement schemes	**–**	–
Discretionary bonus	**–**	–
Share-based payments	**–**	–
	41,785	41,290

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

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

	2019 Number of individuals	2018 Number of individuals
HKD6,000,001 – HKD6,500,000	**1**	1
HKD6,500,001 – HKD7,000,000	**2**	–
HKD7,000,001 – HKD7,500,000	**–**	2
HKD13,000,000 – HKD13,500,000	**2**	1
HKD13,501,000 – HKD14,000,000	**–**	1
	5	5

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB1,372 million for the year ended 31 December 2019 (2018: a profit of RMB1,015 million), which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 20(b).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,834 million (2018: RMB2,478 million) (Note) and the weighted average of 9,539,704,700 ordinary shares (2018: 9,539,704,700) in issue during the year.

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

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land held for own use *(Note)*	Other properties leased for own use *(Note)*	Buildings	Leasehold improvements	Store and other equipment	Office equipment	Motor vehicles	Construction in progress	Sub-total *(Note)*	Investment properties *(Note)*	Total *(Note)*
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cost:											
At 1 January 2018	5,079	9,755	11,718	4,560	18,239	2,502	306	1,429	53,588	9,496	63,084
Additions	211	565	139	73	742	428	8	739	2,905	467	3,372
Transfer	–	–	447	72	404	158	15	(1,353)	(257)	256	(1)
Disposals	–	(520)	(10)	(27)	(283)	(100)	(32)	–	(972)	(184)	(1,156)
At 31 December 2018	5,290	9,800	12,294	4,678	19,102	2,988	297	815	55,264	10,035	65,299
At 1 January 2019	**5,290**	**9,800**	**12,294**	**4,678**	**19,102**	**2,988**	**297**	**815**	**55,264**	**10,035**	**65,299**
Additions	**92**	**54**	**163**	**77**	**499**	**257**	**15**	**631**	**1,788**	**129**	**1,917**
Transfer	**–**	**–**	**(122)**	**73**	**198**	**48**	**29**	**(360)**	**(134)**	**132**	**(2)**
Disposals	**–**	**(308)**	**(9)**	**(310)**	**(302)**	**(150)**	**(37)**	**–**	**(1,116)**	**(83)**	**(1,199)**
At 31 December 2019	**5,382**	**9,546**	**12,326**	**4,518**	**19,497**	**3,143**	**304**	**1,086**	**55,802**	**10,213**	**66,015**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Ownership interests in land held for own use *(Note)* *RMB million*	Other properties leased for own use *(Note)* *RMB million*	Buildings *RMB million*	Leasehold improvements *RMB million*	Store and other equipment *RMB million*	Office equipment *RMB million*	Motor vehicles *RMB million*	Construction in progress *RMB million*	Sub-total *(Note)* *RMB million*	Investment properties *(Note)* *RMB million*	Total *(Note)* *RMB million*
Accumulated depreciation and impairment:											
At 1 January 2018	(933)	(2,516)	(3,437)	(2,759)	(9,025)	(1,744)	(233)	–	(20,647)	(2,503)	(23,150)
Charge for the year	(145)	(993)	(425)	(368)	(1,603)	(309)	(31)	–	(3,874)	(560)	(4,434)
Written back on disposals	–	244	8	26	241	95	31	–	645	81	726
Impairment losses	–	(29)	–	(80)	(124)	(6)	–	(45)	(284)	(4)	(288)
At 31 December 2018	(1,078)	(3,294)	(3,854)	(3,181)	(10,511)	(1,964)	(233)	(45)	(24,160)	(2,986)	(27,146)
At 1 January 2019	**(1,078)**	**(3,294)**	**(3,854)**	**(3,181)**	**(10,511)**	**(1,964)**	**(233)**	**(45)**	**(24,160)**	**(2,986)**	**(27,146)**
Charge for the year	**(142)**	**(963)**	**(421)**	**(318)**	**(1,555)**	**(382)**	**(28)**	**–**	**(3,809)**	**(573)**	**(4,382)**
Written back on disposals	**–**	**184**	**7**	**303**	**271**	**138**	**36**	**–**	**939**	**42**	**981**
Impairment losses	**–**	**11**	**–**	**(88)**	**(111)**	**(12)**	**–**	**–**	**(200)**	**3**	**(197)**
At 31 December 2019	**(1,220)**	**(4,062)**	**(4,268)**	**(3,284)**	**(11,906)**	**(2,220)**	**(225)**	**(45)**	**(27,230)**	**(3,514)**	**(30,744)**
Net book value:											
At 31 December 2019	**4,162**	**5,484**	**8,058**	**1,234**	**7,591**	**923**	**79**	**1,041**	**28,572**	**6,699**	**35,271**
At 31 December 2018	4,212	6,506	8,440	1,497	8,591	1,024	64	770	31,104	7,049	38,153

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) All the Group's investment properties, other property, plant and equipment are located in the PRC.

(ii) The Group obtains leasehold land use rights for periods ranging from 30 to 70 years where hypermarket complexes are located among which, part of the hypermarket area and related leasehold land are for own use, and part are sublet to earn rental income, including variable lease payments and fixed lease payments. As at 31 December 2019, the Group had not obtained land use rights certificates for certain land use right which were classified as right-of-use assets (Note 10(viii)), with an aggregate carrying amount of RMB415 million (2018: RMB496 million). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these land use rights as at 31 December 2019 and 2018.

(iii) As at 31 December 2019, the Group was in the process of obtaining property ownership certificates for certain buildings with an aggregate carrying amount of RMB1,883 million (2018: RMB2,104 million). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2019 and 2018.

(iv) As set out in note 1(h), the Group has applied the cost model for its investment properties.

An independent professional valuer has been engaged to measure the fair value of the retail galleries located in the hypermarket buildings owned or leased by the Group. The valuation included the fair value of the buildings, the associated leasehold land use rights and the right-of-use assets related to the lease properties used for the retail galleries which were classified as investment properties. As at 31 December 2019, the total fair value of the investment properties was RMB22,775 million (2018: RMB24,476 million).

The valuation technique and significant unobservable inputs used to estimate the fair value of the investment properties are set forth in the table of note 10(v). The fair value measurement for investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used. There have been no changes in valuation technique compared to that used in the prior year.

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(v)

Valuation technique	Significant unobservable inputs
Income approach by capitalising the net rental incomes derived from the existing tenancies with due allowance for any reversionary income potential of the properties.	• Market rent: The market rent is estimated according to the comparable properties in close proximity. The higher the market rent, the higher the fair value of the properties. • Yield: The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. The range of adopted yield is from 5.0% to 7.0% (2018: 5.25% to 7.50%) according to different cities. The higher the yield, the lower the fair value of the properties.

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

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Within 1 year	**3,671**	3,406
After 1 year but within 5 years	**1,279**	1,191
After 5 years	**426**	425
	5,376	5,022

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

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(vii) As at 31 December 2019, the carrying amount of leasehold improvements, equipment and right-of-use assets in certain stores of the Group were written down to their estimated recoverable amount of RMB180 million. The impairment losses of RMB197 million (2018: RMB288 million) were recognised in “Operating costs” during the year ended 31 December 2019.

The estimates of recoverable amount were determined based on the higher of the stores’ value in use and its fair value less costs of disposal. In determining the value in use, the post-tax discount rate of 10.00% (2018: 10.86%) was used, reflecting the current market assessment of the time of money and the risk specific to the stores. In determining the fair value of the relevant assets, the level of fair value hierarchy, the valuation techniques and each key assumption on which management based the estimates are disclosed in note 10(v).

(viii) Right-of-use assets

The analysis of the net book value of the Group’s right-of-use assets by class of underlying asset is as follows:

	At 31 December 2019 *RMB million*	At 31 December 2018 *RMB million*
Included in “Other property, plant and equipment”:		
Ownership interests in leasehold land for own use	**4,162**	4,212
Other properties leased for own use	**5,484**	6,506
	9,646	10,718
Included in “Investment properties”:		
Leasehold investment properties	**2,994**	3,331
	12,640	14,049

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(viii) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019	2018
		(Note)
	RMB million	*RMB million*
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land for own use	**142**	145
Other properties leased for own use	**963**	993
Leasehold investment properties	**333**	344
	1,438	1,482
Interest on lease liabilities *(note 4(a))*	**615**	660
Expense relating to short-term leases and leases of low value assets	**390**	377
Variable lease payments not included in the measurement of lease liabilities	**811**	851

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

During the year, additions to right-of-use assets were RMB179 million which were primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 15(b) and 17, respectively.

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(viii) Right-of-use assets (continued)

(a) Ownership interests in leasehold land for own use

The Group has obtained land use rights in Mainland China where certain hypermarket complexes are located. The land use rights are typically granted for 30-70 years, on the expiry of which the land reverts back to the PRC state. The payment for leasing the land is normally made in full at the start of the land use right period.

(b) Other properties leased for own use

The Group has obtained the right to use certain properties to operate its hypermarket business or as warehouses and offices through tenancy agreements. The leases typically run for an enforceable period of 5-20 years for hypermarket business and 1-20 years for warehouses and offices. Lease payments are increased on an agreement-to-agreement basis to reflect market rentals.

Some leases include an option to renew the lease for an additional period after the end of the contract term or early terminate before the contract term. Where practicable, the Group seeks to include such extension options or early termination options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or early termination options. If the Group is not reasonably certain to exercise the extension options or early termination options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted) *RMB million*	**Potential future lease payments under termination/ extension options not included in lease liabilities (undiscounted)** *RMB million*
Retail stores – PRC	2,383	6,324

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(viii) Right-of-use assets (continued)

(b) Other properties leased for own use (continued)

During the year ended 31 December 2019, the Group leased a number of buildings for use as hypermarket stores and for sublease which contain variable lease payment terms that are based on sales generated from the hypermarket stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in the Mainland China where the Group operates. The following table sets out the relative amounts of fixed and variable lease payments during the year:

	Fixed payments *RMB million*	Variable payments *RMB million*	Total payments *RMB million*
Retail stores – PRC	615	811	1,426

At 31 December 2019, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by RMB41 million.

11 INTANGIBLE ASSETS-SOFTWARE

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Cost:		
At 1 January	**196**	184
Additions	**8**	11
Transfer from construction in progress	**2**	1
Disposal	**(12)**	–
	194	196
Accumulated amortisation:		
At 1 January	**(157)**	(133)
Charge for the year	**(22)**	(24)
Impairment	**(1)**	–
Disposal	**11**	–
	(169)	(157)
Net book value:		
At 1 January	**39**	51
At 31 December	**25**	39

The amortisation charge is recognised in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

12 GOODWILL

Goodwill arose on the acquisition of subsidiaries and there is no individual cash-generating unit to which the goodwill allocated is significant to the consolidated financial statements.

13 INVENTORIES

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

	At 31 December	
	2019	2018
	RMB million	*RMB million*
Trading merchandise	**17,724**	14,468

(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	
	2019	2018
	RMB million	*RMB million*
Carrying amount of inventories sold	**69,614**	74,133
(Reversal of write down)/write down of inventories	**(30)**	42
	69,584	74,175

All inventories are expected to be sold within one year.

14 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2019	2018
		(Note)
	RMB million	*RMB million*
Trade receivables	**423**	372
Amounts due from related parties *(note 24(d))*	**333**	128
Value-added tax recoverable	**1,049**	892
Prepayments:		
– rentals	**345**	378
– property, plant and equipment and intangible assets	**74**	42
Other debtors	**738**	837
Trade and other receivables	**2,962**	2,649

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

The Group's trade receivables relate to credit card sales and sales through online sales channels, 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 mainly represent prepayments for variable rents and deposits which may be offset against future rentals due to landlords of hypermarket premises leased by the Group in accordance with the related 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 or occupation of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year. Details of the Group's credit policy are set out in note 21(a).

15 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December	
	2019	2018
	RMB million	*RMB million*
Deposits with banks within three months of maturity	**875**	175
Cash at bank and on hand	**4,324**	5,686
Other financial assets and cash equivalents	**8,052**	7,608
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**13,251**	13,469

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

(b) **Total cash outflow for leases**

Amounts included in the cash flow statement for leases comprise the following:

	2019	2018
		(Note)
	RMB million	*RMB million*
Within operating cash flows	**1,168**	1,045
Within investing cash flows	**133**	214
Within financing cash flows	**1,701**	1,736
	3,002	2,995

Note: The Group has initially applied HKFRS 16 using the full retrospective approach. Previously under HKAS 17, cash payments under operating leases made by the Group as a lessee were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element and classified as financing cash outflows. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

15 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Total cash outflow for leases (continued)

These amounts relate to the following:

	2019 RMB million	2018 RMB million
Lease rentals paid	**2,869**	2,781
Purchase of leasehold properties	**133**	214
	3,002	2,995

16 TRADE AND OTHER PAYABLES

	At 31 December	
	2019 RMB million	2018 (Note) RMB million
Trade payables	**18,267**	18,588
Amounts due to related parties *(note 24(d))*	**217**	297
Construction costs payable	**902**	1,273
Dividends payable to non-controlling interests	**202**	193
Accruals and other payables	**6,239**	6,091
Trade and other payables	**25,827**	26,442

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

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

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

	At 31 December	
	2019 RMB million	2018 RMB million
Within six months	**17,999**	18,293
After six months but within 12 months	**268**	295
	18,267	18,588

17 LEASE LIABILITIES

The following table shows the remaining maturities of the Group's reasonably certain lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	At 31 December 2019		At 31 December 2018	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB million	***RMB million***	*RMB million*	*RMB million*
Within 1 year	**1,057**	**1,634**	1,048	1,659
After 1 year but within 2 years	**1,099**	**1,563**	1,158	1,724
After 2 years but within 5 years	**2,442**	**3,504**	3,513	4,673
After 5 years	**3,970**	**5,290**	4,151	5,584
	7,511	**10,357**	8,822	11,981
	8,568	**11,991**	9,870	13,640
Less: total future interest expenses		**(3,423)**		(3,770)
Present value of lease liabilities		**8,568**		9,870

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

18 CONTRACT LIABILITIES AND RESTRICTED DEPOSITS

(a) Contract liabilities

	Note	**31 December 2019 RMB million**	31 December 2018 RMB million
Prepaid cards	*(i)*	**9,944**	8,690
Advance receipts from customers for sales of merchandise	*(ii)*	**705**	404
Customer loyalty program points liability	*(iii)*	**20**	13
Contract liabilities		**10,669**	9,107

(i) Revenue is recognised when customers accept the products so revenue from prepaid cards is recognised when the prepaid cards are redeemed by customers or when the likelihood of future utilisation can be determined to be remote with a sufficiently high degree of probability. Based on recent trends in redemption by customers of the prepaid cards, it is expected that most of the prepaid cards will be redeemed within one year from purchase.

(ii) The amounts of consideration received in advance as prepayments by merchandise customers are short term as the respective revenue is expected to be recognised within a few days when the goods are delivered to customers.

(iii) The Group operates a customer loyalty programme for sales to Business to Business ("**B2B**") customers where points can be earned by customers and to be used to reduce the cost of future purchases. The contract liability in respect of unredeemed B2B customer loyalty points will be recognised as revenue when the points are redeemed by those customers or expire, which is expected to occur before the end of the following year based on the expiry terms of the loyalty points.

18 CONTRACT LIABILITIES AND RESTRICTED DEPOSITS (CONTINUED)

(a) Contract liabilities (continued)

Movements in contract liabilities:

	Prepaid cards *RMB million*	Advance receipts from customers *RMB million*	Loyalty program points liability *RMB million*	Total *RMB million*
Balance at 1 January 2018	8,225	289	–	8,514
Decrease in contract liabilities as a result of recognising revenue or other income during the year that was included in the contract liabilities at the beginning of the year	(4,449)	(289)	–	(4,738)
Increase in contract liabilities excluding amounts recognised as revenue during the year	4,914	404	13	5,331
Balance at 31 December 2018	8,690	404	13	9,107
Balance at 1 January 2019	**8,690**	**404**	**13**	**9,107**
Decrease in contract liabilities as a result of recognising revenue or other income during the year that was included in the contract liabilities at the beginning of the year	**(4,693)**	**(404)**	**(13)**	**(5,110)**
Increase in contract liabilities excluding amounts recognised as revenue during the year	**5,947**	**705**	**20**	**6,672**
Balance at 31 December 2019	**9,944**	**705**	**20**	**10,669**

Except for the disclosures above related to redemptions of prepaid cards, advance receipts from customers and customer loyalty program points, the Group applies the practical expedient in paragraph 121 of IFRS 15 for other sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

(b) Restricted deposits

	At 31 December	
	2019 ***RMB million***	2018 *RMB million*
Restricted deposits	**769**	–

Restricted deposits represent deposits based on unutilised prepaid cards balance and stipulated by PRC authorities in certain regions to be held in specified bank accounts with restricted usage.

19 DEFERRED TAX ASSETS AND LIABILITIES

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

	Tax losses	Fair value adjustment in relation to business combinations	Depreciation and amortisation charges in excess of depreciation and amortisation allowances	Income recognized from aged unutilized prepaid cards	Accruals and other timing differences *(Note)*	Depreciation charges of right-of-use assets *(Note)*	Total *(Note)*
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2018	16	(9)	261	(115)	107	518	778
(Charged)/credited to profit or loss	19	–	(37)	(83)	12	46	(43)
At 31 December 2018	35	(9)	224	(198)	119	564	735
At 1 January 2019	**35**	**(9)**	**224**	**(198)**	**119**	**564**	**735**
(Charged)/credited to profit or loss	**51**	**–**	**3**	**(48)**	**32**	**24**	**62**
At 31 December 2019	**86**	**(9)**	**227**	**(246)**	**151**	**588**	**797**

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

	At 31 December	
	2019	2018 *(Note)*
	RMB million	*RMB million*
Net deferred tax assets	**1,052**	942
Net deferred tax liabilities	**(255)**	(207)
	797	735

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(v), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB3,503 million as at 31 December 2019 (2018: RMB3,543 million), as it is not probable that future taxable profits against which these losses can be utilised will be available in the subsidiaries concerned.

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

	At 31 December	
	2019	2018
	RMB million	*RMB million*
2019	**–**	428
2020	**623**	762
2021	**785**	926
2022	**552**	671
2023	**645**	756
2024	**898**	–
	3,503	3,543

(d) Deferred tax liabilities not recognised

No deferred tax liabilities were provided on post-2007 undistributed profits of the Group's PRC subsidiaries for which the Group has no plan to distribute them outside the PRC in the foreseeable future. As at 31 December 2019, such undistributed profits amounted to RMB7,639 million (2018: RMB6,239 million (Note)).

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company:

	Share capital *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
Balance at 1 January 2018	10,020	13,322	(425)	1,420	24,337
Changes in equity for 2018:					
Profit for the year	–	–	–	1,015	1,015
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	1,015	1,015
Dividends declared and paid in respect of the previous year	–	–	–	(1,238)	(1,238)
Balance at 31 December 2018	10,020	13,322	(425)	1,197	24,114
Balance at 1 January 2019	**10,020**	**13,322**	**(425)**	**1,197**	**24,114**
Changes in equity for 2019:					
Profit for the year	**–**	**–**	**–**	**1,372**	**1,372**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**1,372**	**1,372**
Share-based payments	**–**	**(4)**	**–**	**–**	**(4)**
Dividends declared and paid in respect of the previous year	**–**	**–**	**–**	**(1,171)**	**(1,171)**
Balance at 31 December 2019	**10,020**	**13,318**	**(425)**	**1,398**	**24,311**

20 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2019 **RMB million**	2018 *RMB million*
Final dividend proposed after the end of the reporting period of HKD0.15 (equivalent to RMB0.14) per ordinary share (2018: HKD0.14 (equivalent to RMB0.12) per ordinary share)	**1,290**	1,139

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 HKD0.14 (equivalent to RMB0.12) per ordinary share in respect of the year ended 31 December 2018 was approved on 17 May 2019, and the payment was made in June 2019 for an amount equivalent to RMB1,171 million.

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 the payment was made on 15 June 2018 for an amount equivalent to RMB1,238 million.

(c) Share capital

	2019			2018		
	No. of shares	***HKD million***	***RMB million***	*No. of shares*	*HKD million*	*RMB million*
Ordinary shares, issued and fully paid:						
At 1 January and 31 December	**9,539,704,700**	**11,697**	**10,020**	9,539,704,700	11,697	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. All ordinary shares rank equally with regard to the Company's residual assets.

20 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly arises from

- the issuance of ordinary shares to acquire the non-controlling interests in ACHK and Concord Champion International Limited ("CCIL");
- the excess of the cash injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired (see note 4(b)(ii));
- accumulated share-based payments in relation to stock options and shares granted by Auchan Holding to certain employees of the Group (see note 4(b)(iii)); and
- acquisition of additional non-controlling interests.

(ii) Exchange reserve

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

(iii) Statutory reserve

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

(e) Distributability of reserves

As at 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section Part 6 of the CO was RMB1,398 million (2018: RMB1,197 million). After the end of the reporting period the directors proposed a final dividend of HKD0.15 (equivalent to RMB0.14) per ordinary share, amounting to RMB1,290 million (see note 20(b)). This dividend has not been recognised as a liability at the end of the reporting period.

20 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

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

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

Neither the Company nor any of its subsidiaries have significant bank borrowings or are subject to externally imposed capital requirements.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and cash equivalents, time deposits and trade and other receivables. Financial liabilities of the Group include loans and other financial liabilities, lease liabilities and trade and other payables.

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

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

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

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

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Investments and other cash equivalents in short-term financial products are arranged with financial institutions, which management believes are of high credit quality. Pursuant to the agreements with the financial institutions, there is limited credit risk on the principal amounts, as these are guaranteed by the financial institutions.

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

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

(b) Liquidity risk

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

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

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

The Group had net current liabilities of RMB3,290 million as at 31 December 2019 (2018: RMB6,546 million) (Note). The Group generated net cash from operating activities amounting to RMB4,605 million for the year ended 31 December 2019 (2018: RMB8,153 million) (Note), and had RMB3,136 million of unutilised loan facilities available as at 31 December 2019 (2018: RMB3,686 million). In view of the profitability, operating cash flows and availability of loan facilities of the Group, the directors consider the Group will have adequate liquid funds for its working capital and capital expenditure requirements for the foreseeable future.

Note: The Group has initially adopted HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

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

	At 31 December 2019					
	Contractual undiscounted cash flow					
	Within 1 year or on demand *RMB million*	**More than 1 year but less than 2 years** *RMB million*	**More than 2 years but less than 5 years** *RMB million*	**More than 5 years** *RMB million*	**Total** *RMB million*	**Financial statement carrying amount** *RMB million*
Lease liabilities	**1,634**	**1,563**	**3,504**	**5,290**	**11,991**	**8,568**
Trade and other payables	**25,827**	**–**	**–**	**–**	**25,827**	**25,827**
Other financial liabilities	**–**	**–**	**–**	**50**	**50**	**50**
At 31 December 2019	**27,461**	**1,563**	**3,504**	**5,340**	**37,868**	**34,445**

	At 31 December 2018					
	Contractual undiscounted cash flow					
	Within 1 year or on demand *(Note)* *RMB million*	More than 1 year but less than 2 years *(Note)* *RMB million*	More than 2 years but less than 5 years *(Note)* *RMB million*	More than 5 years *(Note)* *RMB million*	Total *(Note)* *RMB million*	Financial statement carrying amount *(Note)* *RMB million*
Bank loans	1	–	–	–	1	1
Lease liabilities	1,659	1,724	4,673	5,584	13,640	9,870
Trade and other payables	26,442	–	–	–	26,442	26,442
Other financial liabilities	–	–	–	50	50	50
At 31 December 2018	28,102	1,724	4,673	5,634	40,133	36,363

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

(i) Interest rate profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

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

The Group's cash at bank, time deposits, interest-bearing borrowings and interest rates as at 31 December 2019 and 2018 are set out as follows:

	2019		2018	
	Effective interest rate	**Carrying Amount** *RMB million*	Effective interest rate	Carrying Amount *RMB million*
Variable rate instruments:				
Cash at bank and time deposits within three months of maturity	**0.30%~1.76%**	**4,959**	0%~2.90%	5,470
Other financial assets	**2.65%~3.85%**	**6,365**	1.80%~4.45%	6,858
		11,324		12,328
Fixed rate instruments:				
Time deposits	**0.50%~0.80%**	**16**	0.50%~0.80%	15
Other financial assets	**2.40%~3.85%**	**1,538**	3.95%~4.10%	472
Restricted deposits	**1.89%**	**769**	N/A	–
Bank loans	**N/A**	**–**	5.80%~6.05%	(1)
Lease liabilities *(Note)*	**5.88%~8.98%**	**(8,568)**	5.88%~8.98%	(9,870)
		(6,245)		(9,384)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information has been restated. See note 1(c).

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates prevailing at the reporting dates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB85 million for the year ended 31 December 2019 (2018: RMB92 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at each reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2019 and 2018.

(d) Currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant.

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

(e) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuation: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuation: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuation: Fair value measured using significant unobservable inputs.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 10(v) – investment properties.

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2019 and 2018, except for the amounts due from/to related parties which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

22 COMMITMENTS

(a) Capital commitments

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

	At 31 December	
	2019	2018
	RMB million	*RMB million*
Contracted for	**1,469**	1,524
Authorised but not contracted for	**467**	1,550
	1,936	3,074

23 CONTINGENCIES

Legal claims

As at 31 December 2018, legal actions have commenced against the Group by certain customers and certain suppliers and landlords in respect of disputes on purchase agreements and property lease arrangements. The total amount claimed is RMB470 million (2018: RMB436 million). As at 31 December 2018, the legal actions were ongoing, with most of the actions not yet set for trial dates. Provision of RMB155 million (2018: RMB34 million) has been made within trade and other payables as at 31 December 2019, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Short-term employee benefits	**72**	80
Post-employment benefits	**–**	–
Share-based payments	**–**	–
	72	80

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

(b) Identity of related parties

During the years ended 31 December 2019 and 2018, the directors are of the view that the following entities are related parties of the Group:

Name of party	**Relationship**
Auchan Holding and its subsidiaries	Ultimate holding company and its subsidiaries
Hwabao Trust Co., Ltd.	Trustee of RT-Mart and Auchan Scheme trusts
Alibaba Group and its subsidiaries	The shareholder and its subsidiaries

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions

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

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Agency fees receivable *(i)*	**39**	47
Other fees receivable *(ii)*	**163**	75
Trademark fee payable *(iii)*	**23**	23
Other expenses payable for business cooperation *(iv)*	**1,010**	230
Purchase of goods *(v)*	**187**	152
Sales of goods *(vi)*	**323**	–
Commission income *(vii)*	**15**	–
Technical service fee payable	**5**	–
Purchase of fixed assets *(viii)*	**41**	–

The above related party transactions in respect of (i) agency fees receivable, (ii) other fees receivable, (iii) trademark fee payable, (iv) business cooperation payable, (v) purchase of merchandise from Alibaba Group and its subsidiaries, (vi) sales of goods to Alibaba Group and its subsidiaries, (vii) Commission income and (viii) Purchase of fixed assets above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the section "Connected Transactions" in the Report of Directors. The trademark fees payable (iii) and technical service fee payable are continuing connected transactions but are exempted from these disclosure requirements as they are below the de minimis threshold under Rule 14A.76(1).

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Other related party transactions		
Purchase of goods	**–**	4
Purchase of fixed assets *(viii)*	**1**	56
IT services fee payable *(ix)*	**1**	29
Expenses payable *(x)*	**35**	111
Contributions to Employee Trust Benefit Schemes *(note 4(b))*	**372**	335

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions (continued)

(i) Agency fees receivable relates to amounts accrued from international suppliers by a subsidiary of Auchan Holding, net of fees payable to the subsidiary of Auchan Holding.

(ii) Other fees receivable represents fees receivable from subsidiaries of Alibaba Group.

(iii) Trademark fees payable represents the fees charged by a subsidiary of Auchan Holding for the grant of licenses to the Group to use the Auchan trademarks and domain names.

(iv) Other expenses payable represents expenses payable to Alibaba Group and its subsidiaries in respect of the services provided under the respective business cooperation agreements.

(v) Purchase of goods represents purchase of merchandise from subsidiaries of Alibaba Group.

(vi) Sales of goods represents sales of merchandise to subsidiaries of Alibaba Group.

(vii) Commission income represents the income from a subsidiary of Alibaba Group for consignment sales.

(viii) Purchase of fixed assets represents purchase of equipment from a subsidiary of Alibaba Group.

(ix) IT services fee payable represents the fees charged by subsidiaries of Auchan Holding for IT support and services provided.

(x) Expenses payable primarily relate to personnel and administrative costs paid by Auchan Holding and its subsidiaries on behalf of the Group, which are reimbursed and expensed by the Group.

(d) Related party balances

	At 31 December	
	2019	2018
	RMB million	*RMB million*
Amounts due from Auchan Holding and its subsidiaries	**30**	40
Amounts due from Alibaba Group and its subsidiaries	**301**	88
Amounts due from the joint venture	**2**	–
Amounts due to Auchan Holding and its subsidiaries	**97**	197
Amounts due to Alibaba Group and its subsidiaries	**120**	100

25 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2019 RMB million	2018 RMB million
Non-current assets		
Investments in subsidiaries	**16,437**	16,485
Trade and other receivables	**6,293**	–
Investment in a joint venture	**2**	2
	22,732	16,487
Current assets		
Trade and other receivables	**1,500**	7,553
Cash and cash equivalents	**134**	108
	1,634	7,661
Current liabilities		
Trade and other payables	**55**	34
Net current assets	**1,579**	7,627
Net assets	**24,311**	24,114
Capital and reserves		
Share capital	**10,020**	10,020
Reserves	**14,291**	14,094
Total equity	**24,311**	24,114

Approved and authorised for issue by the board of directors on 20 February 2020.

HUANG Ming-Tuan
Executive Director

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

26 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the full retrospective approach. Under this approach, comparative information is restated. Further details of the changes in accounting policies are disclosed in note 1(c).

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors consider the immediate parent of the Group is A-RT Retail Holdings Limited, which is incorporated in Hong Kong. The ultimate controlling party of the Group is Auchan Holding, which is incorporated in France.

28 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Depreciation

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

(b) Provision for inventories

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

28 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Income tax

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

(d) Impairment of other assets (mainly investment properties and other property, plant and equipment including right-of-use assets, intangible assets and goodwill)

As stated in note 1(n)(ii), an impairment loss is recognised in profit and loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. At the end of each reporting period, the Group reviews the recoverable amount of investment properties and other property, plant and equipment, intangible assets and goodwill which involves judgement on the determination of their fair value less costs of disposal and value in use. The fair value less costs of disposal is determined based on market comparison approach by reference to recent market rents of comparable assets and the value in use is determined by discounting projected cash flow series associated with the assets using risk-adjusted discount rates. Any change in the assumptions underlying these projections and fair values: would increase or decrease the recoverable amount of fixed assets, intangible assets and goodwill.

(e) Other income arising from recognition of unutilised balances on aged prepaid cards

As stated in note 1 (x) (iii), other income arising from recognition of unutilised balances on aged prepaid cards is recognised according to the "remote recognition" method. Under this policy, the unutilised balance on the card will be recognised as other income once it is possible to determine with a sufficiently high degree of probability that the likelihood of future utilisation is remote.

Estimating amounts which are unlikely to be utilised in the future involves the exercise of significant judgement in determining the length of time that needs to elapse before the risk of future utilisation for each group of aged prepaid cards can be considered remote. Any change in these judgements would increase or decrease the amount of other income recognised and affect the Group's net asset value.

28 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Determining the lease term

As explained in note1(k) the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options or early termination options exercisable by the Group, the Group exercises judgement to evaluate the likelihood of exercising the renewal options or early termination options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken, penalties for early termination and the importance of that underlying asset to the Group's operation. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years. The Group also exercises judgement to determine whether there is a significant event or significant change in circumstance that is within the Group's control that would require the lease term to be reassessed.

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

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

30 INTEREST IN SUBSIDIARIES

The principal activity of the Company is investment holding.

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

Held directly by the Company:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2019	2018			*(million)*
CCIL	*(ii)*	**100%**	100%	Investment holding	USD	112
ACHK	*(ii)*	**100%**	100%	Investment holding	USD	216
Shanghai Art Management and Service Co., Ltd.		**100%**	100%	Consulting Service	USD	0.1
Feiniu E-Commerce Hong Kong Limited.	*(ii)*	**100%**	100%	E-commerce	RMB	1,122
Fields Hong Kong Limited	*(ii)*	**90.02%**	90.02%	E-commerce	HKD	125

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2019	2018			*(million)*
RT-MART Holdings Limited	*(ii)*	**100%**	100.00%	Investment holding	USD	112
Concord Investment (China) Co., Ltd.	*(v)*	**92.83%**	92.83%	Investment holding and procurement center	USD	248
Beihai RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	3
Changshu RT-MART Hypermarket Co., Ltd.		**92.83%**	92.83%	Retailing	USD	7
Changzhou Guanhe RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Dafeng Ruentex Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	16
Foshan Shunde RT-Mart Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	7
Fuyang RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Guangdong Runhua Commercial Co., Ltd.		**92.83%**	92.83%	Procurement center	USD	20/0.8
Guangzhou Ruenping Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Guangzhou Tianmei Ruenfu Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	3
Haikou Guoxing RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Hainan RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Hangzhou Xiaoshan Ruenhua RT-MART Hypermarket Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Hefei Feicui RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Ji'nan Lixia RT-MART Commercial and Trading Co., Ltd.		**92.83%**	92.83%	Procurement center	USD	0.5
People's RT-MART Limited Jinan	*(iii)*	**88.86%**	88.86%	Retailing	USD	21
Jiaxing Xiuzhou Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	RMB	15
Jianhu RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	10
Jiangsu Bairuen Logistics Co., Ltd.	*(iv)*	**92.83%**	92.83%	Retailing	RMB	1
Kunshan Qiandeng Ruenping Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	17
Kunshan Ruenhua Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	RMB	165
Liyang RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Lianyungang Ruenliang Commercial and Trading Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Liuzhou Ruenping Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Nanjing Zhongshang Jinruenfa Longjiang Hypermarket Co., Ltd.	*(iv)*	**92.83%**	92.83%	Retailing	RMB	5
Nantong Tongruenfa Hypermarket Co., Ltd.	*(iv)*	**92.83%**	92.83%	Retailing	RMB	5
Nantong Tongzhou Ruentex Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	7

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL:

Name of companies	Note	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2019	2018			*(million)*
Pinghu RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	12
Wuhu RT-MART Commercial and Trading Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Qingdao Ruentex Enterprises Co., Ltd.		**92.83%**	92.83%	Retailing	RMB	200
Rugao RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Xiamen Ruenrui Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
RT-MART Limited Shanghai	*(iii)*	**92.83%**	92.83%	Retailing	USD	30
Shanghai Fengxian RT-MART Commercial and Trading Co., Ltd.		**92.83%**	92.83%	Retailing	USD	3
Shanghai Jiading Anting RT-MART Commercial and Trading Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Shanghai Sanlin RT-MART Commercial and Trading Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Shanghai Sijing RT-MART Commercial and Trading Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Shaoguan RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Shenzhen RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Shuyang Ruentex Commercial Co., Ltd.	*(iv)*	**92.83%**	92.83%	Retailing	RMB	15
Suzhou Xuguan Ruenhua Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Suzhou Ruende Commercial Co., Ltd.	*(iv)*	**92.83%**	92.83%	Retailing	RMB	3
Suzhou Ruenrui Commercial Co., Ltd.	*(iv)*	**92.83%**	92.83%	Retailing	RMB	9
Taixing Ruentex Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Tonglu RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	6
Wuxi Tianruenfa Hypermarket Co., Ltd.	*(iv)*	**92.83%**	92.83%	Retailing	RMB	10
Wujiang Ruenliang Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Wujiang Ruentex Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Wuhan RT-MART Jianghan Hypermarket Development Co., Ltd.		**92.83%**	92.83%	Retailing and procurement center	USD	8
Suqian Ruenliang Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Xuzhou Ruenping Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	4
Yangzhou Ruenliang Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Yongkang Ruentex Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	7
Zhaoqing RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Zhenjiang RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2
Zibo RT-MART Commercial Co., Ltd.		**92.83%**	92.83%	Retailing	USD	2

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by ACHK:

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2019	2018	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Auchan (China) Investment Co., Ltd.	*(v)*	**99.78%**	99.10%	Consulting service, investment and wholesale	USD	367/353
Shanghai Auchan Hypermarkets Co., Ltd.	*(iii)*	**99.78%**	99.10%	Retailing	USD	18
Suzhou Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	RMB	220
Hangzhou Auchan Hypermarkets Co., Ltd.	*(iii)*	**99.78%**	99.10%	Retailing	USD	23
Chengdu Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	RMB	110
Beijing Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	RMB	146
Shanghai New Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	RMB	128
Nanjing Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	RMB	50
Ningbo Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	RMB	72
Taizhou Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	USD	10
Changzhou Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	RMB	122
Anhui Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	USD	12
Zhenjiang Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	USD	12
Wuxi Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	USD	10/8
Nantong Auchan Hypermarkets Co., Ltd.		**99.78%**	99.10%	Retailing	USD	14
Jiaxing Auchan Hypermarket Co., Ltd.		**99.78%**	99.10%	Retailing	USD	6
Huzhou Auchan Hypermarket Co., Ltd.		**99.78%**	99.10%	Retailing	USD	10
Meizhou Auchan Hypermarket Co., Ltd.		**99.78%**	99.10%	Retailing	USD	7

Note:

(i) The above list contains only the particulars of the subsidiaries which materially affect the results or financial position of the Group.

(ii) RT-Mart Holdings Limited, ACHK, Feiniu Hong Kong and Fields Hong Kong are incorporated in Hong Kong. CCIL is incorporated in the Cayman Islands. All other subsidiaries are established and operated in the PRC.

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

(iv) These subsidiaries are domestic enterprises.

(v) CIC and ACI are sino-foreign equity joint ventures.

Except for (iii), (iv)and (v), all other subsidiaries of the Group which are established in the PRC are wholly foreign owned enterprises.

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

31 SUBSEQUENT EVENTS

(a) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 20(b).

(b) The spread of the COVID-19 virus has impacts on the Group's market and operating environment in China. The Group's hypermarkets under both banners fall under the consumer necessity industry, and their operations have not been substantially impacted by the spread of the epidemic up to the date of this annual report. However, as a result of cooperating with the government's measures implemented against the spread of the epidemic, some tenants renting the Group's gallery space in hypermarket complexes have been required to temporarily suspend their operations. Up to the date of this annual report, some of these tenants have been permitted to reopen their businesses.

The Group's management is closely monitoring the impacts of the COVID-19 situation but as the duration of the virus is uncertain at this stage, it is too early to predict any material impact on the results for 2020.

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

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB million				
Revenue	**95,357**	99,359	102,320	100,441	96,414
Gross profit	**25,731**	25,119	24,674	23,981	22,463
Profit from Operations	**4,890**	4,698	5,003	4,413	4,012
Profit for the Year	**3,045**	2,700	2,934	2,500	2,328
Profit attributable to:					
Equity shareholders of the Company	**2,834**	2,478	2,713	2,451	2,317
Non-Controlling Interests	**211**	222	221	49	11

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB million				
Total assets	**71,186**	69,875	68,732	67,396	62,511
Total liabilities	**45,828**	46,226	46,517	45,836	42,003
Equity attributable to:					
Equity shareholders of the Company	**23,925**	22,287	21,047	20,595	19,677
Non-Controlling Interests	**1,433**	1,362	1,168	965	831

As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. The Group has elected to use the full retrospective approach and has therefore applied the new standards retrospectively to the comparative information for each prior reporting period presented. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are restated retrospectively in those years.

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

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

SUN ART
Retail Group Ltd.

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